


Annual Financial Report (Unaudited)



For the Fiscal Year Ended August 31, 2013





Texas Department of Transportation
Annual Financial Report
(Unaudited)
For the Fiscal Year Ended August 31, 2013

This page is intentionally blank.

**Texas Department of Transportation
Annual Financial Report
For the Fiscal Year Ended August 31, 2013**

TABLE OF CONTENTS

1: INTRODUCTORY SECTION (unaudited)

Letter of Transmittal.....	1
Organization Chart	4
Commission and Key Personnel.....	5

2: FINANCIAL SECTION

Management's Discussion and Analysis (unaudited)

Management's Discussion and Analysis	10
--	----

Basic Financial Statements

Entity-wide Financial Statements

Statement of Net Position.....	20
Statement of Activities	22

Fund Financial Statements

Governmental Fund Financial Statements

Balance Sheet	24
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	25
Statement of Revenues, Expenditures and Changes in Fund Balances	26
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	27

Proprietary Funds Financial Statements

Statement of Net Position.....	28
Statement of Revenues, Expenses and Changes in Net Position.....	29
Statement of Cash Flows.....	30

Fiduciary Fund Financial Statements

Statement of Fiduciary Net Position (Agency Funds).....	32
---	----

Notes to the Financial Statements	33
---	----

Required Supplementary Information Other Than MD&A (unaudited)

Modified Approach to Reporting Infrastructure Assets.....	82
---	----

2: FINANCIAL SECTION (continued)

Other Supplementary Information - Combining Financial Statements

Governmental Funds

Major Governmental Funds

State Highway Fund Accounts Combining Financial Statements 86

Combining Balance Sheet 87

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 88

Texas Mobility Fund Accounts Combining Financial Statements 89

Combining Balance Sheet 90

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 91

Nonmajor Governmental Funds

Combining Balance Sheet 92

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 93

General Fund Accounts

Combining Balance Sheet 94

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 95

Nonmajor Capital Projects Funds

Combining Balance Sheet 96

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 97

Fiduciary Funds

Agency Funds

Combining Statement of Changes in Assets and Liabilities 98

3: OTHER INFORMATION

Schedule 1A – Schedule of Expenditures of Federal Awards (unaudited) 102

Schedule 1B – Schedule of State Pass-Through Grants from/to State Agencies (unaudited) 109

Bond Schedules

Schedule 2A – Miscellaneous Bond Information 110

Schedule 2B – Changes in Bonded Indebtedness 112

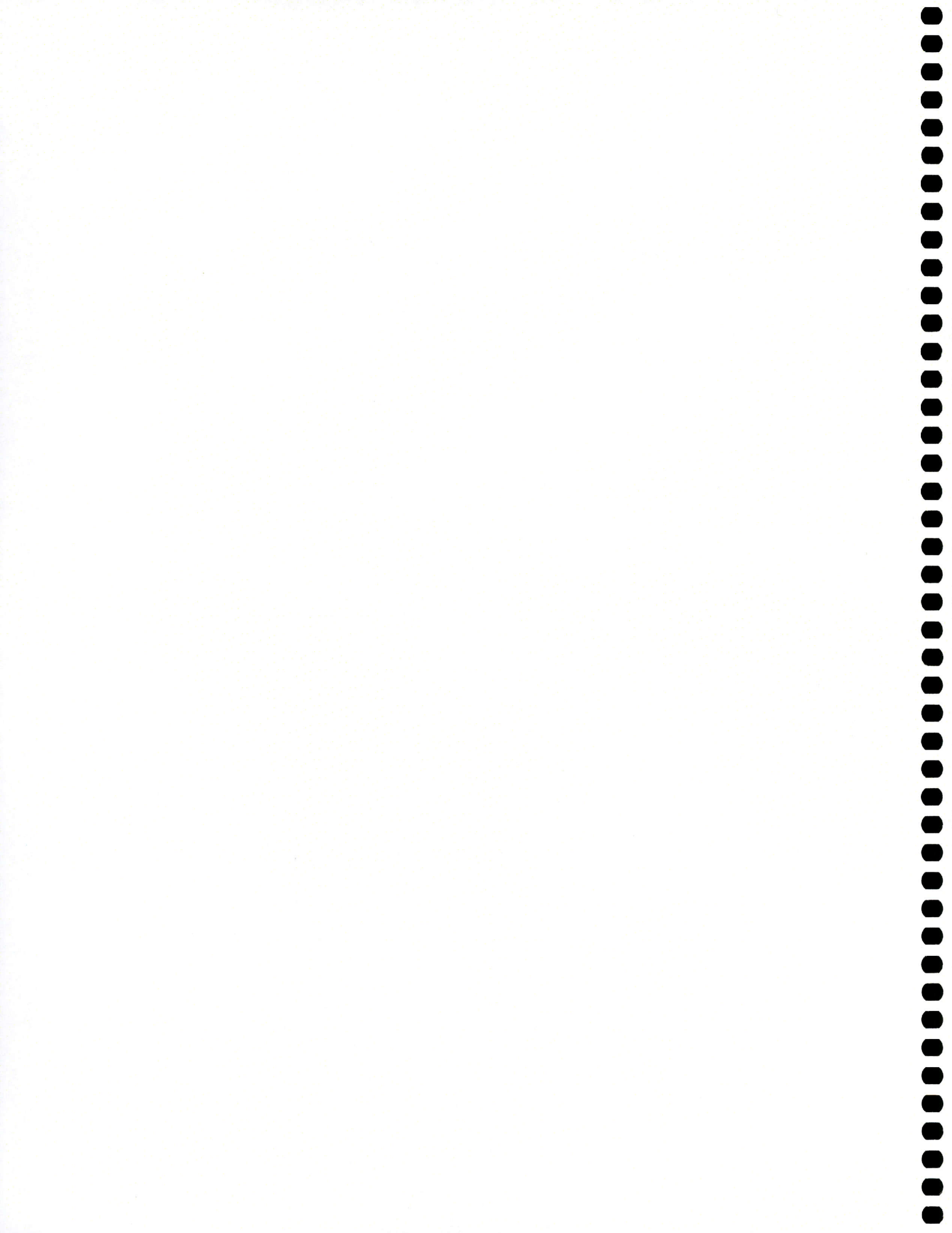
Schedule 2C – Debt Service Requirements 116

Schedule 2D – Analysis of Funds Available for Debt Service 124

Schedule 2F – Early Extinguishment and Refunding 125



Introductory Section





125 EAST 11TH STREET | AUSTIN, TEXAS 78701-2483 | (512) 463-8580 | WWW.TXDOT.GOV

November 20, 2013

cc: The Citizens of Texas
The Honorable Rick Perry, Governor
The Honorable Susan Combs, Texas Comptroller
Ms. Ursula Parks, Director, Legislative Budget Board
Mr. John Keel, CPA, State Auditor

I am pleased to submit the unaudited financial statements of the Texas Department of Transportation (TxDOT) for the year ended Aug. 31, 2013. This report was prepared by the accounting staff in the Finance Division of TxDOT.

TxDOT's internal accounting controls provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposal and the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefit.

Management is responsible for the accuracy of the data in this report as well as for the completeness and fairness of presentation. Consequently, management assumes full responsibility for the completeness and fairness of all the information presented in the financial statements. To the best of my knowledge and belief, the financial statements are accurate in all material respects, are reported in a manner that fairly presents the financial position and results of TxDOT's operations and provides disclosures that enable the reader to understand TxDOT's financial condition.

Profile of the Government

TxDOT is an agency of the state of Texas. The functions of TxDOT have evolved over time due to statutory changes, with the most recent being the creation of the Texas Department of Motor Vehicles in 2009. Headquartered in Austin, TxDOT is organized by administration, districts, divisions, and offices.

TxDOT also maintains a comprehensive public interest website that outlines the agency's policies, plans, projects status, and major initiatives at www.txdot.gov.

TxDOT is managed by an executive director and is governed by the five-member Texas Transportation Commission. All members of the Commission are appointed by the governor. The Commission is authorized to issue general obligation and revenue bonds per statutory and constitutional provisions. Detail regarding the outstanding long-term liabilities of TxDOT is disclosed in Notes 4 and 5.

The financial reporting entity includes three blended component units, the Texas Private Activity Bond Surface Transportation Corporation, Grand Parkway Association and Grand Parkway Transportation Corporation. Because of the closeness of their relationships with TxDOT these legally separate entities are blended as though they are part of the primary government of TxDOT.

TxDOT has the statutory responsibility to coordinate planning, development, and operation of the state's highway system and other transit services. The mission of TxDOT is to work with others to provide safe and

OUR GOALS
MAINTAIN A SAFE SYSTEM • ADDRESS CONGESTION • CONNECT TEXAS COMMUNITIES • BEST IN CLASS STATE AGENCY
An Equal Opportunity Employer

reliable transportation solutions for Texas. TxDOT's goals are to maintain a safe system, address congestion, connect Texas communities and become a best-in-class state agency. TxDOT values trust, integrity, responsibility and service. This report reflects the operation of TxDOT and its blended component units.

The Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview and analysis of the financial activities of TxDOT. We encourage readers to consider the information in this letter of transmittal in conjunction with the MD&A.

Budgetary Controls

Budgetary control is exercised through appropriated budgets. These budgets are entered in the statewide accounting system after the General Appropriations Act becomes law. The General Appropriations Act becomes law after passage by the Legislature and certification by the Texas Comptroller of Public Accounts that the amounts appropriated are within the estimated collections and the signing of the bill by the governor. Controls are maintained at the agency level, with additional control at the fund and appropriation level to ensure expenditures do not exceed authorized limits. State budgets are established on a biennial cycle.

State Economy

The services provided by TxDOT directly impact the state's economy. Investments in highway maintenance and construction serve as an immediate boost to the economy through the employment of workers and the production of construction materials. Over the long-term, the Texas economy benefits in many more ways from TxDOT's transportation network enhancements, including the positive impacts on business costs and productivity, labor market access, attractiveness to new business, residents and tourists and property values.

Long-Term Financial Planning

Texas' population is expected to grow from 25 million people now to 40 million people by 2035. Population growth brings more congestion to urban areas, increases the stress on roads and bridges and places greater demand on rural highways to support freight movement and travel connections between farms, ranches, homes jobs and markets. Highway infrastructure continues to age and income from traditional transportation funding sources (taxes and fees) is no longer sufficient to keep pace with current and projected highway construction and maintenance cost increases.

Motor fuel taxes, TxDOT's primary state funding source, shows a slight increase into fiscal year 2013 over 2012. The motor fuel user fee on gasoline and diesel is 20 cents per gallon and 15 cents per gallon for liquefied gas. The motor fuels tax rates were last raised in 1991.

TxDOT receives federal funds through the Moving Ahead for Progress in the 21st Century Act (MAP-21) which will fund surface transportation projects for federal fiscal years 2013 and 2014.

On Feb. 17, 2009 the U.S. Congress passed the American Recovery and Reinvestment Act (ARRA) to stimulate the U.S. economy and create jobs. TxDOT received an allocation of \$2.25 billion in ARRA highway funds and \$50 million in ARRA transit funds. Additional funding for Texas was provided directly to the state's metropolitan planning organizations and Texas urban transit providers. All of these projects are expected to be completed by Sept. 30, 2015. Any funds unspent as of Sept. 30, 2015 would be lost. The Commission and staff worked in conjunction with local partners to quickly identify projects eligible for this funding.

Constitutionally authorized bond issuances provide additional funding for transportation projects across the state. See the Management's Discussion and Analysis and Notes 4 and 5 of the report for more detail on TxDOT's bond programs and related debt service requirements.

Major Initiatives

TxDOT operates on a two year letting schedule with longer range planning provided by the Statewide Transportation Improvement Program (4 years), the Unified Transportation Program (10 years) as well as the

OUR GOALS
 MAINTAIN A SAFE SYSTEM • ADDRESS CONGESTION • CONNECT TEXAS COMMUNITIES • BEST IN CLASS STATE AGENCY
An Equal Opportunity Employer

Metropolitan Transportation and Rural Transportation Plans (20 years) and the Statewide Long-Range Transportation Plan (24 years).

Innovative Financing Efforts

TxDOT serves as a national leader in efforts to utilize innovative financing to deliver much needed transportation improvements faster than would be possible using only traditional financing options. TxDOT utilizes public/private partnerships, federal loan programs, concession agreements and other techniques to maximize our ability to provide important new routes, enhancements to existing routes or other services to the traveling public. TxDOT also works closely with and provides financial assistance via grants and loans to Regional Mobility Authorities and major tolling authorities. TxDOT works together with these and other local government partners to prioritize projects and deliver transportation solutions to the public.

Enterprise Resource Planning

TxDOT has made the decision to move to an Enterprise Resource Planning (ERP) solution which integrates business processes and practices with modern technology to accomplish specific business objectives. TxDOT's ERP solution will integrate Human Resources, Finance, and Supply Chain systems. This will streamline and replace many outdated legacy systems. ERP implementation will improve current business processes, produce more accurate and timely data, and empower TxDOT to make more informed business decisions and better manage costs.

The projected implementation for Human Resources/Payroll is scheduled for May 2014, while Finance and Supply Chain are scheduled for August 2014.

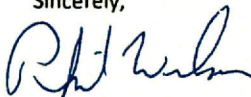
Legislative Updates

Collectively, Senate Joint Resolution 1 and House Bill 1 of the third special session of the 83rd Texas Legislature may result in up to \$1.2 billion per year being transferred to TxDOT to be used only for constructing, maintaining, and acquiring rights-of-way for public roadways other than toll roads. A public vote is planned for November 2014 on the proposed constitutional amendment. This action and proposed amendment could advance key mobility and maintenance projects into the future.

Acknowledgements

The preparation of the report requires the efforts of individuals throughout TxDOT, including the dedicated efforts of the management and staff of the TxDOT Financial Reports Section and Finance Division, and the management and staff of the State Auditor's Office. I sincerely appreciate the efforts of all these individuals who continue to strive for improvements that will make TxDOT a national leader in quality financial reporting.

Sincerely,

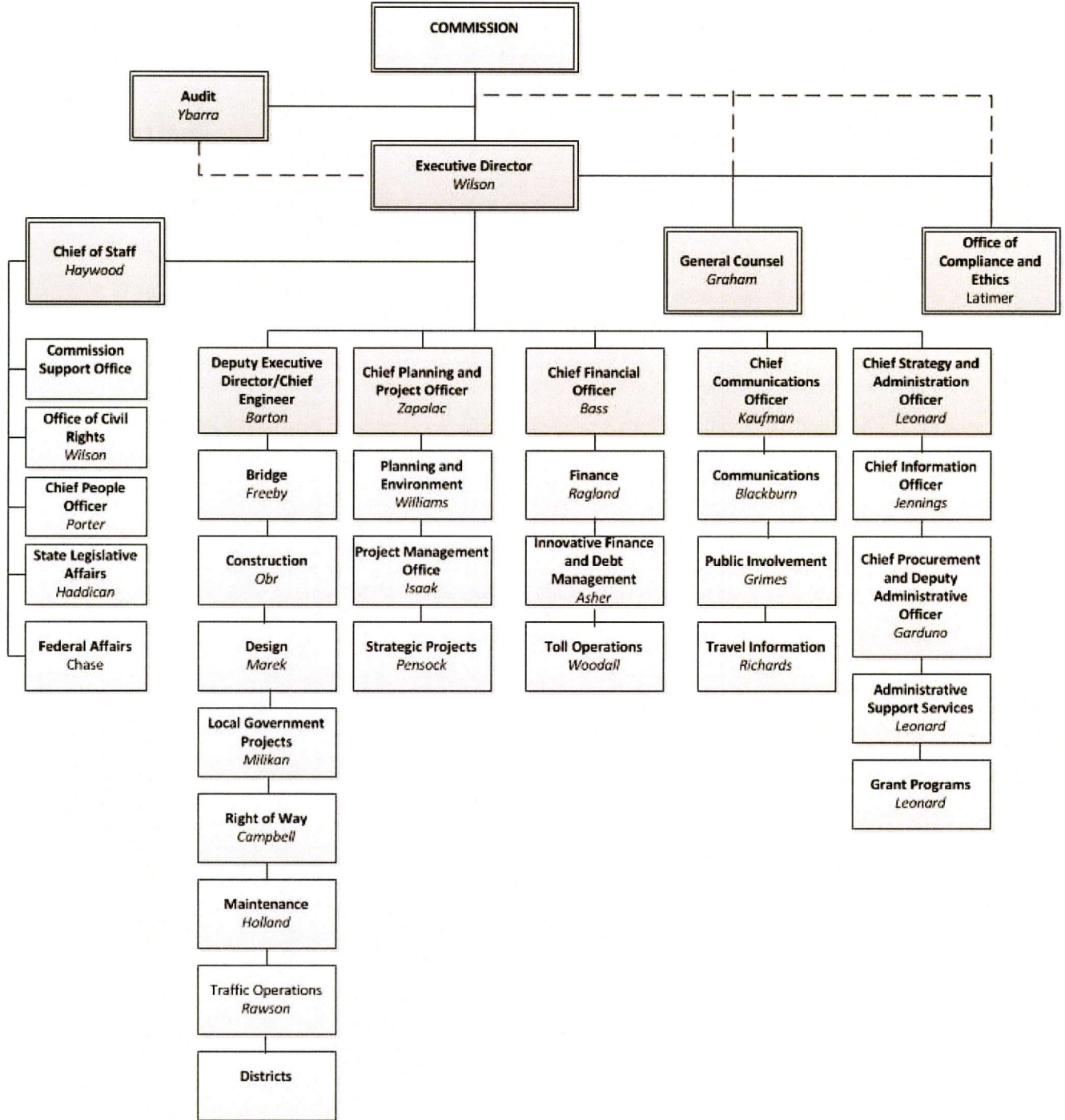


Phil Wilson
Executive Director

OUR GOALS

MAINTAIN A SAFE SYSTEM • ADDRESS CONGESTION • CONNECT TEXAS COMMUNITIES • BEST IN CLASS STATE AGENCY
An Equal Opportunity Employer

Texas Department of Transportation Organization Chart as of August 31, 2013



Commission and Key Personnel

As of August 31, 2013

TEXAS TRANSPORTATION COMMISSION

TED HOUGHTON.....Chair
El Paso

JEFF AUSTIN III.....Commissioner
Tyler

JEFF MOSELEY.....Commissioner
Houston

FRED UNDERWOOD.....Commissioner
Lubbock

VICTOR VANDERGRIFF.....Commissioner
Fort Worth

TEXAS DEPARTMENT OF TRANSPORTATION

PHIL WILSON Executive Director

JOHN A. BARTON, P.E..... Deputy Executive Director and Chief Engineer

SCOTT HAYWOOD Chief of Staff

BOB KAUFMAN Chief Communications Officer

JAMES M. BASS..... Chief Financial Officer

TIM JENNINGS Chief Information Officer

DEE PORTER..... Chief People Officer

RUSSELL ZAPALAC Chief Planning and Project Officer

SCOTT LEONARD Chief Strategy and Administration Officer

LAUREN GARDUNO.....Chief Procurement and Deputy Administrative Officer

This page is intentionally blank.

FINANCIAL SECTION

This page is intentionally blank.

**Management's
Discussion and Analysis**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Texas Department of Transportation (TxDOT) annual financial statements presents our discussion and analysis of TxDOT's financial performance during the fiscal year ended Aug. 31, 2013. Use this section in conjunction with the TxDOT's basic financial statements.

GASB Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis - for State and Local Governments*, establishes reporting requirements for state and local governments to report in full compliance with accounting principles generally accepted in the United States of America (GAAP). TxDOT implemented the GASB 34 reporting requirements beginning with the fiscal 2012 annual financial report.

Overview of Financial Statements

The GASB 34 reporting focus is on TxDOT as a whole, and on the major individual funds. This focus presents a more comprehensive view of TxDOT's financial activities and makes it easier to compare the performance of TxDOT to that of other state departments of transportation.

The financial section of this annual financial report consists of four parts: (1) management's discussion and analysis (this section), (2) the basic financial statements and related notes, (3) required supplementary information and (4) other supplementary information presenting combining statements. The report also includes TxDOT's schedule of expenditures of federal awards, schedule of state pass-through grants from/to state agencies and bond schedules.

TxDOT's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applied to governmental units. The basic financial statements include entity-wide financial statements, fund financial statements and notes to financial statements that provide more detailed information to supplement the basic financial statements.

Reporting on TxDOT as a Whole

The entity-wide financial statements are designed to present an overall picture of the financial position of TxDOT. These statements consist of the statement of net position and the statement of activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting. This means that all the current year's revenues and expenses are included regardless of when cash is received or paid, producing a view of financial position similar to that presented by most private sector companies.

The statement of net position combines and consolidates TxDOT's current financial resources with capital assets and long-term obligations. This statement includes all of TxDOT's assets and liabilities. Net position is the difference between TxDOT's assets, liabilities and deferred inflows of resources and represents one measure of TxDOT's financial health.

The statement of activities focuses on both the gross and net cost of various activities (governmental and business-type); these costs are paid by general tax and other revenues. This statement summarizes the cost of providing (or the subsidy provided by) specific government services, and includes all current year revenues and expenses.

The statement of net position and the statement of activities divide TxDOT's activities into two types.

- *Governmental Activities:* TxDOT's basic services are reported here including the activity of all the governmental funds.
- *Business-Type Activities:* The financial activity associated with the Central Texas Turnpike System (CTTS) and Grand Parkway Transportation Corporation (GPTC) is reported here.

Reporting on TxDOT's Most Significant Funds

Fund financial statements present financial information with a focus on the most significant funds. Use these statements to find more detailed information about TxDOT's most significant activities. A fund is a separate accounting entity with a self-balancing set of accounts. TxDOT uses funds to keep track of sources of funding and spending related to specific activities.

Governmental Funds

A majority of TxDOT's activities is reported in governmental funds. Reporting of these funds focuses on how money flows into and out of the funds, and amounts remaining at year-end for future spending. Governmental funds are accounted for using the modified accrual basis of accounting, which measures cash and other assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of TxDOT's general governmental operations and the basic services it provides. This information should be helpful to determine whether there are more or less resources available for TxDOT's programs. The reconciliation following the fund financial statements explains the differences between the government's activities, reported in the entity-wide statement of net position and entity-wide statement of activities, and the governmental funds. The state highway fund and Texas mobility fund are reported as major funds.

Proprietary Funds

When TxDOT charges customers for services it provides, these activities are generally reported in proprietary funds. Services provided to outside (non-governmental) customers are reported in enterprise funds, a component of proprietary funds, and are accounted for using the economic resources measurement focus and the accrual basis of accounting. These are the same business-type activities reported in the entity-wide financial statements but are reported here to provide information at the fund level. The CTTS and GPTC funds are TxDOT's only proprietary funds.

Reporting on TxDOT's Fiduciary Responsibilities

All fiduciary activities are reported in separate statements of fiduciary net position and schedule of changes in agency fund assets and liabilities. The activities are reported separately from other financial activities because TxDOT cannot use these assets to finance operations and is holding these funds in a purely custodial capacity.

Financial Analysis of TxDOT as a Whole

Net Position

Net Position - The assets of TxDOT exceeded its liabilities and deferred inflows of resources as of Aug. 31, 2013, by \$65.1 billion (presented as net position). The largest component (97.7 percent) of TxDOT's net position reflects its investment in capital assets less any related debt outstanding or deferred inflows of resources (excluding debt proceeds that have yet to be expended for infrastructure construction) that was needed to acquire or construct the assets. TxDOT uses these capital assets to provide services to the citizens and businesses in the state; consequently, these assets are not available for future spending. Although reported net of related debt, capital assets themselves cannot be used to liquidate liabilities.

Capital Assets - Capital assets, net of depreciation and amortization, were approximately \$81.3 billion as of Aug. 31, 2013. Additions to capital assets totaled \$4.1 billion for the fiscal year ended Aug. 31, 2013. Construction in progress on state infrastructure accounted for the majority of these additions. See the capital assets section of this management's discussion and analysis for more information on the accounting treatment of capital assets.

Long-term Liabilities - TxDOT's total long-term obligations increased by \$3.9 billion during the current fiscal year to \$18.9 billion. This change is attributable to the issuance of revenue bonds in our component unit Grand Parkway Transportation Corporation. For more information on long-term liabilities see Notes 4 and 5 of this report.

Annual Financial Report (UNAUDITED)

Statement of Net Position

August 31, 2013 and 2012 (Amounts in Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
ASSETS						
Assets Other Than Capital Assets	\$ 6,826,544	\$ 6,907,743	\$3,378,632	\$ 491,703	\$10,205,176	\$ 7,399,446
Capital Assets	78,515,913	74,732,279	2,824,891	2,614,813	81,340,804	77,347,092
Total Assets	<u>85,342,457</u>	<u>81,640,022</u>	<u>6,203,523</u>	<u>3,106,516</u>	<u>91,545,980</u>	<u>84,746,538</u>
LIABILITIES						
Current Liabilities	2,689,973	5,930,042	39,026	12,008	2,728,999	5,942,050
Non-current Liabilities	12,854,387	11,949,103	5,615,181	2,667,339	18,469,568	14,616,442
Total Liabilities	<u>15,544,360</u>	<u>17,879,145</u>	<u>5,654,207</u>	<u>2,679,347</u>	<u>21,198,567</u>	<u>20,558,492</u>
DEFERRED INFLOWS OF RESOURCES						
Service Concession Arrangements	5,254,633				5,254,633	
Total Deferred Inflow of Resources	<u>5,254,633</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,254,633</u>	<u>0</u>
NET POSITION						
Net Investment in Capital Assets	62,876,219	62,447,552	690,124	512,058	63,566,343	62,959,610
Restricted	774,053	975,625	34,988	7,247	809,041	982,872
Unrestricted	893,192	337,700	(175,796)	(92,136)	717,396	245,564
Total Net Position	<u>\$64,543,464</u>	<u>\$63,760,877</u>	<u>\$ 549,316</u>	<u>\$ 427,169</u>	<u>\$ 65,092,780</u>	<u>\$ 64,188,046</u>

Changes in Net Position

TxDOT earned program revenues of \$3.7 billion and general revenues of \$2.5 billion, for total revenues of \$6.2 billion. The expenses of TxDOT were \$6 billion. As a result of revenues exceeding expenses, the total net position is \$65.1 billion. Revenues and expenses of TxDOT's governmental and business-type activities are detailed on the following page.

Annual Financial Report (UNAUDITED)

Changes in Net Position

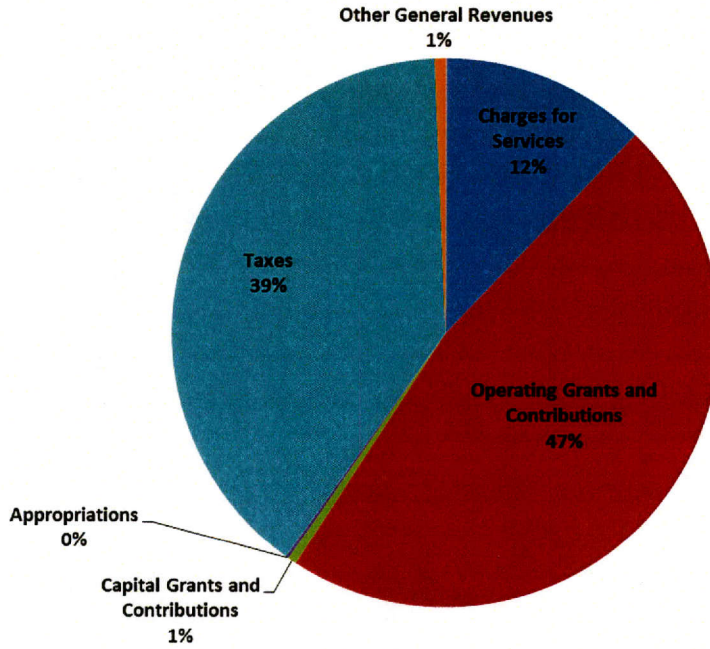
For the Fiscal Years Ended August 31, 2013 and 2012 (Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
REVENUES						
Program Revenues:						
Charges for Services	\$ 741,905	\$ 706,887	\$ 119,152	\$ 85,819	\$ 861,057	\$ 792,706
Operating Grants and Contributions	2,870,390	2,897,896	1		2,870,391	2,897,896
Capital Grants and Contributions	30,157	34,705	40	14	30,197	34,719
Total Program Revenues	3,642,452	3,639,488	119,193	85,833	3,761,645	3,725,321
General Revenues:						
Appropriations	12,354	52,901			12,354	52,901
Taxes	2,406,818	2,378,221			2,406,818	2,378,221
Unrestricted Investment Earnings	28,626	47,823	6,172	6,855	34,798	54,678
Settlement of Claims	11,616	22,715	482	377	12,098	23,092
Gain on Sale of Capital Assets	810	5,303			810	5,303
Other General Revenues	2,124	2,447			2,124	2,447
Total General Revenues	2,462,348	2,509,410	6,654	7,232	2,469,002	2,516,642
EXPENSES						
Transportation	5,277,846	4,382,396	228,788	215,843	5,506,634	4,598,239
Indirect Interest on Long-Term Debt	550,587	524,963			550,587	524,963
Total Expenses	5,828,433	4,907,359	228,788	215,843	6,057,221	5,123,202
Excess (Deficiency) Before Special Items and Transfers	276,367	1,241,539	(102,941)	(122,778)	173,426	1,118,761
Transfers - Internal Activities	(225,057)	(55,242)	225,057	55,242	0	0
Transfers in from Other State Agencies	615,988	592,303			615,988	592,303
Change in Net Position	667,298	1,778,600	122,116	(67,536)	789,414	1,711,064
Net Position, Beginning Balance	63,760,877	61,982,277	427,169	495,095	64,188,046	62,477,372
Restatements	115,289		31	(390)	115,320	(390)
Net Position, Beginning Balance as Restated	63,876,166	61,982,277	427,200	494,705	64,303,366	62,476,982
Net Position, Ending Balance	\$64,543,464	\$63,760,877	\$ 549,316	\$ 427,169	\$ 65,092,780	\$ 64,188,046

Over time, increases and decreases in the net position measures whether TxDOT's financial position is improving or deteriorating. Overall, the net position of governmental activities increased by \$904.7 million or 1.4 percent from fiscal 2012, primarily due to TxDOT's continued efforts to maintain, improve and expand the state's infrastructure network.

