

# Texas Department of Transportation

(With Independent Auditor's Report)





**Texas Department of Transportation**  
**Annual Financial Report**  
**(With Independent Auditor's Report)**  
For the Fiscal Year Ended August 31, 2015

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**Texas Department of Transportation  
Annual Financial Report  
For the Fiscal Year Ended August 31, 2015**

**TABLE OF CONTENTS**

**1: INTRODUCTORY SECTION (Unaudited)**

|                                    |   |
|------------------------------------|---|
| Letter of Transmittal -----        | 1 |
| Organization Chart -----           | 5 |
| Commission and Key Personnel ----- | 6 |

**2: FINANCIAL SECTION**

|   |    |
|---|----|
| Independent Auditors Report -----                       | 8  |
| <i>Management's Discussion and Analysis (Unaudited)</i> |    |
| Management Discussion and Analysis -----                | 12 |

***Basic Financial Statements***

Entity-wide Financial Statements

|                                 |    |
|---------------------------------|----|
| Statement of Net Position ----- | 22 |
| Statement of Activities -----   | 24 |

Fund Financial Statements

Governmental Fund Financial Statements

|   |    |
|---|----|
| Balance Sheet -----   | 26 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position -----   | 27 |
| Statement of Revenues, Expenditures and Changes in Fund Balances -----  | 28 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures<br>and Changes in Fund Balances to the Statement of Activities ----- | 29 |

Proprietary Funds Financial Statements

|   |    |
|---|----|
| Statement of Net Position -----                                   | 30 |
| Statement of Revenues, Expenses and Changes in Net Position ----- | 33 |
| Statement of Cash Flows -----                                     | 34 |

Fiduciary Fund Financial Statements

|  |    |
|--|----|
| Statement of Fiduciary Net Position (Agency Funds) ----- | 36 |
|--|----|

|                                     |    |
|-------------------------------------|----|
| Notes to Financial Statements ----- | 37 |
|-------------------------------------|----|

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

|                                     |    |
|-------------------------------------|----|
| Budgetary Comparison Schedule ----- | 96 |
| Pension Plan Information-----       | 99 |

## 2: FINANCIAL SECTION (continued)

### *Other Supplementary Information - Combining Financial Statements*

#### Governmental Funds

##### Major Governmental Funds

##### State Highway Fund Accounts Combining Financial Statements

|   |     |
|---|-----|
| Combining Balance Sheet -----   | 104 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balance ----- | 105 |

##### Texas Mobility Fund Accounts Combining Financial Statements

|  |     |
|--|-----|
| Combining Balance Sheet -----  | 108 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances ----- | 109 |

##### Nonmajor Governmental Funds

|  |     |
|--|-----|
| Combining Balance Sheet -----  | 112 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances ----- | 113 |

##### General Fund Accounts

|  |     |
|--|-----|
| Combining Balance Sheet -----  | 116 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances ----- | 117 |

##### Nonmajor Special Revenue Funds

|  |     |
|--|-----|
| Combining Balance Sheet -----  | 120 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances ----- | 121 |

##### Fiduciary Funds

##### Agency Funds

|  |     |
|--|-----|
| Combining Statement of Changes in Assets and Liabilities ----- | 124 |
|--|-----|

## 3: OTHER INFORMATION

|  |     |
|--|-----|
| Schedule 1A - Schedule of Expenditures of Federal Awards (Unaudited) ----- | 126 |
|--|-----|

##### Schedule 2-Bond Schedules

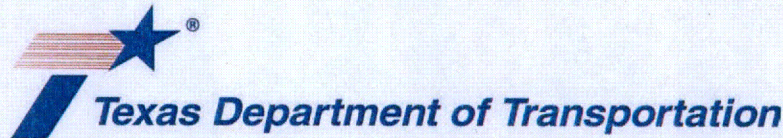
|  |     |
|--|-----|
| Schedule 2A - Miscellaneous Bond Information -----               | 134 |
| Schedule 2B - Changes in Bonded Indebtedness -----               | 136 |
| Schedule 2C - Debt Service Requirements -----                    | 140 |
| Schedule 2D - Analysis of Funds Available for Debt Service ----- | 147 |
| Schedule 2E - Defeased Outstanding Bonds -----                   | 148 |
| Schedule 2F - Early Extinguishment and Refunding -----           | 149 |

|   |     |
|---|-----|
| Schedule 3 - Matrix of Expenditures Reported by Function-Governmental Funds (Unaudited) ----- | 150 |
|---|-----|

**Introductory Section  
(Unaudited)**

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125 EAST 11TH STREET | AUSTIN, TEXAS 78701-2483 | (512) 463-8588 | WWW.TXDOT.GOV

December 16, 2015

To: The Citizens of Texas  
The Honorable Greg Abbott, Governor  
The Honorable Glenn Hegar, Texas Comptroller  
Ms. Ursula Parks, Director, Legislative Budget Board  
Mr. John Keel, CPA, State Auditor

I am pleased to submit the audited annual financial report of the Texas Department of Transportation (TxDOT) for the year ended August 31, 2015 in compliance with Texas Government Code Annotated, Section 2101.11, the requirements established by the Texas Comptroller of Public Account and the Texas Transportation Code, Chapter 201, Section 2041.

An outside audit firm, Crowe Horwath LLP, performed an independent audit, in accordance with generally accepted auditing standards, of TxDOT's basic financial statements for the year ended August 31, 2015. The audit opinion is presented in this report preceding the financial statements. 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](http://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 5 and 6.

The financial reporting entity includes three blended component units: the Texas Private Activity Bond Surface Transportation Corporation, the Grand Parkway Association and the Grand Parkway

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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 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, certification by the Texas Comptroller of Public Accounts that the amounts appropriated are within the estimated collections and upon 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 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.

In addition, the boom in the Texas oil industry has caused significant deterioration of roads and bridges in oil producing areas. This deterioration is evidenced by the fact that the volume of truck traffic required to bring one well into production equals the impact of 8 million cars. To maintain a well, the equivalent is 2 million cars. Heavy vehicles are moving heavy materials and equipment daily — many times a day — on our rural, two-lane roads causing massive pavement deterioration. According to the Center for Transportation Research at University of Texas, Austin, gas production activities reduce pavement service life by up to 30 percent from an average of 20 years. Oil well operations can reduce pavement service life by up to 16 percent. While the industry has slowed in

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recent months, many expect energy exploration and well production to pick back up and continue for the foreseeable future. That will put more strain on our road system.

All of these forces combine to place a dramatic strain on our transportation system and income from traditional transportation funding sources (taxes and fees) is no longer sufficient to keep pace with current and projected demand for highway construction and maintenance.

Motor fuel taxes, TxDOT's primary state funding source, show a small increase into fiscal year 2015 over 2014. The state 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. The federal fuel tax rate on gasoline has also remained static since 1993 and is at 18.4 cents per gallon. The federal tax on diesel is currently set at 24.4 cents per gallon.

Approximately 54 percent of TxDOT's revenue comes from federal funds. TxDOT receives federal funds through the Moving Ahead for Progress in the 21<sup>st</sup> Century Act (MAP-21) which funded surface transportation projects for federal fiscal years 2013 through 2015. Congress has subsequently passed several extensions of this legislation.

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.

Constitutionally authorized bond issuances provide additional funding for transportation projects across the state. See the Management's Discussion and Analysis and Notes 5 and 6 of the report for more detail on TxDOT's bond programs and related debt service requirements.

#### **Proposition 1**

Besides traditional funding sources and bond issuances, Texas also relies on additional sources of transportation funding. On Nov. 4, 2014, Texas voters overwhelmingly approved the ballot measure known as Proposition 1 (Prop 1) that authorized half of oil and gas tax revenues that typically go into the Economic Stabilization Fund to be deposited to the State Highway Fund. The amendment did not create any new taxes or fees.

The Texas Comptroller of Public Accounts certified that approximately \$1.7 billion was available for transfer to the State Highway Fund for fiscal 2015. Authorization to access these funds was granted by the Legislative Budget Board (LBB) and the Office of the Governor. On Dec. 15, 2014, the Comptroller transferred the amount to the State Highway Fund.

Locally elected officials, planning organizations and TxDOT officials collaborated to identify projects that effectively address the needs outlined for the use of the funds. This collaboration resulted in a list of projects that was included in the Unified Transportation Program (UTP). This plan was approved by the Texas Transportation Commission (TTC) in February 2015.

TxDOT began awarding contracts for Prop 1 funded projects in March 2015, and expects to let all of the initial Prop 1 projects by the end of calendar 2015.

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**Proposition 7**

During the 84th Legislative session, lawmakers passed Senate Joint Resolution 5 that proposed a constitutional amendment that would dedicate a portion of the revenue from the state sales and use tax and motor vehicle sales and rental tax to the State Highway Fund (SHF). The constitutional amendment was approved by voters in November 2015.

Under the amendment:

- Beginning in fiscal 2018, if the state sales tax revenue exceeds \$28 billion, the next \$2.5 billion will be directed to the State Highway Fund.
- Beginning in fiscal year 2020, if the motor vehicle sales tax revenue exceeds \$5 billion, 35 percent of the amount above \$5 billion will be directed to the State Highway Fund.

The general sales tax provision expires at the end of fiscal year 2032, and the motor vehicle sales/rental taxes tax provision expires at the end of fiscal year 2029, unless future legislatures vote to extend them. SJR 5 also built in provisions for the Legislature to reduce deposits into the SHF under certain provisions.

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

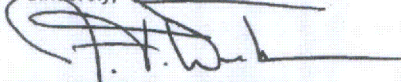
***Innovative Financing Efforts***

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.

**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. I sincerely appreciate the efforts of all these individuals who continue to help make TxDOT a leader in quality financial reporting.

Sincerely,



LtGen J.F. Weber, USMC (Ret)  
Executive Director

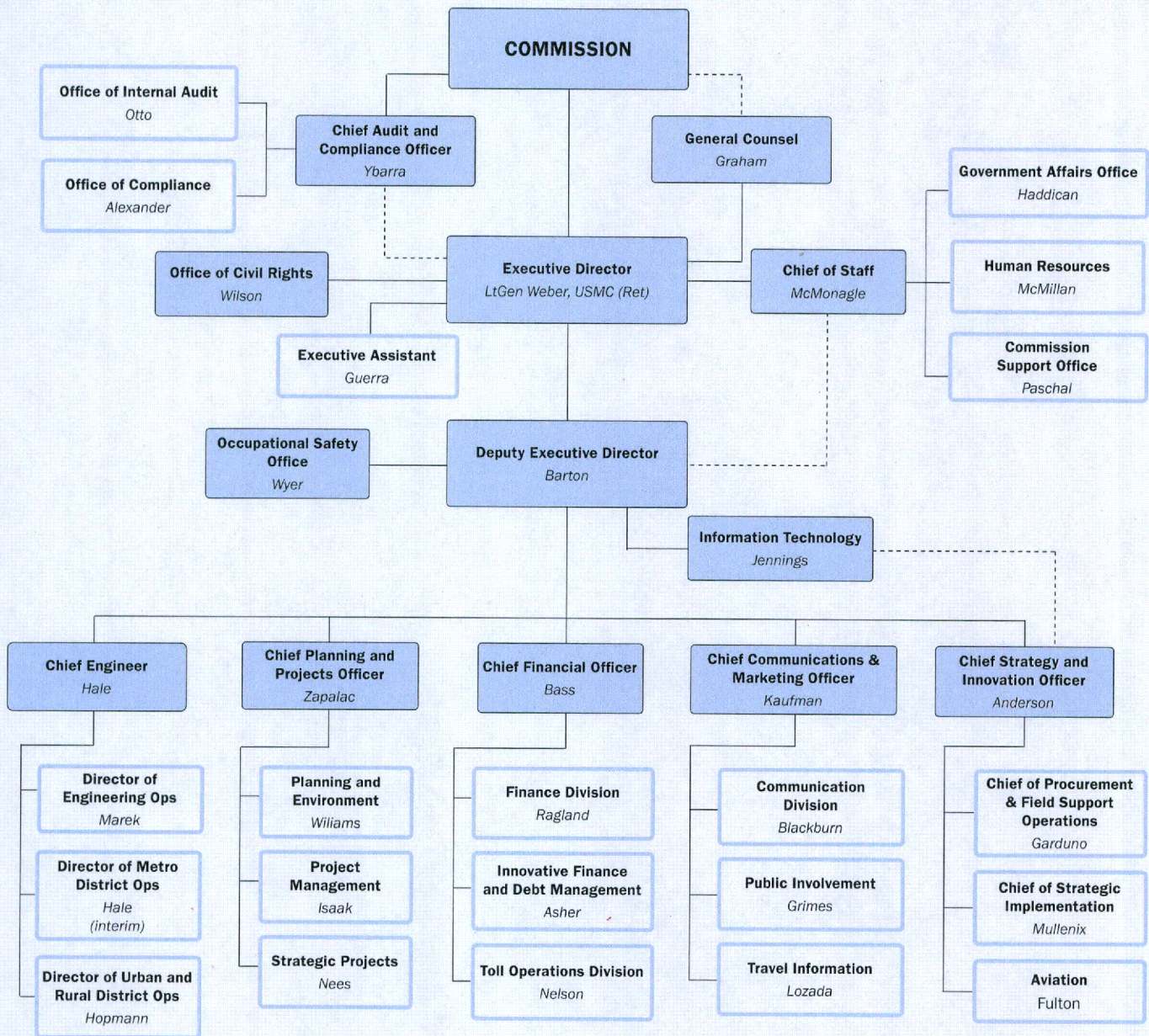
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# Texas Department of Transportation

## Organization Chart as of August 31, 2015



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**Commission and Key Personnel  
As of August 31, 2015**

**TEXAS TRANSPORTATION COMMISSION**

TRYON D. LEWIS.....Chair  
Odessa

JEFF AUSTIN III .....Commissioner  
Tyler

J. BRUCE BUGG, JR. ....Commissioner  
San Antonio

JEFF MOSELEY .....Commissioner  
Houston

VICTOR VANDERGRIFF.....Commissioner  
Arlington

**TEXAS DEPARTMENT OF TRANSPORTATION**

LT GEN JOE WEBER, USMC (RET)..... Executive Director

MARC WILLIAMS..... Deputy Executive Director (Interim)

RICHARD McMONAGLE .....Chief of Staff

BILL HALE ..... Chief Engineer

BOB KAUFMAN ..... Chief Communications and Marketing Officer

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

RUSSELL ZAPALAC..... Chief Planning and Project Officer

DARRAN ANDERSON.....Chief Strategy and Innovation Officer

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**FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

*Members of the Texas Transportation Commission  
State of Texas*

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Texas Department of Transportation (TxDOT), an agency of the State of Texas (State), as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise TxDOT's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of TxDOT, as of August 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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## Emphasis of a Matter

As discussed in Note 1, the financial statements of TxDOT are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of TxDOT. They do not purport to, and do not, present fairly the financial position of the State as of August 31, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, in June 2012 the GASB issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Also, in November 2013 the GASB issued GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". As discussed in note 14, Statements 68 and 71 were effective for TxDOT's fiscal year ended August 31, 2015. These Statements replace the requirements of Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and Statement No. 50, "Pension Disclosures." Statements 68 and 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information requirements about pensions are also addressed. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis and Budgetary Comparison Schedule* on pages 12-19 and 96-100 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the TxDOT's basic financial statements. The Combining Financial Statements, the Bond Schedules and the other information, such as the Introductory section, Schedule 1A and Schedule 3 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Financial Statements and the supplementary Bond Schedules, are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Financial Statements, and supplementary Bond Schedules, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

---

The Introductory section, Schedule 1A and Schedule 3 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015 on our consideration of the TxDOT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the TxDOT's internal control over financial reporting and compliance.

*Crowe Horwath LLP*

Crowe Horwath LLP

Dallas, Texas  
December 16, 2015

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**Management's  
Discussion and Analysis  
(Unaudited)**

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## 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, 2015. Use this section in conjunction with the TxDOT's basic financial statements.

### Overview of Financial Statements

The financial section of this annual financial report consists of four parts: (1) management's discussion and analysis (MD&A), (2) the basic financial statements and related notes, (3) required supplementary information other than the MD&A, and (4) other supplementary information presenting combining statements. The report also includes TxDOT's schedule of expenditures of federal awards, bond schedules and matrix of expenditures reported by function for governmental funds.

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, deferred outflows, liabilities and deferred inflows of resources and represents one measure of TxDOT's financial health.

The statement of activities presents information showing how TxDOT's net position changed during fiscal 2015. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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.

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## 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, the Texas Mobility Fund, the Proposition 12 Highway Improvement Project Fund and the Local Government Political Subdivision Road/Airport Fund and 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 and deferred outflows of TxDOT exceeded its liabilities and deferred inflows of resources as of Aug. 31, 2015, by \$71.0 billion, which is presented as net position. Approximately \$70.7 billion of the total net position is reported as Net Investment in Capital 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 and deferred inflow of resources, capital assets themselves cannot be used to liquidate liabilities.

*Capital Assets* - Capital assets, net of depreciation and amortization, were approximately \$90.2 billion as of Aug. 31, 2015. Net capital assets increased by \$5.3 billion, or 6.3 percent, for the fiscal year ended Aug. 31, 2015. 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 \$3.7 billion during the current fiscal year to \$22.5 billion. The majority of this change is attributable to the issuance of general obligation bonds and revenue bonds during the fiscal year and the recognition of the net pension liability. For more information on long-term liabilities see Notes 5 and 6 of this report.

| <b>Statement of Net Position</b>                |                                |                     |                                 |                   |                                 |                     |
|---|--------------------------------|---------------------|---------------------------------|-------------------|---------------------------------|---------------------|
| August 31, 2015 and 2014 (Amounts in Thousands) |                                |                     |                                 |                   |                                 |                     |
|   | <b>Governmental Activities</b> |                     | <b>Business-Type Activities</b> |                   | <b>Total Primary Government</b> |                     |
|   | <b>2015</b>                    | <b>2014</b>         | <b>2015</b>                     | <b>2014</b>       | <b>2015</b>                     | <b>2014</b>         |
| Assets Other Than Capital Assets                | \$ 9,410,891                   | \$ 5,750,098        | \$ 3,629,141                    | \$ 3,510,276      | \$13,040,032                    | \$ 9,260,374        |
| Capital Assets                                  | 87,494,574                     | 82,093,568          | 2,749,057                       | 2,802,166         | 90,243,631                      | 84,895,734          |
| <b>Total Assets</b>                             | <b>96,905,465</b>              | <b>87,843,666</b>   | <b>6,378,198</b>                | <b>6,312,442</b>  | <b>103,283,663</b>              | <b>94,156,108</b>   |
| <b>Total Deferred Outflow of Resources</b>      | <b>283,132</b>                 | <b>76,655</b>       | <b>33,940</b>                   | <b>7,071</b>      | <b>317,072</b>                  | <b>83,726</b>       |
| Current Liabilities                             | 3,171,575                      | 2,733,079           | 136,582                         | 134,860           | 3,308,157                       | 2,867,939           |
| Non-current Liabilities                         | 16,641,373                     | 13,118,128          | 5,865,286                       | 5,725,866         | 22,506,659                      | 18,843,994          |
| <b>Total Liabilities</b>                        | <b>19,812,948</b>              | <b>15,851,207</b>   | <b>6,001,868</b>                | <b>5,860,726</b>  | <b>25,814,816</b>               | <b>21,711,933</b>   |
| <b>Total Deferred Inflow of Resources</b>       | <b>6,803,791</b>               | <b>5,141,082</b>    | <b>1,993</b>                    | <b>2,989</b>      | <b>6,805,784</b>                | <b>5,144,071</b>    |
| <b>NET POSITION</b>                             |                                |                     |                                 |                   |                                 |                     |
| Net Investment in Capital Assets                | 70,082,653                     | 67,775,133          | 620,788                         | 636,694           | 70,703,441                      | 68,411,827          |
| Restricted                                      | 394,074                        | 292,319             | 114,792                         | 64,649            | 508,866                         | 356,968             |
| Unrestricted                                    | 95,131                         | (1,139,420)         | (327,303)                       | (245,545)         | (232,172)                       | (1,384,965)         |
| <b>Total Net Position</b>                       | <b>\$70,571,858</b>            | <b>\$66,928,032</b> | <b>\$ 408,277</b>               | <b>\$ 455,798</b> | <b>\$70,980,135</b>             | <b>\$67,383,830</b> |

### Changes in Net Position

TxDOT earned program revenues of \$4.3 billion and general revenues of \$4.1 billion, for total revenues of \$8.4 billion. The expenses of TxDOT were \$6.0 billion. As a result of revenues exceeding expenses, the total net position is \$71.0 billion. Revenues and expenses of TxDOT's governmental and business-type activities are detailed on the following page.

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 \$3.6 billion, or 5.4 percent, from fiscal 2014, primarily due to TxDOT's continued efforts to maintain, improve and expand the state's infrastructure network.

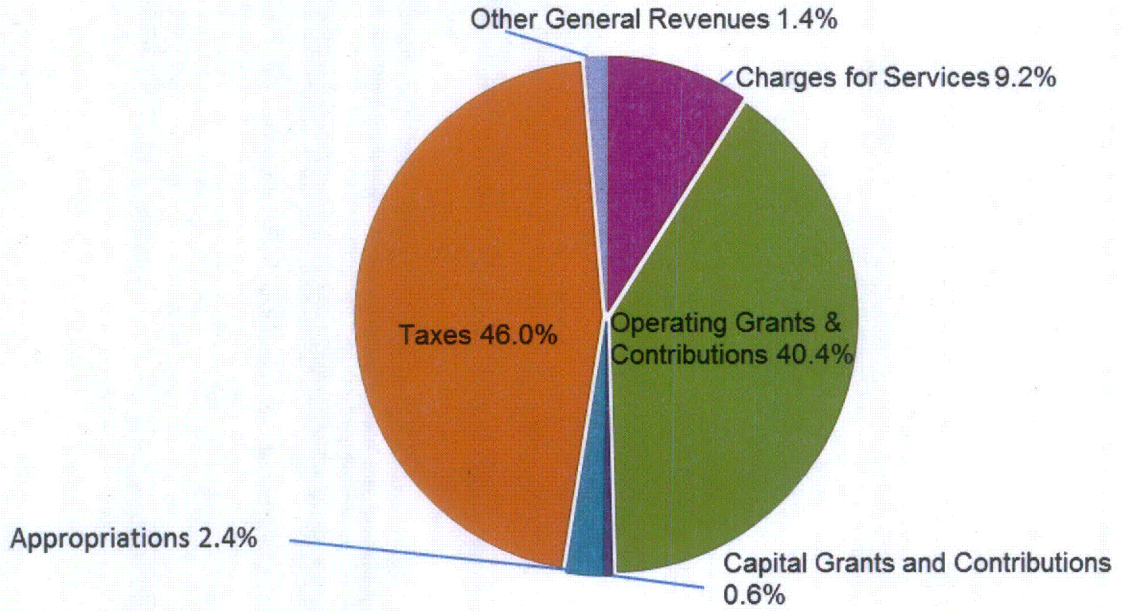
**Changes in Net Position**

For the Fiscal Years Ended August 31, 2015 and 2014 (Amounts in Thousands)

|  | <u>Governmental Activities</u> |                     | <u>Business-Type Activities</u> |                   | <u>Total Primary Government</u> |                     |
|--|--------------------------------|---------------------|---------------------------------|-------------------|---------------------------------|---------------------|
|  | <u>2015</u>                    | <u>2014</u>         | <u>2015</u>                     | <u>2014</u>       | <u>2015</u>                     | <u>2014</u>         |
| <b>REVENUES</b>  |                                |                     |                                 |                   |                                 |                     |
| Program Revenues:                                      |                                |                     |                                 |                   |                                 |                     |
| Charges for Services                                   | \$ 746,398                     | \$ 779,044          | \$ 193,794                      | \$ 155,019        | \$ 940,192                      | \$ 934,063          |
| Operating Grants and Contributions                     | 3,296,570                      | 3,417,560           | 1,602                           | 7,056             | 3,298,172                       | 3,424,616           |
| Capital Grants and Contributions                       | 52,400                         | 89,510              |                                 | 18                | 52,400                          | 89,528              |
| Total Program Revenues                                 | <u>4,095,368</u>               | <u>4,286,114</u>    | <u>195,396</u>                  | <u>162,093</u>    | <u>4,290,764</u>                | <u>4,448,207</u>    |
| General Revenues:                                      |                                |                     |                                 |                   |                                 |                     |
| Appropriations   | 194,820                        | 598,495             |                                 |                   | 194,820                         | 598,495             |
| Taxes  | 3,747,226                      | 2,487,740           |                                 |                   | 3,747,226                       | 2,487,740           |
| Unrestricted Investment Earnings                       | 33,897                         | 36,712              | 4,863                           | 13                | 38,760                          | 36,725              |
| Settlement of Claims                                   | 21,995                         | 16,920              |                                 | 189               | 21,995                          | 17,109              |
| Gain on Sale of Capital Assets                         | 48,096                         |                     |                                 |                   | 48,096                          | 0                   |
| Capital Contributions                                  |                                |                     | 2,410                           |                   | 2,410                           | 0                   |
| Other General Revenues                                 | 9,015                          | 22,876              |                                 |                   | 9,015                           | 22,876              |
| Total General Revenues                                 | <u>4,055,049</u>               | <u>3,162,743</u>    | <u>7,273</u>                    | <u>202</u>        | <u>4,062,322</u>                | <u>3,162,945</u>    |
| <b>EXPENSES</b>  |                                |                     |                                 |                   |                                 |                     |
| Transportation   | 5,070,219                      | 5,104,831           | 251,897                         | 248,827           | 5,322,116                       | 5,353,658           |
| Indirect Interest on Long-Term Debt                    | 640,013                        | 582,958             |                                 |                   | 640,013                         | 582,958             |
| Total Expenses   | <u>5,710,232</u>               | <u>5,687,789</u>    | <u>251,897</u>                  | <u>248,827</u>    | <u>5,962,129</u>                | <u>5,936,616</u>    |
| Excess (Deficiency) Before Special Items and Transfers | 2,440,185                      | 1,761,068           | (49,228)                        | (86,532)          | 2,390,957                       | 1,674,536           |
| Capital Contributions                                  |                                | (153,479)           |                                 |                   | 0                               | (153,479)           |
| Transfers - Internal Activities                        | (1,707)                        | (32,898)            | 1,707                           | 32,898            | 0                               | 0                   |
| Transfers In from/(Out) to Other State Agencies        | 2,528,742                      | 841,993             |                                 |                   | 2,528,742                       | 841,993             |
| Change in Net Position                                 | <u>4,967,220</u>               | <u>2,416,684</u>    | <u>(47,521)</u>                 | <u>(53,634)</u>   | <u>4,919,699</u>                | <u>2,363,050</u>    |
| Net Position, September 1, 2014                        | 66,928,032                     | 64,543,454          | 455,798                         | 549,316           | 67,383,830                      | 65,092,770          |
| Restatements   | (1,323,394)                    | (32,106)            |                                 | (39,884)          | (1,323,394)                     | (71,990)            |
| Net Position, September 1, 2014, as Restated           | <u>65,604,638</u>              | <u>64,511,348</u>   | <u>455,798</u>                  | <u>509,432</u>    | <u>66,060,436</u>               | <u>65,020,780</u>   |
| Net Position, August 31, 2015                          | <u>\$70,571,858</u>            | <u>\$66,928,032</u> | <u>\$ 408,277</u>               | <u>\$ 455,798</u> | <u>\$70,980,135</u>             | <u>\$67,383,830</u> |

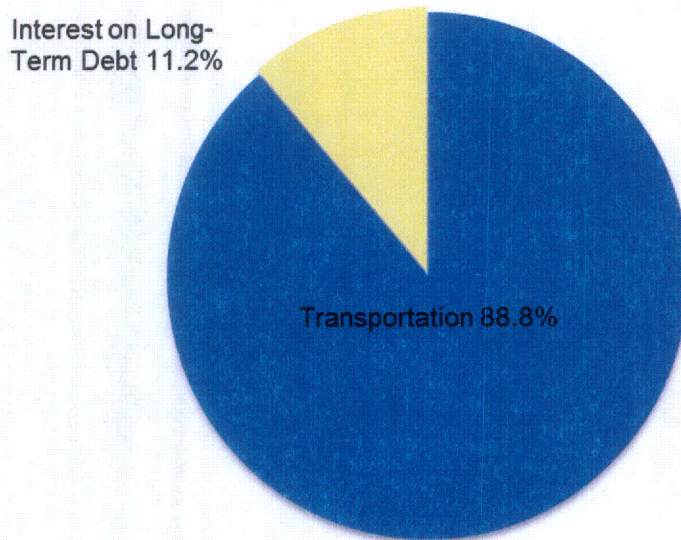
**Revenues by Source: Governmental Activities**

For the Fiscal Year Ended August 31, 2015



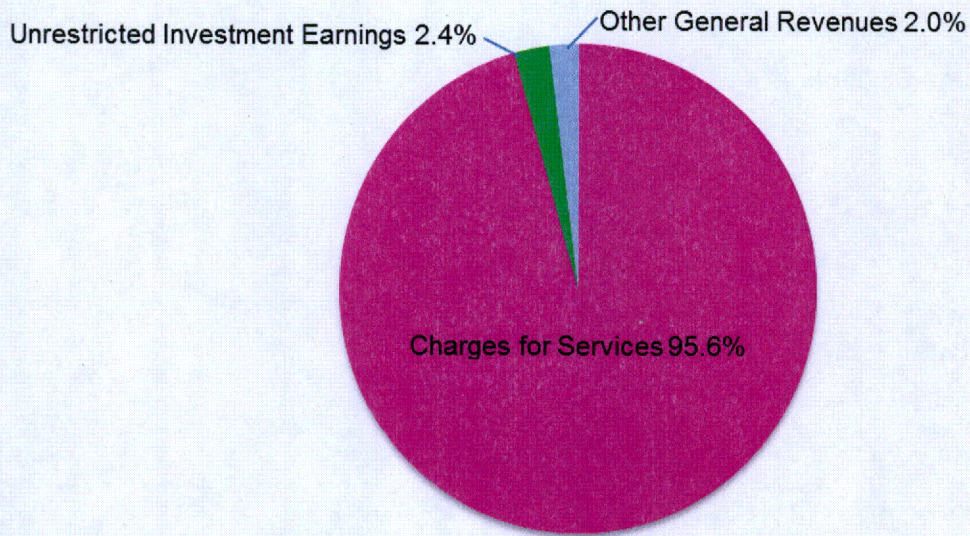
**Expenditures by Function: Governmental Activities**

For the Fiscal Year Ended August 31, 2015

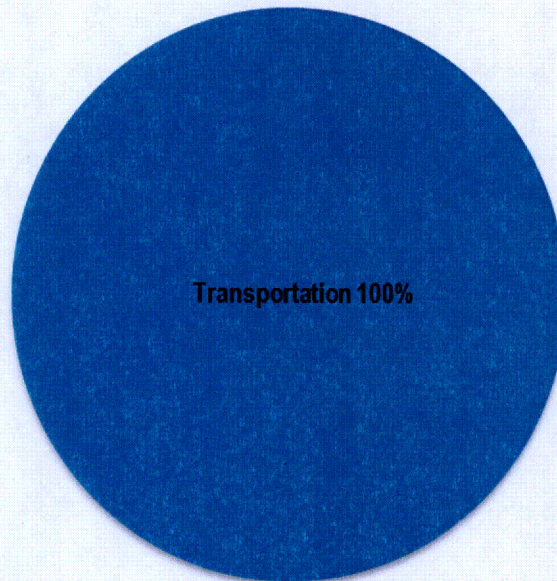




**Revenues by Source: Business-Type Activities**  
For the Fiscal Year Ended August 31, 2015



**Expenses by Function: Business-Type Activities**  
For the Fiscal Year Ended August 31, 2015



## Financial Analysis of TxDOT's Funds

TxDOT's governmental funds reported a combined ending fund balance, as of Aug. 31, 2015, of \$5.8 billion. Expenditures exceeded revenues by \$3.0 billion. Not all expenditure activity is supported by revenues. Some project expenditures are funded by bond proceeds.

### Capital Assets and Debt Administration

#### Capital Assets

As of Aug. 31, 2015, TxDOT had \$90.2 billion in net capital assets, including roads, bridges, buildings, land, equipment and intangible capital assets.

| <b>Capital Assets - Net of Depreciation and Amortization</b> |                                |                      |                                 |                     |                                 |                      |
|--|--------------------------------|----------------------|---------------------------------|---------------------|---------------------------------|----------------------|
| <b>August 31, 2015 and 2014 (Amounts in Thousands)</b>       |                                |                      |                                 |                     |                                 |                      |
|  | <b>Governmental Activities</b> |                      | <b>Business-Type Activities</b> |                     | <b>Total Primary Government</b> |                      |
|  | <b>2015</b>                    | <b>2014</b>          | <b>2015</b>                     | <b>2014</b>         | <b>2015</b>                     | <b>2014</b>          |
| Land and Land Improvements                                   | \$ 11,165,244                  | \$ 10,424,510        | \$ 666,979                      | \$ 668,634          | \$ 11,832,223                   | \$ 11,093,144        |
| Infrastructure - Depreciable                                 | 63,604,759                     | 62,412,751           | 2,033,043                       | 2,078,362           | 65,637,802                      | 64,491,113           |
| Construction in Progress                                     | 12,001,267                     | 8,542,266            | 24,605                          | 30,379              | 12,025,872                      | 8,572,645            |
| Buildings and Building Improvements                          | 253,735                        | 258,204              | 4,964                           | 5,325               | 258,699                         | 263,529              |
| Furniture and Equipment                                      | 62,158                         | 64,532               |                                 |                     | 62,158                          | 64,532               |
| Vehicles, Boats and Aircraft                                 | 271,801                        | 273,099              |                                 |                     | 271,801                         | 273,099              |
| Other Capital Assets   | 4,697                          | 5,262                |                                 |                     | 4,697                           | 5,262                |
| Land Use Rights - Permanent                                  | 92,330                         | 79,527               | 19,466                          | 19,466              | 111,796                         | 98,993               |
| Land Use Rights - Term                                       | 6,739                          | 9,149                |                                 |                     | 6,739                           | 9,149                |
| Computer Software  | 31,844                         | 24,268               |                                 |                     | 31,844                          | 24,268               |
| <b>Total Capital Assets</b>                                  | <b>\$ 87,494,574</b>           | <b>\$ 82,093,568</b> | <b>\$ 2,749,057</b>             | <b>\$ 2,802,166</b> | <b>\$ 90,243,631</b>            | <b>\$ 84,895,734</b> |

TxDOT uses the composite approach for reporting the state's infrastructure and bridges. The composite approach is a method for calculating depreciation of a grouping of dissimilar assets of the same class (all the roads and bridges of the state) using the same depreciation rate. The composite depreciation rate for 2015 is 2.5% based on a 40 year weighted average life expectancy of the assets in service.

