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# TEXAS DEPARTMENT OF TRANSPORTATION

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**Annual Financial Report**  
For The Fiscal Year Ended August 31, 2018  
(With Independent Auditor's Report)





**Texas Department of Transportation**  
**Annual Financial Report**  
**(With Independent Auditor's Report)**  
For the Fiscal Year Ended August 31, 2018

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

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**Texas Department of Transportation  
Annual Financial Report  
For the Fiscal Year Ended August 31, 2018**

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Section One

**Introductory Section**

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

December 14, 2018

To: The Citizens of Texas  
The Honorable Greg Abbott, Governor  
The Honorable Glenn Hegar, Texas Comptroller  
Mr. John McGeady, Assistant Director, Legislative Budget Board  
Ms. Sarah Keyton, Assistant 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, 2018 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 LLP, performed an independent audit, in accordance with generally accepted auditing standards, of TxDOT's basic financial statements for the year ended August 31, 2018. 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.

TxDOT 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 provide 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 districts and divisions.

TxDOT is led 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.

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### **Budgetary Controls**

Budgetary control is established at the appropriation level set forth by the General Appropriations Act (GAA). The GAA 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. After the GAA becomes law, the appropriated budgets are entered in the Uniform Statewide Accounting System (USAS) and TxDOT's internal PeopleSoft financial system. The budgetary control ensures compliance with any legislative initiatives and/or restrictions contained in the GAA. State budgets are requested and appropriated 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 approximately 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 10-year Unified Transportation Program (UTP), approved by the Texas Transportation Commission, was developed with extensive public input. It 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, in 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 32.8 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 2018. 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 formerly provided additional funding for transportation projects across the state. Bond proceeds from Proposition 14 and Texas Mobility Fund have already been obligated and spent. Proposition 12 bond proceeds are expected to be spent by the end of FY 2019. See Management Discussion and Analysis for more detail on TxDOT's bond programs and related debt service requirements.
3. Motor Fuels Tax - 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 State Highway Fund (SHF). In Texas and many other states, motor fuels tax collections have begun to fall behind in their ability to meet the ever rising cost of the transportation projects they support. In Texas, voters have recently approved 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.

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4. Proposition 1 – Funds are derived from a portion of oil and gas production taxes that voters approved in fiscal 2014. Pursuant to Section 49-g (c), Article III, Texas Constitution, the funds may be used for “constructing, maintaining, and acquiring rights-of-way for public roadways other than toll roads.” Proposition 1 funds are annually received by TxDOT in November. TxDOT received \$734.4 million in November 2017 (fiscal 2018) and \$1.4 billion in November 2018 (fiscal 2019).
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.

Proposition 7 funds are deposited into the SHF pursuant to Section 7-c, Article VIII, Texas Constitution. In Aug. 2018 TxDOT received \$939 million and the remaining \$1.6 billion in Sept. 2018. Of the \$2.5 billion Proposition 7 funds, approximately \$613.4 million is dedicated to pay for debt service on Proposition 12 bonds in FY 2018-2019. Any remaining Proposition 7 funds may be expended to construct, maintain, or acquire of rights-of-way for public roadways other than toll roads.

## Major Initiatives

### 1. Modernizing Information Management

TxDOT has embarked on an agency wide information management solution to automate and streamline the delivery of transportation programs. The Modernize Portfolio and Project Management (MPPM) initiative will transform how TxDOT executes and measures portfolio management and project management, including right of way. It will replace up to 40 legacy engineering operations systems, including a 30-year-old mainframe system. MPPM will also standardize and automate processes while providing transparency in performance measurement. This initiative will impact a large number of TxDOT stakeholders including metropolitan planning organizations, local governments, the Federal Highway Administration, consultants and vendors.

### 2. Austin Campus Consolidation

Planning, design and preconstruction activities are underway to consolidate five TxDOT campuses on the recently purchased 49 acres at East Stassney Lance and Burleson Road in Southeast Austin. Initial civil construction activities are expected to commence in February, 2019. The Department has submitted a legislative appropriation request for consideration of funding for the building construction of the campus consolidation to the 86th Legislature.

### 3. Texas Clear Lanes

In September 2015, Governor Greg Abbott directed the Texas Transportation Commission to address the state's most congested chokepoints and to work with transportation planners to get new roads built swiftly and effectively. The effort is known as Texas Clear Lanes and is spearheaded by Commission Chairman J. Bruce Bugg, Jr. Since the program began, the Transportation Commission has allocated more than \$18.0 billion to congestion-relief efforts in Austin, Dallas, Fort Worth, Houston and San Antonio, our state's largest metropolitan areas and home to 92 of the Top 100 most congested corridors according to the Texas A&M Transportation Institute 2017 analysis.

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**4. Funding Key Priorities**

With more than \$75 billion in total funding, TxDOT's 2019 Unified Transportation Program represents a major commitment by the Texas Legislature and citizens to plan for and meet the state's mobility needs. The 10-year plan addresses capacity, maintenance and safety needs around the state. It targets congestion in Texas' five most congested areas and includes projects to better connect major interstates in rural areas with local roads and highways.

**5. Innovation & Cost Efficiency Suggestions Program**

The Department created the Innovation & Cost Efficiency Suggestions Program in accordance with Texas Government Code §2054.1264. The program provides all TxDOT employees and external stakeholders including public citizens the opportunity to provide suggestions. The Department posts suggestions each quarter on the external TxDOT website for public voting. During the spring of 2018, the program was revamped to include an implementation component. A workgroup was created to establish a framework and process that would establish a central repository for all employee and external suggestions concerning innovations, cost savings, and efficiencies to be considered. The work group makes recommendations based off district or division feedback through Tactical and Executive Steering Committees. The Executive Steering Committee decides which suggestions should move forward to implementation. The progress on the related projects will be monitored and reported until completion.