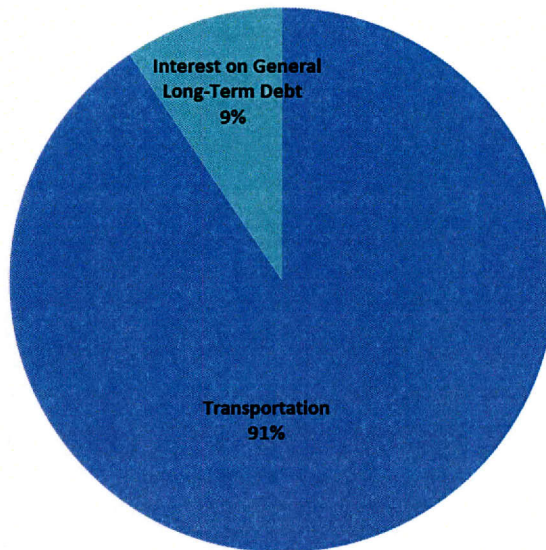
Revenues by Source: Governmental Activities

For the Fiscal Year Ended August 31, 2013



Expenses by Function: Governmental Activities

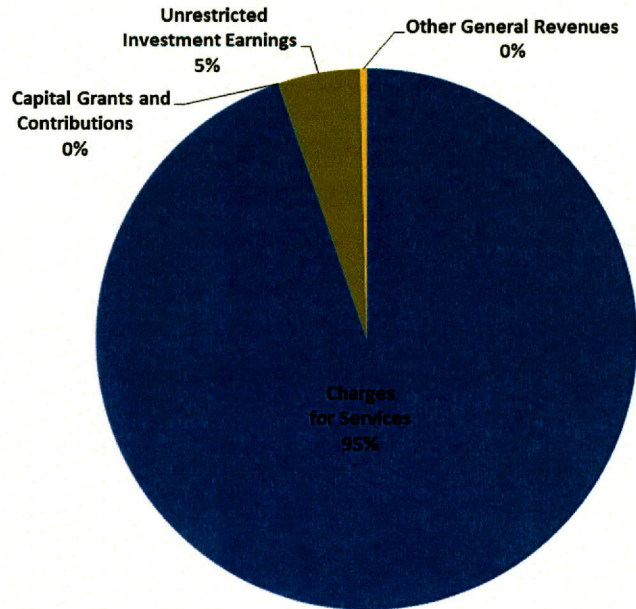
For the Fiscal Year Ended August 31, 2013



Note: Totals may not add due to rounding.

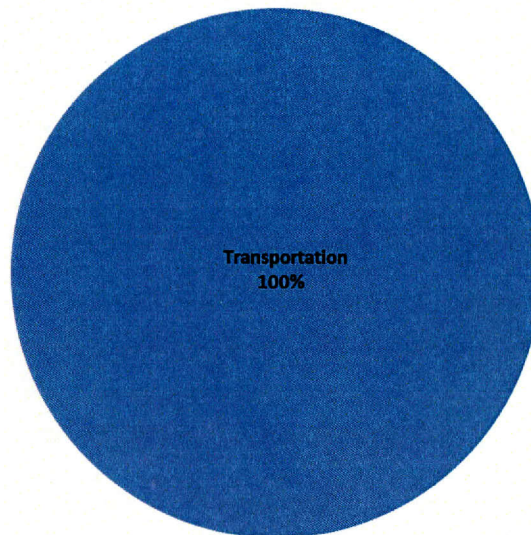
Revenues by Source: Business-Type Activities

For the Fiscal Year Ended August 31, 2013



Expenditures by Function: Business-Type Activities

For the Fiscal Year Ended August 31, 2013



Note: Totals may not add due to rounding.

Financial Analysis of TxDOT's Funds

TxDOT's governmental funds reported a combined ending fund balance, as of Aug. 31, 2013, of \$1.5 billion. Expenditures exceeded revenues by \$2.6 billion. Not all expenditure activity is supported by revenues. Some project expenditures are funded by bond proceeds and up-front concession payments. The revenue recognition on up-front concession payments is generally much slower than the timing of project expenditures.

Capital Assets and Debt Administration

Capital Assets

As of Aug. 31, 2013, TxDOT had \$81.3 billion in net capital assets, including roads, bridges, buildings, land, equipment and intangible capital assets.

Capital Assets - Net of Depreciation and Amortization						
August 31, 2013 and 2012 (Amounts in Thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land and Land Improvements	\$ 9,828,692	\$9,108,873	\$668,531	\$ 631,109	\$10,497,223	\$9,739,982
Infrastructure - Nondepreciable	53,714,534	50,661,186	1,764,586	1,629,379	55,479,120	52,290,565
Infrastructure - Depreciable	8,788,455	8,567,495	366,622	331,751	9,155,077	8,899,246
Construction in Progress	5,482,471	5,684,374			5,482,471	5,684,374
Buildings and Building Improvements	269,020	274,244	5,686	6,047	274,706	280,291
Furniture and Equipment	54,794	51,583			54,794	51,583
Vehicles, Boats and Aircraft	285,076	290,360			285,076	290,360
Other Capital Assets	5,828	5,793			5,828	5,793
Land Use Rights - Permanent	65,763	67,495	19,466	16,526	85,229	84,021
Land Use Rights - Term	12,164	14,671			12,164	14,671
Computer Software	9,116	6,205			9,116	6,205
Total Capital Assets	\$78,515,913	\$74,732,279	\$2,824,891	\$2,614,812	\$81,340,804	\$77,347,091

TxDOT adopted the modified approach for reporting the state's highway system. As required by the modified approach, TxDOT conducts condition assessments on the highway system through the Texas Maintenance Assessment Program (TxMAP). TxMAP is conducted on a yearly basis and results in overall condition levels for the Interstate and Non-Interstate highway systems and the Central Texas Turnpike System (CTTS). In conjunction with TxMAP, the Texas Transportation Commission adopted condition levels of 80 percent for the Interstate system, 75 percent for the Non-Interstate system and 80 percent for the CTTS. The condition assessment results for Fiscal 2013 reflect condition levels of 80.3 percent for the Interstate system and 77.4 percent for the Non-Interstate system. For the CTTS, the condition assessment result for Fiscal 2013 reflects a condition level of 85.1 percent.

The modified approach also requires that TxDOT estimate the expenditures required to maintain the highway system at or above the adopted condition levels. For Fiscal 2013, TxDOT computed estimates of \$277.8 million for the Interstate system, \$2.6 billion for the Non-Interstate system and \$14.0 million for the CTTS. Actual expenditures were \$304.0 million for the Interstate system, \$2.1 billion for the Non-Interstate system and \$13.1 million for the CTTS.

To ensure future availability of essential services and to finance capital improvements, TxDOT made commitments for construction contracts, comprehensive development agreements and pass-through toll agreements totaling an estimated \$27.6 billion. These commitments extend beyond the end of the fiscal year and represent future costs to TxDOT. Note 2 provides detail about TxDOT's capital assets activity and Note 15 details TxDOT's significant commitments related to future capital expenditures.

Debt Administration

The Commission, on behalf of TxDOT, has issued both general obligation bonds and revenue bonds. Each series of revenue bonds are backed by pledged revenues and restricted assets specified in the bond resolutions. Note 4 discloses details on TxDOT's long-term liabilities and Note 5 provides detail information on TxDOT's bonded indebtedness.

Outstanding Bonded Debt				
As of August 31, 2013 (Amounts In Thousands)				
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General Obligation Bonds Payable	\$ 8,120,785	7,113,145	\$	
Revenue Bonds Payable	3,927,927	4,054,445	4,545,103	1,616,750
Total Bonds Payable	\$ 12,048,712	11,167,590	\$ 4,545,103	1,616,750

Bond Credit Ratings

Long-Term Credit Ratings as of August 31, 2013			
	<u>Fitch</u>	<u>Moody's</u>	<u>Standard & Poor's</u>
Governmental Activities			
General Obligation Bonds	AAA	Aaa	AA+
Revenue Bonds	n/a	Aaa	AAA
Business-Type Activities			
Revenue Bonds-CTTS	BBB+	Baa1	A-
Revenue Bonds-GPTC 2013-A	BBB+	n/a	BBB
Revenue Bonds-GPTC 2013-B:E	AA-	n/a	AA

Short term ratings are usually reliant upon the supporting liquidity facility and its strength. The following variable rate demand bonds carried short term credit ratings as of Aug. 31, 2013.

Short-Term Credit Ratings as of August 31, 2013			
	<u>Fitch</u>	<u>Moody's</u>	<u>Standard & Poor's</u>
Governmental Activities			
General Obligation Bonds			
TMF Series 2005-B Variable Rate Interest Bonds	F1+	VMIG 1	A-1+
TMF Series 2006-B Variable Rate Interest Bonds	F1+	VMIG 1	n/a
Revenue Bonds			
SHF Series 2006B Variable Rate Interest Bonds	n/a	VMIG 3	A-3

An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the Commission makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the bonds.

Contacting TxDOT's Financial Management

This financial report is designed to provide a general overview of the TxDOT's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the TxDOT Finance Division at the following address:

Texas Department of Transportation
Finance Division - Accounting
125 East 11th Street
Austin, Texas 78701-2483

Basic Financial Statements

Texas Department of Transportation
STATEMENT OF NET POSITION
 August 31, 2013 (Amounts in Thousands)

	Primary Government		Total
	Governmental Activities	Business Type Activities	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 5,277,895	\$ 177,935	\$ 5,455,830
Restricted:			
Cash and Cash Equivalents		1,026,532	1,026,532
Legislative Appropriations	19,269		19,269
Short-Term Investments (Note 3)		356,419	356,419
Restricted:			
Short-Term Investments (Note 3)		766,640	766,640
Due from Other Agencies (Note 11)	200,806		200,806
Receivable:			
Taxes	213,949		213,949
Federal	337,213		337,213
Interest and Dividends	7,041	721	7,762
Accounts Receivable	33,204	4,769	37,973
Other Intergovernmental	61,364	200	61,564
Prepaid Items		102	102
Loans and Contracts	18,644		18,644
Consumable Inventory	142,180	613	142,793
Total Current Assets	<u>6,311,565</u>	<u>2,333,931</u>	<u>8,645,496</u>
Noncurrent Assets:			
Internal Balances (Note 11)	80,628	(80,628)	0
Loans and Contracts	375,544		375,544
Restricted:			
Investments (Note 3)		502,418	502,418
Deferred Charges	32,103	12,356	44,459
Receivable:			
Federal	26,704		26,704
Other Intergovernmental		250	250
Intangible Assets (Note 21)		610,305	610,305
Capital Assets:			
Non-Depreciable Capital Assets (Note 2)	69,091,460	2,452,583	71,544,043
Depreciable Capital Assets, Net (Note 2)	9,424,453	372,308	9,796,761
Total Noncurrent Assets	<u>79,030,892</u>	<u>3,869,592</u>	<u>82,900,484</u>
Total Assets	<u>85,342,457</u>	<u>6,203,523</u>	<u>91,545,980</u>

Concluded on the following page

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

Texas Department of Transportation
STATEMENT OF NET POSITION (concluded)
August 31, 2013 (Amounts in Thousands)

	Primary Government		Total
	Governmental Activities	Business Type Activities	
LIABILITIES			
Current Liabilities:			
Payables			
Accounts	1,350,421	13,370	1,363,791
Payroll	61,989		61,989
Interest	232,228	12,116	244,344
Contract Retainage	33,640		33,640
Due to Other Agencies (Note 11)	56,555		56,555
Unearned Revenue	493,528	1,009	494,537
Employees' Compensable Leave (Note 4)	60,186		60,186
Notes and Loans Payable (Note 4)	142,298		142,298
General Obligation Bonds Payable (Note 4, 5)	121,493		121,493
Revenue Bonds Payable (Note 4, 5)	132,358	12,531	144,889
Pollution Remediation Obligation (Note 4)	5,277		5,277
Total Current Liabilities	<u>2,689,973</u>	<u>39,026</u>	<u>2,728,999</u>
Noncurrent Liabilities:			
Employees' Compensable Leave (Note 4)	13,021		13,021
Notes and Loans Payable (Note 4)	1,044,202	1,082,609	2,126,811
General Obligation Bonds Payable (Note 4, 5)	7,999,292		7,999,292
Revenue Bonds Payable (Note 4, 5)	3,795,570	4,532,572	8,328,142
Pollution Remediation Obligation (Note 4)	2,302		2,302
Total Noncurrent Liabilities	<u>12,854,387</u>	<u>5,615,181</u>	<u>18,469,568</u>
Total Liabilities	<u>15,544,360</u>	<u>5,654,207</u>	<u>21,198,567</u>
DEFERRED INFLOWS OF RESOURCES			
Service Concession Arrangements (Note 21)	5,254,633		5,254,633
Total Deferred Inflow of Resources	<u>5,254,633</u>	<u>0</u>	<u>5,254,633</u>
NET POSITION			
Net Investment in Capital Assets	62,876,219	690,124	63,566,343
Restricted for:			
Capital Projects	288,831		288,831
Debt Service	485,222	34,988	520,210
Unrestricted	893,192	(175,796)	717,396
Total Net Position	<u>64,543,464</u>	<u>549,316</u>	<u>65,092,780</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u>\$ 85,342,457</u>	<u>\$ 6,203,523</u>	<u>\$ 91,545,980</u>

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

**Texas Department of Transportation
STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

<u>Functions</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities:				
Transportation	\$ 5,277,846	\$ 741,905	\$ 2,870,390	\$ 30,157
Interest on General Long-Term Debt	550,587			
Total Governmental Activities	5,828,433	741,905	2,870,390	30,157
Business-Type Activities:				
Transportation	228,788	119,152	1	40
Total Business-Type Activities	228,788	119,152	1	40
Total Primary Government	\$ 6,057,221	\$ 861,057	\$ 2,870,391	\$ 30,197

GENERAL REVENUES:

Original Appropriation
 Additional Appropriation
 Lapsed Appropriation
 Motor Fuel Tax
 Lubricant Sales Tax
 Unrestricted Investment Earnings
 Settlement of Claims
 Gain on Sale of Capital Assets
 Other Revenues
 Transfers - Internal Activities (Note 11)
 Transfers In (Out) to other State Agencies (Note 11)
 Total General Revenues and Transfers
 Changes in Net Position
 Net Position, September 1, 2012
 Restatements (Note 14)
 Net Position, September 1, 2012, As Restated
 Net Position, August 31, 2013

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

**NET (EXPENSE) REVENUE AND
CHANGES IN NET POSITION**

Governmental Activities	Business- Type Activities	Total
\$ (1,635,394)	\$	\$ (1,635,394)
(550,587)		(550,587)
(2,185,981)	0	(2,185,981)
	(109,595)	(109,595)
	(109,595)	(109,595)
\$ (2,185,981)	\$ (109,595)	\$ (2,295,576)
12,163		12,163
262		262
(71)		(71)
2,364,292		2,364,292
42,526		42,526
28,626	6,172	34,798
11,616	482	12,098
810		810
2,124		2,124
(225,057)	225,057	0
615,988		615,988
2,853,279	231,711	3,084,990
667,298	122,116	789,414
63,760,877	427,169	64,188,046
115,289	31	115,320
63,876,166	427,200	64,303,366
\$ 64,543,464	\$ 549,316	\$ 65,092,780

Texas Department of Transportation
Balance Sheet – Governmental Funds
 August 31, 2013 (Amounts in Thousands)

	State Highway Fund*	Texas Mobility Fund*	Nonmajor Funds*	Total
ASSETS				
Cash and Cash Equivalents				
Cash on Hand	\$ 290,642	\$	\$	\$ 290,642
Cash in Bank	229		359	588
Cash in State Treasury	2,875,468	1,198,318	912,879	4,986,665
Legislative Appropriations			19,269	19,269
Receivables:				
Taxes	213,949			213,949
Federal	339,998	8,866	15,053	363,917
Other Intergovernmental	61,363			61,363
Interest and Dividends	7,041			7,041
Accounts Receivable	33,204			33,204
Due from Other Funds (Note 11)	94,836	909	216	95,961
Due from Other Agencies (Note 11)	200,587		219	200,806
Consumable Inventories	142,180			142,180
Loans and Contracts	393,988		200	394,188
Total Assets	<u>4,653,485</u>	<u>1,208,093</u>	<u>948,195</u>	<u>6,809,773</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables:				
Accounts Payable	1,220,985	10,346	119,090	1,350,421
Contracts Payable	33,640			33,640
Payroll Payable	61,872		117	61,989
Due to Other Funds (Note 11)	13,627	1,290	416	15,333
Due to Other Agencies (Note 11)	56,555			56,555
Deferred Revenues	3,279,609		486,446	3,766,055
Total Liabilities	<u>4,666,288</u>	<u>11,636</u>	<u>606,069</u>	<u>5,283,993</u>
Fund Balances (Deficits):				
Nonspendable (Note 13)	142,180		154	142,334
Restricted (Note 13)	533,472	1,196,457	319,174	2,049,103
Assigned (Note 13)			2,082	2,082
Unassigned (Note 13)	(688,455)		20,716	(667,739)
Total Fund Balances	<u>(12,803)</u>	<u>1,196,457</u>	<u>342,126</u>	<u>1,525,780</u>
Total Liabilities and Fund Balances	<u>\$ 4,653,485</u>	<u>\$ 1,208,093</u>	<u>\$ 948,195</u>	<u>\$ 6,809,773</u>

* See Combining Statements in the Other Supplementary Information section of this report for more details.
 The accompanying notes to the financial statements are an integral part of this financial statement.

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position**

August 31, 2013 (Amounts in Thousands)

Total Fund Balance - Governmental Funds \$ 1,525,780

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets less accumulated depreciation and amortization are included in the statement of net position (Note 2).

Capital Assets - Non-Depreciable or Non-Amortizable	\$ 69,091,460	
Capital Assets - Depreciable or Amortizable, Net	<u>9,424,453</u>	78,515,913

Some of TxDOT's resources are not currently available and are not reported in the funds

Deferred charges for unamortized bond issuance cost	<u>32,103</u>	32,103
---	---------------	--------

Some of TxDOT's revenues will be collected after year-end but are not available soon enough to pay current year's expenditures and therefore are deferred in the funds.

	<u>27,113</u>	27,113
--	---------------	--------

Long-term liabilities applicable to TxDOT's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. These liabilities, however, are included in the statement of net position (Note 4 and Note 5). *

Employees' Compensable Leave	(73,207)	
Notes and Loans Payable	(1,186,500)	
General Obligation Bonds Payable	(8,120,785)	
Revenue Bonds Payable	(3,927,927)	
Pollution Remediation Obligations	<u>(7,580)</u>	(13,315,999)

* current portion = \$461,612 and non-current portion = \$12,854,387

Deferred inflows of resources recognized related to service concession arrangements that are not reported in the funds.		(2,009,218)
---	--	-------------

Interest payable applicable to TxDOT's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. These liabilities, however, are included in the statement of net position.		(232,228)
--	--	-----------

Net Position of Governmental Activities		<u>\$ 64,543,464</u>
--	--	----------------------

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended, August 31, 2013 (Amounts in Thousands)

	State Highway Fund*	Texas Mobility Fund*	Nonmajor Funds*	Total
REVENUES:				
Legislative Appropriations:				
Original Appropriations	\$	\$	\$ 12,163	\$ 12,163
Additional Appropriations			262	262
Taxes	2,419,421			2,419,421
Federal Revenues	2,815,224	21,445	36,962	2,873,631
Federal Grant Pass-Through Revenues (Note 11)	1,412			1,412
Licenses, Fees and Permits	85,417	383,422		468,839
Interest and Investment Income	21,825	27,984	2,736	52,545
Land Income	15,637			15,637
Settlement of Claims	11,616			11,616
Sales of Goods and Services	53,108		162,997	216,105
Other Revenues	713		1,411	2,124
Total Revenues	<u>5,424,373</u>	<u>432,851</u>	<u>216,531</u>	<u>6,073,755</u>
EXPENDITURES:				
Transportation (Note 18)	4,456,471	93,606	15,915	4,565,992
Capital Outlay	2,128,007	55,356	1,041,420	3,224,783
Principal on State Bonds		53,190	141,175	194,365
Principal on Pass-Through Tolls	105,113			105,113
Interest on State Bonds		287,771	249,278	537,049
Other Financing Fees	1,977	469	3,311	5,757
Total Expenditures	<u>6,691,568</u>	<u>490,392</u>	<u>1,451,099</u>	<u>8,633,059</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,267,195)</u>	<u>(57,541)</u>	<u>(1,234,568)</u>	<u>(2,559,304)</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Note 11)	1,565,247		300,034	1,865,281
Operating Transfers Out (Note 11)	(1,082,000)		(162,897)	(1,244,897)
Bond & Note Issued			1,103,524	1,103,524
Sale of Capital Assets	4,318		2,202	6,520
Appropriations Lapsed			(71)	(71)
Total Other Financing Sources (Uses)	<u>487,565</u>	<u>0</u>	<u>1,242,792</u>	<u>1,730,357</u>
Net Change in Fund Balances	<u>(779,630)</u>	<u>(57,541)</u>	<u>8,224</u>	<u>(828,947)</u>
Fund Balances, September 1, 2012	730,524	1,108,827	333,901	2,173,252
Restatements	36,303	145,171	1	181,475
Fund Balances, August 31, 2013	<u>\$ (12,803)</u>	<u>\$ 1,196,457</u>	<u>\$ 342,126</u>	<u>\$ 1,525,780</u>

* See Combining Statements in the Other Supplementary Information section of this report for more details.
The accompanying notes to the financial statements are an integral part of this financial statement.

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

Net Change in Fund Balances \$ (828,947)

Governmental funds report capital outlays as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeds depreciation in the current period is:

Capital Outlay	\$ 3,224,783	
Depreciation and Amortization Expense (Note 2)	<u>(680,061)</u>	
		2,544,722

The effect of various miscellaneous transactions involving capital assets (i.e. sales, donations and transfers) is to decrease net position.

	<u>(205,005)</u>	
		(205,005)

Revenues and changes in the fair value of investment derivatives that do not provide current financial resources are not reported in the governmental funds, but are reported in the statement of activities.

Concession Revenues	41,323	
Decrease in Fair Value of Investment Derivatives	(25,121)	
Federal Revenue	(3,452)	
Motor Fuel Tax Revenue	<u>(12,603)</u>	
		147

Bond proceeds provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net assets.

Repayment of long-term debt consumes current financial resources and is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position.

Bonds & Notes Issued	(1,103,524)	
Repayment of Bond and Note Principal	<u>299,478</u>	
		(804,046)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(39,573)

Change in Net Position of Governmental Activities \$ 667,298

Statement of Net Position – Proprietary Funds

August 31, 2013 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds*		
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents:			
Money Market and Similar Funds (Note 3)	\$ 20,771	\$ 4,942	\$ 25,713
Restricted Cash and Cash Equivalents:			
Cash and Cash Equivalents in State Treasury	51		51
Cash in Bank	524	(22)	502
Money Market and Similar Funds (Note 3)	30,456	996,047	1,026,503
US Treasury Bills (Note 3)		151,698	151,698
Short-Term Investments (Note 3)	261,392	95,027	356,419
Restricted:			
Short-Term Investments (Note 3)		766,640	766,640
Interest and Dividends Receivable	283	438	721
Accounts Receivable	4,769		4,769
Other Intergovernmental Receivable	200		200
Due from Other Funds (Note 11)	13,411		13,411
Prepaid Items	86	16	102
Consumable Inventory	613		613
Total Current Assets	<u>332,556</u>	<u>2,014,786</u>	<u>2,347,342</u>
Noncurrent Assets:			
Restricted Investments	114,999	387,419	502,418
Intangible Assets (Note 21)		610,305	610,305
Deferred Charges	12,355		12,355
Other Intergovernmental Receivable	250		250
Capital Assets:			
Non-Depreciable Capital Assets (Note 2)	2,452,583		2,452,583
Depreciable Capital Assets, Net (Note 2)	372,308		372,308
Total Noncurrent Assets	<u>2,952,495</u>	<u>997,724</u>	<u>3,950,219</u>
Total Assets	<u>3,285,051</u>	<u>3,012,510</u>	<u>6,297,561</u>
LIABILITIES			
Current Liabilities:			
Vouchers Payable		13,370	13,370
Due to Other Funds (Note 11)	19	94,020	94,039
Revenue Bonds Payable (Notes 4, 5)	10,855	1,676	12,531
Interest Payable	3,307	8,809	12,116
Unearned Revenues	1,009		1,009
Total Current Liabilities	<u>15,190</u>	<u>117,875</u>	<u>133,065</u>
Noncurrent Liabilities:			
Revenue Bonds Payable (Notes 4, 5)	1,622,060	2,910,511	4,532,571
Notes and Loans Payable (Note 4)	1,082,609		1,082,609
Total Noncurrent Liabilities	<u>2,704,669</u>	<u>2,910,511</u>	<u>5,615,180</u>
Total Liabilities	<u>2,719,859</u>	<u>3,028,386</u>	<u>5,748,245</u>
NET POSITION			
Net Investment in Capital Assets	690,124		690,124
Restricted for Debt Service	34,969		34,969
Unrestricted	(159,901)	(15,876)	(175,777)
Total Net Position	<u>\$ 565,192</u>	<u>\$ (15,876)</u>	<u>\$ 549,316</u>

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

* Central Texas Turnpike System (Appropriated Fund 0865) and Grand Parkway Transportation Corporation (Appropriated Fund 9999) are the only enterprise funds. Combining statements are not presented.

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds

For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds*		
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Totals
OPERATING REVENUES			
Toll Revenue	\$ 105,848	\$	\$ 105,848
Fee Revenue	13,290		13,290
Total Operating Revenues	<u>119,138</u>	<u>0</u>	<u>119,138</u>
OPERATING EXPENSES			
Professional Fees and Services	6,671	1	6,672
Salaries	1,188		1,188
Materials and Supplies	4,805		4,805
Communication and Utilities	1,074		1,074
Repairs and Maintenance	16,247	7	16,254
Printing and Reproduction	4		4
Contracted Services	12,975		12,975
Advertising	889		889
Depreciation Expense	19,792		19,792
Other Operating Expenses	3,526		3,526
Total Operating Expenses	<u>67,171</u>	<u>8</u>	<u>67,179</u>
Operating Income (Loss)	<u>51,967</u>	<u>(8)</u>	<u>51,959</u>
NONOPERATING REVENUES (EXPENSES)			
Lease Revenue	13		13
Interest and Investment Income	6,335	19	6,354
Net Decrease in Fair Value of Investments		(182)	(182)
Interest and Amortization	(71,332)		(71,332)
Accretion on Capital Appreciation Bonds and TIFIA Note	(69,392)		(69,392)
Bond Issuance Expenses	(5,099)	(15,704)	(20,803)
Other Financing Fees	(61)	(1)	(62)
Other Nonoperating Revenues	464		464
Total Nonoperating Revenues (Expenses)	<u>(139,072)</u>	<u>(15,868)</u>	<u>(154,940)</u>
Loss before Capital Contributions and Transfers	<u>(87,105)</u>	<u>(15,876)</u>	<u>(102,981)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital Contributions	229,451		229,451
Operating Transfers Out (Note 11)	(4,354)		(4,354)
Total Capital Contributions and Transfers	<u>225,097</u>	<u>0</u>	<u>225,097</u>
Change in Net Position	<u>137,992</u>	<u>(15,876)</u>	<u>122,116</u>
Net Position, September 1, 2012	427,169		427,169
Restatements (Note 14)	31		31
Net Position, September 1, 2012, as Restated	<u>427,200</u>	<u>0</u>	<u>427,200</u>
Net Position, August 31, 2013	<u>\$ 565,192</u>	<u>\$ (15,876)</u>	<u>\$ 549,316</u>

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

* Central Texas Turnpike System (Appropriated Fund 0865) and Grand Parkway Transportation Corporation (Appropriated Fund 9999) are the only enterprise funds. Combining statements are not presented.

Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds*		
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 114,933	\$	\$ 114,933
Payments to Suppliers for Goods and Services	(46,658)	(17)	(46,675)
Payments to Employees	(1,188)		(1,188)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>67,087</u>	<u>(17)</u>	<u>67,070</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from Transfers from Other Funds	47,954		47,954
Proceeds from issuing Revenue Bonds		2,913,431	2,913,431
Payments to Issuance Costs		(14,545)	(14,545)
Payments to Developer for Construction		(32,436)	(32,436)
Reimbursement to HCTRA for Segment E ROW and Engineering		(65,482)	(65,482)
Reimbursement to TxDOT for Construction and ROW Acquisition		(398,707)	(398,707)
Payments for Transfers to Other Funds	(62,946)		(62,946)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(14,992)</u>	<u>2,402,261</u>	<u>2,387,269</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Lease Revenue	13		13
Proceeds from Capital Contributions	846		846
Payments for Additions to Land and Roadways	(436)		(436)
Payments from Debt Issuance, Net of Issuance Costs	856,648		856,648
Payments for Other Financing Costs	(61)		(61)
Payments for Debt Refunding	(857,150)		(857,150)
Payments for Principal on Debt	(7,710)		(7,710)
Payments on Debt Interest	(71,779)		(71,779)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(79,629)</u>	<u>0</u>	<u>(79,629)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sales of Investments	50,043		50,043
Proceeds from Interest and Investment Income, Net of Fees	6,335	22	6,357
Proceeds from Judgments & Settlements	483		483
Amortization of Cash Equivalents		3	3
Payments to Accrued Interest on Purchase of Investment		(358)	(358)
Payments to Acquire Investments	(4,855)	(1,249,245)	(1,254,100)
NET CASH PROVIDED BY (USED) BY INVESTING ACTIVITIES	<u>52,006</u>	<u>(1,249,578)</u>	<u>(1,197,572)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>24,472</u>	<u>1,152,666</u>	<u>1,177,138</u>
CASH AND CASH EQUIVALENTS - September 1, 2012	<u>27,330</u>		<u>27,330</u>
CASH AND CASH EQUIVALENTS – August 31, 2013	<u>\$ 51,802</u>	<u>\$ 1,152,666</u>	<u>\$ 1,204,468</u>

Concluded on the following page

Statement of Cash Flows – Proprietary Funds (concluded)
 For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds*		
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Totals
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income	\$ 51,967	\$ (8)	\$ 51,959
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	19,792		19,792
Changes in Assets and Liabilities:			
(Increase)Decrease in Accounts Receivable	(4,205)		(4,205)
(Increase)Decrease in Prepaid Expenses	(467)	(16)	(483)
Increase in Payables for Maintenance		7	7
Total Adjustments	15,120	(9)	15,111
Net Cash Provided by Operating Activities	\$ 67,087	\$ (17)	\$ 67,070
 NONCASH TRANSACTIONS			
Transfer in of major capital asset from other Fund	\$ 229,410	\$	\$ 229,410
	\$ 229,410	\$ 0	\$ 229,410
 Reconciliation of Cash and Cash Equivalents			
Cash in Bank	\$ 524	\$ (22)	\$ 502
Money Market and Similar Funds	51,227	1,000,990	1,052,217
Cash Equivalents in US Treasury		151,698	151,698
Restricted Cash and Cash Equivalents in State Treasury	51		51
Cash and Cash Equivalents	\$ 51,802	\$ 1,152,666	\$ 1,204,468

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

* Central Texas Turnpike System (Appropriated Fund 0865) and Grand Parkway Transportation Corporation (Appropriated Fund 9999) are the only enterprise funds. Combining statements are not presented.

