

# 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, 2016

Prepared by:  
Financial Management Division of the Texas Department of Transportation

*This page is intentionally blank*

**Texas Department of Transportation  
Annual Financial Report  
For the Fiscal Year Ended August 31, 2016**

**TABLE OF CONTENTS**

**1: INTRODUCTORY SECTION (Unaudited)**

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

**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 -----	20
Statement of Activities -----	22

Fund Financial Statements

Governmental Fund Financial Statements

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

Proprietary Funds Financial Statements

Statement of Net Position -----	28
Statement of Revenues, Expenses and Changes in Net Position -----	31
Statement of Cash Flows -----	32

Fiduciary Fund Financial Statements

Statement of Fiduciary Net Position (Agency Funds) -----	34
--	----

Notes to Financial Statements -----	35
-------------------------------------	----

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

Budgetary Comparison Schedule -----	92
Pension Plan Information-----	95

## 2: FINANCIAL SECTION (continued)

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

#### Governmental Funds

##### Major Governmental Funds

##### State Highway Funds

Combining Balance Sheet -----	100
Combining Statement of Revenues, Expenditures and Changes in Fund Balance -----	101

##### Texas Mobility Funds

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

##### Nonmajor Governmental Funds

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

##### Non Major General Funds

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

##### Nonmajor Special Revenue Funds

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

#### Fiduciary Funds

##### Agency Funds

Combining Statement of Changes in Assets and Liabilities -----	120
--	-----

## 3: OTHER INFORMATION

Schedule 1A - Schedule of Expenditures of Federal Awards (Unaudited) -----	122
--	-----

#### Schedule 2 - Bond Schedules

Schedule 2A - Miscellaneous Bond Information -----	130
Schedule 2B - Changes in Bonded Indebtedness -----	132
Schedule 2C - Debt Service Requirements -----	136
Schedule 2D - Analysis of Funds Available for Debt Service -----	144
Schedule 2E - Defeased Outstanding Bonds -----	145
Schedule 2F - Early Extinguishment and Refunding -----	146

Schedule 3 - Matrix of Expenditures Reported by Function-Governmental Funds (Unaudited) -----	148
---	-----

Section One

## Introductory Section

*This page is intentionally blank*



125 EAST 11TH STREET, AUSTIN, TEXAS 78701-2483 | 512.463.8588 | WWW.TXDOT.GOV

December 16, 2016

To: The Citizens of Texas  
The Honorable Greg Abbott, Governor  
The Honorable Glenn Hegar, Texas Comptroller  
Ms. Ursula Parks, Director, Legislative Budget Board  
Ms. Lisa Collier, CPA, First Assistant State Auditor

I am pleased to submit the audited annual financial report of the Texas Department of Transportation (TxDOT) for the fiscal year ended August 31, 2016 in compliance with Texas Government Code Annotated, Section 2101.11, the requirements established by the Texas Comptroller of Public Accounts and the Texas Transportation Code, Chapter 201, Section 2041. The financial data of TxDOT is included in the audited State of Texas Comprehensive Annual Financial Report (CAFR) as part of the primary government.

An external 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, 2016. The audit opinion is presented in this report preceding the financial statements. This report was prepared by the accounting staff in the Financial Management 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 presents fairly the financial position and results of TxDOT's operations and provides disclosures that enable the reader to understand TxDOT's financial condition.

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.

#### **Profile of the Government**

TxDOT is an agency of the state of Texas. Headquartered in Austin, TxDOT is organized by administration, districts, and divisions.

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.

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: "Through collaboration and leadership, we deliver a safe, reliable, and integrated transportation system that enables the movement of people and goods."

TxDOT's goals are to deliver the right projects; focus on the customer; foster stewardship; optimize system performance; preserve our assets; promote safety; and, value our employees. TxDOT values people, accountability, trust and honesty. This report reflects the operation of TxDOT and its blended component units.

OUR VALUES: *People • Accountability • Trust • Honesty*

OUR MISSION: *Through collaboration and leadership, we deliver a safe, reliable, and integrated transportation system that enables the movement of people and goods.*

An Equal Opportunity Employer

### **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. 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. 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.

### **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.

The Texas Transportation Commission approved the 2017 Unified Transportation Program (UTP) with \$70 billion worth of projects to help TxDOT meet the state's growing transportation demands. The plan is the largest of its kind in the agency's history and addresses capacity, maintenance and safety needs around state.

The 10-year plan, developed with extensive public input, targets congestion in the state's most-populated areas and includes projects to better connect the major interstates in rural areas with local roads and highways. Also outside urban areas, the program calls for enhancing and completing interstate highways, and addressing the continuing needs within the energy sector and along hurricane evacuation routes.

Revenue sources of the programs are as follows:

1. Approximately 44.6 percent of TxDOT's fund financial 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 2016. Congress has subsequently passed several extensions of this legislation. The Fixing America's Surface Transportation (FAST) Act (Pub. L. No. 114-94), signed into law on December 4, 2015, is the first federal law in over a decade to provide long-term funding certainty for surface transportation infrastructure planning and investment. The FAST Act authorizes \$305 billion over federal fiscal years 2016 through 2020 for highway, highway and motor vehicle safety, public transportation, motor carrier safety, hazardous materials safety, rail, and research, technology, and statistics programs.
2. Constitutionally authorized bond issuances provide additional funding for transportation projects across the state. See the Management's Discussion and Analysis for more detail on TxDOT's bond programs and related debt service requirements.
3. Motor fuels tax is the TxDOT's primary state funding source. The motor fuels tax includes two major types, gasoline and diesel fuel. It also includes other liquefied gases. Texas' tax rates on gasoline and diesel have remained stable at 20 cents per gallon since 1991. The federal fuel tax rates have also been stable since 1993. The federal gasoline tax rate is 18.4 cents per gallon and the diesel tax 24.4 cents per gallon. Three-quarters of the state's motor fuels tax revenue is allocated to the SHF. In Texas and many other states, motor fuels tax collections have begun to fall behind in their ability to

OUR VALUES: *People • Accountability • Trust • Honesty*

OUR MISSION: *Through collaboration and leadership, we deliver a safe, reliable, and integrated transportation system that enables the movement of people and goods.*

An Equal Opportunity Employer

---

December 16, 2016

meet the every-rising cost of the transportation projects they support. In Texas, voters have approved recent measures to supplement road funding by drawing revenues from oil and gas production taxes, the general sales tax and the sales tax on motor vehicles and rentals as explained in Proposition 1 and Proposition 7 below.

4. **Proposition 1-** On Nov. 4, 2014, Texas voters 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 (SHF). The Texas Comptroller of Public Accounts certified and deposited approximately \$1.13 billion to the SHF in November 2015 and \$439.5 million was deposited to the SHF in November 2016. The decrease in the Prop 1 funding allocation was due to the continued downward trend of oil and gas production.
5. **Proposition 7-** On Nov. 3, 2015, Texas voters approved the ballot measure known as Proposition 7 (Prop 7) that dedicates a portion of the revenue from the state sales and use tax and motor vehicle sales and rental tax to the SHF.

Under the amendment:

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

The general sales tax provision expires at the end of fiscal 2032, and the motor vehicle sales/rental taxes tax provision expires at the end of fiscal 2029, unless future legislatures vote to extend them.

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

Sincerely,



James M. Bass  
Executive Director

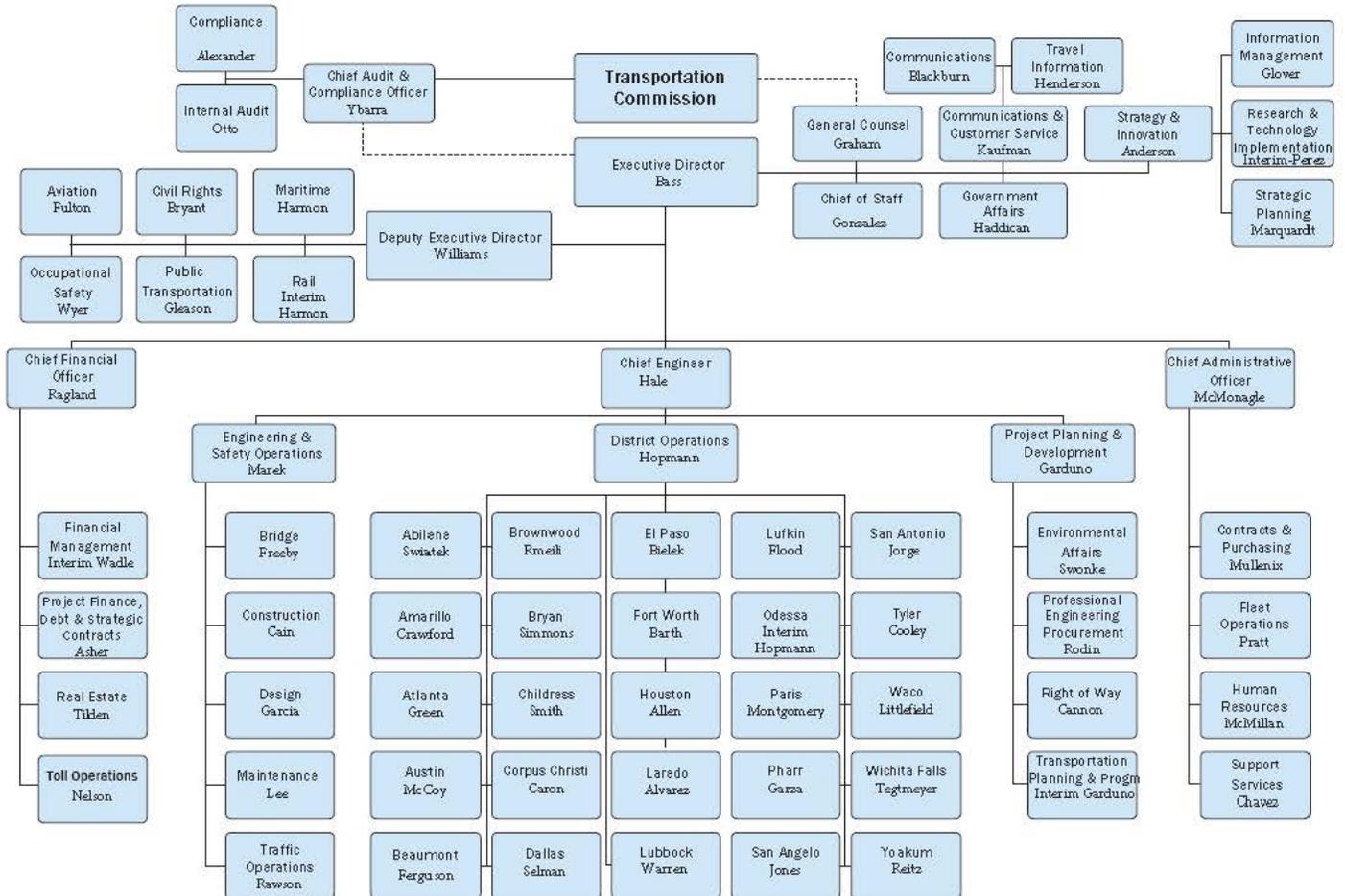
OUR VALUES: *People • Accountability • Trust • Honesty*

OUR MISSION: *Through collaboration and leadership, we deliver a safe, reliable, and integrated transportation system that enables the movement of people and goods.*

An Equal Opportunity Employer

# Texas Department of Transportation

## Organization Chart as of August 31, 2016



---

**Commission and Key Personnel  
As of August 31, 2016**

**TEXAS TRANSPORTATION COMMISSION**

TRYON D. LEWIS.....Chair  
Odessa

JEFF AUSTIN III .....Commissioner  
Tyler

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

LAURA RYAN .....Commissioner  
Houston

VICTOR VANDERGRIFF.....Commissioner  
Arlington

**TEXAS DEPARTMENT OF TRANSPORTATION**

JAMES M. BASS ..... Executive Director

MARC D. WILLIAMS ..... Deputy Executive Director

JESUS GONZALEZ.....Chief of Staff

BRIAN RAGLAND..... Chief Financial Officer

BENITO YBARRA ..... Chief Audit and Compliance Officer

BILL HALE ..... Chief Engineer

RICHARD MCMONAGLE ..... Chief Administrative Officer

BOB KAUFMAN ..... Director of Communications and Customer Service

JEFF GRAHAM ..... General Counsel

JERRY HADDICAN ..... Director of Government Affairs

DARRAN ANDERSON..... Director of Strategy and Innovation

---

*This page is intentionally blank*

---

Section Two

# 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, 2016, 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 opinions.

---

## **Opinions**

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, 2016, 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.

## **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, 2016, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Budgetary Comparison Schedule and Pension Plan Information* on pages 12-18, 92-94 and 95-96, respectively, 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, 2016 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, 2016

---

Section Two (Continued)

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

---

## 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, 2016. 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) basic financial statements and related notes, (3) required supplementary information other than 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 total assets, and deferred outflows of resources, total liabilities and deferred inflows of resources. Net position represents one measure of TxDOT's financial health.

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

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

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

### Reporting on TxDOT's Most Significant Funds

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

---

## Governmental Funds

A majority of TxDOT's activities are 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, Texas Mobility Fund, Proposition 12 Highway Improvement Fund and Local Government Political Subdivision Road/Airport Fund are reported as major funds.

## Proprietary Funds

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

## Reporting on TxDOT's Fiduciary Responsibilities

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

## Financial Analysis of TxDOT as a Whole

### Net Position

*Net Position* - The assets and deferred outflows of TxDOT exceeded its liabilities and deferred inflows of resources as of Aug. 31, 2016, by \$74.9 billion, which is presented as net position. Approximately \$72.0 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 \$99.1 billion as of Aug. 31, 2016. Net capital assets increased by \$8.9 billion, or 9.8 percent, for the fiscal year ended Aug. 31, 2016. Construction in progress and 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 \$264.2 million during the current fiscal year to \$23.4 billion. The majority of this change is attributable to the issuance and refunding of \$2.1 billion of general obligation bonds reduced primarily by \$1.6 billion in principal payments and amortization of revenue bonds. Net pension liability decreased by \$117.4 million and pass-through tolls payable by \$90.7 million. For more information on long-term liabilities see Notes 5 and 6 of this report.

Statement of Net Position						
August 31, 2016 and 2015 (Amounts in Thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Assets Other Than Capital Assets	\$ 8,691,280	\$ 9,410,891	\$ 3,545,377	\$ 3,629,141	\$ 12,236,657	\$ 13,040,032
Capital Assets	96,418,885	87,494,574	2,696,832	2,749,057	99,115,717	90,243,631
<b>Total Assets</b>	<b>105,110,165</b>	<b>96,905,465</b>	<b>6,242,209</b>	<b>6,378,198</b>	<b>111,352,374</b>	<b>103,283,663</b>
<b>Total Deferred Outflow of Resources</b>	<b>362,909</b>	<b>283,132</b>	<b>32,021</b>	<b>33,940</b>	<b>394,930</b>	<b>317,072</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>105,473,074</b>	<b>97,188,597</b>	<b>6,274,230</b>	<b>6,412,138</b>	<b>111,747,304</b>	<b>103,600,735</b>
Current Liabilities	2,933,165	3,171,575	57,471	136,582	2,990,636	3,308,157
Non-current Liabilities	16,812,288	16,641,373	5,892,178	5,865,286	22,704,466	22,506,659
<b>Total Liabilities</b>	<b>19,745,453</b>	<b>19,812,948</b>	<b>5,949,649</b>	<b>6,001,868</b>	<b>25,695,102</b>	<b>25,814,816</b>
<b>Total Deferred Inflow of Resources</b>	<b>11,143,628</b>	<b>6,803,791</b>	<b>996</b>	<b>1,993</b>	<b>11,144,624</b>	<b>6,805,784</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	71,357,974	70,082,653	637,980	620,788	71,995,954	70,703,441
Restricted	3,438,003	394,074	160,600	114,792	3,598,603	508,866
Unrestricted	(211,984)	95,131	(474,995)	(327,303)	(686,979)	(232,172)
<b>Total Net Position</b>	<b>\$ 74,583,993</b>	<b>\$ 70,571,858</b>	<b>\$ 323,585</b>	<b>\$ 408,277</b>	<b>\$ 74,907,578</b>	<b>\$ 70,980,135</b>

### Changes in Net Position

TxDOT earned program revenues of \$5.2 billion and general revenues of \$3.4 billion, for total revenues of \$8.6 billion. The expenses of TxDOT were \$6.0 billion. As a result of revenues exceeding expenses, the total net position increased to \$74.9 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. The net position of governmental activities increased by \$4.0 billion, or 5.7 percent, from fiscal 2015, primarily due to TxDOT's continued efforts to maintain, improve and expand the state's infrastructure network.

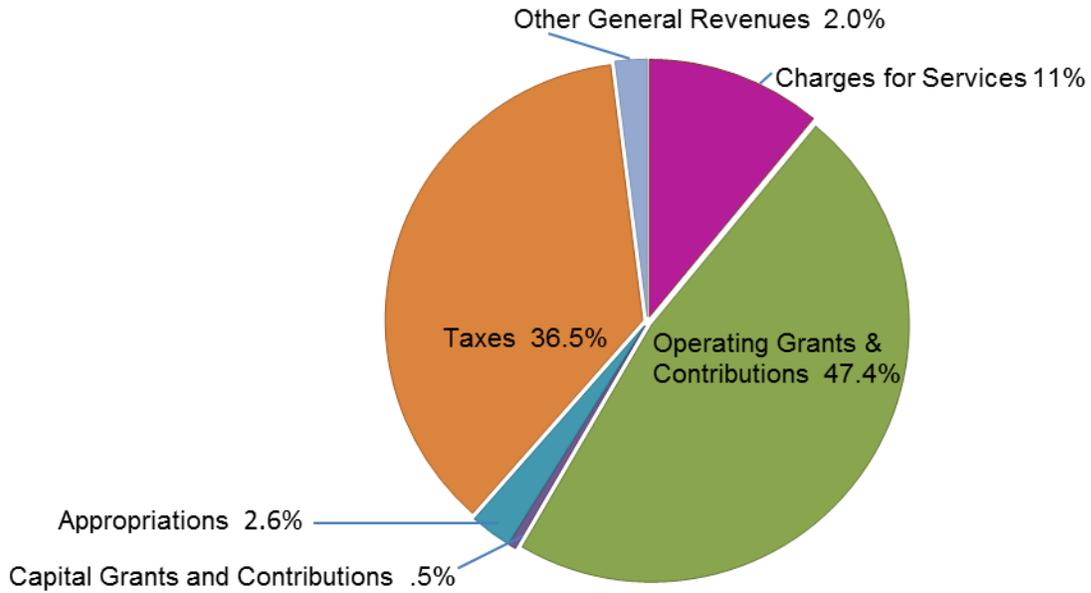
In fiscal 2016 the net position of business-type activities, which includes CTTS and GPTC, decreased by a total of \$84.7 million, or 20.7% from fiscal 2015.

- CTTS had a decrease in the net position of \$44.8 million, or 11.4 percent, which is largely attributed to depreciation of capital assets of \$54 million and accretion of long-term liabilities of \$28.7 million, offset by an increase in operating revenues of \$9.0 million.
- GPTC had a decrease in the net position of \$39.9 million, or 240.2 percent, which is due to amortization expense of \$62.4 million and interest expense of \$46.5 million, offset by the increase of operating revenues of \$53.4 million. Interest was capitalized as intangible asset prior to substantial completion of the five segments of the Grand Parkway System in March 2016. Starting April 2016, interest was reported as expense. Amortization of intangible assets also began in fiscal 2016.