**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

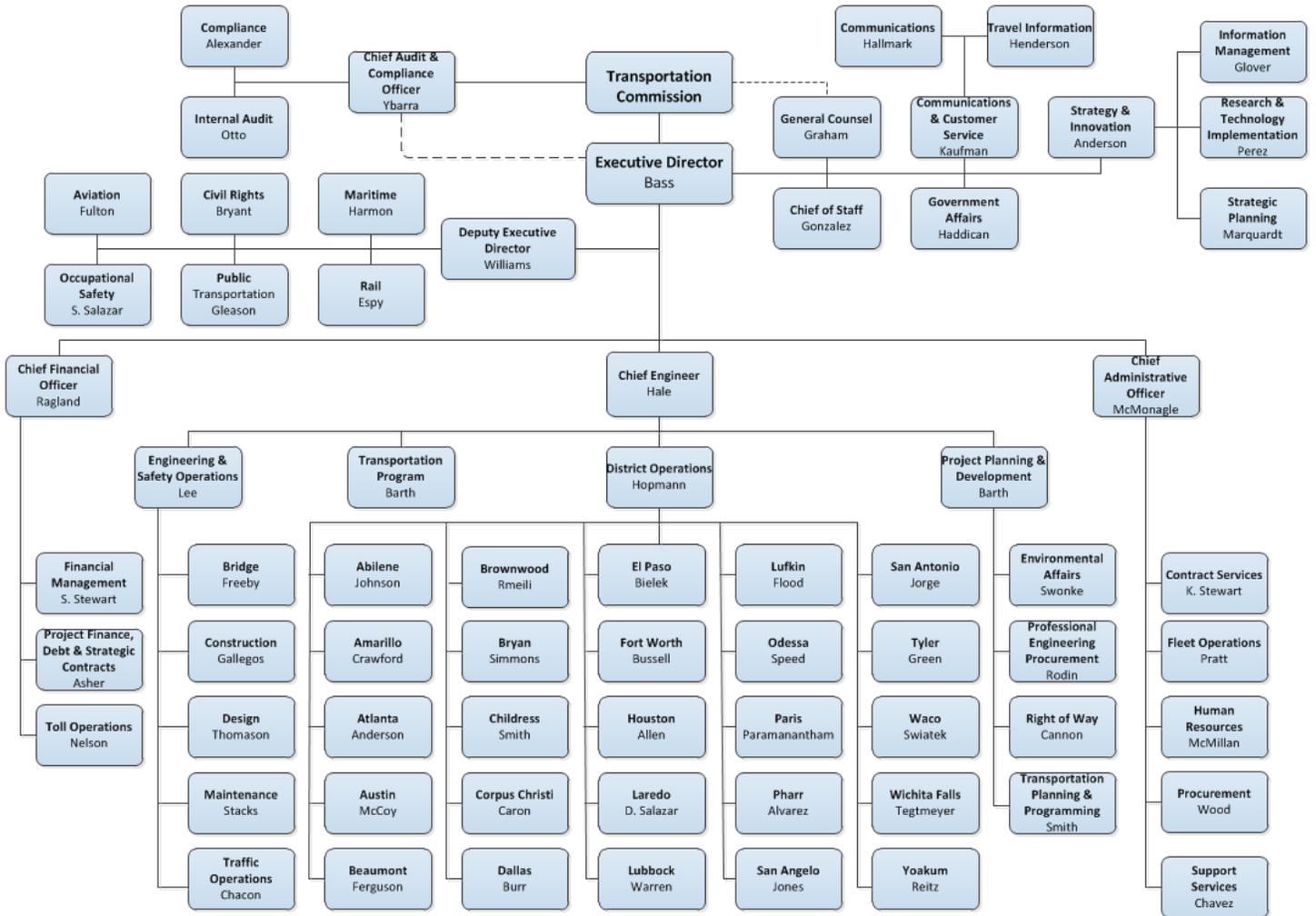
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# Texas Department of Transportation

## Organization Chart as of August 31, 2018



**Commission and Key Personnel  
As of August 31, 2018**

**TEXAS TRANSPORTATION COMMISSION**

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

JEFF AUSTIN III .....Commissioner  
Tyler

ALVIN NEW.....Commissioner  
San Angelo

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

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, 2018, 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, 2018, 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 Matters**

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, 2018, 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 opinions are not modified with respect to this matter.

As discussed in Note 1 to the financial statements, in June 2015 the GASB issued GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." Statement 75 was effective for the TxDOT's fiscal year ended August 31, 2018. This Statement replaces the requirements of Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". Statement 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identified the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosures and required supplementary information requirements about defined benefit OPEB also are addressed. As a result, governmental activities net position was restated by \$4,435,191,000 as of September 1, 2017, for the cumulative effect of the application of this pronouncement. Our opinions are 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, Schedules of Net Pension Liability and Schedules of Net OPEB Liability* on pages 12-17, 96-98, 100-101 and 102-103, 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, 1B 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, 1B 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 14, 2018 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.

A handwritten signature in black ink that reads "Crowe LLP". The word "Crowe" is written in a cursive style, and "LLP" is written in a more blocky, sans-serif style.

Crowe LLP

Dallas, Texas  
December 14, 2018

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, 2018. 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

Assets – TxDOT's total assets increased by \$9.1 billion during the current fiscal year to \$125.6 billion. The majority of the increase in assets other than capital assets is due to the initial receipt and accrual of \$2.5 billion Proposition 7 funding and a \$650 million increase in Proposition 1 funding. Capital assets increased by \$5.7 billion during the current fiscal year. 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.

Liabilities – TxDOT's total liabilities increased by \$4.9 billion during the current fiscal year to \$32.4 billion. The majority of this change is due to the recognition of \$3.8 billion for TxDOT's share of the state's other post-employment (OPEB) obligation as a result of implementing GASB statement 75. Other significant fiscal 2018 liability activity included GPTC's issuance of \$878.6 million in revenue bonds.

Deferred Inflow – TxDOT's total deferred inflow of resources increased by \$1.6 billion during the current fiscal year to \$12.5 billion. The increase is due to the implementation of GASB statement 75 for \$840.1 million and the recognition related to a completed Service Concession Project, net of other activity.

Net Position – Approximately \$80.5 billion of the total net position is reported as Net Investment in Capital Assets. Although reported net of related debt and deferred inflow of resources, capital assets themselves cannot be used to liquidate liabilities.