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 \$28.6 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 is backed by pledged revenues and restricted assets specified in the bond resolutions. Note 5 discloses details on TxDOT's long-term liabilities and Note 6 provides detail information on TxDOT's bonded indebtedness.

| <b>Outstanding Bonded Debt</b>                     |                                |                      |                                 |                     |
|--|--------------------------------|----------------------|---------------------------------|---------------------|
| <b>As of August 31, 2015 (Amount in Thousands)</b> |                                |                      |                                 |                     |
|  | <b>Governmental Activities</b> |                      | <b>Business-Type Activities</b> |                     |
|  | <b>2015</b>                    | <b>2014</b>          | <b>2015</b>                     | <b>2014</b>         |
| General Obligation Bonds Payable                   | \$ 10,187,461                  | \$ 7,867,807         | \$                              | \$                  |
| Revenue Bonds Payable                              | 4,396,288                      | 4,537,928            | 5,133,302                       | 3,874,970           |
| <b>Total Bond Payable</b>                          | <b>\$ 14,583,749</b>           | <b>\$ 12,405,735</b> | <b>\$ 5,133,302</b>             | <b>\$ 3,874,970</b> |

*Bond Credit Ratings*

| <b>Long-Term Credit Ratings as of August 31, 2015</b> |              |                |                              |
|---|--------------|----------------|------------------------------|
|   | <u>Fitch</u> | <u>Moody's</u> | <u>Standard &amp; Poor's</u> |
| <b>Governmental Activities</b>                        |              |                |                              |
| General Obligation Bonds                              | AAA          | Aaa            | AAA                          |
| Revenue Bonds   | n/a          | Aaa            | AAA                          |
| <b>Business-Type Activities</b>                       |              |                |                              |
| <b>Revenue Bonds</b>                                  |              |                |                              |
| CTTS 2002-A, 2012-A, 2015-A,B                         | A-           | A3             | A-                           |
| CTTS 2015-C   | BBB          | Baa1           | BBB+                         |
| GPTC 2013-A   | BBB+         | n/a            | BBB                          |
| GPTC 2013-B,E   | AA-          | n/a            | AA+                          |
| GPTC 2014-B,C   | n/a          | 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, 2015.

| <b>Short-Term Credit Ratings as of August 31, 2015</b> |              |                |                              |
|--|--------------|----------------|------------------------------|
|  | <u>Fitch</u> | <u>Moody's</u> | <u>Standard &amp; Poor's</u> |
| <b>Governmental Activities</b>                         |              |                |                              |
| General Obligation Bonds:                              |              |                |                              |
| TMF Series 2006-B Variable Rate Interest Bonds         | F1+          | VMIG 1         | n/a                          |
| Revenue Bonds:   |              |                |                              |
| SHF Series 2006-B Variable Rate Interest Bonds         | n/a          | VMIG 2         | A-2                          |

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 11<sup>th</sup> Street  
 Austin, Texas 78701-2483

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## **Basic Financial Statements**

**Texas Department of Transportation**  
**Statement of Net Position**

August 31, 2015 (Amounts in Thousands)

|   | Primary Government         |                             | Total              |
|---|----------------------------|-----------------------------|--------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities |                    |
| <b>ASSETS</b>                               |                            |                             |                    |
| Current Assets:                             |                            |                             |                    |
| Cash and Cash Equivalents                   | \$ 6,531,466               | \$ 20,480                   | \$ 6,551,946       |
| Restricted:                                 |                            |                             |                    |
| Cash and Cash Equivalents                   |                            | 320,942                     | 320,942            |
| Legislative Appropriations                  | 16,203                     |                             | 16,203             |
| Short-Term Investments                      |                            | 266,126                     | 266,126            |
| Restricted:                                 |                            |                             |                    |
| Short-Term Investments                      |                            | 307,824                     | 307,824            |
| Due from Other Agencies (Note 11)           | 1,359,897                  |                             | 1,359,897          |
| Receivable:                                 |                            |                             |                    |
| Taxes                                       | 255,658                    |                             | 255,658            |
| Federal                                     | 579,280                    |                             | 579,280            |
| Interest and Dividends                      | 5,883                      | 1,021                       | 6,904              |
| Accounts Receivable                         | 43,541                     | 20,488                      | 64,029             |
| Other Intergovernmental                     | 66,906                     | 50                          | 66,956             |
| Prepaid Items                               |                            | 4                           | 4                  |
| Loans and Contracts                         | 54,686                     |                             | 54,686             |
| Consumable Inventory                        | 181,216                    | 1,119                       | 182,335            |
| <b>Total Current Assets</b>                 | <b>9,094,736</b>           | <b>938,054</b>              | <b>10,032,790</b>  |
| Noncurrent Assets:                          |                            |                             |                    |
| Loans and Contracts                         | 313,627                    |                             | 313,627            |
| Investments                                 |                            | 85,203                      | 85,203             |
| Restricted:                                 |                            |                             |                    |
| Investments                                 |                            | 546,314                     | 546,314            |
| Receivable:                                 |                            |                             |                    |
| Taxes                                       | 2,528                      |                             | 2,528              |
| Intangible Assets (Note 20)                 |                            | 2,059,570                   | 2,059,570          |
| Capital Assets:                             |                            |                             |                    |
| Non-Depreciable Capital Assets (Note 2)     | 23,258,841                 | 711,050                     | 23,969,891         |
| Depreciable Capital Assets, Net (Note 2)    | 64,235,733                 | 2,038,007                   | 66,273,740         |
| <b>Total Noncurrent Assets</b>              | <b>87,810,729</b>          | <b>5,440,144</b>            | <b>93,250,873</b>  |
| <b>Total Assets</b>                         | <b>96,905,465</b>          | <b>6,378,198</b>            | <b>103,283,663</b> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |                            |                             |                    |
| Loss on Bond Refunding (Note 21)            | 154,832                    | 33,940                      | 188,772            |
| Pensions (Note 8)                           | 128,300                    |                             | 128,300            |
| <b>Total Deferred Outflows of Resources</b> | <b>283,132</b>             | <b>33,940</b>               | <b>317,072</b>     |

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

**Texas Department of Transportation**  
**Statement of Net Position**  
August 31, 2015 (Amounts in Thousands)

|   | Primary Government         |                             | Total                |
|---|----------------------------|-----------------------------|----------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities |                      |
| <b>LIABILITIES</b>                        |                            |                             |                      |
| Current Liabilities:                      |                            |                             |                      |
| Payables                                  |                            |                             |                      |
| Accounts                                  | 1,117,036                  | 63,166                      | 1,180,202            |
| Payroll                                   | 68,268                     |                             | 68,268               |
| Interest                                  | 250,509                    | 50,721                      | 301,230              |
| Contract Retainage                        | 8,886                      | 9,136                       | 18,022               |
| Internal Balances (Note 11)               | 13,132                     | (13,132)                    | (0)                  |
| Due to Other Agencies (Note 11)           | 47,361                     |                             | 47,361               |
| Unearned Revenues                         | 710,007                    | 1,009                       | 711,016              |
| Short-Term Debt (Note 4)                  | 350,000                    |                             | 350,000              |
| Employees' Compensable Leave (Note 5)     | 66,291                     |                             | 66,291               |
| Notes and Loans Payable (Note 5)          | 176,740                    | 12,100                      | 188,840              |
| General Obligation Bonds Payable (Note 5) | 185,341                    |                             | 185,341              |
| Revenue Bonds Payable (Note 5)            | 172,727                    | 13,582                      | 186,309              |
| Pollution Remediation Obligation (Note 5) | 5,277                      |                             | 5,277                |
| <b>Total Current Liabilities</b>          | <b>3,171,575</b>           | <b>136,582</b>              | <b>3,308,157</b>     |
| Noncurrent Liabilities:                   |                            |                             |                      |
| Net Pension Liability (Note 8)            | 1,395,472                  |                             | 1,395,472            |
| Employees' Compensable Leave (Note 5)     | 13,595                     |                             | 13,595               |
| Notes and Loans Payable (Note 5)          | 1,006,285                  | 745,566                     | 1,751,851            |
| General Obligation Bonds Payable (Note 5) | 10,002,120                 |                             | 10,002,120           |
| Revenue Bonds Payable (Note 5)            | 4,223,561                  | 5,119,720                   | 9,343,281            |
| Pollution Remediation Obligation (Note 5) | 340                        |                             | 340                  |
| <b>Total Noncurrent Liabilities</b>       | <b>16,641,373</b>          | <b>5,865,286</b>            | <b>22,506,659</b>    |
| <b>Total Liabilities</b>                  | <b>19,812,948</b>          | <b>6,001,868</b>            | <b>25,814,816</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>      |                            |                             |                      |
| Pensions (Note 8)                         | 130,058                    |                             | 130,058              |
| Service Concession Arrangements (Note 20) | 6,673,733                  |                             | 6,673,733            |
| Gain on Bond Refunding (Note 21)          |                            | 1,993                       | 1,993                |
| <b>Total Deferred Inflow of Resources</b> | <b>6,803,791</b>           | <b>1,993</b>                | <b>6,805,784</b>     |
| <b>NET POSITION</b>                       |                            |                             |                      |
| Net Investment in Capital Assets          | 70,082,653                 | 620,788                     | 70,703,441           |
| Restricted for:                           |                            |                             |                      |
| Debt Service                              | 394,074                    | 49,404                      | 443,478              |
| Other                                     |                            | 65,388                      | 65,388               |
| Unrestricted                              | 95,131                     | (327,303)                   | (232,172)            |
| <b>Total Net Position</b>                 | <b>\$ 70,571,858</b>       | <b>\$ 408,277</b>           | <b>\$ 70,980,135</b> |

**Texas Department of Transportation**  
**Statement of Activities**

For the Fiscal Year Ended August 31, 2015 (Amounts in Thousands)

| Functions                          | Expenses     | PROGRAM REVENUES     |                                    |                                  |
|------------------------------------|--------------|----------------------|------------------------------------|----------------------------------|
|                                    |              | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government                 |              |                      |                                    |                                  |
| Governmental Activities:           |              |                      |                                    |                                  |
| Transportation                     | \$ 5,070,219 | \$ 746,398           | \$ 3,296,570                       | \$ 52,400                        |
| Interest on General Long-Term Debt | 640,013      |                      |                                    |                                  |
| Total Governmental Activities      | 5,710,232    | 746,398              | 3,296,570                          | 52,400                           |
| Business-Type Activities:          |              |                      |                                    |                                  |
| Transportation                     | 251,897      | 193,794              | 1,602                              |                                  |
| Total Business-Type Activities     | 251,897      | 193,794              | 1,602                              | 0                                |
| Total Primary Government           | \$ 5,962,129 | \$ 940,192           | \$ 3,298,172                       | \$ 52,400                        |

**GENERAL REVENUES**

|  |
|--|
| Original Appropriation                       |
| Additional Appropriation                     |
| Lapsed Appropriation                         |
| Motor Fuel Tax                               |
| Lubricant Sales Tax                          |
| Oil and Natural Gas Production Tax           |
| Unrestricted Investment Earnings             |
| Settlement of Claims                         |
| Gain (Loss) on Sale of Capital Assets        |
| Capital Contributions                        |
| Other Revenues                               |
| Transfers – Internal Activities (Note 11)    |
| Transfers – Other State Agencies             |
| Total General Revenues and Transfers         |
| Changes in Net Position                      |
| Net Position, September 1, 2014              |
| Restatements (Note 14)                       |
| Net Position, September 1, 2014, As Restated |
| Net Position, August 31, 2015                |

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



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

| <u>Governmental<br/>Activities</u> | <u>Business-<br/>Type<br/>Activities</u> | <u>Total</u>         |
|------------------------------------|--|----------------------|
| \$ (974,851)                       | \$                                       | \$ (974,851)         |
| <u>(640,013)</u>                   |  | <u>(640,013)</u>     |
| <u>(1,614,864)</u>                 | 0  | <u>(1,614,864)</u>   |
|                                    | <u>(56,501)</u>                          | <u>(56,501)</u>      |
| 0                                  | <u>(56,501)</u>                          | <u>(56,501)</u>      |
| <u>(1,614,864)</u>                 | <u>(56,501)</u>                          | <u>(1,671,365)</u>   |
| 195,807                            |  | 195,807              |
| 229                                |  | 229                  |
| (1,216)                            |  | (1,216)              |
| 2,568,058                          |  | 2,568,058            |
| 44,500                             |  | 44,500               |
| 1,134,668                          |  | 1,134,668            |
| 33,897                             | 4,863                                    | 38,760               |
| 21,995                             |  | 21,995               |
| 48,096                             |  | 48,096               |
|                                    | 2,410                                    | 2,410                |
| 9,015                              |  | 9,015                |
| (1,707)                            | 1,707                                    | 0                    |
| <u>2,528,742</u>                   |  | <u>2,528,742</u>     |
| <u>6,582,084</u>                   | <u>8,980</u>                             | <u>6,591,064</u>     |
| <u>4,967,220</u>                   | <u>(47,521)</u>                          | <u>4,919,699</u>     |
| 66,928,032                         | 455,798                                  | 67,383,830           |
| <u>(1,323,394)</u>                 |  | <u>(1,323,394)</u>   |
| <u>65,604,638</u>                  | <u>455,798</u>                           | <u>66,060,436</u>    |
| \$ <u>70,571,858</u>               | \$ <u>408,277</u>                        | \$ <u>70,980,135</u> |

**Texas Department of Transportation**  
**Balance Sheet - Governmental Funds**

August 31, 2015 (Amounts in Thousands)

|  | <u>State<br/>Highway<br/>Fund</u> | <u>Texas<br/>Mobility<br/>Fund</u> | <u>Proposition<br/>12<br/>Highway<br/>Improvement<br/>Project Fund</u> | <u>Local<br/>Government<br/>Political<br/>Subdivision<br/>Road/Airport</u> | <u>Nonmajor<br/>Funds</u> | <u>Total</u>        |
|--|-----------------------------------|------------------------------------|--|--|---------------------------|---------------------|
| <b>ASSETS</b>  |                                   |                                    |  |  |                           |                     |
| Cash and Cash Equivalents:   |                                   |                                    |  |  |                           |                     |
| Cash on Hand   | \$ 441                            | \$                                 | \$   | 121  | \$                        | \$ 562              |
| Cash in Bank   | 382                               |                                    |  |  | 104                       | 486                 |
| Cash in State Treasury   | 3,992,823                         | 1,212,942                          | 510,077  | 490,571  | 324,005                   | 6,530,418           |
| Legislative Appropriations   |                                   |                                    |  |  | 16,203                    | 16,203              |
| Receivables:   |                                   |                                    |  |  |                           |                     |
| Taxes  | 258,186                           |                                    |  |  |                           | 258,186             |
| Federal  | 574,435                           |                                    |  |  | 4,845                     | 579,280             |
| Other Intergovernmental  | 66,906                            |                                    |  |  |                           | 66,906              |
| Interest and Dividends   | 5,883                             |                                    |  |  |                           | 5,883               |
| Accounts Receivable  | 43,541                            |                                    |  |  |                           | 43,541              |
| Due from Other Funds (Note 11)   | 153,010                           |                                    |  | 16,001   | 118                       | 169,129             |
| Due from Other Agencies (Note 11)  | 1,359,897                         |                                    |  |  |                           | 1,359,897           |
| Consumable Inventories   | 181,216                           |                                    |  |  |                           | 181,216             |
| Loans and Contracts (Note 1)   | 368,206                           |                                    |  |  | 107                       | 368,313             |
| <b>Total Assets</b>  | <b>\$ 7,004,926</b>               | <b>\$ 1,212,942</b>                | <b>\$ 510,077</b>  | <b>\$ 506,693</b>  | <b>\$ 345,382</b>         | <b>\$ 9,580,020</b> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>       |                                   |                                    |  |  |                           |                     |
| Liabilities:   |                                   |                                    |  |  |                           |                     |
| Payables:  |                                   |                                    |  |  |                           |                     |
| Accounts Payable   | 992,936                           | 9,892                              | 96,155   |  | 18,053                    | 1,117,036           |
| Contracts Payable  | 8,886                             |                                    |  |  |                           | 8,886               |
| Payroll Payable  | 68,182                            |                                    |  |  | 86                        | 68,268              |
| Short-Term Debt  | 350,000                           |                                    |  |  |                           | 350,000             |
| Due to Other Funds (Note 11)   | 47,170                            | 10,662                             | 98,128   |  | 26,301                    | 182,261             |
| Due to Other Agencies (Note 11)  | 47,361                            |                                    |  |  |                           | 47,361              |
| Unearned Revenues  | 201,514                           | 1,800                              |  | 506,693  |                           | 710,007             |
| <b>Total Liabilities</b>   | <b>1,716,049</b>                  | <b>22,354</b>                      | <b>194,283</b>   | <b>506,693</b>   | <b>44,440</b>             | <b>2,483,819</b>    |
| Deferred Inflows of Resources:   |                                   |                                    |  |  |                           |                     |
| Unavailable Revenue (Note 21)  | 1,270,288                         |                                    |  |  |                           | 1,270,288           |
| <b>Total Deferred Inflows of Resources</b>                                 | <b>1,270,288</b>                  | <b>0</b>                           | <b>0</b>   | <b>0</b>   | <b>0</b>                  | <b>1,270,288</b>    |
| <b>Total Liabilities and Deferred Inflows of Resources</b>                 | <b>2,986,337</b>                  | <b>22,354</b>                      | <b>194,283</b>   | <b>506,693</b>   | <b>44,440</b>             | <b>3,754,107</b>    |
| Fund Balances (Deficits):  |                                   |                                    |  |  |                           |                     |
| Nonspendable (Note 13)   | 181,216                           |                                    |  |  | 87                        | 181,303             |
| Restricted (Note 13)   | 2,387,945                         | 1,190,588                          | 315,794  |  | 126,691                   | 4,021,018           |
| Committed (Note 13)  | 1,410,911                         |                                    |  |  | 153,704                   | 1,564,615           |
| Assigned (Note 13)   | 38,517                            |                                    |  |  | 796                       | 39,313              |
| Unassigned (Note 13)   |                                   |                                    |  |  | 19,664                    | 19,664              |
| <b>Total Fund Balances</b>   | <b>4,018,589</b>                  | <b>1,190,588</b>                   | <b>315,794</b>   | <b>0</b>   | <b>300,942</b>            | <b>5,825,913</b>    |
| <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b> | <b>\$ 7,004,926</b>               | <b>\$ 1,212,942</b>                | <b>\$ 510,077</b>  | <b>\$ 506,693</b>  | <b>\$ 345,382</b>         | <b>\$ 9,580,020</b> |

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

**Texas Department of Transportation**  
**Reconciliation of the Governmental Funds Balance Sheet to**  
**the Statement of Net Position**  
August 31, 2015 (Amounts in Thousands)

**Total Fund Balance - Governmental Funds** \$ 5,825,913

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 | \$ 23,258,841     |            |
| Capital Assets - Depreciable or Amortizable, Net    | <u>64,235,733</u> | 87,494,574 |

|  |                |         |
|--|----------------|---------|
| Deferred outflows of resources were reported in the Statement of Net Position to reflect the losses incurred in bond refunding transactions (Note 21). | <u>154,832</u> | 154,832 |
|--|----------------|---------|

|  |                |         |
|--|----------------|---------|
| Deferred outflows of resources were reported in the Statement of Net Position to reflect current year contributions to Pensions and the unamortized balance of changes in assumptions used to calculate the Net Pension Liability. | <u>128,300</u> | 128,300 |
|--|----------------|---------|

|   |                  |           |
|---|------------------|-----------|
| Deferred inflows of resources were reported in the funds related to revenues that were not available soon enough after year-end to pay current year's expenditures (Note 21). | <u>1,270,288</u> | 1,270,288 |
|---|------------------|-----------|

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. \*

|  |                |              |
|--|----------------|--------------|
| Net Pension Liability (Note 8)             | (1,395,472)    |              |
| Employees' Compensable Leave (Note 5)      | (79,886)       |              |
| Notes and Loans Payable (Note 5)**         | (1,183,025)    |              |
| General Obligation Bonds Payable (Note 5)  | (10,187,461)   |              |
| Revenue Bonds Payable (Note 5)             | (4,396,288)    |              |
| Pollution Remediation Obligations (Note 5) | <u>(5,617)</u> | (17,247,749) |

\* Current portion \$606,376 and noncurrent portion \$16,641,373

\*\*Pass-Through Tolls Payable \$1,180,458 and Contracts Payable \$2,567

|  |                  |           |
|--|------------------|-----------|
| Deferred inflows of resources were reported in the Statement of Net Position to reflect the unamortized difference between the projected experience and investment return used to calculate the Net Pension Liability and the actual experience and investment return (Note 21). | <u>(130,058)</u> | (130,058) |
|--|------------------|-----------|

|   |                    |  |
|---|--------------------|--|
| Deferred inflows of resources were reported in the Statement of Net Position to reflect the unamortized upfront payments received and capital improvements acquired in connection with Service Concession Arrangements (Note 20). | <u>(6,673,733)</u> |  |
|---|--------------------|--|

|  |                  |           |
|--|------------------|-----------|
| 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. | <u>(250,509)</u> | (250,509) |
|--|------------------|-----------|

|   |                      |  |
|---|----------------------|--|
| Net Position of Governmental Activities | <u>\$ 70,571,858</u> |  |
|---|----------------------|--|

**Texas Department of Transportation**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Governmental Funds**  
For the Fiscal Year Ended August 31, 2015 (Amounts in Thousands)

|  | State<br>Highway Fund | Texas Mobility<br>Fund | Proposition 12<br>Highway<br>Improvement<br>Project Fund | Local<br>Government<br>Political<br>Subdivision<br>Road/Airport<br>Account | Nonmajor<br>Funds | Total               |
|--|-----------------------|------------------------|--|--|-------------------|---------------------|
| <b>REVENUES</b>  |                       |                        |  |  |                   |                     |
| Legislative Appropriations:                                  |                       |                        |  |  |                   |                     |
| Original Appropriations                                      | \$                    | \$                     | \$   | \$   | \$ 195,807        | \$ 195,807          |
| Additional Appropriations                                    |                       |                        |  |  | 229               | 229                 |
| Taxes  | 2,582,837             |                        |  |  |                   | 2,582,837           |
| Federal Revenues   | 3,170,110             | 21,638                 |  |  | 38,771            | 3,230,519           |
| Licenses, Fees and Permits                                   | 25,648                | 367,548                |  |  |                   | 393,196             |
| Interest & Investment Income                                 | 26,211                | 3,423                  | 3,063  |  | 1,200             | 33,897              |
| Land Income  | 15,590                |                        |  |  |                   | 15,590              |
| Settlement of Claims   | 21,995                |                        |  |  |                   | 21,995              |
| Sales of Goods and Services                                  | 28,548                |                        |  | 141,301  | 1,633             | 171,482             |
| Other Revenues   | 8,381                 |                        |  |  | 634               | 9,015               |
| <b>Total Revenues</b>  | <u>5,879,320</u>      | <u>392,609</u>         | <u>3,063</u>   | <u>141,301</u>   | <u>238,274</u>    | <u>6,654,567</u>    |
| <b>EXPENDITURES</b>  |                       |                        |  |  |                   |                     |
| Transportation   | 3,269,571             | 147,483                | 3  |  | 67,268            | 3,484,325           |
| Capital Outlay   | 4,521,722             | 59,631                 | 611,426  |  | 4,976             | 5,197,755           |
| Principal on State Bonds                                     |                       | 62,355                 |  |  | 215,480           | 277,835             |
| Principal on Pass-Through Tolls                              | 111,696               |                        |  |  |                   | 111,696             |
| Interest on State Bonds                                      |                       | 258,358                |  |  | 308,366           | 566,724             |
| Other Financing Fees   | 3,205                 | 8,199                  | 4,635  |  | 558               | 16,597              |
| <b>Total Expenditures</b>                                    | <u>7,906,194</u>      | <u>536,026</u>         | <u>616,064</u>   | <u>0</u>   | <u>596,648</u>    | <u>9,654,932</u>    |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(2,026,874)</u>    | <u>(143,417)</u>       | <u>(613,001)</u>   | <u>141,301</u>   | <u>(358,374)</u>  | <u>(3,000,365)</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                       |                        |  |  |                   |                     |
| Transfers In (Note 11)                                       | 3,355,983             | 84,578                 |  |  | 305,068           | 3,745,629           |
| Transfers Out (Note 11)                                      | (944,642)             | (84,578)               |  | (141,301)  | (47,900)          | (1,218,421)         |
| Bonds & Note Issued  |                       | 900,000                | 1,260,000  |  |                   | 2,160,000           |
| Bonds Issued for Refunding                                   | 781,080               | 930,160                |  |  |                   | 1,711,240           |
| Premium/Discount on Bonds Issued                             | 133,433               | 259,555                | 204,756  |  |                   | 597,744             |
| Payment to Escrow on Refunding                               | (910,971)             | (1,109,507)            |  |  | (13,057)          | (2,033,535)         |
| Sale of Capital Assets                                       | 70,255                |                        |  |  | 2,981             | 73,236              |
| Appropriations Lapsed  |                       |                        |  |  | (1,216)           | (1,216)             |
| <b>Total Other Financing Sources (Uses)</b>                  | <u>2,485,138</u>      | <u>980,208</u>         | <u>1,464,756</u>   | <u>(141,301)</u>   | <u>245,876</u>    | <u>5,034,677</u>    |
| <b>Net Change in Fund Balances</b>                           | <u>458,264</u>        | <u>836,791</u>         | <u>851,755</u>   | <u>0</u>   | <u>(112,498)</u>  | <u>2,034,312</u>    |
| Fund Balances, September 1, 2014                             | 3,560,325             | 353,797                | (535,961)  | 0  | 413,440           | 3,791,601           |
| <b>Fund Balances, August 31, 2015</b>                        | <u>\$ 4,018,589</u>   | <u>\$ 1,190,588</u>    | <u>\$ 315,794</u>  | <u>\$ 0</u>  | <u>\$ 300,942</u> | <u>\$ 5,825,913</u> |

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

**Texas Department of Transportation**  
**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, 2015 (Amounts in Thousands)

**Net Change in Fund Balances** \$ 2,034,312

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                                 | \$ 5,197,755       |           |
| Depreciation and Amortization Expense (Note 2) | <u>(1,571,743)</u> |           |
|  |                    | 3,626,012 |

The effect of various miscellaneous transactions involving capital assets is a decrease to net position.

|   |              |        |
|---|--------------|--------|
| Donations of Capital Assets             | 52,400       |        |
| Gain on Sale of Capital Assets          | 48,096       |        |
| Sale of Capital Assets                  | (73,236)     |        |
| Interagency Transfers of Capital Assets | <u>(173)</u> |        |
|   |              | 27,087 |

Revenues that do not provide current financial resources are not reported in the governmental funds, but are reported in the Statement of Activities.

|                               |               |           |
|-------------------------------|---------------|-----------|
| Concession Revenues           | 150,994       |           |
| Federal Revenue               | 66,050        |           |
| Local Revenue                 | 15,135        |           |
| Oil & Natural Gas Tax Revenue | 1,134,668     |           |
| Motor Fuel Tax Revenue        | <u>29,721</u> |           |
|                               |               | 1,396,568 |

Bond proceeds provide current financial resources to governmental funds, but increase long-term liabilities in the Statement of Net Position. 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.

|  |                |             |
|--|----------------|-------------|
| Repayment of Bond and Note Principal           | 389,531        |             |
| Payment to Escrow for Refunding                | 2,033,535      |             |
| Net Change in Pollution Remediation Obligation | (1,937)        |             |
| Bonds & Notes Issued                           | (3,871,240)    |             |
| Premiums on Bonds Issued                       | (597,744)      |             |
| Net Change in Employees' Compensable Leave     | <u>(1,164)</u> |             |
|  |                | (2,049,019) |

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.

|                                   |                 |          |
|-----------------------------------|-----------------|----------|
| Interest and Amortization Expense | 26,400          |          |
| Financing Fees                    | (20,304)        |          |
| Payroll Related Costs             | <u>(73,836)</u> |          |
|                                   |                 | (67,740) |

Change in Net Position of Governmental Activities \$ 4,967,220

**Texas Department of Transportation**  
**Statement of Net Position - Proprietary Funds**

August 31, 2015 (Amounts in Thousands)

|  | <b>Business-Type Activities - Enterprise Funds</b> |   |                  |
|--|--|---|------------------|
|  | <b>Central<br/>Texas<br/>Turnpike<br/>System</b>   | <b>Grand<br/>Parkway<br/>Transportation<br/>Corporation</b> | <b>Totals</b>    |
| <b>ASSETS</b>                            |  |   |                  |
| Current Assets:                          |  |   |                  |
| Cash and Cash Equivalents:               |  |   |                  |
| Cash and Cash Equivalents                | \$3,561  | \$16,919  | \$20,480         |
| Restricted Cash and Cash Equivalents:    |  |   |                  |
| Cash and Cash Equivalents                | 116,620  | 204,322   | 320,942          |
| Short-Term Investments                   | 231,125  | 35,001  | 266,126          |
| Restricted:                              |  |   |                  |
| Short-Term Investments                   |  | 307,824   | 307,824          |
| Receivables:                             |  |   |                  |
| Other Intergovernmental                  | 50   |   | 50               |
| Accounts Receivable                      | 15,560   | 4,928   | 20,488           |
| Interest and Dividends                   | 343  | 678   | 1,021            |
| Due from Other Funds (Note 11)           | 44,436   |   | 44,436           |
| Consumable Inventory                     | 1,119  |   | 1,119            |
| Prepaid Items                            |  | 4   | 4                |
| Total Current Assets                     | <u>412,814</u>                                     | <u>569,676</u>  | <u>982,490</u>   |
| Noncurrent Assets:                       |  |   |                  |
| Restricted:                              |  |   |                  |
| Investments                              | 114,999  | 431,315   | 546,314          |
| Investments                              | 30,190   | 55,013  | 85,203           |
| Intangible Assets (Note 20)              |  | 2,059,570   | 2,059,570        |
| Capital Assets:                          |  |   |                  |
| Non-Depreciable Capital Assets (Note 2)  | 711,050  |   | 711,050          |
| Depreciable Capital Assets, Net (Note 2) | <u>2,038,007</u>                                   |   | <u>2,038,007</u> |
| Total Noncurrent Assets                  | <u>2,894,246</u>                                   | <u>2,545,898</u>  | <u>5,440,144</u> |
| Total Assets                             | <u>3,307,060</u>                                   | <u>3,115,574</u>  | <u>6,422,634</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>    |  |   |                  |
| Deferred Outflows of Resources           | <u>33,940</u>                                      |   | <u>33,940</u>    |
| Total Deferred Outflows of Resources     | <u>33,940</u>                                      | <u>0</u>  | <u>33,940</u>    |

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

**Texas Department of Transportation**  
**Statement of Net Position - Proprietary Funds**  
August 31, 2015 (Amounts in Thousands)

|                                      | <b>Business-Type Activities - Enterprise Funds</b> |   |                   |
|--------------------------------------|--|---|-------------------|
|                                      | <b>Central<br/>Texas<br/>Turnpike<br/>System</b>   | <b>Grand<br/>Parkway<br/>Transportation<br/>Corporation</b> | <b>Totals</b>     |
| <b>LIABILITIES</b>                   |  |   |                   |
| Current Liabilities:                 |  |   |                   |
| Vouchers Payable                     |  | 63,166  | 63,166            |
| Contracts Payable                    |  | 9,136   | 9,136             |
| Due to Other Funds (Note 11)         |  | 31,304  | 31,304            |
| Unearned Revenues                    | 1,009  |   | 1,009             |
| Notes and Loans Payable (Notes 5)    |  | 12,100  | 12,100            |
| Revenue Bonds Payable (Notes 5, 6)   | 13,912   | (330)   | 13,582            |
| Interest Payable                     | 4,461  | 46,260  | 50,721            |
| Total Current Liabilities            | <u>19,382</u>                                      | <u>161,636</u>  | <u>181,018</u>    |
| Noncurrent Liabilities:              |  |   |                   |
| Notes and Loans Payable (Note 5)     |  | 745,566   | 745,566           |
| Revenue Bonds Payable (Notes 5, 6)   | 2,929,951  | 2,189,769   | 5,119,720         |
| Total Noncurrent Liabilities         | <u>2,929,951</u>                                   | <u>2,935,335</u>  | <u>5,865,286</u>  |
| Total Liabilities                    | <u>2,949,333</u>                                   | <u>3,096,971</u>  | <u>6,046,304</u>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b> |  |   |                   |
| Deferred Inflows of Resources        |  | 1,993   | 1,993             |
| Total Deferred Inflows of Resources  | <u>0</u>   | <u>1,993</u>  | <u>1,993</u>      |
| <b>NET POSITION</b>                  |  |   |                   |
| Net Investment in Capital Assets     | 620,788  |   | 620,788           |
| Restricted for:                      |  |   |                   |
| Debt Service                         | 49,404   |   | 49,404            |
| Other                                | 43,739   | 21,649  | 65,388            |
| Unrestricted                         | (322,264)  | (5,039)   | (327,303)         |
| Total Net Position                   | <u>\$ 391,667</u>                                  | <u>\$ 16,610</u>  | <u>\$ 408,277</u> |

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**Texas Department of Transportation**  
**Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds**  
For the Fiscal Year Ended August 31, 2015 (Amounts in Thousands)

|  | <b>Business-Type Activities - Enterprise Funds*</b> |   |                   |
|--|---|---|-------------------|
|  | <b>Central<br/>Texas<br/>Turnpike</b>               | <b>Grand Parkway<br/>Transportation<br/>Corporation</b> | <b>Totals</b>     |
| <b>OPERATING REVENUES</b>                                |   |   |                   |
| Toll Revenue   | \$ 152,306  | \$ 28,091   | \$ 180,397        |
| Fee Revenue  | 10,952  | 2,432   | 13,384            |
| Total Operating Revenues                                 | <u>163,258</u>                                      | <u>30,523</u>   | <u>193,781</u>    |
| <b>OPERATING EXPENSES</b>                                |   |   |                   |
| Salaries   | 1,163   | 148   | 1,311             |
| Professional Fees and Services                           | 4,942   | 257   | 5,199             |
| Travel   | 9   | 1   | 10                |
| Materials and Supplies                                   | 6,074   | 141   | 6,215             |
| Communication and Utilities                              | 1,301   | 116   | 1,417             |
| Repairs and Maintenance                                  | 6,747   | 715   | 7,462             |
| Contracted Services                                      | 27,557  | 1,460   | 29,017            |
| Advertising  | 2,148   | 84  | 2,232             |
| Depreciation Expense                                     | 53,857  |   | 53,857            |
| Other Operating Expenses                                 | 6,458   | 953   | 7,411             |
| Total Operating Expenses                                 | <u>110,256</u>                                      | <u>3,875</u>  | <u>114,131</u>    |
| Operating Income   | <u>53,002</u>                                       | <u>26,648</u>   | <u>79,650</u>     |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                  |   |   |                   |
| Lease Revenue  | 13  |   | 13                |
| Interest and Investment Income                           | 6,406   | 852   | 7,258             |
| Net Decrease in Fair Value of Investments                | (87)  | (705)   | (792)             |
| Interest Expense and Amortization                        | (125,005)   |   | (125,005)         |
| Bond Issuance Expenses                                   | (10,614)  | 83  | (10,531)          |
| Other Financing Fees                                     | (296)   | (106)   | (402)             |
| Other Nonoperating Expenses                              | (1,829)   |   | (1,829)           |
| Total Nonoperating Revenues (Expenses)                   | <u>(131,412)</u>                                    | <u>124</u>  | <u>(131,288)</u>  |
| Income (Loss) before Capital Contributions and Transfers | <u>(78,410)</u>                                     | <u>26,772</u>   | <u>(51,638)</u>   |
| <b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>               |   |   |                   |
| Capital Contributions                                    | 2,410   |   | 2,410             |
| Transfers In (Note 11)                                   | 1,707   |   | 1,707             |
| Total Capital Contributions and Transfers                | <u>4,117</u>  |   | <u>4,117</u>      |
| Change in Net Position                                   | <u>(74,293)</u>                                     | <u>26,772</u>   | <u>(47,521)</u>   |
| Net Position, September 1, 2014                          | 465,960   | (10,162)  | 455,798           |
| Net Position, August 31, 2015                            | <u>\$ 391,667</u>                                   | <u>\$ 16,610</u>  | <u>\$ 408,277</u> |

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

**Texas Department of Transportation**  
**Statement of Cash Flows - Proprietary Funds**  
For the Fiscal Year Ended August 31, 2015 (Amounts in Thousands)

|  | <b>Business-Type Activities - Enterprise Funds</b> |   |                   |
|--|--|---|-------------------|
|  | <b>Central<br/>Texas<br/>Turnpike<br/>System</b>   | <b>Grand<br/>Parkway<br/>Transportation<br/>Corporation</b> | <b>Totals</b>     |
| <b>Cash Flows from Operating Activities</b>                    |  |   |                   |
| Receipts from Customers  | \$ 158,729   | \$ 28,699   | \$ 187,428        |
| Payments to Suppliers for Goods and Services                   | (54,923)   | (19)  | (54,942)          |
| Payments to Employees  | (1,162)  |   | (1,162)           |
| Net Cash Provided by Operating Activities                      | <u>102,644</u>                                     | <u>28,680</u>   | <u>131,324</u>    |
| <b>Cash Flows from NonCapital Financing Activities</b>         |  |   |                   |
| Proceeds from Transfers from Other Funds                       | 56,133   |   | 56,133            |
| Payments for Issuance Costs                                    |  | (146)   | (146)             |
| Payments for Other Financing Fees                              |  | (5)   | (5)               |
| Payments for Debt Interest                                     |  | (110,975)   | (110,975)         |
| Payments for Intangible Assets                                 |  | (499,043)   | (499,043)         |
| Payments for Transfers to Other Funds                          | (72,365)   |   | (72,365)          |
| Net Cash (Used) from NonCapital Financing Activities           | <u>(16,232)</u>                                    | <u>(610,169)</u>  | <u>(626,401)</u>  |
| <b>Cash Flow from Capital and Related Financing Activities</b> |  |   |                   |
| Proceeds from Lease Revenue                                    | 16   |   | 16                |
| Proceeds from Capital Contributions                            | 200  |   | 200               |
| Proceeds from Debt Issuance, net of issuance costs             | 1,891,231  |   | 1,891,231         |
| Payments for Additions to Land and Roadways                    | (166)  |   | (166)             |
| Payments for Other Financing Costs                             | (10,910)   |   | (10,910)          |
| Payments for Debt Refunding                                    | (1,807,920)  |   | (1,807,920)       |
| Payments for Principal on Debt Principal                       | (8,415)  |   | (8,415)           |
| Payments on Debt Interest                                      | (91,992)   |   | (91,992)          |
| Net Cash (Used) from Capital and Related Financing Activities  | <u>(27,956)</u>                                    | <u>0</u>  | <u>(27,956)</u>   |
| <b>Cash Flow from Investing Activities</b>                     |  |   |                   |
| Proceeds from Sold or Matured Investments                      | 130,589  | 993,251   | 1,123,840         |
| Proceeds from Interest and Investment Income, Net of Fees      | 6,254  | 2,832   | 9,086             |
| Payments for Accrued Interest on Purchase of Investment        |  | (194)   | (194)             |
| Payments to Acquire Investments                                | (130,507)  | (646,049)   | (776,556)         |
| Net Cash Provided from Investing Activities                    | <u>6,336</u>                                       | <u>349,840</u>  | <u>356,176</u>    |
| Net Increase (Decrease) in Cash and Cash Equivalents           | <u>64,792</u>                                      | <u>(231,649)</u>  | <u>(166,857)</u>  |
| Cash and Cash Equivalents- September 1, 2014                   | <u>55,389</u>                                      | <u>452,890</u>  | <u>508,279</u>    |
| Cash and Cash Equivalents – August 31, 2015                    | <u>\$ 120,181</u>                                  | <u>\$ 221,241</u>   | <u>\$ 341,422</u> |

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

**Texas Department of Transportation**  
**Statement of Cash Flows - Proprietary Funds (continued)**  
For the Fiscal Year Ended August 31, 2015 (Amounts in Thousands)

|  | <b>Business-Type Activities - Enterprise Funds</b> |   |                   |
|--|--|---|-------------------|
|  | <b>Central<br/>Texas<br/>Turnpike<br/>System</b>   | <b>Grand<br/>Parkway<br/>Transportation<br/>Corporation</b> | <b>Totals</b>     |
| <b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b> |  |   |                   |
| Operating Income   | \$ 53,002  | \$ 26,648   | \$ 79,650         |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:        |  |   |                   |
| Depreciation Expense   | 53,857   |   | 53,857            |
| Changes in Assets and Liabilities:   |  |   |                   |
| (Increase)Decrease in Accounts Receivable  | (4,529)  | (1,824)   | (6,353)           |
| (Increase)Decrease in Prepaid Expenses   | 314  | (4)   | 310               |
| Increase in Payables for Operating and Maintenance Expense                                     |  | 3,860   | 3,860             |
| Total Adjustments  | <u>49,642</u>                                      | <u>2,032</u>  | <u>51,674</u>     |
| Net Cash Provided by Operating Activities  | <u>\$ 102,644</u>                                  | <u>\$ 28,680</u>  | <u>\$ 131,324</u> |
| <b>Non Cash Transactions</b>   |  |   |                   |
| Capital Contributions from Other Fund  | \$ 2,410   | \$  | \$ 2,410          |
| Donation of Capital Assets to Other Entity   | \$ (1,829)   | \$  | \$ (1,829)        |
| Amortization of Investment Premium/Discount  | \$   | \$ 165  | \$ 165            |
| Net Change in Fair Market Value of Investments   | \$ (87)  | \$ (705)  | \$ (792)          |

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**Texas Department of Transportation**  
**Statement of Fiduciary Net Position**  
August 31, 2015 (Amounts in Thousands)

|                            | <u>AGENCY<br/>FUNDS</u> |
|----------------------------|-------------------------|
| <b>ASSETS</b>              |                         |
| Cash and Cash Equivalents: |                         |
| Cash on Hand               | \$           7          |
| Cash in Bank               | 485                     |
| Cash in State Treasury     | 1,770                   |
| Cash Equivalents           | <u>         37,218</u>  |
| Total Assets               | <u>\$       39,480</u>  |
| <br><b>LIABILITIES</b>     |                         |
| Liabilities:               |                         |
| Funds Held for Others      | <u>         39,480</u>  |
| Total Liabilities          | <u>\$       39,480</u>  |

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

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

|  |    |
|--|----|
| NOTE 1 – Summary of Significant Accounting Policies -----              | 39 |
| NOTE 2 – Capital Assets -----  | 50 |
| NOTE 3 – Deposits, Investments and Repurchase Agreements -----         | 52 |
| NOTE 4 – Short Term Debt -----   | 55 |
| NOTE 5 – Summary of Long-Term Liabilities -----                        | 56 |
| NOTE 6 – Bonded Indebtedness -----                                     | 60 |
| NOTE 7 – Leases -----  | 70 |
| NOTE 8 – Employees’ Retirement Plan -----                              | 71 |
| NOTE 9 – Deferred Compensation -----                                   | 75 |
| NOTE 10 – Postemployment Health Care and Life Insurance Benefits ----- | 76 |
| NOTE 11 – Interfund Activity and Transactions -----                    | 77 |
| NOTE 12 – Continuance Subject to Review -----                          | 80 |
| NOTE 13 – Classification of Fund Balances and Net Position -----       | 81 |
| NOTE 14 – Adjustments to Fund Balances and Net Position -----          | 82 |
| NOTE 15 – Commitments and Contingencies -----                          | 83 |
| NOTE 16 – Subsequent Events -----                                      | 86 |
| NOTE 17 – Risk Management -----  | 87 |
| NOTE 18 – The Financial Reporting Entity -----                         | 88 |
| NOTE 19 – Stewardship, Compliance and Accountability -----             | 89 |
| NOTE 20 – Service Concession Arrangements -----                        | 90 |
| NOTE 21 – Deferred Outflows and Deferred Inflows of Resources -----    | 92 |

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## **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 18 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.