<b>Changes in Net Position</b>						
For the Fiscal Years Ended August 31, 2016 and 2015 (Amounts in Thousands)						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	\$ 916,445	\$ 746,398	\$ 256,137	\$ 193,794	\$ 1,172,582	\$ 940,192
Operating Grants and Contributions	3,941,411	3,296,570	2,237	1,602	3,943,648	3,298,172
Capital Grants and Contributions	39,496	52,400			39,496	52,400
Total Program Revenues	<u>4,897,352</u>	<u>4,095,368</u>	<u>258,374</u>	<u>195,396</u>	<u>5,155,726</u>	<u>4,290,764</u>
General Revenues:						
Appropriations	219,083	194,820			219,083	194,820
Taxes	3,035,240	3,747,226			3,035,240	3,747,226
Unrestricted Investment Earnings	52,150	33,897	7,601	4,863	59,751	38,760
Settlement of Claims	47,698	21,995			47,698	21,995
Gain on Sale of Capital Assets	52,434	48,096			52,434	48,096
Capital Contributions				2,410	0	2,410
Other General Revenues	17,094	9,015			17,094	9,015
Total General Revenues	<u>3,423,699</u>	<u>4,055,049</u>	<u>7,601</u>	<u>7,273</u>	<u>3,431,300</u>	<u>4,062,322</u>
<b>EXPENSES</b>						
Transportation	5,686,085	5,070,219	352,734	251,897	6,038,819	5,322,116
Indirect Interest on Long-Term Debt		640,013			0	640,013
Total Expenses	<u>5,686,085</u>	<u>5,710,232</u>	<u>352,734</u>	<u>251,897</u>	<u>6,038,819</u>	<u>5,962,129</u>
Excess (Deficiency) Before Special Items and Transfers	2,634,966	2,440,185	(86,759)	(49,228)	2,548,207	2,390,957
Transfers - Internal Activities	(2,067)	(1,707)	2,067	1,707	0	0
Transfers-Other State Agencies	1,379,236	2,528,742			1,379,236	2,528,742
Change in Net Position	<u>4,012,135</u>	<u>4,967,220</u>	<u>(84,692)</u>	<u>(47,521)</u>	<u>3,927,443</u>	<u>4,919,699</u>
Net Position, September 1, 2015	70,571,858	66,928,032	408,277	455,798	70,980,135	67,383,830
Restatements		(1,323,394)			0	(1,323,394)
Net Position, September 1, 2015, as Restated	<u>70,571,858</u>	<u>65,604,638</u>	<u>408,277</u>	<u>455,798</u>	<u>70,980,135</u>	<u>66,060,436</u>
Net Position, August 31, 2016	<u>\$ 74,583,993</u>	<u>\$ 70,571,858</u>	<u>\$ 323,585</u>	<u>\$ 408,277</u>	<u>\$ 74,907,578</u>	<u>\$ 70,980,135</u>

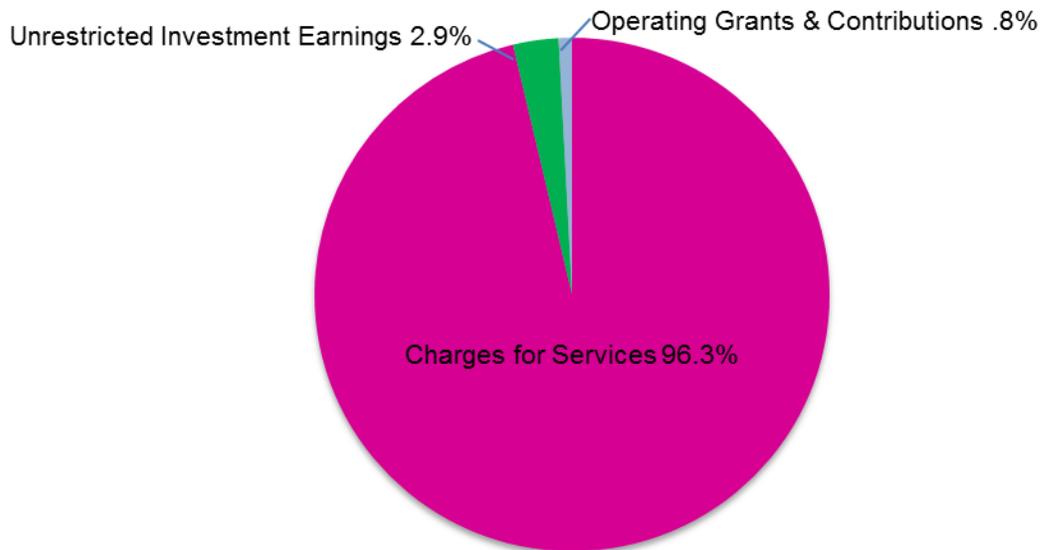
### Revenues by Source: Governmental Activities

For the Fiscal Year Ended August 31, 2016



### Revenues by Source: Business-Type Activities

For the Fiscal Year Ended August 31, 2016



## Financial Analysis of TxDOT's Funds

TxDOT's governmental funds reported a combined ending fund balance, as of Aug. 31, 2016, of \$6.2 billion. Expenditures exceeded revenues by \$1.9 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, 2016, TxDOT had \$99.1 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, 2016 and 2015 (Amounts in Thousands)</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Land and Land Improvements	\$ 12,105,328	\$ 11,165,244	\$ 668,281	\$ 666,979	\$ 12,773,609	\$ 11,832,223
Infrastructure - Depreciable	68,178,284	63,604,759	1,986,723	2,033,043	70,165,007	65,637,802
Construction in Progress	15,363,299	12,001,267	17,759	24,605	15,381,058	12,025,872
Buildings and Building Improvements	249,312	253,735	4,603	4,964	253,915	258,699
Furniture and Equipment	64,263	62,158			64,263	62,158
Vehicles, Boats and Aircraft	307,740	271,801			307,740	271,801
Other Capital Assets	4,131	4,697			4,131	4,697
Land Use Rights - Permanent	118,048	92,330	19,466	19,466	137,514	111,796
Land Use Rights - Term	5,861	6,739			5,861	6,739
Computer Software	22,619	31,844			22,619	31,844
<b>Total Capital Assets</b>	<b>\$ 96,418,885</b>	<b>\$ 87,494,574</b>	<b>\$ 2,696,832</b>	<b>\$ 2,749,057</b>	<b>\$ 99,115,717</b>	<b>\$ 90,243,631</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 2016 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 \$28.9 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, 2016 (Amount in Thousands)</b>				
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
General Obligation Bonds Payable	\$ 10,794,869	\$ 10,187,461	\$	\$
Revenue Bonds Payable	4,223,561	4,396,288	5,166,334	5,133,302
<b>Total Bond Payable</b>	<b>\$ 15,018,430</b>	<b>\$ 14,583,749</b>	<b>\$ 5,166,334</b>	<b>\$ 5,133,302</b>

*Bond Credit Ratings*

Long-Term Credit Ratings as of August 31, 2016			
	Fitch	Moody's	Standard & Poor's
<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, 2016.

Short-Term Credit Ratings as of August 31, 2016			
	Fitch	Moody's	Standard & Poor's
<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 Financial Management Division at the following address:

Texas Department of Transportation  
 Financial Management Division – Accounting Section  
 125 East 11<sup>th</sup> Street  
 Austin, Texas 78701-2483

---

Section Two (Continued)

## Basic Financial Statements

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

August 31, 2016 (Amounts in Thousands)

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 6,589,451	\$ 285,429	\$ 6,874,880
Restricted:			
Cash and Cash Equivalents		364,479	364,479
Legislative Appropriations	16,293		16,293
Short-Term Investments		30,364	30,364
Restricted:			
Short-Term Investments		273,830	273,830
Due from Other Agencies (Note 11)	664,805		664,805
Receivable:			
Taxes	228,717		228,717
Federal	579,199		579,199
Interest and Dividends	6,006	590	6,596
Accounts Receivable	37,115	23,915	61,030
Other Intergovernmental	84,862		84,862
Loans and Contracts	7,616		7,616
Consumable Inventory	161,972	184	162,156
<b>Total Current Assets</b>	<b>8,376,036</b>	<b>978,791</b>	<b>9,354,827</b>
Noncurrent Assets:			
Loans and Contracts	315,231		315,231
Investments		59,976	59,976
Restricted:			
Investments		180,019	180,019
Receivable:			
Taxes	13		13
Intangible Assets (Note 20)		2,326,591	2,326,591
Capital Assets:			
Non-Depreciable Capital Assets (Note 2)	27,586,675	705,506	28,292,181
Depreciable Capital Assets, Net (Note 2)	68,832,210	1,991,326	70,823,536
<b>Total Noncurrent Assets</b>	<b>96,734,129</b>	<b>5,263,418</b>	<b>101,997,547</b>
<b>Total Assets</b>	<b>105,110,165</b>	<b>6,242,209</b>	<b>111,352,374</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on Bond Refunding (Note 21)	190,464	32,021	222,485
Pensions (Note 8)	172,445		172,445
<b>Total Deferred Outflows of Resources</b>	<b>362,909</b>	<b>32,021</b>	<b>394,930</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, 2016 (Amounts in Thousands)

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>LIABILITIES</b>			
Current Liabilities:			
Payables			
Accounts	977,696	33,169	1,010,865
Payroll	72,247		72,247
Interest	263,400	50,914	314,314
Contract Retainage	2,245	2,089	4,334
Deposits		3,084	3,084
Internal Balances (Note 11)	51,506	(51,506)	0
Due to Other Agencies (Note 11)	9,601		9,601
Unearned Revenues	877,708		877,708
Employees' Compensable Leave (Note 5)	68,213		68,213
Notes and Loans Payable (Note 5)	191,285		191,285
General Obligation Bonds Payable (Note 5)	235,800		235,800
Revenue Bonds Payable (Note 5)	177,717	19,721	197,438
Pollution Remediation Obligation (Note 5)	5,747		5,747
<b>Total Current Liabilities</b>	<b>2,933,165</b>	<b>57,471</b>	<b>2,990,636</b>
Noncurrent Liabilities:			
Net Pension Liability (Note 8)	1,278,086		1,278,086
Employees' Compensable Leave (Note 5)	26,557		26,557
Notes and Loans Payable (Note 5)	902,382	745,565	1,647,947
General Obligation Bonds Payable (Note 5)	10,559,069		10,559,069
Revenue Bonds Payable (Note 5)	4,045,844	5,146,613	9,192,457
Pollution Remediation Obligation (Note 5)	350		350
<b>Total Noncurrent Liabilities</b>	<b>16,812,288</b>	<b>5,892,178</b>	<b>22,704,466</b>
<b>Total Liabilities</b>	<b>19,745,453</b>	<b>5,949,649</b>	<b>25,695,102</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions (Note 8)	257,663		257,663
Service Concession Arrangements (Note 20)	10,885,965		10,885,965
Gain on Bond Refunding (Note 21)		996	996
<b>Total Deferred Inflows of Resources</b>	<b>11,143,628</b>	<b>996</b>	<b>11,144,624</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	71,357,974	637,980	71,995,954
Restricted for:			
Capital Projects	2,986,923		2,986,923
Debt Service	451,080	65,439	516,519
Operations and Maintenance		95,161	95,161
Unrestricted	(211,984)	(474,995)	(686,979)
<b>Total Net Position</b>	<b>\$ 74,583,993</b>	<b>\$ 323,585</b>	<b>\$ 74,907,578</b>

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

For the Fiscal Year Ended August 31, 2016 (Amounts in Thousands)

Functions	Expenses	PROGRAM REVENUES		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Transportation	\$ 5,686,085	\$ 916,445	\$ 3,941,411	\$ 39,496
Total Governmental Activities	<u>5,686,085</u>	<u>916,445</u>	<u>3,941,411</u>	<u>39,496</u>
Business-Type Activities:				
Transportation	352,734	256,137	2,237	0
Total Business-Type Activities	<u>352,734</u>	<u>256,137</u>	<u>2,237</u>	<u>0</u>
Total Primary Government	<u>\$ 6,038,819</u>	<u>\$ 1,172,582</u>	<u>\$ 3,943,648</u>	<u>\$ 39,496</u>

**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
- Other Revenues
- Transfers – Internal Activities (Note 11)
- Transfers – Other State Agencies
- Total General Revenues and Transfers
- Changes in Net Position

Net Position, September 1, 2015

Net Position, August 31, 2016

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

NET (EXPENSE) REVENUE  
AND CHANGES IN NET POSITION

Governmental Activities	Business- Type Activities	Total
\$ (788,733)	\$	\$ (788,733)
<u>(788,733)</u>	<u>0</u>	<u>(788,733)</u>
	(94,360)	(94,360)
0	(94,360)	(94,360)
<u>(788,733)</u>	<u>(94,360)</u>	<u>(883,093)</u>
218,816	0	218,816
314	0	314
(47)	0	(47)
2,551,228	0	2,551,228
44,500	0	44,500
439,512	0	439,512
52,150	7,601	59,751
47,698	0	47,698
52,434	0	52,434
17,094	0	17,094
(2,067)	2,067	0
<u>1,379,236</u>	<u>0</u>	<u>1,379,236</u>
<u>4,800,868</u>	<u>9,668</u>	<u>4,810,536</u>
<u>4,012,135</u>	<u>(84,692)</u>	<u>3,927,443</u>
70,571,858	408,277	70,980,135
<u>\$ 74,583,993</u>	<u>\$ 323,585</u>	<u>\$ 74,907,578</u>

**Texas Department of Transportation**  
**Balance Sheet - Governmental Funds**  
August 31, 2016 (Amounts in Thousands)

	State Highway Fund	Texas Mobility Fund	Proposition 12 Highway Improvement Project Fund	Local Government Political Subdivision Road/Airport	Nonmajor Funds	Total
<b>ASSETS</b>						
Cash and Cash Equivalents:						
Cash on Hand	\$ 512			\$ 73	\$ 55	\$ 640
Cash in Bank	380					380
Cash in State Treasury	4,159,309	1,108,952	386,762	684,723	248,685	6,588,431
Legislative Appropriations					16,293	16,293
Receivables:						
Taxes	228,730					228,730
Federal	554,769	9,063			15,367	579,199
Other Intergovernmental	84,862					84,862
Interest and Dividends	6,006					6,006
Accounts Receivable	37,115					37,115
Due from Other Funds (Note 11)	10,757	97,000		36,125		143,882
Due from Other Agencies (Note 11)	664,679				126	664,805
Consumable Inventories	161,972					161,972
Loans and Contracts (Note 1)	322,760				87	322,847
<b>Total Assets</b>	<b>\$ 6,231,851</b>	<b>\$ 1,215,015</b>	<b>\$ 386,762</b>	<b>\$ 720,921</b>	<b>\$ 280,613</b>	<b>\$ 8,835,162</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities:						
Payables:						
Accounts	894,551	36,736	21,100		25,309	977,696
Payroll	72,136				111	72,247
Contract Retainage	2,245					2,245
Due to Other Funds (Note 11)	58,051	97,000			40,337	195,388
Due to Other Agencies (Note 11)	9,601					9,601
Unearned Revenues	156,787			720,921		877,708
<b>Total Liabilities</b>	<b>1,193,371</b>	<b>133,736</b>	<b>21,100</b>	<b>720,921</b>	<b>65,757</b>	<b>2,134,885</b>
Deferred Inflows of Resources:						
Unavailable Revenue (Note 21)	541,638					541,638
<b>Total Deferred Inflows of Resources</b>	<b>541,638</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>541,638</b>
Fund Balances (Deficits):						
Nonspendable (Note 13)	161,972				66	162,038
Restricted (Note 13)	2,622,157	1,081,279	365,662		137,004	4,206,102
Committed (Note 13)	1,140,219				71,400	1,211,619
Assigned (Note 13)	572,494				6,386	578,880
<b>Total Fund Balances</b>	<b>4,496,842</b>	<b>1,081,279</b>	<b>365,662</b>	<b>0</b>	<b>214,856</b>	<b>6,158,639</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 6,231,851</b>	<b>\$ 1,215,015</b>	<b>\$ 386,762</b>	<b>\$ 720,921</b>	<b>\$ 280,613</b>	<b>\$ 8,835,162</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, 2016 (Amounts in Thousands)

Total Fund Balance - Governmental Funds \$ 6,158,639

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	\$ 27,586,675	
Capital Assets - Depreciable or Amortizable, Net	68,832,210	
		96,418,885

Deferred outflows of resources were reported in the Statement of Net Position to reflect the losses incurred in bond refunding transactions (Note 21).	190,464	
		190,464

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.	172,445	
		172,445

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).	541,638	
		541,638

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)	(1,278,086)	
Employees' Compensable Leave (Note 5)	(94,770)	
Notes and Loans Payable (Note 5)**	(1,093,667)	
General Obligation Bonds Payable (Note 5)	(10,794,869)	
Revenue Bonds Payable (Note 5)	(4,223,561)	
Pollution Remediation Obligations (Note 5)	(6,097)	
		(17,491,050)

\* Current portion \$678,762 and noncurrent portion \$16,812,288  
\*\*Pass-Through Tolls Payable \$1,089,797 and Contracts Payable \$3,870

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).	(257,663)	
		(257,663)

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).	(10,885,965)	
		(10,885,965)

Interest payable applicable to TxDOT's governmental activities is not due and payable in the current period and accordingly is not reported in the funds. These liabilities, however, are included in the Statement of Net Position.	(263,400)	
		(263,400)

Net Position of Governmental Activities		\$ 74,583,993

**Texas Department of Transportation**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Governmental Funds**  
For the Fiscal Year Ended August 31, 2016 (Amounts in Thousands)

	State Highway Fund	Texas Mobility Fund	Proposition 12 Highway Improvement Project Fund	Local Government Political Subdivision Road/Airport Account	Nonmajor Funds	Total
<b>REVENUES</b>						
Legislative Appropriations:						
Original Appropriations	\$	\$	\$	\$	\$	218,816
Additional Appropriations						314
Taxes	3,760,033					3,760,033
Federal Revenues	3,937,087	21,722			34,777	3,993,586
Federal Pass-Through Revenues	404					404
Licenses, Fees and Permits	37,670	424,306				461,976
Interest & Investment Income	40,682	7,638	2,274		1,556	52,150
Land Income	12,104					12,104
Settlement of Claims	47,519	179				47,698
Sales of Goods and Services	2,031			131,862	1,169	135,062
Other Revenues	17,191					17,191
<b>Total Revenues</b>	<u>7,854,721</u>	<u>453,845</u>	<u>2,274</u>	<u>131,862</u>	<u>256,632</u>	<u>8,699,334</u>
<b>EXPENDITURES</b>						
Transportation	3,409,288	9,534			105,107	3,523,929
Capital Outlay	5,144,149	207,830	697,922		2,589	6,052,490
Debt Service						
Principal on State Bonds		48,730			222,955	271,685
Principal on Pass-Through Tolls	120,651					120,651
Interest on State Bonds		296,447			316,698	613,145
Other Financing Fees	1,388	4,902	2,247		513	9,050
<b>Total Expenditures</b>	<u>8,675,476</u>	<u>567,443</u>	<u>700,169</u>	<u>0</u>	<u>647,862</u>	<u>10,590,950</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(820,755)</u>	<u>(113,598)</u>	<u>(697,895)</u>	<u>131,862</u>	<u>(391,230)</u>	<u>(1,891,616)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In (Note 11)	1,657,739	44,792			303,805	2,006,336
Transfers Out (Note 11)	(450,544)	(44,792)		(131,862)	(94)	(627,292)
Bonds & Note Issued			615,000			615,000
Bonds Issued for Refunding		1,165,465				1,165,465
Premium/Discount on Bonds Issued		173,977	132,763			306,740
Payment to Escrow on Refunding		(1,335,153)				(1,335,153)
Sale of Capital Assets	66,334				1,480	67,814
Upfront Payment - Service Concession Arrangement	25,479					25,479
Appropriations Lapsed					(47)	(47)
<b>Total Other Financing Sources (Uses)</b>	<u>1,299,008</u>	<u>4,289</u>	<u>747,763</u>	<u>(131,862)</u>	<u>305,144</u>	<u>2,224,342</u>
<b>Net Change in Fund Balances</b>	<u>478,253</u>	<u>(109,309)</u>	<u>49,868</u>	<u>0</u>	<u>(86,086)</u>	<u>332,726</u>
Fund Balances, September 1, 2015	<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>
Fund Balances, August 31, 2016	<u>\$ 4,496,842</u>	<u>\$ 1,081,279</u>	<u>\$ 365,662</u>	<u>\$ 0</u>	<u>\$ 214,856</u>	<u>\$ 6,158,639</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, 2016 (Amounts in Thousands)

Net Change in Fund Balances \$ 332,726

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	\$ 6,052,490	
Depreciation and Amortization Expense (Note 2)	<u>(1,622,258)</u>	4,430,232

The effect of various miscellaneous transactions involving capital assets is an increase to net position.

Donations of Capital Assets	39,496	
Gain on Sale of Capital Assets	52,434	
Sale of Capital Assets	(67,814)	
Interagency Transfers of Capital Assets	<u>(1,875)</u>	22,241

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	258,483	
Federal Revenue	(52,677)	
Local Revenue	48,820	
Oil & Natural Gas Production Tax Revenue	(695,157)	
Motor Fuel Tax Revenue	<u>(29,638)</u>	(470,169)

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	392,336	
Payment to Escrow for Refunding	1,335,153	
Net Change in Pollution Remediation Obligation	(480)	
Bonds & Notes Issued	(1,780,465)	
Premiums on Bonds Issued	(306,740)	
Upfront Payments Received Under Service Concession Arrangements	(25,479)	
Net Change in Employees' Compensable Leave	<u>(14,883)</u>	(400,558)

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	68,428	
Financing Fees	(4,693)	
Payroll Related Costs	<u>33,928</u>	97,663

Change in Net Position of Governmental Activities \$ 4,012,135

**Texas Department of Transportation**  
**Statement of Net Position - Proprietary Funds**  
August 31, 2016 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds		
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents:			
Cash and Cash Equivalents	\$ 239,791	\$ 45,638	\$ 285,429
Restricted Cash and Cash Equivalents:			
Cash and Cash Equivalents	109,713	254,766	364,479
Short-Term Investments	24,995	5,369	30,364
Restricted:			
Short-Term Investments	7,991	265,839	273,830
Receivables:			
Accounts Receivable	12,585	11,330	23,915
Interest and Dividends	326	264	590
Due from Other Funds (Note 11)	58,051		58,051
Consumable Inventory	178	6	184
Total Current Assets	<u>453,630</u>	<u>583,212</u>	<u>1,036,842</u>
Noncurrent Assets:			
Restricted:			
Investments	130,006	50,013	180,019
Investments		59,976	59,976
Intangible Assets (Note 20)		2,326,591	2,326,591
Capital Assets:			
Non-Depreciable Capital Assets (Note 2)	705,506		705,506
Depreciable Capital Assets, Net (Note 2)	1,991,326		1,991,326
Total Noncurrent Assets	<u>2,826,838</u>	<u>2,436,580</u>	<u>5,263,418</u>
Total Assets	<u>3,280,468</u>	<u>3,019,792</u>	<u>6,300,260</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources			
Loss on Bond Refunding (Note 21)	32,021		32,021
Total Deferred Outflows of Resources	<u>32,021</u>	<u>0</u>	<u>32,021</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, 2016 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds		
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Totals
<b>LIABILITIES</b>			
Current Liabilities:			
Payables:			
Accounts	2,488	30,681	33,169
Interest	4,460	46,454	50,914
Contract Retainage		2,089	2,089
Deposits		3,084	3,084
Due to Other Funds (Note 11)		6,545	6,545
Revenue Bonds Payable (Notes 5, 6)	20,051	(330)	19,721
Total Current Liabilities	<u>26,999</u>	<u>88,523</u>	<u>115,522</u>
Noncurrent Liabilities:			
Notes and Loans Payable (Note 5)		745,565	745,565
Revenue Bonds Payable (Notes 5, 6)	2,938,612	2,208,001	5,146,613
Total Noncurrent Liabilities	<u>2,938,612</u>	<u>2,953,566</u>	<u>5,892,178</u>
Total Liabilities	<u>2,965,611</u>	<u>3,042,089</u>	<u>6,007,700</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources			
Gain on Bond Refunding (Note 21)		996	996
Total Deferred Inflows of Resources	<u>0</u>	<u>996</u>	<u>996</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	637,980		637,980
Restricted for:			
Debt Service	65,439		65,439
Operations and Maintenance	56,454	38,707	95,161
Unrestricted	(412,995)	(62,000)	(474,995)
Total Net Position	<u>\$ 346,878</u>	<u>\$ (23,293)</u>	<u>\$ 323,585</u>

---

*This page is intentionally blank*

## Texas Department of Transportation

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

For the Fiscal Year Ended August 31, 2016 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds*		
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Totals
<b>OPERATING REVENUES</b>			
Toll Revenue-Pledged	\$ 170,689	\$ 78,117	\$ 248,806
Fee Revenue-Pledged	1,546	5,773	7,319
Total Operating Revenues	<u>172,235</u>	<u>83,890</u>	<u>256,125</u>
<b>OPERATING EXPENSES</b>			
Salaries	1,796	525	2,321
Professional Fees and Services	3,215	578	3,793
Travel	13	3	16
Materials and Supplies	5,237	299	5,536
Communication and Utilities	928	178	1,106
Repairs and Maintenance	11,421	1,592	13,013
Rentals and Leases	4	1	5
Contracted Services	19,567	5,316	24,883
Advertising	690	279	969
Depreciation and Amortization	54,041	62,397	116,438
Other Operating Expenses	4,361	5,632	9,993
Total Operating Expenses	<u>101,273</u>	<u>76,800</u>	<u>178,073</u>
Operating Income (Loss)	<u>70,962</u>	<u>7,090</u>	<u>78,052</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Lease Revenue	12		12
Interest and Investment Income	7,871	2,142	10,013
Net Decrease in Fair Value of Investments	(169)	(6)	(175)
Interest Expense and Amortization	(125,515)	(48,593)	(174,108)
Bond Issuance Expenses		(424)	(424)
Other Financing Fees	(17)	(112)	(129)
Total Nonoperating Revenues (Expenses)	<u>(117,818)</u>	<u>(46,993)</u>	<u>(164,811)</u>
Income (Loss) before Transfers	<u>(46,856)</u>	<u>(39,903)</u>	<u>(86,759)</u>
<b>TRANSFERS</b>			
Transfers In	2,067		2,067
Total Transfers	<u>2,067</u>	<u>0</u>	<u>2,067</u>
Change in Net Position	<u>(44,789)</u>	<u>(39,903)</u>	<u>(84,692)</u>
Net Position, September 1, 2015	<u>391,667</u>	<u>16,610</u>	<u>408,277</u>
Net Position, August 31, 2016	<u>\$ 346,878</u>	<u>\$ (23,293)</u>	<u>\$ 323,585</u>

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

\*Central Texas Turnpike System (Appropriated Fund 0865) and Grand Parkway Transportation Corporation (Appropriated Fund 4050) are the only enterprise funds. Combining statements are not presented.