<b>Statement of Net Position</b>						
August 31, 2018 and 2017 (Amounts in Thousands)						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>						
Assets Other Than Capital Assets	\$ 10,478,628	\$ 8,837,854	\$ 5,364,398	\$ 3,602,838	\$ 15,843,026	\$ 12,440,692
Capital Assets	107,193,998	101,415,045	2,596,517	2,648,000	109,790,515	104,063,045
<b>Total Assets</b>	<b>117,672,626</b>	<b>110,252,899</b>	<b>7,960,915</b>	<b>6,250,838</b>	<b>125,633,541</b>	<b>116,503,737</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	<b>678,255</b>	<b>698,415</b>	<b>28,183</b>	<b>30,102</b>	<b>706,438</b>	<b>728,517</b>
<b>LIABILITIES</b>						
Current Liabilities	2,922,623	2,990,209	167,203	105,485	3,089,826	3,095,694
Non-current Liabilities	21,692,210	18,450,645	7,612,159	5,925,452	29,304,369	24,376,097
<b>Total Liabilities</b>	<b>24,614,833</b>	<b>21,440,854</b>	<b>7,779,362</b>	<b>6,030,937</b>	<b>32,394,195</b>	<b>27,471,791</b>
<b>DEFERRED INFLOW OF RESOURCES</b>	<b>12,479,450</b>	<b>10,838,907</b>	<b>0</b>	<b>0</b>	<b>12,479,450</b>	<b>10,838,907</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	79,965,817	76,119,487	557,881	597,067	80,523,698	76,716,554
Restricted	5,551,531	2,665,797	343,966	271,523	5,895,497	2,937,320
Unrestricted	(4,260,750)	(113,731)	(692,111)	(618,587)	(4,952,861)	(732,318)
<b>Total Net Position</b>	<b>\$ 81,256,598</b>	<b>\$ 78,671,553</b>	<b>\$ 209,736</b>	<b>\$ 250,003</b>	<b>\$ 81,466,334</b>	<b>\$ 78,921,556</b>

## Changes in Net Position

TxDOT earned program revenues of \$5.7 billion and general revenues of \$6.7 billion, for total revenues of \$12.4 billion. The expenses of TxDOT were \$7.0 billion. As a result of revenues exceeding expenses, the total net position increased to \$81.5 billion. Revenues and expenses of TxDOT's governmental and business-type activities are detailed below.

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 \$2.5 billion, or 3.1 percent, from fiscal 2017, primarily due to the receipt and accrual of additional tax revenues related to Proposition 1 and Proposition 7 funding.

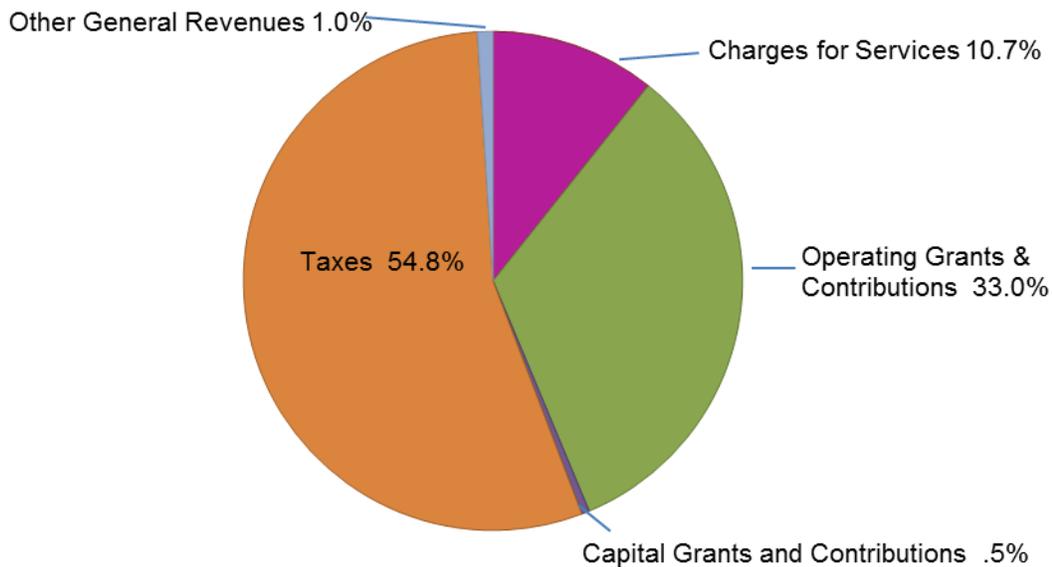
In fiscal 2018 the net position of business-type activities, which includes CTTS and GPTC, decreased by a total of \$40.3 million, or 16.1 percent from fiscal 2017.

- CTTS had an increase in the net position of \$23.1 million, or 7.0 percent. The majority of the increase is attributable to a one-time transfer of \$22.7 million from the state highway fund of fees and interest previously accumulated in the state highway fund. In addition, CTTS toll revenues (net of allowance) increased by \$12.3 million or 6.7 percent over fiscal 2017 due to increases in toll transactions.
- GPTC had a decrease in the net position of \$63.4 million, or 79.1 percent. The decrease is primarily caused by the recognition of amortization expense and interest expense in excess of operating revenues. Operating revenues increased by \$17.0 million, or 10.7 percent, due to an increase in traffic and a two percent toll rate increase that became effective on Jan. 1, 2018.