### **GASB Statements Effective for Fiscal Year 2015**

In fiscal 2015 TxDOT adopted GASB No. 68, *Accounting and Financial Reporting for Pension*, which revises existing standards of accounting and financial reporting by state and local governments for pension. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. The Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions are also addressed.

Texas Department of Transportation (TxDOT) participates in the pension plan administered by the Employees Retirement System of Texas Plan (ERS Plan), which is considered a single employer defined benefit plan. TxDOT reports its proportional share of the net pension liability, pension expense, deferred outflows and inflows and required disclosures related to pensions in its annual financial report.

TxDOT also implemented GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*.

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## ***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 for 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 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, and 3) grants and contributions that are restricted to meeting the capital-specific 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 the 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 convert the fund based financial statements to the government-wide financial statements’ governmental activities 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, but is not considered the main operating fund



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for TxDOT. 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 four major governmental funds:

#### State Highway Fund

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. The state highway fund is reported as a special revenue fund.

- State Highway Fund Accounts (Appropriated Fund 0006) – 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, motor fuels taxes, and other oil and gas taxes which are constitutionally restricted and dedicated to the highway fund.
- State Infrastructure Bank (Appropriated 0006) – 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 (Appropriated Fund 0369) – 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 reported as a debt service fund type and a capital projects fund type.

#### 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. The fund is reported as a capital project fund.

#### Local Government Political Subdivision Road/Airport Fund (Appropriated Fund 0927)

This fund holds contributions from counties/political subdivisions for expenditure by the Commission in development/construction of public roads and airports within such counties or political subdivisions. The fund is reported as a capital project fund.

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

General Fund:

TxDOT reports the following accounts, which are consolidated into the general fund for GAAP reporting purposes, but are not considered the main operating fund for TxDOT.

- General Revenue 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.
- 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:

- Transportation Infrastructure Fund (Appropriated Fund 0184) – This fund was established to make grants to counties for transportation infrastructure projects located in areas of the state affected by increased oil and gas production. The sources of the fund include federal funds, matching state funds, funds appropriated by the legislature, gifts, grants, fees, and investment earnings.
- 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.

*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 9999)

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

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## Grand Parkway Transportation Corporation (Appropriated Fund 0899 and 9999)

This fund reports the activity and debt associated with the development of Segments D (Harris County), E, F1, and G of the Grand Parkway 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 reported by TxDOT during fiscal 2015 included the unappropriated general revenue fund, child support deductions suspense account, toll revenue custodial account and the direct deposit correction accounts.

### *Component Units*

The following component units of TxDOT are reported as nonmajor component units: The Grand Parkway Association and Texas Private Activity Bond Surface Transportation Corporation. The Grand Parkway Transportation Corporation is a component unit reported as a major proprietary fund. All component units are presented in TxDOT's financial statements as blended component units. See Note 18 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 measurable 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.

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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 Comprehensive Annual Financial Report (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.

### ***Assets, Deferred Outflows, 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.

### Receivables

The major receivables for TxDOT are federal, taxes and other intergovernmental. Receivables represent amounts due to TxDOT at Aug. 31, 2015, 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.

### Loans and Contracts

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.

| <b>Loans and Contracts</b>               |                             |                                |
|--|-----------------------------|--------------------------------|
| August 31, 2015 (Amounts in Thousands)   |                             |                                |
| <b>Fund</b>                              | <b>Loans<br/>Receivable</b> | <b>Due Within<br/>One Year</b> |
| General Fund                             | \$ 107                      | \$ 20                          |
| Highway Fund - Toll Equity Loans         | 98,995                      | 45,238                         |
| Highway Fund - NTTA                      | 133,785                     | 2,382                          |
| Highway Fund - State Infrastructure Bank | 135,426                     | 7,046                          |
| Governmental Funds Total                 | <u>\$ 368,313</u>           | <u>\$ 54,686</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 of Resources and Deferred Outflows of Resources

In the governmental fund financial statements, revenues that are earned but not expected to be collected within 60 days are not available to liquidate the liabilities of the current period. These revenues are reported as deferred inflows of resources.

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 20 for additional information.

Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred inflow of resources or deferred outflow of resources. The deferred inflows and deferred outflows of resources are amortized and

recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

TxDOT also reports deferred inflows of resources and deferred outflows of resources related to the recognition of TxDOT's share of the state's Net Pension Liability. Reported deferred outflows of resources include plan contributions made subsequent to the Aug. 31, 2014 measurement date, and the unamortized balance resulting from changes in assumptions used to calculate net pension liability. TxDOT reports deferred inflows of resources for the unamortized balance resulting from other changes to the components used to calculate net pension liability. 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, F1, F2, 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 20 for more information about GPTC's SCA with TxDOT.

*Capital Assets*

Capital assets, which include land, infrastructure, furniture, equipment and intangible capital 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, 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.

| <b>Capitalization Thresholds by Class of Asset</b> |                                 |                              |
|--|---------------------------------|------------------------------|
| <b>Classification</b>                              | <b>Capitalization Threshold</b> | <b>Estimated Useful Life</b> |
| Buildings and Building Improvements                | \$ 100,000                      | 5-30 years                   |
| Infrastructure                                     | \$ 500,000                      | 10-50 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                      | 2-10 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

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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 uses the depreciation approach for reporting both highways and highway bridges of the infrastructure assets. Under the depreciation approach, infrastructure assets are depreciated over a 40 year life, and certain preservation costs are capitalized. The capitalization threshold of \$500,000 is used for both highway bridges and roadways.

TxDOT also holds three years of costs in construction in progress at all times. At the fourth year, the first year is moved to depreciable infrastructure. The three year assumption is based on a 2.7 year contract life when using the weighted dollar analysis of project costs and completion dates over the ten year history.

#### *Unearned Revenue*

Unearned revenue is reported when cash or other assets are received prior to being earned.

#### *Service Concession Arrangements (SCA) Up-front Payments*

Prior to fiscal 2015, TxDOT 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 (See Note 20). Under each of these agreements the toll road reverts back to the state at the end of the term or upon certain reimbursement conditions. In the governmental fund financial statements, TxDOT reports up-front payments as other financing sources in the year received. In the government-wide statements, the up-front payments are recorded as a deferred inflow. Revenue is recognized on a straight-line basis over the term of the agreement, beginning when the roadway is placed into operation.

#### *Long-Term Liabilities*

In the government-wide financial statements and proprietary funds financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the applicable governmental activities or business-type activities statement of net position. Long-term liabilities include the net pension liability, 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. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Issuance costs are reported as an expense in the period 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 other financing sources 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

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or taken in the governmental fund financial statements. See Note 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.

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.

When only unrestricted resources are available for use, it is TxDOT’s policy to use committed resources first, then assigned resources and lastly unassigned resources.

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



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## ***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.

On November 4, 2014, Texas voters approved Proposition 1, authorizing a constitutional amendment for transportation funding. Under the amendment, a portion of oil and gas tax revenues that typically go into the Economic Stabilization Fund will be deposited to the State Highway Fund to assist in the completion of transportation construction, maintenance, and rehabilitation projects, not to include toll roads.

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.

Operating revenues of CTTS consist of tolls, net of an increase in allowance for doubtful accounts of \$0.7 million for fiscal 2015, and fees earned by CTTS.

## ***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 on the following pages present the composition of TxDOT’s capital assets, adjustments, reclassifications, additions and deletions during fiscal 2015. 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.

Depreciation and amortization expense was charged to the transportation function in the accompanying Statement of Activities.

| <b>Capital Asset Activity</b>                                    |                             |                                |                     |                    |                              |
|--|-----------------------------|--------------------------------|---------------------|--------------------|------------------------------|
| For the Fiscal Year Ended August 31, 2015 (Amounts in Thousands) |                             |                                |                     |                    |                              |
|  | <b>Balance<br/>9/1/2014</b> | <b>Reclass-<br/>ifications</b> | <b>Additions</b>    | <b>Deletions</b>   | <b>Balance<br/>8/31/2015</b> |
| <b>GOVERNMENTAL ACTIVITIES</b>                                   |                             |                                |                     |                    |                              |
| <b>Non-Depreciable &amp; Non-Amortizable Assets</b>              |                             |                                |                     |                    |                              |
| Land and Land Improvements                                       | \$ 10,424,510               | \$ (467)                       | \$ 749,239          | \$ (8,038)         | \$ 11,165,244                |
| Construction in Progress   | 8,542,266                   | (1,267,593)                    | 4,726,594           |                    | 12,001,267                   |
| Land Use Rights - Permanent                                      | 79,527                      |                                | 12,820              | (17)               | 92,330                       |
| <b>Total Non-Depreciable &amp; Non-Amortizable<br/>Assets</b>    | <b>19,046,303</b>           | <b>(1,268,060)</b>             | <b>5,488,653</b>    | <b>(8,055)</b>     | <b>23,258,841</b>            |
| <b>Depreciable Assets</b>  |                             |                                |                     |                    |                              |
| Buildings and Building Improvements                              | 490,227                     | 13,306                         |                     | (4,633)            | 498,900                      |
| Infrastructure   | 76,280,543                  | 1,239,813                      | 1,469,620           | (13,736)           | 78,976,240                   |
| Furniture and Equipment  | 187,498                     | 661                            | 9,629               | (4,744)            | 193,044                      |
| Vehicles and Aircraft  | 671,443                     | (637)                          | 29,104              | (15,005)           | 684,905                      |
| Other Capital Assets   | 11,544                      |                                |                     |                    | 11,544                       |
| <b>Total Depreciable Assets</b>                                  | <b>77,641,255</b>           | <b>1,253,143</b>               | <b>1,508,353</b>    | <b>(38,118)</b>    | <b>80,364,633</b>            |
| Less Accumulated Depreciation for:                               |                             |                                |                     |                    |                              |
| Buildings and Building Improvements                              | (232,023)                   |                                | (17,111)            | 3,969              | (245,165)                    |
| Infrastructure   | (13,867,792)                |                                | (1,504,347)         | 658                | (15,371,481)                 |
| Furniture and Equipment  | (122,966)                   | (261)                          | (11,935)            | 4,276              | (130,886)                    |
| Vehicles and Aircraft  | (398,344)                   | 531                            | (27,635)            | 12,344             | (413,104)                    |
| Other Capital Assets   | (6,282)                     |                                | (565)               |                    | (6,847)                      |
| <b>Total Accumulated Depreciation</b>                            | <b>(14,627,407)</b>         | <b>270</b>                     | <b>(1,561,593)</b>  | <b>21,247</b>      | <b>(16,167,483)</b>          |
| <b>Depreciable Assets, Net</b>                                   | <b>63,013,848</b>           | <b>1,253,413</b>               | <b>(53,240)</b>     | <b>(16,871)</b>    | <b>64,197,150</b>            |
| <b>Intangible Capital Assets - Amortizable</b>                   |                             |                                |                     |                    |                              |
| Land Use Rights - Term   | 20,798                      |                                | 322                 | (219)              | 20,901                       |
| Computer Software  | 51,072                      | 14,473                         | 735                 | (2,472)            | 63,808                       |
| <b>Total Amortizable Assets</b>                                  | <b>71,870</b>               | <b>14,473</b>                  | <b>1,057</b>        | <b>(2,691)</b>     | <b>84,709</b>                |
| Less Accumulated Amortization for:                               |                             |                                |                     |                    |                              |
| Land Use Rights - Term   | (11,649)                    |                                | (2,732)             | 219                | (14,162)                     |
| Computer Software  | (26,804)                    |                                | (7,418)             | 2,258              | (31,964)                     |
| <b>Total Accumulated Amortization</b>                            | <b>(38,453)</b>             | <b>0</b>                       | <b>(10,150)</b>     | <b>2,477</b>       | <b>(46,126)</b>              |
| <b>Amortizable Assets, Net</b>                                   | <b>33,417</b>               | <b>14,473</b>                  | <b>(9,093)</b>      | <b>(214)</b>       | <b>38,583</b>                |
| <b>Governmental Activities Capital Assets, Net</b>               | <b>\$ 82,093,568</b>        | <b>\$ (174)</b>                | <b>\$ 5,426,320</b> | <b>\$ (25,140)</b> | <b>\$ 87,494,574</b>         |

**Capital Asset Activity (Concluded)**

For the Fiscal Year Ended August 31, 2015 (Amounts in Thousands)

|   | Balance<br>9/1/14 | Reclass-<br>ifications | Additions   | Deletions  | Balance<br>8/31/15 |
|---|-------------------|------------------------|-------------|------------|--------------------|
| <b>BUSINESS TYPE ACTIVITIES</b>                     |                   |                        |             |            |                    |
| <b>Non-Depreciable &amp; Non-Amortizable Assets</b> |                   |                        |             |            |                    |
| Land and Land Improvements                          | \$ 668,634        | \$                     | \$ 174      | \$ (1,829) | \$ 666,979         |
| Construction in Progress                            | 30,379            | (8,177)                | 2,403       |            | 24,605             |
| Land Use Rights - Permanent                         | 19,466            |                        |             |            | 19,466             |
| Total Non-Depreciable & Non-Amortizable<br>Assets   | 718,479           | (8,177)                | 2,577       | (1,829)    | 711,050            |
| <b>Depreciable Assets</b>                           |                   |                        |             |            |                    |
| Buildings and Building Improvements                 | 8,360             |                        |             |            | 8,360              |
| Infrastructure                                      | 2,250,982         | 8,177                  |             |            | 2,259,159          |
| Total Depreciable Assets                            | 2,259,342         | 8,177                  | 0           | 0          | 2,267,519          |
| Less Accumulated Depreciation for:                  |                   |                        |             |            |                    |
| Buildings and Building Improvements                 | (3,035)           |                        | (361)       |            | (3,396)            |
| Infrastructure                                      | (172,620)         |                        | (53,496)    |            | (226,116)          |
| Total Accumulated Depreciation                      | (175,655)         | 0                      | (53,857)    | 0          | (229,512)          |
| Depreciable Assets, Net                             | 2,083,687         | 8,177                  | (53,857)    | 0          | 2,038,007          |
| Business-Type Activities Capital Assets, Net        | \$ 2,802,166      | \$ 0                   | \$ (51,280) | \$ (1,829) | \$ 2,749,057       |

**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.

**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.

| <b>Cash In Bank – Carrying Amount</b>                                |                  |
|--|------------------|
| August 31, 2015 (Amounts in Thousands)                               |                  |
| <u>Governmental Activities</u>                                       |                  |
| Governmental Funds Current Assets Cash in Bank – Depository Accounts | \$ 486           |
| Cash in Bank – Carrying Amount                                       | <u>\$ 486</u>    |
| <u>Fiduciary Funds</u>   |                  |
| Fiduciary Fund Current Assets Cash in Bank – Depository Accounts     | \$ 485           |
| Fiduciary Fund Current Assets Cash in Bank – Sweep Account           | 37,218           |
| Cash in Bank – Carrying Amount                                       | <u>\$ 37,703</u> |

**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 excluding fiduciary funds 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, 2015, 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 deposits in the state treasury totaled \$6.5 billion at Aug. 31, 2015.

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 2015. 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, 2015, the fair value of TxDOT's investments and maturities are as presented below:

| <b>Investment Fair Values</b>          |                       |                   |                     |
|--|-----------------------|-------------------|---------------------|
| August 31, 2015 (Amounts in Thousands) |                       |                   |                     |
| <b>Business Type Activities</b>        |                       |                   |                     |
| Investment Type                        | Maturities (in Years) |                   | Fair Value          |
|  | Less than 1           | 1 Yr. or More     | Total               |
| Money Market Mutual Funds              | \$ 216,187            | \$                | \$ 216,187          |
| Government Securities                  | 74,983                | 331,782           | 406,765             |
| Government Sponsored Entities          | 297,837               | 184,736           | 482,573             |
| Government Investment Pools            | 326,365               |                   | 326,365             |
| Repurchase Agreements                  |                       | 114,999           | 114,999             |
| <b>Total</b>                           | <b>\$ 915,372</b>     | <b>\$ 631,517</b> | <b>\$ 1,546,889</b> |

*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 shall be conducted on a delivery-versus-payment (DVP) basis, and shall be protected through the use of a third-party custodian/safekeeping agent, which may be a Trustee.

As of Aug. 31, 2015, 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. Citigroup Global Markets Inc. is rated Baa1, A and A+ as of Aug. 31, 2015 by Moody's, Standard and Poor's (S & P) 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, 2015, TxDOT's and GPTC's investments had the following ratings.

| <b>Investment Credit Ratings</b>             |                     |                       |               |              |
|--|---------------------|-----------------------|---------------|--------------|
| August 31, 2015 (Amounts in Thousands)       |                     |                       |               |              |
| <b>Business-Type Activities</b>              |                     |                       |               |              |
| <b>Investment Type</b>                       | <b>Fair Value</b>   | <b>Standard &amp;</b> |               |              |
|  |                     | <b>Moody's</b>        | <b>Poor's</b> | <b>Fitch</b> |
| <b>Money Market Mutual Funds</b>             |                     |                       |               |              |
| JPMorgan US Government MMKT                  | \$ 61,512           | Aaa-mf                | NR            | AAAmmf       |
| First American Government Obligations Fund   | 12,490              | Aaa-mf                | AAAm          | AAAmmf       |
| Morgan Stanley Institutional Liquidity Funds | 125,325             | Aaa-mf                | AAAm          | NR           |
| Fidelity Intuitional Money Market Government | 14,554              | Aaa-mf                | AAAm          | NR           |
| Goldman Sachs Financial Square Government    | 2,306               | Aaa-mf                | AAAm          |              |
| <b>Government Sponsored Entities</b>         |                     |                       |               |              |
| Federal Home Loan Banks                      | 281,864             | Aaa                   | AA+           | AAA          |
| Federal National Mortgage Association        | 67,796              | Aaa                   | AA+           | AAA          |
| Federal Home Loan Mortgage Corporation       | 77,919              | Aaa                   | AA+           | AAA          |
| Federal Farm Credit Banks                    | 54,994              | Aaa                   | AA+           | AAA          |
| U.S. Treasury Securities                     | 406,765             | Aaa                   | AA+           | AAA          |
| <b>Government Investment Pools</b>           |                     |                       |               |              |
| Lone Star                                    | 77,200              | NR                    | AAAm          | NR           |
| TexPool                                      | 162,090             | NR                    | AAAm          | NR           |
| TexPool Prime                                | 87,075              | NR                    | AAAm          | NR           |
| Repurchase Agreement                         | 114,999             | Baa1                  | A             | A+           |
| <b>Total</b>                                 | <u>\$ 1,546,889</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, 2015, the following investments exceeded 5 percent of the total portfolio: Morgan Stanley Institutional Liquidity Funds, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, U.S. Treasuries, TexPool, Texpool Prime and the repurchase agreement with Citigroup Global Markets Inc.

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

*Interest Rate Risk*

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 – SHORT-TERM DEBT**

***Short-Term Debt***

The Commission has outstanding notes with Wells Fargo Bank, National Association and Citibank, N.A. The notes have a variable interest rate and the rates in effect at Aug. 31, 2015 were 0.42% and 0.27%, respectively. This program is used to carry out functions of the Department and is used primarily as a cash management operation in the State Highway Fund. Short-term debt for the fiscal year ended Aug. 31, 2015, is presented in the table below:

| <b>Governmental Activities<br/>(Amounts in Thousands)</b> | <b>Beginning<br/>Balance<br/>09/01/2014</b> | <b>Increases</b> | <b>Decreases</b> | <b>Ending Balance<br/>08/31/2015</b> |
|---|---|------------------|------------------|--------------------------------------|
| Flexible Rate Revolving Notes                             | \$ 150,000                                  | \$ 725,000       | \$ 525,000       | \$ 350,000                           |

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

**Long-Term Liabilities**

Long-term liabilities for fiscal 2015 are presented in the table below:

| <b>Long-Term Liabilities Activity</b>                            |   |                     |                       |                     |                                      |  |                                   |
|--|---|---------------------|-----------------------|---------------------|--------------------------------------|--|-----------------------------------|
| For the Fiscal Year Ended August 31, 2015 (Amounts in Thousands) |   |                     |                       |                     |                                      |  |                                   |
| <b>Primary Government</b>  | <b>Beginning Balance<br/>09/01/2014</b> | <b>Additions**</b>  | <b>Reductions</b>     | <b>Adjustments*</b> | <b>Ending Balance<br/>08/31/2015</b> | <b>Amounts Due<br/>Within<br/>One Year</b> | <b>Amounts Due<br/>Thereafter</b> |
| <b>Governmental Activities</b>                                   |   |                     |                       |                     |                                      |  |                                   |
| Compensable Leave  | \$ 78,722                               | \$ 103,034          | \$ (101,870)          | \$                  | \$ 79,886                            | \$ 66,291                                  | \$ 13,595                         |
| General Obligation Bonds   | 7,867,807                               | 3,090,160           | (1,161,615)           | 391,109             | 10,187,461                           | 185,341                                    | 10,002,120                        |
| Revenue Bonds  | 4,537,928                               | 781,080             | (980,500)             | 57,780              | 4,396,288                            | 172,727                                    | 4,223,561                         |
| Pollution Remediation Obligations                                | 3,680                                   | 11,572              | (9,635)               |                     | 5,617                                | 5,277                                      | 340                               |
| Pass Through Tolls Payable                                       | 1,209,274                               | 82,880              | (111,696)             |                     | 1,180,458                            | 176,740                                    | 1,003,718                         |
| Contracts Payable  | 881                                     | 1,686               |                       |                     | 2,567                                |  | 2,567                             |
| Governmental Activities - Long-Term Liabilities                  | <u>\$ 13,698,292</u>                    | <u>\$ 4,070,412</u> | <u>\$ (2,365,316)</u> | <u>\$ 448,889</u>   | <u>\$ 15,852,277</u>                 | <u>\$ 606,376</u>                          | <u>\$ 15,245,901</u>              |
| <b>Business Type Activities</b>                                  |   |                     |                       |                     |                                      |  |                                   |
| Revenue Bonds Payable  | \$ 3,874,970                            | \$ 1,726,475        | \$ (674,573)          | \$ 206,430          | \$ 5,133,302                         | \$ 13,582                                  | \$ 5,119,720                      |
| Notes and Loans Payable  | 1,877,136                               | 5,604               | (1,112,974)           | (12,100)            | 757,666                              | 12,100                                     | 745,566                           |
| Business-Type Activities - Long-Term Liabilities                 | <u>\$ 5,752,106</u>                     | <u>\$ 1,732,079</u> | <u>\$ (1,787,547)</u> | <u>\$ 194,330</u>   | <u>\$ 5,890,968</u>                  | <u>\$ 25,682</u>                           | <u>\$ 5,865,286</u>               |
| * Includes current year amortization of premiums and discounts.  |   |                     |                       |                     |                                      |  |                                   |
| **Includes current year amortization of accretion.               |   |                     |                       |                     |                                      |  |                                   |

For long-term liabilities other than debt related to governmental activities, the State Highway Fund typically is used to liquidate liabilities in prior years.

**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 current portion on 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 a current liability. No liability is recorded for non-vesting accumulating rights to receive sick leave benefits.

**Notes and Loans Payable**

As of Aug. 31, 2015, one type of note payable is active. The purpose and the source of debt service for the note payable balance are summarized below.

**Bond Anticipation Notes**

The Grand Parkway Transportation Corporation issued a refunding bond anticipation note for the purpose of providing funds to refund a portion of the outstanding debt payable from toll and other revenues of the Corporation. As of Aug. 31, 2015, the note’s debt service requirements are as follows.

| <b>BANs – Debt Service Requirements</b> |                  |                  |              |
|---|------------------|------------------|--------------|
| <i>(Amounts in Thousands)</i>           |                  |                  |              |
| <b>Business-Type Activities</b>         |                  |                  |              |
| <b>Year</b>                             | <b>Principal</b> | <b>Interest*</b> | <b>Total</b> |
| 2016                                    | \$               | \$ 22,004        | \$ 22,004    |
| 2017                                    | 733,465          | 15,525           | 748,990      |
| Total                                   | 733,465          | 37,529           | 770,994      |
| Unamortized Premium                     | 24,201           |                  | 24,201       |
| Total Requirements                      | \$ 757,666       | \$ 37,529        | \$ 795,195   |

\* Fixed interest rate at 3.000 percent.

**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, 2015, 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, 2015 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.

| <b>Pass-Through Tolls Payable - Debt Service Requirements</b> |    |                   |
|---|----|-------------------|
| (Amounts in Thousands)  |    |                   |
| <b>Governmental Activities</b>                                |    |                   |
| <b>Year</b>   |    | <b>Principal*</b> |
| 2016  | \$ | 176,740           |
| 2017  |    | 184,184           |
| 2018  |    | 177,495           |
| 2019  |    | 177,346           |
| 2020  |    | 169,467           |
| 2021-2025   |    | 491,023           |
| 2026-2030   |    | 8,440             |
| Total **  |    | 1,384,695         |
| Unrealized Payable  |    | (204,237)         |
| Total Requirements  | \$ | 1,180,458         |

\* There is no interest component to the pass-through toll reimbursements.  
\*\* This projection assumes the Commission'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, 2015, 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.

| <b>Contracts Payable – Debt Service Requirements</b> |    |                   |
|--|----|-------------------|
| (Amounts in Thousands)                               |    |                   |
| <b>Governmental Activities</b>                       |    |                   |
| <b>Year</b>  |    | <b>Principal*</b> |
| 2016   | \$ |                   |
| 2017   |    | 4,000             |
| 2018   |    | 4,000             |
| 2019   |    | 4,000             |
| 2020   |    | 4,000             |
| 2021-2025  |    | 20,000            |
| 2026   |    | 4,000             |
| Total *  |    | 40,000            |
| Unrealized Payable                                   |    | (37,433)          |
| Total Requirements                                   | \$ | 2,567             |

\*There is no 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 below details the various compliance requirements under which TxDOT is incurring pollution remediation costs and is recording a pollution remediation liability.

| <b>Pollution Remediation Obligations - Disaggregation of Total Liability</b> |                 |
|--|-----------------|
| As of August 31, 2015 (Amounts in Thousands)                                 |                 |
| <b>Governmental Activities</b>   |                 |
| Comply with Federal and State Asbestos Requirements                          | \$ 4,691        |
| Comply with Federal and State OSHA requirements for lead based paint         | 137             |
| Comply with Federal Safe Drinking Water Act requirements                     | 460             |
| Comply with state Leaking Petroleum Storage Tank (LPST) cleanup requirements | 329             |
| <b>Total</b>   | <b>\$ 5,617</b> |

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 6 – 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, 2015, the Commission had 28 bond issues outstanding. The Texas Private Activity Bond Surface Transportation Corporation (TxPABST), a blended component unit of TxDOT, had three conduit debt bond issues outstanding as of Aug. 31, 2015. The Grand Parkway Transportation Corporation (GPTC), another blended component unit of TxDOT, had five revenue bond issuances outstanding as of Aug. 31, 2015. 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.

| <b>Miscellaneous Bond Information</b>    |                      |             |                         |       |            |           |                 |  |
|--|----------------------|-------------|-------------------------|-------|------------|-----------|-----------------|--|
| (Amounts in Thousands)                   |                      |             |                         |       |            |           |                 |  |
| Description of Issue                     | Bonds Issued to Date | Date Issued | Range of Interest Rates |       | Maturities |           |                 |  |
|  |                      |             |                         |       | First Year | Last Year | First Call Date |  |
| <b>GOVERNMENTAL ACTIVITIES</b>           |                      |             |                         |       |            |           |                 |  |
| <b>General Obligation Bonds</b>          |                      |             |                         |       |            |           |                 |  |
| <b>Texas Mobility Fund</b>               |                      |             |                         |       |            |           |                 |  |
| Series 2005-A Fixed Rate Bonds           | \$ 900,000           | 6/8/2005    | 3.90%                   | 5.00% | 2006       | 2035      | 4/1/2015        |  |
| Series 2005-B Variable Rate Bonds        | 100,000              | 6/8/2005    | variable                |       | 2006       | 2030      | *               |  |
| Series 2006 Fixed Rate Bonds             | 750,000              | 6/8/2006    | 3.63%                   | 5.00% | 2007       | 2036      | 4/1/2016        |  |
| Series 2006-A Fixed Rate Bonds           | 1,040,275            | 10/31/2006  | 4.00%                   | 5.00% | 2007       | 2035      | 4/1/2017        |  |
| Series 2006-B Variable Rate Bonds        | 150,000              | 12/13/2006  | variable                |       | 2036       | 2036      | *               |  |
| Series 2007 Fixed Rate Bonds             | 1,006,330            | 6/21/2007   | 4.00%                   | 5.00% | 2008       | 2037      | 4/1/2017        |  |
| Series 2008 Fixed Rate Bonds             | 1,100,000            | 2/28/2008   | 4.00%                   | 5.00% | 2009       | 2037      | 4/1/2018        |  |
| Series 2009-A Taxable Fixed Rate Bonds   | 1,208,495            | 8/26/2009   | 5.37%                   | 5.52% | 2029       | 2039      | *               |  |
| Series 2014 Fixed Rate Refunding Bonds   | 973,775              | 7/2/2014    | 4.00%                   | 5.00% | 2016       | 2034      | 4/1/2024        |  |
| Series 2014-A Fixed Rate Refunding Bonds | 1,580,160            | 12/18/2014  | 4.00%                   | 5.00% | 2017       | 2044      | 10/1/2024       |  |
| Series 2014-B SIFMA Bonds                | 250,000              | 12/18/2014  | variable                |       | 2040       | 2041      | 4/1/2018        |  |
| <b>Texas Highway Improvement</b>         |                      |             |                         |       |            |           |                 |  |
| Series 2010-A Taxable Fixed Rate Bonds   | 815,420              | 9/29/2010   | 3.20%                   | 4.68% | 2019       | 2040      | *               |  |
| Series 2010-B Fixed Rate Bonds           | 162,390              | 9/29/2010   | 2.00%                   | 5.00% | 2012       | 2018      | n/a             |  |
| Series 2012-A Fixed Rate Bonds           | 818,635              | 12/18/2012  | 5.00%                   | 5.00% | 2019       | 2042      | 4/1/2022        |  |
| Series 2012-B Taxable Fixed Rate Bonds   | 99,570               | 12/18/2012  | 0.30%                   | 1.50% | 2014       | 2019      | n/a             |  |
| Series 2014 Fixed Rate Bonds             | 1,260,000            | 10/15/2014  | 2.00%                   | 5.00% | 2015       | 2044      | 4/1/2024        |  |
| <b>Revenue Bonds</b>                     |                      |             |                         |       |            |           |                 |  |
| <b>State Highway Fund</b>                |                      |             |                         |       |            |           |                 |  |
| Series 2006 Fixed Rate Bonds             | 600,000              | 5/3/2006    | 4.00%                   | 5.00% | 2007       | 2026      | 4/1/2016        |  |
| Series 2006-A Fixed Rate Bonds           | 852,550              | 11/21/2006  | 4.00%                   | 5.25% | 2008       | 2025      | 4/1/2016        |  |
| Series 2006-B Variable Rate Bonds        | 100,000              | 11/8/2006   | variable                |       | 2026       | 2026      | *               |  |
| Series 2007 Fixed Rate Bonds             | 1,241,845            | 10/25/2007  | 4.00%                   | 5.00% | 2009       | 2027      | 4/1/2017        |  |
| Series 2008 Fixed Rate Bonds             | 162,995              | 8/19/2008   | 3.50%                   | 5.25% | 2010       | 2028      | 4/1/2018        |  |
| Series 2010 Taxable Fixed Rate Bonds     | 1,500,000            | 8/5/2010    | 5.03%                   | 5.18% | 2026       | 2030      | *               |  |
| Series 2014-A Fixed Rate Refunding Bonds | 1,157,795            | 4/2/2014    | 4.75%                   | 5.00% | 2017       | 2034      | 4/1/2024        |  |
| Series 2014-B SIFMA Bonds                | 300,000              | 4/2/2014    | variable                |       | 2032       | 2032      | 10/1/2016       |  |
| Series 2015 Revenue Refunding Bonds      | 781,080              | 7/22/2015   | 3.00%                   | 5.00% | 2017       | 2026      | n/a             |  |
| Governmental Activities Total            | \$ 18,911,315        |             |                         |       |            |           |                 |  |

| Miscellaneous Bond Information (Concluded)            |                      |             |                         |          |            |           |                 |  |
|---|----------------------|-------------|-------------------------|----------|------------|-----------|-----------------|--|
| (Amounts in Thousands)                                |                      |             |                         |          |            |           |                 |  |
| Description of Issue                                  | Bonds Issued to Date | Date Issued | Range of Interest Rates |          | Maturities |           |                 |  |
|   |                      |             |                         |          | First Year | Last Year | First Call Date |  |
| <b>BUSINESS-TYPE ACTIVITIES</b>                       |                      |             |                         |          |            |           |                 |  |
| <b>Revenue Bonds</b>                                  |                      |             |                         |          |            |           |                 |  |
| <b>Central Texas Turnpike Authority</b>               |                      |             |                         |          |            |           |                 |  |
| First Tier Revenue Bonds Series 2002-A                |                      |             |                         |          |            |           |                 |  |
| Non-Callable Capital Appreciation Bonds               | \$ 575,969           | 8/29/2002   | 4.47%                   | 5.75%    | 2012       | 2030      | n/a             |  |
| Callable Capital Appreciation Bonds                   | 325,494              | 8/29/2002   | 6.00%                   | 6.10%    | 2025       | 2038      | 8/15/2012       |  |
| First Tier Revenue Refunding Bonds, Series 2012-A     | 585,330              | 11/27/2012  | 4.00%                   | 5.00%    | 2038       | 2041      | 8/15/2022       |  |
| First Tier Revenue Refunding Put Bonds, Series 2012-B | 225,000              | 11/27/2012  | 1.25%                   | 1.25%    | 2042       | 2042      | 2/15/2015       |  |
| First Tier Revenue Refunding Put Bonds, Series 2015-A | 225,000              | 2/4/2015    | 5.00%                   | 5.00%    | 2041       | 2042      | 4/1/2020        |  |
| First Tier Revenue Refunding Bonds, Series 2015-B     | 198,025              | 2/4/2015    | 5.00%                   | 5.00%    | 2032       | 2037      | 8/15/2024       |  |
| First Tier Revenue Refunding Bonds, Series 2015-B     | 94,952               | 2/4/2015    | 4.36%                   | 4.38%    | 2036       | 2037      | 8/15/2024       |  |
| Second Tier Revenue Refunding Bonds, Series 2015-C    | 1,157,320            | 2/4/2015    | 5.00%                   | 5.00%    | 2022       | 2042      | 8/15/2024       |  |
| <b>Grand Parkway Transportation Corporation</b>       |                      |             |                         |          |            |           |                 |  |
| First Tier Revenue Bonds, Series 2013-A               | 200,000              | 8/1/2013    | 5.13%                   | 5.50%    | 2031       | 2053      | 10/1/2023       |  |
| Subordinate Tier Toll Revenue Bonds, Series 2013-B    |                      |             |                         |          |            |           |                 |  |
| Convertible Capital Appreciation Bonds                | 311,241              | 8/1/2013    | 4.95%                   | 5.85%    | 2029       | 2048      | 10/1/2028       |  |
| Current Interest Bonds                                | 1,137,935            | 8/1/2013    | 5.00%                   | 5.25%    | 2048       | 2053      | 10/1/2023       |  |
| Subordinate Tier Toll Revenue Bonds, Series 2013-E    | 361,810              | 8/1/2013    | 5.18%                   | 5.18%    | 2036       | 2042      | *               |  |
| Subordinate Tier Toll Revenue Bonds, Series 2014-B    | 83,550               | 2/13/2014   |                         | variable | 2016       | 2016      | *               |  |
| Subordinate Tier Toll Revenue Bonds, Series 2014-C    | 107,180              | 2/13/2014   |                         | variable | 2016       | 2016      | *               |  |
| Business-Type Activities Total                        | 5,588,806            |             |                         |          |            |           |                 |  |
| Total   | \$ 24,500,121        |             |                         |          |            |           |                 |  |

\* 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, 2015 (Amounts in Thousands) |                              |              |                |                          |                                |                              |                     |
| Description  | Bonds Outstanding 08/31/2014 | Adjustments* | Bonds Issued** | Bonds Matured or Retired | Bonds Refunded or Extinguished | Bonds Outstanding 08/31/2015 | Due Within One Year |
| <b>Governmental Activities</b>                                   |                              |              |                |                          |                                |                              |                     |
| General Obligation Bonds   | \$ 7,867,807                 | \$ 391,109   | \$ 3,090,160   | \$ (145,635)             | \$ (1,015,980)                 | \$ 10,187,461                | \$ 185,341          |
| Revenue Bonds  | 4,537,928                    | 57,780       | 781,080        | (132,200)                | (848,300)                      | 4,396,288                    | 172,727             |
| Total Governmental Activities                                    | 12,405,735                   | 448,889      | 3,871,240      | (277,835)                | (1,864,280)                    | 14,583,749                   | 358,068             |
| <b>Business-Type Activities</b>                                  |                              |              |                |                          |                                |                              |                     |
| Revenue Bonds  | 3,874,970                    | 206,430      | 1,726,475      | (8,415)                  | (666,158)                      | 5,133,302                    | 13,582              |
| Total  | \$ 16,280,705                | \$ 655,319   | \$ 5,597,715   | \$ (286,250)             | \$ (2,530,438)                 | \$ 19,717,051                | \$ 371,650          |

\*Includes current year amortization of premiums and discounts.