**Texas Department of Transportation**  
**Statement of Cash Flows - Proprietary Funds**

For the Fiscal Year Ended August 31, 2016 (Amounts in Thousands)

**Business-Type Activities - Enterprise Funds**

	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Totals
<b>Cash Flows from Operating Activities</b>			
Proceeds from Customers	\$ 174,289	\$ 77,488	\$ 251,777
Proceeds from Local Entity		3,084	3,084
Payments for Interfund Services Used	(43,701)	(16,067)	(59,768)
Payments to Suppliers for Goods and Services		(69)	(69)
Net Cash Provided by Operating Activities	<u>130,588</u>	<u>64,436</u>	<u>195,024</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Proceeds from Transfers from Other Funds	197		197
Payments for Debt Interest		(111,136)	(111,136)
Payments of Other Costs of Debt Issuance		(3)	(3)
Payments for Other Financing Fees		(13)	(13)
Payments for Transfers to Other Funds	(12,500)	(45,558)	(58,058)
Payments to Refund Contributions From Local Entities	(958)		(958)
Payments for Intangible Assets		(279,722)	(279,722)
Net Cash (Used) for Noncapital Financing Activities	<u>(13,261)</u>	<u>(436,432)</u>	<u>(449,693)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from Sale of Capital Assets	53		53
Proceeds from Lease Revenue	12		12
Payments for Principal on Debt	(1,745)		(1,745)
Payments of Interest on Debt	(107,051)		(107,051)
Payments for Interfund Services Used for Other Financing Fees	(17)		(17)
Net Cash (Used) for Capital and Related Financing Activities	<u>(108,748)</u>		<u>(108,748)</u>
<b>Cash Flows from Investing Activities</b>			
Proceeds from Interest and Investment Income	7,320	3,129	10,449
Proceeds from Sale of Investments	212,260	1,231,864	1,444,124
Payments to Acquire Investments	(229,961)	(783,248)	(1,013,209)
Payments for Accrued Interest on Purchase of Investment		(585)	(585)
Net Cash Provided (Used) by Investing Activities	<u>(10,381)</u>	<u>451,160</u>	<u>440,779</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(1,802)</u>	<u>79,164</u>	<u>77,362</u>
Cash and Cash Equivalents- September 1, 2015	120,181	221,240	341,421
Reclassification (Note 1)	231,125		231,125
Cash and Cash Equivalents- September 1, 2015 as Restated	<u>351,306</u>	<u>221,240</u>	<u>572,546</u>
Cash and Cash Equivalents – August 31, 2016	<u>\$ 349,504</u>	<u>\$ 300,404</u>	<u>\$ 649,908</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, 2016 (Amounts in Thousands)

Business-Type Activities - Enterprise Funds

	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Totals
--	----------------------------------	--	--------

**Reconciliation of Operating Income to Net Cash Provided by Operating Activities:**

Operating Income	\$ 70,962	\$ 7,090	\$ 78,052
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	54,041	62,397	116,438
Changes in Assets and Liabilities:			
(Increase) Decrease in Receivables	2,157	(6,402)	(4,245)
(Increase) Decrease in Inventories	941	(6)	935
Decrease in Prepaid Expenses		4	4
Increase in Payables	2,487	2,632	5,119
Increase in Deposits		3,084	3,084
(Decrease) in Due to Other Funds		(4,363)	(4,363)
Total Adjustments	59,626	57,346	116,972
Net Cash Provided by Operating Activities	\$ 130,588	\$ 64,436	\$ 195,024

**Non Cash Transactions**

Transfer In of Capital Asset from Other Fund	\$ 1,870	\$	\$ 1,870
Net Change in Fair Market Value of Investments	\$ (169)	\$ (6)	\$ (175)
Amortization of Investment Premium/Discount	\$ 270	\$ 739	\$ 1,009

---

**Texas Department of Transportation**  
**Statement of Fiduciary Net Position**  
August 31, 2016 (Amounts in Thousands)

	<u>AGENCY FUNDS</u>
<b>ASSETS</b>	
Cash and Cash Equivalents:	
Cash in Bank	\$          616
Cash in State Treasury	451
Cash Equivalents	15,058
Short-Term Investments	<u>     19,980</u>
Total Assets	<u>\$         36,105</u>
 <b>LIABILITIES</b>	
Liabilities:	
Funds Held for Others	<u>          36,105</u>
Total Liabilities	<u>\$         36,105</u>

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

---

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

NOTE 1 – Summary of Significant Accounting Policies -----	37
NOTE 2 – Capital Assets -----	48
NOTE 3 – Deposits, Investments and Repurchase Agreements -----	50
NOTE 4 – Short Term Debt -----	54
NOTE 5 – Summary of Long-Term Liabilities -----	55
NOTE 6 – Bonded Indebtedness -----	59
NOTE 7 – Leases -----	69
NOTE 8 – Employees’ Retirement Plan -----	70
NOTE 9 – Deferred Compensation -----	74
NOTE 10 – Postemployment Health Care and Life Insurance Benefits -----	74
NOTE 11 – Interfund Activity and Transactions -----	75
NOTE 12 – Continuance Subject to Review -----	78
NOTE 13 – Classification of Fund Balances and Net Position -----	79
NOTE 14 – Adjustments to Fund Balances and Net Position -----	80
NOTE 15 – Commitments and Contingencies -----	81
NOTE 16 – Subsequent Events -----	84
NOTE 17 – Risk Management -----	85
NOTE 18 – The Financial Reporting Entity -----	86
NOTE 19 – Stewardship, Compliance and Accountability -----	87
NOTE 20 – Service Concession Arrangements -----	87
NOTE 21 – Deferred Outflows and Deferred Inflows of Resources -----	89
NOTE 22 – Merger of Government Operations-----	90

---

*This page is intentionally blank*

---

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### ***Reporting Entity***

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

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

The Commission, authorized by Transportation Code Chapter 431, created three Texas transportation corporations to perform functions normally undertaken by TxDOT. Two of the three transportation corporations, the Texas Private Activity Bond Surface Transportation Corporation (TxPABST) and the Grand Parkway Transportation Corporation (GPTC), 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. In fiscal 2016, the third transportation corporation, the Grand Parkway Association (GPA), was dissolved because the purposes for which the association was formed had been substantially fulfilled. See Note 18 for more information.

### ***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 2016***

In fiscal 2016 TxDOT adopted the following new GASB pronouncements:

- *GASB Statement No. 72, Fair Value Measurement and Application*, clarifies fair value for financial reporting and establishes general principles of fair value reporting for measurement, recognition and disclosure.
- *GASB Statement No 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68.
- *GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Category A-includes all GASB statements. Category B- includes GASB Technical Bulletins, GASB Implementation Guides and literature of the American Institute of Certified Public Accountants (AICPA) cleared by the GASB.

- 
- *GASB Statement No. 79, Certain External Investment Pools and Pool Participants*, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

### ***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 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 Fund 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.

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

#### General Fund:

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

- General Revenue Fund (Appropriated Fund 0001) – This fund 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 (Appropriated Fund 0036) – This fund is used to account for expenditures pertaining to the crash records information system.
- Colonias Project Fund (Appropriated Fund 7604) – This fund 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.

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 2016 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 measureable and available. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are generally recognized when the related fund liability is incurred. However, principal and interest on bonds is recorded only when due and compensated absences and claims and judgments are recorded when they are expected to be liquidated with expendable available financial resources. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. A proprietary fund

---

distinguishes operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for an enterprise fund include cost of sales and services, administrative expenses and depreciation on capital assets.

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

### ***Shared Fund Presentation***

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

The statement of cash flows for proprietary funds presents the change in cash and cash equivalents during the fiscal year. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near maturity they present insignificant risk of a decrease in value due to changes in interest rates. Investments with an original maturity of three months or less and used for cash management rather than investing activities are considered cash equivalents. During fiscal 2016, certain assets were reclassified from investments to cash equivalents under GASB 72.

#### ***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, 2016, 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, 2016 (Amounts in Thousands)		
<b>Fund</b>	<b>Loans Receivable</b>	<b>Due Within One Year</b>
General Fund	\$ 87	\$ 21
Highway Fund - Toll Equity Loans	66,713	
Highway Fund - NTTA	131,404	2,481
Highway Fund - State Infrastructure Bank	124,643	5,114
Governmental Funds Total	<u>\$ 322,847</u>	<u>\$ 7,616</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, 2015 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 began in fiscal 2016 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 acquisition value at the date of donation. A facility constructed or improved under a qualifying service concession arrangement is reported as a capital asset at acquisition 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 2016, 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. During fiscal 2016, an additional upfront payment of \$25.5 million was received from the developer of the SH 288 service concession arrangement. 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 deferred inflows of resources. 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: 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 bonds outstanding 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.

---

Generally speaking, long-term obligations to be paid within one year of the financial statements date are reported as current liabilities and are considered short-term obligations. In certain circumstances, however, amounts scheduled to mature during the ensuing fiscal year are instead reported as noncurrent long-term liabilities. This provision applies when TxDOT or GPTC intends to refinance or refund a debt instrument on a long term basis and either issues a long-term obligation or enters into a financing agreement after the date of the financial statements but before the financial statements are issued.

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

### ***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 Nov. 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 \$18.7 million for fiscal 2016, and fee revenue.

Operating revenues of GPTC consist of toll revenue for open segments D, E, F1, F2, and G, net of allowance for doubtful accounts of \$1.8 million and fee revenue.

### ***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 2016. 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, 2016 (Amounts in Thousands)					
	<b>Balance</b>	<b>Reclass-</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance</b>
	<b>09/01/2015</b>	<b>ifications</b>			<b>08/31/2016</b>
<b>GOVERNMENTAL ACTIVITIES</b>					
<b>Non-Depreciable &amp; Non-Amortizable Assets</b>					
Land and Land Improvements	\$ 11,165,244	\$ (1,362)	\$ 946,395	\$ (4,949)	\$ 12,105,328
Construction in Progress	12,001,267	(2,177,524)	5,539,556		15,363,299
Land Use Rights - Permanent	92,330		25,728	(10)	118,048
Total Non-Depreciable & Non-Amortizable Assets	<u>23,258,841</u>	<u>(2,178,886)</u>	<u>6,511,679</u>	<u>(4,959)</u>	<u>27,586,675</u>
<b>Depreciable Assets</b>					
Buildings and Building Improvements	498,900	13,710		(4,804)	507,806
Infrastructure	78,976,240	2,163,301	3,964,980	(5,338)	85,099,183
Furniture and Equipment	193,044	(874)	15,826	(7,590)	200,406
Vehicles and Aircraft	684,905	(14)	69,756	(14,813)	739,834
Other Capital Assets	11,544				11,544
Total Depreciable Assets	<u>80,364,633</u>	<u>2,176,123</u>	<u>4,050,562</u>	<u>(32,545)</u>	<u>86,558,773</u>
Less Accumulated Depreciation for:					
Buildings and Building Improvements	(245,165)		(17,077)	3,748	(258,494)
Infrastructure	(15,371,481)		(1,549,418)		(16,920,899)
Furniture and Equipment	(130,886)	877	(12,711)	6,577	(136,143)
Vehicles and Aircraft	(413,104)	11	(31,017)	12,016	(432,094)
Other Capital Assets	(6,847)		(566)		(7,413)
Total Accumulated Depreciation	<u>(16,167,483)</u>	<u>888</u>	<u>(1,610,789)</u>	<u>22,341</u>	<u>(17,755,043)</u>
Depreciable Assets, Net	<u>64,197,150</u>	<u>2,177,011</u>	<u>2,439,773</u>	<u>(10,204)</u>	<u>68,803,730</u>
<b>Intangible Capital Assets - Amortizable</b>					
Land Use Rights - Term	20,901		1,452	(2,913)	19,440
Computer Software	63,808		133	(1,030)	62,911
Total Amortizable Assets	<u>84,709</u>	<u>0</u>	<u>1,585</u>	<u>(3,943)</u>	<u>82,351</u>
Less Accumulated Amortization for:					
Land Use Rights - Term	(14,162)		(2,330)	2,913	(13,579)
Computer Software	(31,964)		(9,140)	812	(40,292)
Total Accumulated Amortization	<u>(46,126)</u>	<u>0</u>	<u>(11,470)</u>	<u>3,725</u>	<u>(53,871)</u>
Amortizable Assets, Net	<u>38,583</u>	<u>0</u>	<u>(9,885)</u>	<u>(218)</u>	<u>28,480</u>
Governmental Activities Capital Assets, Net	<u>\$ 87,494,574</u>	<u>\$ (1,875)</u>	<u>\$ 8,941,567</u>	<u>\$ (15,381)</u>	<u>\$ 96,418,885</u>

**Capital Asset Activity (Concluded)**

For the Fiscal Year Ended August 31, 2016 (Amounts in Thousands)

	Balance 09/01/2015	Reclass- ifications	Additions	Deletions	Balance 08/31/2016
<b>BUSINESS TYPE ACTIVITIES</b>					
<b>Non-Depreciable &amp; Non-Amortizable Assets</b>					
Land and Land Improvements	\$ 666,979	\$ 1,357	\$ 19	\$ (74)	\$ 668,281
Construction in Progress	24,605	(6,847)	1		17,759
Land Use Rights - Permanent	19,466				19,466
Total Non-Depreciable & Non-Amortizable Assets	<u>711,050</u>	<u>(5,490)</u>	<u>20</u>	<u>(74)</u>	<u>705,506</u>
<b>Depreciable Assets</b>					
Buildings and Building Improvements	8,360				8,360
Infrastructure	2,259,159	7,360			2,266,519
Total Depreciable Assets	<u>2,267,519</u>	<u>7,360</u>	<u>0</u>	<u>0</u>	<u>2,274,879</u>
Less Accumulated Depreciation for:					
Buildings and Building Improvements	(3,396)		(361)		(3,757)
Infrastructure	(226,116)		(53,680)		(279,796)
Total Accumulated Depreciation	<u>(229,512)</u>	<u>0</u>	<u>(54,041)</u>	<u>0</u>	<u>(283,553)</u>
Depreciable Assets, Net	<u>2,038,007</u>	<u>7,360</u>	<u>(54,041)</u>	<u>0</u>	<u>1,991,326</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,749,057</u>	<u>\$ 1,870</u>	<u>\$ (54,021)</u>	<u>\$ (74)</u>	<u>\$ 2,696,832</u>

**NOTE 3 – DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS**

TxDOT and the Grand Parkway Transportation Corporation (GPTC) are authorized by statute to make investments following the “prudent person rule.” TxDOT and GPTC have 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, 2016 (Amounts in Thousands)	
<u>Governmental Activities</u>	
Governmental Funds Current Assets Cash in Bank – Depository Accounts	\$ 380
Cash in Bank – Carrying Amount	<u>\$ 380</u>
<u>Fiduciary Funds</u>	
Fiduciary Fund Current Assets Cash in Bank – Depository Accounts	\$ 616
Fiduciary Fund Current Assets Cash in Bank – Sweep Account	15,058
Cash in Bank – Carrying Amount	<u>\$ 15,674</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, 2016, 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 \$6.6 billion at Aug. 31, 2016.

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 2016. 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**

TxDOT and GPTC hold investments that are measured at fair value on a recurring basis. Because investing is not a core part of the TxDOT’s mission, the disclosures related to these investments only need to be disaggregated by major type.

TxDOT and GPTC categorize fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three-tiered fair value hierarchy is as follows:

- Level 1 – Quoted prices for identical investments in an active market
- Level 2 – Significant other observable inputs other than quoted market prices
- Level 3 – Significant unobservable inputs

As of Aug. 31, 2016, the measurements of TxDOT’s investments are summarized below:

<b>Investment Valuation</b>			
August 31, 2016 (Amounts in Thousands)			
<b>Investment Type</b>	<b>Fair Value Hierarchy Level 1</b>	<b>Other Measurement Method</b>	<b>Total</b>
<b>Business Type Activities</b>			
Money Market Mutual Funds	\$	\$ 138,284	\$ 138,284
Government Securities	114,996	177,871	292,867
Government Sponsored Entities	10,000	146,305	156,305
Government Investment Pools		491,642	491,642
Repurchase Agreements		114,999	114,999
<b>Total Business-Type Activities</b>	<b>\$ 124,996</b>	<b>\$ 1,069,101</b>	<b>\$ 1,194,097</b>
<b>Fiduciary Funds</b>			
Government Securities	\$	\$ 11,987	\$ 11,987
Government Sponsored Entities		7,993	7,993
<b>Total Fiduciary Funds</b>	<b>\$ 0</b>	<b>\$ 19,980</b>	<b>\$ 19,980</b>

Government securities and government sponsored entity investments of \$125 million with original maturities of one year or more are valued at quoted market prices (Level 1 Input). These investments are all due within one year.

---

As of Aug. 31, 2016, TxDOT and GPTC also have the following two types of investments which are excluded from measurement at fair value according to GASB 72.

- TxDOT and GPTC had investments in money market funds, government securities, government sponsored entities and government investment pools of \$974 million with maturities less than one year valued at amortized cost.
- TxDOT entered into a repurchase agreement of \$115 million in August 2002 with U.S. Government and Agency securities. Collateral for the repurchase agreement is held by the Bank of New York Mellon Trust Company (the trustee bank) with the underlying securities being the property of the Citigroup Global Markets Inc. (the direct counterparty), held in trust for TxDOT. TxDOT can direct the trustee bank to designate repurchase dates on any business day on or before the final repurchase date in August 2022. The agreement is measured at cost.

#### *Custodial Credit Risk*

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, TxDOT will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. TxDOT and GPTC 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, 2016, TxDOT 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 TxDOT. Citigroup Global Markets Inc. is rated Baa1, A and A+ as of Aug. 31, 2016 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. TxDOT and GPTC investment policies prohibit TxDOT 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 TxDOT and GPTC have been through the list of qualified financial institutions approved by TxDOT and GPTC.

TxDOT 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, 2016, TxDOT and GPTC investments had the following ratings.

<b>Investment Credit Ratings</b>				
August 31, 2016 (Amounts in Thousands)				
<b>Investment Type</b>	<b>Valuation</b>	<b>Moody's</b>	<b>Standard &amp; Poor's</b>	<b>Fitch</b>
<b>Business-Type Activities</b>				
Money Market Mutual Funds				
JPMorgan US Government MMKT	\$ 70,667	Aaa-mf	NR	AAAmf
Morgan Stanley Institutional Liquidity Funds	67,280	Aaa-mf	AAAm	AAAmf
Fidelity Intuition Money Market Government	166	AAA-mf	AAAm	NR
Goldman Sachs Financial Square Government	171	Aaa-mf	AAAm	NR
Government Sponsored Entities				
Federal Home Loan Banks	106,299	P-1	A-1+	NR
Federal National Mortgage Association	20,024	Aaa	AA+	AAA
Federal Home Loan Mortgage Corporation	19,982	P-1	A-1+	F1+
Federal Farm Credit Banks	10,000	Aaa	AA+	AAA
U.S. Treasury Notes	191,959	Aaa	AA+	AAA
U.S. Treasury Bills	100,908	NR	A-1+	NR
Government Investment Pools				
Lone Star	77,403	NR	AAAm	NR
TexPool	326,802	NR	AAAm	NR
TexPool Prime	87,437	NR	AAAm	NR
Repurchase Agreement	114,999	Baa1	A	A+
Total Business-Type Activities	<u>\$ 1,194,097</u>			
<b>Fiduciary Fund</b>				
Federal Home Loan Banks	\$ 7,993	P-1	A-1+	NR
U.S. Treasury Notes	5,000	Aaa	AA+	AAA
U.S. Treasury Bills	6,987	NR	A-1+	NR
Total Fiduciary Funds	<u>\$ 19,980</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, 2016, the following investments exceeded five percent of the total portfolio: JP Morgan US Gov't Mmkt, Morgan Stanley Institutional Liquidity Funds, Federal Home Loan Banks, U.S. Treasuries, Lone Star, TexPool, Texpool Prime and the repurchase agreement with Citigroup Global Markets Inc.

TxDOT and GPTC both address diversification in TxDOT 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. TxDOT 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 TxDOT and GPTC are anticipated to be held to maturity, thereby avoiding interest rate risk due to an early redemption.