<b>Changes in Net Position</b>						
For the Fiscal Years Ended August 31, 2018 and 2017 (Amounts in Thousands)						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	\$ 1,277,188	\$ 1,114,190	\$ 396,693	\$ 359,149	\$ 1,673,881	\$ 1,473,339
Operating Grants and Contributions	3,972,285	3,835,286	23,169	13,858	3,995,454	3,849,144
Capital Grants and Contributions	61,896	49,542			61,896	49,542
Total Program Revenues	<u>5,311,369</u>	<u>4,999,018</u>	<u>419,862</u>	<u>373,007</u>	<u>5,731,231</u>	<u>5,372,025</u>
General Revenues:						
Appropriations	999	268,868			999	268,868
Taxes	6,589,363	3,446,772			6,589,363	3,446,772
Unrestricted Investment Earnings	98,852	77,318			98,852	77,318
Settlement of Claims	21,133	28,215	5,166		26,299	28,215
Other General Revenues	3,385	9,071			3,385	9,071
Total General Revenues	<u>6,713,732</u>	<u>3,830,244</u>	<u>5,166</u>	<u>0</u>	<u>6,718,898</u>	<u>3,830,244</u>
Total Revenues	<u>12,025,101</u>	<u>8,829,262</u>	<u>425,028</u>	<u>373,007</u>	<u>12,450,129</u>	<u>9,202,269</u>
<b>EXPENSES</b>						
Transportation	6,475,125	6,135,429	491,228	451,780	6,966,353	6,587,209
Total Expenses	<u>6,475,125</u>	<u>6,135,429</u>	<u>491,228</u>	<u>451,780</u>	<u>6,966,353</u>	<u>6,587,209</u>
Excess (Deficiency) Before Special						
Items and Transfers	5,549,976	2,693,833	(66,200)	(78,773)	5,483,776	2,615,060
Transfers - Internal Activities	(25,933)	(5,191)	25,933	5,191	0	0
Transfers-Other State Agencies	1,496,193	1,398,918			1,496,193	1,398,918
Change in Net Position	<u>7,020,236</u>	<u>4,087,560</u>	<u>(40,267)</u>	<u>(73,582)</u>	<u>6,979,969</u>	<u>4,013,978</u>
Net Position, September 1, 2017	78,671,553	74,583,993	250,003	323,585	78,921,556	74,907,578
Restatements	<u>(4,435,191)</u>				<u>(4,435,191)</u>	
Net Position, September 1, 2017, as Restated	<u>74,236,362</u>	<u>74,583,993</u>	<u>250,003</u>	<u>323,585</u>	<u>74,486,365</u>	<u>74,907,578</u>
Net Position, August 31, 2018	<u>\$ 81,256,598</u>	<u>\$ 78,671,553</u>	<u>\$ 209,736</u>	<u>\$ 250,003</u>	<u>\$ 81,466,334</u>	<u>\$ 78,921,556</u>

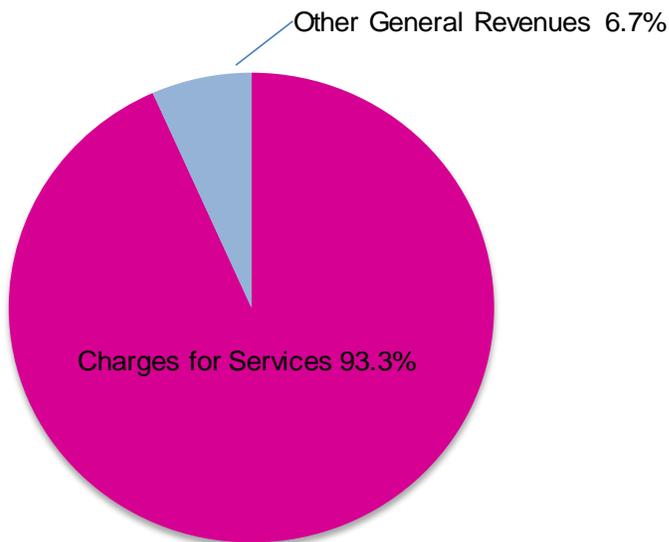
### Revenues by Source: Governmental Activities

For the Fiscal Year Ended August 31, 2018



### Revenues by Source: Business-Type Activities

For the Fiscal Year Ended August 31, 2018



#### Financial Analysis of TxDOT's Funds

TxDOT's governmental funds reported a combined ending fund balance, as of Aug. 31, 2018, of \$7.1 billion. Expenditures exceeded revenues by \$357.9 million. 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, 2018, TxDOT had \$109.8 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, 2018 and 2017 (Amounts in Thousands)</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Land and Land Improvements	\$ 13,712,660	\$ 12,937,927	\$ 668,798	\$ 668,771	\$ 14,381,458	\$ 13,606,698
Infrastructure - Depreciable	74,896,804	71,088,892	1,895,815	1,947,170	76,792,619	73,036,062
Construction in Progress	17,885,102	16,679,638	8,557	8,351	17,893,659	16,687,989
Buildings and Building Improvements	258,988	251,806	3,881	4,242	262,869	256,048
Furniture and Equipment	63,348	62,179			63,348	62,179
Vehicles, Boats and Aircraft	328,181	338,911			328,181	338,911
Other Capital Assets	6,367	4,546			6,367	4,546
Land Use Rights - Permanent	25,440	24,819	19,466	19,466	44,906	44,285
Land Use Rights - Term	1,000	2,492			1,000	2,492
Computer Software	16,108	23,835			16,108	23,835
<b>Total Capital Assets</b>	<b>\$ 107,193,998</b>	<b>\$ 101,415,045</b>	<b>\$ 2,596,517</b>	<b>\$ 2,648,000</b>	<b>\$ 109,790,515</b>	<b>\$ 104,063,045</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 2018 is 2.5 percent 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 \$23.7 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, 2018 (Amount in Thousands)</b>				
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
General Obligation Bonds Payable	\$ 10,971,358	\$ 11,247,275	\$	\$
Revenue Bonds Payable	4,470,180	4,732,778	6,106,955	5,088,789
<b>Total Bonds Payable</b>	<b>\$ 15,441,538</b>	<b>\$ 15,980,053</b>	<b>\$ 6,106,955</b>	<b>\$ 5,088,789</b>

*Bond Credit Ratings*

<b>Long-Term Credit Ratings as of August 31, 2018</b>			
	<u>Fitch</u>	<u>Moody's</u>	<u>Standard &amp; Poor's</u>
<b>Governmental Activities</b>			
General Obligation Bonds	AAA	Aaa	AAA
Revenue Bonds	n/a	Aaa	AAA
<b>Business-Type Activities</b>			
<b>Revenue Bonds</b>			
CTTS 2002-A, 2012-A, 2015-A,B	A-	A3	A-
CTTS 2015-C	BBB	Baa1	BBB+
GPTC 2013-A	A-	n/a	BBB
GPTC 2013-B,E, 2018-A,B	AA	n/a	AA+
GPTC BAN 2018	A-	n/a	BBB

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, 2018.