\*\* Includes current year amortization of 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, 2015, two general obligation bond programs are active. All general obligation bond issuances must be approved by the Texas Bond Review Board prior to issuance. The purpose and the sources of debt service for each program are summarized as follows.

**Texas Mobility Fund General Obligation Bond Program**

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, 2015, major sources of pledged revenue to the Mobility Fund include driver license fees, motor vehicle inspection fees, motor vehicle certificate fees and driver record information fees.

The issuance of Mobility Fund bonds is subject to debt service coverage requirements. 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. Subject to the debt service coverage requirement, the Mobility Fund constitutional provision does not limit the amount of obligations that may be issued under the program. The Mobility Fund program is currently established in the aggregate principal amount of \$7.5 billion outstanding at any one time. House Bill 122, which was enacted during the regular session of the 84<sup>th</sup> Legislature and became effective on June 10, 2015, amends the authority to provide that no additional program obligations may be issued or incurred after Jan. 1, 2015, except for obligations issued to refund outstanding obligations to provide savings or to renew or replace credit agreements relating to outstanding variable rate obligations. Additionally, HB 122 provides that money in the Mobility Fund, in excess of amounts required by the proceedings authorizing obligations and credit agreements to be retained on deposit, may not be used for toll roads.

Bond proceeds are to be used for the purpose of refunding existing bonds, creating reserves for payment of bonds, paying bond issuance costs and paying interest on the bonds.

**Texas Highway Improvement General Obligation Bond Program (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 improvement projects including construction, reconstruction, design, the acquisition of right-of-way, the costs of administering the highway improvement projects and the costs of issuing the bonds. These bonds are not self-supporting and are considered a general obligation of the state of Texas. As of Aug. 31, 2015, the Commission is authorized but has not issued approximately \$1.4 billion of remaining bond authority under the Texas highway improvement general obligation bond program.

| <b>Debt Service Requirements – Governmental Activities</b> |                  |                          |                 |                         |                             |
|--|------------------|--------------------------|-----------------|-------------------------|-----------------------------|
| <b>General Obligation Bonds (Amounts in Thousands)</b>     |                  |                          |                 |                         |                             |
| <b>Year</b>  | <b>Principal</b> |                          | <b>Interest</b> |                         | <b>Total</b>                |
| 2016   | \$               | 133,175                  | \$              | 439,197                 | \$ 572,372                  |
| 2017   |                  | 147,820                  |                 | 432,799                 | 580,619                     |
| 2018   |                  | 155,525                  |                 | 425,873                 | 581,398                     |
| 2019   |                  | 173,635                  |                 | 418,645                 | 592,280                     |
| 2020   |                  | 186,665                  |                 | 410,522                 | 597,187                     |
| 2021-2025  |                  | 1,162,920                |                 | 1,900,053               | 3,062,973                   |
| 2026-2030  |                  | 1,629,600                |                 | 1,569,280               | 3,198,880                   |
| 2031-2035  |                  | 2,196,690                |                 | 1,128,966               | 3,325,656                   |
| 2036-2040  |                  | 2,560,580                |                 | 567,470                 | 3,128,050                   |
| 2041-2045  |                  | 1,045,285                |                 | 113,669                 | 1,158,954                   |
|  |                  | <u>9,391,895</u>         |                 | <u>7,406,474</u>        | <u>16,798,369</u>           |
| Premium  |                  | 795,566                  |                 |                         | 795,566                     |
| <b>Total</b>   | <b>\$</b>        | <b><u>10,187,461</u></b> | <b>\$</b>       | <b><u>7,406,474</u></b> | <b>\$ <u>17,593,935</u></b> |

**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 Revenue Bond Program (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, 2015, the Commission is authorized but has not issued approximately \$700 million of remaining bond authority under the state highway fund revenue bond program.

| <b>Debt Service Requirements – Governmental Activities</b> |                            |                            |                            |
|--|----------------------------|----------------------------|----------------------------|
| <b>Revenue Bonds (Amounts in Thousands)</b>                |                            |                            |                            |
|  | <b>State Highway Fund</b>  |                            |                            |
| <b>Year</b>  | <b>Principal</b>           | <b>Interest</b>            | <b>Total</b>               |
| 2016   | \$ 138,510                 | \$ 175,392                 | \$ 313,902                 |
| 2017   | 145,195                    | 180,188                    | 325,383                    |
| 2018   | 150,365                    | 172,245                    | 322,610                    |
| 2019   | 157,175                    | 165,432                    | 322,607                    |
| 2020   | 164,750                    | 157,851                    | 322,601                    |
| 2021-2025  | 1,156,575                  | 644,964                    | 1,801,539                  |
| 2026-2030  | 1,539,910                  | 339,855                    | 1,879,765                  |
| 2031-2035  | 658,625                    | 61,656                     | 720,281                    |
|  | <u>4,111,105</u>           | <u>1,897,583</u>           | <u>6,008,688</u>           |
| Premium  | 285,183                    |                            | 285,183                    |
| <b>Total</b>   | <b>\$ <u>4,396,288</u></b> | <b>\$ <u>1,897,583</u></b> | <b>\$ <u>6,293,871</u></b> |

*Central Texas Turnpike System*

Transportation Code, Chapter 228 Subchapter C authorizes 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 and second, as applicable, 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; nor 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 authorizes 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 Commission; nor any other agency or political subdivision of the state, is obligated to pay the debt service on the GPTC bonds.

| <b>Debt Service Requirements – Business-Type Activities</b> |                            |                            |                             |
|---|----------------------------|----------------------------|-----------------------------|
| <b>Revenue Bonds (Amounts in Thousands)</b>                 |                            |                            |                             |
| Year  | Principal                  | Interest                   | Total                       |
| 2016  | \$ 1,745                   | \$ 196,078                 | \$ 197,823                  |
| 2017  | 198,615                    | 195,283                    | 393,898                     |
| 2018  | 14,225                     | 194,963                    | 209,188                     |
| 2019  | 20,365                     | 194,963                    | 215,328                     |
| 2020  | 26,715                     | 194,963                    | 221,678                     |
| 2021-2025   | 272,180                    | 1,015,151                  | 1,287,331                   |
| 2026-2030   | 522,725                    | 1,100,289                  | 1,623,014                   |
| 2031-2035   | 837,565                    | 1,011,475                  | 1,849,040                   |
| 2036-2040   | 1,333,985                  | 788,226                    | 2,122,211                   |
| 2041-2045   | 787,890                    | 480,311                    | 1,268,201                   |
| 2046-2050   | 430,825                    | 343,427                    | 774,252                     |
| 2051-2053   | 1,105,570                  | 97,364                     | 1,202,934                   |
|   | <u>5,552,405</u>           | <u>5,812,493</u>           | <u>11,364,898</u>           |
| Accretion   | (660,542)                  |                            | (660,542)                   |
| Premium   | 259,928                    |                            | 259,928                     |
| Discount  | (18,489)                   |                            | (18,489)                    |
| <b>Total</b>  | <b>\$ <u>5,133,302</u></b> | <b>\$ <u>5,812,493</u></b> | <b>\$ <u>10,945,795</u></b> |

***Pledged Future Revenues***

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

| <b>Pledged Future Revenue</b><br>(Amounts in Thousands) | <b>Governmental Activities</b> |                      | <b>Business-Type Activities</b> |                       |
|---|--------------------------------|----------------------|---------------------------------|-----------------------|
|   | <b>Texas Mobility</b>          | <b>State Highway</b> | <b>Central Texas</b>            | <b>Grand Parkway</b>  |
|   | <b>Fund General</b>            | <b>Fund Revenue</b>  | <b>Turnpike</b>                 | <b>Transportation</b> |
|   | <b>Obligation Bonds</b>        | <b>Bonds</b>         | <b>System</b>                   | <b>Corporation</b>    |
| Principal and Interest on Existing Bonds                | \$ 11,594,220                  | \$ 6,008,688         | \$ 5,511,926                    | \$ 5,852,972          |
| Term of Commitment Year Ending Aug. 31                  | 2045                           | 2034                 | 2042                            | 2053                  |
| Percentage of Revenue Pledged                           | 100%                           | 100%                 | 99.86%                          | 98.43%                |
| Current Year Pledged Revenue                            | \$ 391,115                     | \$ 7,426,916         | \$ 169,438                      | \$ 32,344             |
| Current Year Principal and Interest Paid                | \$ 320,545                     | \$ 330,509           | \$ 79,778                       | \$ 88,991             |

***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 7.3 percent effective Oct. 1, 2014 through Sept. 30, 2015 for BAB subsidy payments paid in federal fiscal year 2015. See the table below for details on the Commission’s Direct Payment BABs outstanding at Aug. 31, 2015.



| <b>Direct Payment Build America Bonds</b> (Amounts in Thousands) |                   |                     |                     |
|--|-------------------|---------------------|---------------------|
|  | <u>Issue Date</u> | <u>Par Amount</u>   | <u>Outstanding</u>  |
| <b>Governmental Activities</b>                                   |                   |                     |                     |
| 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           |
| <b>Governmental Activities Total</b>                             |                   | <b>\$ 3,523,915</b> | <b>\$ 3,523,915</b> |

### ***Variable Rate Bonds***

The Commission and GPTC have six variable rate bond issues outstanding at Aug. 31, 2015. The interest rates in effect as of Aug. 31, 2015 for the Texas Mobility Fund Series 2006-B, Texas Mobility Fund Series 2014-B, State Highway Fund Series 2006-B, State Highway Fund Series 2014-B used to calculate the debt service requirements were 0.01, 0.40, 0.25 and 0.37 percent, respectively. These rates reset every seven days. The Central Texas Turnpike System Series 2015-A put bonds debt service was calculated based upon the initial 5 percent interest rate, which expires Apr. 1, 2020. The interest rates in effect as of Aug. 31, 2015 for the GPTC Series 2014-B and 2014-C used to calculate the interest debt service were 0.44 and 0.68 percent, respectively. These rates reset on the first business day of each month.

### ***Put Bonds***

The Commission has three put bond issues outstanding. The Texas Mobility Fund Series 2014-B and the State Highway Fund Series 2014-B bonds were issued in an initial index floating rate mode and the Central Texas Turnpike System Series 2015-A bonds were issued in a multiannual mode, all of which terminate on mandatory tender dates. At the termination of the initial 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 has 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 to purchase the bonds on the mandatory tender date is subject to the successful remarketing of such bonds. The Commission has 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.

| Put Bonds (Amounts in Thousands)            |                       |                   |                         |                     |                                 |
|---|-----------------------|-------------------|-------------------------|---------------------|---------------------------------|
| Description of Issue                        | Mandatory Tender Date | Initial Rate      | Initial Period Interest | Stepped Coupon Rate | Stepped Rate Period Interest*** |
| Governmental Activities                     |                       |                   |                         |                     |                                 |
| General Obligation Bonds                    |                       |                   |                         |                     |                                 |
| Texas Mobility Fund, Series 2014-B          | 10/1/2018             | SIFMA + 0.38%     | Variable*               | 8.00% per annum     | \$ 20,000                       |
| Revenue Bonds                               |                       |                   |                         |                     |                                 |
| State Highway Fund, Series 2014-B           | 4/1/2017              | SIFMA + 0.35%     | Variable*               | 8.00% per annum     | \$ 24,000                       |
| Business-Type Activities                    |                       |                   |                         |                     |                                 |
| Central Texas Turnpike System               |                       |                   |                         |                     |                                 |
| First Tier Revenue Put Bonds, Series 2015-A | 4/1/2020              | 5.00% per annum** | \$ 11,250               | 8.00% per annum     | \$ 18,000                       |
| * Index Floating Rate Mode/resets weekly    |                       |                   |                         |                     |                                 |
| **Multiannual Mode                          |                       |                   |                         |                     |                                 |
| ***Assumes a full year of interest          |                       |                   |                         |                     |                                 |

### Demand Bonds

The Texas Mobility Fund 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 the related standby bond purchase agreements as of Aug. 31, 2015.

| Demand Bonds (Amounts in Thousands) |                                   |                               |
|-------------------------------------|-----------------------------------|-------------------------------|
| Governmental Activities             | Bonds Held by Liquidity Providers | Principal Balance Outstanding |
| General Obligation Bonds            |                                   |                               |
| Texas Mobility Fund, Series 2006-B  | None                              | \$ 150,000                    |
| Revenue Bonds                       |                                   |                               |
| State Highway Fund, Series 2006-B   | None                              | 100,000                       |
| Total                               |                                   | \$ 250,000                    |

| Demand Bonds – Standby Bond Purchase Agreement Provisions |  |                      |                            |
|---|--|----------------------|----------------------------|
| Governmental Activities                                   | Counterparties   | Annual Liquidity Fee | Agreement Termination Date |
| General Obligation Bonds                                  |  |                      |                            |
| Texas Mobility Fund, Series 2006-B                        | State Street Bank and Trust Company & California Public Employees' Retirement System | 0.30%                | 12/13/2016                 |
| Revenue Bonds   |  |                      |                            |
| State Highway Fund, Series 2006-B                         | Banco Bilbao Vizcaya Argentaria, S.A.  | 0.09%                | 11/07/2016                 |

The standby bond purchase agreements 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. Outstanding principal balances on variable rate demand bonds that have standby bond purchase agreements in place may be classified as non-current liabilities. The table shown below provides the estimated impact of such an event.

| <b>Demand Bonds – Takeout Provisions</b><br>(Amounts in Thousands) |                               |             |  |   |
|--|-------------------------------|-------------|--|---|
| <b>Governmental Activities</b>                                     | <b>Estimated Debt Service</b> | <b>Rate</b> | <b>Basis</b>   | <b>Replacement Debt Terms</b>   |
| <b>General Obligation Bonds</b>                                    |                               |             |  |   |
| Texas Mobility Fund, Series 2006-B \$                              | 170,098                       | 8.50%       | 1% + greater of:<br>3% + Daily Fed Fds<br>Rate, Bank Prime<br>Rate +2% or 7.5% | Quarterly payments over three years (or sooner under certain termination events) starting on the first day of the first month of that period.   |
| <b>Revenue Bonds</b>   |                               |             |  |   |
| State Highway Fund, Series 2006-B                                  | 109,191                       | 5.25%       | 2% + greater of :<br>0.5% + Daily Fed<br>Fds Rate or Bank<br>Prime Rate        | Semi-annual payments over three years (or sooner under certain termination events) starting on the first day of the sixth month of that period. |
| <b>Total</b>   | <u>\$ 279,289</u>             |             |  |   |

### **Refunding**

The Commission had three bond refunding transactions during fiscal 2015. On Oct. 30, 2014, the Commission approved the Texas Mobility Fund Tenth Supplemental Resolution which authorized, among other things, the issuance of general obligation refunding bonds to refund outstanding bonds. The Commission issued General Obligation Mobility Fund and Refunding Bonds, Series 2014-A and General Obligation Mobility Fund SIFMA Index Floating Rate Bonds, Series 2014-B, with a total par value of \$1.8 billion. The issue is a combination of new money bonds and refunding bonds, with par amounts of \$900.0 million and \$930.2 million, respectively. The premium associated with the refunding portion of the Series 2014-A bonds was \$173.5 million and the refunding portion of the underwriter's discount amounted to \$3.6 million resulting in a net proceeds amount of \$1.1 billion. The issuance closed on Dec. 18, 2014.

On Jan. 29, 2015, the Commission approved the State Highway Fund Seventh Supplemental Resolution which authorized the issuance of revenue and refunding bonds to refund outstanding bonds. The State Highway Fund First Tier Revenue and Refunding Bonds, Series 2015, were issued with a par value of \$781.1 million. The bonds were issued at a premium of \$133.4 million and the underwriter's discount amounted to \$2.9 million, resulting in a net proceeds amount of \$910.9 million. The issuance closed on July 22, 2015.

The Commission authorized the issuance of CTTS revenue refunding bonds with the Seventh Supplemental Indenture of Trust, dated as of Jan. 1, 2015 to refund certain outstanding Series 2002-A and all of Series 2012-B bonds and the TIFIA note payable. The Commission issued refunding bonds Series 2015-A, Series 2015-B and Series 2015-C with par values of \$225.0 million, \$226.0 million and \$1.2 billion, respectively, for a total par amount of \$1.6 billion. The premium associated with the Series 2015-A, Series 2015-B and Series 2015-C was \$37.5 million, \$94.8 million and \$150.6 million, respectively, and the underwriter's discount associated with the transaction amounted to \$8.1 million, resulting in a net proceeds amount of \$1.9 billion. The issuance closed on Feb. 4, 2015.

| <b>Refunding Issues</b>          |                   |                 |                    |                              |                                |                      |
|----------------------------------|-------------------|-----------------|--------------------|------------------------------|--------------------------------|----------------------|
| (Amounts in Thousands)           |                   |                 |                    |                              |                                |                      |
| Description                      | Type of Refunding | Redemption Date | Par Value Refunded | Par Value of Refunding Issue | Cash Flow Increase/ (Decrease) | Economic Gain/(Loss) |
| <b>GOVERNMENTAL ACTIVITIES</b>   |                   |                 |                    |                              |                                |                      |
| General Obligation Bonds         |                   |                 |                    |                              |                                |                      |
| Texas Mobility Fund              |                   |                 |                    |                              |                                |                      |
|                                  |                   |                 |                    | Series 2014-A                |                                |                      |
| Series 2005-B                    | Current           | 12/18/2014      | \$ 70,740          | \$ 58,060                    | \$ 8,784                       | \$ 6,499             |
| Series 2006                      | Advanced          | 12/18/2014      | 233,130            | 215,965                      | 61,059                         | 35,784               |
| Series 2006-A                    | Advanced          | 12/18/2014      | 478,830            | 442,775                      | 72,163                         | 52,379               |
| Series 2007                      | Advanced          | 12/18/2014      | 233,280            | 213,360                      | 27,397                         | 21,510               |
| Total GO Bonds                   |                   |                 | 1,015,980          | 930,160                      | 169,403                        | 116,172              |
| Revenue Bonds                    |                   |                 |                    |                              |                                |                      |
| State Highway Fund               |                   |                 |                    |                              |                                |                      |
|                                  |                   |                 |                    | Series 2015                  |                                |                      |
| Series 2006-A                    | Advanced          | 7/22/2015       | 10,665             | 10,520                       | 3,975                          | 1,955                |
| Series 2007                      | Advanced          | 7/22/2015       | 792,135            | 724,220                      | 113,591                        | 91,366               |
| Series 2008                      | Advanced          | 7/22/2015       | 45,500             | 46,340                       | 6,414                          | 3,427                |
| Total Revenue Bonds              |                   |                 | 848,300            | 781,080                      | 123,980                        | 96,748               |
| Governmental Activities Total    |                   |                 | 1,864,280          | 1,711,240                    | 293,383                        | 212,920              |
| <b>BUSINESS-TYPE ACTIVITIES</b>  |                   |                 |                    |                              |                                |                      |
| Revenue Bonds and TIFIA Note     |                   |                 |                    |                              |                                |                      |
| Central Texas Turnpike Authority |                   |                 |                    |                              |                                |                      |
|                                  |                   |                 |                    | Series 2015-A                | Series 2015-B                  | Series 2015-C        |
| Series 2002-A                    | Advanced          | 2/4/2015        | 441,158 *          | 31,300                       | \$ 290,643                     | \$ 100,835           |
| Series 2012-B                    | Current           | 2/4/2015        | 225,000            | 193,700                      |                                |                      |
| TIFIA Note                       | Current           | 2/4/2015        | 1,112,974 *        |                              |                                | 1,056,485            |
| Business-Type Activities Total   |                   |                 | 1,779,132          | 225,000                      | 290,643                        | 1,157,320            |
| Total                            |                   |                 | \$ 3,643,412       | \$ 1,936,240                 | \$ 290,643                     | \$ 1,157,320         |
|                                  |                   |                 |                    |                              | \$ 1,241,349                   | \$ 596,774           |

\* Includes life to date amortization of accreted interest.

### Defeased Bonds

The Commission defeased various bond issues by placing funds and securities in irrevocable trusts with external financial institutions to provide for all future debt service payments on the bonds through the earlier of the maturity date or the first call date. As of Aug. 31, 2015, the amounts of defeased bonds, at par, that remain outstanding are presented in the table below.

| <b>Defeased Bonds Outstanding</b>                           |              |
|---|--------------|
| (Amount in Thousands)                                       |              |
| Description   | Par Value    |
| <b>Governmental Activities</b>                              |              |
| General Obligation Bonds                                    |              |
| Texas Mobility Fund Series 2006                             | \$ 597,710   |
| Texas Mobility Fund Series 2006-A                           | 478,830      |
| Texas Mobility Fund Series 2007                             | 269,225      |
| Texas Mobility Fund Series 2008                             | 93,730       |
| Revenue Bonds   |              |
| State Highway Fund Series 2006                              | 369,590      |
| State Highway Fund Series 2006-A                            | 506,130      |
| State Highway Fund Series 2007                              | 792,135      |
| State Highway Fund Series 2008                              | 45,500       |
| Governmental Activities Total                               | 3,152,850    |
| <b>Business-Type Activities</b>                             |              |
| Revenue Bonds   |              |
| Central Texas Turnpike Authority Capital Appreciation Bonds | 114,958 *    |
| Business-Type Activities Total                              | 114,958      |
| Total   | \$ 3,267,808 |

\* Includes \$29,257 of accreted interest.

**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, located in Dallas County, and the North Tarrant Express Facility in Tarrant County.

The proceeds from TxPABST bonds were loaned to LBJ Infrastructure Group LLC, NTE Mobility Partners LLC and NTE Mobility Partners Segments 3 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, 2015, TxPABST private activity revenue bonds outstanding aggregated \$1.3 billion. TxPABST remaining authorized bond authority has expired. The debt service schedule for the outstanding TxPABST conduit debt is disclosed below.

| <b>Conduit Debt Obligations - Miscellaneous Information</b> |  |  |   |
|---|--|--|---|
| (Amounts in Thousands)                                      |  |  |   |
|   | <b>NTE Mobility Partners LLC North Tarrant Express Managed Lanes Project Series 2009</b> | <b>LBJ Infrastructure Group LLC IH-635 Managed Lanes Project Series 2010</b> | <b>NTE Mobility Partners Segments 3 LLC Segments 3A and 3B Facility Series 2013</b> |
| <b>Bonds Issued</b>   | \$ 400,000   | \$ 615,000   | \$ 274,030  |
| <b>Date Issued</b>  | 12/17/2009   | 6/22/2010  | 9/19/2013   |
| <b>Range of Interest Rates</b>                              | 6.875% - 7.500%  | 7.000% - 7.500%  | 6.75% - 7.00%   |
| <b>Maturities (First Year - Last Year)</b>                  | 2031 - 2039  | 2032 - 2040  | 2038 - 2043   |
| <b>First Call Date</b>                                      | 12/31/2019   | 6/30/2020  | 9/1/2023  |

| <b>Conduit Debt Obligations – Debt Service (Amounts in Thousands)</b> |                            |                            |                            |
|---|----------------------------|----------------------------|----------------------------|
| <b>TxPABST Bonds – Conduit Debt</b>                                   |                            |                            |                            |
| <b>Year</b>   | <b>Principal</b>           | <b>Interest</b>            | <b>Total</b>               |
| 2016  | \$                         | \$ 90,449                  | \$ 90,449                  |
| 2017  |                            | 90,449                     | 90,449                     |
| 2018  |                            | 90,450                     | 90,450                     |
| 2019  |                            | 90,450                     | 90,450                     |
| 2020  |                            | 90,450                     | 90,450                     |
| 2021-2025   |                            | 452,246                    | 452,246                    |
| 2026-2030   |                            | 452,246                    | 452,246                    |
| 2031-2035   | 462,840                    | 381,765                    | 844,605                    |
| 2036-2040   | 724,775                    | 175,360                    | 900,135                    |
| 2041-2043   | 101,415                    | 12,252                     | 113,667                    |
|   | <u>1,289,030</u>           | <u>1,926,117</u>           | <u>3,215,147</u>           |
| Premium   | 6,024                      |                            | 6,024                      |
| Discount  | (15,730)                   |                            | (15,730)                   |
| <b>Total</b>  | <b>\$ <u>1,279,324</u></b> | <b>\$ <u>1,926,117</u></b> | <b>\$ <u>3,205,441</u></b> |

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**NOTE 7- LEASES**

***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 \$26.5 million of rent paid or due under operating lease obligations.

The following table presents future minimum lease rental obligations under non-cancelable operating leases having an initial term in excess of one year.

| <b>Noncancelable Operating Lease Obligations</b><br>(Amounts in Thousands) |                               |        |
|--|-------------------------------|--------|
| <b>Fiscal Year</b>   | <b>Total Operating Leases</b> |        |
| 2016   | \$                            | 10,823 |
| 2017   |                               | 9,291  |
| 2018   |                               | 9,009  |
| 2019   |                               | 8,902  |
| 2020   |                               | 6,001  |
| 2021-2025  |                               | 22,391 |
| Total  | \$                            | 66,417 |

**NOTE 8 - EMPLOYEES RETIREMENT PLAN**

Employees of the Texas Department of Transportation (TxDOT) are under the coverage of the Employees Retirement System of Texas Plan (ERS Plan), which is considered a single employer defined benefit plan under GASB Statement 68.

The defined benefit provisions of the ERS Plan are authorized by state law and may be amended by the Legislature. The monthly benefit may vary by membership class.

The monthly standard annuity of the employee class is determined by a statutory percentage of 2.3 percent of a member's average monthly compensation multiplied by number of years of service credit. The average monthly compensation of the employee class may vary depending on the hire date. For members hired on or before Aug. 31, 2009, the average monthly compensation is the average of the highest 36 months of compensation. For members hired on or after Sept. 1, 2009 and before Sept. 1, 2013, the average monthly compensation is the average of the highest 48 months of compensation. For members hired on or after Sept. 1, 2013, the average monthly compensation is the average of highest 60 months of compensation.

The ERS plan's membership as of the measurement date of Aug. 31, 2014 is presented in the table below:

| <b>Texas Department of Transportation's Membership</b>               |               |
|--|---------------|
| Retirees and Beneficiaries Currently Receiving Benefits              | 13,473        |
| Terminated Employees Entitled to Benefits But Not Yet Receiving Them | 4,981         |
| Current Employees<br>Vested and Non-Vested                           | 11,292        |
| <b>Total Members</b>   | <b>29,746</b> |

The contribution rates for the state and the members for the ERS plan for the measurement period of fiscal 2014 are presented as follows:

| <b>Required Contribution Rates</b> |      |                |                             |                       |                |                             |                       |
|------------------------------------|------|----------------|-----------------------------|-----------------------|----------------|-----------------------------|-----------------------|
| Fiscal Year                        | Plan | Employer       |                             |                       | Members        |                             |                       |
|                                    |      | Employee Class | Elected Class – Legislators | Elected Class – Other | Employee Class | Elected Class – Legislators | Elected Class – Other |
| 2014                               | ERS  | 8.00%          | 8.00%                       | 8.00%                 | 6.60%          | 8.00%                       | 6.60%                 |
| 2015                               | ERS  | 8.00%          | 8.00%                       | 8.00%                 | 6.90%          | 8.00%                       | 6.90%                 |

The total pension liability is determined by an annual actuarial valuation. The methods and assumptions applied, except discount rate, in the actuarial valuation were based on an experience study covering the five-year period from Sept. 1, 2006 through Aug. 31, 2011. Additionally, the actuarial valuation as of Aug. 31, 2014 also incorporates the across-the-

board pay increases budgeted by the state Legislature for the current fiscal 2014-2015 biennium. The table below presents the actuarial methods and assumptions used to measure the total pension liability as of the Aug. 31, 2014:

| <b>ERS Plan</b>            |   |
|----------------------------|---|
| Actuarial Valuation Date   | August 31, 2014   |
| Actuarial Cost Method      | Entry Age Normal  |
| Amortization Method        | Level Percent of Payroll, Open  |
| Actuarial Assumptions:     |   |
| Discount Rate              | 6.07%   |
| Investment Rate of Return  | 8.00%   |
| Inflation                  | 3.50%   |
| Salary Increase            | 0% to 11.5%   |
| Mortality                  | 1994 Group Annuity Mortality Table with no setback for males and set forward two years for females. Generational mortality improvements in accordance with Scale AA are projected from the year 2000. |
| Cost-of-living Adjustments | None - Employee<br>3.5% - Elected   |

A single blended discount rate of 6.07 percent was applied to measure the total pension liability. The 6.07 percent discount rate incorporated an 8.0 percent long-term expected rate of return on pension plan investments and 4.17 percent 20-year municipal bond rate based on Federal Reserve Statistical Release H. 15. The long-term expected investment rate of return was applied to projected benefit payments through fiscal 2041 and the municipal bond rate was applied to all benefit payments thereafter.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payroll. The projected cash flows from the employers are based on contributions for the most recent five year period as of the measurement date, adjusted on consideration of subsequent events. There have been indicators of the Legislature's commitment to increase funding for the pension funds, such as changes in the statute in the last and current legislative sessions. Considering these above events, the projected employer contributions are based on fiscal 2015 funding level.

The long-term expected rate of return on plan investments was developed using a coding-block method with assumptions including asset class of investment portfolio, target allocation, real rate of return on investments, and inflation factor. Under this method, best estimate ranges of expected future real rates of return (net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the plan's investment portfolio are presented as follows:



| Asset Class             | Target Allocation | Long-Term Expected Arithmetic Real Rate of Return |
|-------------------------|-------------------|---|
| Global Equity           | 55%               | 4.02%   |
| Global Credit           | 10%               | 0.19%   |
| Intermediate Treasuries | 15%               | 0.18%   |
| Real Estate             | 10%               | 0.43%   |
| Infrastructure          | 4%                | 0.25%   |
| Hedge Funds             | 5%                | 0.35%   |
| Cash                    | 1%                | 0.00%   |
| <b>Total</b>            | <b>100%</b>       |   |

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of TxDOT's net pension liability. The result of the analysis is presented as follows:

| <b>Sensitivity of TxDOT's Proportionate Share of Net Pension Liability to Changes in the Discount Rate</b><br>(Amounts in Thousands) |                                      |                            |
|--|--------------------------------------|----------------------------|
| <u>1% Decrease (5.07%)</u>   | <u>Current Discount Rate (6.07%)</u> | <u>1% Increase (7.07%)</u> |
| \$ 1,878,276   | \$ 1,395,472                         | \$ 993,616                 |

The amounts shown in this schedule represent TxDOT's 9.65 percent proportionate share of the collective amounts for the state of Texas. The contribution percentage is based on ERS records of actual contributions from each of the state agencies as a percentage of the total state contributions.

The pension plan's fiduciary net position is determined using the economic resources measurement focus and the accrual basis of accounting, which is the same basis used by Employees Retirement System. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments of the pension trust fund are reported at fair value in accordance with GASB Statement No. 67 and 31. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings. The Employees Retirement System issues a stand-alone audited Comprehensive Annual Financial Report (CAFR). More detailed information on the plan's investment valuation, investment policy, assets, and fiduciary net position may be obtained from ERS' CAFR:

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

TxDOT's total pension liability is based on an actuarial valuation performed as of Aug. 31, 2014. For fiscal 2015 reporting, the measurement date of TxDOT's net pension liability is Aug. 31, 2014. The schedule of changes in TxDOT's net pension liability for the fiscal year ending Aug. 31, 2015 as follows:

| <b>Schedule of Changes in Net Pension Liability</b>                              |    |                         |
|--|----|-------------------------|
| For Fiscal Year Ending August 31, 2015 (Amounts in Thousands)                    |    |                         |
| Total Pension Liability  |    |                         |
| Service Cost   | \$ | 109,957                 |
| Interest on the Total Pension Liability  |    | 224,284                 |
| Difference between Expected and Actual Experience of the Total Pension Liability |    | (24,411)                |
| Assumption Changes   |    | 115,710                 |
| Benefit Payments and Refunds   |    | (189,477)               |
| Net Change in Total Pension Liability  |    | <u>236,063</u>          |
| Total Pension Liability - Beginning  |    | <u>3,576,753</u>        |
| Total Pension Liability - Ending   | \$ | <u><u>3,812,816</u></u> |
| Plan Fiduciary Net Position  |    |                         |
| Contributions - Employer   |    | 46,536                  |
| Contributions - Member   |    | 41,553                  |
| Pension Plan Net Investment Income   |    | 313,859                 |
| Benefit Payments and Refunds   |    | (189,477)               |
| Pension Plan Administrative Expense  |    | (1,949)                 |
| Net Change in Plan Fiduciary Net Position  |    | <u>210,522</u>          |
| Plan Fiduciary Net Position - Beginning  |    | <u>2,206,822</u>        |
| Plan Fiduciary Net Position - Ending   | \$ | <u><u>2,417,344</u></u> |
| Net Pension Liability - Beginning  |    | <u>1,369,931</u>        |
| Net Pension Liability - Ending   | \$ | <u><u>1,395,472</u></u> |

The amounts shown in this schedule represent TxDOT's 9.65 percent proportionate share of the collective amounts for the state of Texas. The contribution percentage is based on ERS records of actual contributions from each of the state agencies as a percentage of the total state contributions.

The change of discount rate which resulted in an increase in the total pension liability is the only assumption change during the current measurement period. There have been no changes to the benefit terms of the plan since the prior measurement date.