Statement of Fiduciary Net Position
 August 31, 2013 (Amounts in Thousands)

	<u>AGENCY FUNDS</u>
ASSETS	
Cash on Hand	\$ 18
Cash in Bank	20,064
Cash in State Treasury	556
Total Assets	<u>20,638</u>
 LIABILITIES	
Funds Held for Others	20,638
Total Liabilities	<u>\$ 20,638</u>

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

**Texas Department of Transportation
Notes to Financial Statements**

NOTE 1 – Summary of Significant Accounting Policies 35

NOTE 2 – Capital Assets 44

NOTE 3 – Deposits, Investments and Repurchase Agreements 46

NOTE 4 – Summary of Long-Term Liabilities 49

NOTE 5 – Bonded Indebtedness 52

NOTE 6 – Derivative Instruments 62

NOTE 7 – Leases 62

NOTE 8 – Employees’ Retirement Plan 63

NOTE 9 – Deferred Compensation 64

NOTE 10 – Postemployment Health Care and Life Insurance Benefits 64

NOTE 11 – Interfund Activity and Transactions 64

NOTE 12 – Continuance Subject to Review 68

NOTE 13 – Classification of Fund Balances and Net Position 68

NOTE 14 – Adjustments to Fund Balances and Net Position 70

NOTE 15 – Commitments and Contingencies 71

NOTE 16 – Subsequent Events 74

NOTE 17 – Risk Management 75

NOTE 18 – Matrix of Expenditures Reported by Function 76

NOTE 19 – The Financial Reporting Entity 76

NOTE 20 – Stewardship, Compliance and Accountability 77

NOTE 21 – Service Concession Arrangements 78

This page is intentionally blank.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Reporting Entity***

The accompanying financial statements reflect the financial position of the Texas Department of Transportation (TxDOT). TxDOT is an agency of the state of Texas and is charged with developing and maintaining a statewide multimodal transportation network and other transportation related duties. The Texas Transportation Commission (the Commission), the governing body of TxDOT, has the authority to commit TxDOT to various legal agreements.

The financial activities of TxDOT, which consist of both governmental and proprietary activities, are reported under the transportation function in the state of Texas' Comprehensive Annual Financial Report (CAFR).

Three Texas Transportation Corporations, authorized by Transportation Code Chapter 431 to perform certain functions normally undertaken by TxDOT, are reported as blended component units because TxDOT exercises sufficient authority over the assets, operations and management of such entities to warrant their inclusion. Even though Texas Transportation Corporations are a part of the TxDOT reporting entity, the state is not liable for debts of these corporations, nor entitled to the assets of these corporations. See Note 19 for more information.

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

Basis of Presentation

The accompanying financial statements were prepared in conformance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Financial reporting for TxDOT is based on all GASB pronouncements. The data in this report is combined and consolidated by the Texas Comptroller's office with similar data from other state agencies and universities to prepare the state of Texas CAFR.

Financial Reporting Structure

The basic financial statements include government-wide financial statements and fund financial statements. The reporting model based on GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, focuses on TxDOT as a whole in the government-wide financial statements and major individual funds in the fund financial statements.

Government-wide Financial Statements

The government-wide financial statements (statement of net position and statement of activities) display information about TxDOT as a whole and the change in aggregate financial position resulting from the activities of the fiscal period on all non-fiduciary activities. These statements include separate columns for the governmental and business-type activities of TxDOT (including its blended component units). In the statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reflected on an accrual basis, economic measurement focus, which incorporates noncurrent investments, capital assets and long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The fund financial statements are presented after the government-wide financial statements. They display information about major funds individually and in the aggregate for governmental and proprietary funds. In governmental and fiduciary funds, assets are presented in order of relative liquidity. In proprietary funds, assets and liabilities are presented in a classified format that distinguishes between all current and noncurrent assets and liabilities. Current liabilities are obligations to be paid within the next fiscal year.

The major governmental funds in the fund financial statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This presentation is deemed most appropriate to demonstrate compliance with legal and covenant requirements, the source and use of financial resources and how TxDOT's actual experience conforms to the budget. Since the governmental fund financial statements are presented using a different measurement focus and basis of accounting than the government-wide financial statements, governmental activities column, a reconciliation is presented. The reconciliation explains the adjustments required to restate the fund based financial statements for the government-wide financial statements' governmental funds column.

TxDOT uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. TxDOT is granted appropriations based on appropriated funds. For operational and statutory reasons TxDOT has created several lower level funds that are presented as part of the indicated appropriated fund.

Governmental Fund Types

Governmental funds focus on the sources and uses of funds. Included in the governmental fund financial statements are general, special revenue, debt service and capital projects funds. The general fund is used to account for the departmental operations funded by legislative appropriations. Special revenue funds account for specific revenue sources that are restricted or committed for specific purposes other than debt service or capital projects. Debt service funds are used to account for financial resources that are restricted, committed or assigned to expenditure for principal and interest. Capital projects funds are used to account for financial resources that are restricted, committed or assigned to expenditure for capital outlays.

TxDOT reports the following major governmental funds.

State Highway Fund (Appropriated Fund 0006)

The state highway fund is TxDOT's main operating fund. TxDOT reports the following accounts/sub-funds, which are consolidated into the state highway fund for GAAP reporting purposes.

- State Highway Fund Accounts – These funds contain the activity related to public road construction, maintenance and monitoring of the state's highway system. The significant ongoing revenue sources are federal revenues and motor fuels taxes, which are constitutionally restricted and dedicated to the highway fund.
- State Infrastructure Bank– This fund operates as a revolving loan program that makes loans to public and private entities to encourage the development of transportation projects and facilities.
- Federal American Recovery and Reinvestment Fund – This fund was created to record, track and report the receipt and disbursement of American Recovery and Reinvestment Act (ARRA) funding.

Texas Mobility Fund (Appropriated Fund 0365)

This fund operates as a revolving fund to provide a method of financing construction, reconstruction, acquisition and expansion of state highways and other transportation projects. The principal ongoing revenue source of the fund is fees committed by the Legislature under the authority of the Texas Constitution, Article III, Section 49-k. Other inflows to the fund include bond proceeds. The mobility fund is composed of a debt service fund and a capital projects fund.

Additionally, TxDOT reports the following non-major governmental funds.

General Revenue Fund:

TxDOT reports the following accounts, which are consolidated into the general revenue fund for GAAP reporting purposes.

- General Fund Account (Appropriated Fund 0001) – This account is used to account for all financial resources of the state except those required to be accounted for in another fund.
- Traffic Safety-Crash Records Information Systems Account (Appropriated Fund 0036) – This account is used to account for expenditures pertaining to the crash records information system.
- Texas Highway Beautification Fund Account (Appropriated Fund 0071) – This account was established to implement the Texas highway beautification program. Revenues are obtained from outdoor advertising license and permit fees.
- Colonias Project Fund Account (Appropriated Fund 7604) – This account provides financial assistance to counties for roadway projects serving border colonias. Funding is provided from the sale of bonds or commercial paper, which are issued and reported by the Texas Public Finance Authority.
- Suspense Fund (Appropriated Fund 0900) – This fund is used to temporarily hold and account for receipts until the correct disposition of items is determined.

Special Revenue Fund:

- Texas Transportation Corporations (Appropriated Fund 9999) – This fund presents the activity of the Grand Parkway Association, which is a blended component unit of TxDOT.

Debt Service Fund:

- Proposition 14/State Highway Fund Debt Service (Appropriated Fund 0008) – This fund receives transfers in from the state highway fund for debt service on state highway fund revenue bonds.

Capital Projects Funds:

- Proposition 12/Highway Improvement Project Fund (Appropriated Fund 0307) – This fund receives the proceeds of general obligation bonds issued for highway improvement projects under the provisions of the Texas Constitution, Article III, Section 49-p. The fund reports the construction activity supported by such funding.
- County/Political Subdivision/Local Government Road/Airport Trust Account (Appropriated Fund 0927) – This fund holds contributions by counties/political subdivisions for expenditure by the Commission in development/construction of public roads and airports within such counties or political subdivisions.

Proprietary Fund Type

Proprietary funds focus on determining operating income, changes in financial position and cash flows. Generally accepted accounting principles similar to those used by private sector businesses are applied in accounting for these funds. Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. TxDOT reports the following major proprietary funds.

Central Texas Turnpike System Fund (Appropriated Fund 0865)

This fund reports the activity and debt associated with the Central Texas Turnpike System toll roads.

Grand Parkway Transportation Corporation (Appropriated Fund 9999)

This fund reports the activity and debt associated with the development of Segments D (Harris County), E, F-1, F-2 and G of the Grand Parkway (State Highway 99) toll road construction as reported by Grand Parkway Transportation Corporation.

Fiduciary Fund Types

Fiduciary funds account for assets held in either a trustee capacity or as an agent for other outside individuals or entities. Agency funds report assets that TxDOT holds on behalf of others in a purely custodial capacity.

Agency Funds have no equity, assets equal liabilities and do not include revenues or expenditures. The agency funds used by TxDOT during fiscal 2013 included the general revenue fund, child support deductions suspense account, employees' savings bond account, toll revenue custodial account and the direct deposit correction accounts.

Component Units

All component units of TxDOT are reported as nonmajor component units. The Grand Parkway Association, Texas Private Activity Bond Surface Transportation Corporation, and Grand Parkway Transportation Corporation are presented in TxDOT's financial statements as blended component units. See Note 19 for more details.

Basis of Accounting

Government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all economic resources and obligations of the reporting entity, both current and noncurrent are reported in the government-wide financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Non-exchange transactions, in which TxDOT gives (or receives) value without directly receiving (or giving) equal value in exchange, include intergovernmental grants. Revenue for grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds use the flow of current financial resources focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become both measureable and available. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are generally recognized when the related fund liability is incurred. However, principal and interest on bonds is recorded only when due and compensated absences and claims and judgments are recorded when they are expected to be liquidated with expendable available financial resources. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis, 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 cost of sales and services, administrative expenses and depreciation on capital assets.

Although agency funds use the accrual basis of accounting, they do not have a measurement focus because they do not recognize revenues and expenses.

Shared Fund Presentation

The financial statement presentation for the state highway fund and general fund represent only the portion of shared funds that can be directly attributed to the operations of TxDOT. Financial statements for total fund operations of shared state funds are presented in the state of Texas CAFR.

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present TxDOT's portion of shared funds.

Legislative Appropriations

This "asset" account represents TxDOT's remaining legislative appropriation authority at fiscal year-end.

Original/Additional Appropriations

Amount reported as revenue that is the total appropriation authority given to TxDOT for the current fiscal year.

Appropriations Lapsed

Unencumbered appropriations balances that have been lapsed during the fiscal year.

Budgetary Information

TxDOT's budget is prepared on a performance-based concept and is represented by biennial appropriations authorized by the Legislature and approved by the governor. The governmental funds with legally adopted budgets are the general fund, the state highway fund and nonmajor special revenue funds.

Change in Accounting Policies

The Texas Mobility fund was established as a single appropriated fund, for Fiscal 2013 is reported as governmental Debt Service fund and Capital Projects Fund types. See Note 20 for more information.

Assets, Liabilities, Deferred Inflows, and Fund Balances/Net Position

Cash and Cash Equivalents

Cash held in the state treasury, cash deposited in local banks, cash on hand and short-term highly liquid investments.

Investments

Amounts invested associated with the Central Texas Turnpike System and Grand Parkway Transportation Corporation. See Note 3 for more details.

Inventories and Prepaid Items

Inventory items are reported at a weighted average cost. The inventory consists of supplies and roadway materials on hand for future use. The consumption method of accounting is used to account for inventories and prepaid items. The costs of these items are expensed when the items are consumed. TxDOT reported prepaid postage of \$817.7 thousand as of Aug. 31, 2013.

Receivables

The major receivables for TxDOT are federal and other intergovernmental. Receivables represent amounts due to TxDOT at Aug. 31, 2013, for revenues earned in the current fiscal year that will be collected in the future. Amounts expected to be collected in the next fiscal year are classified as current and amounts expected to be collected beyond the next fiscal year are classified as noncurrent. All receivables are recorded net of allowances for uncollectable accounts.

Notes and Loans Receivable

TxDOT makes loans to various local governments and regional mobility authorities. The state infrastructure bank (SIB) operates as a revolving loan fund, where the account balance grows through the monthly interest earned and repaid principal and interest payments. SIB financial assistance can be provided to any public or private entity authorized to construct, maintain or finance an eligible transportation project.

Notes and Loans Receivable		
August 31, 2013 (Amounts in Thousands)		
Fund	Loans Receivable	Due Within One Year
General Fund	\$ 200	\$ 46
Highway Fund – Toll Equity Loans	90,784	
Highway Fund – NTTA	138,263	2,193
Highway Fund – State Infrastructure Bank	164,940	16,405
Governmental Funds Total	<u>\$ 394,187</u>	<u>\$ 18,644</u>

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds from revenue bonds, as well as certain revenues, set aside for statutory or contractual requirements.

Deferred Inflows

Deferred inflows of resources are an acquisition of net assets by TxDOT that is applicable to a future reporting period. Deferred inflows have a negative effect on net position, similar to liabilities. TxDOT reports deferred inflows of resources as the offset account to assets received under a service concession arrangement in financial statements prepared using the economic resources measurement focus. See Note 21 for additional information.

Intangible Assets

Our blended component unit, GPTC is operating under a service concession agreement (SCA) with TxDOT. As a governmental operator, GPTC records an intangible asset for its cost of design and construction of Segments D (Harris County), E, F-1, F-2 and G of the Grand Parkway toll road. Additionally, GPTC is capitalizing interest and

accretion paid during the construction period to the intangible asset. Amortization of the intangible asset will begin upon the completion of construction and the opening to traffic of the System. Intangible assets associated with SCAs are not considered capital assets. See Note 21 for more information about GPTC's SCA with TxDOT.

Capital Assets

Capital assets, which include land, infrastructure, furniture, equipment and intangible assets are capitalized and reported in the financial statements using the accrual basis of accounting. Capital assets are recorded as expenditures at the time of purchase in the governmental funds.

Capital assets are assets with a cost above a set minimum capitalization threshold that, when acquired, have an estimated useful life of more than one year. Land, permanent land-use rights, non-depreciable infrastructure and construction in progress do not have a capitalization threshold and are not depreciated. The capitalization thresholds and useful lives of TxDOT's depreciable capital assets are as follows.

Capitalization Thresholds by Class of Asset		
Classification	Capitalization Threshold	Estimated Useful Life
Buildings and Building Improvements	\$ 100,000	5-30 years
Infrastructure, Depreciable	500,000	10-50 years
Facilities and Other Improvements	100,000	10-69 years
Furniture and Equipment	5,000	3-15 years
Vehicles, Boats and Aircraft	5,000	5-40 years
Internally Generated Computer Software	1,000,000	3-10 years
Other Computer Software	100,000	3-10 years
Land Use Rights – Term/Temporary	100,000	10-60 years

All capital assets acquired or constructed by TxDOT are capitalized at cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair value at the date of donation. A facility constructed or improved under a qualifying service concession arrangement is reported as a capital asset at fair value when it is placed in operation. Costs of normal maintenance and repairs that do not add value to the asset or materially extend the asset's useful life are not capitalized.

TxDOT reports the state's highway infrastructure assets using the modified approach. This approach reflects a reasonable value of the asset and cost required to maintain the service potential at established minimum standards in lieu of depreciation. TxDOT developed and implemented an asset management system that establishes minimum standards and makes a yearly determination whether the minimum standards are being met. Disclosures of the minimum standards and the current status of the system are included in the required supplementary information section of this report.

All other capital assets, including bridges, with determinable useful lives are depreciated on the straight line basis over their estimated lives. See Note 2 for details of TxDOT's capital asset activity for fiscal 2013.

Deferred Revenues

TxDOT has received up-front payments related to the development and future toll-road operations of State Highway 121, State Highway 130 Sections 5-6 and the Katy Managed Lanes project on Interstate 10. These agreements exchange an up-front payment for the right to operate these toll roads for a period determined in the agreement. Under each of these agreements the toll road reverts back to the state at the end of the term or upon certain reimbursement conditions. TxDOT is recognizing revenue on a straight-line basis over the term of the agreement beginning when the roadway is placed into operation. See Note 21 for more information.

Long-Term Liabilities

Long-term liabilities include employees' compensable leave, general obligation bonds payable, revenue bonds payable, notes payable and pollution remediation obligations. Bonds payable are reported net of the applicable bond premium or discount. For debt issued prior to Sept. 1, 2012, deferred issuance costs are reported as deferred charges and amortized over the term of the debt. For debt issued during fiscal 2013, issuance costs were expensed as incurred.

In the governmental fund financial statements, bond premiums, discounts and bond issuance costs are recognized during the current period. The face amount of the debt is reported as an other financing source while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal or separation from state employment, provided the employee has had continuous employment with the state for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in the governmental fund financial statements. See Notes 4 and 5 for more information.

Fund Balance/Net Position

In the government-wide and proprietary statements, the net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position is displayed in three components. The potential categories of net position include:

- *Net Investment in Capital Assets*— capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, notes or other borrowings that are attributed to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included.
- *Restricted*— restricted assets reduced by liabilities and deferred inflows or resources related to those assets. When both restricted and unrestricted resources are available for use, generally it is TxDOT's policy to use restricted resources first, then unrestricted resources when they are needed.
- *Unrestricted*— amounts not required to be reported in the other components of net position, deferred outflows of resources, liabilities, and deferred inflows of resources, and deficit amounts that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund balances for governmental funds are displayed in five components. The potential categories of fund balance include:

- *Nonspendable fund balance*— amounts not available to be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The primary component of nonspendable fund balance is the balance in consumable inventories.
- *Restricted fund balance*— resources that have constraints placed on their use through external parties or by law through constitutional provisions.

- *Committed fund balance* – can be used only for specific purposes pursuant to constraints imposed by a formal action of the Legislature, the state’s highest level of decision making authority.
- *Assigned fund balance* – amounts constrained by the Commission’s intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned fund balance* – residual classification for the general fund. The classification represents fund balance that was not assigned to other funds and was not restricted, committed or assigned to specific purposes within the general fund.

Positive unassigned fund balance can only exist within the general fund. Deficit fund balances in a fund are reported as unassigned fund balance.

As described previously, TxDOT has received substantial up-front concession payments. The deferral of revenue recognition on these payments has a significant impact on the state highway fund’s fund balance composition. TxDOT is statutorily committed to utilizing such payments received for the benefit of the region impacted by the concession project. Deficit unassigned fund balances are reported because annual expenditures utilizing the up-front money received under these arrangements exceed the amount of revenue recognized. Governmental activities net position is also significantly affected by the effect of deferring the recognition of revenue from up-front payments received and capital assets recognized related to service concession arrangements. Portions of the deferred inflow of resources balance at Aug. 31, 2013 are impacting the governmental activities balances of net investment in capital assets and unrestricted net position as follows.

Deferred Inflow of Resources Impact to Net Position		
August 31, 2013 (Amounts in Thousands)		
GOVERNMENTAL ACTIVITIES		
NET POSITION	Total	Deferred Inflow of Resources
Net Investment in Capital Assets	\$ 62,876,220	\$ (2,929,451)
Restricted Net Position	774,053	
Unrestricted Net Position	893,191	(2,325,182)
Total	\$ 64,543,464	\$ (5,254,633)

The balance of the deferred inflow of resources at Aug. 31, 2013 will be recognized as revenue and increase the respective categories of net position over the remaining years of the agreements. See Note 21 for more information on service concession arrangements.

Revenue Sources

TxDOT’s principal revenue sources are federal and tax revenue. As the state’s transportation agency, TxDOT receives reimbursements from the Federal Highway Administration (FHWA) for certain costs incurred for engineering, construction, right-of-way acquisition, research activities and general 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. TxDOT receives these reimbursements based on the state’s apportionment from the Federal Highway Trust Fund on a federal fiscal year basis.

TxDOT receives federal funding from other federal agencies for specific transportation related projects. See Schedule 1-A for more information on federal receipts and expenditures.

TxDOT reports its constitutionally dedicated share of taxes on motor fuels sold in Texas as tax revenues. Generally this constitutionally dedicated share is 75 percent of net collections, after reductions for collection expenses and refunds. In general, 20 cents per gallon is collected on gasoline and diesel sold for highway use. Liquefied gas sold for highway use is generally taxed at 15 cents per gallon and is required to be prepaid. TxDOT also receives and reports the state sales tax from the sale of lubricants, which is deposited to the state highway fund.

Major sources of pledged revenue for the Texas mobility fund include driver license fees, motor vehicle inspection fees, certificate of title fees and driver record information fees.

Interfund Activity and Transactions

Interfund activity refers to financial interaction between funds (including blended component units) and is related to internal events. Interfund transactions refer to interactions with other state agencies.

Interfund receivables and payables are eliminated from the statement of net position except for amounts due between governmental and business-type activities. These amounts are reported as internal balances on the statement of net position. See Note 11 for more details.

NOTE 2 – CAPITAL ASSETS

The tables below and on the following page present the composition of TxDOT’s capital assets, adjustments, reclassifications, additions and deletions during fiscal 2013. The adjustment column includes assets not previously reported, accounting errors and other changes. The reclassifications column presents completed construction projects and transfers of capital assets between agencies and between the governmental and business-type activities of TxDOT. The additions column includes current year purchases, depreciation and amortization. The deletions column represents assets removed during the current fiscal year via sale or disposition.

Capital Asset Activity

For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

	Balance 9/1/12	Adjustments	Reclass- ifications	Additions	Deletions	Balance 8/31/13
BUSINESS TYPE ACTIVITIES						
Non-Depreciable & Non-Amortizable Assets						
Land and Land Improvements	\$ 631,109	\$ (16)	\$ 36,962	\$ 476	\$	\$ 668,531
Infrastructure	1,629,379		135,207			1,764,586
Land Use Rights - Permanent	16,526		2,940			19,466
Total Non-Depreciable & Non-Amortizable Assets	<u>2,277,014</u>	<u>(16)</u>	<u>175,109</u>	<u>476</u>	<u>0</u>	<u>2,452,583</u>
Depreciable Assets						
Buildings and Building Improvements	8,360					8,360
Infrastructure	422,810		63,141			485,951
Total Depreciable Assets	<u>431,170</u>	<u>0</u>	<u>63,141</u>	<u>0</u>	<u>0</u>	<u>494,311</u>
Less Accumulated Depreciation for:						
Buildings and Building Improvements	(2,313)			(361)		(2,674)
Infrastructure	(91,059)		(8,839)	(19,431)		(119,329)
Total Accumulated Depreciation	<u>(93,372)</u>	<u>0</u>	<u>(8,839)</u>	<u>(19,792)</u>	<u>0</u>	<u>(122,003)</u>
Depreciable Assets, Net	337,798	0	54,302	(19,792)	0	372,308
Business-Type Activities Capital Assets, Net	\$ <u>2,614,812</u>	\$ <u>(16)</u>	\$ <u>229,411</u>	\$ <u>(19,316)</u>	\$ <u>0</u>	\$ <u>2,824,891</u>

Concluded on Following Page

Capital Asset Activity (concluded)

For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

	Balance 9/1/12	Adjustments	Reclass- ifications	Additions	Deletions	Balance 8/31/13
GOVERNMENTAL ACTIVITIES						
Non-Depreciable & Non-Amortizable Assets						
Land and Land Improvements	\$ 9,108,873	\$ (671)	\$ (36,962)	\$ 758,419	\$ (967)	\$ 9,828,692
Infrastructure	50,661,186	1,886	2,004,122	1,047,340		53,714,534
Construction in Progress	5,684,374	(169,856)	(2,696,242)	2,664,195		5,482,471
Land Use Rights - Permanent	67,495		(2,941)	1,210	(1)	65,763
Total Non-Depreciable & Non-Amortizable Assets	<u>65,521,928</u>	<u>(168,641)</u>	<u>(732,023)</u>	<u>4,471,164</u>	<u>(968)</u>	<u>69,091,460</u>
Depreciable Assets						
Buildings and Building Improvements	461,604	18,084	4,665			484,353
Infrastructure	20,312,800	82,193	482,829	256,511	(12,891)	21,121,442
Furniture and Equipment	169,609	211		12,449	(4,234)	178,035
Vehicles and Aircraft	698,900	294	819	24,953	(15,412)	709,554
Other Capital Assets	10,804	(41)	782			11,545
Total Depreciable Assets	<u>21,653,717</u>	<u>100,741</u>	<u>489,095</u>	<u>293,913</u>	<u>(32,537)</u>	<u>22,504,929</u>
Less Accumulated Depreciation for:						
Buildings and Building Improvements	(187,360)	(11,388)		(16,585)		(215,333)
Infrastructure	(11,745,305)	11,472	8,839	(618,990)	10,997	(12,332,987)
Furniture and Equipment	(118,025)	12		(9,181)	3,953	(123,241)
Vehicles and Aircraft	(408,541)	(95)	56	(28,769)	12,871	(424,478)
Other Capital Assets	(5,011)	(141)		(565)		(5,717)
Total Accumulated Depreciation	<u>(12,464,242)</u>	<u>(140)</u>	<u>8,895</u>	<u>(674,090)</u>	<u>27,821</u>	<u>(13,101,756)</u>
Depreciable Assets, Net	<u>9,189,475</u>	<u>100,601</u>	<u>497,990</u>	<u>(380,177)</u>	<u>(4,716)</u>	<u>9,403,173</u>
Intangible Capital Assets - Amortizable						
Land Use Rights - Term	23,487			870	(1,004)	23,353
Computer Software	24,192		4,581	951	(500)	29,224
Total Amortizable Assets	<u>47,679</u>	<u>0</u>	<u>4,581</u>	<u>1,821</u>	<u>(1,504)</u>	<u>52,577</u>
Less Accumulated Amortization for:						
Land Use Rights - Term	(8,816)			(3,377)	1,004	(11,189)
Computer Software	(17,987)			(2,594)	473	(20,108)
Total Accumulated Amortization	<u>(26,803)</u>	<u>0</u>	<u>0</u>	<u>(5,971)</u>	<u>1,477</u>	<u>(31,297)</u>
Amortizable Assets, Net	<u>20,876</u>	<u>0</u>	<u>4,581</u>	<u>(4,150)</u>	<u>(27)</u>	<u>21,280</u>
Governmental Activities Capital Assets, Net	\$ <u>74,732,279</u>	\$ <u>(68,040)</u>	\$ <u>(229,452)</u>	\$ <u>4,086,837</u>	\$ <u>(5,711)</u>	\$ <u>78,515,913</u>

Depreciation and amortization expense was charged to the transportation function in the accompanying statement of activities.

NOTE 3 – DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS

TxDOT is authorized by statute to make investments following the “prudent person rule.” TxDOT has complied, in all material respects, with statutory authorization, bond documents, constraints and commission policies during the period. Our blended component unit, Grand Parkway Transportation Corporation (GPTC) has an investment policy in accordance with the laws of the state of Texas. GPTC may purchase investments as authorized by the Trust Agreement and as further authorized by the revised investment and strategy approved by its Board of Directors in July 2013.

Deposits

The following amounts consist of all cash and cash equivalents in local banks. These amounts are included on the combined statement of net position as part of the “cash and cash equivalents” accounts.

Cash In Bank		
August 31, 2013 (Amounts in Thousands)		
	Carrying Amount	Bank Balance
Governmental and Business-Type Activities		
Governmental Current Assets Cash in Bank – Depository Accounts	\$ 588	\$ 588
Business-Type Funds (CTTS) Current Assets Cash In Bank – Depository Accounts	525	525
Business-Type Funds (GPTC) Restricted Current Assets Cash in Bank – Depository Accounts	(22)	(22)
Total	\$ 1,091	\$1,091
Fiduciary Funds		
Fiduciary Fund Current Assets Cash in Bank – Depository Accounts	\$ 363	\$ 363
Fiduciary Fund Current Assets Cash in Bank – Sweep Account	19,701	19,701
Total	\$20,064	\$20,064

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, deposits or collateral securities in the possession of an outside party will not be recovered. All of TxDOT’s deposits are protected by insurance provided by the Federal Deposit Insurance Corporation (FDIC).

Regular depository accounts are insured by the FDIC up to \$250 thousand per depositor, per insured bank. As of Aug. 31, 2012, the fiduciary funds sweep account was protected by temporary unlimited insurance coverage by the FDIC. The unlimited coverage provisions became effective Dec. 31, 2010, and terminated on Dec. 31, 2012. As of Aug. 31, 2013, the sweep account is subjected to the same \$250 thousand coverage provided to a regular depository account.

Treasury Pool

TxDOT’s governmental funds are established in the state Treasury, thus all monies are pooled with other state funds and invested under the direction of the Comptroller of Public Accounts Treasury Operations Division (Treasury). Governmental and business-type activities deposits in the state treasury totaled \$5.3 billion at Aug. 31, 2013.

The Treasury obtains direct access to the services of the Federal Reserve System through the Texas Treasury Safekeeping Trust Company (Trust Company). The Federal Reserve Bank requires that the Trust Company maintain a positive cash balance in the account during and at the end of the day. The Trust Company met those requirements throughout fiscal 2013. The Comptroller has delegated investment authority to the Trust Company and utilizes the Trust Company to manage and invest funds in the Treasury Pool.

State statutes authorize the Treasury to invest state funds in fully collateralized time deposits; direct security repurchase agreements; reverse repurchase agreements; obligations of the United States and its agencies and instrumentalities; banker's acceptances; commercial paper; and contracts written by the Comptroller, which are commonly known as covered call options. Funds held in the treasury pool have not been categorized as to credit risk because TxDOT does not own individual securities. Details on the nature of these deposits and investments are available within the state of Texas Comprehensive Annual Financial Report.