<b>Short-Term Credit Ratings as of August 31, 2018</b>			
	<u>Fitch</u>	<u>Moody's</u>	<u>Standard &amp; Poor's</u>
<b>Governmental Activities</b>			
General Obligation Bonds:			
TMF Series 2006-B Variable Rate Interest Bonds	F1+	VMIG 1	n/a
Revenue Bonds:			
SHF Series 2014-B1 Variable Rate Interest Bonds	n/a	VMIG 1	A-1

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

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Section Two (Continued)

**Basic Financial Statements**

**Texas Department of Transportation**  
**Statement of Net Position**  
August 31, 2018 (Amounts in Thousands)

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 5,384,301	\$ 386,988	\$ 5,771,289
Short-Term Investments		169,230	169,230
Restricted:			
Cash and Cash Equivalents	19,248	1,326,175	1,345,423
Short-Term Investments	4,966	880,548	885,514
Legislative Appropriations	5,314		5,314
Due from Other Agencies (Note 11)	3,171,988		3,171,988
Receivable:			
Taxes	232,549		232,549
Federal	535,557		535,557
Interest and Dividends	6,784	2,723	9,507
Accounts Receivable	40,570	33,626	74,196
Other Intergovernmental	180,778		180,778
Loans and Contracts (Note 4)	11,966		11,966
Consumable Inventory	145,882	1,561	147,443
<b>Total Current Assets</b>	<b>9,739,903</b>	<b>2,800,851</b>	<b>12,540,754</b>
Noncurrent Assets:			
Restricted:			
Investments		114,999	114,999
Loans and Contracts (Note 4)	738,725		738,725
Investments		69,647	69,647
Intangible Assets (Note 20)		2,378,901	2,378,901
Capital Assets:			
Non-Depreciable Capital Assets (Note 2)	31,623,203	696,822	32,320,025
Depreciable Capital Assets, Net (Note 2)	75,570,795	1,899,695	77,470,490
<b>Total Noncurrent Assets</b>	<b>107,932,723</b>	<b>5,160,064</b>	<b>113,092,787</b>
<b>Total Assets</b>	<b>117,672,626</b>	<b>7,960,915</b>	<b>125,633,541</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on Bond Refunding (Note 21)	159,457	28,183	187,640
Pensions (Note 8, 21)	411,624		411,624
Other Postemployment Benefits (Note 10, 21)	107,174		107,174
<b>Total Deferred Outflows of Resources</b>	<b>678,255</b>	<b>28,183</b>	<b>706,438</b>

**Texas Department of Transportation**  
**Statement of Net Position**  
August 31, 2018 (Amounts in Thousands)

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>LIABILITIES</b>			
Current Liabilities:			
Payables:			
Accounts	1,117,857	46,944	1,164,801
Payroll	80,289		80,289
Interest	278,417	60,614	339,031
Contract Retainage	4,500	2,089	6,589
Internal Balances (Note 11)	(10,269)	10,269	0
Due to Other Agencies (Note 11)	1,547		1,547
Unearned Revenues	548,840		548,840
Employees' Compensable Leave (Note 5)	73,162		73,162
Notes and Loans Payable (Note 5)	246,126	10,532	256,658
General Obligation Bonds Payable (Note 5)	287,947		287,947
Revenue Bonds Payable (Note 5)	268,420	36,755	305,175
Pollution Remediation Obligation (Note 5)	6,508		6,508
Net OPEB Liability (Note 10)	19,279		19,279
<b>Total Current Liabilities</b>	<b>2,922,623</b>	<b>167,203</b>	<b>3,089,826</b>
Noncurrent Liabilities:			
Employees' Compensable Leave (Note 5)	28,322		28,322
Notes and Loans Payable (Note 5)	1,009,924	1,541,959	2,551,883
General Obligation Bonds Payable (Note 5)	10,683,411		10,683,411
Revenue Bonds Payable (Note 5)	4,201,760	6,070,200	10,271,960
Pollution Remediation Obligation (Note 5)	132		132
Net Pension Liability (Note 8)	1,988,386		1,988,386
Net OPEB Liability (Note 10)	3,780,275		3,780,275
<b>Total Noncurrent Liabilities</b>	<b>21,692,210</b>	<b>7,612,159</b>	<b>29,304,369</b>
<b>Total Liabilities</b>	<b>24,614,833</b>	<b>7,779,362</b>	<b>32,394,195</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Service Concession Arrangements (Note 20)	11,561,680		11,561,680
Gain on Bond Refunding (Note 21)	3,362		3,362
Pensions (Note 8, 21)	74,308		74,308
Other Postemployment Benefits (Note 10, 21)	840,100		840,100
<b>Total Deferred Inflows of Resources</b>	<b>12,479,450</b>	<b>0</b>	<b>12,479,450</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	79,965,817	557,881	80,523,698
Restricted for:			
Capital Projects	4,744,605		4,744,605
Debt Service	798,662	157,036	955,698
Operations and Maintenance	8,264	186,930	195,194
Unrestricted	(4,260,750)	(692,111)	(4,952,861)
<b>Total Net Position</b>	<b>\$ 81,256,598</b>	<b>\$ 209,736</b>	<b>81,466,334</b>

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

**Texas Department of Transportation**

**Statement of Activities**

For the Fiscal Year Ended August 31, 2018 (Amounts in Thousands)

Functions	PROGRAM REVENUES			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Transportation	\$ 6,475,125	\$ 1,277,188	\$ 3,972,285	\$ 61,896
Total Governmental Activities	<u>6,475,125</u>	<u>1,277,188</u>	<u>3,972,285</u>	<u>61,896</u>
Business-Type Activities:				
Transportation	491,228	396,693	23,169	
Total Business-Type Activities	<u>491,228</u>	<u>396,693</u>	<u>23,169</u>	<u>0</u>
Total Primary Government	<u>\$ 6,966,353</u>	<u>\$ 1,673,881</u>	<u>\$ 3,995,454</u>	<u>\$ 61,896</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
- Other Revenues
- Transfers – Internal Activities (Note 11)
- Transfers – Other State Agencies
- Total General Revenues and Transfers
- Changes in Net Position

Net Position, September 1, 2017

Restatements (Note 14)