For the fiscal year ending Aug. 31, 2015, TxDOT recognized pension expense of \$122.0 million. At Aug. 31, 2015, TxDOT reported deferred outflows of resources and deferred inflows of resources from the following sources:

| <b>Outstanding Deferred Outflows and Deferred Inflows at August 31, 2015</b> |                                |                               |
|--|--------------------------------|-------------------------------|
| (Amounts in Thousands)   |                                |                               |
|  | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between Expected and Actual Experience Changes of assumptions     | \$ 80,107                      | \$ 16,900                     |
| Net Difference between Projected and Actual Investment Return                |                                | 113,158                       |
| Contributions Subsequent to the Measurement Date                             | 48,193                         |                               |
| Total  | <u>\$ 128,300</u>              | <u>\$ 130,058</u>             |

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The \$48.2 million reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending Aug. 31, 2016.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in the following years:

| <b>Fiscal Year ended August 31:</b> |            |
|-------------------------------------|------------|
| <b>(Amounts in Thousands)</b>       |            |
| 2016                                | (\$197)    |
| 2017                                | (\$197)    |
| 2018                                | (\$21,266) |
| 2019                                | (\$28,289) |

***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.

| <b>Employer Contribution Rates –<br/>Retiree Health and Basic Life Premium</b> |                 |
|--|-----------------|
| For the Fiscal Year Ended August 31, 2015<br>(Amount in Thousands)             |                 |
| <u>Level of Coverage</u>   | <u>ERS SRHP</u> |
| Retiree Only   | \$ 0.54         |
| Retiree/Spouse   | \$ 0.85         |
| Retiree/Children   | \$ 0.74         |
| Retiree/Family   | \$ 1.05         |

**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.

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 funds, nonmajor funds in the aggregate and fiduciary funds.

| <b>Interfund Transfers In/Out by Purpose</b>   |                                     |   |               |
|--|-------------------------------------|---|---------------|
| August 31, 2015  |                                     |   |               |
| (Amounts in Thousands)   |                                     |   |               |
| <b>Purpose</b>   | <b>Interfund Transfer In (Fund)</b> | <b>Interfund Transfer Out (Fund)</b>                                      | <b>Amount</b> |
| Reimburse the state highway fund for costs incurred on projects funded by local government contributions.                        | State Highway Fund                  | County/Political Subdivision/ Local Government Road/Airport Trust Account | \$ 141,301    |
| Provide funds to pay debt service principal and interest payments on outstanding Proposition 14/State Highway Fund Revenue Bonds | Proposition 14 Debt Service Fund    | State Highway Fund  | \$ 304,165    |

There is a transfer in and transfer out in the amount of \$84.6 million between the capital projects fund and the debt service fund within Texas Mobility Fund.

| <b>Interfund Transfers In/Out</b>      |                                     |                                      |
|--|-------------------------------------|--------------------------------------|
| August 31, 2015 (Amounts in Thousands) |                                     |                                      |
|  | <b>Transfers In<br/>Other Funds</b> | <b>Transfers Out<br/>Other Funds</b> |
| <b>Governmental Funds</b>              |                                     |                                      |
| State Highway Fund                     | \$ 141,301                          | \$ 305,872                           |
| Local Government Political Sub Account |                                     | 141,301                              |
| Texas Mobility Fund                    | 84,578                              | 84,578                               |
| Nonmajor Funds                         | <u>304,165</u>                      |                                      |
|  | <u>530,044</u>                      | <u>531,751</u>                       |
| <b>Proprietary Funds</b>               |                                     |                                      |
| Central Texas Turnpike System          | <u>1,707</u>                        |                                      |
|  | <u>1,707</u>                        | <u>0</u>                             |
| <b>Total</b>                           | <b><u>\$ 531,751</u></b>            | <b><u>\$ 531,751</u></b>             |

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 in the government-wide financial statements.

| <b>Due From/To</b>                     |                                 |                               |
|--|---------------------------------|-------------------------------|
| August 31, 2015                        |                                 |                               |
| (Amounts in Thousands)                 |                                 |                               |
|  | <b>Due From<br/>Other Funds</b> | <b>Due To<br/>Other Funds</b> |
| <b>Governmental Funds</b>              |                                 |                               |
| <b>Major Funds:</b>                    |                                 |                               |
| State Highway Fund                     | \$ 153,010                      | \$ 47,170                     |
| Texas Mobility Fund                    |                                 | 10,662                        |
| Proposition 12 Project Fund            |                                 | 98,128                        |
| Local Government Political Sub Account | 16,001                          |                               |
| Nonmajor Funds                         | <u>118</u>                      | <u>26,301</u>                 |
|  | <u>169,129</u>                  | <u>182,261</u>                |
| <b>Proprietary Funds</b>               |                                 |                               |
| Central Texas Turnpike System          | 44,436                          |                               |
| Grand Parkway Transportation Corp.     |                                 | 31,304                        |
|  | <u>44,436</u>                   | <u>31,304</u>                 |
| <b>Total</b>                           | <b><u>\$ 213,565</u></b>        | <b><u>\$ 213,565</u></b>      |

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.”

| <b>Transfers-Internal Activities per the Government-Wide Financial Statements</b> |    |                    |
|---|----|--------------------|
| August 31, 2015 (Amounts in Thousands)  |    |                    |
| <b>Fund Category</b>  |    | <b>Other Funds</b> |
| Governmental Activities   | \$ | (1,707)            |
| Business-Type Activities  | \$ | 1,707              |

| <b>Internal Balances per the Government-Wide Financial Statements</b> |                                    |                                     |              |
|---|------------------------------------|-------------------------------------|--------------|
| August 31, 2015 (Amounts in Thousands)                                |                                    |                                     |              |
|   | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b> |
| Current Liabilities:  |                                    |                                     |              |
| Internal Balances - Payables  | \$ 13,132                          | \$ (13,132)                         | \$ 0         |

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.

**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 \$1.5 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 other major portion that makes up the transfer-in amount of the state highway fund is the 1.7 billion transfers-in from the Comptroller’s Office related to the Proposition 1 (Prop 1) ballot measure. On Nov. 4, 2014 Texas voters approved the ballot measure, which authorized a constitutional amendment for transportation funding. Under the amendment, half of the funds that under current law go into the Economic Stabilization Fund (ESF) will be deposited to the state highway fund. The transfer-in, received in fiscal 2015, resulted in an increase to the TxDOT highway fund cash in state treasury balance. TxDOT also recorded a due from in the State Highway Fund related to the Prop 1 ballot measure. The Comptroller has certified and transferred a second Prop 1 payment of \$1.1 billion to TxDOT in Nov. of 2015.

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. TxDOT also has interagency activity with federal funds. See Schedule 1A of this report for more details.

| <b>Transfers In/Out to Other State Agencies</b> |  |   |
|---|--|---|
| August 31, 2015 (Amounts in Thousands)          |  |   |
|   | <u>Transfers In<br/>Other Agencies</u> | <u>Transfers Out<br/>Other Agencies</u> |
| Governmental Funds                              |  |   |
| State Highway Fund                              | \$ 3,214,682                           | \$ 638,770                              |
| Nonmajor Funds                                  | <u>903</u>                             | <u>*47,900</u>                          |
| <b>Total</b>                                    | <b>\$ <u>3,215,585</u></b>             | <b>\$ <u>638,770</u></b>                |

\* Included in transfers out is a legislative transfer of \$47.9 million to the Texas Department of Public Safety. The transfer was recommended by the Governor to increase DPS' border security operations.

| <b>Due From/To Other State Agencies</b> |                                    |                                  |
|---|------------------------------------|----------------------------------|
| August 31, 2015 (Amounts in Thousands)  |                                    |                                  |
|   | <u>Due From<br/>Other Agencies</u> | <u>Due To<br/>Other Agencies</u> |
| Governmental Funds                      |                                    |                                  |
| State Highway Fund                      | \$ <u>1,359,897</u>                | \$ <u>47,361</u>                 |
| <b>Total</b>                            | <b>\$ <u>1,359,897</u></b>         | <b>\$ <u>47,361</u></b>          |

| <b>Pass-Throughs To/From Other State Agencies</b> |                           |
|---|---------------------------|
| August 31, 2015 (Amounts in Thousands)            |                           |
|   | <u>State Highway Fund</u> |
| Federal Pass-throughs:                            |                           |
| Expenditures                                      | \$ <u>(24,017)</u>        |
| <b>Total</b>                                      | <b>\$ <u>(24,017)</u></b> |

**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 85<sup>th</sup> 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 BALANCE/NET POSITION**

The table below presents a summary of the Aug. 31, 2015, 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.

| <b>Governmental Fund Balances –</b>   |                           |                              |                                    |                             |
|---|---------------------------|------------------------------|------------------------------------|-----------------------------|
| <b>Disaggregation of Nonspendable, Restricted, Committed, Assigned and Unassigned Fund Balances</b> |                           |                              |                                    |                             |
| <b>August 31, 2015 (Amounts in Thousands)</b>   |                           |                              |                                    |                             |
| <b>MAJOR FUNDS</b>  | <b>State Highway Fund</b> | <b>Texas Mobility Fund</b>   | <b>Highway Improvement Project</b> | <b>Total Major Funds</b>    |
| Nonspendable:   |                           |                              |                                    |                             |
| Inventory   | \$ 181,216                | \$                           | \$                                 | \$ 181,216                  |
| Restricted For:   |                           |                              |                                    |                             |
| Capital Projects  | 2,387,945                 | 672,697                      | 315,794                            | 3,376,436                   |
| Debt Service  |                           | 517,891                      |                                    | 517,891                     |
| Committed To:   |                           |                              |                                    |                             |
| Transportation Infrastructure   | 1,410,911                 |                              |                                    | 1,410,911                   |
| Assigned To:  |                           |                              |                                    |                             |
| Transportation  | 38,517                    |                              |                                    | 38,517                      |
| Unassigned  |                           |                              |                                    |                             |
| <b>Total</b>  | <b>\$ 4,018,589</b>       | <b>\$ 1,190,588</b>          | <b>\$ 315,794</b>                  | <b>\$ 5,524,971</b>         |
| <b>NONMAJOR FUNDS</b>   | <b>General Fund</b>       | <b>Special Revenue Funds</b> | <b>Debt Service Funds</b>          | <b>Total Nonmajor Funds</b> |
| Nonspendable:   |                           |                              |                                    |                             |
| Long-Term Receivables   | \$ 87                     | \$                           | \$                                 | \$ 87                       |
| Restricted For:   |                           |                              |                                    |                             |
| Debt Service  |                           |                              | 126,691                            | 126,691                     |
| Committed To:   |                           |                              |                                    |                             |
| Transportation Infrastructure   |                           | 153,704                      |                                    | 153,704                     |
| Assigned To:  |                           |                              |                                    |                             |
| Transportation  | 702                       |                              |                                    | 702                         |
| Grand Parkway Association   |                           | 94                           |                                    | 94                          |
| Unassigned  | 19,664                    |                              |                                    | 19,664                      |
| <b>Total</b>  | <b>\$ 20,453</b>          | <b>\$ 153,798</b>            | <b>\$ 126,691</b>                  | <b>\$ 300,942</b>           |

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.

**NOTE 14- ADJUSTMENTS TO FUND BALANCES AND NET POSITION**

During fiscal 2015, an adjustment was made that required the restatement of fund balances or net position. The impact of this adjustment is summarized and discussed below.

| <b>Restatements to Fund Balances/ Net Assets</b> |  |                       |  |
|--|--|-----------------------|--|
| <b>(Amounts in Thousands)</b>                    |  |                       |  |
|  | <b>September 1, 2014,<br/>As Previously<br/>Reported</b> | <b>Restatements</b>   | <b>September 1, 2014<br/>As Restated</b> |
| <b>Major Funds:</b>                              |  |                       |  |
| State Highway Fund                               | \$ 3,560,325   | \$                    | \$ 3,560,325                             |
| Texas Mobility Fund                              | 353,797  |                       | 353,797                                  |
| Proposition 12 Project Fund                      | (535,961)  |                       | (535,961)                                |
| Total Major Funds                                | <u>3,378,161</u>   |                       | <u>3,378,161</u>                         |
| <b>Nonmajor Funds:</b>                           |  |                       |  |
| General Fund Accounts                            | 52,221   |                       | 52,221                                   |
| Special Revenue Funds                            | 222,661  |                       | 222,661                                  |
| Debt Service Funds                               | 138,558  |                       | 138,558                                  |
| Total Nonmajor Funds                             | <u>413,440</u>   |                       | <u>413,440</u>                           |
| <b>Governmental Activities Adjustments</b>       |  |                       |  |
| Capital Assets                                   | 82,093,568   |                       | 82,093,568                               |
| Long-Term Liabilities                            | (18,981,851)   | (1,323,394) (A)       | (20,305,245)                             |
| Other Adjustments                                | 24,714   |                       | 24,714                                   |
| Total Governmental Activities Adjustments        | <u>63,136,431</u>  | <u>(1,323,394)</u>    | <u>61,813,037</u>                        |
| Total Governmental Activities                    | <u>66,928,032</u>  | <u>(1,323,394)</u>    | <u>65,604,638</u>                        |
| <b>BUSINESS-TYPE ACTIVITIES</b>                  |  |                       |  |
| Central Texas Turnpike System                    | 465,960  |                       | 465,960                                  |
| Grand Parkway Transportation Corp.               | (10,162)   |                       | (10,162)                                 |
| Total Business-Type Activities                   | <u>455,798</u>   |                       | <u>455,798</u>                           |
| Total Primary Government                         | <u>\$ 67,383,830</u>                                     | <u>\$ (1,323,394)</u> | <u>\$ 66,060,436</u>                     |

(A) This restatement was necessary to establish the \$1.3 billion Net Pension Liability and \$46.5 million of Deferred Outflows of Resources related to pensions due to the implementation of GASB 68 in fiscal 2015.

**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, 2015 outstanding contractor claims pending at the TxDOT claims committee totaled \$2.8 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, 2015. TxDOT management’s opinion is that the probable outcome of these cases will not materially affect the financial position of TxDOT.

| Type of Suit                        | Amounts in Controversy  |
|-------------------------------------|---|
| Eminent Domain                      | Monetary amounts have not been specified in 553 cases. Total claims with amounts indicated range from \$0 to \$25.5 million with a total of \$463.2 million.  |
| Contract                            | Amounts claimed range from \$420 thousand to \$3.0 million. Total claims with amounts indicated is \$3.4 million.   |
| Inverse Condemnation                | Monetary amounts have not been specified for any of these cases.  |
| Declaratory Judgment                | Monetary amounts have not been specified in sixteen of the eighteen cases. Amounts claimed range from \$10 thousand to \$10.0 million. Total claimed with amounts indicated is \$10.0 million.  |
| Employment Law and Related Lawsuits | Monetary amounts have not been specified in any 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 \$4.3 thousand to \$500 thousand. Total claims including estimates of liability limits where no amounts were specified, came to approximately \$18.5 million. |

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### ***Arbitrage***

Rebatable arbitrage 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 (PTF) 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, 2015, 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, 2015 (Amounts in Thousands)

|                        | Total Remaining<br>Commitment | FHWA<br>Reimbursements |
|------------------------|-------------------------------|------------------------|
| Construction Contracts | \$ 9,149,401                  | \$ 4,501,868           |
| Design-Build Projects  | 2,025,271                     | 848,927                |
| SCA Projects           | 158,262                       | 132,876                |
| GPTC Project           | 200,000                       |                        |
| Totals                 | \$ 11,532,934                 | \$ 5,483,671           |

*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, 2015 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 5 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, 2015, was approximately \$1.4 billion. Approximately \$416.7 million of this amount was repaid as of Aug. 31, 2015. 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, 2015, the Commission has outstanding toll equity grant commitments and toll equity loan commitments totaling \$244.2 million and \$15.4 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, \$5.9 billion is related to a toll equity loan agreement (TELA) with the North Texas Tollway Authority (NTTA) and \$9.5 billion is related to a TELA with the GPTC. These agreements make loans available to be drawn on in the event revenues and certain reserves are insufficient to pay certain debt service or operations and maintenance costs of the toll systems of aforementioned entities.

The NTTA funds financed by TELA-supported debt 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 financed by TELA-supported debt 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, 2015, no drawdowns of funding have been requested by NTTA or GPTC under these agreements.

**NOTE 16 – SUBSEQUENT EVENTS**

The Commission has issued the following bonds as of the date of this report, through February 2016:

| Entity  | Series | Actual Par Amount | Actual Date of Issuance | Purpose   |
|---|--------|-------------------|-------------------------|---|
| State of Texas General Obligation Mobility Fund Refunding Bond  | 2015-A | \$911.4 Million   | 9/30/2015               | To refund Parity debt, and pay costs of issuance. |
| State of Texas General Obligation Mobility Fund Refunding Bonds | 2015-B | \$254.1 Million   | 10/7/2015               | To refund Parity debt, and pay costs of issuance. |

On Nov. 4, 2015 Texas voters approved the ballot measure known as Proposition 7, which created a Constitutional amendment for transportation funding. The amendment increases money to build roads by adding up to \$2.5 billion a year in state sales tax revenue to the State Highway Fund beginning in fiscal 2018. In fiscal 2020, roads would get 35 percent of vehicle sales and rental taxes after the first \$5 billion is raised annually. The funds collected can only be used to build, maintain and restore non-tolled public roads and repay transportation-related debt and the proposition authorized the state legislature to reduce the amount in the State Highway Fund by up to 50 percent in one fiscal year. This provision gives lawmakers the ability to respond to economic downturns or other changes in the state's funding needs.

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## ***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.

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**NOTE 18 - 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, 2015, 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 of Aug. 31, 2015, 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 (CDAs) 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, 2015. 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 promotion and development of the Grand Parkway Project, by issuing bonds and entering into comprehensive development agreements with developers for the design and construction of several segments of the Grand Parkway project. Bonds issued by GPTC are not legal obligations of the state of Texas and are payable solely from revenues and other funds of the Grand Parkway System, which is comprised of Segments D (Harris County), E, F-1, F-2, and G.



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See Note 5 for additional details about the GPTC bond issuances as of Aug. 31, 2015. GPTC has a fiscal year end of Aug. 31, 2015, 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 19- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY***

***Changes in Accounting Principles***

The implementation of GASB statements is addressed in Note 1.

**NOTE 20 – SERVICE CONCESSION ARRANGEMENTS**

As of Aug. 31, 2015, TxDOT has entered into seven agreements that are service concession arrangements (SCA) under the definition established by the Governmental Accounting Standards Board. 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 were entered to:

- Improve mobility by expanding existing road capacity and introducing managed toll lanes, traditional toll lanes and other strategies aimed at reducing traffic congestion.
- Enable TxDOT to deliver these projects faster than would be possible using traditional funding sources.
- 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 following table summarizes the status, term and duration of each currently active SCA.

| <b>Service Concession Arrangements</b> |                     |            |                  |                |
|--|---------------------|------------|------------------|----------------|
| As of August 31, 2015                  |                     |            |                  |                |
| 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     | Complete            | 52 years   | 2009             | 2061           |
| North Tarrant Exp Seg 3A and 3B        | Under Construction  | 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.

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 on the government-wide financial statements. Revenue is recognized and the deferred inflow of resources is reduced in a systematic and rational manner over the term of the arrangement.

| <b>Service Concession Arrangements - Amounts Recognized in Financial Statements –<br/>Governmental Activities</b>  |                                    |                       |  |
|--|------------------------------------|-----------------------|--|
| August 31, 2015 (Amounts in Thousands)   |                                    |                       |  |
| <b>Arrangement Name</b>  | <b>Cash in State<br/>Treasury*</b> | <b>Capital Assets</b> | <b>Deferred<br/>Inflows of<br/>Resources**</b> |
|  | IH 10 "Katy Managed Lanes"         | \$                    | \$   |
| SH 130 Segments 5 and 6  | 131,219                            | 1,437,424             | 1,437,413                                      |
| SH 121 Concession  | 1,189,513                          | 1,336,604             | 3,333,954                                      |
| North Tarrant Exp Seg 1 and 2-West   |                                    | 2,392,034             | 1,684,975                                      |
| North Tarrant Exp Seg 3A and 3B  |                                    | 248,865               |  |
| LBJ/IH-635 Managed Lanes   |                                    | 558,881               |  |
| Grand Parkway Seg D, E, F1, F2, G  |                                    | 44,210                |  |
| <b>Total</b>   | <b>\$ 1,320,732</b>                | <b>\$ 6,018,018</b>   | <b>\$ 6,673,733</b>                            |
| * 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 is recorded in governmental fund financials as other financing sources in the year received. |                                    |                       |  |

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). Refer to Note 15 for further detail on TxDOT commitments related to SCAs.

GPTC has recognized an intangible asset in the amount of \$2.1 billion for its costs of design, construction and right-of-way acquisition through Aug. 31, 2015. This amount is reported in the business-type activities.

**NOTE 21 – DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

As of Aug. 31, 2015, TxDOT reported deferred outflows of resources and deferred inflows of resources in the Statement of Net Position as presented in the table below.

| <b>Deferred Outflows and Deferred Inflows of Resources</b> |                                      |                                     |
|--|--------------------------------------|-------------------------------------|
| <b>Statement of Net Position</b>                           |                                      |                                     |
| As of August 31, 2015 (Amounts in Thousands)               |                                      |                                     |
| Description  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| <b>Governmental Activities</b>                             |                                      |                                     |
| Loss on Bond Refunding                                     | \$ 154,832                           | \$                                  |
| Pensions (Note 8)  | 128,300                              | 130,058                             |
| Service Concession Arrangements (Note 20)                  |                                      | 6,673,733                           |
| Total Governmental Activities                              | 283,132                              | 6,803,791                           |
| <b>Business-Type Activities</b>                            |                                      |                                     |
| Loss on Bond Refunding                                     | 33,940                               |                                     |
| Gain on Bond Refunding                                     |                                      | 1,993                               |
| Total Business-Type Activities                             | 33,940                               | 1,993                               |
| Total  | \$ 317,072                           | \$ 6,805,784                        |

Deferred outflows of resources in the amounts of \$154.8 million in governmental activities and \$33.9 million in business-type activities relate to losses on bond refunding transactions. The deferred inflow of \$2.0 million reported in business-type activities relates to a gain on a bond refunding transaction. These deferred outflows and inflows are amortized on a straight-line basis over the remaining life of the old debt, or the life of the new debt, whichever is shorter.

Deferred inflows of resources of \$6.7 billion reported in governmental activities relate to seven different service concession arrangements, of which TxDOT was a party to as of Aug. 31, 2015. The amount recorded in the financial statements represents the balance of unamortized upfront payments and capital improvements TxDOT received under the agreements.

TxDOT reported \$128.3 million in deferred outflows of resources and \$130.1 million in deferred inflows of resources in governmental activities for pension adjustments associated with the implementation of GASB Statements 68 and 71. The reported deferred outflows of resources include TxDOT's share of pension contributions made subsequent to the measurement date and the unamortized balance of changes in assumptions used to calculate net pension liability. The reported deferred inflows of resources are comprised of the unamortized balance of other changes in the components of net pension liability.

Deferred inflows of \$1.3 billion were reported on the governmental funds balance sheet as presented in the table as follows. These deferred inflows relate to unavailable revenues that were earned as of Aug. 31, 2015, but not available within 60 days of year end.

| <b>Deferred Inflows of Resources</b>         |                                      |                  |
|--|--------------------------------------|------------------|
| <b>Balance Sheet-Governmental Funds</b>      |                                      |                  |
| As of August 31, 2015 (Amounts in Thousands) |                                      |                  |
| <b>Description</b>                           | <b>Deferred Inflows of Resources</b> |                  |
| <b>State Highway Fund</b>                    |                                      |                  |
| Oil and Natural Gas Production Tax           | \$                                   | 1,134,668        |
| Federal Revenue                              |                                      | 90,752           |
| Local Revenue                                |                                      | 15,135           |
| Motor Fuel Tax                               |                                      | 29,733           |
| <b>Total</b>                                 | <b>\$</b>                            | <b>1,270,288</b> |

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

## Budgetary Comparison Schedule - State Highway Fund

For the Fiscal Year Ended August 31, 2015 (Amounts in Thousands)

|   | Budgetary Amounts |              |                                   |                             |
|---|-------------------|--------------|-----------------------------------|-----------------------------|
|   | Original          | Final        | Actual Amounts<br>Budgetary Basis | Final to Actual<br>Variance |
| <b>REVENUES</b>   |                   |              |                                   |                             |
| Taxes   | \$ 2,485,050      | \$ 2,425,571 | \$ 2,546,627                      | \$ 121,056                  |
| Federal   | 4,125,012         | 4,227,822    | 2,937,740                         | (1,290,082)                 |
| Licenses, Fees and Permits  | 108,047           | 110,273      | 23,915                            | (86,358)                    |
| Interest and Investment Income  | 10,000            | 9,908        | 26,352                            | 16,444                      |
| Land Income   |                   |              | 15,590                            | 15,590                      |
| Settlement of Claims  |                   |              | 21,995                            | 21,995                      |
| Sales of Goods and Services   | 166,570           | 166,570      | 234,399                           | 67,829                      |
| Other   | 99,763            | 91,810       | 8,381                             | (83,429)                    |
| Total revenues  | 6,994,442         | 7,031,954    | 5,814,999                         | (1,216,955)                 |
| <b>EXPENDITURES</b>   |                   |              |                                   |                             |
| Transportation:   | 7,907,513         | 10,743,491   | 7,754,142                         | 2,989,349                   |
| Total Expenditures  | 7,907,513         | 10,743,491   | 7,754,142                         | 2,989,349                   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures  | (913,071)         | (3,711,537)  | (1,939,143)                       | 1,772,394                   |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                   |              |                                   |                             |
| Transfers In  |                   |              | 3,355,983                         | 3,355,983                   |
| Transfers Out   |                   |              | (944,641)                         | (944,641)                   |
| Sale of Capital Assets  |                   |              | 70,255                            | 70,255                      |
| Bonds Issued for Refunding  |                   |              | 781,080                           | 781,080                     |
| Premiums on Bonds Issued  |                   |              | 133,433                           | 133,433                     |
| Payment to Escrow for Refunding   |                   |              | (910,971)                         | (910,971)                   |
| Available Beginning Balances  | 3,992,823         | 3,992,823    | 3,992,823                         |                             |
| Total Other Financing Sources (Uses)  | 3,992,823         | 3,992,823    | 6,477,962                         | 2,485,139                   |
| Excess (Deficiency) of Revenue and Other<br>Financing Sources Over (Under) Expenditures<br>and Other Financing Uses | \$ 3,079,752      | \$ 281,286   | \$ 4,538,819                      | \$ 4,257,533                |



## NOTES TO THE BUDGETARY COMPARISON SCHEDULE

The budgetary comparison schedule presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of these differences is required and is presented below.

The major reconciling items between the budgetary comparison schedule and the GAAP financial statements are due to the following items.

### *Basis of Accounting Differences*

Revenues and expenditures are reported on the cash basis of accounting in the budgetary comparison schedule but are reported on the modified accrual basis of accounting on the GAAP fund financial statements. Therefore, deferred revenues, receivables and payables are included as reconciling items.

### *Perspective Differences*

Certain revenues and expenditures, including debt service are not budgeted by the Legislature. The activity for these programs is excluded from the budgetary comparison schedule. The beginning cash balances are included as other financing sources in the budgetary comparison schedule and are not included as financing sources on the GAAP financial statements.

| <b>RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS</b>  |                               |
|---|-------------------------------|
| August 31, 2015 (Amounts in Thousands)  |                               |
|   | <b>State Highway<br/>Fund</b> |
| Excess of Revenues and Other Financing Sources Over<br>Expenditures and Other Financing Uses-<br>Actual Budgetary Basis | \$ 4,538,819                  |
| Basis of Accounting Differences:  |                               |
| Receivables and Unearned Revenues   | 64,321                        |
| Payables  | (37,152)                      |
| Perspective Differences:  |                               |
| Beginning Cash Balances Reported as Other Financing Sources   | (3,992,823)                   |
| Other Revenues Not Budgeted   |                               |
| Other Expenditures Not Budgeted   | (114,901)                     |
| Excess of Revenues and Other Financing<br>Sources Over Expenditures and Other<br>Financing Uses - GAAP Basis            | \$ 458,264                    |

### *Basis of Budgeting*

The state's budget is prepared on a cash basis. The Texas Constitution limits appropriations bills to two years. The Legislative Budget Board (LBB) is required by statute to adopt an estimated rate of growth for the next biennium and calculate a limit on the amount of state tax revenue, not dedicated by the Texas Constitution, that is available for spending in the next biennium. If the Legislature, by adoption of a resolution approved by a record vote of a majority of the members of each house, finds that an emergency exists and identifies the nature of the emergency, the Legislature may provide appropriations in excess of the adopted limit.

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The Governor's Budget Office and the LBB initiate the process of submitting budget requests to the Legislature. At final passage of the General Appropriations Act by the Legislature, it is sent to the Comptroller of Public Accounts for certification. If the Comptroller certifies that appropriated amounts are available in the affected funds, the bill is sent to the Governor. If not certified, the Legislature may pass the bill with a four-fifths majority vote. The Governor has the option of vetoing the total bill or specific line-item appropriations, but does not have the authority to reduce a line item of appropriation.

Upon approval by the Governor, the bill becomes law and is the budget authority for state agencies to spend state funds. The Comptroller is responsible for controlling, accounting and reporting expenditures in accordance with expenditure budgets.

#### *Legal Level of Budgetary Control*

The Texas Constitution requires the Comptroller to submit a *Biennial Revenue Estimate* to the Legislature prior to each regular session. This document contains an itemized estimate of beginning cash balances, anticipated revenues based on laws then in effect and estimated expenditures from prior appropriations. The Texas Constitution also requires the Comptroller to submit supplementary revenue estimates at any special session of the Legislature and at other necessary times to show probable changes.

The level of legal control for the budget is established at the strategy (line item) level by agency. For example "Right-of-Way Acquisition" and "Routine Maintenance" are two of the strategies for TxDOT. The legal level of budgetary control is defined as the level at which the governing body must approve any over expenditure of appropriations or transfers of appropriated amounts. Agencies are authorized limited transfer authority between strategies, not to exceed 20 percent, by the General Appropriations Act. Transfers and expenditures are monitored against the original budget by the Comptroller's office to ensure the agency's authorized budget is not exceeded.

The level of legal control is documented in the *Appropriation Summary Report*, which is available by request from the Comptroller's office. This separate document includes budget and actual data by appropriation line item for each state agency. State agencies cannot exceed approved appropriations. In certain emergency situations, the Governor may authorize additional appropriations from deficiency and emergency appropriation reserves.

Unexpended appropriations generally lapse 60 days after the fiscal year unless they are encumbered during the 60-day "lapse" period. Other appropriations referred to as "reappropriated unexpended balances" represent a continuation of prior year's balances for completion of a program.

## PENSION PLAN INFORMATION

| <b>Schedule of Changes in Net Pension Liability</b>   |    |                  |
|---|----|------------------|
| For Fiscal Year Ending August 31, 2015 (Amounts in Thousands)   |    |                  |
| Total Pension Liability   |    |                  |
| Service Cost  | \$ | 109,957          |
| Interest on the Total Pension Liability   |    | 224,284          |
| Difference between Expected and Actual Experience of the Total Pension Liability  |    | (24,411)         |
| Assumption Changes  |    | 115,710          |
| Benefit Payments and Refunds  |    | (189,477)        |
| Net Change in Total Pension Liability   |    | <u>236,063</u>   |
| Total Pension Liability - Beginning   |    | <u>3,576,753</u> |
| Total Pension Liability - Ending  | \$ | <u>3,812,816</u> |
| Plan Fiduciary Net Position   |    |                  |
| Contributions - Employer  |    | 46,536           |
| Contributions - Member  |    | 41,553           |
| Pension Plan Net Investment Income  |    | 313,859          |
| Benefit Payments and Refunds  |    | (189,477)        |
| Pension Plan Administrative Expense   |    | (1,949)          |
| Net Change in Plan Fiduciary Net Position   |    | <u>210,522</u>   |
| Plan Fiduciary Net Position - Beginning   |    | <u>2,206,822</u> |
| Plan Fiduciary Net Position - Ending  | \$ | <u>2,417,344</u> |
| Net Pension Liability - Beginning   |    | <u>1,369,931</u> |
| Net Pension Liability - Ending  | \$ | <u>1,395,472</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability  |    | 63.40% *         |
| Covered-Employee Payroll  | \$ | 574,704 **       |
| Net Pension Liability as a Percentage of Covered-Employee Payroll   |    | 242.82%          |
| Notes to schedule:  |    |                  |
| * The change in the total pension liability due to the change in the single discount rate is included as an assumption change.  |    |                  |
| ** The covered employee payroll is the actual annual payroll for fiscal 2014 - the measurement period.  |    |                  |
| Other Information:  |    |                  |
| Amounts shown in this schedule represent TxDOT's 9.65 proportionate share of the collective amounts for the state of Texas. The contribution percentage is based on ERS records of actual contributions from each of the state agencies as a percentage of the total state contributions. |    |                  |
| This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.  |    |                  |
| Actuarially determined contributions are adjusted for actual payroll and administrative expenses.   |    |                  |
| Members and employers contribute based on statutorily fixed rates.  |    |                  |

**SCHEDULE OF CONTRIBUTIONS**

| <b>Schedule of Employer Contributions</b><br>(Amounts in Thousands)   |    |                                    |                                    |
|---|----|------------------------------------|------------------------------------|
|   |    | Fiscal Year Ended<br>Aug. 31, 2015 | Fiscal Year Ended<br>Aug. 31, 2014 |
| Actuarially determined contributions                                  | \$ | 71,131                             | \$ 70,242                          |
| Contributions in relation to the actuarially determined contributions | \$ | 48,288                             | \$ 46,536                          |
| Contribution deficiency (excess)                                      | \$ | 22,843                             | \$ 23,706                          |
| Covered-employee payroll  | \$ | 593,496                            | \$ 574,704                         |
| Contributions as a percentage of covered-employee payroll             |    | 8.14%                              | 8.10%                              |

**Notes to Schedule of Contributions**

**Valuation Date** Actuarially determined contribution rates are calculated as of August 31, 2014.

**Methods and Assumptions Used to Determine Contribution Rates**

|                               |   |
|-------------------------------|---|
| Actuarial Cost Method         | Entry Age Normal  |
| Amortization Method           | Level Percentage of Payroll, Open   |
| Remaining Amortization Period | 31 years  |
| Asset Valuation Method        | 20% of market plus 80% of expected actuarial value  |
| Inflation                     | 3.50%   |
| Salary Increases              | 0% to 11.5%   |
| Investment Rate of Return     | 8.00%   |
| Retirement Age                | Experience-based rates specific to the class of employees.<br>Last updated for the 2013 valuation based on an experience study of the 5-year period from Sept. 1, 2006 through Aug. 31, 2011    |
| Mortality                     | 1994 Group Annuity Mortality with no setback for males and Set-forward two years for females. Generational mortality improvements in accordance with Scale AA are projected from the year 2000. |

**Other Information:**

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Actuarially determined contributions are adjusted for actual payroll and administrative expenses.

Members and employers contribute based on statutorily fixed rates.