Investments

As of Aug. 31, 2013, the fair value of TxDOT's and GPTC investments and maturities are as presented below:

Investment Fair Values			
August 31, 2013 (Amounts in Thousands)			
Governmental and Business Type Activities			
Investment Type	Maturities (in Years)		Fair Value Total
	Less than 1	1 Yr. or More	
Money Market Mutual Funds	\$ 377,193	\$	\$ 377,193
Government Securities	419,674	273,141	692,815
Government Sponsored Entities	593,691	114,277	707,968
Government Investment Pools	936,415		936,415
Repurchase Agreements		115,000	115,000
Total	\$ 2,326,973	\$ 502,418	\$ 2,829,391

Custodial Credit Risk

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 and GPTC's investment policies state that all securities purchased by the Commission shall be designated as assets of the Commission shall be protected through the use of a third-party custody/safekeeping agent, which may be a Trustee. Additionally, GPTC conducts securities on a delivery-versus-payment (DVP) basis.

As of Aug. 31, 2013, the Commission's repurchase agreement is collateralized with U.S. Government and agency securities. Collateral for the repurchase agreement is held by the Bank of New York Mellon Trust Company with the underlying securities being the property of the Citigroup Global Markets Inc., (the direct counterparty), held in trust for the Commission. Bank of New York Mellon Trust Company is rated Aa1, AA- and AA- by Moody's Investor Services, Standard and Poor's and Fitch Ratings respectively.

Credit Risk

Direct credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commission's and GPTC's investment policies prohibit the Commission and GPTC from entering into long-term investment agreements or other non-DVP investment transactions with a final maturity or termination date of longer than six months with any financial institution that initially has a long-term rating category of less than "A" and that does not have at least one long-term rating of at least "AA" by a nationally recognized statistical rating organizations (NRSRO). All investments made by the Commission and GPTC have been through the list of qualified financial institutions approved by the Commission and GPTC.

The Commission's policy does not limit the amount of investment in obligations of the United States or its agencies. The repurchase agreement is a guaranteed investment contract (GIC) with Citigroup Global Markets Inc. as the counterparty. Citigroup Global Markets Inc. has collateralized the GIC with U.S. Government and agency securities. As of Aug. 31, 2013, TxDOT's and GPTC's investments had the following ratings.

Investment Credit Ratings				
August 31, 2013 (Amounts in Thousands)				
Governmental and Business-Type Activities				
Investment Type	Fair Value	Moody's	Standard & Poor's	Fitch
Money Market Mutual Funds				
JPMorgan US Government MMKT Cap 3164	\$ 51,227	Aaa-mf	AAAm	AAAmmf
JPMorgan US Government MMKT	60,805	Aaa-mf	AAAm	AAAmmf
First American Government Obligations Fund	183,569	Aaa-mf	AAAm	NR
Morgan Stanley Institutional Liquidity Funds	51,448	Aaa-mf	AAAm	NR
Fidelity Intuition Money Market Government	30,143	Aaa-mf	AAAm	NR
Government Sponsored Entities:				
Federal Home Loan Banks	325,844	Aaa	AA+	NR
Federal National Mortgage Association	78,932	Aaa	AA+	AAA
Federal Home Loan Mortgage Corporation	303,192	Aaa	AA+	AAA
U.S. Treasury Securities	692,816	Aaa	AA+	AAA
Government Investment Pools				
Lone Star	87,142	NR	AAAm	NR
TexPool	762,167	NR	AAAm	NR
TexPool Prime	87,106	NR	AAAm	NR
Repurchase Agreement	115,000	Baa2	A	A
Total	<u>\$ 2,829,391</u>			
*NR= Not Rated				

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Assets held in the particular funds shall be diversified to minimize the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. As of Aug. 31, 2013,

TexPool, First American Government Obligation Fund exceeded 5 percent of the total TxDOT portfolio. As of Aug. 31, 2013, the following investments exceeded 5 percent of the total GPTC portfolio: TexPool, First American Government Obligation Fund, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and US Treasuries.

The Commission and GPTC both address diversification in their investment policies. Assets held in particular funds shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Diversification strategies shall be determined and revised periodically by the investment officer for all funds.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission and GPTC have 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. In general, all securities held by the Commission and GPTC are anticipated to be held to maturity, thereby avoiding interest rate risk due to an early redemption. Investment maturities are noted in the investment fair value table.

NOTE 4 – SUMMARY OF LONG-TERM LIABILITIES

Long-Term Liabilities

Long-term liabilities for fiscal 2013 are presented in the table below:

Long-Term Liabilities Activity							
For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)							
	Beginning Balance 09/01/2012	Additions	Reductions	Other Changes	Ending Balance 08/31/2013	Amounts Due Within One Year	Amounts Due Thereafter
Governmental Activities							
Primary Government							
Compensable Leave	\$ 72,578	\$114,131	\$ 113,502	\$	\$ 73,207	\$ 60,186	\$ 13,021
General Obligation Bonds	7,113,145	918,205	74,210	163,645	8,120,785	121,493	7,999,292
Revenue Bonds	4,054,445		120,155	(6,362)	3,927,928	132,358	3,795,570
Pollution Remediation Obligations	6,726	9,361	8,508		7,579	5,277	2,302
Pass Through Tolls Payable	1,128,227	158,197	105,113	4,339	1,185,650	142,298	1,043,352
Contracts Payable	0	850			850		850
Governmental Activities Long-Term Liabilities	\$12,375,121	\$1,200,744	\$421,488	\$161,622	\$13,315,999	\$461,612	\$12,854,387
Business-Type Activities							
Revenue Bonds Payable	\$ 1,616,750	\$3,775,497	\$864,860	\$17,716	\$ 4,545,103	\$ 12,531	\$ 4,532,572
Notes and Loans Payable	1,057,877	24,732			1,082,609		1,082,609
Business-Type Activities Long-Term Liabilities	\$ 2,674,627	\$3,800,229	\$864,860	\$17,716	\$ 5,627,712	\$ 12,531	\$ 5,615,181

Employees' Compensable Leave

Annual leave, commonly referred to as vacation leave, and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by TxDOT employees. Employees accrue vacation time at a rate of eight to 21 hours per month depending on years of state employment. The maximum number of hours that may be carried forward to the next fiscal year ranges from 180 hours to 532 hours based on years of state service.

Overtime, under the Fair Labor Standards Act and state laws, can be accumulated in lieu of immediate payment as compensatory leave (at one-and-one-half hours for each overtime hour worked) for nonexempt, nonemergency employees to a maximum of 240 hours. All overtime exceeding 240 hours must be paid with the next regular payroll. At termination or death, all overtime balances must be paid in full. Unpaid overtime is included in the calculation of the current portion of long-term liabilities for each employee because it may be used like compensatory time or be paid.

Compensatory leave is allowed for exempt employees not eligible for overtime pay. This leave is accumulated on an hour-for-hour basis and must be taken within one year from date earned or it lapses. There is no death or termination benefit for compensatory leave. Compensatory leave is reported as part of the current portion of long-term liabilities.

No liability is recorded for non-vesting accumulating rights to receive sick leave benefits.

Notes and Loans Payable

The balance of notes and loans payable represents secured loans made to the Commission by the United States Department of Transportation (USDOT) under the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). USDOT has agreed to lend the Commission up to \$916.8 million to pay or reimburse a portion of the Central Texas Turnpike System's (CTTS) costs. As of Aug. 31, 2012, the Commission has drawn down \$900 million under the secured loan agreement.

The loan will be paid from revenues of CTTS as they are sufficient to pay (a) all interest, which will become due and payable on each such date and (b) the principal, if any, of the secured loan which will become due and payable on each such date. For these reasons the debt service requirements are subject to change each year as actual revenues are received. Per the agreement, principal and interest can be deferred (negatively amortized) depending on the availability of revenues. The principal amount of the loan may increase over time as deferrals are made. As of Aug. 31, 2013, the secured loan agreement's debt service requirements are as follows.

TIFIA Loan – Debt Service Requirements (Amounts in Thousands)			
Business-Type Activities			
Year	Principal	Interest*	Total
2014	\$	\$ 35,023	\$ 35,023
2015		36,443	36,443
2016		43,188	43,188
2017		45,478	45,478
2018		47,969	47,969
2019-2023		281,642	281,642
2024-2028	48,730	336,601	385,331
2029-2033	179,131	311,349	490,480
2034-2038	363,117	244,304	607,421
2039-2042	648,702	96,739	745,441
Total	1,239,680	1,478,736	2,718,416
Unamortized Accretion	(157,071)		(157,071)
Total Requirements	\$1,082,609	\$1,478,736	\$2,561,345

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

Pass-Through Tolls Payable

The balance recorded as pass-through tolls payable relates to the Commission's obligations under executed pass-through financing agreements. As of Aug. 31, 2013, there were 41 active pass-through financing agreements finalized and executed by the Commission. Under these agreements, an outside party (usually a local government) pays for all or a portion of a highway project. In return, TxDOT contractually agrees to make reimbursements after the improvement is open for traffic. Reimbursements are subject to minimum and maximum annual thresholds and are variable within those thresholds based on the volume of traffic on the project roadway. The agreements with multiple projects generally contain a provision allowing for reimbursements to begin as each project is open for traffic.

The obligation to make future reimbursement payments is recognized as pass-through tolls payable as the underlying highway project is constructed. Accruals of payables continue until the liability amount reaches the total TxDOT reimbursement obligation specified in the agreement. If the cost of the completed underlying highway project is less than the total TxDOT reimbursement obligation, TxDOT will accrue the additional obligation amount upon that project's completion and acceptance. The estimated debt service requirements related to pass-through toll contracts executed as of Aug. 31, 2013 are as follows. The timing of actual payments may differ substantially from this estimate, but the total amount paid is linked to contractually established levels. The estimates are updated monthly to account for these variations.

Pass-Through Tolls Payable - Debt Service Requirements (Amounts in Thousands)	
Year	Governmental Activities
	Principal*
2014	\$142,298
2015	178,997
2016	193,097
2017	188,532
2018	182,555
2019-2023	658,332
2024-2026	72,549
Total**	1,616,360
Unrealized Payable	(430,710)
Total Requirements	\$1,185,650

* There is not an interest component to the pass-through toll reimbursements.

** This projection assumes TxDOT's maximum potential obligation.

Contracts Payable

TxDOT is party to a financial assistance arrangement with Fort Bend County related to the expansion of Farm to Market Road 1093. The terms of this agreement are such that in return for Fort Bend County funding the costs of the project up-front, TxDOT will reimburse Fort Bend County \$4 million per year for 10 years beginning upon substantial completion of the project. As of Aug. 31, 2013, the project is under construction. The obligation to make future reimbursements is recognized as contracts payable as the project is constructed. The estimated date of substantial completion is in fiscal 2017. The estimated debt service requirements related to this arrangement are as follows.

Contracts Payable - Debt Service Requirements (Amounts in Thousands)	
Year	Governmental Activities
	Principal*
2014	\$
2015	
2016	
2017	4,000
2018	4,000
2019-2023	20,000
2024-2026	12,000
Total	40,000
Unrealized Payable	(39,150)
Total Requirements	\$ 850

*There is not an interest component to this contract payable.

Pollution Remediation Obligations

TxDOT is responsible for the cleanup and remediation of several polluted sites. Regulatory requirements established by federal and state law obligate TxDOT to perform these pollution remediation activities. Historical cost averages were used to calculate the estimated pollution remediation obligation liabilities. The table on the following page details the various compliance requirements under which TxDOT is incurring pollution remediation costs and is recording a pollution remediation liability.

Comply with asbestos regulations	\$4,257
Remove contamination to allow construction of a detention pond	1,197
Manage contamination associated with Superfund sites	440
Comply with Federal Safe Drinking Water Act requirements	700
Comply with state Leaking Petroleum Storage Tank (LPST) cleanup requirements	902
Comply with state cleanup requirements for releases from non-LPST sources	83
Total	\$7,579

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

Claims and Judgments

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

NOTE 5 – BONDED INDEBTEDNESS

As discussed more fully in the sections that follow, the Commission and TxDOT's blended component units are authorized through various statutory and constitutional provisions to issue general obligation and revenue bonds as well as private activity bonds.

As of Aug. 31, 2013, the Commission had 22 bond issues outstanding. The Texas Private Activity Bond Surface Transportation Corporation (TxPABST), a blended component unit of TxDOT, had two conduit debt bond issues outstanding as of Aug. 31, 2013. The Grand Parkway Transportation Corporation (GPTC), another blended component unit of TxDOT, had five revenue bond issuances outstanding as of Aug. 31, 2013. The debt service payments associated with debt issued by TxPABST and GPTC are not the responsibility of the state of Texas, however due to the relationship between TxDOT and these entities, their disclosures and as appropriate financial balances associated with the outstanding bonds are included in this report.

Annual Financial Report (UNAUDITED)

Miscellaneous Bond Information (Amounts in Thousands)

Description of Issue	Bonds Issued to Date	Date Issued	Range of Interest Rates		Maturities		First Call Date
					First Year	Last Year	
GOVERNMENTAL ACTIVITIES							
General Obligation Bonds							
Texas Mobility Fund							
Series 2005-A Fixed Rate Bonds	\$ 900,000	06/08/2005	3.9000%	5.0000%	2006	2035	04/01/2015
Series 2005-B Variable Rate Bonds	100,000	06/08/2005	variable		2006	2030	*
Series 2006 Fixed Rate Bonds	750,000	06/08/2006	3.6250%	5.0000%	2007	2036	04/01/2016
Series 2006-A Fixed Rate Bonds	1,040,275	10/31/2006	4.0000%	5.0000%	2007	2035	04/01/2017
Series 2006-B Variable Rate Bonds	150,000	12/13/2006	variable		2036	2036	*
Series 2007 Fixed Rate Bonds	1,006,330	06/21/2007	4.0000%	5.0000%	2008	2037	04/01/2017
Series 2008 Fixed Rate Bonds	1,100,000	02/28/2008	4.0000%	5.0000%	2009	2037	04/01/2018
Series 2009-A Taxable Fixed Rate Bonds	1,208,495	08/26/2009	5.3670%	5.5170%	2029	2039	*
Texas Highway Improvement							
Series 2010-A Taxable Fixed Rate Bonds	815,420	09/29/2010	3.2030%	4.6810%	2019	2040	*
Series 2010-B Fixed Rate Bonds	162,390	09/29/2010	2.0000%	5.0000%	2012	2018	n/a
Series 2012-A Fixed Rate Bonds	818,635	12/18/2012	5.0000%	5.0000%	2019	2042	04/01/2042
Series 2012-B Taxable Fixed Rate Bonds	99,570	12/18/2012	0.3000%	1.5000%	2014	2019	04/01/2019
Revenue Bonds							
State Highway Fund							
Series 2006 Fixed Rate Bonds	600,000	05/03/2006	4.0000%	5.0000%	2007	2026	04/01/2016
Series 2006-A Fixed Rate Bonds	852,550	11/21/2006	4.0000%	5.2500%	2008	2025	04/01/2016
Series 2006-B Variable Rate Bonds	100,000	11/08/2006	variable		2026	2026	*
Series 2007 Fixed Rate Bonds	1,241,845	10/25/2007	4.0000%	5.0000%	2009	2027	04/01/2017
Series 2008 Fixed Rate Bonds	162,995	08/19/2008	3.5000%	5.2500%	2010	2028	04/01/2018
Series 2010 Taxable Fixed Rate Bonds	1,500,000	08/05/2010	5.0280%	5.1780%	2026	2030	*
Governmental Activities Total	<u>12,608,505</u>						
BUSINESS-TYPE ACTIVITIES							
Revenue Bonds							
Central Texas Turnpike Authority							
First Tier Revenue Bonds Series 2002-A							
Non-Callable Capital Appreciation Bonds	521,343	08/29/2002	4.4700%	5.7500%	2012	2030	n/a
Callable Capital Appreciation Bonds	298,840	08/29/2002	6.0000%	6.1000%	2025	2038	08/15/2012
First Tier Revenue Refunding Bonds, Series 2012-A	585,330	11/27/2012	4.0000%	5.0000%	2038	2041	08/15/2022
First Tier Revenue Refunding Put Bonds, Series 2012-B	225,000	11/27/2012	1.2500%	1.2500%	2041	2042	02/15/2015

Concluded on the following page.

Annual Financial Report (UNAUDITED)

Miscellaneous Bond Information (Amounts in Thousands) (concluded)							
Description of Issue	Bonds Issued to Date	Date Issued	Range of Interest Rates		Maturities		First Call Date
					First Year	Last Year	
Grand Parkway Transportation Corporation							
First Tier Revenue Bonds							
Series 2013-A	\$ 200,000	08/01/2013	5.1250%	5.5000%	2031	2053	10/01/2023
Subordinate Tier Toll Revenue Bonds							
Series 2013-B							
Convertible Capital Appreciation Bonds	277,432	08/01/2013	4.9500%	5.8500%	2029	2048	10/01/2028
Current Interest Bonds	1,137,935	08/01/2013	5.0000%	5.2500%	2048	2053	10/01/2023
Series 2013-E	361,810	08/01/2013	5.1840%	5.1840%	2036	2042	*
Subordinate Tier Revenue Tender Bonds							
Series 2013-C	836,440	08/01/2013	2.0000%	2.0000%	2014	2017	n/a
Series 2013-D	106,890	08/01/2013	1.0000%	1.0000%	2014	2017	n/a
Business-Type Activities Total	<u>4,551,020</u>						
Total	<u>\$17,159,525</u>						

* Bonds are subject to redemption prior to their respective maturities at the option of the Commission.

Changes in Bonds Payable For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)						
Description	Bonds Outstanding 08/31/2012	Bonds Issued*	Bonds Matured or Retired	Bonds Refunded	Bonds Outstanding 08/31/2013	Due Within One Year
Governmental Activities						
General Obligation Bonds	\$ 7,113,145	\$1,081,850	\$ 74,210	\$	\$8,120,785	\$ 121,493
Revenue Bonds	4,054,445	(6,362)	120,155		3,927,928	132,358
Total Governmental Activities	<u>11,167,590</u>	<u>1,075,488</u>	<u>194,365</u>	<u>0.00</u>	<u>12,048,713</u>	<u>253,851</u>
Business-Type Activities						
Revenue Bonds	1,616,750	3,793,213	7,710	857,150	4,545,103	12,531
Total	<u>\$12,784,340</u>	<u>\$4,868,701</u>	<u>\$202,075</u>	<u>\$857,150</u>	<u>\$16,593,816</u>	<u>\$ 266,382</u>

*Includes current year amortization of premiums, discounts and accretion.

General Obligation Bonds – General Comments

The Texas Constitution authorizes the Commission to issue general obligation bonds backed by the full faith and credit of the state. As of Aug. 31, 2013, two general obligation bond programs are active. The purpose and the sources of debt service for each program are summarized below. All general obligation bond issuances must be approved by the Texas Bond Review Board prior to issuance.

Texas Mobility Fund

Texas Constitution, Article III, Section 49-k and Transportation Code, Chapter 201, Subchapter M authorize the Commission to issue general obligation bonds payable from a pledge of and lien on all or part of the money in the mobility fund. The mobility fund bonds are designed to be self-supporting, but the full faith and credit of the state is pledged in the event the revenue and money dedicated to the mobility fund is insufficient to pay debt service on the bonds. As of Aug. 31, 2013, major sources of pledged revenue for the Mobility Fund include driver license fees, motor vehicle inspection fees, certificate of title fees and driver record information fees.

Prior to a mobility fund debt issuance, the Texas Comptroller of Public Accounts must certify that there will be sufficient future resources on deposit in the mobility fund to ensure 110 percent coverage of debt service requirements during the period that the debt will be outstanding. As of Aug. 31, 2013, the approved debt capacity of the Mobility Fund is \$7.2 billion. As of Aug. 31, 2013, the Commission is authorized but has not issued approximately \$1.2 billion of the approved debt capacity of the mobility fund.

Bond proceeds are to be used for the purpose of paying or reimbursing the state highway fund for the costs of constructing, reconstructing, acquiring and expanding state highways and providing participation by the state in certain publicly owned toll roads and other public transportation projects.

Texas Highway Improvement/Proposition 12

Texas Constitution, Article III, Section 49-p and Transportation Code, Section 222.004, authorizes the Commission to issue general obligation bonds of the state of Texas for the costs of highway construction, reconstruction and major maintenance, including any necessary design and the acquisition of right-of-way. These bonds are not self-supporting and are considered a general obligation of the state of Texas. As of Aug. 31, 2013, the Commission is authorized but has not issued approximately \$2.9 billion of remaining bond authority under the Texas highway improvement general obligation bond program.

Debt Service Requirements – Governmental Activities			
General Obligation Bonds (Amounts in Thousands)			
Year	Principal	Interest	Total
2014	\$100,530	\$369,034	\$469,564
2015	109,205	365,223	474,428
2016	118,375	360,959	479,334
2017	128,260	356,107	484,367
2018	139,050	351,063	490,113
2019-2023	877,065	1,655,194	2,532,259
2024-2028	1,276,195	1,414,730	2,690,925
2029-2033	1,798,495	1,062,221	2,860,716
2034-2038	2,468,515	581,193	3,049,708
2039-2042	796,865	60,940	857,805
	7,812,555	6,576,664	14,389,219
Premium	308,387		308,387
Discount	(157)		(157)
Total	\$8,120,785	\$6,576,664	\$14,697,449

Revenue Bonds – General Comments

The Texas Constitution and Transportation Code authorize the Commission to issue revenue bonds backed by pledged revenue sources and restricted funds. The active revenue bond programs of TxDOT and the Grand Parkway Transportation Corporation are summarized as follows.

State Highway Fund/Proposition 14

Texas Constitution, Article III, Section 49-n and Transportation Code, Section 222.003 authorizes the Commission to issue revenue bonds to finance highway improvement projects. The bonds are payable from pledged revenues deposited to the credit of the state highway fund, including dedicated taxes, dedicated federal revenues and amounts collected or received pursuant to other state highway fund revenue laws and any interest or earning from the investment of these funds. As of Aug. 31, 2013, the Commission is authorized but has not issued approximately \$1.4 billion of remaining bond authority under the state highway revenue bond program.

Debt Service Requirements – Governmental Activities			
Revenue Bonds (Amounts in Thousands)			
State Highway Fund			
Year	Principal	Interest	Total
2013	\$125,995	\$188,855	\$314,850
2014	132,200	182,646	314,846
2015	138,510	176,332	314,842
2016	145,165	169,687	314,852
2017	152,340	162,510	314,850
2018-2022	954,345	690,390	1,644,735
2023-2027	1,508,330	401,718	1,910,048
2028-2031	686,895	53,651	740,546
	3,843,780	2,025,789	5,869,569
Premium	84,148		84,148
Total	\$3,927,928	\$2,025,789	\$5,953,717

Central Texas Turnpike System

Transportation Code, Section 228.102 authorized the Commission to issue revenue bonds to pay a portion of the costs of planning, designing, engineering, developing and constructing the initial phase of the Central Texas Turnpike System (CTTS) located in the greater Austin metropolitan area in Travis and Williamson counties. The bond obligations are payable from and secured solely by a first lien on and pledge of the trust estate. The trust estate consists of all project revenues and investment earnings. Neither the state, the Commission, TxDOT or any other agency or political subdivision of the state is obligated to pay the debt service on the CTTS revenue bonds.

Grand Parkway Transportation Corporation

Transportation Code, Section 222.103 authorized the Commission to participate, by spending money from any available source in the acquisition, construction, maintenance, or operation of a toll facility of a public or private entity on terms and conditions established by the Commission. In March 2012, the Commission adopted a resolution creating the Grand Parkway Transportation Corporation (GPTC). GPTC is authorized to assist and act on behalf of the Commission in the development, financing, design, construction, reconstruction, expansion, operation and/or maintenance of the Grand Parkway toll project. The bond obligations are payable from tolls and other revenues of the GPTC held by the trustee. Neither the state, the Corporation nor any other agency or political subdivision of the state is obligated to pay the debt service on the GPTC bonds.

Debt Service Requirements – Business-Type Activities Revenue Bonds (Amounts in Thousands)			
Year	Principal	Interest	Total
2014	\$ 10,155	\$ 100,922	\$ 111,077
2015	297,605	135,474	433,079
2016	265,805	135,655	401,460
2017	259,655	133,660	393,315
2018	221,830	131,904	353,734
2019-2023	237,705	635,978	873,683
2024-2028	425,580	760,887	1,186,467
2029-2033	623,900	772,061	1,395,961
2034-2038	925,590	741,870	1,667,460
2039-2043	1,010,350	560,621	1,570,971
2044-2048	353,360	390,329	743,689
2049-2053	1,275,905	220,085	1,495,990
	5,907,440	4,719,446	10,626,886
Accretion	(1,368,635)		(1,368,635)
Premium	60,652		60,652
Discount	(19,492)		(19,492)
Loss on Refunding	(34,862)		(34,862)
Total	\$4,545,103	\$4,719,446	\$9,264,549

Pledged Future Revenues

Pledged revenues are those specific revenues that are formally committed to directly secure the payment of bond debt service. The table below provides information on pledged revenue and pledged future revenue of the self-supporting general obligation and revenue bonds.

Pledged Future Revenue (Amounts in Thousands)	Governmental Activities		Business-Type Activities	
	Texas Mobility Fund General Obligation Bonds	State Highway Fund Revenue Bonds	Central Texas Turnpike System	Grand Parkway Transportation Corporation
	Pledged Revenue Required for Future Principal and Interest on Existing Bonds	\$11,047,004	\$5,869,569	\$3,832,633
Term of Commitment Year Ending Aug. 31	2039	2030	2042	2053
Percentage of Revenue Pledged	100%	100%	99%	100%
Current Year Pledged Revenue	\$430,659	\$6,761,664	\$125,259	\$127
Current Year Principal and Interest Paid	\$340,961	\$314,941	\$45,357	\$0

Build America Bonds

The American Recovery and Reinvestment Act of 2009 granted municipal debt issuers access to a broader investor base in the taxable market by providing a federal interest rate subsidy payment to offset debt service costs through the Build America Bonds (BABs) program. Direct Payment BABs provide a federal reimbursement to TxDOT equal to 35 percent of the interest paid on the bonds.

As a result of budget sequestration, the federal government reduced subsidy payments for BABs by 8.7 percent effective Mar. 1, 2013 through Sept. 30, 2013. The subsidy reduction rate will change to 7.2 percent effective Oct. 1, 2013. See the table below for details on the Commission's Direct Payment BABs outstanding at Aug. 31, 2013.

Direct Payment Build America Bonds (Amounts in Thousands)			
	Issue Date	Par Amount	Amount Outstanding at 08/31/13
Governmental Activities			
General Obligation Bonds			
Texas Mobility Fund Series 2009-A	08/26/2009	\$1,208,495	\$1,208,495
Texas Highway Improvement Bonds Series 2010-A	09/29/2010	815,420	815,420
Revenue Bonds			
State Highway Fund Series 2010	08/05/2010	1,500,000	1,500,000
Total		\$3,523,915	\$3,523,915

Variable Rate Bonds

The Commission and GPTC have six variable rate bond issues outstanding at Aug. 31, 2013. The interest rates in effect as of Aug. 31, 2013 for the Texas Mobility Fund Series 2005-B, Texas Mobility Fund Series 2006-B and State Highway Fund Series 2006-B used to calculate the interest debt service requirements were 0.07, 0.06 and 0.40 percent, respectively. These rates reset every seven days. The Central Texas Turnpike System Series 2012-B refunding put bonds debt service was calculated based upon the initial 1.25 percent interest rate, which expires Feb. 14, 2015. GPTC Series 2013-C and 2013-D tender bonds debt service was calculated based upon the initial 2.00 and 1.00 percent interest rates, respectively. These rates expire on Feb. 15, 2014 for both issues. The potential volatility for related debt service increases with these interest rate reset provisions.

Put/Tender Bonds

The Commission and GPTC have put and tender bonds. The put and tender bonds were issued in a multiannual mode which terminates on a mandatory tender date. At the termination of the initial multiannual period, the bonds are subject to mandatory tender and purchase. Upon such mandatory tender and purchase, the bonds are expected to be remarketed unless otherwise redeemed. The Commission and GPTC have not provided any credit or liquidity facility for the payment of the purchase price of the bonds payable upon the mandatory tender date. The principal portion of the purchase price for the bonds is expected to be obtained from the remarketing proceeds. The obligation of the Commission and GPTC to purchase the bonds on the mandatory tender date is subject to the successful remarketing of such bonds. The Commission and GPTC have no obligation to purchase bonds except from remarketing proceeds. If the bonds are not remarketed or otherwise redeemed, the interest rate on the bonds will be increased to the stepped coupon rate.

Annual Financial Report (UNAUDITED)

Put/Tender Bonds (Amounts in Thousands)					
Description of Issue	Mandatory Tender Date	Initial Multiannual Rate	Initial Period Interest	Stepped Coupon Rate	Stepped Rate Period Interest
Business-Type Activities					
Central Texas Turnpike System					
First Tier Revenue Refunding Put Bonds Series 2012-B	02/15/2015	1.25% per annum	\$2,813	10.00% per annum	\$22,500
Grand Parkway Transportation Corporation					
Subordinate Tier Revenue Tender Bonds					
Series 2013-C*	02/15/2014	2.00% per annum	\$16,729	8.00% per annum	\$66,915
Series 2013-D*	02/15/2014	1.00% per annum	\$1,069	10.00% per annum	\$10,689
*Assumes a full year of interest					

Demand Bonds

The Texas Mobility Fund Series 2005-B, Series 2006-B and the State Highway Fund Series 2006-B variable rate bonds are demand bonds. A bond holder may tender any of these bonds for repurchase prior to maturity at a price equal to principal plus accrued interest. Any bonds so tendered will be purchased either by the proceeds of the remarketing of such bonds or, if not successfully remarketed, from amounts drawn under the standby bond purchase agreements. The following tables provide details for outstanding demand bonds and related standby bond purchase agreements as of Aug. 31, 2013.

Demand Bonds (Amounts in Thousands)		
Governmental Activities	Bonds Held by Liquidity Providers	Principal Balance Outstanding
General Obligation Bonds		
Series 2005-B	None	\$ 75,840
Series 2006-B	None	150,000
Revenue Bonds		
Series 2006-B	None	100,000
Total		\$325,840

Demand Bonds – Standby Bond Purchase Agreement Provisions			
Governmental Activities	Counterparties	Annual Liquidity Fee	Agreement Termination Date
General Obligation Bonds			
Series 2005-B	Royal Bank of Canada	0.30%	03/01/2015
Series 2006-B	State Street Bank and Trust Company & California Public Employees' Retirement System	0.10%	12/13/2013
Revenue Bonds			
Series 2006-B	Banco Bilbao Vizcaya Argentaria, S.A.	0.0875%	11/07/2016

Liquidity facilities provide liquidity in the event demand bonds are tendered for purchase and such bonds are not remarketed by the remarketing agent. The standby bond purchase agreements contain takeout provisions, which provide an alternative debt instrument to replace any repurchased bonds that are not remarketed within the prescribed time constraints. The table on the following page provides the estimated impact of such an event.