Net Position, September 1, 2017, As Restated

Net Position, August 31, 2018

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

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

<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
\$ (1,163,756)	\$	\$ (1,163,756)
<u>(1,163,756)</u>	<u>0</u>	<u>(1,163,756)</u>
	(71,366)	(71,366)
<u>0</u>	<u>(71,366)</u>	<u>(71,366)</u>
<u>(1,163,756)</u>	<u>(71,366)</u>	<u>(1,235,122)</u>
1,208		1,208
290		290
(499)		(499)
2,662,680		2,662,680
2,542,568		2,542,568
1,384,115		1,384,115
98,852		98,852
21,133	5,166	26,299
3,385		3,385
(25,933)	25,933	0
<u>1,496,193</u>		<u>1,496,193</u>
<u>8,183,992</u>	<u>31,099</u>	<u>8,215,091</u>
<u>7,020,236</u>	<u>(40,267)</u>	<u>6,979,969</u>
78,671,553	250,003	78,921,556
<u>(4,435,191)</u>		<u>(4,435,191)</u>
<u>74,236,362</u>	<u>250,003</u>	<u>74,486,365</u>
<u>\$ 81,256,598</u>	<u>\$ 209,736</u>	<u>\$ 81,466,334</u>

**Texas Department of Transportation**  
**Balance Sheet - Governmental Funds**  
August 31, 2018 (Amounts in Thousands)

	<u>State Highway Fund</u>	<u>Texas Mobility Fund</u>	<u>Proposition 12 Highway Improvement Project Fund</u>	<u>Local Government Political Subdivision Road/Airport Account</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and Cash Equivalents:						
Cash on Hand	\$ 77	\$	\$	\$	\$	\$ 77
Cash in Bank	8,837					8,837
Cash in State Treasury	3,653,801	568,275	438,600	479,226	235,485	5,375,387
Legislative Appropriations					5,314	5,314
Receivables:						
Taxes	232,549					232,549
Federal	535,557					535,557
Other Intergovernmental	180,778					180,778
Interest and Dividends	6,784					6,784
Accounts Receivable	40,570					40,570
Due from Other Funds (Note 11)	15,957			4,400		20,357
Due from Other Agencies (Note 11)	3,171,988					3,171,988
Consumable Inventories	145,882					145,882
Loans and Contracts (Note 4)	750,625				66	750,691
Restricted:						
Cash Equivalents	19,248					19,248
Short-Term Investments	4,966					4,966
<b>Total Assets</b>	<b>\$ 8,767,619</b>	<b>\$ 568,275</b>	<b>\$ 438,600</b>	<b>\$ 483,626</b>	<b>\$ 240,865</b>	<b>\$ 10,498,985</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities:						
Payables:						
Accounts	1,050,690	20,752	40,194		6,221	1,117,857
Payroll	80,174				115	80,289
Contract Retainage	4,500					4,500
Due to Other Funds (Note 11)					10,088	10,088
Due to Other Agencies (Note 11)	1,547					1,547
Unearned Revenues	61,293	1,817		483,626	2,104	548,840
<b>Total Liabilities</b>	<b>1,198,204</b>	<b>22,569</b>	<b>40,194</b>	<b>483,626</b>	<b>18,528</b>	<b>1,763,121</b>
Deferred Inflows of Resources:						
Unavailable Revenue (Note 21)	1,605,920					1,605,920
<b>Total Deferred Inflows of Resources</b>	<b>1,605,920</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,605,920</b>
Fund Balances:						
Nonspendable (Note 13)	145,882				23	145,905
Restricted (Note 13)	3,709,928	545,706	398,406		206,939	4,860,979
Committed (Note 13)	787,550				10,155	797,705
Assigned (Note 13)	1,320,135				116	1,320,251
Unassigned (Note 13)					5,104	5,104
<b>Total Fund Balances</b>	<b>5,963,495</b>	<b>545,706</b>	<b>398,406</b>	<b>0</b>	<b>222,337</b>	<b>7,129,944</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 8,767,619</b>	<b>\$ 568,275</b>	<b>\$ 438,600</b>	<b>\$ 483,626</b>	<b>\$ 240,865</b>	<b>\$ 10,498,985</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, 2018 (Amounts in Thousands)

**Total Fund Balance - Governmental Funds** \$ 7,129,944

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	\$ 31,623,203	
Capital Assets - Depreciable or Amortizable, Net	75,570,795	
		107,193,998

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).		1,605,920
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Deferred inflows of resources were reported in the Statement of Net Position to reflect the unamortized up-front payments received and capital improvements under Service Concession Arrangements, gain on bond refundings, and impact of pension and other postemployment benefit adjustments (Note 21).		(12,479,450)
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Deferred outflows of resources were reported in the Statement of Net Position to reflect the loss on bond refundings and impact of pension and other postemployment benefits. (Note 21)		678,255
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Long-term liabilities applicable to TxDOT's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. These liabilities, however, are included in the Statement of Net Position. (Note 5, 8, 10)

Employees' Compensable Leave	(101,484)	
Notes and Loans Payable**	(1,256,050)	
General Obligation Bonds Payable	(10,971,358)	
Revenue Bonds Payable	(4,470,180)	
Pollution Remediation Obligations	(6,640)	
Net Pension Liability	(1,988,386)	
Net OPEB Liabilities	(3,799,554)	
		(22,593,652) *

\* Current portion \$901,442 and noncurrent portion \$21,692,210

\*\*Pass-Through Tolls Payable \$939,088, Contracts Payable \$22,658 and TIFIA Loan Payable \$294,304

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.		(278,417)
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**Net Position of Governmental Activities** \$ 81,256,598

**Texas Department of Transportation**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Governmental Funds**  
For the Fiscal Year Ended August 31, 2018 (Amounts in Thousands)