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## **Other Supplementary Information**

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## 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.

| <u>Appropriated</u><br><u>Fund</u> | <u>GAAP Fund</u> | <u>USAS D23 Funds</u>   |
|------------------------------------|------------------|---|
| 0006                               | 0006             | 0006 - State Highway Fund<br>0019 - Prop 14 Bonds-Series 2010<br>0020 - Tax Exempt Bonds<br>0121 - SH121 Concession-Project Fund<br>0122 - SH121 Concession-Revolving Fnd<br>0130 - SH130 Concession<br>0161 - SH161 Funds<br>0162 - SH162 Funds<br>0406 - Abandoned Rail Account<br>0513 - CTTS Operating Account<br>0514 - CTTS Maintenance Account<br>0515 - CTTS Reserve Maintenance Account<br>0635 - LBJ Project Concession Refund<br>0820 - North Texas Express Mobility Refinance Gain<br>1006 - Proposition 1 Account<br>1016 - Texas State Cemetery Committee<br>8006 - Depository Interest Default Fund<br>9000 - Deposit Default Fund<br>9001 - Returned Items Default Fund |

**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.

| <u>Appropriated</u><br><u>Fund</u> | <u>GAAP Fund</u> | <u>USAS D23 Funds</u>            |
|------------------------------------|------------------|----------------------------------|
| 0006                               | 0006             | 0099 - State Infrastructure Bank |

**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.

| <u>Appropriated</u><br><u>Fund</u> | <u>GAAP Fund</u> | <u>USAS D23 Funds</u>                              |
|------------------------------------|------------------|--|
| 0369                               | 0006             | 0369 - Federal American Recovery Reinvestment Fund |

**Texas Department of Transportation**  
**Combining Balance Sheet - State Highway Fund**  
August 31, 2015 (Amounts in Thousands)

**State Highway Fund - Major Special Revenue Fund**

|  | State<br>Highway<br>Fund<br>Accounts | State<br>Infrastructure<br>Bank | Federal<br>American<br>Recovery &<br>Reinvestment<br>Fund | TOTAL               |
|--|--------------------------------------|---------------------------------|---|---------------------|
| <b>ASSETS</b>  |                                      |                                 |   |                     |
| Cash and Cash Equivalents:   |                                      |                                 |   |                     |
| Cash on Hand   | \$ 441                               | \$                              | \$  | \$ 441              |
| Cash in Bank   | 382                                  |                                 |   | 382                 |
| Cash in State Treasury   | 3,654,212                            | 335,995                         | 2,616   | 3,992,823           |
| Receivables:   |                                      |                                 |   |                     |
| Taxes  | 258,186                              |                                 |   | 258,186             |
| Federal  | 574,435                              |                                 |   | 574,435             |
| Other Intergovernmental  | 66,906                               |                                 |   | 66,906              |
| Interest and Dividends   | 3,745                                | 2,138                           |   | 5,883               |
| Accounts Receivable  | 43,541                               |                                 |   | 43,541              |
| Due from Other Funds   | 153,010                              |                                 |   | 153,010             |
| Due from Other Agencies  | 1,359,897                            |                                 |   | 1,359,897           |
| Consumable Inventories   | 181,216                              |                                 |   | 181,216             |
| Loans and Contracts  | 232,780                              | 135,426                         |   | 368,206             |
| Total Assets   | <u>\$ 6,528,751</u>                  | <u>\$ 473,559</u>               | <u>\$ 2,616</u>   | <u>\$ 7,004,926</u> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b> |                                      |                                 |   |                     |
| Liabilities:   |                                      |                                 |   |                     |
| Payables:  |                                      |                                 |   |                     |
| Accounts Payable   | 992,936                              |                                 |   | 992,936             |
| Contracts Payable  | 8,886                                |                                 |   | 8,886               |
| Payroll Payable  | 68,182                               |                                 |   | 68,182              |
| Short Term Debt  | 350,000                              |                                 |   | 350,000             |
| Due to Other Funds   | 44,554                               |                                 | 2,616   | 47,170              |
| Due to Other Agencies  | 47,361                               |                                 |   | 47,361              |
| Unearned Revenues  | 201,514                              |                                 |   | 201,514             |
| Total Liabilities  | <u>1,713,433</u>                     | <u>0</u>                        | <u>2,616</u>  | <u>1,716,049</u>    |
| Deferred Inflow of Resources:  |                                      |                                 |   |                     |
| Unavailable Revenue  | 1,270,288                            | 0                               | 0   | 1,270,288           |
| Total Deferred Inflow of Resources                                   | <u>1,270,288</u>                     | <u>0</u>                        | <u>0</u>  | <u>1,270,288</u>    |
| Fund Balances (Deficits):  |                                      |                                 |   |                     |
| Nonspendable   |                                      |                                 |   |                     |
| Inventory  | 181,216                              |                                 |   | 181,216             |
| Restricted   | 1,914,386                            | 473,559                         |   | 2,387,945           |
| Committed  | 1,410,911                            |                                 |   | 1,410,911           |
| Assigned   | 38,517                               |                                 |   | 38,517              |
| Total Fund Balances  | <u>3,545,030</u>                     | <u>473,559</u>                  | <u>0</u>  | <u>4,018,589</u>    |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances   | <u>\$ 6,528,751</u>                  | <u>\$ 473,559</u>               | <u>\$ 2,616</u>   | <u>\$ 7,004,926</u> |



**Texas Department of Transportation**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - State Highway Fund**  
For the Fiscal Year Ended August 31, 2015 (Amounts in Thousands)

|                                       | <b>State Highway Fund - Major Special Revenue Fund</b> |                                  |   | <b>TOTAL</b>        |
|---------------------------------------|--|----------------------------------|---|---------------------|
|                                       | <b>State Highway Fund Accounts</b>                     | <b>State Infrastructure Bank</b> | <b>Federal American Recovery &amp; Reinvestment</b> |                     |
| <b>REVENUES</b>                       |  |                                  |   |                     |
| Taxes                                 | \$ 2,582,837   | \$                               | \$  | \$ 2,582,837        |
| Federal Revenues                      | 3,145,008  |                                  | 25,102  | 3,170,110           |
| Licenses, Fees and Permits            | 25,648   |                                  |   | 25,648              |
| Interest & Investment Income          | 19,067   | 7,144                            |   | 26,211              |
| Land Income                           | 15,590   |                                  |   | 15,590              |
| Settlement of Claims                  | 21,995   |                                  |   | 21,995              |
| Sales of Goods and Services           | 28,548   |                                  |   | 28,548              |
| Other Revenues                        | 8,381  |                                  |   | 8,381               |
| Total Revenues                        | <u>5,847,074</u>                                       | <u>7,144</u>                     | <u>25,102</u>                                       | <u>5,879,320</u>    |
| <b>EXPENDITURES</b>                   |  |                                  |   |                     |
| Transportation                        | 3,269,571  |                                  |   | 3,269,571           |
| Capital Outlay                        | 4,496,620  |                                  | 25,102  | 4,521,722           |
| Principal on Pass-Through Tolls       | 111,696  |                                  |   | 111,696             |
| Other Financing Fees                  | 3,205  |                                  |   | 3,205               |
| Total Expenditures                    | <u>7,881,092</u>                                       | <u>0</u>                         | <u>25,102</u>                                       | <u>7,906,194</u>    |
| Excess (Deficiency) of Revenues       |  |                                  |   |                     |
| Over (Under) Expenditures             | <u>(2,034,018)</u>                                     | <u>7,144</u>                     | <u>0</u>  | <u>(2,026,874)</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b> |  |                                  |   |                     |
| Transfers In                          | 3,355,983  |                                  |   | 3,355,983           |
| Transfers Out                         | (944,642)  |                                  |   | (944,642)           |
| Bond Issued for Refunding             | 781,080  |                                  |   | 781,080             |
| Premium/Discount on Bonds Issued      | 133,433  |                                  |   | 133,433             |
| Payment to Escrow on Refunding        | (910,971)  |                                  |   | (910,971)           |
| Sale of Capital Assets                | 70,255   |                                  |   | 70,255              |
| Total Other Financing Sources (Uses)  | <u>2,485,138</u>                                       | <u>0</u>                         | <u>0</u>  | <u>2,485,138</u>    |
| Net Change in Fund Balances           | <u>451,120</u>   | <u>7,144</u>                     | <u>0</u>  | <u>458,264</u>      |
| Fund Balances, September 1, 2014      | <u>3,093,910</u>                                       | <u>466,415</u>                   |   | <u>3,560,325</u>    |
| Fund Balances, August 31, 2015        | <u>\$ 3,545,030</u>                                    | <u>\$ 473,559</u>                | <u>\$ 0</u>   | <u>\$ 4,018,589</u> |

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## 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.

| <u>Appropriated<br/>Fund</u> | <u>GAAP Fund</u> | <u>USAS D23 Funds</u>  |
|------------------------------|------------------|--|
| 0365                         | 0365             | 0365 - TMF-General Account<br>0366 - TMF-PortFolio Account<br>0367 - TMF-Interest & Sinking Account<br>0373 - TMF-Rebate Account<br>0374 - TMF-Purchase Account<br>0376 - TMF-Reserve Account<br>0379 - TMF Bond Account |

**Capital Projects Fund Accounts** – These funds report the activity related to the expenditure of the mobility fund bond proceeds on eligible transportation projects.

| <u>Appropriated<br/>Fund</u> | <u>GAAP Fund</u> | <u>USAS D23 Funds</u>   |
|------------------------------|------------------|---|
| 0365                         | 0365             | 0375 - TMF-2008 Bond Issue Account-Capital Project<br>0377 - TMF-Bond Issue Account-Capital Project |

**Texas Department of Transportation**  
**Combining Balance Sheet - Texas Mobility Fund**  
August 31, 2015 (Amounts in Thousands)

|  | <b>Texas Mobility Fund - Major<br/>Debt Service &amp; Capital Projects</b> |                                      |                     |
|--|--|--------------------------------------|---------------------|
|  | <b>Debt<br/>Service<br/>Fund</b>   | <b>Capital<br/>Projects<br/>Fund</b> | <b>Total</b>        |
| <b>ASSETS</b>                              |  |                                      |                     |
| Cash and Cash Equivalents:                 |  |                                      |                     |
| Cash in State Treasury                     | \$ 519,973   | \$ 692,969                           | \$ 1,212,942        |
| <b>Total Assets</b>                        | <b>\$ 519,973</b>  | <b>\$ 692,969</b>                    | <b>\$ 1,212,942</b> |
| <b>LIABILITIES AND FUND BALANCES</b>       |  |                                      |                     |
| Liabilities:                               |  |                                      |                     |
| Payables:                                  |  |                                      |                     |
| Accounts Payable                           | 282  | 9,610                                | 9,892               |
| Due to Other Funds                         |  | 10,662                               | 10,662              |
| Unearned Revenues                          | 1,800  |                                      | 1,800               |
| <b>Total Liabilities</b>                   | <b>2,082</b>   | <b>20,272</b>                        | <b>22,354</b>       |
| Fund Balances (Deficits):                  |  |                                      |                     |
| Restricted                                 | 517,891  | 672,697                              | 1,190,588           |
| <b>Total Fund Balances</b>                 | <b>517,891</b>   | <b>672,697</b>                       | <b>1,190,588</b>    |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 519,973</b>  | <b>\$ 692,969</b>                    | <b>\$ 1,212,942</b> |

**Texas Department of Transportation**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Texas Mobility Fund**  
For the Fiscal Year Ended August 31, 2015 (Amounts in Thousands)

|  | <b>Texas Mobility Fund - Major Debt<br/>Service &amp; Capital Projects Fund</b> |                                      |                     |
|--|---|--------------------------------------|---------------------|
|  | <b>Debt<br/>Service<br/>Fund</b>  | <b>Capital<br/>Projects<br/>Fund</b> | <b>Total</b>        |
| <b>REVENUES</b>  |   |                                      |                     |
| Federal Revenues   | \$ 21,638   | \$                                   | \$ 21,638           |
| Licenses, Fees and Permits                                   | 367,548   |                                      | 367,548             |
| Interest and Investment Income                               | 1,929   | 1,494                                | 3,423               |
| Total Revenues   | <u>391,115</u>  | <u>1,494</u>                         | <u>392,609</u>      |
| <b>EXPENDITURES</b>  |   |                                      |                     |
| Transportation   |   | 147,483                              | 147,483             |
| Capital Outlay   |   | 59,631                               | 59,631              |
| Principal on State Bonds                                     | 62,355  |                                      | 62,355              |
| Interest on State Bonds                                      | 258,358   |                                      | 258,358             |
| Other Financing Fees   |   | 8,199                                | 8,199               |
| Total Expenditures   | <u>320,713</u>  | <u>215,313</u>                       | <u>536,026</u>      |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>70,402</u>   | <u>(213,819)</u>                     | <u>(143,417)</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |   |                                      |                     |
| Transfers In   | 84,578  |                                      | 84,578              |
| Transfers Out  |   | (84,578)                             | (84,578)            |
| Bonds & Note Issued  |   | 900,000                              | 900,000             |
| Bonds Issed for Refunding                                    |   | 930,160                              | 930,160             |
| Premiums on Bonds Issued                                     |   | 259,555                              | 259,555             |
| Payment to Escrow Refunding                                  | (9,982)   | (1,099,525)                          | (1,109,507)         |
| Total Other Financing Sources (Uses)                         | <u>74,596</u>   | <u>905,612</u>                       | <u>980,208</u>      |
| Net Change in Fund Balances                                  | <u>144,998</u>  | <u>691,793</u>                       | <u>836,791</u>      |
| Fund Balances, September 1, 2014                             | 372,893   | (19,096)                             | 353,797             |
| Fund Balances, August 31, 2015                               | <u>\$ 517,891</u>   | <u>\$ 672,697</u>                    | <u>\$ 1,190,588</u> |

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**Nonmajor Governmental Funds****Combining Financial Statements**

TxDOT reports the following accounts/sub-funds, which are consolidated into the Nonmajor Governmental funds for the financial statements.

**General Fund** - The general fund accounts for all financial resources except those accounted for in other

| <u>Appropriated<br/>Fund</u> | <u>GAAP Fund</u> | <u>USAS D23 Funds</u>   |
|------------------------------|------------------|---|
| 0001                         | 0001             | 0001 - General Revenue Fund   |
| 0900                         | 0900             | 0090 - Suspense Fund  |
| 0999                         | 0001             | 0998 - Miscellaneous-Utility Fund (Non-Cash)                            |
| 0029                         | 0029             | 0029 - Traffic Safety Fund  |
| 0001                         | 0001             | 5000 - General Revenue Fund   |
| 7604                         | 7604             | 7604 - TPFA G.O. Commercial Paper Series 2002B<br>Colonias Project Fund |

**Special Revenue Funds** - These funds are used to report the proceeds of specific revenue sources that are restricted or committed for specified purposes other than debt service or capital project.

| <u>Appropriated<br/>Fund</u> | <u>GAAP Fund</u> | <u>USAS D23 Funds</u>             |
|------------------------------|------------------|-----------------------------------|
| 9999                         | 3029             | 0999 - Texas Transportation Corps |
| 0184                         | 0184             | 0184 - Trans Infrastructure Fund  |

**Texas Department of Transportation**  
**Combining Balance Sheet - Nonmajor Governmental Funds**

August 31, 2015 (Amounts in Thousands)

|  | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Fund</u> | <u>Debt<br/>Service<br/>Fund*</u> | <u>Total<br/>Nonmajor<br/>Funds</u> |
|--|-------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| <b>ASSETS</b>                              |                         |                                     |                                   |                                     |
| Cash and Cash Equivalents:                 |                         |                                     |                                   |                                     |
| Cash in Bank                               | \$                      | \$                                  | \$                                | \$                                  |
| Cash in State Treasury                     | 26,301                  | 104                                 | 126,691                           | 324,005                             |
| Legislative Appropriations                 | 16,203                  |                                     |                                   | 16,203                              |
| Receivables:                               |                         |                                     |                                   |                                     |
| Federal                                    | 4,845                   |                                     |                                   | 4,845                               |
| Due from Other Funds                       |                         | 118                                 |                                   | 118                                 |
| Loans and Contracts                        | 107                     |                                     |                                   | 107                                 |
| <b>Total Assets</b>                        | <b>\$ 47,456</b>        | <b>\$ 171,235</b>                   | <b>\$ 126,691</b>                 | <b>\$ 345,382</b>                   |
| <b>LIABILITIES AND FUND BALANCES</b>       |                         |                                     |                                   |                                     |
| Liabilities:                               |                         |                                     |                                   |                                     |
| Payables:                                  |                         |                                     |                                   |                                     |
| Accounts Payable                           | 616                     | 17,437                              |                                   | 18,053                              |
| Payroll Payable                            | 86                      |                                     |                                   | 86                                  |
| Due to Other Funds                         | 26,301                  |                                     |                                   | 26,301                              |
| <b>Total Liabilities</b>                   | <b>27,003</b>           | <b>17,437</b>                       | <b>0</b>                          | <b>44,440</b>                       |
| Fund Balances (Deficits):                  |                         |                                     |                                   |                                     |
| Nonspendable                               |                         |                                     |                                   |                                     |
| LT Loans, Contracts and Receivables        | 87                      |                                     |                                   | 87                                  |
| Restricted                                 |                         |                                     | 126,691                           | 126,691                             |
| Committed                                  |                         | 153,704                             |                                   | 153,704                             |
| Assigned                                   | 702                     | 94                                  |                                   | 796                                 |
| Unassigned                                 | 19,664                  |                                     |                                   | 19,664                              |
| <b>Total Fund Balances</b>                 | <b>20,453</b>           | <b>153,798</b>                      | <b>126,691</b>                    | <b>300,942</b>                      |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 47,456</b>        | <b>\$ 171,235</b>                   | <b>\$ 126,691</b>                 | <b>\$ 345,382</b>                   |

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



**Texas Department of Transportation**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Nonmajor Governmental Funds**

For the Fiscal Year Ended August 31, 2015 (Amounts in Thousands)

|  | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Fund</u> | <u>Debt<br/>Service<br/>Fund*</u> | <u>Total<br/>Nonmajor<br/>Funds</u> |
|--|-------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| <b>REVENUES</b>  |                         |                                     |                                   |                                     |
| Legislative Appropriations:                                  |                         |                                     |                                   |                                     |
| Original Appropriations                                      | \$ 195,807              | \$                                  | \$                                | \$ 195,807                          |
| Additional Appropriations                                    | 229                     |                                     |                                   | 229                                 |
| Federal Revenues   | 11,628                  |                                     | 27,143                            | 38,771                              |
| Interest and Investment Income                               |                         | 803                                 | 397                               | 1,200                               |
| Sales of Goods and Services                                  | 1,633                   |                                     |                                   | 1,633                               |
| Other Revenues   |                         | 634                                 |                                   | 634                                 |
| Total Revenues   | <u>209,297</u>          | <u>1,437</u>                        | <u>27,540</u>                     | <u>238,274</u>                      |
| <b>EXPENDITURES</b>  |                         |                                     |                                   |                                     |
| Transportation   | 570                     | 66,698                              |                                   | 67,268                              |
| Capital Outlay   | 1,374                   | 3,602                               |                                   | 4,976                               |
| Principal on State Bonds                                     | 83,280                  |                                     | 132,200                           | 215,480                             |
| Interest on State Bonds                                      | 110,051                 |                                     | 198,315                           | 308,366                             |
| Other Financing Fees   | 558                     |                                     |                                   | 558                                 |
| Total Expenditures   | <u>195,833</u>          | <u>70,300</u>                       | <u>330,515</u>                    | <u>596,648</u>                      |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>13,464</u>           | <u>(68,863)</u>                     | <u>(302,975)</u>                  | <u>(358,374)</u>                    |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                         |                                     |                                   |                                     |
| Transfers In   | 903                     |                                     | 304,165                           | 305,068                             |
| Transfers Out  | (47,900)                |                                     |                                   | (47,900)                            |
| Payment to Escrow on Refunding                               |                         |                                     | (13,057)                          | (13,057)                            |
| Sale of Capital Assets                                       | 2,981                   |                                     |                                   | 2,981                               |
| Appropriations Lapsed  | (1,216)                 |                                     |                                   | (1,216)                             |
| Total Other Financing Sources (Uses)                         | <u>(45,232)</u>         | <u>0</u>                            | <u>291,108</u>                    | <u>245,876</u>                      |
| Net Change in Fund Balances                                  | <u>(31,768)</u>         | <u>(68,863)</u>                     | <u>(11,867)</u>                   | <u>(112,498)</u>                    |
| Fund Balances, September 1, 2014                             | <u>52,221</u>           | <u>222,661</u>                      | <u>138,558</u>                    | <u>413,440</u>                      |
| Fund Balances, August 31, 2015                               | <u>\$ 20,453</u>        | <u>\$ 153,798</u>                   | <u>\$ 126,691</u>                 | <u>\$ 300,942</u>                   |

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

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**General Fund Accounts****Combining Financial Statements**

TxDOT reports the following accounts/sub-funds, which are consolidated into the Nonmajor Governmental funds for the financial statements.

**General Fund** - The general fund accounts for all financial resources except those accounted for in other funds.

| <u>Appropriated<br/>Fund</u> | <u>GAAP Fund</u> | <u>USAS D23 Funds</u>  |
|------------------------------|------------------|--|
| 0001                         | 0001             | 0001 - General Revenue Fund<br>5000 - General Revenue Fund<br>0998 - Mis-Utility Fund (Non-Cash) |

**Traffic Safety-Crash Records Information Systems**

| <u>Appropriated<br/>Fund</u> | <u>GAAP Fund</u> | <u>USAS D23 Funds</u>      |
|------------------------------|------------------|----------------------------|
| 0029                         | 0029             | 0029 - Traffic Safety Fund |

**Colonias Projects Fund**

| <u>Appropriated<br/>Fund</u> | <u>GAAP Fund</u> | <u>USAS D23 Funds</u>   |
|------------------------------|------------------|---|
| 7604                         | 7604             | 7604 - TPFA G.O. Commercial Paper Series 2002B<br>Colonias Project Fund |

**Suspense Fund**

| <u>Appropriated<br/>Fund</u> | <u>GAAP Fund</u> | <u>USAS D23 Funds</u> |
|------------------------------|------------------|-----------------------|
| 0900                         | 0900             | 0090 - Suspense Fund  |

**Texas Department of Transportation**  
**Combining Balance Sheet - General Fund Accounts**  
August 31, 2015 (Amounts in Thousands)

|                                      | <u>General<br/>Revenue<br/>Fund</u> | <u>Traffic<br/>Safety<br/>Crash<br/>Records<br/>Information<br/>Systems</u> | <u>Colonias<br/>Projects<br/>Fund</u> | <u>Suspense<br/>Fund</u> | <u>Total</u>     |
|--------------------------------------|-------------------------------------|---|---------------------------------------|--------------------------|------------------|
| <b>ASSETS</b>                        |                                     |   |                                       |                          |                  |
| Cash and Cash Equivalents:           |                                     |   |                                       |                          |                  |
| Cash in State Treasury               | \$                                  | \$  | \$                                    | \$ 26,301                | \$ 26,301        |
| Legislative Appropriations           | 16,203                              |   |                                       |                          | 16,203           |
| Receivables:                         |                                     |   |                                       |                          |                  |
| Federal                              | 4,845                               |   |                                       |                          | 4,845            |
| Loans and Contracts                  | 107                                 |   |                                       |                          | 107              |
| Total Assets                         | <u>\$ 21,155</u>                    | <u>\$ 0</u>   | <u>\$ 0</u>                           | <u>\$ 26,301</u>         | <u>\$ 47,456</u> |
| <b>LIABILITIES AND FUND BALANCES</b> |                                     |   |                                       |                          |                  |
| Liabilities:                         |                                     |   |                                       |                          |                  |
| Payables:                            |                                     |   |                                       |                          |                  |
| Accounts Payable                     | 616                                 |   |                                       |                          | 616              |
| Payroll Payable                      | 86                                  |   |                                       |                          | 86               |
| Due to Other Funds                   |                                     |   |                                       | 26,301                   | 26,301           |
| Total Liabilities                    | <u>702</u>                          | <u>0</u>  | <u>0</u>                              | <u>26,301</u>            | <u>27,003</u>    |
| Fund Balances (Deficits):            |                                     |   |                                       |                          |                  |
| Nonspendable                         | 87                                  |   |                                       |                          | 87               |
| Assigned                             | 702                                 |   |                                       |                          | 702              |
| Unassigned                           | 19,664                              |   |                                       |                          | 19,664           |
| Total Fund Balances                  | <u>20,453</u>                       | <u>0</u>  | <u>0</u>                              | <u>0</u>                 | <u>20,453</u>    |
| Total Liabilities and Fund Balances  | <u>\$ 21,155</u>                    | <u>\$ 0</u>   | <u>\$ 0</u>                           | <u>\$ 26,301</u>         | <u>\$ 47,456</u> |

**Texas Department of Transportation**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - General Fund Accounts**  
For the Fiscal Year Ended August 31, 2015 (Amounts in Thousands)

|                                       | General<br>Revenue<br>Fund | Traffic<br>Safety-<br>Crash<br>Records<br>Information<br>Systems | Colonias<br>Projects<br>Fund | Suspense<br>Fund | Total            |
|---------------------------------------|----------------------------|--|------------------------------|------------------|------------------|
| <b>REVENUES</b>                       |                            |  |                              |                  |                  |
| Legislative Appropriations:           |                            |  |                              |                  |                  |
| Original Appropriations               | \$ 195,807                 | \$   | \$                           | \$               | \$ 195,807       |
| Additional Appropriations             | 229                        |  |                              |                  | 229              |
| Federal Revenues                      | 11,628                     |  |                              |                  | 11,628           |
| Sales of Goods and Services           | 1,633                      |  |                              |                  | 1,633            |
| Total Revenues                        | <u>209,297</u>             | <u>0</u>   | <u>0</u>                     | <u>0</u>         | <u>209,297</u>   |
| <b>EXPENDITURES</b>                   |                            |  |                              |                  |                  |
| Transportation                        | (333)                      | 750  | 153                          |                  | 570              |
| Capital Outlay                        | 1,374                      |  |                              |                  | 1,374            |
| Principal on State Bonds              | 83,280                     |  |                              |                  | 83,280           |
| Interest on State Bonds               | 110,051                    |  |                              |                  | 110,051          |
| Other Financing Fees                  | 558                        |  |                              |                  | 558              |
| Total Expenditures                    | <u>194,930</u>             | <u>750</u>   | <u>153</u>                   | <u>0</u>         | <u>195,833</u>   |
| Excess (Deficiency) of Revenues       |                            |  |                              |                  |                  |
| Over (Under) Expenditures             | <u>14,367</u>              | <u>(750)</u>   | <u>(153)</u>                 | <u>0</u>         | <u>13,464</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b> |                            |  |                              |                  |                  |
| Transfers In                          |                            | 750  | 153                          |                  | 903              |
| Transfers Out                         | (47,900)                   |  |                              |                  | (47,900)         |
| Sale of Capital Assets                | 2,981                      |  |                              |                  | 2,981            |
| Appropriations Lapsed                 | (1,216)                    |  |                              |                  | (1,216)          |
| Total Other Financing Sources (Uses)  | <u>(46,135)</u>            | <u>750</u>   | <u>153</u>                   | <u>0</u>         | <u>(45,232)</u>  |
| Net Change in Fund Balances           | <u>(31,768)</u>            | <u>0</u>   | <u>0</u>                     | <u>0</u>         | <u>(31,768)</u>  |
| Fund Balances, September 1, 2014      | <u>52,221</u>              |  |                              |                  | <u>52,221</u>    |
| Fund Balances, August 31, 2015        | <u>\$ 20,453</u>           | <u>\$ 0</u>  | <u>\$ 0</u>                  | <u>\$ 0</u>      | <u>\$ 20,453</u> |

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**Nonmajor Special Revenue Funds**

**Combining Financial Statements**

TxDOT reports the following accounts/sub-funds, which are consolidated into the General Governmental funds for the financial statements.

**Transportation Infrastructure Fund**

| <u>Appropriated<br/>Fund</u> | <u>GAAP Fund</u> | <u>USAS D23 Funds</u>            |
|------------------------------|------------------|----------------------------------|
| 0184                         | 0184             | 0184 - Trans Infrastructure Fund |

**Texas Transportation Corporations**

| <u>Appropriated<br/>Fund</u> | <u>GAAP Fund</u> | <u>USAS D23 Funds</u>             |
|------------------------------|------------------|-----------------------------------|
| 9999                         | 3029             | 0999 - Texas Transportation Corps |

**Texas Department of Transportation**  
**Combining Balance Sheet - Nonmajor Special Revenue Funds**  
August 31, 2015 (Amounts in Thousands)

|                                      | <u>Transportation<br/>Infrastructure<br/>Fund</u> | <u>Texas<br/>Transportation<br/>Corporations</u> | <u>Total</u>      |
|--------------------------------------|---|--|-------------------|
| <b>ASSETS</b>                        |   |  |                   |
| Cash and Cash Equivalents:           |   |  |                   |
| Cash in Bank                         | \$  | \$ 104   | \$ 104            |
| Cash in State Treasury               | 171,013   |  | 171,013           |
| Due from Other Funds                 |   | 118  | 118               |
| Total Assets                         | <u>\$ 171,013</u>                                 | <u>\$ 222</u>                                    | <u>\$ 171,235</u> |
| <b>LIABILITIES AND FUND BALANCES</b> |   |  |                   |
| Liabilities:                         |   |  |                   |
| Payables:                            |   |  |                   |
| Accounts Payable                     | <u>17,309</u>                                     | <u>128</u>                                       | <u>17,437</u>     |
| Total Liabilities                    | <u>17,309</u>                                     | <u>128</u>                                       | <u>17,437</u>     |
| Fund Balances (Deficits):            |   |  |                   |
| Committed                            | 153,704   |  | 153,704           |
| Assigned                             |   | 94   | 94                |
| Total Fund Balances                  | <u>153,704</u>                                    | <u>94</u>  | <u>153,798</u>    |
| Total Liabilities and Fund Balances  | <u>\$ 171,013</u>                                 | <u>\$ 222</u>                                    | <u>\$ 171,235</u> |



**Texas Department of Transportation**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Nonmajor Special Revenue Funds**

For the Fiscal Year Ended August 31, 2015 (Amounts in Thousands)

|  | <u>Transportation<br/>Infrastructure<br/>Fund</u> | <u>Texas<br/>Transportation<br/>Corporations</u> | <u>Total</u>      |
|--|---|--|-------------------|
| <b>REVENUES</b>  |   |  |                   |
| Interest and Investment Income                               | \$ 803  | \$   | 803               |
| Other Revenues   |   | 634  | 634               |
| Total Revenues   | <u>803</u>  | <u>634</u>                                       | <u>1,437</u>      |
| <b>EXPENDITURES</b>  |   |  |                   |
| Transportation   | 65,790  | 908  | 66,698            |
| Capital Outlay   | 3,602   |  | 3,602             |
| Total Expenditures   | <u>69,392</u>                                     | <u>908</u>                                       | <u>70,300</u>     |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(68,589)</u>                                   | <u>(274)</u>                                     | <u>(68,863)</u>   |
| Net Change in Fund Balances                                  | <u>(68,589)</u>                                   | <u>(274)</u>                                     | <u>(68,863)</u>   |
| Fund Balances, September 1, 2014                             | <u>222,293</u>                                    | <u>368</u>                                       | <u>222,661</u>    |
| Fund Balances, August 31, 2015                               | <u>\$ 153,704</u>                                 | <u>\$ 94</u>                                     | <u>\$ 153,798</u> |

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**Agency Funds****Combining Financial Statements**

These funds are used to account for the assets held for distribution by the state as an agent for another entity for which the government has custodial responsibility and accounts for the flow of assets.

**Agency Funds**

| <u>Appropriated<br/>Fund</u> | <u>GAAP Fund</u> | <u>USAS D23 Funds</u>                         |
|------------------------------|------------------|---|
| 9999                         | 9999             | 0997 - CTTS Depository Bank                   |
| 9995                         | 9999             | 1997 - Toll Custodial Account                 |
| 0001                         | 1000             | 1001 - General Revenue Fund-Agency Funds      |
| 0980                         | 0980             | 0980 - Direct Deposit Correction Fund         |
| 0980                         | 0980             | 9014 - USPS-Direct Deposit Return             |
| 0942                         | 0942             | 0942 - 401K Payroll                           |
| 0900                         | 0900             | 0900 - Suspense Fund                          |
| 0900                         | 0900             | 9015 - USPS-Overpayments To Employees         |
| 0900                         | 0900             | 9016 - Warrant Hold Offset-Gc403.0551         |
| 0882                         | 0882             | 0882 - City County MTA & SPD Sales Tax        |
| 0807                         | 0807             | 8070 - Child Support Addenda Deductions       |
| 0598                         | 0598             | 0598 - All Terrain Vehicle Safety Fund        |
| 0021                         | 0021             | 0021 - Proportional Registration Distribution |

**Texas Department of Transportation  
Combining Statement of Changes in Assets and Liabilities - Agency Funds  
For the Fiscal Year Ended August 31, 2015**

|  | Balances<br>September 1,<br>2014 | Additions    | Deductions   | Balances<br>August 31,<br>2015 |
|--|----------------------------------|--------------|--------------|--------------------------------|
| <b>UNAPPROPRIATED RECEIPTS</b>           |                                  |              |              |                                |
| <b>General Revenue Fund</b>              |                                  |              |              |                                |
| Assets:                                  |                                  |              |              |                                |
| Cash on Hand                             | \$ 0                             | \$ 2,982     | \$ 2,982     | \$ 0                           |
| Total Assets                             | \$ 0                             | \$ 2,982     | \$ 2,982     | \$ 0                           |
| Liabilities:                             |                                  |              |              |                                |
| Funds Held for Others                    | \$ 0                             | \$ 2,982     | \$ 2,982     | \$ 0                           |
| Total Liabilities                        | \$ 0                             | \$ 2,982     | \$ 2,982     | \$ 0                           |
| <b>OTHER AGENCY FUNDS</b>                |                                  |              |              |                                |
| <b>Child Support Deducts Account</b>     |                                  |              |              |                                |
| Assets:                                  |                                  |              |              |                                |
| Cash in State Treasury                   | \$ 299                           | \$ 4,063     | \$ 4,039     | \$ 323                         |
| Total Assets                             | \$ 299                           | \$ 4,063     | \$ 4,039     | \$ 323                         |
| Liabilities:                             |                                  |              |              |                                |
| Funds Held for Others                    | \$ 299                           | \$ 4,063     | \$ 4,039     | \$ 323                         |
| Total Liabilities                        | \$ 299                           | \$ 4,063     | \$ 4,039     | \$ 323                         |
| <b>Direct Deposit Correction Account</b> |                                  |              |              |                                |
| Assets:                                  |                                  |              |              |                                |
| Cash in State Treasury                   | \$ 2,405                         | \$ 2,381     | \$ 3,339     | \$ 1,447                       |
| Total Assets                             | \$ 2,405                         | \$ 2,381     | \$ 3,339     | \$ 1,447                       |
| Liabilities:                             |                                  |              |              |                                |
| Funds Held for Others                    | \$ 2,405                         | \$ 2,381     | \$ 3,339     | \$ 1,447                       |
| Total Liabilities                        | \$ 2,405                         | \$ 2,381     | \$ 3,339     | \$ 1,447                       |
| <b>Toll Revenue Custodial Account</b>    |                                  |              |              |                                |
| Assets:                                  |                                  |              |              |                                |
| Cash on Hand                             | \$ 189                           | \$ 7         | \$ 189       | \$ 7                           |
| Cash in Bank                             | 147                              | 26,450       | 26,112       | 485                            |
| Cash Equivalents                         | 27,327                           | 1,001,888    | 991,997      | 37,218                         |
| Total Assets                             | \$ 27,663                        | \$ 1,028,345 | \$ 1,018,299 | \$ 37,709                      |
| Liabilities:                             |                                  |              |              |                                |
| Funds Held For Others                    | \$ 27,663                        | \$ 1,028,345 | \$ 1,018,299 | \$ 37,709                      |
| Total Liabilities                        | \$ 27,663                        | \$ 1,028,345 | \$ 1,018,299 | \$ 37,709                      |
| <b>TOTALS - ALL AGENCY FUNDS</b>         |                                  |              |              |                                |
| Assets:                                  |                                  |              |              |                                |
| Cash on Hand                             | \$ 189                           | \$ 2,989     | \$ 3,171     | \$ 7                           |
| Cash in Bank                             | 147                              | 26,450       | 26,112       | 485                            |
| Cash In State Treasury                   | 2,704                            | 6,444        | 7,378        | 1,770                          |
| Cash Equivalents                         | 27,327                           | 1,001,888    | 991,997      | 37,218                         |
| Total Assets                             | \$ 30,367                        | \$ 1,037,771 | \$ 1,028,658 | \$ 39,480                      |
| Liabilities:                             |                                  |              |              |                                |
| Funds Held for Others                    | \$ 30,367                        | \$ 1,037,771 | \$ 1,028,658 | \$ 39,480                      |
| Total Liabilities                        | \$ 30,367                        | \$ 1,037,771 | \$ 1,028,658 | \$ 39,480                      |

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## **Other Information**

### **Schedules\***

- 1A – Schedule of Expenditures of Federal Awards (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**
- 3 – Matrix of Operating Expenditures Reported by Function-  
Governmental Funds (Unaudited)**

\* 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, 2015

| Federal Grantor/<br>Pass-Through Grantor/<br>Program Title   | Federal<br>CFDA<br>Number | Pass-Through From |            |               | Direct<br>Program<br>Amount | Total Pass-<br>Through From<br>and Direct<br>Program |
|--|---------------------------|-------------------|------------|---------------|-----------------------------|--|
|  |                           | Agency            | State      | Other         |                             |  |
|  |                           | Number            | Entities   | Entities      |                             |  |
|  |                           | \$                | \$         | \$            | \$                          |  |
| <u>Department of Defense :</u>   |                           |                   |            |               |                             |  |
| Direct Program:  |                           |                   |            |               |                             |  |
| Community Investment   | 12.600                    |                   |            | 7,567,468.92  | 7,567,468.92                |  |
| Total Department of Defense:   |                           |                   | 0.00       | 0.00          | 7,567,468.92                | 7,567,468.92   |
| <u>Federal Aviation Administration (FAA):</u>  |                           |                   |            |               |                             |  |
| Direct Program:  |                           |                   |            |               |                             |  |
| Airport Improvement Program  | 20.106                    |                   |            | 68,324,773.61 | 68,324,773.61               |  |
| Pass-Through Funds to Other Entities:  |                           |                   |            |               |                             |  |
| Airport Improvement Program  | 20.106                    |                   |            | 300,000.00    | 300,000.00                  |  |
| Total FAA:   |                           |                   | 0.00       | 0.00          | 68,624,773.61               | 68,624,773.61  |
| <u>Federal Railroad Administration:</u>  |                           |                   |            |               |                             |  |
| Direct Program:  |                           |                   |            |               |                             |  |
| High-Speed Rail Corridors and Intercity Passenger Rail<br>Service-Capital Assistance Grants - ARRA         | 20.319                    |                   |            | 2,021,457.40  | 2,021,457.40                |  |
| Rail Line Relocation and Improvement   | 20.320                    |                   |            | 2,234,179.08  | 2,234,179.08                |  |
| Total Federal Railroad Administration:   |                           |                   | 0.00       | 0.00          | 4,255,636.48                | 4,255,636.48   |
| <u>Federal Transit Administration (FTA):</u>   |                           |                   |            |               |                             |  |
| Direct Program:  |                           |                   |            |               |                             |  |
| Federal Transit Metropolitan Planning Grants   | 20.505                    |                   |            | 769,638.53    | 769,638.53                  |  |
| Formula Grants For Other Than Urbanized Areas  | 20.509                    |                   |            | 1,539,612.04  | 1,539,612.04                |  |
| Rail Fixed Guideway Public Transportation System State<br>Safety Oversight Formula Grants                  | 20.528                    |                   |            | 21,771.14     | 21,771.14                   |  |
| Pass-Through Funds to Other Entities:  |                           |                   |            |               |                             |  |
| Federal Transit Metropolitan Planning Grants   | 20.505                    |                   |            | 409,773.63    | 409,773.63                  |  |
| Formula Grants For Other Than Urbanized Areas  | 20.509                    |                   |            | 35,673,169.15 | 35,673,169.15               |  |
| Total FTA:   |                           |                   | 0.00       | 0.00          | 38,413,964.49               | 38,413,964.49  |
| <u>National Highway Traffic Safety Admin. (NHTSA):</u>   |                           |                   |            |               |                             |  |
| Direct Program:  |                           |                   |            |               |                             |  |
| NHTSA Discretionary Safety Grants  | 20.614                    |                   |            | 21,239.12     | 21,239.12                   |  |
| Total NHTSA:   |                           |                   | 0.00       | 0.00          | 21,239.12                   | 21,239.12  |
| <u>U.S. Department of Transportation:</u>  |                           |                   |            |               |                             |  |
| Direct Program:  |                           |                   |            |               |                             |  |
| National Infrastructure Investments  | 20.933                    |                   |            | 10,615,017.65 | 10,615,017.65               |  |
| Total U.S. DOT:  |                           |                   | 0.00       | 0.00          | 10,615,017.65               | 10,615,017.65  |
| <u>General Services Administration (GSA):</u>  |                           |                   |            |               |                             |  |
| Pass-Through Funds:  |                           |                   |            |               |                             |  |
| Donation of Federal Surplus Personal Property-NonMonetary<br>Pass-Through from Texas Facilities Commission | 39.003                    | 303               | 123,780.10 | 0.00          | 123,780.10                  |  |
| Total GSA:   |                           |                   | 123,780.10 | 0.00          | 0.00                        | 123,780.10   |

| Agency<br>Number | Pass-Through To   |                   | Expenditures  | Total Pass-<br>Through To<br>and Expenditures<br>Amount |
|------------------|-------------------|-------------------|---------------|---|
|                  | State<br>Entities | Other<br>Entities |               |   |
| \$               | \$                | \$                | \$            |   |
|                  |                   |                   | 7,567,468.92  | 7,567,468.92  |
|                  | 0.00              | 0.00              | 7,567,468.92  | 7,567,468.92  |
|                  |                   |                   | 68,324,773.61 | 68,324,773.61   |
|                  |                   | 300,000.00        |               | 300,000.00  |
|                  | 0.00              | 300,000.00        | 68,324,773.61 | 68,624,773.61   |
|                  |                   |                   | 2,021,457.40  | 2,021,457.40  |
|                  |                   |                   | 2,234,179.08  | 2,234,179.08  |
|                  | 0.00              | 0.00              | 4,255,636.48  | 4,255,636.48  |
|                  |                   |                   | 769,638.53    | 769,638.53  |
|                  |                   |                   | 1,539,612.04  | 1,539,612.04  |
|                  |                   |                   | 21,771.14     | 21,771.14   |
|                  |                   | 409,773.63        |               | 409,773.63  |
|                  |                   | 35,673,169.15     |               | 35,673,169.15   |
|                  | 0.00              | 36,082,942.78     | 2,331,021.71  | 38,413,964.49   |
|                  |                   |                   | 21,239.12     | 21,239.12   |
|                  | 0.00              | 0.00              | 21,239.12     | 21,239.12   |
|                  |                   |                   | 10,615,017.65 | 10,615,017.65   |
|                  | 0.00              | 0.00              | 10,615,017.65 | 10,615,017.65   |
|                  |                   |                   | 123,780.10    | 123,780.10  |
|                  | 0.00              | 0.00              | 123,780.10    | 123,780.10  |