Demand Bonds – Takeout Provisions (Amounts in Thousands)				
Governmental Activities	Estimated Debt Service	Rate	Basis	Replacement Debt Terms
General Obligation Bonds				
Series 2005-B	\$87,203	10.00%	2% + the greater of: Bank Prime rate + 1.5%, Daily Fed Fds Rate +2% or 8%	Semi-annual payments over three years starting on the first day of the third month of that period
Series 2006-B	160,009	4.25%	1% + greater of: 0.5% + Daily Fed Fds Rate or Bank Prime rate	Semi-annual payments over three years starting the first day of the second month of that period
Revenue Bonds				
Series 2006-B	109,181	5.25%	2% + greater of : 0.5% + Daily Fed Fds Rate or Bank Prime rate	Semi-annual payments over three years starting the first day of the sixth month of that period
Total	<u>\$356,393</u>			

Refunding

On Aug. 30, 2012, the Commission approved the CTTS Sixth Supplemental Indenture which authorized issuance of revenue refunding bonds to refund certain outstanding Series 2002 bonds and all of the Series 2009 bonds. The Commission issued First Tier Revenue Refunding Bonds, Series 2012-A, with a par value of \$585.33 million, and First Tier Revenue Refunding Put Bonds, Series 2012-B, with a par value of \$225 million, for a total par amount of \$810.33 million. The Series 2012-A bonds were issued at a premium of \$51.4 million and the underwriter’s discount amounted to \$3.8 million, resulting in a net proceeds amount of \$858 million. The issuance closed on Nov. 27, 2012.

Refunding Issues Amounts in Thousands							
Description	Type of Refunding	Redemption Date	Par Value Refunded	Par Value of Refunding Issue (Series 2012-A)	Par Value of Refunding Issue (Series 2012-B)	Cash Flow (Increase)/ Decrease	Economic Gain/(Loss)*
First Tier Bonds Series 2002-A CIBs	Current Refunding	12/31/2012	\$707,875	\$585,330	\$ 72,965	\$203,457	\$105,214
First Tier Refunding Put Bonds Series 2009	Current Refunding	02/15/2013	149,275		152,035	9,677	9,773
Total			<u>\$857,150</u>	<u>\$585,330</u>	<u>\$225,000</u>	<u>\$213,134</u>	<u>\$114,987</u>

*Net present value change of approximately \$115 million partially offset by contribution of funds on hand towards redemption in the amount of \$5 million; economic gain net of this payment is approximately \$110 million.

Interest Rate Swaps

In January 2013, the Commission decided to terminate the swap agreements. See Notes 3 and 6 for detailed information.

Conduit Debt

Transportation Code, Section 431.070, provides the authority for transportation corporations to issue bonds. The Texas Private Activity Bond Surface Transportation Corporation (TxPABST), a blended component unit, has issued private activity revenue bonds to finance costs and construction of the Interstate Highway 635 managed lanes project located in Dallas County and the North Tarrant Express Facility in Tarrant County.

Conduit Debt Obligations - Miscellaneous Information (Amounts in Thousands)		
	NTE Mobility Partners LLC	LBJ Infrastructure Group LLC
Bonds Issued	\$400,000	\$615,000
Date Issued	12/10/2009	6/15/2010
Range of Interest Rates	6.875% - 7.500%	7.000% - 7.500%
Maturities (First Year - Last Year)	2031 - 2039	2032 - 2040
First Call Date	12/31/2019	06/30/2020

The proceeds from TxPABST bonds were loaned to LBJ Infrastructure Group LLC and NTE Mobility Partners LLC. These bonds are special limited obligations of TxPABST, payable solely from and secured by loan and interest repayments from the borrowers. The bonds do not constitute a debt or pledge of the faith and credit of TxPABST, TxDOT or the state of Texas.

As of Aug. 31, 2013, TxPABST private activity revenue bonds outstanding aggregated \$1 billion. TxPABST is authorized but has not issued \$85 million of remaining bond authority. The debt service schedule for the outstanding TxPABST conduit debt is disclosed below.

Conduit Debt Obligations - Debt Service (Amounts in Thousands)			
TxPABST Bonds - Conduit Debt			
Year	Principal	Interest	Total
2014		\$71,631	\$71,631
2015		71,631	71,631
2016		71,632	71,632
2017		71,631	71,631
2018		71,632	71,632
2019-2023		358,158	358,158
2024-2028		358,158	358,158
2029-2033	\$234,660	341,004	575,664
2034-2038	518,405	205,089	723,494
2039-2042	261,935	29,959	291,894
	1,015,000	1,650,525	2,665,525
Premium	6,740		6,740
Discount	(16,998)		(16,998)
Total	\$1,004,742	\$1,650,525	\$2,655,267

NOTE 6 – DERIVATIVE INSTRUMENTS

In October 2006, the Commission entered into constant maturity basis swap transactions (CMS basis swaps) with the expectation of reducing the interest to be paid by the Commission over the term of the Texas Mobility Fund 2006-A fixed-rate bonds. Under the original terms the Commission paid the tax-exempt SIFMA index (a weekly rate) and received 69.42 percent of the 10-year LIBOR swap rate, with both rates reset weekly. The basis swaps were scheduled to terminate on Sept. 1, 2027, which was before the final maturity of the related bonds.

In January 2013, the Commission decided to reduce exposure to credit and interest rate risk and terminated all three swap agreements. Prior to termination of the swaps, \$1.4 million of investment income was recognized in fiscal 2013. Termination payments from the swap counterparties totaled \$22.5 million. These payments served to reduce the net interest expense paid on the related bonds. The Commission has no outstanding derivatives as of Aug. 31, 2013.

NOTE 7 – LEASES

Capital Leases

TxDOT is financing the acquisition of certain capital assets via the Master Lease Purchase Program (MLPP) which is administered by the Texas Public Finance Authority (TPFA). The liabilities associated with these leases are reported in the financial statements of TPFA. The capital assets associated with these leases are reported in TxDOT's financial statements. TPFA holds the title to the property until the lease is fully paid, at which point title will transfer to TxDOT.

Operating Leases

To minimize long-term costs, and to ensure future availability of essential services, TxDOT, in routine transactions, enters into leases which extend beyond a single fiscal year. Operating lease payments are recorded as expenditures or expenses during the life of the lease. Included in the expenditures reported in the state highway fund is \$10,365,089.74 of rent paid or due under operating lease obligations.

Noncancelable Operating Lease Obligations	
August 31, 2013	
(Amounts in Thousands)	
Fiscal Year	Minimum Future Lease Payments
2014	\$8,521
2015	7,443
2016	6,425
2017	3,086
2018	2,939
2019-2023	12,994
2024-2028	3,078
TOTAL	\$44,486

NOTE 8 - EMPLOYEES' RETIREMENT PLAN

TxDOT employees, as state employees, are enrolled in the Employees Retirement System of Texas defined benefit pension plan (ERS Plan). The financial statements of the ERS Plan are included in the audited annual financial report of the Employees Retirement System of Texas (ERS). Audited financial statements and detailed actuarial information for the ERS Plan may be obtained by calling (512) 476-6431 or writing:

Employees Retirement System of Texas
P.O. Box 13207
Austin, Texas, 78711-3207

Plan Description

The ERS Plan is a cost-sharing, multiple-employer, defined benefit pension plan. The ERS Plan provides service retirement benefits, disability retirement benefits and death benefits to plan members and beneficiaries.

The ERS Plan, established in the Texas Government Code, Chapters 811-815, covers elected class members and employee class members. The monthly benefit is determined by the years and months of service multiplied by a statutorily determined percentage and may vary by class. All TxDOT employees are considered members of the employee class. The monthly standard annuity equals the statutory percentage of 2.3 percent of the average monthly compensation multiplied by the number of years of service. The minimum monthly standard annuity is \$150; the maximum standard annuity is 100 percent of the average monthly compensation. Changes to the employee class plan provisions were instituted for members hired on or after Sept. 1, 2009.

- Employee class retirement benefits for employees hired on or before Aug. 31, 2009, vest after five years of service credit and employees may retire at age 60 with five years of service credit or at any age when the sum of age and service credit (including months) total 80. The average monthly compensation is the average of the highest 36 months of compensation.
- Employee class retirement benefits for employees hired on or after Sept. 1, 2009, may retire at age 65 with 10 years of service credit or at any age when the sum of age and service credit (including months) equals or exceeds 80. The average monthly compensation is the average of the highest 48 months of compensation. The standard retirement annuity is reduced by five percent for each year the member retires before the member reaches age 60, with a maximum possible reduction of 25 percent.

A Partial Lump Sum Payment Option is available to members of the employee class. A one-time partial lump sum of up to three years of the standard annuity at retirement can be taken and the annuity is reduced for life.

Funding Policy

Contribution requirements are not actuarially determined, but are set by legislation. Plan members are required to contribute 6.5 percent of their annual covered salary and TxDOT contributes an amount equal to 6.95 percent of TxDOT's covered payroll. TxDOT and TxDOT employees contributed \$73.1 million to the ERS Plan for the year ended Aug. 31, 2013, which equaled the required contribution. State statutes prohibit benefit improvements if as a result of the action the time required to amortize the ERS plan unfunded actuarial liabilities would be increased to a period that exceeds 30 years by one or more years.

There are no separate actuarial valuations of pension liabilities by individual state agency. Pension obligation amounts are recorded and disclosed in the audited state of Texas Comprehensive Annual Financial Report.

NOTE 9 - DEFERRED COMPENSATION

The state of Texas offers two deferred compensation plans to all state employees. One was established in accordance with Internal Revenue Code, Section 457. The second was established in accordance with Internal Revenue Code, Section 401(k). All costs of administering and funding these programs are the responsibility of plan participants. The assets of the two plans remain the property of the contributing employees and are not presented in the accompanying financial statements. TxDOT makes no contributions to either plan, the assets do not belong to TxDOT and TxDOT has no liability related to the plans.

NOTE 10 - POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Eligible TxDOT retirees are provided postemployment health care and life insurance benefits through the State Retiree Health Plan (SRHP). The financial statements of the SRHP are included in the audited annual financial report of the Employees Retirement System of Texas (ERS). Audited financial statements and detailed actuarial information for the SRHP may be obtained by calling (512) 476-6431 or writing:

Employees Retirement System of Texas
 P.O. Box 13207
 Austin, Texas, 78711-3207

Plan Description

The SRHP is a cost-sharing multiple-employer defined benefit plan. The SRHP provides postemployment health care, life and dental insurance benefits to retirees through the Texas Employees Group Benefits Program as authorized by the Texas Insurance Code, Section 1551.102.

Retirees must meet certain age and service requirements and have at least 10 years of service at retirement to participate in the plan. Surviving spouses and dependents of retirees are also covered by the SRHP. Benefit and contribution provisions of SRHP are authorized by state law and may be amended by the Legislature.

Funding Policy

The Legislature sets and has the power to amend annual state contributions to SRHP. Currently, the state pays 100 percent of eligible retiree health insurance premiums and 50 percent of dependents' premiums. The retiree contributes any premium over and above state contributions. State contributions to the SRHP are directly appropriated to ERS. The maximum monthly state contribution toward the health and basic life premiums of eligible retirees is disclosed in the following table.

Employer Contribution Rates – Retiree Health and Basic Life Premium For the Fiscal Year Ended August 31, 2013	
<u>Level of Coverage</u>	<u>ERS SRHP</u>
Retiree Only	\$ 470.38
Retiree/Spouse	739.58
Retiree/Children	650.62
Retiree/Family	919.82

NOTE 11 – INTERFUND ACTIVITY AND TRANSACTIONS

Interfund activity refers to financial interactions between funds and/or blended component units and is restricted to internal events. Interfund transactions refer to financial interactions between TxDOT and another agency of the state of Texas.

Annual Financial Report (UNAUDITED)

Interfund services are sales and purchases of goods and services between funds for a price approximating their external exchange value. This activity is reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as receivables and payables.

Interfund transfers represent the flow of assets (cash or goods) without equivalent flow of assets in return or a requirement for repayment. In governmental funds, transfers are reported as other financing uses or sources. Transfers are reported in proprietary funds after nonoperating revenues and expenses in the statement of revenues, expenses and changes in fund net position.

As a general rule, the effect of interfund activity within TxDOT funds is eliminated from the government-wide financial statements, with exception of activities between governmental activities and business-type activities. Interfund activity with fiduciary funds is reclassified and reported as an external activity.

Interfund Activity

TxDOT's operations are primarily managed through the state highway fund. As such, several routine transfers are reported between the state highway fund and TxDOT's other major and nonmajor funds. The following tables detail the principal purposes of TxDOT's significant routine interfund transfers as well as provide a summary of interfund transfers by individual major fund, nonmajor funds in the aggregate and fiduciary funds.

Interfund Transfers In/Out by Purpose			
August 31, 2013 (Amounts in Thousands)			
Purpose	Interfund Transfer In (Fund)	Interfund Transfer Out (Fund)	Fiscal 2013 Amount
Reimburse the state highway fund for costs incurred on projects funded by local government contributions.	Major Fund: State Highway Fund	Nonmajor Fund: County/Political Subdivision/Local Government Road/Airport Trust Account	\$ 162,567
Provide funds to pay debt service principal and interest payments on outstanding Proposition 14/State Highway Fund Revenue Bonds	Nonmajor Fund: Proposition 14 Debt Service Fund	Major Fund: State Highway Fund	\$ 287,905

Interfund Transfers In/Out			
August 31, 2013 (Amounts in Thousands)			
	<u>Transfers In</u> Other Funds	<u>Transfers Out</u> Other Funds	
Governmental Funds			
Major Funds:			
State Highway Fund	\$ 167,251	\$ 287,905	
Nonmajor Funds	287,905	162,897	
	<u>455,156</u>	<u>450,802</u>	
Proprietary Funds			
Central Texas Turnpike System		4,354	
	0	<u>4,354</u>	
Total	\$ <u>455,156</u>	\$ <u>455,156</u>	

Annual Financial Report (UNAUDITED)

Interfund reimbursements are repayments from funds responsible for payment of expenditures or expenses to the funds that actually made the payment. Reimbursements are not displayed in the financial statements.

Amounts not transferred at fiscal year-end are accrued as due to/due from other funds. Due to/due from amounts between governmental or business-type activities and fiduciary funds are reported as due to/due from amounts between funds in the fund financial statements and are reclassified to receivables from fiduciary funds/payables to fiduciary funds, as if they were external transactions on the government-wide financial statements.

Due From/To				
August 31, 2013				
(Amounts in Thousands)				
	<u>Due From</u>		<u>Due To</u>	
	<u>Other Funds</u>		<u>Other Funds</u>	
Governmental Funds				
Major Funds:				
State Highway Fund	\$	94,836	\$	13,627
Mobility Fund		909		1,290
Nonmajor Funds		216		416
		<u>95,961</u>		<u>15,333</u>
Proprietary Funds				
Central Texas Turnpike System		13,411		19
Grand Parkway Transportation Corp.				94,020
		<u>13,411</u>		<u>94,039</u>
Total	\$	<u>109,372</u>	\$	<u>109,372</u>

Activity occurring within the same fund is eliminated. Certain reclassifications and eliminations are made between the fund financial statements and the government-wide financial statements. Transfers between the governmental or business-type activities and the fiduciary funds are reported as transfers on the fund financial statements and are reclassified to revenues and expenses, as if they were external transactions on the government-wide financial statements. Additional eliminations are made and transfers in and out are netted and presented in the government-wide statement of activities as "transfers-internal activities." In fiscal 2013, the SH 45 SE toll road was incorporated into the Central Texas Turnpike System. As a result, a transfer of \$229.4 million in capital assets was made out of TxDOT's governmental activities and into TxDOT's business-type activities. This balance is the primary component of the amounts shown as interfund transfers in/out on the statement of activities.

Interfund Transfers In/Out Per the Government-Wide Financial Statements		
August 31, 2013		
(Amounts in Thousands)		
<u>Fund Category</u>	<u>Other Funds</u>	
Governmental Activities	\$	(225,057)
Business-Type Activities	\$	225,057

Internal Balances per the Government-wide Financial Statements			
August 31, 2013 (Amounts in Thousands)			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
CURRENT LIABILITIES			
Internal Balances - Payables	\$ 80,628	\$ (80,628)	\$ 0

Interfund Transactions

The state highway fund is considered a shared fund and is appropriated for use by multiple state of Texas agencies. TxDOT is considered the controlling agency for the state highway fund and reports the total cash in state treasury balance for the fund at fiscal year-end. TxDOT reports interagency transfers in and out with the other agencies that collect and deposit to or expend out of the state highway fund.

The following tables detail the balances of transfers to/from and due to/from other state agencies and TxDOT. Approximately \$1.4 billion of the interagency transfers-in balance for the state highway fund is related to the net amount of cash collected by Texas Department of Motor Vehicles for certificate of title fees and motor vehicle registration fees. The transfer-in entry resulted in an increase to the TxDOT highway fund cash in state treasury balance. The majority of the interagency transfer-out balance for the highway fund relates to the total cash expended out of the state highway fund by the Texas Department of Public Safety, which is charged with patrolling the state highway system and monitoring compliance with statutes related to vehicle weight, motor carrier safety and the registration and transportation of persons, hazardous material and other property. Amounts not transferred at fiscal year-end are accrued as due to/from other agencies.

Transfers In/Out to Other State Agencies			
August 31, 2013 (Amounts in Thousands)			
	<u>Transfers In Other Agencies</u>	<u>Transfers Out Other Agencies</u>	
Governmental Funds			
Major Funds:			
State Highway Fund	\$ 1,397,996	\$ 794,095	
Nonmajor Funds	12,129		
Total	\$ 1,410,125	\$ 794,095	

Due From/To Other State Agencies		
August 31, 2013 (Amounts in Thousands)		
	<u>Due From Other Agencies</u>	<u>Due To Other Agencies</u>
Governmental Funds		
Major Funds:		
State Highway Fund	\$ 200,587	\$ 56,555
Nonmajor Funds	<u>219</u>	
Total	\$ <u>200,806</u>	\$ <u>56,555</u>

TxDOT also has interagency activity with federal funds and state grants. See Schedules 1A and 1B of this report for more details.

Pass-Throughs To/From Other State Agencies	
August 31, 2013 (Amounts in Thousands)	
	<u>State Highway Fund</u>
Federal Pass-throughs:	
Revenue	\$ 1,412
Expenditures	<u>(24,157)</u>
Total	\$ <u>(22,745)</u>
State Pass-throughs:	
Expenditures	\$ <u>(2,508)</u>
Total	\$ <u>(2,508)</u>

NOTE 12 – CONTINUANCE SUBJECT TO REVIEW

TxDOT is currently subject to a continuance review. Under the Texas Sunset Act, TxDOT will be abolished effective Sept. 1, 2017, unless continued in existence by the 85th Legislature as provided by the Act. If abolished, TxDOT may continue until Sept. 1, 2018 to wind down its operations. In the event that TxDOT is abolished pursuant to the Texas Sunset Act or other law, Texas Government Code, Section 325.017(f), acknowledges that such action will not alter the obligation of the state to pay bonded indebtedness and all other obligations of the abolished agency.

NOTE 13 – CLASSIFICATION OF FUND BALANCES AND NET POSITION

The table on the following page presents a summary of the Aug. 31, 2013, governmental fund balances by major and nonmajor governmental funds. With the exception of nonspendable fund balances, fund balance is presented based on specific purpose for which the funds are restricted, committed, assigned or unassigned.

Restrictions of net position are listed on the face of the government-wide and proprietary statements of net position. Balances reported as restricted in the fund financial statements are reported as restricted in the statement of net position. All other fund financial balances are reported as unrestricted in the statement of net position.

Annual Financial Report (UNAUDITED)

Disaggregation of Nonspendable, Restricted, Committed, Assigned and Unassigned Fund Balances
 August 31, 2013
 (Amounts in Thousands)

MAJOR FUNDS	State Highway Fund	Texas Mobility Fund	Total Major Funds		
Nonspendable:					
Inventory	\$ 142,180	\$	\$	\$ 142,180	
Restricted For:					
Capital Projects	533,472	634,104	1,167,576		
Debt Service		562,353	562,353		
Unassigned	(688,455)		(688,455)		
Total	\$ (12,803)	\$ 1,196,457	\$ 1,183,654		
NONMAJOR FUNDS	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Funds
Nonspendable:					
Long-Term Receivables	\$ 154	\$	\$	\$	\$ 154
Restricted For:					
Capital Projects				164,077	164,077
Debt Service			155,097		155,097
Assigned To:					
Transportation	1,685				1,685
Grand Parkway Assoc.		397			397
Unassigned	20,716				20,716
Total	\$ 22,555	\$ 397	\$ 155,097	\$164,077	\$ 342,126
ALL GOVERNMENTAL FUNDS					
Nonspendable	\$ 142,334				
Restricted	2,049,103				
Assigned	2,082				
Unassigned	(667,739)				
Total Fund Balances	\$ 1,525,780				

NOTE 14 – ADJUSTMENTS TO FUND BALANCES AND NET POSITION

During fiscal 2013, certain accounting changes and adjustments were made that required the restatement of fund balances or net position. The impact of these adjustments is summarized below and discussed on the following pages.

Restatements to Fund Balances/Net Position (Amounts in Thousands)			
GOVERNMENTAL FUNDS AND GOVERNMENTAL ACTIVITIES	September 1, 2012, As Previously Reported	Restatements	September 1, 2012 As Restated
Major Funds:			
State Highway Fund	\$ 730,524	\$ 36,303 (A)	\$ 766,827
Texas Mobility Fund	1,108,827	145,171 (B)	1,253,998
Total Major Funds	1,839,351	181,474	2,020,825
Nonmajor Funds:			
General Fund Accounts	76,080		76,080
Special Revenue Funds	170	1 (D)	171
Debt Service Funds	156,728		156,728
Capital Projects Fund	100,923		100,923
Total Nonmajor Funds	333,901	1	333,902
Governmental Activities Adjustments			
Capital Assets	74,732,279	(68,040) (C)	74,664,239
Long-Term Liabilities	(13,212,941)	1,854	(13,211,087)
Other Adjustments	68,287		68,287
Total Governmental Activities Adjustments	61,587,625	(66,186)	61,521,439
Total Governmental Activities	63,760,877	115,289	63,876,166
BUSINESS-TYPE ACTIVITIES			
Central Texas Turnpike System	427,169	31	427,200
Total Business-Type Activities	427,169	31	427,200
Total Primary Government	\$ 64,188,046	\$ 115,320	\$ 64,303,366

Restatements are grouped into the following four categories:

- A) The majority of the restatements to the state highway fund include the restatement of a \$34.6 million accounts payable amount to reimburse Harris County for costs incurred related to Segment E of the Grand Parkway. Such costs were in fact paid by the Grand Parkway Transportation Corporation in fiscal 2013. Additionally, a \$2.1 million restatement was recorded to remove prepaid items related to the fiscal 2012 prepayment of lease obligation amounts for the buildings comprising TxDOT's Austin headquarters. Research concluded in fiscal 2013 requires this transaction to be reported as an adjustment of capital assets from the Texas Facility Commission.

- B) On Aug. 1, 2013, the Grand Parkway Transportation Corporation (GPTC), a blended component unit of TxDOT, issued bonds to fund the design, construction, operation and maintenance of segments D (Harris County), E, F-1, F-2 and G of the Grand Parkway (State Highway 99) in the Houston area. As directed by the project agreement between GPTC and TxDOT, GPTC reimbursed the Texas Mobility Fund for its prior costs incurred on these projects. The Texas Mobility Fund did not accrue a due from GPTC in prior periods because the reimbursement was contingent upon the successful issuance of the GPTC bonds and the timing and amount of such issuance was not estimable at prior reporting dates. The impact of the reimbursement related to prior fiscal year costs resulted in a restatement of beginning fund balance.

- C) These restatements are for adjustments to capital assets and accumulated depreciation or amortization. The restatements include an amount of \$149 million to remove assets previously capitalized that are now under a service concession arrangement and have been reimbursed by the Grand Parkway Transportation Corporation. In addition, the restatements include an addition of \$82.2 million primarily related to errors in reporting bridges (depreciable infrastructure) upon their completion. Accumulated depreciation related to depreciable infrastructure was reduced as a result of the implementation of GASB 60 for bridges maintained and operated under qualifying service concession arrangements.

- D) This restatement was necessary to correct accounting errors in the prior period related to the Grand Parkway Association.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Contingencies

Unpaid Claims and Lawsuits

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

TxDOT is exposed to claims by contractors. TxDOT will most likely settle these claims at substantially less than the amount originally sought. However, if a settlement between TxDOT's claims committee and the contractor cannot be reached, these claims will result in future litigation. As of Aug. 31, 2013 outstanding contractor claims pending at the TxDOT claims committee totaled \$9.3 million.

Settlements are paid by the Texas Comptroller of Public Accounts from the claims and refunds appropriation. The Attorney General's office indicates that the lawsuits listed below were pending as of Aug. 31, 2013. TxDOT management's opinion is that the probable outcome of these cases will not materially affect the financial position of TxDOT.

<u>Type of Suit</u>	<u>Amounts in Controversy</u>
Eminent Domain	Over 850 cases ranging from \$0 to \$7.5 million. Total claims with amounts indicated came to approximately \$219.2 million.
Contract	Amounts claimed range from \$34 thousand to \$3.2 million. Total claims with amounts indicated came to approximately \$6.2 million.
Inverse Condemnation	Monetary amounts have not been specified for any of the 23 cases.

Declaratory Judgment	Monetary amounts have not been specified in three of the five cases. Amounts claimed range from \$150 thousand to \$10 million. Total claimed with amounts indicated is \$10.1 million.
Employment Law and Related Lawsuits	Monetary amounts have not been specified in the any of the 11 cases. Liability against TxDOT is limited to \$300 thousand. However, there is no limit on attorney fees and front pay.
Tort Claims	Statutory limits of liability on these cases are \$250 thousand per person or \$500 thousand per accident. Amounts claimed range from \$750.00 to \$500,000. Total claims, including estimates of liability limits where no amounts were specified, came to approximately \$18.8 million.

Arbitrage

Rebatable arbitrages defined by Internal Revenue Code (IRC), Section 148, is earnings on tax exempt bond proceeds in excess of the yield on the bond. The rebatable arbitrage must be repaid to the federal government. Pursuant to the applicable bond Indenture of Trust, a Rebate Fund will be established under the Indenture to which deposits will be made upon the determination by a verification agent that a rebate payment may be due. The amount of rebate due to the federal government is determined and payable during each five-year period and upon final payment of the tax-exempt bonds. IRC Section 148 also provides for certain rebate exceptions, including an exception if certain spend-out requirements of the bond proceeds are met. TxDOT estimates that rebatable arbitrage liability, if any, will be immaterial to the agency's overall financial condition.

Federal Reimbursements and Grants

TxDOT receives federal financial assistance for specific purposes that are subject to review or audit by the federal grantor agencies. Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based on prior experience, management believes such disallowance, if any, will be immaterial.

On Dec. 16, 2011, TxDOT and the Federal Highway Administration (FHWA) approved and executed a Memorandum of Understanding (MOU) for FHWA participation in TxDOT's pass through funding program. This MOU will apply to all pass through finance (PTF) projects approved by TxDOT after Feb. 26, 2009 with some stipulations as detailed within the agreement. This agreement was done in order to facilitate maximum Federal reimbursement on TxDOT PTF projects. The MOU is not applicable to any PTF project agreements executed prior to Feb. 26, 2009. Federal reimbursement for these projects will be set up on an individual basis in separate agreements between TxDOT and FHWA and with compliance reviews being performed on each project.

Significant Commitments*Construction Related Contracts*

As of Aug. 31, 2013, TxDOT had outstanding contractual commitments related to the award of construction contracts, terms of outstanding design-build contracts and terms requiring contribution of public funds to provide for a portion of construction costs related to service concession arrangements (SCAs). Of the amounts committed under these contracts, TxDOT expects to receive future reimbursements from the Federal Highway Administration (FHWA). In addition, the Grand Parkway Transportation Corporation (GPTC), our blended component unit, has outstanding construction commitments. Disclosure of these construction related commitments and potential FHWA reimbursement is displayed below.

Construction Related Contract Commitments		
August 31, 2013 (Amounts in Thousands)		
	Total Remaining Commitment	FHWA Reimbursements
Construction Contracts	\$ 6,584,925	\$ 3,298,668
Design-Build Projects	1,536,325	617,304
SCA Projects	935,277	674,150
GPTC Project	941,548	
Totals	\$ 9,998,075	\$ 4,590,122

Pass-Through Toll Agreements

Transportation Code, Section 222.104 authorizes TxDOT to enter into an agreement with a public or private entity that provides for the payment of pass-through tolls to the public or private entity as reimbursement for the design, development, financing, construction, maintenance, or operation of a toll or non-toll facility on the state highway system by the public or private entity. As of Aug. 31, 2013 there were 41 active pass-through financing agreements.

TxDOT recognizes liabilities associated with pass-through toll projects as notes payable as the projects are being constructed. Notes payable amounts are determined by contractually negotiated agreements with pass-through toll partners. See Note 4 for details on the payables recognized related to pass-through toll repayment obligations.

The maximum total repayment obligation for pass-through toll projects executed as of Aug. 31, 2013, was approximately \$1.6 billion. Approximately \$200 million of this amount was repaid as of Aug. 31, 2013. The actual repayment obligation for each agreement is not determinable until total construction costs are known.

Toll Equity Grants and Loan Agreements

Transportation Code, Section 222.103 authorizes TxDOT to participate, by spending money from any available source, in the cost of acquisition, construction, maintenance or operation of a toll facility of a public or private entity. The Commission adopted administrative rules (toll equity rules) to prescribe conditions for the Commission's financing of such toll facilities. Under these guidelines the Commission has committed funds in the form of toll equity grants and toll equity loans. As of Aug. 31, 2013, the Commission has outstanding toll equity grant commitments and toll equity loan commitments totaling \$323.6 million and \$15.63 billion, respectively. Payments of these amounts are made subject to executed financial assistance agreements between TxDOT and the applicable public or private entity.