	<u>State Highway Fund</u>	<u>Texas Mobility Fund</u>	<u>Proposition 12 Highway Improvement Project Fund</u>	<u>Local Government Political Subdivision Road/Airport Account</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>REVENUES</b>						
Legislative Appropriations:						
Original Appropriations	\$	\$	\$	\$	\$	1,208
Additional Appropriations					290	290
Taxes	5,976,202					5,976,202
Federal Revenues	3,844,009	21,756			25,239	3,891,004
Federal Pass-Through Revenues	13,008					13,008
Licenses, Fees and Permits	68,570	455,258				523,828
Interest & Investment Income	74,263	12,763	9,778		2,165	98,969
Land Income	23,128					23,128
Settlement of Claims	21,133					21,133
Sales of Goods and Services	133,048			307,929	394	441,371
Other Revenues	3,516	70				3,586
<b>Total Revenues</b>	<u>10,156,877</u>	<u>489,847</u>	<u>9,778</u>	<u>307,929</u>	<u>29,296</u>	<u>10,993,727</u>
<b>EXPENDITURES</b>						
Transportation	3,673,402	29			22,788	3,696,219
Capital Outlay	5,660,605	496,845	286,090			6,443,540
Debt Service:						
Principal on State Bonds	127,920	68,410			215,675	412,005
Principal on Pass-Through Tolls	110,843					110,843
Interest on State Bonds	192,519	288,986			206,227	687,732
Other Financing Fees	1,035	252				1,287
<b>Total Expenditures</b>	<u>9,766,324</u>	<u>854,522</u>	<u>286,090</u>	<u>0</u>	<u>444,690</u>	<u>11,351,626</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>390,553</u>	<u>(364,675)</u>	<u>(276,312)</u>	<u>307,929</u>	<u>(415,394)</u>	<u>(357,899)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In (Note 11)	1,953,358	151,424			403,750	2,508,532
Transfers Out (Note 11)	(571,190)	(151,424)		(307,929)	(4,879)	(1,035,422)
Sale of Capital Assets	5,454				3,369	8,823
Appropriations Lapsed					(499)	(499)
<b>Total Other Financing Sources (Uses)</b>	<u>1,387,622</u>	<u>0</u>	<u>0</u>	<u>(307,929)</u>	<u>401,741</u>	<u>1,481,434</u>
<b>Net Change in Fund Balances</b>	<u>1,778,175</u>	<u>(364,675)</u>	<u>(276,312)</u>	<u>0</u>	<u>(13,653)</u>	<u>1,123,535</u>
Fund Balances, September 1, 2017	4,185,320	910,381	674,718	0	235,990	6,006,409
<b>Fund Balances, August 31, 2018</b>	<u>\$ 5,963,495</u>	<u>\$ 545,706</u>	<u>\$ 398,406</u>	<u>\$ 0</u>	<u>\$ 222,337</u>	<u>\$ 7,129,944</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, 2018 (Amounts in Thousands)

**Net Change in Fund Balances** \$ 1,123,535

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	\$ 6,443,540	
Depreciation and Amortization Expense (Note 2)	<u>(1,916,044)</u>	
		4,527,496

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

Donations of Capital Assets	61,896	
Loss on Sale of Capital Assets	(1,642)	
Sale of Capital Assets	(8,823)	
Interagency Transfers of Capital Assets	<u>(2,850)</u>	
		48,581

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	286,541	
Federal Revenue	67,955	
Local Revenue	2,321	
Oil & Natural Gas Production Tax Revenue	649,697	
Motor Fuel Tax Revenue	<u>(36,536)</u>	
		969,978

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	522,848	
Net Change in Pollution Remediation Obligation	(765)	
Net Change in Employees' Compensable Leave	<u>(7,442)</u>	
		514,641

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	103,573	
Financing Fees	(15,656)	
Payroll Related Costs	<u>(251,912)</u>	
		<u>(163,995)</u>

**Change in Net Position of Governmental Activities** \$ 7,020,236

**Texas Department of Transportation**  
**Statement of Net Position - Proprietary Funds**  
August 31, 2018 (Amounts in Thousands)

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Central Texas Turnpike System</b>	<b>Grand Parkway Transportation Corporation</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents:			
Cash in Transit	\$ 37,970	\$	\$ 37,970
Cash and Cash Equivalents	239,780	109,238	349,018
Short-Term Investments	114,554	54,676	169,230
Restricted:			
Cash and Cash Equivalents	43,775	1,282,400	1,326,175
Short-Term Investments	146,797	733,751	880,548
Receivables:			
Accounts Receivable	17,485	16,141	33,626
Interest and Dividends	818	1,905	2,723
Consumable Inventory	1,332	229	1,561
Total Current Assets	<u>602,511</u>	<u>2,198,340</u>	<u>2,800,851</u>
Noncurrent Assets:			
Restricted:			
Investments	114,999		114,999
Investments		69,647	69,647
Intangible Assets (Note 20)		2,378,901	2,378,901
Capital Assets:			
Non-Depreciable Capital Assets (Note 2)	696,822		696,822
Depreciable Capital Assets, Net (Note 2)	1,899,695		1,899,695
Total Noncurrent Assets	<u>2,711,516</u>	<u>2,448,548</u>	<u>5,160,064</u>
Total Assets	<u>3,314,027</u>	<u>4,646,888</u>	<u>7,960,915</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources			
Loss on Bond Refunding (Note 21)	28,183		28,183
Total Deferred Outflows of Resources	<u>28,183</u>	<u>0</u>	<u>28,183</u>

**Texas Department of Transportation**  
**Statement of Net Position - Proprietary Funds**  
August 31, 2018 (Amounts in Thousands)

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Central Texas Turnpike System</u>	<u>Grand Parkway Transportation Corporation</u>	<u>Totals</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Payables:			
Accounts	6,961	39,983	46,944
Interest	4,460	56,154	60,614
Contract Retainage		2,089	2,089
Due to Other Funds (Note 11)	3,684	6,585	10,269
Notes and Loans Payable (Notes 5)		10,532	10,532
Revenue Bonds Payable (Notes 5, 6)	32,532	4,223	36,755
Total Current Liabilities	<u>47,637</u>	<u>119,566</u>	<u>167,203</u>
Noncurrent Liabilities:			
Notes and Loans Payable (Note 5)		1,541,959	1,541,959
Revenue Bonds Payable (Notes 5, 6)	2,941,335	3,128,865	6,070,200
Total Noncurrent Liabilities	<u>2,941,335</u>	<u>4,670,824</u>	<u>7,612,159</u>
Total Liabilities	<u>2,988,972</u>	<u>4,790,390</u>	<u>7,779,362</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	557,881		557,881
Restricted for:			
Debt Service	123,247	33,789	157,036
Operations and Maintenance	124,923	62,007	186,930
Unrestricted	(452,813)	(239,298)	(692,111)
Total Net Position	<u>\$ 353,238</u>	<u>\$ (143,502)</u>	<u>\$ 209,736</u>