- Continued on Next Page

**Texas Department of Transportation**  
**Schedule 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
For the Fiscal Year Ended August 31, 2015

| Federal Grantor/<br>Pass-Through Grantor/<br>Program Title                      | Federal<br>CFDA<br>Number | Pass-Through From |          |          | Direct<br>Program<br>Amount | Through From<br>and Direct<br>Program |
|---|---------------------------|-------------------|----------|----------|-----------------------------|---------------------------------------|
|   |                           | Agency            | State    | Other    |                             |                                       |
|   |                           | Number            | Entities | Entities |                             |                                       |
| <i>Other Clusters</i>   |                           |                   |          |          |                             |                                       |
| <i>Federal Transit Cluster:</i>   |                           |                   |          |          |                             |                                       |
| <u>Federal Transit Administration (FTA):</u>                                    |                           |                   |          |          |                             |                                       |
| Direct Program:   |                           |                   |          |          |                             |                                       |
| Bus and Bus Facilities Formula Program  | 20.526                    |                   |          |          | 288.43                      | 288.43                                |
| Pass-Through Funds to Other Entities:   |                           |                   |          |          |                             |                                       |
| Federal Transit - Capital Investment Grants                                     | 20.500                    |                   |          |          | 333,209.79                  | 333,209.79                            |
| Bus and Bus Facilities Formula Program  | 20.526                    |                   |          |          | 3,917,182.61                | 3,917,182.61                          |
| Total FTA:  |                           |                   | 0.00     | 0.00     | 4,250,680.83                | 4,250,680.83                          |
| <i>Transit Services Programs Cluster:</i>                                       |                           |                   |          |          |                             |                                       |
| <u>Federal Transit Administration (FTA):</u>                                    |                           |                   |          |          |                             |                                       |
| Direct Program:   |                           |                   |          |          |                             |                                       |
| Capital Assistance Program for Elderly Persons<br>and Persons with Disabilities | 20.513                    |                   |          |          | 731,947.33                  | 731,947.33                            |
| Job Access - Reverse Commute  | 20.516                    |                   |          |          | 27,652.02                   | 27,652.02                             |
| New Freedom Program   | 20.521                    |                   |          |          | 61,407.21                   | 61,407.21                             |
| Pass-Through Funds:   |                           |                   |          |          |                             |                                       |
| Capital Assistance Program for Elderly Persons<br>and Persons with Disabilities |                           |                   |          |          |                             |                                       |
| University of Texas Health Center at Tyler                                      | 20.513                    |                   |          |          | 64,000.00                   | 64,000.00                             |
| Job Access - Reverse Commute  |                           |                   |          |          |                             |                                       |
| University of Texas - Permian Basin   | 20.516                    |                   |          |          | 49,479.26                   | 49,479.26                             |
| Pass-Throughs to Other Entities:  |                           |                   |          |          |                             |                                       |
| Capital Assistance Program for Elderly Persons<br>and Persons with Disabilities | 20.513                    |                   |          |          | 6,245,018.69                | 6,245,018.69                          |
| Job Access - Reverse Commute  | 20.516                    |                   |          |          | 6,842,337.37                | 6,842,337.37                          |
| New Freedom Program   | 20.521                    |                   |          |          | 1,914,313.43                | 1,914,313.43                          |
| Total FTA:  |                           |                   | 0.00     | 0.00     | 15,936,155.31               | 15,936,155.31                         |
| <i>Highway Planning and Construction Cluster:</i>                               |                           |                   |          |          |                             |                                       |
| <u>Federal Highway Administration (FHWA):</u>                                   |                           |                   |          |          |                             |                                       |
| Direct Program:   |                           |                   |          |          |                             |                                       |
| Highway Planning and Construction - ARRA  | 20.205                    |                   |          |          | 21,094,464.52               | 21,094,464.52                         |
| Highway Planning and Construction   | 20.205                    |                   |          |          | 2,721,124,675.83            | 2,721,124,675.83                      |
| Pass-Through Funds:   |                           |                   |          |          |                             |                                       |
| Highway Planning and Construction   |                           |                   |          |          |                             |                                       |
| Texas A & M University  | 20.205                    |                   |          |          | 322,083.27                  | 322,083.27                            |
| University of Texas at Arlington  | 20.205                    |                   |          |          | 309,009.17                  | 309,009.17                            |
| Prairie View A & M University   | 20.205                    |                   |          |          | 232,108.48                  | 232,108.48                            |
| University of Texas - El Paso   | 20.205                    |                   |          |          | 8,000,000.00                | 8,000,000.00                          |
| Texas Transportation Institute  | 20.205                    |                   |          |          | 49,383.48                   | 49,383.48                             |
| Texas Historical Commission   | 20.205                    |                   |          |          | 2,816,580.43                | 2,816,580.43                          |
| Pass-Through to Other Entities - ARRA   | 20.205                    |                   |          |          | 1,986,474.54                | 1,986,474.54                          |
| Pass-Through to Other Entities  | 20.205                    |                   |          |          | 224,334,765.78              | 224,334,765.78                        |
| Total FHWA:   |                           |                   | 0.00     | 0.00     | 2,980,269,545.50            | 2,980,269,545.50                      |



| Agency<br>Number | Pass-Through To   |                   | Expenditures     | Through To<br>and Expenditures<br>Amount |
|------------------|-------------------|-------------------|------------------|--|
|                  | State<br>Entities | Other<br>Entities |                  |  |
| \$               | \$                | \$                | \$               | \$                                       |
|                  |                   |                   | 288.43           | 288.43                                   |
|                  |                   | 333,209.79        |                  | 333,209.79                               |
|                  |                   | 3,917,182.61      |                  | 3,917,182.61                             |
|                  | 0.00              | 4,250,392.40      | 288.43           | 4,250,680.83                             |
|                  |                   |                   | 731,947.33       | 731,947.33                               |
|                  |                   |                   | 27,652.02        | 27,652.02                                |
|                  |                   |                   | 61,407.21        | 61,407.21                                |
| 785              | 64,000.00         |                   |                  | 64,000.00                                |
| 742              | 49,479.26         |                   |                  | 49,479.26                                |
|                  |                   | 6,245,018.69      |                  | 6,245,018.69                             |
|                  |                   | 6,842,337.37      |                  | 6,842,337.37                             |
|                  |                   | 1,914,313.43      |                  | 1,914,313.43                             |
|                  | 113,479.26        | 15,001,669.49     | 821,006.56       | 15,936,155.31                            |
|                  |                   |                   | 21,094,464.52    | 21,094,464.52                            |
|                  |                   |                   | 2,721,124,675.83 | 2,721,124,675.83                         |
| 711              | 322,083.27        |                   |                  | 322,083.27                               |
| 714              | 309,009.17        |                   |                  | 309,009.17                               |
| 715              | 232,108.48        |                   |                  | 232,108.48                               |
| 724              | 8,000,000.00      |                   |                  | 8,000,000.00                             |
| 727              | 49,383.48         |                   |                  | 49,383.48                                |
| 808              | 2,816,580.43      |                   |                  | 2,816,580.43                             |
|                  |                   | 1,986,474.54      |                  | 1,986,474.54                             |
|                  |                   | 224,334,765.78    |                  | 224,334,765.78                           |
|                  | 11,729,164.83     | 226,321,240.32    | 2,742,219,140.35 | 2,980,269,545.50                         |

- Continued on Next Page

**Texas Department of Transportation**  
**Schedule 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Concluded)**  
For the Fiscal Year Ended August 31, 2015

| Federal Grantor/<br>Pass-Through Grantor/<br>Program Title | Federal<br>CFDA<br>Number | Pass-Through From    |                |                            | Direct<br>Program<br>Amount | Total Pass-<br>Through From<br>and Direct<br>Program |
|--|---------------------------|----------------------|----------------|----------------------------|-----------------------------|--|
|  |                           | Agency               | State          | Other                      |                             |  |
|  |                           | Number               | Entities       | Entities                   |                             |  |
|  |                           | \$                   | \$             | \$                         | \$                          |  |
| <i>Highway Safety Cluster:</i>                             |                           |                      |                |                            |                             |  |
| <i>National Highway Traffic Safety Admin. (NHTSA):</i>     |                           |                      |                |                            |                             |  |
| Direct Program:  |                           |                      |                |                            |                             |  |
| State and Community Highway Safety Program                 | 20.600                    |                      |                |                            | 1,873,230.26                | 1,873,230.26   |
| Alcohol Impaired Driving Countermeasures                   |                           |                      |                |                            |                             |  |
| Incentive Grants   | 20.601                    |                      |                |                            | 636,314.38                  | 636,314.38   |
| Occupant Protection Incentive Grants                       | 20.602                    |                      |                |                            | 184.61                      | 184.61   |
| State Traffic Safety Information System Improvement Grants | 20.610                    |                      |                |                            | 672,888.57                  | 672,888.57   |
| National Priority Safety Programs                          | 20.616                    |                      |                |                            | 7,691,384.21                | 7,691,384.21   |
| Pass-Through Funds:  |                           |                      |                |                            |                             |  |
| State and Community Highway Safety Program                 |                           |                      |                |                            |                             |  |
| Texas Department of Public Safety                          | 20.600                    |                      |                |                            | 1,564,602.62                | 1,564,602.62   |
| Texas Department of State Health Services                  | 20.600                    |                      |                |                            | 558,816.69                  | 558,816.69   |
| Texas A&M Agrilife Extension Service                       | 20.600                    |                      |                |                            | 316,898.04                  | 316,898.04   |
| University of Texas at Arlington                           | 20.600                    |                      |                |                            | 297,654.13                  | 297,654.13   |
| Texas A & M Engineering Extension Service                  | 20.600                    |                      |                |                            | 568,333.18                  | 568,333.18   |
| Texas Transportation Institute                             | 20.600                    |                      |                |                            | 1,196,106.74                | 1,196,106.74   |
| Texas Tech University                                      | 20.600                    |                      |                |                            | 124,124.34                  | 124,124.34   |
| Texas A & M University - Corpus Christi                    | 20.600                    |                      |                |                            | 61,501.46                   | 61,501.46  |
| Alcohol Impaired Driving Countermeasures                   |                           |                      |                |                            |                             |  |
| Incentive Grants   |                           |                      |                |                            |                             |  |
| Texas Department of Public Safety                          | 20.601                    |                      |                |                            | 52,793.15                   | 52,793.15  |
| Texas State University                                     | 20.601                    |                      |                |                            | 9,919.92                    | 9,919.92   |
| State Traffic Safety Information System Improvement Grants |                           |                      |                |                            |                             |  |
| Texas Department of State Health Services                  | 20.610                    |                      |                |                            | 159,766.00                  | 159,766.00   |
| National Priority Safety Programs                          |                           |                      |                |                            |                             |  |
| Texas Department of Public Safety                          | 20.616                    |                      |                |                            | 2,954,085.58                | 2,954,085.58   |
| Texas Alcoholic Beverage Commission                        | 20.616                    |                      |                |                            | 468,160.33                  | 468,160.33   |
| Texas Department of State Health Services                  | 20.616                    |                      |                |                            | 381,422.12                  | 381,422.12   |
| Texas A&M Agrilife Extension Service                       | 20.616                    |                      |                |                            | 808,420.30                  | 808,420.30   |
| University of Texas at Arlington                           | 20.616                    |                      |                |                            | 147,528.85                  | 147,528.85   |
| Texas Transportation Institute                             | 20.616                    |                      |                |                            | 1,480,502.42                | 1,480,502.42   |
| Sam Houston State University                               | 20.616                    |                      |                |                            | 618,819.59                  | 618,819.59   |
| Texas State University                                     | 20.616                    |                      |                |                            | 116,290.05                  | 116,290.05   |
| University of Houston - Downtown                           | 20.616                    |                      |                |                            | 288,822.62                  | 288,822.62   |
| Pass-Through to Other Entities                             |                           |                      |                |                            |                             |  |
| State and Community Highway Safety Program                 | 20.600                    |                      |                |                            | 10,439,169.36               | 10,439,169.36  |
| Alcohol Impaired Driving Countermeasures                   |                           |                      |                |                            |                             |  |
| Incentive Grants   | 20.601                    |                      |                |                            | 922,321.36                  | 922,321.36   |
| National Priority Safety Programs                          | 20.616                    |                      |                |                            | 5,745,868.92                | 5,745,868.92   |
| Total NHTSA:   |                           | 0.00                 | 0.00           |                            | 40,155,929.80               | 40,155,929.80  |
| Total Other Clusters                                       |                           | .00                  | 0.00           |                            | 3,040,612,311.44            | 3,040,612,311.44                                     |
| <b>TOTAL FEDERAL ASSISTANCE</b>                            |                           | <b>\$ 123,780.10</b> | <b>\$ 0.00</b> | <b>\$ 3,170,110,411.71</b> | <b>\$ 3,170,234,191.81</b>  |  |

| Agency<br>Number | Pass-Through To      |                          | Expenditures               | Total Pass-<br>Through To<br>and Expenditures<br>Amount |
|------------------|----------------------|--------------------------|----------------------------|---|
|                  | State<br>Entities    | Other<br>Entities        |                            |   |
|                  | \$                   | \$                       | \$                         | \$  |
|                  |                      |                          | 1,873,230.26               | 1,873,230.26  |
|                  |                      |                          | 636,314.38                 | 636,314.38  |
|                  |                      |                          | 184.61                     | 184.61  |
|                  |                      |                          | 672,888.57                 | 672,888.57  |
|                  |                      |                          | 7,691,384.21               | 7,691,384.21  |
| 405              | 1,564,602.62         |                          |                            | 1,564,602.62  |
| 537              | 558,816.69           |                          |                            | 558,816.69  |
| 555              | 316,898.04           |                          |                            | 316,898.04  |
| 714              | 297,654.13           |                          |                            | 297,654.13  |
| 716              | 568,333.18           |                          |                            | 568,333.18  |
| 727              | 1,196,106.74         |                          |                            | 1,196,106.74  |
| 733              | 124,124.34           |                          |                            | 124,124.34  |
| 760              | 61,501.46            |                          |                            | 61,501.46   |
| 405              | 52,793.15            |                          |                            | 52,793.15   |
| 754              | 9,919.92             |                          |                            | 9,919.92  |
| 537              | 159,766.00           |                          |                            | 159,766.00  |
| 405              | 2,954,085.58         |                          |                            | 2,954,085.58  |
| 458              | 468,160.33           |                          |                            | 468,160.33  |
| 537              | 381,422.12           |                          |                            | 381,422.12  |
| 555              | 808,420.30           |                          |                            | 808,420.30  |
| 714              | 147,528.85           |                          |                            | 147,528.85  |
| 727              | 1,480,502.42         |                          |                            | 1,480,502.42  |
| 753              | 618,819.59           |                          |                            | 618,819.59  |
| 754              | 116,290.05           |                          |                            | 116,290.05  |
| 784              | 288,822.62           |                          |                            | 288,822.62  |
|                  |                      | 10,439,169.36            |                            | 10,439,169.36   |
|                  |                      | 922,321.36               |                            | 922,321.36  |
|                  |                      | 5,745,868.92             |                            | 5,745,868.92  |
|                  | <u>12,174,568.13</u> | <u>17,107,359.64</u>     | <u>10,874,002.03</u>       | <u>40,155,929.80</u>                                    |
|                  | <u>24,017,212.22</u> | <u>262,680,661.85</u>    | <u>2,753,914,437.37</u>    | <u>3,040,612,311.44</u>                                 |
| \$               | <u>24,017,212.22</u> | \$ <u>299,063,604.63</u> | \$ <u>2,847,153,374.96</u> | \$ <u>3,170,234,191.81</u>                              |

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended August 31, 2015**

**Note 1 - Nonmonetary Assistance**

The "Donation of Federal Surplus Personal Property" is presented at 23.68 percent of the federal acquisition cost of \$522,720.00. 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 market value (FMV) for fiscal year 2015 is \$123,780.10. The difference of the values of the surplus property recorded on the federal schedule and Exhibit II (Federal Revenues) is a reconciling item under Note 2.

**Note 2 - Reconciliation**

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

|   |                           |
|---|---------------------------|
| Federal Revenues before Other Adjustments                 | \$3,230,519,838.80        |
| Reconciling Items:  |                           |
| Federal Surplus Personal Property Donation (Non-Monetary) | 123,780.10                |
| Build America Bonds Federal Subsidy                       | <u>(60,409,427.09)</u>    |
| Total Pass-Through and Expenditures per Federal Schedule  | <u>\$3,170,234,191.81</u> |

**Note 7 - Federal Deferred Inflow**

|   |                        |
|---|------------------------|
| Federal Deferred Inflow September 1, 2014 | \$24,701,709.02        |
| Increase ( Decrease)                      | <u>66,049,985.30</u>   |
| Federal Deferred Inflow August 31, 2015   | <u>\$90,751,694.32</u> |

The federal deferred inflow ending balance of \$90,751,694.32 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 \$90,751,694.32.

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## **Bond Schedules**

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2A - MISCELLANEOUS BOND INFORMATION**

For the Fiscal Year Ended August 31, 2015

**Governmental Activities**

|  | Bonds Issued to Date        | Range of Interest Rates |         | Terms of Variable Interest Rates * | Scheduled Maturities |           | First Call Date |
|--|-----------------------------|-------------------------|---------|------------------------------------|----------------------|-----------|-----------------|
|  |                             |                         |         |                                    | First Year           | Last Year |                 |
| <b>General Obligation Bonds:</b>                       |                             |                         |         |                                    |                      |           |                 |
| <b>Texas Mobility Fund (Self-Supporting)</b>           |                             |                         |         |                                    |                      |           |                 |
| Series 2005-A Fixed Rate Bonds                         | \$ 900,000,000.00           | 3.9000%                 | 5.0000% |                                    | 2006                 | 2035      | 4/1/2015        |
| Series 2005-B Variable Rate Bonds                      | 100,000,000.00              | VAR                     | VAR     | Weekly                             | 2006                 | 2030      | **              |
| Series 2006 Fixed Rate Bonds                           | 750,000,000.00              | 3.6250%                 | 5.0000% |                                    | 2007                 | 2036      | 4/1/2016        |
| Series 2006-A Fixed Rate Bonds                         | 1,040,275,000.00            | 4.0000%                 | 5.0000% |                                    | 2007                 | 2035      | 4/1/2017        |
| Series 2006-B Variable Rate Bonds                      | 150,000,000.00              | VAR                     | VAR     | Weekly                             | 2036                 | 2036      | **              |
| Series 2007 Fixed Rate Bonds                           | 1,006,330,000.00            | 4.0000%                 | 5.0000% |                                    | 2008                 | 2037      | 4/1/2017        |
| Series 2008 Fixed Rate Bonds                           | 1,100,000,000.00            | 4.0000%                 | 5.0000% |                                    | 2009                 | 2037      | 4/1/2018        |
| Series 2009-A Taxable Fixed Rate Bonds                 | 1,208,495,000.00            | 5.3670%                 | 5.5170% |                                    | 2029                 | 2039      | **              |
| Series 2014 Refunding Fixed Rate Bonds                 | 973,775,000.00              | 4.0000%                 | 5.0000% |                                    | 2016                 | 2034      | 4/1/2024        |
| Series 2014-A Refunding Fixed Rate Bonds               | 1,580,160,000.00            | 4.0000%                 | 5.0000% |                                    | 2017                 | 2044      | 10/1/2024       |
| Series 2014-B SIFMA Index Bonds                        | 250,000,000.00              | VAR                     | VAR     | Weekly                             | 2040                 | 2041      | 4/1/2018        |
| Total General Obligation Bonds (Self-Supporting)       | <u>9,059,035,000.00</u>     |                         |         |                                    |                      |           |                 |
| <b>Texas Highway Improvement (Non-Self-Supporting)</b> |                             |                         |         |                                    |                      |           |                 |
| Series 2010-A Taxable Fixed Rate Bonds                 | 815,420,000.00              | 3.2030%                 | 4.6810% |                                    | 2019                 | 2040      | **              |
| Series 2010-B Fixed Rate Bonds                         | 162,390,000.00              | 2.0000%                 | 5.0000% |                                    | 2012                 | 2018      | n/a             |
| Series 2012-A Fixed Rate Bonds                         | 818,635,000.00              | 5.0000%                 | 5.0000% |                                    | 2019                 | 2042      | 4/1/2022        |
| Series 2012-B Taxable Fixed Rate Bonds                 | 99,570,000.00               | 0.3000%                 | 1.5000% |                                    | 2014                 | 2019      | n/a             |
| Series 2014 Fixed Rate Bonds                           | 1,260,000,000.00            | 2.0000%                 | 5.0000% |                                    | 2015                 | 2044      | 4/1/2024        |
| Total General Obligation (Non-Self Supporting)         | <u>3,156,015,000.00</u>     |                         |         |                                    |                      |           |                 |
| <b>Revenue Bonds:</b>                                  |                             |                         |         |                                    |                      |           |                 |
| <b>State Highway Fund (Self-Supporting)</b>            |                             |                         |         |                                    |                      |           |                 |
| Series 2006 Fixed Rate Bonds                           | 600,000,000.00              | 4.0000%                 | 5.0000% |                                    | 2007                 | 2026      | 4/1/2016        |
| Series 2006-A Fixed Rate Bonds                         | 852,550,000.00              | 4.0000%                 | 5.2500% |                                    | 2008                 | 2025      | 4/1/2016        |
| Series 2006-B Variable Rate Bonds                      | 100,000,000.00              | VAR                     | VAR     | Weekly                             | 2026                 | 2026      | **              |
| Series 2007 Fixed Rate Bonds                           | 1,241,845,000.00            | 4.0000%                 | 5.0000% |                                    | 2009                 | 2027      | 4/1/2017        |
| Series 2008 Fixed Rate Bonds                           | 162,995,000.00              | 3.5000%                 | 5.2500% |                                    | 2010                 | 2028      | 4/1/2018        |
| Series 2010 Taxable Fixed Rate Bonds                   | 1,500,000,000.00            | 5.0280%                 | 5.1780% |                                    | 2026                 | 2030      | **              |
| Series 2014-A Refunding Fixed Rate Bonds               | 1,157,795,000.00            | 4.7500%                 | 5.0000% |                                    | 2017                 | 2034      | 4/1/2024        |
| Series 2014-B SIFMA Index Bonds                        | 300,000,000.00              | VAR                     | VAR     | Weekly                             | 2032                 | 2032      | 4/1/2017        |
| Series 2015, First Tier Revenue Refunding Bonds        | 781,080,000.00              | 3.0000%                 | 5.0000% |                                    | 2017                 | 2026      | n/a             |
| Total Revenue Bonds (Self-Supporting)                  | <u>6,696,265,000.00</u>     |                         |         |                                    |                      |           |                 |
| <b>Total Governmental Activities</b>                   | <u>\$ 18,911,315,000.00</u> |                         |         |                                    |                      |           |                 |

\* The variable rate bonds were variable based on weekly interest rates set throughout fiscal 2015. 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 a condition detailed in the applicable official statement.

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

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2A - MISCELLANEOUS BOND INFORMATION (Concluded)**  
For the Fiscal Year Ended August 31, 2015

**Business-Type Activities**

|  | Bonds Issued to Date       | Range of Interest Rates |         | Terms of Variable Interest Rates * | Scheduled Maturities |           | First Call Date |
|--|----------------------------|-------------------------|---------|------------------------------------|----------------------|-----------|-----------------|
|  |                            |                         |         |                                    | First Year           | Last Year |                 |
| <b>Revenue Bonds:</b>  |                            |                         |         |                                    |                      |           |                 |
| <b>Central Texas Turnpike System (Self-Supporting)</b>                       |                            |                         |         |                                    |                      |           |                 |
| First Tier Revenue Bonds Series 2002-A                                       |                            |                         |         |                                    |                      |           |                 |
| Non-Callable Capital Appreciation Bonds ***                                  | \$ 575,968,836.97          | 4.4700%                 | 5.7500% |                                    | 2012                 | 2030      | n/a             |
| Callable Capital Appreciation Bonds ***                                      | 325,494,476.65             | 6.0000%                 | 6.1000% |                                    | 2025                 | 2038      | 8/15/2012       |
| First Tier Revenue Refunding Bonds Series 2012-A                             | 585,330,000.00             | 4.0000%                 | 5.0000% |                                    | 2038                 | 2041      | 8/15/2022       |
| First Tier Revenue Refunding Put Bonds, Series 2012-B                        | 225,000,000.00             | 1.2500%                 | 1.2500% |                                    | 2042                 | 2042      | 2/15/2015       |
| First Tier Revenue Refunding Put Bonds, Series 2015-A                        | 225,000,000.00             | 5.0000%                 | 5.0000% |                                    | 2041                 | 2042      | 4/1/2020        |
| First Tier Revenue Refunding Bonds Series 2015-B                             |                            |                         |         |                                    |                      |           |                 |
| Current Interest Bonds + Term Bond   | 198,025,000.00             | 5.0000%                 | 5.0000% |                                    | 2032                 | 2037      | 8/15/2024       |
| Capital Appreciation Bonds   | 94,951,600.00              | 4.3600%                 | 4.3800% |                                    | 2036                 | 2037      | 8/15/2024       |
| Second Tier Revenue Refunding Bonds, Series 2015-C                           | 1,157,320,000.00           | 5.0000%                 | 5.0000% |                                    | 2022                 | 2042      | 8/15/2024       |
| <b>Total Central Texas Turnpike System (Self-Supporting)</b>                 | <b>3,387,089,913.62</b>    |                         |         |                                    |                      |           |                 |
| <b>Blended Component Unit-Grand Parkway Transportation Corporation****</b>   |                            |                         |         |                                    |                      |           |                 |
| First Tier Toll Revenue Bonds, Series 2013-A                                 | 200,000,000.00             | 5.1250%                 | 5.5000% |                                    | 2031                 | 2053      | 10/1/2023       |
| First Tier Toll Revenue Bonds, Series 2013-B                                 |                            |                         |         |                                    |                      |           |                 |
| Convertible Capital Appreciation Bonds ***                                   | 311,241,111.88             | 4.9500%                 | 5.8500% |                                    | 2029                 | 2048      | 10/1/2028       |
| Current Interest Bonds   | 1,137,935,000.00           | 5.0000%                 | 5.2500% |                                    | 2048                 | 2053      | 10/1/2023       |
| Subordinate Tier Toll Revenue Bonds, Series 2013-E                           | 361,810,000.00             | 5.1840%                 | 5.1840% |                                    | 2036                 | 2042      | **              |
| Subordinate Tier Toll Revenue Bonds, Series 2014-B                           | 83,550,000.00              | VAR                     | VAR     | Monthly                            | 2016                 | 2016      | **              |
| Subordinate Tier Toll Revenue Bonds, Series 2014-C                           | 107,180,000.00             | VAR                     | VAR     | Monthly                            | 2016                 | 2016      | **              |
| <b>Total Blended Component Unit-Grand Parkway Transportation Corporation</b> | <b>2,201,716,111.88</b>    |                         |         |                                    |                      |           |                 |
| <b>Total Business-Type Activities</b>  | <b>\$ 5,588,806,025.50</b> |                         |         |                                    |                      |           |                 |

\* Rates reset on the first business day of each month.

\*\* 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.

\*\*\*\*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, 2015

**Governmental Activities**

| Description                          | Bonds Outstanding<br>9/1/2014 | Bonds Issued               | Bonds Matured<br>or Retired | Bonds Refunded<br>or Extinguished | Bonds Outstanding<br>8/31/2015 |
|--------------------------------------|-------------------------------|----------------------------|-----------------------------|-----------------------------------|--------------------------------|
| <b>General Obligation Bonds:</b>     |                               |                            |                             |                                   |                                |
| <b>Texas Mobility Fund</b>           |                               |                            |                             |                                   |                                |
| Series 2005-A                        | \$ 20,180,000.00              | \$                         | \$ 20,180,000.00            | \$                                | \$ 0.00                        |
| Series 2005-B                        | 70,740,000.00                 |                            |                             | 70,740,000.00                     | 0.00                           |
| Series 2006                          | 267,840,000.00                |                            | 16,940,000.00               | 233,130,000.00                    | 17,770,000.00                  |
| Series 2006-A                        | 1,023,590,000.00              |                            | 6,045,000.00                | 478,830,000.00                    | 538,715,000.00                 |
| Series 2006-B                        | 150,000,000.00                |                            |                             |                                   | 150,000,000.00                 |
| Series 2007                          | 965,455,000.00                |                            | 4,945,000.00                | 233,280,000.00                    | 727,230,000.00                 |
| Series 2008                          | 968,585,000.00                |                            | 14,245,000.00               |                                   | 954,340,000.00                 |
| Series 2009-A                        | 1,208,495,000.00              |                            |                             |                                   | 1,208,495,000.00               |
| Series 2014                          | 973,775,000.00                |                            |                             |                                   | 973,775,000.00                 |
| Series 2014-A                        |                               | 1,580,160,000.00           |                             |                                   | 1,580,160,000.00               |
| Series 2014-B                        |                               | 250,000,000.00             |                             |                                   | 250,000,000.00                 |
| <b>Texas Highway Improvement</b>     |                               |                            |                             |                                   |                                |
| Series 2010-A                        | 815,420,000.00                |                            |                             |                                   | 815,420,000.00                 |
| Series 2010-B                        | 99,170,000.00                 |                            | 23,120,000.00               |                                   | 76,050,000.00                  |
| Series 2012-A                        | 818,635,000.00                |                            |                             |                                   | 818,635,000.00                 |
| Series 2012-B                        | 81,465,000.00                 |                            | 18,160,000.00               |                                   | 63,305,000.00                  |
| Series 2014                          |                               | 1,260,000,000.00           | 42,000,000.00               |                                   | 1,218,000,000.00               |
| Total General Obligation Bonds       | 7,463,350,000.00              | 3,090,160,000.00           | 145,635,000.00              | 1,015,980,000.00                  | 9,391,895,000.00               |
| <b>Revenue Bonds:</b>                |                               |                            |                             |                                   |                                |
| <b>State Highway Fund</b>            |                               |                            |                             |                                   |                                |
| Series 2006                          | 54,665,000.00                 |                            | 26,680,000.00               |                                   | 27,985,000.00                  |
| Series 2006-A                        | 101,020,000.00                |                            | 44,185,000.00               | 10,665,000.00                     | 46,170,000.00                  |
| Series 2006-B                        | 100,000,000.00                |                            |                             |                                   | 100,000,000.00                 |
| Series 2007                          | 963,870,000.00                |                            | 54,500,000.00               | 792,135,000.00                    | 117,235,000.00                 |
| Series 2008                          | 133,175,000.00                |                            | 6,835,000.00                | 45,500,000.00                     | 80,840,000.00                  |
| Series 2010                          | 1,500,000,000.00              |                            |                             |                                   | 1,500,000,000.00               |
| Series 2014-A                        | 1,157,795,000.00              |                            |                             |                                   | 1,157,795,000.00               |
| Series 2014-B                        | 300,000,000.00                |                            |                             |                                   | 300,000,000.00                 |
| Series 2015                          |                               | 781,080,000.00             |                             |                                   | 781,080,000.00                 |
| Total Revenue Bonds                  | 4,310,525,000.00              | 781,080,000.00             | 132,200,000.00              | 848,300,000.00                    | 4,111,105,000.00               |
| <b>Total Governmental Activities</b> | <b>\$ 11,773,875,000.00</b>   | <b>\$ 3,871,240,000.00</b> | <b>\$ 277,835,000.00</b>    | <b>\$ 1,864,280,000.00</b>        | <b>\$ 13,503,000,000.00</b>    |



**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2B - CHANGES IN BONDED INDEBTEDNESS (Continued)**  
For the Fiscal Year Ended August 31, 2015

**Governmental Activities**

|                                  | Unamortized<br>Premium | Unamortized<br>Discount | Net Bonds<br>Outstanding<br>8/31/2015 | Amounts Due<br>Within One<br>Year |
|----------------------------------|------------------------|-------------------------|---------------------------------------|-----------------------------------|
| <b>General Obligation Bonds:</b> |                        |                         |                                       |                                   |
| <b>Texas Mobility Fund</b>       |                        |                         |                                       |                                   |
| Series 2005-A                    | \$                     | \$                      | \$ 0.00                               | \$                                |
| Series 2005-B                    |                        |                         | 0.00                                  |                                   |
| Series 2006                      | 252,288.42             |                         | 18,022,288.42                         | 18,022,288.42                     |
| Series 2006-A                    | 11,413,508.80          |                         | 550,128,508.80                        | 7,644,319.32                      |
| Series 2006-B                    |                        |                         | 150,000,000.00                        |                                   |
| Series 2007                      | 10,540,446.32          |                         | 737,770,446.32                        | 8,375,975.84                      |
| Series 2008                      | 37,961,745.26          |                         | 992,301,745.26                        | 18,788,144.41                     |
| Series 2009-A                    |                        |                         | 1,208,495,000.00                      |                                   |
| Series 2014                      | 135,449,407.13         |                         | 1,109,224,407.13                      | 11,155,096.41                     |
| Series 2014-A                    | 246,306,196.65         |                         | 1,826,466,196.65                      | 13,248,431.05                     |
| Series 2014-B                    |                        |                         | 250,000,000.00                        |                                   |
| <b>Texas Highway Improvement</b> |                        |                         |                                       |                                   |
| Series 2010-A                    |                        |                         | 815,420,000.00                        |                                   |
| Series 2010-B                    | 4,068,532.09           |                         | 80,118,532.09                         | 26,224,612.02                     |
| Series 2012-A                    | 157,855,615.02         |                         | 976,490,615.02                        | 8,811,417.30                      |
| Series 2012-B                    | 172,011.32             |                         | 63,477,011.32                         | 18,301,201.38                     |
| Series 2014                      | 191,546,216.13         |                         | 1,409,546,216.13                      | 54,769,747.74                     |
| Total General Obligation Bonds   | 795,565,967.14         |                         | 10,187,460,967.14                     | 185,341,233.89                    |
| <b>Revenue Bonds:</b>            |                        |                         |                                       |                                   |
| <b>State Highway Fund</b>        |                        |                         |                                       |                                   |
| Series 2006                      |                        |                         | 27,985,000.00                         | 27,985,000.00                     |
| Series 2006-A                    | 1,307,546.69           |                         | 47,477,546.69                         | 47,477,546.69                     |
| Series 2006-B                    |                        |                         | 100,000,000.00                        |                                   |
| Series 2007                      | 1,077,545.89           |                         | 118,312,545.89                        | 57,912,619.69                     |
| Series 2008                      | 3,828,795.23           |                         | 84,668,795.23                         | 7,601,302.64                      |
| Series 2010                      |                        |                         | 1,500,000,000.00                      |                                   |
| Series 2014-A                    | 160,989,065.33         |                         | 1,318,784,065.33                      | 16,298,635.36                     |
| Series 2014-B                    |                        |                         | 300,000,000.00                        |                                   |
| Series 2015                      | 117,980,474.62         |                         | 899,060,474.62                        | 15,452,132.08                     |
| Total Revenue Bonds              | 285,183,427.76         |                         | 4,396,288,427.76                      | 172,727,236.46                    |
| Total Governmental Activities    | \$ 1,080,749,394.90    | \$ 0.00                 | \$ 14,583,749,394.90                  | \$ 358,068,470.35                 |

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2B - CHANGES IN BONDED INDEBTEDNESS (Continued)**  
For the Fiscal Year Ended August 31, 2015

**Business-Type Activities**

| Description  | Bonds Outstanding<br>9/1/2014 | Bonds Issued               | Bonds Matured<br>or Retired | Bonds Refunded<br>or Extinguished | Bonds Outstanding<br>8/31/2015 |
|--|-------------------------------|----------------------------|-----------------------------|-----------------------------------|--------------------------------|
| <b>Revenue Bonds:</b>  |                               |                            |                             |                                   |                                |
| First Tier Bonds Series 2002-A                                     |                               |                            |                             |                                   |                                |
| Non-Callable CAB's   | \$ 527,512,639.37             | \$ 26,086,197.30           | \$ 8,415,000.00             | \$ 115,663,602.55                 | \$ 429,520,234.12              |
| Callable CAB's   | 317,329,161.71                | 8,165,314.94               |                             | 325,494,476.65                    | 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                    | 0.00                           |
| First Tier Bonds Series 2015-A                                     |                               | 225,000,000.00             |                             |                                   | 225,000,000.00                 |
| First Tier Bonds Series 2015-B                                     |                               |                            |                             |                                   |                                |
| Current Interest Bonds   |                               | 198,025,000.00             |                             |                                   | 198,025,000.00                 |
| Capital Appreciation Bonds   |                               | 94,951,600.00 **           |                             |                                   | 94,951,600.00                  |
| First Tier Bonds Series 2015-C                                     |                               | 1,157,320,000.00           |                             |                                   | 1,157,320,000.00               |
| <b>Blended Component Unit-Grand Parkway Transportation Corp.*:</b> |                               |                            |                             |                                   |                                |
| First Tier Toll Revenue Bonds,<br>Series 2013-A                    | 200,000,000.00                |                            |                             |                                   | 200,000,000.00                 |
| Subordinate Tier Toll Revenue<br>Bonds, Series 2013-B              |                               |                            |                             |                                   |                                |
| Callable CAB   | 294,313,572.07                | 16,927,539.81 **           |                             |                                   | 311,241,111.88                 |
| Current Interest Bonds   | 1,137,935,000.00              |                            |                             |                                   | 1,137,935,000.00               |
| Subordinate Tier Toll Revenue<br>Bonds, Series 2013-E              | 361,810,000.00                |                            |                             |                                   | 361,810,000.00                 |
| Subordinate Tier Toll Revenue<br>Refunding Bonds, Series 2014-B    | 83,550,000.00                 |                            |                             |                                   | 83,550,000.00                  |
| Subordinate Tier Toll Revenue<br>Refunding Bonds, Series 2014-C    | 107,180,000.00                |                            |                             |                                   | 107,180,000.00                 |
| <b>Total Business-Type Activities</b>                              | <b>\$ 3,839,960,373.15</b>    | <b>\$ 1,726,475,652.05</b> | <b>\$ 8,415,000.00</b>      | <b>\$ 666,158,079.20</b>          | <b>\$ 4,891,862,946.00</b>     |

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

\*\*Due to annual principal accretion.