**NOTE 4 – SHORT-TERM DEBT**

TxDOT held notes during the fiscal year with Wells Fargo Bank, National Association and Citibank, N.A. 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, 2016, is presented in the table below:

Governmental Activities (Amounts in Thousands)	Beginning			Ending Balance 08/31/2016
	Balance 09/01/2015	Increases	Decreases	
Flexible Rate Revolving Notes	\$ 350,000	\$ 400,000	\$ 750,000	\$ 0

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

**Long-Term Liabilities**

Long-term liabilities for fiscal 2016 are presented in the table below:

Long-Term Liabilities Activity							
For the Fiscal Year Ended August 31, 2016 (Amounts in Thousands)							
	Beginning Balance 09/01/2015	Additions**	Reductions	Adjustments*	Ending Balance 08/31/2016	Amounts Due Within One Year	Amounts Due Thereafter
<b>Primary Government</b>							
<b>Governmental Activities</b>							
Compensable Leave	\$ 79,886	\$ 103,578	\$ (105,858)	\$ 17,164	\$ 94,770	\$ 68,213	\$ 26,557
General Obligation Bonds	10,187,461	1,780,465	(1,381,410)	208,353	10,794,869	235,800	10,559,069
Revenue Bonds	4,396,288		(138,510)	(34,217)	4,223,561	177,717	4,045,844
Pollution Remediation Obligations	5,617	8,476	(7,996)		6,097	5,747	350
Pass Through Tolls Payable	1,180,458	29,990	(120,651)		1,089,797	191,285	898,512
Contracts Payable	2,567	1,303			3,870		3,870
Governmental Activities - Long-Term Liabilities	<u>\$ 15,852,277</u>	<u>\$ 1,923,812</u>	<u>\$ (1,754,425)</u>	<u>\$ 191,300</u>	<u>\$ 16,212,964</u>	<u>\$ 678,762</u>	<u>\$ 15,534,202</u>
<b>Business Type Activities</b>							
Revenue Bonds Payable	\$ 5,133,302	\$ 46,614	\$ (1,745)	\$ (11,837)	\$ 5,166,334	\$ 19,721	\$ 5,146,613
Notes and Loans Payable	757,666			(12,101)	745,565		745,565
Business-Type Activities - Long-Term Liabilities	<u>\$ 5,890,968</u>	<u>\$ 46,614</u>	<u>\$ (1,745)</u>	<u>\$ (23,938)</u>	<u>\$ 5,911,899</u>	<u>\$ 19,721</u>	<u>\$ 5,892,178</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, 2016, 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, 2016, the note's debt service requirements are as follows.

<b>BANs – Debt Service Requirements</b>			
<b>(Amounts in Thousands)</b>			
<b>Business-Type Activities</b>			
<b>Year</b>	<b>Principal</b>	<b>Interest*</b>	<b>Total</b>
2017	\$ 733,465	\$ 15,525	\$ 748,990
Total	733,465	15,525	748,990
Unamortized Premium	12,100		12,100
Total Requirements	\$ 745,565	\$ 15,525	\$ 761,090

\* Fixed interest rate at 3.000 percent.

The above short-term obligation was excluded from current liabilities because GPTC will refund the BAN via a draw from a Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) long-term secured loan on Dec. 15, 2016. See Note 16 for additional details.

### ***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, 2016, 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 covering 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, 2016 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>
2017	\$	191,285
2018		176,710
2019		177,346
2020		173,798
2021		146,830
2022-2026		385,508
2027-2031		12,568
Total **		1,264,045
Unrealized Payable		(174,248)
Total Requirements	\$	1,089,797
* 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, 2016 the project is planned to be let in February 2017. 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 2018. 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>
2017	\$	
2018		4,000
2019		4,000
2020		4,000
2021		4,000
2022-2026		20,000
2027-2031		4,000
Total *		40,000
Unrealized Payable		(36,130)
Total Requirements	\$	3,870
*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, 2016 (Amounts in Thousands)		
<b>Governmental Activities</b>		
Comply with Federal and State asbestos requirements	\$	1,977
Comply with Federal and State lead based paint and asbestos requirements		1,378
Comply with Federal and State OSHA requirements for lead based paint		1,223
Comply with Federal Safe Drinking Water Act requirements		270
Comply with state Leaking Petroleum Storage Tank (LPST) cleanup requirements		1,103
Comply with state cleanup requirements (non-LPST sources)		146
Total	\$	<u>6,097</u>

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, 2016, the Commission had 28 bond issues outstanding. The Texas Private Activity Bond Surface Transportation Corporation (TxPABST), a blended component unit of TxDOT, had four conduit debt bond issues outstanding as of Aug. 31, 2016. The Grand Parkway Transportation Corporation (GPTC), another blended component unit of TxDOT, had five revenue bond issuances outstanding as of Aug. 31, 2016. 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.

Miscellaneous Bond Information (Amounts in Thousands)						
Description of Issue	Bonds Issued to Date	Date Issued	Range of Interest Rates	Maturities		First Call Date
				First Year	Last Year	
<b>GOVERNMENTAL ACTIVITIES</b>						
<b>General Obligation Bonds</b>						
<b>Texas Mobility Fund</b>						
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
Series 2015-A Fixed Rate Refunding Bonds	911,360	9/30/2015	3.20% 5.00%	2018	2036	10/1/2025
Series 2015-B Fixed Rate Refunding Bonds	254,105	10/7/2015	5.00% 5.00%	2031	2036	10/1/2025
<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
Series 2016 Fixed Rate Bonds	615,000	5/4/2016	5.00% 5.00%	2017	2046	4/1/2026
<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	\$ 19,691,780					

\*These bonds are not outstanding as of 08/31/2016.

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

Miscellaneous Bond Information (Concluded)							
(Amounts in Thousands)							
Description of Issue	Bonds Issued to Date	Date Issued	Range of Interest Rates		Maturities		First Call Date
					First Year	Last Year	
<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	\$ 600,486	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 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 Capital Appreciation Bonds	99,147	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	329,143	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	<u>5,410,420</u>						
Total	<u>\$ 25,102,200</u>						
*These bonds are not outstanding as of 08/31/2016.							
** 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, 2016 (Amounts in Thousands)							
Description	Bonds Outstanding		Bonds Issued**	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/2016	Due Within One Year
	08/31/2015	Adjustments*					
<b>Governmental Activities</b>							
General Obligation Bonds	\$ 10,187,461	\$ 208,353	\$ 1,780,465	\$ (133,175)	\$ (1,248,235)	\$ 10,794,869	\$ 235,800
Revenue Bonds	<u>4,396,288</u>	<u>(34,217)</u>	<u>-</u>	<u>(138,510)</u>	<u>-</u>	<u>4,223,561</u>	<u>177,717</u>
Total Governmental Activities	<u>14,583,749</u>	<u>174,136</u>	<u>1,780,465</u>	<u>(271,685)</u>	<u>(1,248,235)</u>	<u>15,018,430</u>	<u>413,517</u>
<b>Business-Type Activities</b>							
Revenue Bonds	<u>5,133,302</u>	<u>(11,837)</u>	<u>46,614</u>	<u>(1,745)</u>	<u>-</u>	<u>5,166,334</u>	<u>19,721</u>
Total	<u>\$ 19,717,051</u>	<u>\$ 162,299</u>	<u>\$ 1,827,079</u>	<u>\$ (273,430)</u>	<u>\$ (1,248,235)</u>	<u>\$ 20,184,764</u>	<u>\$ 433,238</u>
*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, 2016, 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, 2016, major sources of pledged revenue to the Mobility Fund include driver license fees, motor vehicle inspection fees, certificate of title 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 and related credit agreements, creating reserves for payment of bonds and related credit agreements, paying bond issuance costs and paying interest on the bonds and related credit agreements.

### ***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, 2016, the Commission is authorized but has not issued approximately \$697 million 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>
2017	\$ 168,320	\$ 457,617	\$ 625,937
2018	176,025	452,487	628,512
2019	190,705	443,776	634,481
2020	203,610	434,758	638,368
2021	217,620	424,728	642,348
2022-2026	1,329,165	1,945,641	3,274,806
2027-2031	1,822,710	1,569,434	3,392,144
2032-2036	2,395,920	1,089,467	3,485,387
2037-2041	2,376,980	481,964	2,858,944
2042-2045	909,895	89,847	999,742
	9,790,950	7,389,719	17,180,669
Premium	1,003,919		1,003,919
<b>Total</b>	<b>\$ 10,794,869</b>	<b>\$ 7,389,719</b>	<b>\$ 18,184,588</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, 2016, the Commission is authorized but has not issued approximately \$700 million of remaining bond authority under the state highway fund revenue bond program.

Debt Service Requirements – Governmental Activities				
Revenue Bonds (Amounts in Thousands)				
Year	State Highway Fund			Total
	Principal	Interest		
2017	\$ 145,195	\$ 182,356	\$	327,551
2018	150,365	174,415		324,780
2019	157,175	167,602		324,777
2020	164,750	160,023		324,773
2021	173,100	151,682		324,782
2022-2026	1,236,145	598,381		1,834,526
2027-2031	1,445,115	274,020		1,719,135
2032-2036	500,750	43,339		544,089
	<u>3,972,595</u>	<u>1,751,818</u>		<u>5,724,413</u>
Premium	250,966			250,966
Total	\$ <u>4,223,561</u>	\$ <u>1,751,818</u>	\$	<u>5,975,379</u>

*Central Texas Turnpike System Revenue Bond Program*

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 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 System Toll Revenue Bond Program*

Transportation Code, Chapter 431 authorizes the creation of the Grand Parkway Transportation Corporation, a public, non-profit Texas corporation created by the Commission to act on behalf of the Commission to finance, build and operate certain segments of State Highway 99 (the “Grand Parkway Project”) in the greater Houston area. 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.

The short-term obligations related to the Series 2014-B and Series 2014-C bonds were excluded from current liabilities because GPTC will refund the bonds via issuing refunding bonds for \$83.6 million and executing a draw of \$107.2 million from a Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) long-term secured loan to pay the maturing principal on Dec. 15, 2016. See Note 16 for additional details.

Debt Service Requirements – Business-Type Activities			
Revenue Bonds (Amounts in Thousands)			
Year	Principal	Interest	Total
2017	\$ 198,615	\$ 196,086	\$ 394,701
2018	14,225	194,963	209,188
2019	20,365	194,963	215,328
2020	26,715	194,963	221,678
2021	36,480	194,963	231,443
2022-2026	322,730	1,041,484	1,364,214
2027-2031	567,985	1,096,598	1,664,583
2032-2036	939,835	968,390	1,908,225
2037-2041	1,414,910	733,277	2,148,187
2042-2046	558,740	439,318	998,058
2047-2051	625,510	314,285	939,795
2052-2053	824,550	47,929	872,479
	<u>5,550,660</u>	<u>5,617,219</u>	<u>11,167,879</u>
Accretion	(613,928)		(613,928)
Premium	247,589		247,589
Discount	<u>(17,987)</u>		<u>(17,987)</u>
Total	<u>\$ 5,166,334</u>	<u>\$ 5,617,219</u>	<u>\$ 10,783,553</u>

### ***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.

Pledged Future Revenue (Amounts in Thousands)	Governmental Activities		Business-Type Activities	
	Texas Mobility Fund General Obligation Bonds	State Highway Fund Revenue Bonds	Central Texas Turnpike System	Grand Parkway Transportation Corporation
	Principal and Interest on Existing Bonds	\$ 11,112,796	\$ 5,724,413	\$ 5,403,130
Term of Commitment Year Ending Aug. 31	2045	2034	2042	2053
Percentage of Revenue Pledged	100%	100%	99.50%	98.43%
Current Year Pledged Revenue	\$ 449,381	\$ 8,266,822 *	\$ 178,905	\$ 85,634
Current Year Principal and Interest Paid	\$ 321,493	\$ 314,571	\$ 108,796	\$ 89,132

\* Includes pledged revenue of other state agencies using the state highway fund.

### **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 6.8 percent effective Oct. 1, 2015 through Sept. 30, 2016 for BAB subsidy payments paid in federal fiscal year 2016. See the table below for details on the Commission’s Direct Payment BABs outstanding at Aug. 31, 2016.

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

### **Variable Rate Bonds**

The Commission and GPTC have six variable rate bond issues outstanding at Aug. 31, 2016. The interest rates in effect as of Aug. 31, 2016 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 0.65, 0.94, 0.80 and 0.91 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, 2016 for the GPTC Series 2014-B and 2014-C used to calculate the interest debt service were 0.66 and 0.98 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, 2016. The State Highway Fund Series 2006-B variable rate bonds were refunded on Oct. 26, 2016 by the Series 2016-B put bonds issuance. See Note 16 for additional details.

Demand Bonds (Amounts in Thousands)		
	Bonds Held by Liquidity Providers	Principal Balance Outstanding
Governmental Activities		
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.

Demand Bonds – Takeout Provisions (Amounts in Thousands)				
Governmental Activities	Estimated Debt Service	Rate	Basis	Replacement Debt Terms
General Obligation Bonds				
Texas Mobility Fund, Series 2006-B	\$ 170,085	8.50%	1% + greater of: 3% + Daily Fed Fds Rate, Bank Prime 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.
Revenue Bonds				
State Highway Fund, Series 2006-B	109,281	5.31%	2% + greater of : 0.5% + Daily Fed Fds Rate or Bank 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.
Total	\$ <u>279,366</u>			

### *Early Extinguishment of Debt*

On Sept. 30, 2015 and Oct.7, 2015, the Commission issued approximately \$1.2 billion par value general obligation refunding bonds for the early extinguishment of Texas Mobility Fund parity debt. The table below lists the par value of the extinguished debt.

Early Extinguishment of Debt (Amount in Thousands)	
Description	Par Value
Governmental Activities	
General Obligation Bonds	
Series 2006-A	\$ 328,565
Series 2007	555,410
Series 2008	364,260
Total	\$ <u>1,248,235</u>

## Refunding

The Commission had two bond refunding transactions during fiscal 2016. On Jan. 29, 2015, the Commission approved the Texas Mobility Fund Eleventh 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 2015-A and General Obligation Mobility Fund Refunding Bonds, Series 2015-B, with par amounts of \$911.4 million and \$254.1 million, respectively. The premium associated with the refunding portion of the Series 2015-A bonds was \$133.2 million and the refunding portion of the underwriter's discount amounted to \$3.6 million resulting in a net proceeds amount of \$1.0 billion. The premium associated with the refunding portion of the Series 2015-B bonds was \$40.8 million resulting in a net proceeds amount of \$294.9 million. The issuances closed on Sept. 30, 2015 and Oct. 7, 2015, respectively.

Refunding Issues (Amounts in Thousands)							
Description	Type of Refunding	Redemption Date	Par Value Refunded	Par Value of Refunding Issue		Cash Flow Increase/ (Decrease)	Economic Gain/(Loss)
GOVERNMENTAL ACTIVITIES							
General Obligation Bonds							
Texas Mobility Fund							
				Series 2015-A	Series 2015-B		
Series 2006-A	Advanced	9/30/2015	\$ 269,410	\$ 248,465	\$	\$ 36,504	\$ 22,602
Series 2006-A	Current	10/7/2015	59,155		53,000	12,710	7,217
Series 2007	Advanced	9/30/2015	333,540	319,180		51,398	30,734
Series 2007	Current	10/7/2015	221,870		201,105	47,355	24,778
Series 2008	Advanced	9/30/2015	364,260	343,715		40,646	30,106
Total GO Bonds			<u>1,248,235</u>	<u>911,360</u>	<u>254,105</u>	<u>188,613</u>	<u>115,437</u>
Governmental Activities Total			\$ <u>1,248,235</u>	\$ <u>911,360</u>	\$ <u>254,105</u>	\$ <u>188,613</u>	\$ <u>115,437</u>

## 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, 2016, the amounts of defeased bonds, at par, that remain outstanding are presented in the table below.

Defeased Bonds Outstanding (Amount in Thousands)	
Description	Par Value
<b>Governmental Activities</b>	
General Obligation Bonds	
Texas Mobility Fund Series 2006-A	\$ 748,240
Texas Mobility Fund Series 2007	602,470
Texas Mobility Fund Series 2008	456,400
Revenue Bonds	
State Highway Fund Series 2007	792,135
State Highway Fund Series 2008	45,500
Governmental Activities Total	<u>2,644,745</u>
<b>Business-Type Activities</b>	
Revenue Bonds	
Central Texas Turnpike Authority Capital Appreciation Bonds	<u>96,962 *</u>
Business-Type Activities Total	<u>96,962</u>
Total	\$ <u>2,741,707</u>
* Includes \$50,497 of accreted interest.	

**Conduit Debt Private Activity Bond Program**

Transportation Code, Chapter 431 provides the authority for transportation corporations to issue bonds. The Texas Private Activity Bond Surface Transportation Corporation (TxPABST), a Texas public non-profit corporation blended component unit, has issued private activity bonds to finance costs related to the construction of the LBJ Interstate Highway 635 managed lanes, located in Dallas County, certain segments of the North Tarrant Express Facility in Tarrant County and the SH 288 toll lanes project in Harris County.

The proceeds from TxPABST bonds were loaned to LBJ Infrastructure Group LLC, NTE Mobility Partners LLC, NTE Mobility Partners Segments 3 LLC and Blueridge Transportation Group, LLC to finance costs related to the planning, development, design and construction of these transportation projects. 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, 2016, TxPABST private activity revenue bonds outstanding aggregated \$1.6 billion. TxPABST's 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>				
	<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>Blueridge Transportation Group, LLC SH 288 Toll Lanes Project Series 2016</b>
<b>Bonds Issued</b>	\$ 400,000,000.00	\$ 615,000,000.00	\$ 274,030,000.00	\$ 272,635,000.00
<b>Date Issued</b>	12/17/2009	6/22/2010	9/19/2013	5/9/2016
<b>Range of Interest Rates</b>	6.875% - 7.500%	7.00% - 7.50%	6.75% - 7.00%	5.00%
<b>Maturities (First Year - Last Year)</b>	2031 - 2039	2032 - 2040	2038 - 2043	2036 - 2055
<b>First Call Date</b>	12/31/2019	6/30/2020	9/1/2023	12/31/2025

<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>	
2017	\$	\$	104,081	\$
2018			104,081	
2019			104,082	
2020			104,082	
2021			104,082	
2022-2026			520,405	
2027-2031	72,575		518,504	
2032-2036	519,170		415,676	
2037-2041	676,690		189,960	
2042-2046	129,355		55,432	
2047-2051	76,650		32,736	
2052-2056	87,225		11,263	
	<u>1,561,665</u>	<u>2,264,384</u>		<u>3,826,049</u>
Premium	32,819			32,819
Discount	(17,079)			(17,079)
<b>Total</b>	<u>\$ 1,577,405</u>	<u>\$ 2,264,384</u>	<u>\$</u>	<u>3,841,789</u>

---

**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 \$27.5 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> (Amounts in Thousands)		
<b>Fiscal Year</b>	<b>Total Operating Leases</b>	
2017	\$	7,079
2018		6,940
2019		6,760
2020		4,321
2021		4,330
2022-2026		10,845
2027-2031		451
Total	\$	<u>40,726</u>

**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 monthly standard annuity of the elected class equals the statutory percentage of 2.3 percent of the current state salary of a district judge multiplied by the number of years of service credit. Retirement benefits are automatically adjusted as state judicial salaries change.

The ERS plan’s membership as of the measurement date of Aug. 31, 2015 is presented in the table below:

<b>Texas Department of Transportation's Membership</b>	
Retirees and Beneficiaries Currently Receiving Benefits	13,762
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	5,174
Current Employees	
Vested and Non-Vested	11,886
<b>Total Members</b>	<b>30,822</b>

The contribution rates for the state and the members for the ERS plan for the measurement period of fiscal 2015 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%	
2016	ERS	10.00%	10.00%	10.00%	9.50%	9.50%	9.50%	

The amount of TxDOT's contributions recognized by the ERS plan for the fiscal year ended Aug. 31, 2016 was \$66.2 million, which is based on the fiscal year 2015 proportional share percentage of 9.63%. This amount is TxDOT's proportionate share of total State of Texas contributions.

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

<b>ERS Plan</b>	
Actuarial Valuation Date	August 31, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Open
Actuarial Assumptions:	
Discount Rate	6.86%
Investment Rate of Return	8.0%
Inflation	3.5%
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 3.5%-Elected

A single blended discount rate of 6.86 percent was applied to measure the total pension liability. The 6.86 percent discount rate incorporated an 8.0 percent long-term expected rate of return on pension plan investments and 3.79 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 2053 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 fund. The Legislature passed House Bill No. 9 in the 84<sup>th</sup> legislative session during fiscal 2015 to increase the member contribution rates for fiscal 2016 and 2017. The state contribution rates also increased as the result of this legislative session. 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 building-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%
Total	<u>100%</u>	

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:

Sensitivity of TxDOT's Proportionate Share of Net Pension Liability to Changes in the Discount Rate (Amounts in Thousands)		
1% Decrease (5.86%)	Current Discount Rate (6.86%)	1% Increase (7.86%)
\$ 1,705,924	\$ 1,277,559	\$ 918,446

Amounts in this schedule are based collective amounts for the state of Texas. TxDOT reports its proportionate share of the collective amounts.

The pension plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by the 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. 31 and 67. 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. Employees Retirement System issues 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' fiscal 2015 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, 2015. For fiscal 2016 reporting, the measurement date of TxDOT's net pension liability is Aug. 31, 2015. The schedule of changes in TxDOT's net pension liability for the fiscal year ending Aug. 31, 2016 as follows:

<b>Schedule of Changes in Net Pension Liability</b>			
(Amounts in Thousands)			
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
Balances at 09/01/15	\$ 3,812,816	\$ 2,417,344	\$ 1,395,472
Changes for the year:			
Service Cost	118,614		118,614
Interest	228,696		228,696
Benefit Changes	(8,462)		(8,462)
Differences between Expected and Actual Experience	(27,433)		(27,433)
Assumption Changes	(330,365)		(330,365)
Benefit Payments and Refunds	(197,428)	(197,428)	0
Change in Proportional Percentage	(2,322)		(2,322)
Contributions-Employer		48,208	(48,208)
Contributions-Member		44,524	(44,524)
Net Investment Income		5,486	(5,486)
Administrative Expense		(2,104)	2,104
Net Changes	<u>(218,700)</u>	<u>(101,314)</u>	<u>(117,386)</u>
Balances at 08/31/16	<u>\$ 3,594,116</u>	<u>\$ 2,316,030</u>	<u>\$ 1,278,086</u>

The change of discount rate from 6.07% to 6.86%, and the slight change in the assumption of the withdrawal rate of member contributions at termination are the assumption changes during the current measurement period. There have been no changes to benefit terms of the plan since the prior measurement date. TxDOT's proportion of the entire ERS was plan 9.63 percent in fiscal 2016 as compared to 9.65 percent in the prior measurement period.