Of the outstanding toll equity loan commitment, \$6.02 billion is related to a toll equity loan agreement (TELA) with the North Texas Tollway Authority (NTTA) and \$9.6 billion is related to a TELA with the GPTC. The NTTA funds are to be used to enhance project feasibility and expedite delivery of the State Highway 161 (also known as the President George Bush Western Extension) and Chisholm Trail Parkway projects in the Dallas/Fort Worth area. These roads comprise NTTA's Special Projects System and are separate from the NTTA system as a whole. Under the TELA, TxDOT has agreed to lend a negotiated amount each year should revenues of the projects be insufficient to cover operations and maintenance, including debt service. The GPTC funds are to be used to pay for certain costs relating to the development, construction, operation, maintenance and financing of Segments D (Harris County), E, F1, F2 and G and the predevelopment of possible extensions or expansions of the Grand Parkway. The maximum amount of money that can be paid by TxDOT to GPTC under the TELA is equal to the aggregate amount of costs that are authorized under Article 8, Section 7-a of the Texas Constitution and Section 222.103 of the Texas Transportation Code, i.e. the "Eligible Costs".

As of Aug. 31, 2013, no drawdowns of funding have been requested by NTTA or GPTC under these agreements.

NOTE 16 – SUBSEQUENT EVENTS

Bond and TIFIA Loan Activity

The Commission has no plans for issuance of additional bonds as of the date of this report, through February 2014. The following TxDOT blended component units plan to issue or have issued the following bonds as of the date of this report, through February 2014:

Entity	Series	Estimated/Actual Par Amount (Amounts in Thousands)	Estimated/Actual Date of Issuance	Purpose
Texas Private Activity Bond Surface Transportation Corporation	2013	\$274,030	09/12/2013	Issuance of conduit debt related to financing of the NTE 3A project.
Grand Parkway Transportation Corporation	Subordinate Tier Revenue 2013C & D	\$943,330	02/14/2014	To provide for refunding or remarketing of the 2013C and D bonds.

On Sept. 27, 2013 Standard & Poor's upgraded the financial strength of the State of Texas to "AAA" from "AA+" As a result on Sept. 30, 2013 Standard & Poor's also issued an upgrade to "AAA" from "AA+" for the Commission's outstanding Texas Mobility Fund Bonds and the Highway Improvement General Obligation Bonds. On Sept. 30, 2013 Standard & Poor's also upgraded the financial strength of our blended component unit Grand Parkway Transportation Corporation (GPTC) from "AA" to "AA+" related to Subordinate Tier Obligations of GPTC Series 2013B-2013E.

Our blended component unit, GPTC has submitted an application with the Transportation Infrastructure Finance and Innovation Act (TIFIA) for a loan in the amount of \$840,645,000.00 to fund and reimburse for eligible costs of the Grand Parkway system. The loan agreement is currently being negotiated. It is expected the TIFIA loan will close by the end of calendar year 2013.

Legislative Changes

Results from the 83rd Legislative Session included changes to the retirement contribution by employers of 6.5 percent plus 1 percent from fiscal 2013 unexpended balances for fiscal 2014; 7.5 percent for fiscal 2015. Additionally, new employees starting employment after Aug. 31, 2013 must meet the minimum retirement age of 62 and meet the rule of 80 for retirement eligibility. If these members retire before age 62, there is a 5 percent per year permanent retirement reduction factor in the retiree's pension benefit.

A new fund, the Transportation Infrastructure Fund, was established as part of changes made by SB 1747, which directs TxDOT to administer a grant program from the fund to provide funding to counties for transportation infrastructure projects located in areas of the state affected by increased oil and gas production. The provisions of the bill took effect Sept. 1, 2013.

Transfer of Loop 49 Toll Facility

On Sept. 23, 2013 the Governor of Texas approved the transfer of Segments 1, 2, 3A and 5 of the Loop 49 toll facility comprising the roadway facilities and the underlying right of way, and the right of way underlying Segment 3B of Loop 49, from SH 100 to I-20 in Smith County to the North East Texas Regional Mobility Authority (Net RMA). The transferred segments of the Loop 49 project will be utilized by the Net RMA for the operation and maintenance of a turnpike project under Transportation Code, Chapter 370.

NOTE 17 – RISK MANAGEMENT

TxDOT is exposed to various risks of loss related to property, general and employer liability, net income, and personnel. TxDOT and its employees are covered by various immunities and defenses that limit some of these risks of loss, particularly in liability actions brought against TxDOT or its employees. Remaining exposures are managed by self-insurance arrangements.

Property and Liability

TxDOT administers a self-insured workers compensation program. Due to the nature of worker compensation claims, amounts are not reasonably estimable. Claims are paid as they become due.

Health, Life and Dental

Insurance coverage is provided to active state employees and their dependents by one of three health plan administrators. All TxDOT employees are included in the Texas Employees Group Benefits Program (GBP) administered by the Employees Retirement System of Texas (ERS).

Claims for health, life, accidental death and dismemberment (AD&D), disability and dental insurance coverages are established under the GBP. These coverages are provided through a combination of insurance contracts, a self-funded health plan, a self-funded dental indemnity plan, HMO contracts and dental health maintenance organizations (DHMO) contracts.

Commitments

TxDOT incurs commitments related to outstanding construction contracts and comprehensive development agreements. Further detail of these commitments is provided in Note 15.

NOTE 18 – MATRIX OF EXPENDITURES REPORTED BY FUNCTION

For the year ended Aug. 31, 2013, the table on the following page represents governmental fund expenditures for both natural and functional classifications. As stated on the reconciliation of the governmental funds statement of revenues, expenditures and changes in fund balances to the statement of activities, certain governmental fund expenditures are converted to increases and decreases in assets, liabilities or deferred inflows of resources in the statement of net position. Thus those expenditures are not reported by function on the statement of activities.

Matrix of Expenditures Reported by Function - Governmental Funds				
For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)				
	State Highway Fund	Texas Mobility Fund	Nonmajor Funds	Transportation Total
Salaries & Wages	\$ 607,666	\$	\$ 1,068	\$ 608,734
Payroll Related Costs	237,488		268	237,756
Professional Fees & Services	431,175	280	3,027	434,482
Federal Pass-Through expenditures	24,157			24,157
State Grant Pass-Through Expenditures	2,508			2,508
Travel	4,923		34	4,957
Materials and Supplies	392,472		238	392,710
Communications and Utilities	45,514		4	45,518
Repairs and Maintenance	1,888,871		265	1,889,136
Rentals and Leases	10,022		(64)	9,958
Printing and Reproduction	1,754		3	1,757
Claims and Judgements	6,155			6,155
Intergovernmental Payments	542,733	93,418	8,351	644,502
Public Assistance Payments	10,236		500	10,736
Other Expenditures	250,797	(92)	2,221	252,926
Total Expenditures	\$ 4,456,471	\$ 93,606	\$ 15,915	\$ 4,565,992

NOTE 19 - THE FINANCIAL REPORTING ENTITY

As required by Generally Accepted Accounting Principles, the financial statements present TxDOT, a state agency, and its component units. The component units discussed in this note are included in TxDOT's reporting entity because of the significance of their operational and financial relationships with TxDOT.

Blended Component Units

The Commission is authorized to create Transportation Corporations in Transportation Code, Chapter 431. The Commission approves the creation of transportation corporations, approves the articles of incorporation, appoints directors and approves by-laws. At any time, the Commission may terminate and dissolve a transportation corporation. In the event of dissolution or liquidation of a corporation, all assets shall be turned over to TxDOT. As of Aug. 31, 2013, three such transportation corporations were authorized by the Commission. In all instances TxDOT contains the voting majority, is able to impose its will upon the transportation corporations, and the services of all three transportation corporations benefit TxDOT. Furthermore, the following three transportation corporations are classified as blended component units.

The Grand Parkway Association (GPA) facilitates the efficient development of Houston's third outer highway loop to serve the regional mobility needs of the metropolitan Houston area. GPA operates on funds received from various sources including TxDOT, METRO, Harris County, Fort Bend County, Chambers County, Galveston County and Brazoria County. GPA is required to make semi-annual reports to TxDOT detailing the status and

financial information of the various project segments. The financial activity is reported as a Special Revenue fund within appropriated fund 9999 in the accompanying financial statements of TxDOT. GPA has a fiscal year end as of Aug. 31, 2013, consistent with TxDOT. Complete financial statements for the GPA may be obtained by writing:

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

The Texas Private Activity Bond Surface Transportation Corporation. (TxPABST) acts on behalf of TxDOT in the promotion and development of transportation facilities by issuing private activity bonds for projects developed under comprehensive development agreements (CDA) entered into by TxDOT. Bonds issued by TxPABST are not legal obligations of the state of Texas and are payable solely from payments received or on behalf of a CDA developer. See Note 5 for additional details about the TxPABST private activity bond issuances as of Aug. 31, 2013. TxPABST does not publish financial statements. Further information can be obtained by writing:

Texas Private Activity Bond Surface Transportation Corporation
125 East 11th St.
Austin, Texas 78701

The Grand Parkway Transportation Corporation (GPTC) acts on behalf of TxDOT in the development, construction, financing, operation, maintenance and expansion of the Grand Parkway as the authority delegated by the Commission to develop, construct, finance, operate and maintain certain segments of the Grand Parkway as a system. GPTC undertakes these responsibilities under the supervision of a three member board of directors composed of TxDOT employees appointed by the Commission. GPTC is the governmental party to major contracts relating to the development, construction and maintenance of the Grand Parkway Segments D through G and has issued bonds supported by toll revenues of the system and, in certain cases, by the TELA with TxDOT. Bonds issued by GPTC are not legal obligations of the state of Texas and are payable solely from the revenues of the Grand Parkway system. See Note 5 for additional details about the GPTC bond issuances as of Aug. 31, 2013. GPA has a fiscal year end as of Aug. 31, 2013, consistent with TxDOT. The financial activity of GPTC is reported as a Proprietary fund within appropriated fund 9999 in the accompanying financial statements of TxDOT. Further information can be obtained by writing:

Grand Parkway Transportation Corporation
125 East 11th St.
Austin, Texas 78701

NOTE 20– STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Fund Type Changes

The presentation of The Texas Mobility Fund (0365) was revisited in 2013 and changed to more clearly report the dual purpose of activities taking place within the Mobility Fund. The Mobility Fund bonds issued are used for transportation projects, while the revenues dedicated to the fund are restricted for payment of debt service on the outstanding debt. To aid in the distinction of these different activities, the Mobility Fund activity are now split into two fund types. While the Mobility Fund is established as a single appropriated fund, it is reported in the following governmental fund types:

- Debt Service fund – Debt service funds are used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest. Dedicated revenues received and debt service related expenditures paid are recorded in these funds.

- Capital Projects fund – Capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays. Bond proceeds associated with Mobility Fund bond issuances as well as the related expenditure of the bond proceeds for eligible transportation projects are recorded in these funds.

Deficit Fund Balances/Net Position

The \$12.8 million deficit fund balance in the state highway fund is caused primarily by the balance of deferred revenues recorded as offset to up-front concession payments received. The recognition of revenue related to these up-front payments occurs over their term, while the use of the funds received are spent as eligible projects are identified.

The \$15.9 million deficit net position related to the Grand Parkway Transportation Corporation (GPTC) fund is due to the payment of bond issuance costs. None of the segments of the Grand Parkway to be operated by GPTC were opened to traffic at Aug. 31, 2013, thus the GPTC did not collect enough revenues to offset the reduction of net position caused by payment of the bond issuance costs.

Upcoming GASB Pronouncements

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 61, *The Financial Reporting Entity Omnibus-An Amendment of GASB Statements 14 and 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, have been implemented by TxDOT in this fiscal 2013 report. The implementation of GASB Statement No. 60 consisted of additional disclosures for reporting the status of construction projects where a Service Concession Arrangement (SCA) exists, the general nature of and objectives of each SCA, nature and amount of assets, liabilities, and deferred inflows of resources related to service concession arrangements, see Note 21. Additionally, GASB 61 implementation included reporting of additional requirements for inclusion of component units in the financial reporting entity. Implementation of GASB 62 was a codification of pre-November 30, 1989 FASB and AICPA Pronouncements did not have an impact on the presentation of the financial statement. Implementation of GASB No. 63 required modifications of the financial statement structure by incorporating deferred inflows and outflows into the report and reclassifying the Statement of Net Assets to the Statement of Net Position.

The GASB has issued several statements that will become effective and be implemented by TxDOT in fiscal 2014. TxDOT is still in the process of determining the effects of implementing these new GASB Statements.

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*,
- GASB Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*,
- GASB Statement No. 67, *Financial Reporting for Pensions Plans-An Amendment of GASB Statement No. 25*,
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 2*, and
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

NOTE 21 – SERVICE CONCESSION ARRANGEMENTS

As of Aug. 31, 2013, TxDOT has entered into seven agreements that are service concession arrangements (SCA) under the definition established by the Governmental Accounting Standards Board (GASB). An SCA is an arrangement between TxDOT and an Operator in which all of the following criteria are met:

- a. TxDOT conveys to the Operator the right and related obligation to provide public services through the use and operation of an infrastructure asset in exchange for significant consideration, such as up-front payments, a new infrastructure asset, or improvements to an existing infrastructure asset.
- b. The Operator collects and is compensated by fees from third parties, in all of the active TxDOT SCAs these fees are in the form of tolls.
- c. TxDOT determines or has the ability to modify or approve what services the Operator is required to provide, to whom the Operator is required to provide the services and the rates that can be charged for the services.
- d. TxDOT is entitled to significant residual interest in the service utility of the infrastructure asset at the end of the arrangement.

SCA projects have/will improve mobility by expanding existing road capacity and introducing managed toll lanes, traditional toll lanes and other strategies aimed at reducing traffic congestion. Structuring as an SCA enables TxDOT to deliver these projects faster than would be possible using traditional funding sources. Additionally these projects shift the majority of the financial risk to the Operator. TxDOT may enter into SCAs with both public and private Operators. At the end of these arrangements, operations and maintenance of the projects will transfer to TxDOT. The state of Texas retains ownership rights and title to all assets associated with an SCA.

The structure of each SCA is different due to the unique financial aspects of each arrangement. In all cases, TxDOT receives a benefit due to our retention of ownership of the project at end of the concession term. The table below summarizes the status, term and duration of each currently active SCA.

Service Concession Arrangements				
As of August 31, 2013				
Arrangement Name	Construction Status	Term of Concession	Concession Begin	Concession End
IH 10 "Katy Managed Lanes"	Complete	46 years	2010	2055 *
SH 130 Segments 5 and 6	Complete	50 years	2012	2062
SH 121 Concession	Complete	50 years	2009	2059
North Tarrant Exp Seg 1 and 2-West	Under Construction	52 years	2009	2061
North Tarrant Exp Seg 3A and 3B	Preliminary Activity	52 years	2009	2061
LBJ/IH-635 Managed Lanes	Under Construction	52 years	2009	2061
Grand Parkway Seg D, E, F1, F2, G	Under Construction	40 years	2013	2053 *

* Estimated. Concession period extends until Harris County/GPTC is fully reimbursed for costs of construction and debt service.

Governmental accounting standards permit TxDOT to defer recognition of capital assets acquired by an Operator under an SCA until the project is placed into operations by opening for traffic. In the year in which an SCA project opens for traffic TxDOT records the capital assets acquired under the SCA at their fair value with a corresponding entry to deferred inflow of resources. The deferred inflow of resources balance will then be reduced and revenue will be recognized in a systematic manner over the term of the arrangement, beginning when the infrastructure asset is placed into operations. Up-front concession payments received are recorded as assets (cash in state treasury) with an offset to deferred inflow of resources. Revenue is recognized and the deferred inflow of resources is reduced in a systematic and rational manner over the term of the arrangement.

Service Concession Arrangements - Amounts Recognized in Financial Statements – Governmental Activities			
August 31, 2013			
(Amounts in Thousands)			
Arrangement Name	Cash in State Treasury*	Capital Assets	Deferred Inflows of Resources**
IH 10 "Katy Managed Lanes"	\$	\$ 250,000	\$ 228,261
SH 130 Segments 5 and 6	126,701	1,434,228	1,498,580
SH 121 Concession	1,756,073	1,338,296	3,489,021
North Tarrant Exp Seg 1 and 2-West		472,177	38,771
North Tarrant Exp Seg 3A and 3B		72,941	
LBJ/IH-635 Managed Lanes		75,070	
Grand Parkway Seg D, E, F1, F2, G		36,327	
Total	\$ 1,882,774	\$3,679,039	\$5,254,633

* The balance of cash in state treasury is the amount of unspent up-front concession payments.
 ** The deferred inflows of resources balance, that relates to up-front payments received and recorded in the governmental fund financials, is recorded as deferred revenues.

In some cases, TxDOT is obligated to make contributions of public funds to the SCA project during the construction period for portions of the project’s design, construction or right-of-way costs. Outlays of TxDOT funds related to SCA projects are recorded as additions to construction in progress as they are incurred. In addition, TxDOT has committed funds in the form of a toll equity loan to the Grand Parkway Transportation Corporation (GPTC) and North Texas Tollway Authority (NTTA). Refer to Note 15 for further detail on TxDOT commitments related to SCAs.

Grand Parkway Transportation Corporation

In fiscal 2013 the GPTC entered into an agreement with TxDOT which fits the criteria for a service concession arrangement. Pursuant to this agreement, GPTC is responsible for the design, build, financing and operation of Segments D (Harris County), E, F-1, F-2 and G of the Grand Parkway for a period until such time as the bonds or other debt secured is fully repaid. GPTC will be entitled to all toll revenues during the operations period. At the end of the arrangement, operation of the roadway will be transferred to TxDOT. GPTC entered into this agreement to deliver this important project in partnership with TxDOT more quickly than would be possible under a traditional structure. GPTC has recognized an intangible asset in the amount of \$610,305,445.36 for its costs of design, construction and right-of-way acquisition through Aug. 31, 2013. This amount is reported in the business-type activities.

**Required Supplementary Information
Other Than MD&A (unaudited)**

MODIFIED APPROACH TO REPORTING INFRASTRUCTURE ASSETS

TxDOT adopted the modified approach for reporting the state’s highway system. Under the modified approach, depreciation is not reported and all preservation and maintenance costs are expensed.

The modified approach requires that TxDOT:

- 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, TxDOT has elected to depreciate bridges. Therefore, they are not reported using the modified approach.

Condition Assessments

TxDOT performs yearly condition assessments through the Texas Maintenance Assessment Program (TxMAP). Under this program, visual inspections are conducted on approximately 10 percent of the Interstate system, 5 percent of the Non-Interstate system (national, state, and farm-to-market roadways) and 20 percent of the Central Texas Turnpike System toll roads. For each section of highway observed, 21 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 percent, 2 = 40 percent, 3 = 60 percent, 4 = 80 percent, 5 = 100 percent).

Assessed Conditions

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

Fiscal	Interstate Condition (Minimum 80%)	Non-Interstate Condition (Minimum 75%)	Central Texas Turnpike System (Minimum 80%)
2013	80.3%	77.4%	85.1%
2012	82.0%	77.7%	86.2%
2011	83.0%	78.5%	89.9%
2010	83.6%	77.9%	87.9%
2009	81.4%	76.5%	90.5%

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. The estimates for the Interstate and Non-Interstate highways reflect the estimated expenditures necessary to achieve the Commission's goal to increase pavement conditions to 90 percent within the next 20 years. In addition, TxDOT has been working to increase the return on maintenance dollars through the implementation of cost saving measures.

Interstate Highways					
	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009
Estimate	\$277,770,138	\$191,441,584	\$604,837,150	\$568,455,968	\$534,263,128
Actual	\$303,958,758	\$346,326,141	\$361,824,722	\$333,253,166	\$326,304,671
Non-Interstate Highways					
	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009
Estimate	\$2,628,535,253	\$2,224,821,895	\$3,282,946,244	\$3,005,712,533	\$2,687,869,178
Actual	\$2,067,090,830	\$1,594,432,159	\$1,517,603,665	\$1,423,734,251	\$1,519,109,684
Central Texas Turnpike System					
	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009
Estimate	\$13,987,845	\$10,050,181	\$11,577,672	\$11,371,334	\$9,178,651
Actual	\$13,109,474	\$10,627,758	\$11,438,932	\$6,972,452	\$7,261,987

Factors Affecting Condition Assessments

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

Other Condition Assessments

A separate annual inspection report is performed on the Central Texas Turnpike System in accordance with Section 707 of the Indenture of Trust. Those inspections are performed by the general engineering consultant (GEC) of the Central Texas Turnpike System. The fiscal 2013 inspection noted that the Central Texas Turnpike System roadways were in an overall excellent condition, achieving an overall score of 96 percent. While the GEC inspection uses the same general criteria as TxMAP, both parties have different areas of focus when performing their evaluations resulting in slight differences. In addition, there are other differences in evaluation timing and methodology which may contribute to the difference in scores; it is performed at a different time of the year, covers all 65 miles of the system instead of using a random sample of 20 percent, and uses a more detailed breakdown of each criteria.

This page is intentionally blank.

Other Supplementary Information

State Highway Fund Accounts

Combining Financial Statements

TxDOT reports the following accounts/sub-funds, which are consolidated into the state highway fund for the financial statements.

- **State Highway Fund Accounts** – These funds contain the activity related to public road construction, maintenance and monitoring of the state’s highway system. The significant ongoing revenue sources are federal revenues and motor fuels taxes, which are constitutionally restricted and dedicated to the highway fund.

Appropriated Fund: 0006

USAS D23 Funds: 0006, 0016-0019, 0121-0122, 0130, 0513-0515, 0161-0162, 0820, 8006 and 9000

- **State Infrastructure Bank Accounts** – This fund operates as a revolving loan program that makes loans to public and private entities to encourage the development of transportation projects and facilities.

Appropriated Fund: 0006

USAS D23 Fund: 0099

- **Federal American Recovery and Reinvestment Fund** – This fund was created to record, track and report the receipt and disbursement of American Recovery and Reinvestment Act (ARRA) funding.

Appropriated Fund: 0369

USAS D23 Fund: 0369

Texas Department of Transportation
Combining Balance Sheet – State Highway Fund
 August 31, 2013 (Amounts in Thousands)

	State Highway Fund - Major Special Revenue Fund			TOTAL
	State Highway Fund Accounts	State Infrastructure Bank	Federal American Recovery & Reinvestment Fund	
ASSETS:				
Cash and Cash Equivalents:				
Cash on Hand	\$ 19	\$ 290,623	\$	\$ 290,642
Cash in Bank	229			229
Cash in State Treasury	2,875,468			2,875,468
Receivables:				
Taxes	213,949			213,949
Federal	339,998			339,998
Other Intergovernmental	61,363			61,363
Interest and Dividends	3,871	3,170		7,041
Accounts Receivable	33,204			33,204
Due from Other Funds	94,836			94,836
Due from Other Agencies	200,587			200,587
Consumable Inventories	142,180			142,180
Loans and Contracts	229,047	164,941		393,988
Total Assets	<u>4,194,751</u>	<u>458,734</u>	<u>0</u>	<u>4,653,485</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Payables:				
Accounts Payable	1,220,985			1,220,985
Contracts Payable	33,640			33,640
Payroll Payable	61,872			61,872
Due to Other Funds	13,627			13,627
Due to Other Agencies	56,555			56,555
Deferred Revenues	3,279,609			3,279,609
Total Liabilities	<u>4,666,288</u>	<u>0</u>	<u>0</u>	<u>4,666,288</u>
Fund Balances (Deficits):				
Nonspendable				
Inventory	142,180			142,180
Restricted	74,738	458,734		533,472
Unassigned	(688,455)			(688,455)
Total Fund Balances	<u>(471,537)</u>	<u>458,734</u>	<u>0</u>	<u>(12,803)</u>
Total Liabilities and Fund Balances	\$ <u>4,194,751</u>	\$ <u>458,734</u>	\$ <u>0</u>	\$ <u>4,653,485</u>

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

Texas Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – State Highway Fund
For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

	State Highway Fund - Major Special Revenue Fund			TOTAL
	State Highway Fund Accounts	State Infrastructure Bank	Federal American Recovery & Reinvestment Fund	
REVENUES:				
Taxes	\$ 2,419,421	\$	\$	\$ 2,419,421
Federal Revenues	2,653,415		161,809	2,815,224
Federal Pass-Through Revenues	1,412			1,412
Licenses, Fees and Permits	85,417			85,417
Interest & Investment Income	16,275	5,550		21,825
Land Income	15,637			15,637
Settlement of Claims	11,616			11,616
Sales of Goods and Services	53,108			53,108
Other Revenues	713			713
Total Revenues	<u>5,257,014</u>	<u>5,550</u>	<u>161,809</u>	<u>5,424,373</u>
EXPENDITURES:				
Transportation	4,449,911		6,560	4,456,471
Capital Outlay	1,972,758		155,249	2,128,007
Principal on Pass-Through Tolls	105,113			105,113
Other Financing Fees	1,977			1,977
Total Expenditures	<u>6,529,759</u>	<u>0</u>	<u>161,809</u>	<u>6,691,568</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,272,745)</u>	<u>5,550</u>	<u>0</u>	<u>(1,267,195)</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	1,565,247			1,565,247
Operating Transfers Out	(1,082,000)			(1,082,000)
Sale of Capital Assets	4,318			4,318
Total Other Financing Sources (Uses)	<u>487,565</u>	<u>0</u>	<u>0</u>	<u>487,565</u>
Net Change in Fund Balances	<u>(785,180)</u>	<u>5,550</u>	<u>0</u>	<u>(779,630)</u>
Fund Balances, September 1, 2012	277,340	453,184		730,524
Restatements	36,303			36,303
Fund Balances, August 31, 2013	<u>\$ (471,537)</u>	<u>\$ 458,734</u>	<u>\$ 0</u>	<u>\$ (12,803)</u>

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

Texas Mobility Fund Accounts

Combining Financial Statements

TxDOT reports the following accounts/sub-funds, which are consolidated into the Texas mobility fund for the financial statements.

- **Debt Service Fund Accounts** – These funds report the activity related the payment of debt service on outstanding mobility fund bonds.
Appropriated Fund: 0365
USAS D23 Funds: 0365, 0367, 0373
- **Capital Projects Fund Accounts** – These funds report the activity related to the expenditure of the mobility fund bond proceeds on eligible transportation projects.
Appropriated Fund: 0365
USAS D23 Fund: 0375, 0377

**Texas Department of Transportation
Combining Balance Sheet – Texas Mobility Fund
August 31, 2013 (Amounts in Thousands)**

Texas Mobility Fund - Major Debt Service & Capital Projects Fund

	<u>Debt Service Fund</u>		<u>Capital Projects Fund</u>		<u>TOTAL</u>
ASSETS:					
Cash and Cash Equivalents:					
Cash in State Treasury	\$ 552,997		\$ 645,321		\$ 1,198,318
Receivables:					
Federal	8,866				8,866
Due from Other Funds	890		19		909
Total Assets	<u>562,753</u>		<u>645,340</u>		<u>1,208,093</u>
 LIABILITIES AND FUND BALANCES:					
Liabilities:					
Payables:					
Accounts Payable			10,346		10,346
Due to Other Funds	400		890		1,290
Total Liabilities	<u>400</u>		<u>11,236</u>		<u>11,636</u>
 Fund Balances (Deficits):					
Restricted	<u>562,353</u>		<u>634,104</u>		<u>1,196,457</u>
Total Fund Balances	<u>562,353</u>		<u>634,104</u>		<u>1,196,457</u>
 Total Liabilities and Fund Balances	 <u>\$ 562,753</u>		 <u>\$ 645,340</u>		 <u>\$ 1,208,093</u>

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

Texas Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Texas Mobility Fund
 For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

	<u>Texas Mobility Fund - Major Debt Service & Capital Projects Fund</u>		
	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>TOTAL</u>
REVENUES:			
Taxes	\$	\$	\$
Federal Revenues	21,445		21,445
Licenses, Fees and Permits	383,422		383,422
Interest & Investment Income	25,792	2,192	27,984
Total Revenues	<u>430,659</u>	<u>2,192</u>	<u>432,851</u>
EXPENDITURES:			
Transportation		93,606	93,606
Capital Outlay		55,356	55,356
Principal on State Bonds	53,190		53,190
Interest on State Bonds	287,771		287,771
Other Financing Fees		469	469
Total Expenditures	<u>340,961</u>	<u>149,431</u>	<u>490,392</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>89,698</u>	<u>(147,239)</u>	<u>(57,541)</u>
OTHER FINANCING SOURCES (USES):			
Operating Transfers In			
Operating Transfers Out			
Insurance Recoveries			
Sale of Capital Assets			
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>89,698</u>	<u>(147,239)</u>	<u>(57,541)</u>
Fund Balances, September 1, 2012	1,108,827		1,108,827
Restatements	(636,172)	781,343	145,171
Fund Balances, August 31, 2013	<u>\$ 562,353</u>	<u>\$ 634,104</u>	<u>\$ 1,196,457</u>

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

Texas Department of Transportation
Combining Balance Sheet – Nonmajor Governmental Funds
 August 31, 2013 (Amounts in Thousands)

	General Fund	Special Revenue Fund*	Debt Service Fund**	Capital Projects Funds	Total Nonmajor Funds
ASSETS					
Cash and Cash Equivalents:					
Cash in Bank	\$	\$ 359	\$	\$	\$ 359
Cash in State Treasury	416		144,815	767,648	912,879
Legislative Appropriations	19,269				19,269
Federal Receivables	4,771		10,282		15,053
Due from Other Funds		216			216
Due from Other Agencies	219				219
Loans and Contracts	200				200
Total Assets	<u>24,875</u>	<u>575</u>	<u>155,097</u>	<u>767,648</u>	<u>948,195</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables:					
Accounts Payable	1,787	178		117,125	119,090
Payroll Payable	117				117
Due to Other Funds	416				416
Deferred Revenues				486,446	486,446
Total Liabilities	<u>2,320</u>	<u>178</u>	<u>0</u>	<u>603,571</u>	<u>606,069</u>
Fund Balances:					
Nonspendable	154				154
Restricted			155,097	164,077	319,174
Assigned	1,685	397			2,082
Unassigned	20,716				20,716
Total Fund Balances	<u>22,555</u>	<u>397</u>	<u>155,097</u>	<u>164,077</u>	<u>342,126</u>
Total Liabilities and Fund Balances	<u>\$ 24,875</u>	<u>\$ 575</u>	<u>\$ 155,097</u>	<u>\$ 767,648</u>	<u>\$ 948,195</u>

* Texas Transportation Corporations (Appropriated Fund 9999) - no combining statements presented.