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2B - CHANGES IN BONDED INDEBTEDNESS (Concluded)**  
For the Fiscal Year Ended August 31, 2015

**Business-Type Activities**

| Description  | Unamortized<br>Premium   | Unamortized<br>Discount   | Net Bonds<br>Outstanding<br>8/31/2015 | Amounts Due<br>Within One<br>Year |
|--|--------------------------|---------------------------|---------------------------------------|-----------------------------------|
| <b>Revenue Bonds:</b>  |                          |                           |                                       |                                   |
| First Tier Bonds Series 2002-A                                     |                          |                           |                                       |                                   |
| Non-Callable CAB's   | \$                       | \$                        | \$ 429,520,234.12                     | \$ 1,745,000.00                   |
| Callable CAB's   |                          |                           |                                       |                                   |
| First Tier Bonds Series 2012-A                                     | 45,750,775.24            |                           | 631,080,775.24                        | 1,864,508.47                      |
| First Tier Bonds Series 2012-B                                     |                          |                           | 0.00                                  |                                   |
| First Tier Bonds Series 2015-A                                     | 36,135,427.55            |                           | 261,135,427.55                        | 1,347,322.45                      |
| First Tier Bonds Series 2015-B                                     |                          |                           |                                       |                                   |
| Current Interest Bonds   | 28,675,200.39            |                           | 226,700,200.39                        | 1,465,537.11                      |
| Capital Appreciation Bonds   |                          |                           | 94,951,600.00                         |                                   |
| First Tier Bonds Series 2015-C                                     | 143,154,817.72           |                           | 1,300,474,817.72                      | 7,489,215.68                      |
| <b>Blended Component Unit-Grand Parkway Transportation Corp.*:</b> |                          |                           |                                       |                                   |
| First Tier Toll Revenue Bonds,                                     |                          | (2,855,930.94)            | 197,144,069.06                        | (86,941.84)                       |
| Subordinate Tier Toll Revenue                                      |                          |                           |                                       |                                   |
| Bonds, Series 2013-B   |                          |                           |                                       |                                   |
| Callable CAB   |                          |                           | 311,241,111.88                        |                                   |
| Current Interest Bonds   | 6,212,036.17             | (15,632,636.08)           | 1,128,514,400.09                      | (242,705.82)                      |
| Subordinate Tier Toll Revenue                                      |                          |                           |                                       |                                   |
| Bonds, Series 2013-E   |                          |                           | 361,810,000.00                        |                                   |
| Subordinate Tier Toll Revenue                                      |                          |                           |                                       |                                   |
| Refunding Bonds, Series 2014-B                                     |                          |                           | 83,550,000.00                         |                                   |
| Subordinate Tier Toll Revenue                                      |                          |                           |                                       |                                   |
| Refunding Bonds, Series 2014-C                                     |                          |                           | 107,180,000.00                        |                                   |
| <b>Total Business-Type Activities</b>                              | <b>\$ 259,928,257.07</b> | <b>\$ (18,488,567.02)</b> | <b>\$ 5,133,302,636.05</b>            | <b>\$ 13,581,936.05</b>           |

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

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS**  
For the Fiscal Year Ended August 31, 2015

**Governmental Activities**

| <b>Description of Issue</b>         | <b>Year</b>           | <b>Principal</b>      | <b>Interest</b>          |
|-------------------------------------|-----------------------|-----------------------|--------------------------|
| <b>TMF General Obligation Bonds</b> |                       |                       |                          |
| Series 2006                         | 2016                  | \$ 17,770,000.00      | \$ 857,875.00            |
|                                     |                       | <u>17,770,000.00</u>  | <u>857,875.00</u>        |
| Series 2006-A                       | 2016                  | 6,955,000.00          | 25,202,800.00            |
|                                     | 2017                  | 8,895,000.00          | 24,924,600.00            |
|                                     | 2018                  |                       | 24,479,850.00            |
|                                     | 2019                  |                       | 24,479,850.00            |
|                                     | 2020                  |                       | 24,479,850.00            |
|                                     | 2021-2025             |                       | 122,399,250.00           |
|                                     | 2026-2030             | 138,380,000.00        | 116,782,800.00           |
|                                     | 2031-2035             | <u>384,485,000.00</u> | <u>62,835,750.00</u>     |
|                                     |                       | <u>538,715,000.00</u> | <u>425,584,750.00</u>    |
| Series 2006-B                       | 2016                  |                       | 15,013.69                |
|                                     | 2017                  |                       | 14,986.29                |
|                                     | 2018                  |                       | 14,999.99                |
|                                     | 2019                  |                       | 14,999.99                |
|                                     | 2020                  |                       | 15,013.69                |
|                                     | 2021-2025             |                       | 74,986.25                |
|                                     | 2026-2030             |                       | 74,999.95                |
|                                     | 2031-2035             | 19,890,000.00         | 74,166.20                |
| 2036-2040                           | <u>130,110,000.00</u> | <u>7,583.85</u>       |                          |
|                                     |                       | <u>150,000,000.00</u> | <u>306,749.90</u>        |
| Series 2007                         | 2016                  | 7,830,000.00          | 35,302,887.50            |
|                                     | 2017                  | 10,495,000.00         | 34,989,687.50            |
|                                     | 2018                  |                       | 34,464,937.50            |
|                                     | 2019                  |                       | 34,464,937.50            |
|                                     | 2020                  |                       | 34,464,937.50            |
|                                     | 2021-2025             |                       | 172,324,687.50           |
|                                     | 2026-2030             | 71,900,000.00         | 170,682,612.50           |
|                                     | 2031-2035             | 242,450,000.00        | 136,107,575.00           |
| 2036-2040                           | <u>394,555,000.00</u> | <u>32,920,250.00</u>  |                          |
|                                     |                       | <u>727,230,000.00</u> | <u>685,722,512.50</u>    |
| Series 2008                         | 2016                  | 16,175,000.00         | 46,226,200.00            |
|                                     | 2017                  | 17,725,000.00         | 45,417,450.00            |
|                                     | 2018                  | 19,970,000.00         | 44,531,200.00            |
|                                     | 2019                  | 21,725,000.00         | 43,532,700.00            |
|                                     | 2020                  | 23,585,000.00         | 42,446,450.00            |
|                                     | 2021-2025             | 150,690,000.00        | 192,478,500.00           |
|                                     | 2026-2030             | 218,355,000.00        | 148,392,500.00           |
|                                     | 2031-2035             | 302,800,000.00        | 88,037,375.00            |
| 2036-2040                           | <u>183,315,000.00</u> | <u>13,963,575.00</u>  |                          |
|                                     | \$                    | <u>954,340,000.00</u> | \$ <u>665,025,950.00</u> |

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)**  
For the Fiscal Year Ended August 31, 2015

| Description of Issue                | Year                     | Principal               | Interest                |
|-------------------------------------|--------------------------|-------------------------|-------------------------|
| <b>TMF General Obligation Bonds</b> |                          |                         |                         |
| Series 2009-A                       | 2016                     | \$                      | \$ 66,582,669.16        |
|                                     | 2017                     |                         | 66,582,669.16           |
|                                     | 2018                     |                         | 66,582,669.16           |
|                                     | 2019                     |                         | 66,582,669.16           |
|                                     | 2020                     | 420,000.00              | 66,582,669.16           |
|                                     | 2021-2025                | 16,950,000.00           | 331,685,107.84          |
|                                     | 2026-2030                | 58,120,000.00           | 323,018,476.24          |
|                                     | 2031-2035                | 116,035,000.00          | 301,206,959.58          |
|                                     | 2036-2040                | 1,016,970,000.00        | 189,654,322.96          |
|                                     |                          | <u>1,208,495,000.00</u> | <u>1,478,478,212.42</u> |
| Series 2014                         | 2016                     |                         | 46,817,200.00           |
|                                     | 2017                     | 24,845,000.00           | 46,196,075.00           |
|                                     | 2018                     | 23,790,000.00           | 45,099,150.00           |
|                                     | 2019                     | 33,185,000.00           | 43,793,725.00           |
|                                     | 2020                     | 36,875,000.00           | 42,042,225.00           |
|                                     | 2021-2025                | 239,705,000.00          | 177,439,875.00          |
|                                     | 2026-2030                | 342,745,000.00          | 105,142,125.00          |
|                                     | 2031-2035                | 272,630,000.00          | 31,095,325.00           |
|                                     | <u>973,775,000.00</u>    | <u>537,625,700.00</u>   |                         |
| Series 2014-A                       | 2016                     |                         | 76,554,050.00           |
|                                     | 2017                     |                         | 76,554,050.00           |
|                                     | 2018                     | 24,650,000.00           | 75,937,800.00           |
|                                     | 2019                     | 30,155,000.00           | 74,567,675.00           |
|                                     | 2020                     | 35,990,000.00           | 72,914,050.00           |
|                                     | 2021-2025                | 280,785,000.00          | 328,564,625.00          |
|                                     | 2026-2030                | 272,425,000.00          | 247,129,625.00          |
|                                     | 2031-2035                | 263,170,000.00          | 183,928,925.00          |
|                                     | 2036-2040                | 157,045,000.00          | 154,723,125.00          |
|                                     | 2041-2045                | 515,940,000.00          | 83,733,500.00           |
|                                     | <u>1,580,160,000.00</u>  | <u>1,374,607,425.00</u> |                         |
| Series 2014-B                       | 2016                     |                         | 1,000,913.22            |
|                                     | 2017                     |                         | 999,086.76              |
|                                     | 2018                     |                         | 1,000,000.02            |
|                                     | 2019                     |                         | 1,000,000.02            |
|                                     | 2020                     |                         | 1,000,913.22            |
|                                     | 2021-2025                |                         | 4,999,086.78            |
|                                     | 2026-2030                |                         | 5,000,000.04            |
|                                     | 2031-2035                |                         | 5,000,000.04            |
|                                     | 2036-2040                |                         | 5,009,132.40            |
|                                     | 2041-2045                | 250,000,000.00          | 516,556.74              |
|                                     | <u>250,000,000.00</u>    | <u>516,556.74</u>       |                         |
|                                     | \$ <u>250,000,000.00</u> | \$ <u>25,525,689.24</u> |                         |

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)**  
For the Fiscal Year Ended August 31, 2015

| Description of Issue                                      | Year      | Principal               | Interest                   |
|---|-----------|-------------------------|----------------------------|
| Series 2010-A   | 2016      | \$                      | \$ 35,837,342.50           |
|   | 2017      |                         | 35,837,342.50              |
|   | 2018      |                         | 35,837,342.50              |
|   | 2019      | 27,720,000.00           | 35,837,342.50              |
|   | 2020      | 28,300,000.00           | 34,949,470.90              |
|   | 2021-2025 | 151,675,000.00          | 159,090,540.30             |
|   | 2026-2030 | 173,310,000.00          | 125,812,630.32             |
|   | 2031-2035 | 200,985,000.00          | 83,300,551.72              |
|   | 2036-2040 | 233,430,000.00          | 33,436,383.02              |
|   |           | <u>815,420,000.00</u>   | <u>579,938,946.26</u>      |
| <b>Texas Highway Improvement General Obligation Bonds</b> |           |                         |                            |
| Series 2010-B   | 2016      | 24,220,000.00           | 3,502,150.00               |
|   | 2017      | 25,360,000.00           | 2,359,400.00               |
|   | 2018      | 26,470,000.00           | 1,249,000.00               |
|   |           | <u>76,050,000.00</u>    | <u>7,110,550.00</u>        |
| Series 2012-A   | 2016      |                         | 40,931,750.00              |
|   | 2017      |                         | 40,931,750.00              |
|   | 2018      |                         | 40,931,750.00              |
|   | 2019      | 10,915,000.00           | 40,931,750.00              |
|   | 2020      | 19,495,000.00           | 40,386,000.00              |
|   | 2021-2025 | 113,115,000.00          | 186,296,000.00             |
|   | 2026-2030 | 144,365,000.00          | 155,044,500.00             |
|   | 2031-2035 | 184,245,000.00          | 115,159,750.00             |
|   | 2036-2040 | 235,155,000.00          | 64,256,000.00              |
|   | 2041-2045 | 111,345,000.00          | 8,418,750.00               |
|   |           | <u>818,635,000.00</u>   | <u>733,288,000.00</u>      |
| Series 2012-B   | 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      | 7,935,000.00            | 99,187.50                  |
|   |           | <u>63,305,000.00</u>    | <u>1,581,410.00</u>        |
| Series 2014   | 2016      | 42,000,000.00           | 59,640,000.00              |
|   | 2017      | 42,000,000.00           | 57,540,000.00              |
|   | 2018      | 42,000,000.00           | 55,440,000.00              |
|   | 2019      | 42,000,000.00           | 53,340,000.00              |
|   | 2020      | 42,000,000.00           | 51,240,000.00              |
|   | 2021-2025 | 210,000,000.00          | 224,700,000.00             |
|   | 2026-2030 | 210,000,000.00          | 172,200,000.00             |
|   | 2031-2035 | 210,000,000.00          | 122,220,000.00             |
|   | 2036-2040 | 210,000,000.00          | 73,500,000.00              |
|   | 2041-2045 | 168,000,000.00          | 21,000,000.00              |
|   |           |                         | <u>1,218,000,000.00</u>    |
| Total General Obligation Bonds                            | \$        | <u>9,391,895,000.00</u> | \$ <u>7,406,473,770.32</u> |

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)**  
For the Fiscal Year Ended August 31, 2015

| Description of Issue     | Year      | Principal        | Interest          |
|--------------------------|-----------|------------------|-------------------|
| <b>SHF Revenue Bonds</b> |           |                  |                   |
| Series 2006              | 2016      | \$ 27,985,000.00 | \$ 1,397,000.00   |
|                          |           | 27,985,000.00    | 1,397,000.00      |
| Series 2006-A            | 2016      | 46,170,000.00    | 2,077,650.00      |
|                          |           | 46,170,000.00    | 2,077,650.00      |
| Series 2006-B            | 2016      |                  | 250,228.30        |
|                          | 2017      |                  | 249,771.70        |
|                          | 2018      |                  | 250,000.04        |
|                          | 2019      |                  | 250,000.04        |
|                          | 2020      |                  | 250,228.30        |
|                          | 2021-2025 | 25,755,000.00    | 1,222,781.93      |
|                          | 2026-2030 | 74,245,000.00    | 107,807.81        |
|                          |           | 100,000,000.00   | 2,580,818.12      |
| Series 2007              | 2016      | 57,200,000.00    | 5,779,250.00      |
|                          | 2017      | 60,035,000.00    | 2,945,500.00      |
|                          |           | 117,235,000.00   | 8,724,750.00      |
| Series 2008              | 2016      | 7,155,000.00     | 4,141,437.50      |
|                          | 2017      | 7,490,000.00     | 3,805,237.50      |
|                          | 2018      | 7,840,000.00     | 3,455,637.50      |
|                          | 2019      |                  | 3,063,637.50      |
|                          | 2020      |                  | 3,063,637.50      |
|                          | 2021-2025 | 21,570,000.00    | 14,766,412.50     |
|                          | 2026-2030 | 36,785,000.00    | 3,928,312.50      |
|                          |           | 80,840,000.00    | 36,224,312.50     |
| Series 2010              | 2016      |                  | 77,226,067.50     |
|                          | 2017      |                  | 77,226,067.50     |
|                          | 2018      |                  | 77,226,067.50     |
|                          | 2019      |                  | 77,226,067.50     |
|                          | 2020      |                  | 77,226,067.50     |
|                          | 2021-2025 | 218,615,000.00   | 375,378,210.90    |
|                          | 2026-2030 | 1,281,385,000.00 | 234,023,052.90    |
|                          |           | 1,500,000,000.00 | 995,531,601.30    |
| Series 2014-A            | 2016      |                  | 57,738,275.00     |
|                          | 2017      | 77,670,000.00    | 57,738,275.00     |
|                          | 2018      | 81,400,000.00    | 54,006,250.00     |
|                          | 2019      | 85,465,000.00    | 49,936,250.00     |
|                          | 2020      | 89,730,000.00    | 45,663,000.00     |
|                          | 2021-2025 | 464,905,000.00   | 156,354,250.00    |
|                          | 2026-2030 |                  | 89,656,250.00     |
|                          | 2031-2035 | 358,625,000.00   | 60,408,000.00     |
|                          | \$        | 1,157,795,000.00 | \$ 571,500,550.00 |

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)**  
For the Fiscal Year Ended August 31, 2015

| <b>Description of Issue</b>     | <b>Year</b> | <b>Principal</b>         | <b>Interest</b>         |
|---------------------------------|-------------|--------------------------|-------------------------|
| Series 2014-B                   | 2016        | \$                       | \$ 1,111,013.70         |
|                                 | 2017        |                          | 1,108,986.30            |
|                                 | 2018        |                          | 1,110,000.00            |
|                                 | 2019        |                          | 1,110,000.00            |
|                                 | 2020        |                          | 1,111,013.70            |
|                                 | 2021-2025   |                          | 5,548,986.30            |
|                                 | 2026-2030   |                          | 5,550,000.00            |
|                                 | 2031-2035   |                          | 1,247,515.17            |
|                                 |             | <u>300,000,000.00</u>    | <u>17,897,515.17</u>    |
| <b>SHF Revenue Bonds</b>        |             |                          |                         |
| Series 2015                     | 2016        |                          | 25,670,793.33           |
|                                 | 2017        |                          | 37,114,400.00           |
|                                 | 2018        | 61,125,000.00            | 36,197,525.00           |
|                                 | 2019        | 71,710,000.00            | 33,846,450.00           |
|                                 | 2020        | 75,020,000.00            | 30,536,750.00           |
|                                 | 2021-2025   | 425,730,000.00           | 91,693,500.00           |
|                                 | 2026-2030   | 147,495,000.00           | 6,589,875.00            |
|                                 |             |                          | <u>781,080,000.00</u>   |
| TOTAL Revenue Bonds             |             | <u>4,111,105,000.00</u>  | <u>1,897,583,490.42</u> |
| TOTAL GOVERNMENTAL ACTIVITIES   |             | <u>13,503,000,000.00</u> | <u>9,304,057,260.74</u> |
| <b>BUSINESS-TYPE ACTIVITIES</b> |             |                          |                         |
| <b>CTTS Revenue Bonds</b>       |             |                          |                         |
| Series 2002-A                   | 2016        | 1,745,000.00             |                         |
|                                 | 2017        | 7,885,000.00             |                         |
|                                 | 2018        | 14,225,000.00            |                         |
|                                 | 2019        | 20,365,000.00            |                         |
|                                 | 2020        | 26,715,000.00            |                         |
|                                 | 2021-2025   | 243,705,000.00           |                         |
|                                 | 2026-2030   | 452,455,000.00           |                         |
|                                 |             |                          | <u>767,095,000.00</u>   |
| Series 2012-A                   | 2016        |                          | 28,034,150.00           |
|                                 | 2017        |                          | 28,034,150.00           |
|                                 | 2018        |                          | 28,034,150.00           |
|                                 | 2019        |                          | 28,034,150.00           |
|                                 | 2020        |                          | 28,034,150.00           |
|                                 | 2021-2025   |                          | 140,170,750.00          |
|                                 | 2026-2030   |                          | 140,170,750.00          |
|                                 | 2031-2035   |                          | 140,170,750.00          |
|                                 | 2036-2040   | 450,035,000.00           | 122,341,200.00          |
|                                 | 2041-2045   | 135,295,000.00           | 6,764,750.00            |
|                                 |             | <u>585,330,000.00</u>    | <u>689,788,950.00</u>   |



**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)**  
For the Fiscal Year Ended August 31, 2015

| <b>Description of Issue</b>                | <b>Year</b> | <b>Principal</b>        | <b>Interest</b>          |
|--|-------------|-------------------------|--------------------------|
| Series 2015-A                              | 2016        | \$                      | \$ 11,250,000.00         |
|  | 2017        |                         | 11,250,000.00            |
|  | 2018        |                         | 11,250,000.00            |
|  | 2019        |                         | 11,250,000.00            |
|  | 2020        |                         | 11,250,000.00            |
|  | 2021-2025   |                         | 56,250,000.00            |
|  | 2026-2030   |                         | 56,250,000.00            |
|  | 2031-2035   |                         | 56,250,000.00            |
|  | 2036-2040   |                         | 56,250,000.00            |
|  | 2041-2045   |                         | 225,000,000.00           |
|  |             | <u>225,000,000.00</u>   | <u>301,727,000.00</u>    |
| Series 2015-B                              | 2016        |                         | 9,901,250.00             |
|  | 2017        |                         | 9,901,250.00             |
|  | 2018        |                         | 9,901,250.00             |
|  | 2019        |                         | 9,901,250.00             |
|  | 2020        |                         | 9,901,250.00             |
|  | 2021-2025   |                         | 49,506,250.00            |
|  | 2026-2030   |                         | 49,506,250.00            |
|  | 2031-2035   |                         | 153,520,000.00           |
|  | 2036-2040   |                         | 284,505,000.00           |
|  |             | <u>438,025,000.00</u>   | <u>798,704,250.00</u>    |
| <b>CTTS Revenue Bonds</b>                  |             |                         |                          |
| Series 2015-C                              | 2016        |                         | 57,866,000.00            |
|  | 2017        |                         | 57,866,000.00            |
|  | 2018        |                         | 57,866,000.00            |
|  | 2019        |                         | 57,866,000.00            |
|  | 2020        |                         | 57,866,000.00            |
|  | 2021-2025   |                         | 28,475,000.00            |
|  | 2026-2030   |                         | 68,180,000.00            |
|  | 2031-2035   |                         | 590,055,000.00           |
|  | 2036-2040   |                         | 331,655,000.00           |
|  | 2041-2045   |                         | 138,955,000.00           |
|  |             | <u>1,157,320,000.00</u> | <u>1,152,390,000.00</u>  |
| <b>Grand Parkway Transportation Corp.*</b> |             |                         |                          |
| Series 2013-A                              | 2016        |                         | 10,821,012.50            |
|  | 2017        |                         | 10,821,012.50            |
|  | 2018        |                         | 10,821,012.50            |
|  | 2019        |                         | 10,821,012.50            |
|  | 2020        |                         | 10,821,012.50            |
|  | 2021-2025   |                         | 54,105,062.50            |
|  | 2026-2030   |                         | 54,105,062.50            |
|  | 2031-2035   |                         | 3,910,000.00             |
|  | 2036-2040   |                         | 16,930,000.00            |
|  | 2041-2045   |                         | 35,955,000.00            |
|  | 2046-2050   |                         | 63,690,000.00            |
| 2051-2055                                  |             | 79,515,000.00           |                          |
|  |             | <u>200,000,000.00</u>   | <u>\$ 352,009,212.53</u> |

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Concluded)**  
For the Fiscal Year Ended August 31, 2015

| <b>Description of Issue</b>                | <b>Year</b> | <b>Principal</b>                  | <b>Interest</b>                   |
|--|-------------|-----------------------------------|-----------------------------------|
| Series 2013-B                              | 2016        | \$                                | \$ 58,334,250.00                  |
|  | 2017        |                                   | 58,334,250.00                     |
|  | 2018        |                                   | 58,334,250.00                     |
|  | 2019        |                                   | 58,334,250.00                     |
|  | 2020        |                                   | 58,334,250.00                     |
|  | 2021-2025   |                                   | 333,307,578.75                    |
|  | 2026-2030   | 2,090,000.00                      | 430,407,285.00                    |
|  | 2031-2035   | 90,080,000.00                     | 421,097,640.00                    |
|  | 2036-2040   | 65,995,000.00                     | 391,141,450.00                    |
|  | 2041-2045   | 75,740,000.00                     | 385,551,312.50                    |
|  | 2046-2050   | 367,135,000.00                    | 312,073,401.25                    |
|  | 2051-2055   | 1,026,055,000.00                  | 88,704,187.50                     |
|  |             |                                   | <u>1,627,095,000.00</u>           |
| Series 2013-E                              | 2016        |                                   | 18,756,230.40                     |
|  | 2017        |                                   | 18,756,230.40                     |
|  | 2018        |                                   | 18,756,230.40                     |
|  | 2019        |                                   | 18,756,230.40                     |
|  | 2020        |                                   | 18,756,230.40                     |
|  | 2021-2025   |                                   | 93,781,152.00                     |
|  | 2026-2030   |                                   | 93,781,152.00                     |
|  | 2031-2035   |                                   | 93,781,152.00                     |
|  | 2036-2040   | 184,865,000.00                    | 78,407,870.40                     |
|  | 2041-2045   | 176,945,000.00                    | 12,406,219.20                     |
|  |             | <u>361,810,000.00</u>             | <u>465,938,697.60</u>             |
| Series 2014-B                              | 2016        |                                   | 375,445.86                        |
|  | 2017        | 83,550,000.00                     | 107,709.88                        |
|  |             | <u>83,550,000.00</u>              | <u>483,155.74</u>                 |
| <b>Grand Parkway Transportation Corp.*</b> |             |                                   |                                   |
| Series 2014-C                              | 2016        |                                   | 739,336.55                        |
|  | 2017        | 107,180,000.00                    | 212,104.75                        |
|  |             | <u>107,180,000.00</u>             | <u>951,441.30</u>                 |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES</b>      |             | <b>\$ <u>5,552,405,000.00</u></b> | <b>\$ <u>6,415,946,812.17</u></b> |

\*Grand Parkway Transportation Corp. 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, 2015

| <b>Governmental Activities</b>   |   |  |                          |                          |
|--|---|--|--------------------------|--------------------------|
| <b>Description of Issue</b>  | <b>Application of Funds</b>   |  |                          |                          |
|  | <b>Principal</b>  |  | <b>Interest</b>          |                          |
| Texas Mobility General Obligation Bonds  | \$ 62,355,000.00  | \$                                     | 258,190,457.07           |                          |
|  | <u>\$ 62,355,000.00</u>   | <u>\$</u>                              | <u>258,190,457.07</u>    |                          |
| <b>Pledged and Other Sources and Related Expenditures for FY 2015</b>                        |   |  |                          |                          |
|  | <b>Net Available for Debt Service</b>                                 |  | <b>Debt Service</b>      |                          |
|  | <b>Operating Expenses/</b>  |  |                          |                          |
| <b>Description of Issue</b>  | <b>Total Pledged and Other Sources</b>                                | <b>Expenditures and Capital Outlay</b> | <b>Principal</b>         | <b>Interest</b>          |
| State Highway Fund Revenue Bonds   | \$ 7,426,916,213.40   | (A)                                    | \$ 132,200,000.00        | \$ 198,309,402.52        |
|  | <u>\$ 7,426,916,213.40</u>  |  | <u>\$ 132,200,000.00</u> | <u>\$ 198,309,402.52</u> |
| (A) State Highway Fund expenditures associated with pledged sources were \$7,849,844,190.24. |   |  |                          |                          |
| <b>Business-Type and Blended Component Unit Activities</b>                                   |   |  |                          |                          |
|  | <b>Pledged and Other Sources and Related Expenditures for FY 2015</b> |  |                          |                          |
|  | <b>Net Available for Debt Service</b>                                 |  | <b>Debt Service</b>      |                          |
|  | <b>Operating Expenses/</b>  |  |                          |                          |
| <b>Description of Issue</b>  | <b>Total Pledged and Other Sources</b>                                | <b>Expenditures and Capital Outlay</b> | <b>Principal</b>         | <b>Interest</b>          |
| Series 2002-A, Series 2012-A Revenue Bonds, and Series 2015-A, B, and C                      | \$ 169,438,322.15   | (B)                                    | \$ 8,415,000.00          | \$ 71,363,440.97         |
| Grand Parkway Transportation Corporation Series 2013-A,B,E, 2014-B,C                         | 32,343,899.48   | (C)                                    |                          | 88,990,636.58            |
|  | <u>\$ 201,782,221.63</u>  |  | <u>\$ 8,415,000.00</u>   | <u>\$ 160,354,077.55</u> |
| (B) Expenses associated with pledged sources were \$56,399,400.34                            |   |  |                          |                          |
| (C) Expenses associated with pledged sources were \$3,874,819.20                             |   |  |                          |                          |

**TEXAS DEPARTMENT OF TRANSPORTATION  
SCHEDULE 2E-DEFEASED BONDS OUTSTANDING**

For the Fiscal Year Ended August 31, 2015

| Description of Issue                                  | Year Defeased | Par Value<br>Outstanding   |
|---|---------------|----------------------------|
| <b>Governmental Activities</b>                        |               |                            |
| Texas Mobility Fund General Obligation Bonds          |               |                            |
| Series 2006 Fixed Rate Bonds                          | 2014          | \$ 364,580,000.00          |
| Series 2006 Fixed Rate Bonds                          | 2015          | 233,130,000.00             |
| Series 2006-A Fixed Rate Bonds                        | 2015          | 478,830,000.00             |
| Series 2007 Fixed Rate Bonds                          | 2014          | 35,945,000.00              |
| Series 2007 Fixed Rate Bonds                          | 2015          | 233,280,000.00             |
| Series 2008 Fixed Rate Bonds                          | 2014          | 93,730,000.00              |
| Total General Obligation Bonds                        |               | <u>1,439,495,000.00</u>    |
| <b>State Highway Fund Revenue Bonds</b>               |               |                            |
| Series 2006 Fixed Rate Bonds                          | 2014          | 369,590,000.00             |
| Series 2006-A Fixed Rate Bonds                        | 2014          | 495,465,000.00             |
| Series 2006-A Fixed Rate Bonds                        | 2015          | 10,665,000.00              |
| Series 2007 Fixed Rate Bonds                          | 2015          | 792,135,000.00             |
| Series 2008 Fixed Rate Bonds                          | 2015          | 45,500,000.00              |
| Total Revenue Bonds                                   |               | <u>1,713,355,000.00</u>    |
| Total Governmental Activities                         |               | <u>3,152,850,000.00</u>    |
| <b>Business-Type Activities</b>                       |               |                            |
| <b>Central Texas Turnpike Authority Revenue Bonds</b> |               |                            |
| Series 2002-A Capital Appreciation Bonds              | 2015          | 114,957,848.48             |
| Total Business-Type Activities                        |               | <u>114,957,848.48</u>      |
| Total   |               | <u>\$ 3,267,807,848.48</u> |

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2F - EARLY EXTINGUISHMENT AND REFUNDING**  
For the Fiscal Year Ended August 31, 2015

**Governmental Activities**

| Description                          | Category          | Amount Extinguished<br>or Refunded | For Refundings Only        |                       |                       |
|--------------------------------------|-------------------|------------------------------------|----------------------------|-----------------------|-----------------------|
|                                      |                   |                                    | Refunding Issued Par Value | Cash Flow Increase    | Economic Gain         |
| <b>Texas Mobility Fund</b>           |                   |                                    |                            |                       |                       |
| Series 2005-B Variable Rate Bonds    | Current Refunding | \$ 70,740,000.00                   | \$ 58,060,000.00           | \$ 8,784,019.28       | \$ 6,499,054.07       |
| Series 2006 Fixed Rate Bonds         | Advance Refunding | 233,130,000.00                     | 215,965,000.00             | 61,058,712.22         | 35,783,874.64         |
| Series 2006-A Fixed Rate Bonds       | Advance Refunding | 478,830,000.00                     | 442,775,000.00             | 72,162,538.20         | 52,378,627.91         |
| Series 2007 Fixed Rate Bonds         | Advance Refunding | 233,280,000.00                     | 213,360,000.00             | 27,396,951.73         | 21,509,604.82         |
|                                      |                   | 1,015,980,000.00                   | 930,160,000.00             | 169,402,221.43        | 116,171,161.44 *      |
| <b>State Highway Fund</b>            |                   |                                    |                            |                       |                       |
| Series 2006-A Fixed Rate Bonds       | Advance Refunding | 10,665,000.00                      | 10,520,000.00              | 3,975,381.09          | 1,954,577.49          |
| Series 2007 Fixed Rate Bonds         | Advance Refunding | 792,135,000.00                     | 724,220,000.00             | 113,590,888.75        | 91,365,610.24         |
| Series 2008 Fixed Rate Bonds         | Advance Refunding | 45,500,000.00                      | 46,340,000.00              | 6,414,218.34          | 3,426,638.36          |
|                                      |                   | 848,300,000.00                     | 781,080,000.00 **          | 123,980,488.18        | 96,746,826.09         |
| <b>Total Governmental Activities</b> |                   | <b>1,864,280,000.00</b>            | <b>1,711,240,000.00</b>    | <b>293,382,709.61</b> | <b>212,917,987.53</b> |

**Business-Type Activities**

| Description  | Category          | Amount Extinguished<br>or Refunded | For Refundings Only        |                            |                           |
|--|-------------------|------------------------------------|----------------------------|----------------------------|---------------------------|
|  |                   |                                    | Refunding Issued Par Value | Cash Flow Increase         | Economic Gain             |
| <b>Revenue Bonds</b>                                 |                   |                                    |                            |                            |                           |
| First Tier Revenue Bonds Series 2002-A               | Advance Refunding | 441,158,079.20                     | 422,778,400.00             | 278,644,880.50             | 124,602,466.69            |
| First Tier Revenue Refunding Put Bonds Series 2012-B | Current Refunding | 225,000,000.00                     | 193,700,000.00             | 72,476,569.44              | 35,533,857.96 ****        |
| TIFIA Note   | Current Refunding | 1,112,973,881.25                   | 1,056,485,000.00           | 596,844,453.49             | 223,717,641.41            |
| <b>Total Business-Type Activities</b>                |                   | <b>1,779,131,960.45</b>            | <b>1,672,963,400.00</b>    | <b>947,965,903.43</b>      | <b>383,853,966.06 ***</b> |
| <b>TOTAL</b>   |                   | <b>\$ 3,643,411,960.45</b>         | <b>\$ 3,384,203,400.00</b> | <b>\$ 1,241,348,613.04</b> | <b>\$ 596,771,953.59</b>  |

\* TMF Series 2006, Series 2006-A, and Series 2007 were partially refunded by TMF Series 2014A. The present value of savings from cash flow is \$116,171,161.44, plus refunding funds on hand, \$4,576.03, equals the net present value of savings, \$116,175,737.45.

\*\* SHF Series 2006-A, Series 2007, and Series 2008 were partially refunded by SHF Series 2015. The refunding portion of SHF 2015 par value is \$781,080,000.

\*\*\* First Tier Revenue Bond Series 2002-A (Non-Callable) was partially refunded by CTTS 2015-B. First Tier Revenue Bond Series 2002-A (Callable) was refunded by CTTS 2015-A, CTTS 2015-B, and CTTS 2015-C. The TIFIA Note was refunded by CTTS 2015-C. The net present value of savings from cash flow is \$383,853,966.06.

\*\*\*\* First Tier Revenue Refunding Put Bonds Series 2012-B was fully refunded by CTTS 2015-A.

**Texas Department of Transportation**  
**Matrix of Expenditures Reported by Function - Governmental Funds**  
For the Fiscal Year Ended August 31, 2015

|                                     | <u>State Highway Fund</u>  | <u>Texas Mobility Fund</u> | <u>Proposition 12 Highway Improvement Project Fund</u> | <u>Nonmajor Funds</u>   | <u>Transportation Function Total</u> |
|-------------------------------------|----------------------------|----------------------------|--|-------------------------|--------------------------------------|
| Salaries and Wages                  | \$ 637,722,067.95          | \$ 0.00                    | \$ 0.00  | \$ 894,250.80           | \$ 638,616,318.75                    |
| Payroll Related Costs               | 277,048,786.24             | 0.00                       | 0.00   | 211,402.63              | 277,260,188.87                       |
| Professional Fees and Services      | 692,007,584.48             | 0.00                       | 0.00   | 1,713,950.79            | 693,721,535.27                       |
| Federal Pass - Through Expenditures | 24,017,212.22              | 0.00                       | 0.00   | 0.00                    | 24,017,212.22                        |
| Travel                              | 7,887,861.11               | 0.00                       | 0.00   | 97,554.81               | 7,985,415.92                         |
| Materials and Supplies              | 277,082,067.00             | 0.00                       | 0.00   | 7,096.05                | 277,089,163.05                       |
| Communication and Utilities         | 46,031,360.61              | 0.00                       | 0.00   | 0.00                    | 46,031,360.61                        |
| Repairs and Maintenance             | 686,168,838.82             | 0.00                       | 0.00   | 28,370.88               | 686,197,209.70                       |
| Rentals and Leases                  | 26,507,551.93              | 0.00                       | 0.00   | 1,916.08                | 26,509,468.01                        |
| Printing and Reproduction           | 3,643,371.56               | 0.00                       | 0.00   | 0.00                    | 3,643,371.56                         |
| Claims and Judgments                | 4,617,898.16               | 0.00                       | 0.00   | 0.00                    | 4,617,898.16                         |
| Intergovernmental Payments          | 384,868,340.98             | 147,482,999.84             | 0.00   | 66,500,784.03           | 598,852,124.85                       |
| Public Assistance Payments          | 31,993,653.28              | 0.00                       | 0.00   | (2,586,249.08)          | 29,407,404.20                        |
| Other Expenditures                  | 169,974,848.46             | 0.00                       | 3,157.22   | 399,348.69              | 170,377,354.37                       |
| <b>Total Expenditures</b>           | <b>\$ 3,269,571,442.80</b> | <b>\$ 147,482,999.84</b>   | <b>\$ 3,157.22</b>                                     | <b>\$ 67,268,425.68</b> | <b>\$ 3,484,326,025.54</b>           |





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