For the fiscal year ending Aug. 31, 2016, TxDOT recognized pension expense of \$32 million. At Aug. 31, 2016, 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, 2016</b>		
(Amounts in Thousands)		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between Expected and Actual Experience Changes of assumptions		\$ 28,302
Changes in assumptions	\$ 44,504	\$ 227,767
Net Difference between Projected and Actual Investment Return	61,778	
Change in proportion and contribution		1,594
Contributions Subsequent to the Measurement Date	66,163	
Total	<u>\$ 172,445</u>	<u>\$ 257,663</u>

The \$66.2 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, 2017.

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>	
(Amounts in Thousands)	
2017	(\$75,371)
2018	(\$96,440)
2019	(\$16,232)
2020	\$36,662

**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.

Contribution Rates Retiree Health and Basic Life Premium For the Fiscal Year Ended August 31, 2016		
Level of Coverage	ERS SRHP	
	Employer	Plan Member
Retiree Only	\$ 576.54	\$
Retiree/Spouse	\$ 906.78	\$ 330.24
Retiree/Children	\$ 797.66	\$ 221.12
Retiree/Family	\$ 1,127.90	\$ 551.36

**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, 2016 (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	\$ 131,862
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	\$ 301,098

There is a transfer in and transfer out in the amount of \$44.8 million between the capital projects fund and the debt service fund within Texas Mobility Fund.

<b>Interfund Transfers In/Out</b>		
August 31, 2016 (Amounts in Thousands)		
	<u>Transfers In Other Funds</u>	<u>Transfers Out Other Funds</u>
Governmental Funds		
Major Funds:		
State Highway Fund	\$ 131,956	\$ 301,295
Local Government Political Sub Account		131,862
Texas Mobility Fund	44,792	44,792
Nonmajor Funds	<u>301,098</u>	<u>94</u>
	<u>477,846</u>	<u>478,043</u>
Proprietary Funds		
Central Texas Turnpike System	<u>197</u>	
	<u>197</u>	<u>0</u>
Total	<u>\$ 478,043</u>	<u>\$ 478,043</u>

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

Amounts not transferred at fiscal year-end are accrued as due to/due from other funds. The Texas Mobility Fund Debt service Fund reported \$97.0 million due from the Texas Mobility Fund Capital Projects Fund to reimburse capital project costs. A corresponding amount was reported as due to in the Capital Projects Fund. 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, 2016		
(Amounts in Thousands)		
	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds		
Major Funds:		
State Highway Fund	\$ 10,757	\$ 58,051
Texas Mobility Fund	97,000	97,000
Local Government Political Sub Account	36,125	
Nonmajor Funds		40,337
	<u>143,882</u>	<u>195,388</u>
Proprietary Funds		
Central Texas Turnpike System	58,051	
Grand Parkway Transportation Corp.		6,545
	<u>58,051</u>	<u>6,545</u>
Total	<u>\$ 201,933</u>	<u>\$ 201,933</u>

Activity occurring within the same fund is eliminated. Certain reclassifications and eliminations are made between the fund financial statements and the government-wide financial statements. Transfers between the governmental or business-type activities and the fiduciary funds are reported as transfers on the fund financial statements and are reclassified to revenues and expenses, as if they were external transactions on the government-wide financial statements. Additional eliminations are made and transfers in and out are netted and presented in the government-wide statement of activities as “transfers-internal activities.”

Transfers-Internal Activities per the Government-Wide Financial Statements	
August 31, 2016 (Amounts in Thousands)	
Fund Category	Other Funds
Governmental Activities	\$ (2,067)
Business-Type Activities	\$ 2,067

Internal Balances per the Government-Wide Financial Statements			
August 31, 2016 (Amounts in Thousands)			
	Governmental Activities	Business-Type Activities	Total
Current Liabilities:			
Internal Balances - Payables	\$ 51,506	\$ (51,506)	\$ 0

### ***Interfund Transactions***

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

The following tables detail the balances of transfers to/from and due to/from other state agencies and TxDOT. Approximately \$1.5 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 transfer-in, received in fiscal 2016, resulted in an increase to the TxDOT highway fund cash in state treasury balance.

On Nov. 4, 2014, Texas voters approved the ballot measure that authorized a constitutional amendment for transportation funding. Under the amendment, half of the funds that would have previously gone into the Economic Stabilization Fund (ESF), are now deposited to the state highway fund. TxDOT recorded a due from in the state highway fund related to Proposition 1 ballot measure in the amount of \$439.5 million in fiscal 2016. The Comptroller of Public Accounts transferred this amount to TxDOT on Nov. 28, 2016.

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, 2016 (Amounts in Thousands)		
	<u>Transfers In</u> <u>Other Agencies</u>	<u>Transfers Out</u> <u>Other Agencies</u>
Governmental Funds		
Major Funds:		
State Highway Fund	\$ 1,525,783	\$ 149,249
Nonmajor Funds	<u>2,707</u>	
Total	<u>\$ 1,528,490</u>	<u>\$ 149,249</u>

<b>Due From/To Other State Agencies</b>		
August 31, 2016 (Amounts in Thousands)		
	<u>Due From</u> <u>Other Agencies</u>	<u>Due To</u> <u>Other Agencies</u>
Governmental Funds		
Major Funds:		
State Highway Fund	\$ 664,679	\$ 9,601
Non Major Funds	<u>126</u>	
Total	<u>\$ 664,805</u>	<u>\$ 9,601</u>

<b>Pass-Throughs To/From Other State Agencies</b>	
August 31, 2016 (Amounts in Thousands)	
	<u>State Highway Fund</u>
Federal Pass-throughs:	
Expenditures	\$ (10,345)
Revenue	<u>404</u>
Total	<u>\$ (9,941)</u>

**NOTE 12 – CONTINUANCE SUBJECT TO REVIEW**

TxDOT is currently subject to a continuance review. Under the Texas Sunset Act, TxDOT will be abolished effective Sept. 1, 2017, unless continued in existence by the 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, 2016, 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 – Disaggregation of Nonspendable, Restricted, Committed, Assigned and Unassigned Fund Balances</b>				
August 31, 2016 (Amounts in Thousands)				
<b>MAJOR FUNDS</b>	<b>State Highway Fund</b>	<b>Texas Mobility Fund</b>	<b>Prop.12 Highway Improv.</b>	<b>Total Major Funds</b>
Nonspendable:				
Inventory	\$ 161,972	\$	\$	\$ 161,972
Restricted For:				
Capital Projects	2,622,157	503,804	365,662	3,491,623
Debt Service		577,475		577,475
Committed To:				
Transportation Infrastructure	1,140,219			1,140,219
Assigned To:				
Transportation	572,494			572,494
<b>Total</b>	<b>\$ 4,496,842</b>	<b>\$ 1,081,279</b>	<b>\$ 365,662</b>	<b>\$ 5,943,783</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	\$ 66	\$	\$	\$ 66
Restricted For:				
Debt Service			137,004	137,004
Committed To:				
Transportation Infrastructure		71,400		71,400
Assigned To:				
Transportation	6,386			6,386
<b>Total</b>	<b>\$ 6,452</b>	<b>\$ 71,400</b>	<b>\$ 137,004</b>	<b>\$ 214,856</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 2016, there were no adjustments made to restate fund balances or net position.

<b>Restatements to Fund Balances/ Net Position</b>			
<b>(Amounts in Thousands)</b>			
	<b>September 1, 2015, As Previously Reported</b>	<b>Restatements</b>	<b>September 1, 2015 As Restated</b>
<b>Major Funds:</b>			
State Highway Fund	\$ 4,018,589	\$	\$ 4,018,589
Texas Mobility Fund	1,190,588		1,190,588
Proposition 12 Project Fund	315,794		315,794
Total Major Funds	<u>5,524,971</u>		<u>5,524,971</u>
<b>Nonmajor Funds:</b>			
General Fund Accounts	20,453		20,453
Special Revenue Funds	153,798		153,798
Debt Service Funds	126,691		126,691
Total Nonmajor Funds	<u>300,942</u>		<u>300,942</u>
<b>Governmental Activities Adjustments</b>			
Capital Assets	87,494,574		87,494,574
Long-Term Liabilities	(24,018,917)		(24,018,917)
Other Adjustments	1,270,288		1,270,288
Total Governmental Activities Adjustments	<u>64,745,945</u>		<u>64,745,945</u>
Total Governmental Activities	<u>70,571,858</u>		<u>70,571,858</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Central Texas Turnpike System	391,667		391,667
Grand Parkway Transportation Corp.	16,610		16,610
Total Business-Type Activities	<u>408,277</u>		<u>408,277</u>
Total Primary Government	<u>\$ 70,980,135</u>	<u>\$ 0</u>	<u>\$ 70,980,135</u>

**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, 2016 outstanding contractor claims pending at the TxDOT claims committee totaled \$9.8 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, 2016. 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 685 cases. Total claims with amounts indicated range from \$0 to \$11.9 million with a total of \$368.9 million.
Contract	Amounts claimed range from \$8 thousand to \$970 thousand. Total claims with amounts indicated is \$1.6 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 \$10 thousand to \$1.0 million. Total claims including estimates of liability limits where no amounts were specified, came to approximately \$25.6 million.

**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, 2016, 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, 2016 (Amounts in Thousands)		
	Total Remaining Commitment	FHWA Reimbursements
Construction Contracts	\$ 9,784,038	\$ 4,471,777
Design-Build Projects	2,026,487	1,522,119
SCA Projects	84,810	57,438
GPTC Project	3,018	
Totals	\$ 11,898,353	\$ 6,051,334

---

### *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, 2016 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, 2016, was approximately \$1.3 billion. Approximately \$537.3 million was repaid as of Aug. 31, 2016. 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, 2016, the Commission has outstanding toll equity grant commitments and toll equity loan commitments totaling \$251.0 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, 2016, 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 or drawn on the following TIFIA loans since Aug. 31, 2016.

Entity	Series	Actual Par Amount (Amount in Millions)	Actual Date of Issuance/Draw	Purpose
State Highway Fund Revenue Bonds	2016-A	\$ 601.2	10/26/2016	To finance highway improvement projects.
State Highway Fund Revenue Refunding Put Bonds	2016-B	\$ 89.4	10/26/2016	To refund outstanding bonds to finance highway improvement projects.
Texas Highway Improvement General Obligation Bonds	2016-A	\$ 588.8	11/2/2016	To finance highway improvement projects and pay costs of issuance.
Grand Parkway Transportation Coporation Revenue Bonds	2016	\$ 84.1	12/7/2016	To refund debt and pay costs of issuance.
Grand Parkway Transportation Coporation (TIFIA Loan)		\$ 840.6	12/13/2016	To refund debt and pay costs of issuance.
Interstate Highway 35E Project (TIFIA Loan)		\$ 285.0	12/1/2016	To pay a portion of the eligible project costs.

The United States Department of Transportation (USDOT) approved a secured loan made to GPTC under the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) in December 2013 in a principal amount not to exceed \$840.6 million. GPTC drew down the TIFIA loan on Dec. 13, 2016 to refund \$733.5 million of the bond anticipation note and the \$107.2 million taxable portion of the privately placed debt with Bank of America Merrill Lynch & Co.

GPTC also issued a refunding bond on Dec. 7, 2016 to pay the \$83.6 million maturing principal amount of tax-exempt variable-rate debt with Bank of America Bank Merrill Lynch & Co. that was due on Dec. 15, 2016.

The USDOT approved a principal amount not to exceed \$285 million from TIFIA credit program for the Interstate Highway 35E managed lanes project in Dallas and Denton counties. The improvements are being developed in cooperation with local and regional stakeholders to relieve traffic congestion along the IH 35E corridor. The loan was drawn on Dec. 1, 2016 and will be used to pay a portion of the eligible project costs.

On Dec. 13, 2016, the standby bond purchase agreement with State Street Bank and Trust Company and California Public Employees' Retirement System for the TMF Series 2006-B bond expired. TxDOT entered into a new agreement with the Texas Comptroller of Public Accounts (Comptroller) to provide a replacement of the liquidity agreement on Dec. 7, 2016.

---

**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. The activity related to claims and judgements for the year is recorded in the below table.

<b>Claims and Judgments</b>				
August 31, 2016 (Amounts in Thousands)				
	<b>Beginning Balance</b>			<b>Ending Balance</b>
	<b>9/1/2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>8/31/2016</b>
2016	\$0	7,668	(7,668)	\$0

***Health, Life and Dental***

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

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

***Commitments***

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

---

**NOTE 18 - 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.

This year, the Grand Parkway Association, created by the Texas Transportation Commission in 1984, determined that the purposes for which the Association was formed had been substantially fulfilled. In August 2016, the Grand Parkway Association submitted its final audit, articles of dissolution and the dissolution resolution. The Commission approved the dissolution of the Grand Parkway Association during its Aug. 25, 2016 meeting and authorized TxDOT to accept any remaining funds or assets of the Association.

As of Aug. 31, 2016, two transportation corporations are authorized by the Commission. In both instances TxDOT contains the voting majority, is able to impose its will upon the transportation corporations, and the services of both transportation corporations benefit TxDOT. Furthermore, the two transportation corporations are classified as blended component units.

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 6 for additional details about the TxPABST private activity bond issuances as of Aug. 31, 2016. TxPABST does not publish financial statements. Further information can be obtained by writing:

Texas Private Activity Bond Surface Transportation Corporation  
125 East 11th Street  
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. See Note 6 for additional details about the GPTC bond issuances as of Aug. 31, 2016. GPTC has a fiscal year end of Aug. 31, 2016, 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  
Financial Management Division  
125 East 11th Street  
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, 2016, TxDOT has entered into eight agreements that are classified as 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 the department's 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.

Service Concession Arrangements				
As of August 31, 2016				
Arrangement Name	Construction Status	Term of	Concession Begin	Concession End
		Concession		
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	Complete	52 years	2009	2061
Grand Parkway Seg D, E, F1, F2, G	Complete	40 years	2013	2053 *
SH 288	Under Construction	52 years	2016	2068

\* 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 acquisition 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.

Service Concession Arrangements - Amounts Recognized in Financial Statements - Governmental Activities			
August 31, 2016 (Amounts in Thousands)			
Arrangement Name	Cash in State	Capital Assets	Deferred
	Treasury*		Inflows of
			Resources**
IH 10 "Katy Managed Lanes"	\$	\$	\$ 211,956
SH 130 Segments 5 and 6	112,365	1,438,395	1,406,830
SH 121 Concession	698,059	1,336,604	3,256,420
North Tarrant Exp Seg 1 and 2-West		2,393,315	1,647,531
North Tarrant Exp Seg 3A and 3B		309,656	
LBJ/IH-635 Managed Lanes		2,659,571	2,029,072
Grand Parkway Seg D, E, F1, F2, G		2,397,288	2,308,677
SH 288	25,479	4,741	25,479
Total	<u>\$ 835,903</u>	<u>\$ 10,539,570</u>	<u>\$ 10,885,965</u>

\* 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 \$2.3 billion for its costs of design, construction and right-of-way acquisition through Aug. 31, 2016. This amount is reported in the business-type activities.

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

As of Aug. 31, 2016, 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, 2016 (Amounts in Thousands)		
<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>Governmental Activities</b>		
Loss on Bond Refunding	\$ 190,464	\$
Pensions (Note 8)	172,445	257,663
Service Concession Arrangements (Note 20)		10,885,965
Total Governmental Activities	362,909	11,143,628
<b>Business-Type Activities</b>		
Loss on Bond Refunding	32,021	
Gain on Bond Refunding		996
Total Business-Type Activities	32,021	996
Total	\$ 394,930	\$ 11,144,624

Deferred outflows of resources in the amounts of \$190.5 million in governmental activities and \$32.0 million in business-type activities relate to losses on bond refunding transactions. The deferred inflow of \$1.0 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 \$10.9 billion reported in governmental activities relate to eight different service concession arrangements, to which TxDOT was a party, as of Aug. 31, 2016. The amount recorded in the financial statements represents the balance of unamortized upfront payments and capital improvements TxDOT received under the agreements.

TxDOT reported \$172.4 million in deferred outflows of resources and \$257.7 million in deferred inflows of resources in governmental activities for pension-related adjustments. 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 \$541.6 million 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, 2016, 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, 2016 (Amounts in Thousands)		
<b>Description</b>	<b>Deferred Inflows of Resources</b>	
<b>State Highway Fund</b>		
Oil and Natural Gas Production Tax	\$	439,512
Local Revenue		63,955
Federal Revenue		38,075
Motor Fuel Tax		96
Total	\$	541,638

---

***NOTE 22 – MERGER OF GOVERNMENT OPERATIONS***

The Grand Parkway Association transportation corporation was determined to have substantially fulfilled its purpose and on Aug. 25, 2016, the Texas Transportation Commission and the Grand Parkway Board approved the merger of the transportation corporation with TxDOT.

On the effective transfer date of Sept. 1, 2015, total current assets of \$231,185 and total current liabilities of \$125,272 were considered transferred from the Grand Parkway Association to the State Highway Fund.

---

Section Two (continued)

Required Supplementary Information

Other Than MD&A

(Unaudited)

**Texas Department of Transportation**  
**Budgetary Comparison Schedule - State Highway Fund**  
For the Fiscal Year Ended August 31, 2016 (Amount in Thousands)

	<u>Budgetary Amounts</u>		<b>Actual Amounts Budgetary Basis</b>	<b>Final to Actual Variance</b>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 3,802,772	\$ 3,737,388	\$ 3,759,852	\$ 22,464
Federal	3,936,469	5,227,988	3,904,480	(1,323,508)
Licenses, Fees and Permits	114,034	101,232	37,670	(63,562)
Interest and Investment Income	872	21,946	40,560	18,614
Land Income			12,104	12,104
Settlement of Claims			47,519	47,519
Sales of Goods and Services	191,034	191,034	39,595	(151,439)
Other	205,131	202,021	17,192	(184,829)
Total revenues	<u>8,250,312</u>	<u>9,481,609</u>	<u>7,858,972</u>	<u>(1,622,637)</u>
<b>EXPENDITURES</b>				
Transportation:	<u>9,778,206</u>	<u>10,934,597</u>	<u>8,654,510</u>	<u>2,280,002</u>
Total Expenditures	<u>9,778,206</u>	<u>10,934,597</u>	<u>8,654,510</u>	<u>2,280,002</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,527,894)</u>	<u>(1,452,988)</u>	<u>(795,538)</u>	<u>657,365</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In			1,657,739	1,657,739
Transfers Out			(450,544)	(450,544)
Sale of Capital Assets			66,334	66,334
Bonds Issued for Refunding				
Premiums on Bonds Issued				
Payment to Escrow for Refunding				
Upfront Payment - Serv. Conc. Agmt.			25,479	25,479
Available Beginning Balances	<u>3,992,823</u>	<u>3,992,823</u>	<u>3,992,823</u>	
Total Other Financing Sources (Uses)	<u>3,992,823</u>	<u>3,992,823</u>	<u>5,291,831</u>	<u>1,299,008</u>
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ 2,464,929</u>	<u>\$ 2,539,835</u>	<u>\$ 4,496,293</u>	<u>\$ 1,956,373</u>

## 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, 2016 (Amounts in Thousands)	
	<b>State Highway Fund</b>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses- Actual Budgetary Basis	\$ 4,496,293
Basis of Accounting Differences:	
Receivables and Unearned Revenues	(4,249)
Payables	101,072
Perspective Differences:	
Beginning Cash Balances Reported as Other Financing Sources	(3,992,823)
Other Revenues Not Budgeted	
Other Expenditures Not Budgeted	(122,040)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses - GAAP Basis	\$ 478,253

---

## *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.

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 TxDOT's Net Pension Liability and Related Ratios</b>			
<b>Last Two Fiscal Years (Amounts in Thousands)</b>			
Fiscal year ending August 31,	2016		2015
<b>Total Pension Liability</b>			
Service Cost	\$	118,614	\$ 109,957
Interest on the Total Pension Liability		228,696	224,284
Benefit Changes		(8,462)	
Difference between Expected and Actual Experience		(27,433)	(24,411)
Assumption Changes		(330,365)	115,710
Benefit Payments and Refunds		(197,428)	(189,477)
Change in Proportion Percentage*		(2,322)	
<b>Net Change in Total Pension Liability</b>		<b>(218,700)</b>	<b>236,063</b>
<b>Total Pension Liability - Beginning</b>		<b>3,812,816</b>	<b>3,576,753</b>
<b>Total Pension Liability - Ending</b>	<b>\$</b>	<b>3,594,116</b>	<b>\$ 3,812,816</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$	48,208	\$ 46,536
Contributions - Member		44,524	41,553
Net Investment Income		5,486	313,859
Benefit Payments and Refunds		(197,428)	(189,477)
Administrative Expense		(2,104)	(1,949)
<b>Net Change in Plan Fiduciary Net Position</b>		<b>(101,314)</b>	<b>210,522</b>
<b>Plan Fiduciary Net Position - Beginning</b>		<b>2,417,344</b>	<b>2,206,822</b>
<b>Plan Fiduciary Net Position - Ending</b>	<b>\$</b>	<b>2,316,030</b>	<b>\$ 2,417,344</b>
<b>Net Pension Liability - Beginning</b>		<b>1,395,472</b>	<b>1,369,931</b>
<b>Net Pension Liability - Ending</b>	<b>\$</b>	<b>1,278,086</b>	<b>\$ 1,395,472</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>		<b>64.40%</b>	<b>63.40%</b>
<b>Covered Employee Payroll</b>	<b>\$</b>	<b>593,496</b>	<b>\$ 574,704</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>		<b>215.71%</b>	<b>242.82%</b>
<b>Notes to Schedule:</b>			
*TxDOT's proportional percentage decreased from FY14 (prior measurement period) to FY15 (current measurement-period).			
1. The change in the total pension liability due to the change in the single discount rate is included.			
2. The covered employee payroll is the actual payroll for fiscal 2015-the measurement period.			
3. The impact of House Bill 9 passed by the 84th Legislature is included as a benefit change.			
4. This schedule is intended to present 10 years of information. Currently, only two years of information is available. Information for future years will be added when it becomes available.			