** Proposition 14/State Highway Fund Debt Service (Appropriated Fund 0008) - no combining statements presented.

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

**Texas Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Nonmajor Governmental Funds
For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)**

	General Fund	Special Revenue Fund*	Debt Service Fund**	Capital Projects Funds	Total Nonmajor Funds
REVENUES:					
Legislative Appropriations:					
Original Appropriations	\$ 12,163	\$	\$	\$	\$ 12,163
Additional Appropriations	262				262
Federal Revenues	12,088		24,874		36,962
Interest and Investment Income			531	2,205	2,736
Sales of Goods and Services	430			162,567	162,997
Other Revenues		1,411			1,411
Total Revenues	<u>24,943</u>	<u>1,411</u>	<u>25,405</u>	<u>164,772</u>	<u>216,531</u>
EXPENDITURES:					
Transportation	12,840	1,185		1,890	15,915
Capital Outlay	4,501			1,036,919	1,041,420
Principal on State Bonds	21,020		120,155		141,175
Interest on State Bonds	54,492		194,786		249,278
Other Financing Fees	(455)			3,766	3,311
Total Expenditures	<u>92,398</u>	<u>1,185</u>	<u>314,941</u>	<u>1,042,575</u>	<u>1,451,099</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(67,455)</u>	<u>226</u>	<u>(289,536)</u>	<u>(877,803)</u>	<u>(1,234,568)</u>
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	12,129		287,905		300,034
Operating Transfers Out	(330)			(162,567)	(162,897)
Bond & Note Issued				1,103,524	1,103,524
Sale of Capital Assets	2,202				2,202
Appropriations Lapsed	(71)				(71)
Total Other Financing Sources (Uses)	<u>13,930</u>	<u>0</u>	<u>287,905</u>	<u>940,957</u>	<u>1,242,792</u>
Net Change in Fund Balances	<u>(53,525)</u>	<u>226</u>	<u>(1,631)</u>	<u>63,154</u>	<u>8,224</u>
Fund Balances, September 1, 2012	76,080	170	156,728	100,923	333,901
Restatements		1			1
Fund Balances, August 31, 2013	<u>\$ 22,555</u>	<u>\$ 397</u>	<u>\$ 155,097</u>	<u>\$ 164,077</u>	<u>\$ 342,126</u>

* Texas Transportation Corporations (Appropriated Fund 9999) - no combining statements presented.

** Proposition 14/State Highway Fund Debt Service (Appropriated Fund 0008) - no combining statements presented.

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

Texas Department of Transportation
Combining Balance Sheet – General Fund Accounts
 August 31, 2013 (Amounts in Thousands)

	<u>General Fund</u>	<u>Traffic Safety- Crash Records Information</u>	<u>Texas Highway Beautification</u>	<u>Colonias Projects Fund</u>	<u>Suspense Fund</u>	<u>TOTAL</u>
ASSETS:						
Cash and Cash Equivalents:						
Cash in State Treasury	\$	\$	\$	\$	\$ 416	\$ 416
Legislative Appropriations	19,269					19,269
Federal Receivables	4,771					4,771
Due from Other Agencies		114		105		219
Loans and Contracts	200					200
Total Assets	<u>24,240</u>	<u>114</u>	<u>0</u>	<u>105</u>	<u>416</u>	<u>24,875</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Payables:						
Accounts Payable	1,568	114		105		1,787
Payroll Payable	117					117
Due to Other Funds					416	416
Total Liabilities	<u>1,685</u>	<u>114</u>	<u>0</u>	<u>105</u>	<u>416</u>	<u>2,320</u>
FUND BALANCES:						
Nonspendable	154					154
Assigned	1,685					1,685
Unassigned	20,716					20,716
Total Fund Balances	<u>22,555</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,555</u>
Total Liabilities and Fund Balance	\$ <u>24,240</u>	\$ <u>114</u>	\$ <u>0</u>	\$ <u>105</u>	\$ <u>416</u>	\$ <u>24,875</u>

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

Texas Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – General Fund Accounts
 For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

	General Fund	Traffic Safety- Crash Records Information Systems	Texas Highway Beautification	Colonias Projects Fund	Suspense Fund	TOTAL
REVENUES:						
Legislative Appropriations:						
Original Appropriations	\$ 12,163	\$	\$	\$	\$	\$ 12,163
Additional Appropriations	262					262
Federal Revenue	12,088					12,088
Sale of Goods & Services	430					430
Total Revenues	<u>24,943</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>24,943</u>
EXPENDITURES:						
Transportation	3,280	743		8,817		12,840
Capital Outlay	4,501					4,501
Principal on State Bonds	21,020					21,020
Interest on State Bonds	54,492					54,492
Other Financing Fees	(455)					(455)
Total Expenditures	<u>82,838</u>	<u>743</u>	<u>0</u>	<u>8,817</u>	<u>0</u>	<u>92,398</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(57,895)</u>	<u>(743)</u>	<u>0</u>	<u>(8,817)</u>	<u>0</u>	<u>(67,455)</u>
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	2,569	743		8,817		12,129
Operating Transfers Out			(330)			(330)
Sale of Capital Assets	2,202					2,202
Appropriations Lapsed	(71)					(71)
Total Other Financing Sources (Uses)	<u>4,700</u>	<u>743</u>	<u>(330)</u>	<u>8,817</u>	<u>0</u>	<u>13,930</u>
Net Change in Fund Balances	<u>(53,195)</u>	<u>0</u>	<u>(330)</u>	<u>0</u>	<u>0</u>	<u>(53,525)</u>
Fund Balances, September 1, 2012	75,750		330			76,080
Restatements						
Fund Balances, August 31, 2013	<u>\$ 22,555</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,555</u>

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

Texas Department of Transportation
Combining Balance Sheet – Nonmajor Capital Projects Funds
 August 31, 2013 (Amounts in Thousands)

	Proposition 12 Highway Improvement Project Fund	Local Government, Political Subdivision Road/Airport Account	TOTAL
ASSETS			
Cash and Cash Equivalents:			
Cash in State Treasury	\$ 281,202	\$ 486,446	\$ 767,648
Total Assets	<u>281,202</u>	<u>486,446</u>	<u>767,648</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Payables:			
Accounts Payable	117,125		117,125
Deferred Revenues		486,446	486,446
Total Liabilities	<u>117,125</u>	<u>486,446</u>	<u>603,571</u>
FUND BALANCES:			
Restricted	164,077		164,077
Total Fund Balances	<u>164,077</u>	<u>0</u>	<u>164,077</u>
Total Liabilities and Fund Balances	<u>\$ 281,202</u>	<u>\$ 486,446</u>	<u>\$ 767,648</u>

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

**Texas Department of Transportation
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances – Nonmajor Capital Projects Funds
 For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)**

	Proposition 12 Highway Improvement Project Fund	Local Government, Political Subdivision Road/Airport Account	TOTAL
REVENUES:			
Interest & Investment Income	\$ 2,205	\$	\$ 2,205
Sales of Goods & Services		162,567	162,567
Total Revenues	<u>2,205</u>	<u>162,567</u>	<u>164,772</u>
EXPENDITURES:			
Transportation	1,890		1,890
Capital Outlay	1,036,919		1,036,919
Other Financing Fees	3,766		3,766
Total Expenditures	<u>1,042,575</u>	<u>0</u>	<u>1,042,575</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,040,370)</u>	<u>162,567</u>	<u>(877,803)</u>
OTHER FINANCING SOURCES (USES):			
Operating Transfer In (Out)		(162,567)	(162,567)
Bond & Note Issued	1,103,524		1,103,524
Total Other Financing Sources (Uses)	<u>1,103,524</u>	<u>(162,567)</u>	<u>940,957</u>
Net Change in Fund Balances	<u>63,154</u>	<u>0</u>	<u>63,154</u>
Fund Balances, September 1, 2012	<u>100,923</u>		<u>100,923</u>
Fund Balances, August 31, 2013	<u>\$ 164,077</u>	<u>\$ 0</u>	<u>\$ 164,077</u>

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

Texas Department of Transportation
Combining Statement of Changes in Assets and Liabilities –
Agency Funds
 For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)

	Balances September 1, 2012	Additions	Deductions	Balances August 31, 2013
	\$	\$	\$	\$
UNAPPROPRIATED RECEIPTS				
<u>General Revenue Fund (0001), U/F (1001) *</u>				
Assets:				
Cash on Hand	0	1,890	1,890	0
Total Assets	<u>0</u>	<u>1,890</u>	<u>1,890</u>	<u>0</u>
Liabilities:				
Funds Held for Others	0	1,890	1,890	0
Total Liabilities	<u>0</u>	<u>1,890</u>	<u>1,890</u>	<u>0</u>
 OTHER AGENCY FUNDS				
<u>Child Support-Employee Deduction</u>				
<u>Account (0807), U/F (8070)*</u>				
Assets:				
Cash in State Treasury	255	3,748	3,712	291
Total Assets	<u>255</u>	<u>3,748</u>	<u>3,712</u>	<u>291</u>
Liabilities:				
Funds Held for Others	255	3,748	3,712	291
Total Liabilities	<u>255</u>	<u>3,748</u>	<u>3,712</u>	<u>291</u>
 Direct Deposit Correction				
<u>Account (0980), U/F (0980 and 9014)*</u>				
Assets:				
Cash in State Treasury	345	54,507	54,587	265
Total Assets	<u>345</u>	<u>54,507</u>	<u>54,587</u>	<u>265</u>
Liabilities:				
Funds Held for Others	345	54,507	54,587	265
Total Liabilities	<u>345</u>	<u>54,507</u>	<u>54,587</u>	<u>265</u>

Concluded on the following page.

* 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 Department of Transportation
Combining Statement of Changes in Assets and Liabilities –
Agency Funds (concluded)
For the Fiscal Year Ended August 31, 2013 (Amounts in Thousands)**

	Balances September 1, 2012	Additions	Deductions	Balances August 31, 2013
	\$	\$	\$	\$
<i>OTHER AGENCY FUNDS</i>				
<u>Toll Revenue Custodial Account</u>				
<u>Account (9999), U/F (0997)*</u>				
Assets:				
Cash on Hand	33	18	33	18
Cash in Bank	19,704	669,669	669,309	20,064
Total Assets	<u>19,737</u>	<u>669,687</u>	<u>669,342</u>	<u>20,082</u>
Liabilities:				
Funds Held for Others	19,737	669,687	669,342	20,082
Total Liabilities	<u>19,737</u>	<u>669,687</u>	<u>669,342</u>	<u>20,082</u>
 <i>TOTALS - ALL AGENCY FUNDS</i>				
Assets:				
Cash on Hand	33	1,908	1,923	18
Cash in Bank	19,704	669,669	669,309	20,064
Cash in State Treasury	600	58,255	58,299	556
Total Assets	<u>20,337</u>	<u>729,832</u>	<u>729,531</u>	<u>20,638</u>
Liabilities:				
Funds Held for Others	20,337	729,832	729,531	20,638
Total Liabilities	<u>\$ 20,337</u>	<u>\$ 729,832</u>	<u>\$ 729,531</u>	<u>\$ 20,638</u>

This page is intentionally blank.

Other Information

Schedules*

1A – Schedule of Expenditures of Federal Awards (unaudited)

1B – Schedule of State Grant Pass-Throughs (unaudited)

2A – Miscellaneous Bond Information

2B – Changes in Bonded Indebtedness

2C – Debt Service Requirements

2D– Analysis of Funds Available for Debt Service

2F – Early Extinguishment and Refunding

* All schedules are presented unrounded (in dollars and cents).

Texas Department of Transportation
Schedule 1A – Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From			Direct Program Amount
		Agency Number	State Entities	Other Entities	
		\$	\$	\$	
<u><i>Federal Aviation Administration (FAA):</i></u>					
Direct Program:					
Airport Improvement Program	20.106				63,328,638.83
Pass-Through Funds to Other Entities:					
Airport Improvement Program	20.106				150,534.98
Total FAA:			0.00	0.00	63,479,173.81
<u><i>Federal Motor Carrier Safety Administration:</i></u>					
Direct Program:					
Commercial Vehicle Information Systems and Networks	20.237				161,344.57
Total Federal Motor Carrier Safety Administration:			0.00	0.00	161,344.57
<u><i>Federal Railroad Administration:</i></u>					
Direct Program:					
High-Speed Rail Corridors and Intercity Passenger Rail Service-Capital Assistance Grants - ARRA	20.319				1,118,516.08
Rail Line Relocation and Improvement	20.320				4,175,072.52
Total Federal Railroad Administration:			0.00	0.00	5,293,588.60
<u><i>Federal Transit Administration (FTA):</i></u>					
Direct Program:					
Formula Grants For Other Than Urbanized Areas	20.509				1,455,171.92
Public Transportation Research	20.514				12,451.42
State Planning and Research	20.515				739,934.87
Pass-Through Funds:					
Formula Grants For Other Than Urbanized Areas	20.509				80,338.34
Pass-Through Funds to Other Entities:					
Federal Transit Metropolitan Planning Grants	20.505				7,686,926.96
Formula Grants For Other Than Urbanized Areas - ARRA	20.509				84,843.68
Formula Grants For Other Than Urbanized Areas	20.509				34,924,126.00
State Planning and Research	20.515				1,021,814.83
Total FTA:			0.00	0.00	46,005,608.02
<u><i>National Highway Traffic Safety Admin. (NHTSA):</i></u>					
Pass-Through Funds to Other Entities:					
NHTSA Discretionary Safety Grants	20.614				208,278.33
Total NHTSA:			0.00	0.00	208,278.33
<u><i>General Services Administration (GSA):</i></u>					
Pass-Through Funds:					
Donation of Federal Surplus Personal Property (NON-MONETARY)					
Pass-Through from Texas Facilities Commission	39.003	303	17,313.96		
Total GSA:			17,313.96	0.00	0.00
<u><i>Environmental Protection Agency (EPA):</i></u>					
Pass-Through Funds:					
Performance Partnership Grants					
Pass-Through from Texas Comm. On Environmental Qualit	66.605	582	100,000.00		
Total EPA:			100,000.00	0.00	0.00

- Continued on Next Page

Annual Financial Report (UNAUDITED)

Total Pass-Through From and Direct Program	Pass-Through To			Expenditures	Total Pass-Through To and Expenditures Amount
	Agency Number	State Entities	Other Entities		
	\$	\$	\$		
63,328,638.83				63,328,638.83	63,328,638.83
150,534.98			150,534.98		150,534.98
<u>63,479,173.81</u>		<u>0.00</u>	<u>150,534.98</u>	<u>63,328,638.83</u>	<u>63,479,173.81</u>
161,344.57			161,344.57		161,344.57
<u>161,344.57</u>		<u>0.00</u>	<u>0.00</u>	<u>161,344.57</u>	<u>161,344.57</u>
1,118,516.08			1,118,516.08		1,118,516.08
4,175,072.52			4,175,072.52		4,175,072.52
<u>5,293,588.60</u>		<u>0.00</u>	<u>0.00</u>	<u>5,293,588.60</u>	<u>5,293,588.60</u>
1,455,171.92			1,455,171.92		1,455,171.92
12,451.42			12,451.42		12,451.42
739,934.87			739,934.87		739,934.87
80,338.34	711	80,338.34			80,338.34
7,686,926.96			7,686,926.96		7,686,926.96
84,843.68			84,843.68		84,843.68
34,924,126.00			34,924,126.00		34,924,126.00
1,021,814.83			1,021,814.83		1,021,814.83
<u>46,005,608.02</u>		<u>80,338.34</u>	<u>43,717,711.47</u>	<u>2,207,558.21</u>	<u>46,005,608.02</u>
208,278.33			208,278.33		208,278.33
<u>208,278.33</u>		<u>0.00</u>	<u>208,278.33</u>	<u>0.00</u>	<u>208,278.33</u>
17,313.96			17,313.96		17,313.96
<u>17,313.96</u>		<u>0.00</u>	<u>0.00</u>	<u>17,313.96</u>	<u>17,313.96</u>
100,000.00			100,000.00		100,000.00
<u>100,000.00</u>		<u>0.00</u>	<u>0.00</u>	<u>100,000.00</u>	<u>100,000.00</u>

- Continued on Next Page

Texas Department of Transportation
Schedule 1A – Schedule of Expenditures of Federal Awards (Continued)
 For the Fiscal Year Ended August 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From			Direct Program Amount
		Agency Number	State Entities	Other Entities	
		\$	\$	\$	
<i>Other Clusters</i>					
<i>Public Assistance Cluster:</i>					
<u>Department of Homeland Security (DHS):</u>					
Pass-Through Funds:					
Disaster Grants - Public Assistance					
Pass-Through from Texas Department of Public Safety	97.036	405	924,232.59		
Fire Management Assistance Grants					
Pass-Through from Texas Department of Public Safety	97.046	405	387,767.74		
Total DHS:			<u>1,312,000.33</u>	<u>0.00</u>	<u>0.00</u>
<i>Federal Transit Cluster:</i>					
<u>Federal Transit Administration (FTA):</u>					
Pass-Through Funds to Other Entities:					
Federal Transit - Capital Investment Grants	20.500				3,875,301.03
Total FTA:			<u>0.00</u>	<u>0.00</u>	<u>3,875,301.03</u>
<i>Transit Services Programs Cluster:</i>					
<u>Federal Transit Administration (FTA):</u>					
Direct Program:					
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513				459,544.90
Job Access - Reverse Commute	20.516				184,302.26
New Freedom Program	20.521				70,285.08
Pass-Throughs to Other Entities:					
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513				7,199,536.71
Job Access - Reverse Commute	20.516				9,030,810.52
New Freedom Program	20.521				3,443,968.85
Total FTA:			<u>0.00</u>	<u>0.00</u>	<u>20,388,448.32</u>
<i>Highway Planning and Construction Cluster:</i>					
<u>Federal Highway Administration (FHWA):</u>					
Direct Program:					
Highway Planning and Construction - ARRA	20.205				119,625,910.30
Highway Planning and Construction	20.205				2,216,184,020.04
Pass-Through Funds:					
Highway Planning and Construction					
Texas A & M University	20.205				13,055,515.21
University of Texas at Arlington	20.205				298,825.93
Prairie View A & M University	20.205				80,149.82
Texas Southern University	20.205				34,746.95
University of Texas - Austin	20.205				81,727.31
University of Texas - El Paso	20.205				14,303.92
Texas Historical Commission	20.205				1,720,433.30
Pass-Through to Other Entities - ARRA					
Pass-Through to Other Entities	20.205				40,979,472.26
Pass-Through to Other Entities	20.205				246,394,767.03
Total FHWA:			<u>0.00</u>	<u>0.00</u>	<u>2,638,469,872.07</u>

- Continued on Next Page

Annual Financial Report (UNAUDITED)

Total Pass-Through From and Direct Program	Pass-Through To			Expenditures	Total Pass-Through To and Expenditures Amount
	Agency Number	State Entities	Other Entities		
\$	\$	\$	\$	\$	\$
924,232.59				924,232.59	924,232.59
387,767.74				387,767.74	387,767.74
<u>1,312,000.33</u>		<u>0.00</u>	<u>0.00</u>	<u>1,312,000.33</u>	<u>1,312,000.33</u>
3,875,301.03					3,875,301.03
<u>3,875,301.03</u>		<u>0.00</u>	<u>3,875,301.03</u>	<u>0.00</u>	<u>3,875,301.03</u>
459,544.90				459,544.90	459,544.90
184,302.26				184,302.26	184,302.26
70,285.08				70,285.08	70,285.08
7,199,536.71			7,199,536.71		7,199,536.71
9,030,810.52			9,030,810.52		9,030,810.52
3,443,968.85			3,443,968.85		3,443,968.85
<u>20,388,448.32</u>		<u>0.00</u>	<u>19,674,316.08</u>	<u>714,132.24</u>	<u>20,388,448.32</u>
119,625,910.30				119,625,910.30	119,625,910.30
2,216,184,020.04				2,216,184,020.04	2,216,184,020.04
13,055,515.21	711	13,055,515.21			13,055,515.21
298,825.93	714	298,825.93			298,825.93
80,149.82	715	80,149.82			80,149.82
34,746.95	717	34,746.95			34,746.95
81,727.31	721	81,727.31			81,727.31
14,303.92	724	14,303.92			14,303.92
1,720,433.30	808	1,720,433.30			1,720,433.30
40,979,472.26			40,979,472.26		40,979,472.26
246,394,767.03			246,394,767.03		246,394,767.03
<u>2,638,469,872.07</u>		<u>15,285,702.44</u>	<u>287,374,239.29</u>	<u>2,335,809,930.34</u>	<u>2,638,469,872.07</u>

- Continued on Next Page

**Texas Department of Transportation
 Schedule 1A – Schedule of Expenditures of Federal Awards (Concluded)
 For the Fiscal Year Ended August 31, 2013**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From			Direct Program Amount
		Agency Number	State Entities	Other Entities	
		\$	\$	\$	
<i>Highway Safety Cluster:</i>					
<i>National Highway Traffic Safety Admin. (NHTSA):</i>					
<i>Pass-Through Funds:</i>					
State and Community Highway Safety Program					
Texas Department of Public Safety	20.600				846,710.80
Texas Department of State Health Services	20.600				930,061.98
Texas Cooperative Extension	20.600				387,735.58
University of Texas at Arlington	20.600				523,672.97
Texas A & M Engineering Extension Service	20.600				480,245.19
Texas Transportation Institute	20.600				1,768,922.94
Texas A & M University - Corpus Christi	20.600				52,307.52
Alcohol Impaired Driving Countermeasures Incentive Grants					
Texas Department of Public Safety	20.601				1,016,566.03
Texas Alcoholic Beverage Commission	20.601				267,268.18
Texas Cooperative Extension	20.601				287,303.88
Texas Transportation Institute	20.601				439,174.34
University of Texas - Permian Basin	20.601				4,000.00
Sam Houston State University	20.601				638,769.91
Texas State University	20.601				120,050.77
University of Houston - Downtown	20.601				198,530.00
Safety Belt Performance Grants					
Texas Transportation Institute	20.609				21,556.35
State Traffic Safety Information System Improvement Grants					
Texas Department of State Health Services	20.610				808,214.89
Pass-Through to Other Entities					
State and Community Highway Safety Program	20.600				14,910,330.57
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601				11,918,358.83
Occupant Protection Incentive Grants	20.602				459,179.57
Incentive Grant Program to Increase Motorcyclist Safety	20.612				409,787.87
Child Safety and Child Booster Seats Incentive Grants	20.613				853,401.66
Total NHTSA:		<u>0.00</u>	<u>0.00</u>		<u>37,342,149.83</u>
Total Other Clusters		<u>1,312,000.33</u>	<u>0.00</u>		<u>2,700,075,771.25</u>
TOTAL FEDERAL ASSISTANCE		<u>\$ 1,429,314.29</u>	<u>\$ 0.00</u>		<u>\$ 2,815,223,764.58</u>

Annual Financial Report (UNAUDITED)

Total Pass-Through From and Direct Program	Pass-Through To			Expenditures	Total Pass-Through To and Expenditures Amount
	Agency Number	State Entities	Other Entities		
	\$	\$	\$	\$	\$
846,710.80	405	846,710.80			846,710.80
930,061.98	537	930,061.98			930,061.98
387,735.58	555	387,735.58			387,735.58
523,672.97	714	523,672.97			523,672.97
480,245.19	716	480,245.19			480,245.19
1,768,922.94	727	1,768,922.94			1,768,922.94
52,307.52	760	52,307.52			52,307.52
1,016,566.03	405	1,016,566.03			1,016,566.03
267,268.18	458	267,268.18			267,268.18
287,303.88	555	287,303.88			287,303.88
439,174.34	727	439,174.34			439,174.34
4,000.00	742	4,000.00			4,000.00
638,769.91	753	638,769.91			638,769.91
120,050.77	754	120,050.77			120,050.77
198,530.00	784	198,530.00			198,530.00
21,556.35	727	21,556.35			21,556.35
808,214.89	537	808,214.89			808,214.89
14,910,330.57			14,910,330.57		14,910,330.57
11,918,358.83			11,918,358.83		11,918,358.83
459,179.57			459,179.57		459,179.57
409,787.87			409,787.87		409,787.87
853,401.66			853,401.66		853,401.66
<u>37,342,149.83</u>		<u>8,791,091.33</u>	<u>28,551,058.50</u>	<u>0.00</u>	<u>37,342,149.83</u>
<u>2,701,387,771.58</u>		<u>24,076,793.77</u>	<u>339,474,914.90</u>	<u>2,337,836,062.91</u>	<u>2,701,387,771.58</u>
<u>2,816,653,078.87</u>	\$	<u>24,157,132.11</u>	\$ <u>383,551,439.68</u>	\$ <u>2,408,944,507.08</u>	\$ <u>2,816,653,078.87</u>

Notes to the Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended August 31, 2013

Note 1 - Nonmonetary Assistance

The "Donation of Federal Surplus Personal Property" is presented at 23.3% of the federal acquisition cost of \$ 74,308.86. 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 2013 is \$ 17,313.96. The difference of the values of the surplus property recorded on the federal schedule and the financial statements is a reconciling item under Note 2.

Note 2 - Reconciliation

Per Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds:

Federal Revenues before Other Adjustments	\$ 2,873,631,144.61
Federal Pass Through Revenues	<u>1,412,000.33</u>
Subtotal	<u>\$ 2,875,043,144.94</u>
Reconciling Items:	
Federal Surplus Personal Property Donation (Non-Monetary)	\$ 17,313.96
Build America Bonds Federal Subsidy	<u>(58,407,380.03)</u>
Total Pass-Through and Expenditures per Federal Schedule	<u>\$ 2,816,653,078.87</u>

Note 3 - Federal Deferred Revenue

Federal Deferred Revenue 9/1/12	\$ 30,156,028.39
Increase (Decrease)	<u>(3,451,763.95)</u>
Federal Deferred Revenue 8/31/13	<u>\$ 26,704,264.44</u>

The federal deferred revenue ending balance of \$ 26,704,264.44 pertains to federal expenditures which were incurred and are reimbursable from the Federal Highway Administration but the federal revenue is not collectable within 60 days after the end of the fiscal year. Federal CFDA number 20.205 applies to this \$ 26,704,264.44

Texas Department of Transportation
Schedule 1B – Schedule of State Pass-Through Grants From/To State Agencies
For the Fiscal Year Ended August 31, 2013

Pass-Through To:

Research and Development Grants

University of Texas at Arlington (Agency #714)

\$ 2,508,116.90

Total Pass-Through To Other Agencies

\$ 2,508,116.90

**Texas Department of Transportation
Schedule 2A – Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2013**

Governmental Activities

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Terms of Variable Interest Rates *	Scheduled Maturities		First Call Date	Final Maturity Date
					First Year	Last Year		
General Obligation Bonds:								
Texas Mobility Fund (Self-Supporting)								
Series 2005-A Fixed Rate Bonds	\$900,000,000.00	3.9000%	5.0000%		2006	2035	4/1/2015	4/1/2035
Series 2005-B Variable Rate Bonds	100,000,000.00	VAR	VAR	Weekly	2006	2030	**	4/1/2030
Series 2006 Fixed Rate Bonds	750,000,000.00	3.6250%	5.0000%		2007	2036	4/1/2016	4/1/2036
Series 2006-A Fixed Rate Bonds	1,040,275,000.00	4.0000%	5.0000%		2007	2035	4/1/2017	4/1/2035
Series 2006-B Variable Rate Bonds	150,000,000.00	VAR	VAR	Weekly	2036	2036	**	4/1/2036
Series 2007 Fixed Rate Bonds	1,006,330,000.00	4.0000%	5.0000%		2008	2037	4/1/2017	4/1/2037
Series 2008 Fixed Rate Bonds	1,100,000,000.00	4.0000%	5.0000%		2009	2037	4/1/2018	4/1/2037
Series 2009-A Taxable Fixed Rate Bonds	1,208,495,000.00	5.3670%	5.5170%		2029	2039	**	4/1/2039
Total General Obligation Bonds (Self-Supporting)	<u>6,255,100,000.00</u>							
Texas Highway Improvement (Non-Self-Supporting)								
Series 2010-A Taxable Fixed Rate Bonds	815,420,000.00	3.2030%	4.6810%		2019	2040	**	4/1/2040
Series 2010-B Fixed Rate Bonds	162,390,000.00	2.0000%	5.0000%		2012	2018	n/a	4/1/2018
Series 2012-A Fixed Rate Bonds	818,635,000.00	5.0000%	5.0000%		2019	2042	4/1/2022	4/1/2042
Series 2012-B Fixed Rate Bonds	99,570,000.00	.3000%	1.5000%		2014	2019	n/a	4/1/2019
Total General Obligation (Non-Self-Supporting)	<u>1,896,015,000.00</u>							
Revenue Bonds:								
State Highway Fund (Self-Supporting)								
Series 2006 Fixed Rate Bonds	600,000,000.00	4.0000%	5.0000%		2007	2026	4/1/2016	4/1/2026
Series 2006-A Fixed Rate Bonds	852,550,000.00	4.0000%	5.2500%		2008	2025	4/1/2016	4/1/2025
Series 2006-B Variable Rate Bonds	100,000,000.00	VAR	VAR	Weekly	2026	2026	**	4/1/2026
Series 2007 Fixed Rate Bonds	1,241,845,000.00	4.0000%	5.0000%		2009	2027	4/1/2017	4/1/2027
Series 2008 Fixed Rate Bonds	162,995,000.00	3.5000%	5.2500%		2010	2028	4/1/2018	4/1/2028
Series 2010 Taxable Fixed Rate Bonds	1,500,000,000.00	5.0280%	5.1780%		2026	2030	**	4/1/2030
Total Revenue Bonds (Self-Supporting)	<u>4,457,390,000.00</u>							
Total Governmental Activities	<u>\$12,608,505,000.00</u>							

* The variable rate bonds were variable based on weekly interest rate resets throughout fiscal 2013. These bonds may be converted to a daily mode, term rate mode, fixed rate mode, auction rate mode or a commercial paper mode at the option of the Commission or under certain conditions detailed in the applicable official statement.

** Bonds are subject to redemption prior to their respective maturities at the option of the Commission.

*** The Texas Private Activity Bond Surface Transportation Corporation Bonds are not obligations of the state and are not included in this schedule.

Concluded on the following page.