## Schedule of Contributions

<b>Schedule of Employer Contributions</b>						
<b>(Amounts in Thousands)</b>						
<b>Fiscal Year</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Contribution</b>	<b>Contribution Deficiency/ (Excess)</b>	<b>Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>	
2014	\$70,242	\$ 46,536	\$ 23,706	\$ 574,704	8.10%	
2015	71,131	48,288	22,843	593,496	8.14%	
2016	65,492	66,163	(671)	649,536	10.20%	

### Notes to Schedule of Employer Contributions

#### Notes to Schedule of Employer Contributions

**Valuation Date** Actuarially determined contribution rates are calculated based on the actuarial valuation as of Aug. 31, 2015.

#### 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	3.5%
Salary Increases	0% to 11.5%
Investment Rate of Return	8.0%
Retirement Age	Experience-based table of rates that are specific to the class of employee. Last updated for the 2013 valuation pursuant to 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:

1. Actuarially determined contributions are adjusted for actual payroll and administrative expenses.
2. Members and employers contribute based on statutorily fixed rates.
3. Beginning in fiscal 2016, the Actuarially Determined Contribution will include the impact of House Bill 9 passed by the 84th Legislature.
4. This schedule is intended to present 10 years of information. Currently only three years of information is available. Information for future years will be added when it becomes available.

---

Section Two (continued)

**Other Supplementary Information**

---

*This page is intentionally blank*

---

## **State Highway Funds**

### **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.

<b>Appropriated Fund</b>	<b>GAAP Fund</b>	<b>USAS D23 Funds</b>
0006	0006	0006 - State Highway Fund 0019 - Prop 14 Bonds-Series 2010 0020 - Tax Exempt Bonds 0121 - SH121 Concession-Project Fund 0122 - SH121 Concession-Revolving Fund 0130 - SH130 Concession 0161 - SH161 Funds 0162 - SH162 Funds 0288 - SH 288 Concession-Project Fund 0406 - Abandoned Rail Account 0513 - CTTS Operating Account 0514 - CTTS Maintenance Account 0515 - CTTS Reserve Maintenance Account 0635 - LBJ Project Concession Refund 0820 - North Tarrant Express Mobility Refinance Gain 1006 - Proposition 1 Account 1016 - Texas State Cemetery Committee 8006 - Depository Interest Default Fund 9000 - Deposit Default Fund 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.

<b>Appropriated Fund</b>	<b>GAAP Fund</b>	<b>USAS D23 Funds</b>
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.

<b>Appropriated Fund</b>	<b>GAAP Fund</b>	<b>USAS D23 Funds</b>
0369	0006	0369 - Federal American Recovery & Reinvestment Fund

**Texas Department of Transportation**  
**Combining Balance Sheet - State Highway Fund**  
August 31, 2016 (Amounts in Thousands)

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

	State Highway Fund Accounts	State Infrastructure Bank	Federal American Recovery & Reinvestment Fund	TOTAL
<b>ASSETS</b>				
Cash and Cash Equivalents:				
Cash on Hand	\$ 512	\$	\$	\$ 512
Cash in Bank	380			380
Cash in State Treasury	3,804,837	354,472		4,159,309
Receivables:				
Taxes	228,730			228,730
Federal	554,769			554,769
Other Intergovernmental	84,862			84,862
Interest and Dividends	3,679	2,327		6,006
Accounts Receivable	37,115			37,115
Due from Other Funds	10,757			10,757
Due from Other Agencies	664,679			664,679
Consumable Inventories	161,972			161,972
Loans and Contracts	198,117	124,643		322,760
Total Assets	<u>\$ 5,750,409</u>	<u>\$ 481,442</u>	<u>\$ 0</u>	<u>\$ 6,231,851</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>				
Liabilities:				
Payables:				
Accounts	894,551			894,551
Payroll	72,136			72,136
Contract Retainage	2,245			2,245
Due to Other Funds	58,051			58,051
Due to Other Agencies	9,601			9,601
Unearned Revenues	156,787			156,787
Total Liabilities	<u>1,193,371</u>	<u>0</u>	<u>0</u>	<u>1,193,371</u>
Deferred Inflows of Resources:				
Unavailable Revenue	541,638			541,638
Total Deferred Inflows of Resources	<u>541,638</u>	<u>0</u>	<u>0</u>	<u>541,638</u>
Fund Balances (Deficits):				
Nonspendable				
Inventory	161,972			161,972
Restricted	2,140,715	481,442		2,622,157
Committed	1,140,219			1,140,219
Assigned	572,494			572,494
Total Fund Balances	<u>4,015,400</u>	<u>481,442</u>	<u>0</u>	<u>4,496,842</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,750,409</u>	<u>\$ 481,442</u>	<u>\$ 0</u>	<u>\$ 6,231,851</u>

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

**Texas Department of Transportation**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - State Highway Fund**  
For the Fiscal Year Ended August 31, 2016 (Amounts in Thousands)

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

	State Highway Fund Accounts	State Infrastructure Bank	Federal American Recovery & Reinvestment Fund	TOTAL
<b>REVENUES</b>				
Taxes	\$ 3,760,033		\$	\$ 3,760,033
Federal Revenues	3,934,662		2,425	3,937,087
Federal Pass-Through Revenues	404			404
Licenses, Fees and Permits	37,670			37,670
Interest & Investment Income	32,799	7,883		40,682
Land Income	12,104			12,104
Settlement of Claims	47,519			47,519
Sales of Goods and Services	2,031			2,031
Other Revenues	17,191			17,191
Total Revenues	<u>7,844,413</u>	<u>7,883</u>	<u>2,425</u>	<u>7,854,721</u>
<b>EXPENDITURES</b>				
Transportation	3,409,288			3,409,288
Capital Outlay	5,141,724		2,425	5,144,149
Debt Service				
Principal on Pass-Through Tolls	120,651			120,651
Other Financing Fees	1,388			1,388
Total Expenditures	<u>8,673,051</u>	<u>0</u>	<u>2,425</u>	<u>8,675,476</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(828,638)</u>	<u>7,883</u>	<u>0</u>	<u>(820,755)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,657,739			1,657,739
Transfers Out	(450,544)			(450,544)
Sale of Capital Assets	66,334			66,334
Upfront Payment - Service Concession Arrangement	25,479			25,479
Total Other Financing Sources (Uses)	<u>1,299,008</u>	<u>0</u>	<u>0</u>	<u>1,299,008</u>
Net Change in Fund Balances	<u>470,370</u>	<u>7,883</u>	<u>0</u>	<u>478,253</u>
Fund Balances, September 1, 2015	<u>3,545,030</u>	<u>473,559</u>		<u>4,018,589</u>
Fund Balances, August 31, 2016	<u>\$ 4,015,400</u>	<u>\$ 481,442</u>	<u>\$ 0</u>	<u>\$ 4,496,842</u>

---

*This page is intentionally blank*

---

## Texas Mobility Funds

### 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 Fund</u>	<u>GAAP Fund</u>	<u>USAS D23 Funds</u>
0365	0365	0365 - TMF-General Account 0366 - TMF-Portfolio Account 0367 - TMF-Interest & Sinking Account 0373 - TMF-Rebate Account 0376 - TMF-Reserve Account 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 Fund</u>	<u>GAAP Fund</u>	<u>USAS D23 Funds</u>
0365	0365	0375 - TMF-2008 Bond Issue Account-Capital Project 0377 - TMF-Bond Issue Account-Capital Project

**Texas Department of Transportation**  
**Combining Balance Sheet - Texas Mobility Fund**  
August 31, 2016 (Amounts in Thousands)

	Texas Mobility Fund - Major Debt Service & Capital Projects		
	Debt Service Fund	Capital Projects Fund	Total
<b>ASSETS</b>			
Cash and Cash Equivalents:			
Cash in State Treasury	\$ 471,443	\$ 637,509	\$ 1,108,952
Receivables:			
Federal	9,063		9,063
Due from Other Funds	97,000		97,000
<b>Total Assets</b>	<b>\$ 577,506</b>	<b>\$ 637,509</b>	<b>\$ 1,215,015</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Payables:			
Accounts	31	36,705	36,736
Due to Other Funds		97,000	97,000
<b>Total Liabilities</b>	<b>31</b>	<b>133,705</b>	<b>133,736</b>
Fund Balances (Deficits):			
Restricted	577,475	503,804	1,081,279
<b>Total Fund Balances</b>	<b>577,475</b>	<b>503,804</b>	<b>1,081,279</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 577,506</b>	<b>\$ 637,509</b>	<b>\$ 1,215,015</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, 2016 (Amounts in Thousands)

	<b>Texas Mobility Fund - Major Debt Service &amp; Capital Projects Fund</b>		
	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
<b>REVENUES</b>			
Federal Revenues	\$ 21,722	\$	\$ 21,722
Licenses, Fees and Permits	424,306		424,306
Interest and Investment Income	3,174	4,464	7,638
Settlement of Claims	179		179
Total Revenues	<u>449,381</u>	<u>4,464</u>	<u>453,845</u>
<b>EXPENDITURES</b>			
Transportation		9,534	9,534
Capital Outlay		207,830	207,830
Debt Service			
Principal on State Bonds	48,730		48,730
Interest on State Bonds	296,447		296,447
Other Financing Fees	4,117	785	4,902
Total Expenditures	<u>349,294</u>	<u>218,149</u>	<u>567,443</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>100,087</u>	<u>(213,685)</u>	<u>(113,598)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In		44,792	44,792
Transfers Out	(44,792)		(44,792)
Bonds Issued for Refunding	1,165,465		1,165,465
Premiums on Bonds Issued	173,977		173,977
Payment to Escrow Refunding	(1,335,153)		(1,335,153)
Total Other Financing Sources (Uses)	<u>(40,503)</u>	<u>44,792</u>	<u>4,289</u>
Net Change in Fund Balances	<u>59,584</u>	<u>(168,893)</u>	<u>(109,309)</u>
Fund Balances, September 1, 2015	<u>517,891</u>	<u>672,697</u>	<u>1,190,588</u>
Fund Balances, August 31, 2016	<u>\$ 577,475</u>	<u>\$ 503,804</u>	<u>\$ 1,081,279</u>

---

*This page is intentionally blank*

---

**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 funds.

<b>Appropriated Fund</b>	<b>GAAP Fund</b>	<b>USAS D23 Funds</b>
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 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.

<b>Appropriated Fund</b>	<b>GAAP Fund</b>	<b>USAS D23 Funds</b>
9999	3029	0999 - Texas Transportation Corps
0184	0184	0184 - Transportation Infrastructure Fund

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

August 31, 2016 (Amounts in Thousands)

	General Fund	Special Revenue Fund	Debt Service Fund*	Total Nonmajor Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash and Cash Equivalents:				
Cash on Hand	\$ 55	\$	\$	\$ 55
Cash in State Treasury	40,361	81,816	126,508	248,685
Legislative Appropriations	16,293			16,293
Receivables:				
Federal	4,871		10,496	15,367
Due from Other Agencies	126			126
Loans and Contracts	87			87
Total Assets	<u>61,793</u>	<u>81,816</u>	<u>137,004</u>	<u>280,613</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Payables:				
Accounts	14,893	10,416		25,309
Payroll	111			111
Due to Other Funds	40,337			40,337
Total Liabilities	<u>55,341</u>	<u>10,416</u>	<u>0</u>	<u>65,757</u>
Fund Balances (Deficits):				
Nonspendable				
LT Loans, Contracts and Receivables	66			66
Restricted			137,004	137,004
Committed		71,400		71,400
Assigned	6,386			6,386
Total Fund Balances	<u>6,452</u>	<u>71,400</u>	<u>137,004</u>	<u>214,856</u>
Total Liabilities and Fund Balances	<u>\$ 61,793</u>	<u>\$ 81,816</u>	<u>\$ 137,004</u>	<u>\$ 280,613</u>

**Texas Department of Transportation**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Nonmajor Governmental Funds**  
For the Fiscal Year Ended, August 31, 2016 (Amounts in Thousands)

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund*</u>	<u>Total Nonmajor Funds</u>
<b>REVENUES</b>				
Legislative Appropriations:				
Original Appropriations	\$ 218,816	\$	\$	\$ 218,816
Additional Appropriations	314			314
Federal Revenues	11,685		23,092	34,777
Interest and Investment Income		863	694	1,557
Sales of Goods and Services	<u>1,169</u>			<u>1,169</u>
Total Revenues	<u>231,984</u>	<u>863</u>	<u>23,786</u>	<u>256,633</u>
<b>EXPENDITURES</b>				
Transportation	21,940	83,167		105,107
Capital Outlay	2,589			2,589
Debt Service				
Principal on State Bonds	84,445		138,510	222,955
Interest on State Bonds	140,637		176,061	316,698
Other Financing Fees	<u>514</u>			<u>514</u>
Total Expenditures	<u>250,125</u>	<u>83,167</u>	<u>314,571</u>	<u>647,863</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(18,141)</u>	<u>(82,304)</u>	<u>(290,785)</u>	<u>(391,230)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	2,707		301,098	303,805
Transfers Out		(94)		(94)
Sale of Capital Assets	1,480			1,480
Appropriations Lapsed	<u>(47)</u>			<u>(47)</u>
Total Other Financing Sources (Uses)	<u>4,140</u>	<u>(94)</u>	<u>301,098</u>	<u>305,144</u>
Net Change in Fund Balances	<u>(14,001)</u>	<u>(82,398)</u>	<u>10,313</u>	<u>(86,086)</u>
Fund Balances, September 1, 2015	<u>20,453</u>	<u>153,798</u>	<u>126,691</u>	<u>300,942</u>
Fund Balances, August 31, 2016	<u>\$ 6,452</u>	<u>\$ 71,400</u>	<u>\$ 137,004</u>	<u>\$ 214,856</u>

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

---

*This page is intentionally blank*

---

**Non Major General 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 funds.

<u>Appropriated Fund</u>	<u>GAAP Fund</u>	<u>USAS D23 Funds</u>
0001	0001	0001 - General Revenue Fund 5000 - General Revenue Fund
0999		0998 - Mis-Utility Fund (Non-Cash)

**Traffic Safety-Crash Records Information Systems**

<u>Appropriated Fund</u>	<u>GAAP Fund</u>	<u>USAS D23 Funds</u>
0036	0036	0036 - Traffic Safety Crash Records

**Colonias Projects Fund**

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

**Suspense Fund**

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

**Texas Department of Transportation**  
**Combining Balance Sheet - Non Major General Funds**  
August 31, 2016 (Amounts in Thousands)

	General Revenue Fund	Traffic Safety Crash Records	Colonias Projects Fund	Suspense Fund	Total
<b>ASSETS</b>					
Cash and Cash Equivalents:					
Cash on Hand	\$ 55	\$	\$	\$	55
Cash in State Treasury				40,361	40,361
Legislative Appropriations	16,293				16,293
Receivables:					
Federal	4,871				4,871
Due from Other Agencies			126		126
Loans and Contracts	87				87
<b>Total Assets</b>	<u>21,306</u>	<u>0</u>	<u>126</u>	<u>40,361</u>	<u>61,793</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Payables:					
Accounts	14,743		126	24	14,893
Payroll	111				111
Due to Other Funds				40,337	40,337
<b>Total Liabilities</b>	<u>14,854</u>	<u>0</u>	<u>126</u>	<u>40,361</u>	<u>55,341</u>
Fund Balances (Deficits):					
Nonspendable	66				66
Assigned	6,386				6,386
<b>Total Fund Balances</b>	<u>6,452</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,452</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 21,306</u>	<u>\$ 0</u>	<u>\$ 126</u>	<u>\$ 40,361</u>	<u>\$ 61,793</u>

**Texas Department of Transportation**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Non Major General Funds**  
For the Fiscal Year Ended August 31, 2016 (Amounts in Thousands)

	General Revenue Fund	Traffic Safety Crash Records	Colonias Projects Fund	Suspense Fund	Total
<b>REVENUES</b>					
Legislative Appropriations:					
Original Appropriations	\$ 218,816	\$	\$	\$	\$ 218,816
Additional Appropriations	314				314
Federal Revenues	11,685				11,685
Sales of Goods and Services	1,169				1,169
Total Revenues	<u>231,984</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>231,984</u>
<b>EXPENDITURES</b>					
Transportation	19,233	750	1,957		21,940
Capital Outlay	2,589				2,589
Debt Service					
Principal on State Bonds	84,445				84,445
Interest on State Bonds	140,637				140,637
Other Financing Fees	514				514
Total Expenditures	<u>247,418</u>	<u>750</u>	<u>1,957</u>	<u>0</u>	<u>250,125</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>(15,434)</u>	<u>(750)</u>	<u>(1,957)</u>	<u>0</u>	<u>(18,141)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In		750	1,957		2,707
Sale of Capital Assets	1,480				1,480
Appropriations Lapsed	(47)				(47)
Total Other Financing Sources (Uses)	<u>1,433</u>	<u>750</u>	<u>1,957</u>	<u>0</u>	<u>4,140</u>
Net Change in Fund Balances	<u>(14,001)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(14,001)</u>
Fund Balances, September 1, 2015	<u>20,453</u>				<u>20,453</u>
Fund Balances, August 31, 2016	<u>\$ 6,452</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,452</u>

---

*This page is intentionally blank*

---

**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 Fund</u>	<u>GAAP Fund</u>	<u>USAS D23 Funds</u>
0184	0184	0184 - Trans Infrastructure Fund

**Texas Transportation Corporations**

<u>Appropriated 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, 2016 (Amounts in Thousands)

	Transportation Infrastructure Fund	Texas Transportation Corporations	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and Cash Equivalents:			
Cash in State Treasury	\$ 81,816	\$	\$ 81,816
Total Assets	<u>81,816</u>	<u>0</u>	<u>81,816</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Payables:			
Accounts	10,416	<u>                    </u>	10,416
Total Liabilities	<u>10,416</u>	<u>0</u>	<u>10,416</u>
Fund Balances (Deficits):			
Committed	71,400	<u>                    </u>	71,400
Total Fund Balances	<u>71,400</u>	<u>0</u>	<u>71,400</u>
Total Liabilities and Fund Balances	<u>\$ 81,816</u>	<u>\$ 0</u>	<u>\$ 81,816</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, 2016 (Amounts in Thousands)

	Transportation Infrastructure Fund	Texas Transportation Corporations	Total
<b>REVENUES</b>			
Interest and Investment Income	\$ 863	\$	\$ 863
Total Revenues	<u>863</u>	<u>0</u>	<u>863</u>
<b>EXPENDITURES</b>			
Transportation	83,167		83,167
Total Expenditures	<u>83,167</u>	<u>0</u>	<u>83,167</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>(82,304)</u>	<u>0</u>	<u>(82,304)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers Out		(94)	(94)
Total Other Financing Sources (Uses)	<u>0</u>	<u>(94)</u>	<u>(94)</u>
Net Change in Fund Balances	<u>(82,304)</u>	<u>(94)</u>	<u>(82,398)</u>
Fund Balances, September 1, 2015	<u>153,704</u>	<u>94</u>	<u>153,798</u>
Fund Balances, August 31, 2016	<u>\$ 71,400</u>	<u>\$ 0</u>	<u>\$ 71,400</u>

---

*This page is intentionally blank*

---

**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 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, 2016**

	Balances September 1, 2015	Additions	Deductions	Balances August 31, 2016
<b>UNAPPROPRIATED RECEIPTS</b>				
<b><u>General Revenue Fund</u></b>				
Assets:				
Cash on Hand	\$ 0	\$ 3,341	\$ 3,341	\$ 0
Total Assets	<u>\$ 0</u>	<u>\$ 3,341</u>	<u>\$ 3,341</u>	<u>\$ 0</u>
Liabilities:				
Funds Held for Others	\$ 0	\$ 3,341	\$ 3,341	\$ 0
Total Liabilities	<u>\$ 0</u>	<u>\$ 3,341</u>	<u>\$ 3,341</u>	<u>\$ 0</u>
<b><u>OTHER AGENCY FUNDS</u></b>				
<b><u>Child Support Deducts Account</u></b>				
Assets:				
Cash in State Treasury	\$ 323	\$ 4,395	\$ 4,395	\$ 323
Total Assets	<u>\$ 323</u>	<u>\$ 4,395</u>	<u>\$ 4,395</u>	<u>\$ 323</u>
Liabilities:				
Funds Held for Others	\$ 323	\$ 4,395	\$ 4,395	\$ 323
Total Liabilities	<u>\$ 323</u>	<u>\$ 4,395</u>	<u>\$ 4,395</u>	<u>\$ 323</u>
<b><u>Direct Deposit Correction Account</u></b>				
Assets:				
Cash in State Treasury	\$ 1,447	\$ 3,413	\$ 4,732	\$ 128
Total Assets	<u>\$ 1,447</u>	<u>\$ 3,413</u>	<u>\$ 4,732</u>	<u>\$ 128</u>
Liabilities:				
Funds Held for Others	\$ 1,447	\$ 3,413	\$ 4,732	\$ 128
Total Liabilities	<u>\$ 1,447</u>	<u>\$ 3,413</u>	<u>\$ 4,732</u>	<u>\$ 128</u>
<b><u>Toll Revenue Custodial Account</u></b>				
Assets:				
Cash on Hand	7	0	7	0
Cash in Bank	485	707,572	707,441	616
Cash Equivalents	37,218	317,128	339,288	15,058
Short-Term Investments	0	57,466	37,486	19,980
Total Assets	<u>\$ 37,710</u>	<u>\$ 1,082,166</u>	<u>\$ 1,084,222</u>	<u>\$ 35,654</u>
Liabilities:				
Funds Held For Others	\$ 37,710	\$ 1,082,166	\$ 1,084,222	\$ 35,654
Total Liabilities	<u>\$ 37,710</u>	<u>\$ 1,082,166</u>	<u>\$ 1,084,222</u>	<u>\$ 35,654</u>
<b>TOTALS - ALL AGENCY FUNDS</b>				
Assets:				
Cash on Hand	\$ 7	\$ 3,341	\$ 3,348	\$ 0
Cash in Bank	485	707,572	707,441	616
Cash In State Treasury	1,770	7,808	9,127	451
Cash Equivalents	37,218	317,128	339,288	15,058
Short-Term Investments	0	57,466	37,486	19,980
Total Assets:	<u>\$ 39,480</u>	<u>\$ 1,093,315</u>	<u>\$ 1,096,690</u>	<u>\$ 36,105</u>
Liabilities:				
Funds Held for Others	\$ 39,480	\$ 1,093,315	\$ 1,096,690	\$ 36,105
Total Liabilities	<u>\$ 39,480</u>	<u>\$ 1,093,315</u>	<u>\$ 1,096,690</u>	<u>\$ 36,105</u>