Texas Department of Transportation
Schedule 2A – Miscellaneous Bond Information (concluded)
 For the Fiscal Year Ended August 31, 2013

Business-Type Activities

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Terms of Variable Interest Rates	Scheduled Maturities			Final Maturity Date
					First Year	Last Year	First Call Date	
Revenue Bonds (Self-Supporting):								
First Tier Revenue Bonds Series 2002-A								
Non-Callable Capital Appreciation Bonds ***	\$521,342,734.94	4.4700%	5.7500%		2012	2030	n/a	8/15/2030
Callable Capital Appreciation Bonds ***	298,840,336.04	6.0000%	6.1000%		2025	2038	8/15/2012	8/15/2038
First Tier Revenue Refunding Bonds Series 2012-A	585,330,000.00	4.0000%	5.0000%		2038	2041	08/15/2022	08/15/2041
First Tier Revenue Refunding Put Bonds, Series 2012-B	225,000,000.00	1.2500%	1.2500%		2041	2042	02/15/2015	08/15/2042
Blended Component Unit-Grand Parkway Transportation Corporation****								
First Tier Toll Revenue Bonds, Series 2013-A	200,000,000.00	5.1250%	5.5000%		2031	2053	10/01/2023	04/01/2053
First Tier Toll Revenue Bonds, Series 2013-B								
Convertible Capital Appreciation Bonds***	277,432,160.43	4.9500%	5.8500%		2029	2048	10/01/2028	10/01/2048
Current Interest Bonds	1,137,935,000.00	5.0000%	5.2500%		2048	2053	10/01/2023	04/01/2053
Subordinate Tier Revenue Tender Bonds, Series 2013-C	836,440,000.00	2.0000%	2.0000%		2014	2017	n/a	10/01/2017
Subordinate Tier Revenue Tender Bonds, Series 2013-D	106,890,000.00	1.0000%	1.0000%		2014	2017	n/a	10/01/2017
Subordinate Tier Toll Revenue Bonds, Series 2013-E	361,810,000.00	5.1840%	5.1840%		2036	2042	**	10/01/2042
Total Business-Type Activities	\$4,551,020,231.41							

** Bonds are subject to redemption prior to their respective maturities at the option of the Corporation.

*** Bonds issued to date include interest accreted to principal through Aug. 31, 2013.

****Grand Parkway Transportation Corporation bonds are not obligations of the state.

Texas Department of Transportation
Schedule 2B – Changes in Bonded Indebtedness
 For the Fiscal Year Ended August 31, 2013

Governmental Activities

Description	Bonds Outstanding 9/01/2012	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2013
General Obligation Bonds:					
Texas Mobility Fund					
Series 2005-A	\$783,495,000.00		\$18,735,000.00		\$764,760,000.00
Series 2005-B	79,130,000.00		3,290,000.00		75,840,000.00
Series 2006	664,130,000.00		15,485,000.00		648,645,000.00
Series 2006-A	1,032,890,000.00		4,185,000.00		1,028,705,000.00
Series 2006-B	150,000,000.00				150,000,000.00
Series 2007	1,004,185,000.00		250,000.00		1,003,935,000.00
Series 2008	1,088,585,000.00		11,245,000.00		1,077,340,000.00
Series 2009-A	1,208,495,000.00				1,208,495,000.00
Texas Highway Improvement					
Series 2010-A	815,420,000.00				815,420,000.00
Series 2010-B	142,230,000.00		21,020,000.00		121,210,000.00
Series 2012-A		818,635,000.00			818,635,000.00
Series 2012-B		99,570,000.00			99,570,000.00
Total	6,968,560,000.00	918,205,000.00	74,210,000.00	0	7,812,555,000.00
Revenue Bonds:					
State Highway Fund					
Series 2006	473,930,000.00		24,240,000.00		449,690,000.00
Series 2006-A	678,630,000.00		40,075,000.00		638,555,000.00
Series 2006-B	100,000,000.00				100,000,000.00
Series 2007	1,065,415,000.00		49,585,000.00		1,015,830,000.00
Series 2008	145,960,000.00		6,255,000.00		139,705,000.00
Series 2010	1,500,000,000.00				1,500,000,000.00
Total	3,963,935,000.00		120,155,000.00	0	3,843,780,000.00
TOTAL	\$10,932,495,000.00	\$918,205,000.00	\$194,365,000.00	\$0	\$11,656,335,000.00

Continued on the following page.

Texas Department of Transportation
Schedule 2B – Changes in Bonded Indebtedness (continued)
For the Fiscal Year Ended August 31, 2013

Governmental Activities

	Unamortized Premium	Unamortized Discount	Unamortized Gain/(Loss) on Refunding	Net Bonds Outstanding 8/31/2013	Amounts Due Within One Year
General Obligation Bonds:					
Texas Mobility Fund					
Series 2005-A	\$25,364,192.09	\$157,260.75	\$	\$789,966,931.34	\$21,613,029.75
Series 2005-B				75,840,000.00	3,400,000.00
Series 2006	13,940,644.09			662,585,644.09	17,282,109.03
Series 2006-A	24,290,060.26			1,052,995,060.26	6,744,974.11
Series 2006-B				150,000,000.00	
Series 2007	15,482,573.37			1,019,417,573.37	3,224,599.53
Series 2008	43,563,834.11			1,120,903,834.11	16,469,821.07
Series 2009-A				1,208,495,000.00	
Texas Highway Improvement					
Series 2010-A				815,420,000.00	
Series 2010-B	9,877,557.70			131,087,557.70	25,234,990.44
Series 2012-A	175,478,449.62			994,113,449.62	9,277,262.73
Series 2012-B	389,926.44			99,959,926.44	18,246,578.94
Total	308,387,237.68	157,260.75	0	8,120,784,976.93	121,493,365.60
Revenue Bonds:					
State Highway Fund					
Series 2006				449,690,000.00	25,435,000.00
Series 2006-A	32,521,734.51			671,076,734.51	44,780,144.55
Series 2006-B				100,000,000.00	
Series 2007	44,275,783.30			1,060,105,783.30	55,122,555.95
Series 2008	7,349,711.25			147,054,711.25	7,019,980.75
Series 2010				1,500,000,000.00	
Total	84,147,229.06	0	0	3,927,927,229.06	132,357,681.25
TOTAL	\$392,534,466.74	\$157,260.75	\$ 0	\$12,048,712,205.99	\$253,851,046.85

Continued on the following page.

Texas Department of Transportation
Schedule 2B – Changes in Bonded Indebtedness (continued)
 For the Fiscal Year Ended August 31, 2013

Business-Type Activities

Description	Bonds Outstanding 9/01/2012	Bonds Issued*	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2013
Revenue Bonds:					
First Tier Bonds Series 2002-A					
Non-Callable CABs	\$489,544,170.34	\$27,293,564.60	\$7,710,000.00		\$509,127,734.94
Callable CABs	281,474,152.07	17,366,183.97			298,840,336.04
CIBs	707,875,000.00			\$707,875,000.00	0.00
First Tier Bonds Series 2012-A		585,330,000.00			585,330,000.00
First Tier Bonds Series 2012-B		225,000,000.00			225,000,000.00
First Tier Refunding Put Bonds Series 2009	149,275,000.00			149,275,000.00	0.00
Blended Component Unit-Grand Parkway Transportation Corp.:					
First Tier Toll Revenue Bonds, Series 2013-A		200,000,000.00			200,000,000.00
Subordinate Tier Toll Revenue Bonds, Series 2013-B					
Callable CAB		277,432,160.43			277,432,160.43
Current Interest Bonds		1,137,935,000.00			1,137,935,000.00
Subordinate Tier Toll Revenue Bonds, Series 2013-C		836,440,000.00			836,440,000.00
Subordinate Tier Toll Revenue Bonds, Series 2013-D		106,890,000.00			106,890,000.00
Subordinate Tier Toll Revenue Bonds, Series 2013-E		361,810,000.00			361,810,000.00
TOTAL	\$1,628,168,322.41	\$3,775,496,909.00	\$7,710,000.00	\$857,150,000.00	\$4,538,805,231.41

*Grand Parkway Transportation debt issuances are not obligations of the State

**Due to annual principal accretion.

Concluded on the following page

Texas Department of Transportation
Schedule 2B – Changes in Bonded Indebtedness (concluded)
For the Fiscal Year Ended August 31, 2013

Business-Type Activities

	Unamortized Premium	Unamortized Discount	Gain/(Loss) on Refunding	Net Bonds Outstanding 8/31/2013	Amounts Due Within One Year
First Tier Bonds Series 2002-A Non-Callable CABs				\$509,127,734.94	\$10,155,000.00
Callable CABs				298,840,336.04	
CIBs				0.00	
First Tier Bonds Series 2012-A	49,479,792.18		(28,668,564.18)	606,141,228.00	913,641.19
First Tier Bonds Series 2012-B			(6,193,908.36)	218,806,091.64	(213,583.05)
First Tier Refunding Put Bonds Series 2009				0.00	
Blended Component Unit-Grand Parkway Transportation Corporation*:					
First Tier Toll Revenue Bonds, Series 2013-A Subordinate Tier Toll Revenue Bonds, Series 2013-B		3,029,814.62		196,970,185.38	(89,510.39)
Callable Capital Appreciation Bonds**				277,432,160.43	
Current Interest Bonds	6,556,415.95	16,462,427.50		1,128,028,988.45	(248,788.46)
Subordinate Tier Toll Revenue Bonds, Series 2013-C	4,531,981.35			840,971,981.35	1,983,886.24
Subordinate Tier Toll Revenue Bonds, Series 2013-D	84,145.44			106,974,145.44	30,226.87
Subordinate Tier Toll Revenue Bonds, Series 2013-E				361,810,000.00	
TOTAL	\$60,652,334.92	\$19,492,242.12	(\$34,862,472.54)	\$4,545,102,851.67	\$12,530,872.40

Texas Department of Transportation
Schedule 2C – Debt Service Requirements

For the Fiscal Year Ended August 31, 2013

Governmental Activities

Description of Issue	Year	Principal	Interest
TMF General Obligation Bonds			
Series 2005-A	2014	\$ 19,670,000.00	\$ 36,596,952.50
	2015	20,655,000.00	35,613,452.50
	2016	21,690,000.00	34,580,702.50
	2017	22,775,000.00	33,496,202.50
	2018	23,660,000.00	32,607,977.50
	2019-2023	134,180,000.00	147,160,767.50
	2024-2028	170,415,000.00	110,933,937.50
	2029-2033	235,710,000.00	63,333,750.00
	2034-2038	116,005,000.00	8,329,362.50
			<u>\$ 764,760,000.00</u>
Series 2005-B	2014	\$ 3,400,000.00	\$ 52,096.33
	2015	3,510,000.00	49,684.25
	2016	3,625,000.00	47,193.71
	2017	3,745,000.00	44,621.21
	2018	3,870,000.00	41,963.25
	2019-2023	21,350,000.00	166,760.42
	2024-2028	25,100,000.00	85,866.67
	2029-2033	11,240,000.00	8,586.66
			<u>\$ 75,840,000.00</u>
Series 2006	2014	\$ 16,225,000.00	\$ 32,115,562.50
	2015	16,940,000.00	31,405,037.50
	2016	17,770,000.00	30,572,037.50
	2017	18,630,000.00	29,714,162.50
	2018	19,560,000.00	28,782,662.50
	2019-2023	113,490,000.00	128,227,312.50
	2024-2028	144,545,000.00	97,175,325.00
	2029-2033	184,245,000.00	57,469,750.00
	2034-2038	117,240,000.00	10,871,250.00
		<u>\$ 648,645,000.00</u>	<u>\$ 446,333,100.00</u>
Series 2006-A	2014	\$ 5,115,000.00	\$ 49,339,500.00
	2015	6,045,000.00	49,134,900.00
	2016	6,955,000.00	48,893,100.00
	2017	8,895,000.00	48,614,900.00
	2018	12,490,000.00	48,170,150.00
	2019-2023	124,510,000.00	227,491,000.00
	2024-2028	252,315,000.00	184,776,900.00
	2029-2033	418,080,000.00	109,458,000.00
	2034-2038	194,300,000.00	12,622,500.00
		<u>\$ 1,028,705,000.00</u>	<u>\$ 778,500,950.00</u>

Texas Department of Transportation
Schedule 2C – Debt Service Requirements (continued)
For the Fiscal Year Ended August 31, 2013

Governmental Activities

Description of Issue	Year	Principal	Interest
TMF General Obligation Bonds			
Series 2006-B	2014	\$	\$ 90,000.00
	2015		90,000.00
	2016		90,000.00
	2017		90,000.00
	2018		90,000.00
	2019-2023		450,000.00
	2024-2028		450,000.00
	2029-2033		450,000.00
	2034-2038	150,000,000.00	220,566.00
		\$	\$ 2,020,566.00
		\$ 150,000,000.00	\$ 2,020,566.00
Series 2007	2014	\$	\$ 48,729,262.50
	2015		48,635,262.50
	2016		48,430,062.50
	2017		48,105,062.50
	2018		47,560,562.50
	2019-2023		226,804,062.50
	2024-2028		200,109,700.00
	2029-2033		160,967,937.50
	2034-2038	526,585,000.00	84,183,000.00
		\$	\$ 913,524,912.50
		\$ 1,003,935,000.00	\$ 913,524,912.50
Series 2008	2014	\$	\$ 52,229,825.00
	2015		51,548,575.00
	2016		50,766,325.00
	2017		49,878,075.00
	2018		48,904,825.00
	2019-2023		226,062,625.00
	2024-2028		184,517,625.00
	2029-2033		125,263,575.00
	2034-2038	346,730,000.00	44,939,275.00
		\$	\$ 834,110,725.00
		\$ 1,077,340,000.00	\$ 834,110,725.00

Texas Department of Transportation
Schedule 2C – Debt Service Requirements (continued)
 For the Fiscal Year Ended August 31, 2013

Governmental Activities

Description of Issue	Year	Principal	Interest
TMF General Obligation Bonds			
Series 2009-A	2014	\$	\$ 66,582,669.16
	2015		66,582,669.16
	2016		66,582,669.16
	2017		66,582,669.16
	2018		66,582,669.16
	2019-2023	6,800,000.00	332,654,924.74
	2024-2028	39,970,000.00	327,779,005.24
	2029-2033	90,265,000.00	311,854,509.94
	2034-2038	584,530,000.00	279,577,836.92
	2039-2043	486,930,000.00	26,863,928.10
		<u>\$ 1,208,495,000.00</u>	<u>\$ 1,611,643,550.74</u>
Texas Highway Improvement General Obligation Bonds			
Series 2010-A	2014	\$	\$ 35,837,342.50
	2015		35,837,342.50
	2016		35,837,342.50
	2017		35,837,342.50
	2018		35,837,342.50
	2019-2023	144,810,000.00	169,647,372.50
	2024-2028	163,800,000.00	140,435,853.92
	2029-2033	189,380,000.00	101,126,042.42
	2034-2038	219,835,000.00	54,330,728.66
	2039-2043	97,595,000.00	6,886,921.26
		<u>\$ 815,420,000.00</u>	<u>\$ 651,613,631.26</u>
Series 2010-B	2014	\$	\$ 5,681,150.00
	2015		4,600,150.00
	2016		3,502,150.00
	2017		2,359,400.00
	2018		1,249,000.00
	2019-2023		
		<u>\$ 121,210,000.00</u>	<u>\$ 17,391,850.00</u>
Series 2012-A	2014	\$	\$ 40,931,750.00
	2015		40,931,750.00
	2016		40,931,750.00
	2017		40,931,750.00
	2018		40,931,750.00
	2019-2023	94,945,000.00	196,429,750.00
	2024-2028	130,945,000.00	168,466,250.00
	2029-2033	167,115,000.00	132,289,000.00
	2034-2038	213,290,000.00	86,118,250.00
	2039-2043	212,340,000.00	27,189,500.00
		<u>\$ 818,635,000.00</u>	<u>\$ 815,151,500.00</u>

Texas Department of Transportation
Schedule 2C – Debt Service Requirements (continued)
 For the Fiscal Year Ended August 31, 2013

Governmental Activities

Description of Issue	Year	Principal	Interest
Series 2012-B	2014	\$ 18,105,000.00	\$ 848,072.50
	2015	18,160,000.00	793,757.50
	2016	18,225,000.00	725,657.50
	2017	18,500,000.00	452,282.50
	2018	18,645,000.00	304,282.50
	2019-2023	7,935,000.00	99,187.50
		<u>\$ 99,570,000.00</u>	<u>\$ 3,223,240.00</u>
Total General Obligation Bonds		<u>\$ 7,812,555,000.00</u>	<u>\$ 6,576,663,903.00</u>
SHF Revenue Bonds			
Series 2006	2014	\$ 25,435,000.00	\$ 22,429,850.00
	2015	26,680,000.00	21,184,850.00
	2016	27,985,000.00	19,876,500.00
	2017	29,385,000.00	18,479,500.00
	2018	30,855,000.00	17,010,250.00
	2019-2023	179,005,000.00	60,309,750.00
	2024-2028	130,345,000.00	13,246,500.00
		<u>\$ 449,690,000.00</u>	<u>\$ 172,537,200.00</u>
Series 2006-A	2014	\$ 42,070,000.00	\$ 31,130,175.00
	2015	44,185,000.00	29,015,250.00
	2016	46,170,000.00	27,026,925.00
	2017	48,255,000.00	24,949,275.00
	2018	50,665,000.00	22,536,525.00
	2019-2023	293,950,000.00	72,054,125.00
	2024-2028	113,260,000.00	7,386,775.00
		<u>\$ 638,555,000.00</u>	<u>\$ 214,099,050.00</u>
Series 2006-B	2014	\$	\$ 400,000.00
	2015		400,000.00
	2016		400,000.00
	2017		400,000.00
	2018		400,000.00
	2019-2023		2,000,000.00
	2043-2028	100,000,000.00	930,313.33
		<u>\$ 100,000,000.00</u>	<u>\$ 4,930,313.33</u>
Series 2007	2014	\$ 51,960,000.00	\$ 50,625,875.00
	2015	54,500,000.00	48,084,750.00
	2016	57,200,000.00	45,386,000.00
	2017	60,035,000.00	42,552,250.00
	2018	62,980,000.00	39,606,750.00
	2019-2023	365,395,000.00	147,530,500.00
	2024-2028	363,760,000.00	46,578,750.00
		<u>\$ 1,015,830,000.00</u>	<u>\$ 420,364,875.00</u>

Texas Department of Transportation
Schedule 2C – Debt Service Requirements (continued)
 For the Fiscal Year Ended August 31, 2013

Governmental Activities

Description of Issue	Year	Principal	Interest
<hr/>			
SHF Revenue Bonds			
Series 2008	2014	\$ 6,530,000.00	\$ 7,042,625.00
	2015	6,835,000.00	6,735,250.00
	2016	7,155,000.00	6,416,437.50
	2017	7,490,000.00	6,080,237.50
	2018	7,840,000.00	5,730,637.50
	2019-2023	45,500,000.00	22,364,937.50
	2023-2028	58,355,000.00	9,503,812.50
		<u>\$ 139,705,000.00</u>	<u>\$ 63,873,937.50</u>
Series 2010	2014	\$	\$ 77,226,067.50
	2015	\$	77,226,067.50
	2016	\$	77,226,067.50
	2017	\$	77,226,067.50
	2018	\$	77,226,067.50
	2019-2023	70,495,000.00	386,130,337.50
	2024-2028	742,610,000.00	324,072,508.80
	2029-2033	686,895,000.00	53,650,552.50
		<u>\$ 1,500,000,000.00</u>	<u>\$ 1,149,983,736.30</u>
TOTAL Revenue Bonds		<u>\$ 3,843,780,000.00</u>	<u>\$ 2,025,789,112.13</u>
TOTAL GOVERNMENTAL ACTIVITIES		<u>\$ 11,656,335,000.00</u>	<u>\$ 8,602,453,015.13</u>

Texas Department of Transportation
Schedule 2C – Debt Service Requirements (continued)
 For the Fiscal Year Ended August 31, 2013

Business-Type Activities

Description of Issue	Year	Principal	Interest
CTTS Revenue Bonds Series 2002-A	2014	\$ 10,155,000.00	\$
	2015	12,605,000.00	
	2016	25,805,000.00	
	2017	29,655,000.00	
	2018	33,500,000.00	
	2019-2023	237,705,000.00	
	2024-2028	425,580,000.00	
	2029-2033	584,045,000.00	
	2034-2038	605,825,000.00	
		<u>\$ 1,964,875,000.00</u>	<u>\$ 0.00</u>
Series 2012-A	2014	\$	\$ 28,034,150.00
	2015		28,034,150.00
	2016		28,034,150.00
	2017		28,034,150.00
	2018		28,034,150.00
	2019-2023		140,170,750.00
	2024-2028		140,170,750.00
	2029-2033		140,170,750.00
	2034-2038	123,235,000.00	140,170,750.00
2039-2041	462,095,000.00	45,003,500.00	
		<u>\$ 585,330,000.00</u>	<u>\$ 745,857,250.00</u>
Series 2012-B	2014	\$	\$ 2,812,500.00
	2015		7,031,250.00
	2016		11,250,000.00
	2017		11,250,000.00
	2018		11,250,000.00
	2019-2023		56,250,000.00
	2024-2028		56,250,000.00
	2029-2033		56,250,000.00
	2034-2038		56,250,000.00
2039-2042	225,000,000.00	42,977,000.00	
		<u>\$ 225,000,000.00</u>	<u>\$ 311,570,750.00</u>

Texas Department of Transportation
Schedule 2C – Debt Service Requirements (continued)
 For the Fiscal Year Ended August 31, 2013

Business-Type Activities				
Description of Issue	Year	Principal	Interest	
Grand Parkway Transportation Corporation*				
Series 2013-A	2014	\$	\$ 7,214,008.33	
	2015		10,821,012.50	
	2016		10,821,012.50	
	2017		10,821,012.50	
	2018		10,821,012.50	
	2019-2023		54,105,062.50	
	2024-2028		54,105,062.50	
	2029-2033	1,070,000.00	54,060,731.25	
	2034-2038	11,090,000.00	52,686,462.51	
	2039-2043	27,505,000.00	47,866,528.14	
	2044-2048	51,315,000.00	37,651,490.63	
	2049-2053	109,020,000.00	19,070,837.50	
			<u>\$ 200,000,000.00</u>	<u>\$ 370,044,233.36</u>
	Series 2013-B	2014	\$	\$ 38,889,500.00
2015			58,334,250.00	
2016			58,334,250.00	
2017			58,334,250.00	
2018			58,334,250.00	
2019-2023			291,671,250.00	
2024-2028			416,580,236.25	
2029-2033		38,785,000.00	427,798,196.25	
2034-2038		119,380,000.00	401,481,236.25	
2039-2043		0.00	387,728,837.50	
2044-2048		302,045,000.00	352,677,236.25	
2049-2053		1,166,885,000.00	201,014,362.50	
			<u>\$ 1,627,095,000.00</u>	<u>\$ 2,751,177,855.00</u>
Series 2013-C		2014	\$	\$ 10,618,141.11
	2015		265,000,000.00	
	2016		220,000,000.00	
	2017		200,000,000.00	
	2018		151,440,000.00	
			<u>\$ 836,440,000.00</u>	<u>\$ 37,025,711.11</u>

Texas Department of Transportation
Schedule 2C – Debt Service Requirements (concluded)
 For the Fiscal Year Ended August 31, 2013

Business-Type Activities

Description of Issue	Year	Principal	Interest
Series 2013-D	2014	\$	\$ 849,181.67
	2015	20,000,000.00	1,937,800.00
	2016	20,000,000.00	1,537,800.00
	2017	30,000,000.00	1,323,697.50
	2018	36,890,000.00	922,250.00
		<u>\$ 106,890,000.00</u>	<u>\$ 6,570,729.17</u>
Series 2013-E	2014	\$	\$ 12,504,153.60
	2015		18,756,230.40
	2016		18,756,230.40
	2017		18,756,230.40
	2018		18,756,230.40
	2019-2023		93,781,152.00
	2024-2028		93,781,152.00
	2029-2033		93,781,152.00
	2034-2038	66,060,000.00	91,281,168.00
	2039-2043	295,750,000.00	37,045,382.40
	<u>\$ 361,810,000.00</u>	<u>\$ 497,199,081.60</u>	
TOTAL BUSINESS-TYPE ACTIVITIES		<u>\$ 5,907,440,000.00</u>	<u>\$ 4,719,445,610.24</u>

*Grand Parkway Transportation Corporation bonds is a blended component unit of TxDOT, these are not obligations of the state.

Texas Department of Transportation
Schedule 2D – Analysis of Funds Available for Debt Service
 For the fiscal Year Ended August 31, 2013

Governmental Activities

Description of Issue	Application of Funds			
	Principal	Interest		
Texas Mobility General Obligation Bonds	\$53,190,000.00	\$288,301,058.67		
	<u>\$53,190,000.00</u>	<u>\$288,301,058.67</u>		
Pledged and Other Sources and Related Expenditures for FY 2013				
Net Available for Debt Service				
			Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
State Highway Fund Revenue Bonds	\$6,761,663,573.25	(A)	\$120,155,000.00	\$194,788,723.13
	<u>\$6,761,663,573.25</u>		<u>\$120,155,000.00</u>	<u>\$194,788,723.13</u>

(A) State Highway Fund expenditures associated with pledged sources were \$6,691,568.00.

Business-Type and Blended Component Unit Activities

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2013			
	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Debt Service	
			Principal	Interest
Series 2002-A and Series 2012A&B Revenue Bonds	\$125,259,299.08	(B)	\$7,710,000.00	\$37,646,781.14
Grand Parkway Transportation Corporation Series 2013A-E	\$126,749.50	(C)		
	<u>\$125,386,048.58</u>		<u>\$7,710,000.00</u>	<u>\$37,646,781.14</u>

(B) Expenditures associated with pledged sources were \$47,379,801.03

(C) Expenditures associated with pledged sources were \$8,195.00

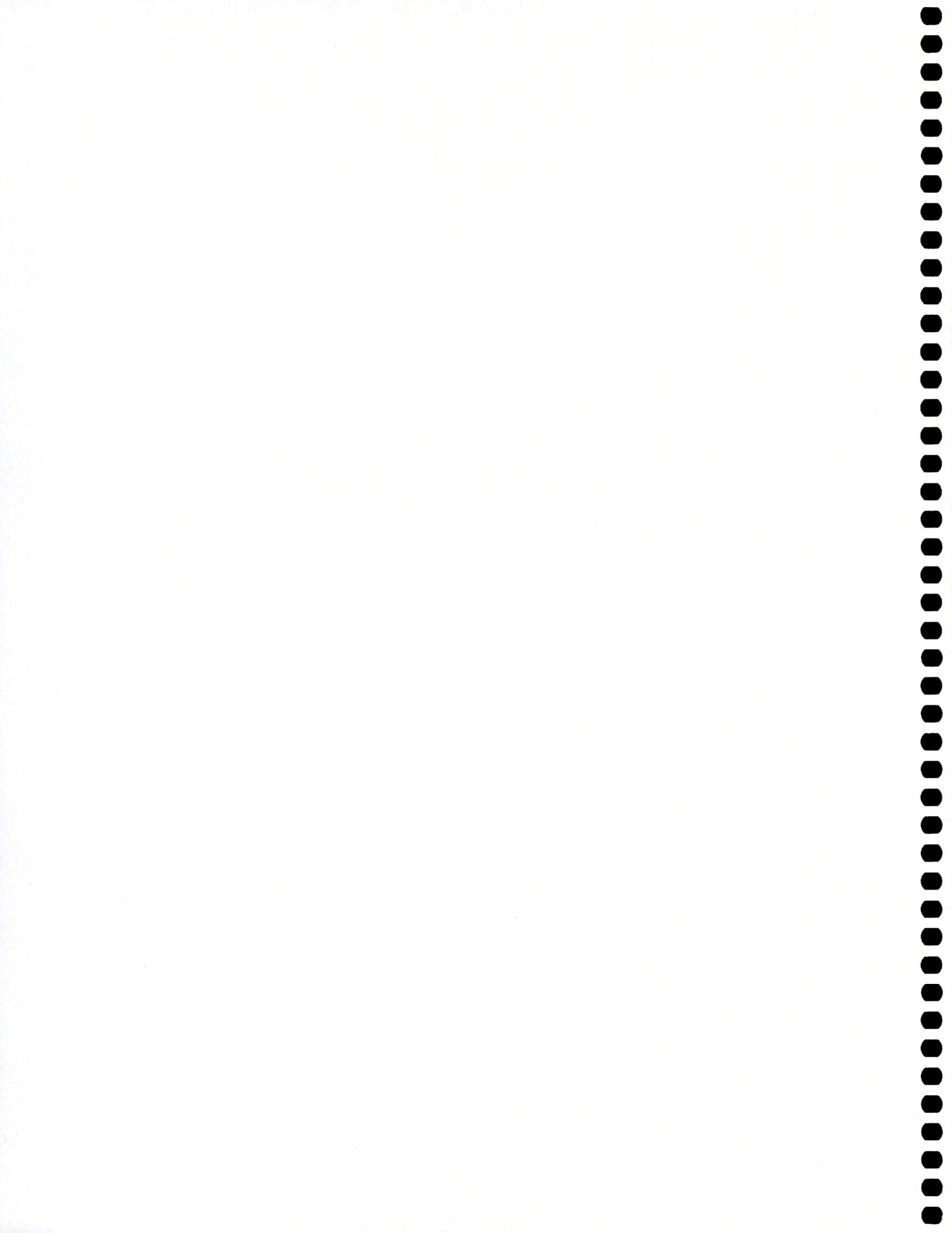
Texas Department of Transportation
Schedule 2F – Early Extinguishment and Refunding
For the fiscal Year Ended August 31, 2013

Business-Type Activities

Description	Category	Amount Extinguished or Refunded	Refunding Issued Par Value	Cash Flow (Increase)/ Decrease	Economic Gain/(Loss)
First Tier Bonds Series 2002-A CIBs*	Current Refunding	707,875,000.00	658,295,000.00	203,456,795.00	105,214,438.59
First Tier Refunding Put Bonds Series 2009**	Current Refunding	149,275,000.00	152,035,000.00	9,677,070.32	9,772,946.97
	TOTAL	\$857,150,000.00	\$810,330,000.00	\$213,133,865.32	\$114,987,385.56

*CTTS 2002-A (CIB) was partially refunded by CTTS First Tier Revenue Refunding Bonds, Series 2012A and B. \$49.4 million of the premium on issuance of 2012-A results makes up the difference between the amount refunded and the par amounts issued.

**CTTS 2009 was refunded by CTTS Series 2012-B, with a par value issuance of \$225 million. Series 2012-B refunded both \$73.440 million from 2002-A (CIB) and all of CTTS 2009 par value of \$149.275 million.







125 East 11th Street, Austin TX 78701

www.txdot.gov

Produced by the **Texas Department of Transportation's Finance Division.**

Copies of this publication have been deposited with the Texas State Library in compliance with the State Depository Law.