---

Section Two (continued)

## **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**

Year Ended August 31, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From			Direct Program Amount	Total Pass- Through From and Direct Program
		Agency Number	State Entities	Other Entities		
		\$	\$	\$	\$	\$
<u>Department of Defense :</u>						
Direct Program:						
Community Investment	12.600				7,644,862.85	7,644,862.85
Total Department of Defense:			0.00	0.00	7,644,862.85	7,644,862.85
<u>Federal Aviation Administration (FAA):</u>						
Direct Program:						
Airport Improvement Program	20.106				55,531,578.03	55,531,578.03
Total FAA:			0.00	0.00	55,531,578.03	55,531,578.03
<u>Federal Railroad Administration:</u>						
Direct Program:						
High-Speed Rail Corridors and Intercity Passenger Rail Service-Capital Assistance Grants - ARRA	20.319				2,425,492.92	2,425,492.92
Total Federal Railroad Administration:			0.00	0.00	2,425,492.92	2,425,492.92
<u>Federal Transit Administration (FTA):</u>						
Direct Program:						
Federal Transit Metropolitan Planning Grants	20.505				602,254.61	602,254.61
Formula Grants For Other Than Urbanized Areas	20.509				1,618,682.05	1,618,682.05
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grants	20.528				132,914.65	132,914.65
Pass-Through Funds to Other Entities:						
Federal Transit Metropolitan Planning Grants	20.505				368,732.19	368,732.19
Formula Grants For Other Than Urbanized Areas	20.509				37,092,014.50	37,092,014.50
Total FTA:			0.00	0.00	39,814,598.00	39,814,598.00
<u>National Highway Traffic Safety Admin. (NHTSA):</u>						
Direct Program:						
NHTSA Discretionary Safety Grants	20.614				390,310.25	390,310.25
Total NHTSA:			0.00	0.00	390,310.25	390,310.25
<u>General Services Administration (GSA):</u>						
Pass-Through Funds:						
Donation of Federal Surplus Personal Property-NonMonetary Pass-Through from Texas Facilities Commission	39.003	303	127,478.38		0.00	127,478.38
Total GSA:			127,478.38	0.00	0.00	127,478.38
<u>Department of Homeland Security (DHS):</u>						
Pass-Through Funds:						
Disaster Grants - Public Assistance Pass-Through from Texas Department of Public Safety	97.036	405	403,784.94			403,784.94
Total DHS:			403,784.94	0.00	0.00	403,784.94

Agency Number	Pass-Through To		Expenditures	Total Pass- Through To and Expenditures Amount
	State Entities	Other Entities		
\$	\$		\$	\$
			7,644,862.85	7,644,862.85
	0.00	0.00	7,644,862.85	7,644,862.85
			55,531,578.03	55,531,578.03
	0.00	0.00	55,531,578.03	55,531,578.03
			2,425,492.92	2,425,492.92
	0.00	0.00	2,425,492.92	2,425,492.92
			602,254.61	602,254.61
			1,618,682.05	1,618,682.05
			132,914.65	132,914.65
		368,732.19		368,732.19
		37,092,014.50		37,092,014.50
	0.00	37,460,746.69	2,353,851.31	39,814,598.00
			390,310.25	390,310.25
	0.00	0.00	390,310.25	390,310.25
			127,478.38	127,478.38
	0.00	0.00	127,478.38	127,478.38
			403,784.94	403,784.94
	0.00	0.00	403,784.94	403,784.94

**TEXAS DEPARTMENT OF TRANSPORTATION  
SCHEDULE 1A-SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**

Year Ended August 31, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From			Direct Program Amount	Total Pass- Through From and Direct Program
		Agency Number	State Entities	Other Entities		
		\$	\$	\$	\$	\$
<i>Other Clusters</i>						
<i>Federal Transit Cluster:</i>						
<u><i>Federal Transit Administration (FTA):</i></u>						
Pass-Through Funds to Other Entities:						
Federal Transit - Capital Investment Grants	20.500			881,527.49		881,527.49
Bus and Bus Facilities Formula Program	20.526			2,950,020.16		2,950,020.16
Total FTA:		<u>0.00</u>	<u>0.00</u>	<u>3,831,547.65</u>		<u>3,831,547.65</u>
<i>Transit Services Programs Cluster:</i>						
<u><i>Federal Transit Administration (FTA):</i></u>						
Direct Program:						
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513			1,897,636.43		1,897,636.43
Job Access - Reverse Commute	20.516			15,106.49		15,106.49
New Freedom Program	20.521			90,883.90		90,883.90
Pass-Through Funds:						
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513			88,000.00		88,000.00
University of Texas Health Center at Tyler	20.513					
Job Access - Reverse Commute	20.516					
University of Texas - Permian Basin	20.516			64,476.03		64,476.03
Pass-Throughs to Other Entities:						
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513			4,784,200.68		4,784,200.68
Job Access - Reverse Commute	20.516			1,760,841.54		1,760,841.54
New Freedom Program	20.521			841,544.19		841,544.19
Total FTA:		<u>0.00</u>	<u>0.00</u>	<u>9,542,689.26</u>		<u>9,542,689.26</u>
<i>Highway Planning and Construction Cluster:</i>						
<u><i>Federal Highway Administration (FHWA):</i></u>						
Direct Program:						
Highway Planning and Construction	20.205			3,569,306,662.85		3,569,306,662.85
Pass-Through Funds:						
Highway Planning and Construction	20.205			30,310.62		30,310.62
Prairie View A & M University	20.205			60,570.62		60,570.62
Texas Transportation Institute	20.205			480,730.99		480,730.99
Texas Historical Commission	20.205					
Pass-Through to Other Entities	20.205			207,705,872.32		207,705,872.32
Total FHWA:		<u>0.00</u>	<u>0.00</u>	<u>3,777,584,147.40</u>		<u>3,777,584,147.40</u>

Agency Number	Pass-Through To		Expenditures	Total Pass- Through To and Expenditures Amount
	State Entities	Other Entities		
		881,527.49		881,527.49
		2,950,020.16		2,950,020.16
	0.00	3,831,547.65	0.00	3,831,547.65
			1,897,636.43	1,897,636.43
			15,106.49	15,106.49
			90,883.90	90,883.90
785	88,000.00			88,000.00
742	64,476.03			64,476.03
		4,784,200.68		4,784,200.68
		1,760,841.54		1,760,841.54
		841,544.19		841,544.19
	152,476.03	7,386,586.41	2,003,626.82	9,542,689.26
			3,569,306,662.85	3,569,306,662.85
715	30,310.62			30,310.62
727	60,570.62			60,570.62
808	480,730.99			480,730.99
		207,705,872.32		207,705,872.32
	571,612.23	207,705,872.32	3,569,306,662.85	3,777,584,147.40

**TEXAS DEPARTMENT OF TRANSPORTATION  
SCHEDULE 1A-SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Concluded)**

Year Ended August 31, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From			Direct Program Amount	Total Pass- Through From and Direct Program
		Agency Number	State Entities	Other Entities		
		\$	\$	\$	\$	\$
<i>Highway Safety Cluster:</i>						
<i>National Highway Traffic Safety Admin. (NHTSA):</i>						
Direct Program:						
State and Community Highway Safety Program	20.600				1,620,468.60	1,620,468.60
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601				18,076.59	18,076.59
National Priority Safety Programs	20.616				8,673,508.64	8,673,508.64
Pass-Through Funds:						
State and Community Highway Safety Program						
Texas Department of Public Safety	20.600				271,562.51	271,562.51
Texas Department of State Health Services	20.600				626,659.41	626,659.41
Texas A&M Agrilife Extension Service	20.600				114,295.34	114,295.34
University of Texas at Arlington	20.600				72,788.60	72,788.60
Texas A & M Engineering Extension Service	20.600				236,432.90	236,432.90
Texas Transportation Institute	20.600				1,678,346.26	1,678,346.26
Texas Tech University	20.600				122,910.84	122,910.84
Sam Houston State University	20.600				46,384.05	46,384.05
Texas State University	20.600				90,392.00	90,392.00
Texas A & M University - Corpus Christi	20.600				57,728.67	57,728.67
National Priority Safety Programs						
Office of Court Administration	20.616				88,690.80	88,690.80
Texas Department of Public Safety	20.616				832,912.37	832,912.37
Texas Alcoholic Beverage Commission	20.616				403,194.40	403,194.40
Texas Department of State Health Services	20.616				1,606,004.96	1,606,004.96
Texas A&M Agrilife Extension Service	20.616				1,025,082.49	1,025,082.49
University of Texas at Arlington	20.616				380,914.51	380,914.51
Texas Transportation Institute	20.616				1,116,946.72	1,116,946.72
University of Houston	20.616				2,994.00	2,994.00
University of Texas Rio Grande Valley	20.616				5,695.70	5,695.70
Sam Houston State University	20.616				551,147.15	551,147.15
Texas State University	20.616				16,665.71	16,665.71
University of Houston - Downtown	20.616				273,458.10	273,458.10
Pass-Through to Other Entities						
State and Community Highway Safety Program	20.600				13,490,130.73	13,490,130.73
National Priority Safety Programs	20.616				6,898,743.29	6,898,743.29
Total NHTSA:		0.00	0.00		40,322,135.34	40,322,135.34
Total Other Clusters		0.00	0.00		3,831,280,519.65	3,831,280,519.65
<b>TOTAL FEDERAL ASSISTANCE</b>		<b>\$ 531,263.32</b>	<b>\$ 0.00</b>	<b>\$ 3,937,087,361.70</b>	<b>\$ 3,937,618,625.02</b>	<b>\$ 3,937,618,625.02</b>

Agency Number	Pass-Through To		Expenditures	Total Pass- Through To and Expenditures Amount
	State Entities	Other Entities		
	\$	\$	\$	\$
			1,620,468.60	1,620,468.60
			18,076.59	18,076.59
			8,673,508.64	8,673,508.64
405	271,562.51			271,562.51
537	626,659.41			626,659.41
555	114,295.34			114,295.34
714	72,788.60			72,788.60
716	236,432.90			236,432.90
727	1,678,346.26			1,678,346.26
733	122,910.84			122,910.84
753	46,384.05			46,384.05
754	90,392.00			90,392.00
760	57,728.67			57,728.67
212	88,690.80			88,690.80
405	832,912.37			832,912.37
458	403,194.40			403,194.40
537	1,606,004.96			1,606,004.96
555	1,025,082.49			1,025,082.49
714	380,914.51			380,914.51
727	1,116,946.72			1,116,946.72
730	2,994.00			2,994.00
746	5,695.70			5,695.70
753	551,147.15			551,147.15
754	16,665.71			16,665.71
784	273,458.10			273,458.10
		13,490,130.73		13,490,130.73
		6,898,743.29		6,898,743.29
	<u>9,621,207.49</u>	<u>20,388,874.02</u>	<u>10,312,053.83</u>	<u>40,322,135.34</u>
	<u>10,345,295.75</u>	<u>239,312,880.40</u>	<u>3,581,622,343.50</u>	<u>3,831,280,519.65</u>
	<u>\$ 10,345,295.75</u>	<u>\$ 276,773,627.09</u>	<u>\$ 3,650,499,702.18</u>	<u>\$ 3,937,618,625.02</u>

---

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended August 31, 2016

### Note 1 - Nonmonetary Assistance

The "Donation of Federal Surplus Personal Property" is presented at 22.47 percent of the federal acquisition cost of \$567,327.00. 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 2016 is \$127,478.38. The difference of the values of the surplus property recorded on the federal schedule and Exhibit II (Federal Revenues and Federal Pass-Through 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	\$3,993,586,105.40
Federal Pass-Through Revenues	403,784.94
Subtotal	<u>\$3,993,989,890.34</u>
Reconciling Items:	
Federal Surplus Personal Property Donation (Non-Monetary)	127,478.38
Build America Bonds Federal Subsidy	<u>(56,498,743.70)</u>
Total Pass-Through and Expenditures per Federal Schedule	<u>\$3,937,618,625.02</u>

### Note 7 - Federal Deferred Inflow

Federal Deferred Inflow September 1, 2015	\$90,751,694.32
Increase ( Decrease)	<u>(52,676,680.25)</u>
Federal Deferred Inflow August 31, 2016	<u>\$38,075,014.07</u>

The federal deferred inflow ending balance of \$38,075,014.07 pertains to federal expenditures which were incurred and are reimbursable from the Federal Highway Administration, but the federal receivable is not collectable within 60 days after the end of the fiscal year. Federal CFDA number 20.205 applies to this \$38,075,014.07.

### Note 10 - 10 Percent De Minimus Indirect Cost Rate

The Texas Department of Transportation did not elect to use the 10% De Minimus Indirect Cost Rate. The department does not currently bill any federal agency for indirect cost.

---

## **Bond Schedules**

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

For the Fiscal Year Ended August 31, 2016

**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 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 Fixed Rate Refunding Bonds	973,775,000.00	4.0000%	5.0000%		2016	2034	4/1/2024
Series 2014-A Fixed Rate Refunding 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
Series 2015-A Fixed Rate Refunding Bonds	911,360,000.00	3.2000%	5.0000%		2018	2036	10/1/2025
Series 2015-B Fixed Rate Refunding Bonds	254,105,000.00	5.0000%	5.0000%		2031	2036	10/1/2025
Total General Obligation Bonds (Self-Supporting)	<u>9,224,500,000.00</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
Series 2016 Fixed Rate Bonds	615,000,000.00	5.0000%	5.0000%		2017	2046	4/1/2026
Total General Obligation (Non-Self Supporting)	<u>3,771,015,000.00</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	10/1/2016
Series 2015 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>\$ 19,691,780,000.00</u>						

\* The variable rate bonds were variable based on weekly interest rates set throughout fiscal 2016. These bonds may be converted to a daily mode, term rate mode, fixed rate mode, auction rate mode or a commercial paper mode at the option of the Commission or under certain 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, 2016

**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 ***	\$ 600,485,748.26	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 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 ***	99,146,613.33	4.3600%	4.3800%		2036	2037	8/15/2024
Second Tier Revenue Refunding Bonds, Series 2015-C	<u>1,157,320,000.00</u>	5.0000%	5.0000%		2022	2042	8/15/2024
Total Central Texas Turnpike System (Self-Supporting)	<u>3,190,801,838.24</u>						
<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
Subordinate Tier Toll Revenue Bonds, Series 2013-B							
Convertible Capital Appreciation Bonds***	329,142,916.49	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	<u>107,180,000.00</u>	VAR	VAR	Monthly	2016	2016	**
Total Blended Component Unit-Grand Parkway Transportation Corporation	<u>2,219,617,916.49</u>						
<b>Total Business-Type Activities</b>	<u>\$ 5,410,419,754.73</u>						

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

\*\*\*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, 2016

**Governmental Activities**

Description of Issue	Bonds Outstanding 9/1/2015	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2016
<b>General Obligation Bonds:</b>					
<b>Texas Mobility Fund</b>					
Series 2006	\$ 17,770,000.00	\$	\$ 17,770,000.00	\$	\$
Series 2006-A	538,715,000.00		6,955,000.00	328,565,000.00	203,195,000.00
Series 2006-B	150,000,000.00				150,000,000.00
Series 2007	727,230,000.00		7,830,000.00	555,410,000.00	163,990,000.00
Series 2008	954,340,000.00		16,175,000.00	364,260,000.00	573,905,000.00
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
Series 2015-A		911,360,000.00			911,360,000.00
Series 2015-B		254,105,000.00			254,105,000.00
<b>Texas Highway Improvement</b>					
Series 2010-A	815,420,000.00				815,420,000.00
Series 2010-B	76,050,000.00		24,220,000.00		51,830,000.00
Series 2012-A	818,635,000.00				818,635,000.00
Series 2012-B	63,305,000.00		18,225,000.00		45,080,000.00
Series 2014	1,218,000,000.00		42,000,000.00		1,176,000,000.00
Series 2016	-	615,000,000.00			615,000,000.00
Total General Obligation Bonds	9,391,895,000.00	1,780,465,000.00	133,175,000.00	1,248,235,000.00	9,790,950,000.00
<b>Revenue Bonds:</b>					
<b>State Highway Fund</b>					
Series 2006	27,985,000.00		27,985,000.00		
Series 2006-A	46,170,000.00		46,170,000.00		
Series 2006-B	100,000,000.00				100,000,000.00
Series 2007	117,235,000.00		57,200,000.00		60,035,000.00
Series 2008	80,840,000.00		7,155,000.00		73,685,000.00
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	4,111,105,000.00		138,510,000.00		3,972,595,000.00
<b>Total Governmental Activities</b>	<b>\$ 13,503,000,000.00</b>	<b>\$ 1,780,465,000.00</b>	<b>\$ 271,685,000.00</b>	<b>\$ 1,248,235,000.00</b>	<b>\$ 13,763,545,000.00</b>

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2B - CHANGES IN BONDED INDEBTEDNESS (Continued)**

For the Fiscal Year Ended August 31, 2016

**Governmental Activities**

Description of Issue	Unamortized Premium	Unamortized Discount	Net Bonds Outstanding 8/31/2016	Amounts Due Within One Year
<b>General Obligation Bonds:</b>				
<b>Texas Mobility Fund</b>				
Series 2006	\$	\$	\$	\$
Series 2006-A	4,206,296.61		207,401,296.61	9,132,912.21
Series 2006-B			150,000,000.00	
Series 2007	2,331,431.19		166,321,431.19	10,646,679.69
Series 2008	22,128,917.14		596,033,917.14	19,031,468.84
Series 2009-A			1,208,495,000.00	
Series 2014	124,294,310.72		1,098,069,310.72	36,000,096.41
Series 2014-A	233,057,765.60		1,813,217,765.60	13,248,431.05
Series 2014-B			250,000,000.00	
Series 2015-A	124,439,188.69		1,035,799,188.69	8,787,344.66
Series 2015-B	38,764,741.84		292,869,741.84	1,985,728.36
<b>Texas Highway Improvement</b>				
Series 2010-A			815,420,000.00	
Series 2010-B	2,063,920.07		53,893,920.07	26,726,193.83
Series 2012-A	149,044,197.72		967,679,197.72	8,811,417.30
Series 2012-B	95,809.94		45,175,809.94	18,554,263.61
Series 2014	178,776,468.39		1,354,776,468.39	54,329,411.61
Series 2016	124,716,297.27		739,716,297.27	28,546,212.73
Total General Obligation Bonds	1,003,919,345.18		10,794,869,345.18	235,800,160.30
<b>Revenue Bonds:</b>				
<b>State Highway Fund</b>				
Series 2006				
Series 2006-A				
Series 2006-B			100,000,000.00	
Series 2007	364,926.20		60,399,926.20	60,399,926.20
Series 2008	3,382,492.59		77,067,492.59	7,896,801.21
Series 2010			1,500,000,000.00	
Series 2014-A	144,690,429.97		1,302,485,429.97	93,968,635.36
Series 2014-B			300,000,000.00	
Series 2015	102,528,342.54		883,608,342.54	15,452,132.08
Total Revenue Bonds	250,966,191.30		4,223,561,191.30	177,717,494.85
Total Governmental Activities	\$ 1,254,885,536.48	\$	\$ 15,018,430,536.48	\$ 413,517,655.15

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2B - CHANGES IN BONDED INDEBTEDNESS (Continued)**  
For the Fiscal Year Ended August 31, 2016

**Business-Type Activities**

Description of Issue	Bonds Outstanding 9/1/2015	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2016
<b>Revenue Bonds:</b>					
First Tier Bonds Series 2002-A					
Non-Callable CAB's	\$ 429,520,234.12	\$ 24,516,911.59 **	\$ 1,745,000.00		\$ 452,292,145.71
First Tier Bonds Series 2012-A	585,330,000.00				585,330,000.00
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	4,195,013.33 **			99,146,613.33
Second 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, Series 2013-A	200,000,000.00				200,000,000.00
Subordinate Tier Toll Revenue Bonds, Series 2013-B					
Callable CAB	311,241,111.88	17,901,804.61 **			329,142,916.49
Current Interest Bonds	1,137,935,000.00				1,137,935,000.00
Subordinate Tier Toll Revenue Bonds, Series 2013-E	361,810,000.00				361,810,000.00
Subordinate Tier Toll Revenue Refunding Bonds, Series 2014-B	83,550,000.00				83,550,000.00
Subordinate Tier Toll Revenue Refunding Bonds, Series 2014-C	107,180,000.00				107,180,000.00
<b>Total Business-Type Activities</b>	<b>\$ 4,891,862,946.00</b>	<b>\$ 46,613,729.53</b>	<b>\$ 1,745,000.00</b>	<b>\$</b>	<b>\$ 4,936,731,675.53</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, 2016

**Business-Type Activities**

Description of Issue	Unamortized Premium	Unamortized Discount	Net Bonds Outstanding 8/31/2016	Amounts Due Within One Year
<b>Revenue Bonds:</b>				
First Tier Bonds Series 2002-A				
Non-Callable CAB's	\$	\$	\$ 452,292,145.71	\$ 7,885,000.00
First Tier Bonds Series 2012-A	43,886,266.77		629,216,266.77	1,864,508.47
First Tier Bonds Series 2015-A	34,788,105.10		259,788,105.10	1,347,322.45
First Tier Bonds Series 2015-B				
Current Interest Bonds	27,209,663.28		225,234,663.28	1,465,537.11
Capital Appreciation Bonds			99,146,613.33	
Second Tier Bonds Series 2015-C	135,665,602.04		1,292,985,602.04	7,489,215.68
<b>Blended Component Unit-Grand Parkway Transportation Corp.*:</b>				
First Tier Toll Revenue Bonds, Series 2013-A		(2,768,989.10)	197,231,010.90	(86,941.84)
Subordinate Tier Toll Revenue Bonds, Series 2013-B				
Callable CAB			329,142,916.49	
Current Interest Bonds	6,039,846.28	(15,217,740.37)	1,128,757,105.91	(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>\$ 247,589,483.47</b>	<b>\$ (17,986,729.47)</b>	<b>\$ 5,166,334,429.53</b>	<b>\$ 19,721,936.05</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, 2016

**Governmental Activities**

<b>Description of Issue</b>	<b>Year</b>	<b>Principal</b>		<b>Interest</b>	
<b>TMF General Obligation Bonds</b>					
Series 2006-A	2017	\$	8,895,000.00	\$	9,188,250.00
	2018				8,743,500.00
	2019				8,743,500.00
	2020				8,743,500.00
	2021				8,743,500.00
	2022-2026				43,717,500.00
	2027-2031				43,717,500.00
	2032-2036		194,300,000.00		30,109,500.00
			<u>203,195,000.00</u>		<u>161,706,750.00</u>
Series 2006-B	2017				974,109.60
	2018				975,000.02
	2019				975,000.02
	2020				975,890.43
	2021				974,109.60
	2022-2026				4,875,000.09
	2027-2031				4,875,000.09
	2032-2036		150,000,000.00		4,338,757.36
			<u>150,000,000.00</u>		<u>18,962,867.21</u>
Series 2007	2017		10,495,000.00		7,492,262.50
	2018				6,967,512.50
	2019				6,967,512.50
	2020				6,967,512.50
	2021				6,967,512.50
	2022-2026				34,837,562.50
	2027-2031		40,125,000.00		34,837,562.50
	2032-2036		113,370,000.00		9,528,562.50
			<u>163,990,000.00</u>		<u>114,566,000.00</u>
Series 2008	2017		17,725,000.00		27,204,450.00
	2018		19,970,000.00		26,318,200.00
	2019				25,319,700.00
	2020				25,319,700.00
	2021				25,319,700.00
	2022-2026				126,598,500.00
	2027-2031		103,560,000.00		124,093,750.00
	2032-2036		321,995,000.00		73,929,887.50
	2037-2041		110,655,000.00		5,256,112.50
		\$	<u>573,905,000.00</u>	\$	<u>459,360,000.00</u>

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)**

For the Fiscal Year Ended August 31, 2016

Description of Issue	Year	Principal	Interest
<b>TMF General Obligation Bonds (continued)</b>			
Series 2009-A	2017	\$	\$ 66,582,669.16
	2018		66,582,669.16
	2019		66,582,669.16
	2020	420,000.00	66,582,669.16
	2021	730,000.00	66,560,127.76
	2022-2026	24,085,000.00	330,775,401.34
	2027-2031	68,150,000.00	319,875,940.84
	2032-2036	129,830,000.00	294,805,308.62
	2037-2041	985,280,000.00	133,548,088.06
		<u>1,208,495,000.00</u>	<u>1,411,895,543.26</u>
Series 2014	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	40,950,000.00	40,096,600.00
	2022-2026	258,210,000.00	164,992,000.00
	2027-2031	333,290,000.00	88,241,250.00
	2032-2036	222,630,000.00	20,347,475.00
		<u>973,775,000.00</u>	<u>490,808,500.00</u>
Series 2014-A	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	42,205,000.00	70,959,175.00
	2022-2026	317,820,000.00	313,599,500.00
	2027-2031	310,960,000.00	232,545,000.00
	2032-2036	168,380,000.00	174,594,125.00
	2037-2041	134,060,000.00	147,445,500.00
	2042-2046	515,940,000.00	58,936,500.00
		<u>1,580,160,000.00</u>	<u>1,298,053,375.00</u>
Series 2014-B	2017		2,347,853.87
	2018		2,349,999.97
	2019		2,349,999.97
	2020		2,352,146.13
	2021		2,347,853.87
	2022-2026		11,749,999.91
	2027-2031		11,749,999.91
	2032-2036		11,752,146.07
	2037-2041	141,575,000.00	10,549,453.95
	2042-2046	108,425,000.00	83,769.45
		<u>\$ 250,000,000.00</u>	<u>\$ 57,633,223.10</u>

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)**

For the Fiscal Year Ended August 31, 2016

<b>Description of Issue</b>	<b>Year</b>	<b>Principal</b>	<b>Interest</b>
<b>TMF General Obligation Bonds (concluded)</b>			
Series 2015-A	2017	\$	\$ 43,320,100.00
	2018		43,320,100.00
	2019	18,295,000.00	42,862,725.00
	2020	20,030,000.00	41,904,600.00
	2021	21,845,000.00	40,857,725.00
	2022-2026	142,330,000.00	184,972,750.00
	2027-2031	324,085,000.00	126,292,375.00
	2032-2036	238,270,000.00	62,211,075.00
	2037-2041	146,505,000.00	3,408,000.00
		<u>911,360,000.00</u>	<u>589,149,450.00</u>
Series 2015-B	2017		12,705,250.00
	2018		12,705,250.00
	2019		12,705,250.00
	2020		12,705,250.00
	2021		12,705,250.00
	2022-2026		63,526,250.00
	2027-2031		63,526,250.00
	2032-2036	144,120,000.00	48,346,750.00
	2037-2041	109,985,000.00	2,749,625.00
		<u>254,105,000.00</u>	<u>241,675,125.00</u>
<b>Texas Highway Improvement General Obligation Bonds</b>			
Series 2010-A	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	28,920,000.00	33,994,911.90
	2022-2026	155,450,000.00	153,281,040.06
	2027-2031	178,455,000.00	117,903,692.32
	2032-2036	207,070,000.00	73,950,936.36
	2037-2041	189,505,000.00	22,509,524.72
		<u>815,420,000.00</u>	<u>544,101,603.76</u>
Series 2010-B	2017	25,360,000.00	2,359,400.00
	2018	26,470,000.00	1,249,000.00
		<u>\$ 51,830,000.00</u>	<u>\$ 3,608,400.00</u>

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)**

For the Fiscal Year Ended August 31, 2016

<b>Description of Issue</b>	<b>Year</b>	<b>Principal</b>	<b>Interest</b>
<b>Texas Highway Improvement General Obligation Bonds (concluded)</b>			
Series 2012-A	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	20,470,000.00	39,411,250.00
	2022-2026	118,770,000.00	180,640,250.00
	2027-2031	151,585,000.00	147,826,250.00
	2032-2036	193,455,000.00	105,947,500.00
	2037-2041	246,915,000.00	52,498,250.00
	2042-2046	57,030,000.00	2,851,500.00
			<u>818,635,000.00</u>
Series 2012-B	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>45,080,000.00</u>	<u>855,752.50</u>
Series 2014	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	42,000,000.00	49,140,000.00
	2022-2026	210,000,000.00	214,200,000.00
	2027-2031	210,000,000.00	161,700,000.00
	2032-2036	210,000,000.00	112,980,000.00
	2037-2041	210,000,000.00	63,000,000.00
	2042-2046	126,000,000.00	12,600,000.00
		<u>1,176,000,000.00</u>	<u>831,180,000.00</u>
Series 2016	2017	20,500,000.00	27,931,250.00
	2018	20,500,000.00	29,725,000.00
	2019	20,500,000.00	28,700,000.00
	2020	20,500,000.00	27,675,000.00
	2021	20,500,000.00	26,650,000.00
	2022-2026	102,500,000.00	117,875,000.00
	2027-2031	102,500,000.00	92,250,000.00
	2032-2036	102,500,000.00	66,625,000.00
	2037-2041	102,500,000.00	41,000,000.00
	2042-2046	102,500,000.00	15,375,000.00
		<u>615,000,000.00</u>	<u>473,806,250.00</u>
<b>Total General Obligation Bonds</b>		<b>\$ <u>9,790,950,000.00</u></b>	<b>\$ <u>7,389,719,089.83</u></b>

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)**

For the Fiscal Year Ended August 31, 2016

<b>Description of Issue</b>	<b>Year</b>	<b>Principal</b>	<b>Interest</b>
<b>SHF Revenue Bonds</b>			
Series 2006-B	2017	\$	\$ 799,269.41
	2018		800,000.01
	2019		800,000.01
	2020		800,730.58
	2021		799,269.41
	2022-2026	100,000,000.00	3,458,617.55
	<u>100,000,000.00</u>	<u>7,457,886.97</u>	
Series 2007	2017	60,035,000.00	2,945,500.00
		<u>60,035,000.00</u>	<u>2,945,500.00</u>
Series 2008	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		3,063,637.50
	2022-2026	33,210,000.00	13,633,987.50
	2027-2031	25,145,000.00	1,997,100.00
	<u>73,685,000.00</u>	<u>32,082,875.00</u>	
Series 2010	2017		77,226,067.50
	2018		77,226,067.50
	2019		77,226,067.50
	2020		77,226,067.50
	2021		77,226,067.50
	2022-2026	295,955,000.00	364,386,248.70
	2027-2031	1,204,045,000.00	167,788,947.60
	<u>1,500,000,000.00</u>	<u>918,305,533.80</u>	
Series 2014-A	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	94,230,000.00	41,176,500.00
	2022-2026	370,675,000.00	133,109,000.00
	2027-2031	20,460,000.00	89,656,250.00
	2032-2036	338,165,000.00	42,476,750.00
	<u>\$ 1,157,795,000.00</u>	<u>\$ 513,762,275.00</u>	

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)**

For the Fiscal Year Ended August 31, 2016

<b>Description of Issue</b>	<b>Year</b>	<b>Principal</b>	<b>Interest</b>
<b>SHF Revenue Bonds (concluded)</b>			
Series 2014-B	2017	\$	\$ 2,727,506.85
	2018		2,730,000.00
	2019		2,730,000.00
	2020		2,732,493.15
	2021		2,727,506.85
	2022-2026		13,650,000.00
	2027-2031	137,415,000.00	13,125,827.66
	2032-2036	162,585,000.00	862,385.33
		<u>300,000,000.00</u>	<u>41,285,719.84</u>
Series 2015	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	78,870,000.00	26,689,500.00
	2022-2026	436,305,000.00	70,142,625.00
	2027-2031	58,050,000.00	1,451,250.00
		<u>781,080,000.00</u>	<u>235,978,500.00</u>
TOTAL Revenue Bonds		<u>3,972,595,000.00</u>	<u>1,751,818,290.61</u>
TOTAL GOVERNMENTAL ACTIVITIES		\$ <u>13,763,545,000.00</u>	\$ <u>9,141,537,380.44</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
<b>CTTS Revenue Bonds</b>			
Series 2002-A	2017	\$ 7,885,000.00	\$
	2018	14,225,000.00	
	2019	20,365,000.00	
	2020	26,715,000.00	
	2021	36,480,000.00	
	2022-2026	284,430,000.00	
	2027-2031	375,250,000.00	
		<u>765,350,000.00</u>	<u>0.00</u>
Series 2012-A	2017		28,034,150.00
	2018		28,034,150.00
	2019		28,034,150.00
	2020		28,034,150.00
	2021		28,034,150.00
	2022-2026		140,170,750.00
	2027-2031		140,170,750.00
	2032-2036		140,170,750.00
	2037-2041	585,330,000.00	101,071,800.00
		<u>\$ 585,330,000.00</u>	<u>\$ 661,754,800.00</u>

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)**

For the Fiscal Year Ended August 31, 2016

<b>Description of Issue</b>	<b>Year</b>	<b>Principal</b>	<b>Interest</b>
<b>CTTS Revenue Bonds</b>			
Series 2015-A	2017	\$	\$ 11,250,000.00
	2018		11,250,000.00
	2019		11,250,000.00
	2020		11,250,000.00
	2021		11,250,000.00
	2022-2026		56,250,000.00
	2027-2031		56,250,000.00
	2032-2036		56,250,000.00
	2037-2041	40,460,000.00	56,250,000.00
	2042-2046	184,540,000.00	9,227,000.00
		<u>225,000,000.00</u>	<u>290,477,000.00</u>
	Series 2015-B	2017	
2018			9,901,250.00
2019			9,901,250.00
2020			9,901,250.00
2021			9,901,250.00
2022-2026			49,506,250.00
2027-2031			49,506,250.00
2032-2036		298,025,000.00	35,830,250.00
2037-2041		140,000,000.00	1,000,000.00
		<u>438,025,000.00</u>	<u>185,349,000.00</u>
Series 2015-C	2017		57,866,000.00
	2018		57,866,000.00
	2019		57,866,000.00
	2020		57,866,000.00
	2021		57,866,000.00
	2022-2026	38,300,000.00	286,606,000.00
	2027-2031	183,570,000.00	272,659,250.00
	2032-2036	515,775,000.00	173,348,250.00
	2037-2041	348,500,000.00	69,021,750.00
	2042-2046	71,175,000.00	3,558,750.00
	<u>\$ 1,157,320,000.00</u>	<u>\$ 1,094,524,000.00</u>	

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Concluded)**

For the Fiscal Year Ended August 31, 2016

Description of Issue	Year	Principal	Interest
<b>Grand Parkway Transportation Corp.*</b>			
Series 2013-A	2017	\$	\$ 10,821,012.50
	2018		10,821,012.50
	2019		10,821,012.50
	2020		10,821,012.50
	2021		10,821,012.50
	2022-2026		54,105,062.50
	2027-2031		54,105,062.50
	2032-2036	6,085,000.00	53,561,684.38
	2037-2041	20,200,000.00	50,304,618.76
	2042-2046	40,685,000.00	42,587,921.89
	2047-2051	70,580,000.00	27,661,975.00
	2052-2056	62,450,000.00	4,756,812.50
		<u>200,000,000.00</u>	<u>341,188,200.03</u>
	Series 2013-B	2017	
2018			58,334,250.00
2019			58,334,250.00
2020			58,334,250.00
2021			58,334,250.00
2022-2026			361,065,131.25
2027-2031		9,165,000.00	430,125,186.25
2032-2036		119,950,000.00	415,447,441.25
2037-2041		29,050,000.00	388,527,712.50
2042-2046		151,900,000.00	378,987,622.50
2047-2051		554,930,000.00	286,623,055.00
2052-2056		762,100,000.00	43,172,456.25
		<u>1,627,095,000.00</u>	<u>2,595,619,855.00</u>
Series 2013-E		2017	
	2018		18,756,230.40
	2019		18,756,230.40
	2020		18,756,230.40
	2021		18,756,230.40
	2022-2026		93,781,152.00
	2027-2031		93,781,152.00
	2032-2036		93,781,152.00
	2037-2041	251,370,000.00	67,100,659.20
	2042-2046	110,440,000.00	4,957,200.00
		<u>361,810,000.00</u>	<u>447,182,467.20</u>
Series 2014-B	2017	<u>83,550,000.00</u>	<u>383,738.83</u>
		<u>83,550,000.00</u>	<u>383,738.83</u>
Series 2014-C	2017	<u>107,180,000.00</u>	<u>739,450.32</u>
		<u>107,180,000.00</u>	<u>739,450.32</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>		<b>\$ <u>5,550,660,000.00</u></b>	<b>\$ <u>5,617,218,511.38</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, 2016

<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	\$ 48,730,000.00	\$ 272,762,802.38		
	<u>\$ 48,730,000.00</u>	<u>\$ 272,762,802.38</u>		
<b>Pledged and Other Sources and Related Expenditures for FY 2016</b>				
	<b>Net Available for Debt Service</b>		<b>Debt Service</b>	
<b>Description of Issue</b>	<b>Total Pledged and Other Sources</b>	<b>Operating Expenses/ Expenditures and Capital Outlay</b>	<b>Principal</b>	<b>Interest</b>
State Highway Fund Revenue Bonds	\$ 8,266,821,584.48	(A)	\$ 138,510,000.00	\$ 176,060,673.53
	<u>\$ 8,266,821,584.48</u>		<u>\$ 138,510,000.00</u>	<u>\$ 176,060,673.53</u>
(A) State Highway Fund expenditures associated with pledged sources were \$8,675,477,300.08.				
<b>Business-Type and Blended Component Unit Activities</b>				
	<b>Pledged and Other Sources and Related Expenditures for FY 2016</b>			
	<b>Net Available for Debt Service</b>		<b>Debt Service</b>	
<b>Description of Issue</b>	<b>Total Pledged and Other Sources</b>	<b>Operating Expenses/ 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	\$ 178,905,286.81	(B)	\$ 1,745,000.00	\$ 107,051,400.00
Grand Parkway Transportation Corporation Series 2013-A,B,E, 2014-B,C	85,634,045.98	(C)		89,132,175.19
	<u>\$ 264,539,332.79</u>		<u>\$ 1,745,000.00</u>	<u>\$ 196,183,575.19</u>
(B) Expenses associated with pledged sources were \$47,232,000.00.				
(C) Expenses associated with pledged sources were \$76,799,230.89.				

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

For the Fiscal Year Ended August 31, 2016

Description of Issue	Year Defeased	Par Value Outstanding
<b>Governmental Activities</b>		
<b>Texas Mobility Fund General Obligation Bonds</b>		
Series 2006-A Fixed Rate Bonds	2014	\$ 478,830,000.00
	2015	269,410,000.00
Series 2007 Fixed Rate Bonds	2014	35,650,000.00
	2014	233,280,000.00
	2015	333,540,000.00
Series 2008 Fixed Rate Bonds	2014	92,140,000.00
	2015	364,260,000.00
Total General Obligation Bonds		<u>1,807,110,000.00</u>
<b>State Highway Fund Revenue Bonds</b>		
Series 2007 Fixed Rate Bonds	2015	792,135,000.00
Series 2008 Fixed Rate Bonds	2015	45,500,000.00
Total Revenue Bonds		<u>837,635,000.00</u>
Total Governmental Activities		<u>2,644,745,000.00</u>
<b>Business-Type Activities</b>		
<b>Central Texas Turnpike Authority Revenue Bonds</b>		
Series 2002-A Capital Appreciation Bonds*	2015	<u>96,961,843.80</u>
Total Business-Type Activities		<u>96,961,843.80</u>
Total		<u>\$ 2,741,706,843.80</u>

\* Includes \$50,496,967.65 of accreted interest.

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2F - EARLY EXTINGUISHMENT AND REFUNDING**

For the Fiscal Year Ended August 31, 2016

**Governmental Activities**

Description	Category	Amount Extinguished or Refunded	For Refundings Only		
			Refunding Issued Par Value	Cash Flow Increase	Economic Gain
Texas Mobility Fund					
	Advance				
Series 2006-A Fixed Rate Bonds	Refunding	\$ 269,410,000.00	\$ 248,465,000.00	\$ 36,504,417.64	\$ 22,602,277.26
	Current				
Series 2006-A Fixed Rate Bonds	Refunding	59,155,000.00	53,000,000.00	12,710,245.84	7,216,528.98
	Advance				
Series 2007 Fixed Rate Bonds	Refunding	333,540,000.00	319,180,000.00	51,397,803.68	30,734,069.99
	Current				
Series 2007 Fixed Rate Bonds	Refunding	221,870,000.00	201,105,000.00	47,354,945.83	24,777,757.98
	Advance				
Series 2008 Fixed Rate Bonds	Refunding	364,260,000.00	343,715,000.00	40,646,186.81	30,105,955.45
		<u>1,248,235,000.00</u>	<u>1,165,465,000.00</u>	<u>188,613,599.80</u>	<u>115,436,589.66</u> *
Total Governmental Activities		<u>1,248,235,000.00</u>	<u>1,165,465,000.00</u>	<u>188,613,599.80</u>	<u>115,436,589.66</u>
<b>TOTAL</b>		<u>\$ 1,248,235,000.00</u>	<u>\$ 1,165,465,000.00</u>	<u>\$ 188,613,599.80</u>	<u>\$ 115,436,589.66</u>

\* TMF Series 2006-A, Series 2007, and Series 2008 were partially refunded by TMF Series 2015A and TMF Series 2015B.

---

*This page is intentionally blank*

**Texas Department of Transportation**  
**Matrix of Expenditures Reported by Function - Governmental Funds**  
For the Fiscal Year Ended August 31, 2016

	<b>State Highway Fund</b>	<b>Texas Mobility Fund</b>	<b>Proposition 12 Highway Improvement Project Fund</b>	<b>Nonmajor Funds</b>	<b>Transportation Function Total</b>
Salaries and Wages	\$ 665,899,519.34	\$ 0.00	\$ 0.00	\$ 1,069,682.01	\$ 666,969,201.35
Payroll Related Costs	312,208,602.05	0.00	0.00	307,555.86	312,516,157.91
Professional Fees and Services	605,126,740.31	0.00	0.00	699,732.30	605,826,472.61
Federal Pass-Through Expenditures	10,345,295.75	0.00	0.00	0.00	10,345,295.75
Travel	8,756,191.17	0.00	0.00	57,891.91	8,814,083.08
Materials and Supplies	387,339,195.04	0.00	0.00	1,168,597.31	388,507,792.35
Communication and Utilities	46,474,092.42	0.00	0.00	295.15	46,474,387.57
Repairs and Maintenance	816,035,135.99	0.00	0.00	49,612.50	816,084,748.49
Rentals and Leases	27,526,617.85	0.00	0.00	1,654.53	27,528,272.38
Printing and Reproduction	3,742,524.47	0.00	0.00	0.00	3,742,524.47
Claims and Judgments	7,667,608.37	0.00	0.00	0.00	7,667,608.37
Intergovernmental Payments	313,581,639.24	9,533,106.73	0.00	86,072,437.70	409,187,183.67
Public Assistance Payments	14,480,916.77	0.00	0.00	0.00	14,480,916.77
Other Expenditures	190,104,010.73	0.00	0.00	15,679,617.00	205,783,627.73
<b>Total Expenditures</b>	<b>\$ 3,409,288,089.50</b>	<b>\$ 9,533,106.73</b>	<b>\$ 0.00</b>	<b>\$ 105,107,076.27</b>	<b>\$ 3,523,928,272.50</b>

For the year ended Aug. 31, 2016, the above schedule represents governmental fund expenditures for both natural and functional classifications. As stated on the reconciliation of the governmental funds statement of revenues, expenditures and changes in fund balances to the statement of activities, certain governmental fund expenditures are converted to increases and decreases in assets, deferred outflows of resources, liabilities or deferred inflows of resources in the statement of net position. Thus, those expenditures are not reported by function on the statement of activities.





125 East 1<sup>st</sup> Street. Austin TX 78701

**[www.txdot.gov](http://www.txdot.gov)**

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

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