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

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**Texas Department of Transportation**  
**Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds**  
For the Fiscal Year Ended August 31, 2018 (Amounts in Thousands)

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Central Texas Turnpike System</b>	<b>Grand Parkway Transportation Corporation</b>	<b>Totals</b>
<b>OPERATING REVENUES</b>			
Toll Revenue - Pledged	\$ 235,904	\$ 174,399	\$ 410,303
Discounts and Allowances	(38,358)	(2,768)	(41,126)
Fee Revenue - Pledged	23,911	3,592	27,503
Total Operating Revenues	<u>221,457</u>	<u>175,223</u>	<u>396,680</u>
<b>OPERATING EXPENSES</b>			
Salaries	1,807	1,747	3,554
Professional Fees and Services	4,095	2,403	6,498
Travel	7	5	12
Materials and Supplies	1,820	341	2,161
Communication and Utilities	787	187	974
Repairs and Maintenance	14,813	7,474	22,287
Rentals and Leases	5	4	9
Contracted Services	25,029	12,306	37,335
Advertising	1,437	108	1,545
Depreciation and Amortization	54,472	64,125	118,597
Other Operating Expenses	6,894	11,921	18,815
Total Operating Expenses	<u>111,166</u>	<u>100,621</u>	<u>211,787</u>
Operating Income	<u>110,291</u>	<u>74,602</u>	<u>184,893</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Lease Revenue	13		13
Interest and Investment Income	14,982	8,077	23,059
Settlement of Claims Revenue	166	5,000	5,166
Net Increase in Fair Value of Investments		110	110
Amortization	12,167	(330)	11,837
Interest Expense	(140,420)	(141,554)	(281,974)
Bond Issuance Expenses		(9,213)	(9,213)
Other Financing Fees	(34)	(57)	(91)
Total Nonoperating Revenues (Expenses)	<u>(113,126)</u>	<u>(137,967)</u>	<u>(251,093)</u>
(Loss) before Transfers	<u>(2,835)</u>	<u>(63,365)</u>	<u>(66,200)</u>
<b>TRANSFERS</b>			
Transfers In (Note 11)	25,933		25,933
Total Transfers	<u>25,933</u>	<u>0</u>	<u>25,933</u>
Change in Net Position	<u>23,098</u>	<u>(63,365)</u>	<u>(40,267)</u>
Net Position, September 1, 2017	<u>330,140</u>	<u>(80,137)</u>	<u>250,003</u>
Net Position, August 31, 2018	<u>\$ 353,238</u>	<u>\$ (143,502)</u>	<u>\$ 209,736</u>

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

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

For the Fiscal Year Ended August 31, 2018 (Amounts in Thousands)

**Business-Type Activities - Enterprise Funds**

	<b>Central Texas Turnpike System</b>	<b>Grand Parkway Transportation Corporation</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities</b>			
Proceeds from Customers	\$ 221,270	\$ 192,798	\$ 414,068
Proceeds from Settlement of Claims		5,000	5,000
Payments to Local Entity		(686)	(686)
Payments for Interfund Services Used		(38,445)	(38,445)
Payments to Suppliers for Goods and Services	(55,865)	(71)	(55,936)
Net Cash Provided by Operating Activities	<u>165,405</u>	<u>158,596</u>	<u>324,001</u>
<b>Cash Flows from Non-Capital Financing Activities</b>			
Proceeds from Transfers from Other Funds	22,744		22,744
Proceeds from Issuing Bonds		993,161	993,161
Proceeds from Issuing BANs		666,840	666,840
Payments for Debt Interest		(89,755)	(89,755)
Payments for Costs of Debt Issuance		(3,938)	(3,938)
Payments for Interfund Services Used		(1,035)	(1,035)
Payments for Intangible Assets		(67,383)	(67,383)
Net Cash Provided by Non-Capital Financing Activities	<u>22,744</u>	<u>1,497,890</u>	<u>1,520,634</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from Lease Revenue	13		13
Payments for Principal on Debt	(14,225)		(14,225)
Payments of Interest on Debt	(107,051)		(107,051)
Payments for Interfund Services Used for Other Financing Fees	(34)		(34)
Net Cash (Used) by Capital and Related Financing Activities	<u>(121,297)</u>	<u>0</u>	<u>(121,297)</u>
<b>Cash Flows from Investing Activities</b>			
Proceeds from Interest and Investment Income	12,983	14,058	27,041
Proceeds from Sales and Maturities of Investments	333,197	283,614	616,811
Proceeds from Settlements	165		165
Payments to Acquire Investments	(491,158)	(1,018,829)	(1,509,987)
Payments for Accrued Interest on Purchase of Investment		(1,580)	(1,580)
Net Cash (Used) by Investing Activities	<u>(144,813)</u>	<u>(722,737)</u>	<u>(867,550)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(77,961)</u>	<u>933,749</u>	<u>855,788</u>
Cash and Cash Equivalents - September 1, 2017	<u>399,486</u>	<u>457,889</u>	<u>857,375</u>
Cash and Cash Equivalents – August 31, 2018	<u>\$ 321,525</u>	<u>\$ 1,391,638</u>	<u>\$ 1,713,163</u>

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**Texas Department of Transportation**  
**Statement of Cash Flows - Proprietary Funds (continued)**  
For the Fiscal Year Ended August 31, 2018 (Amounts in Thousands)

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Central Texas Turnpike System</b>	<b>Grand Parkway Transportation Corporation</b>	<b>Totals</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income	\$ 110,291	\$ 74,602	\$ 184,893
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	54,472	64,125	118,597
Classification Differences		5,000	5,000
Other non-cash operating costs	200		200
Changes in Assets and Liabilities:			
(Increase) Decrease in Receivables	(188)	17,574	17,386
(Increase) Decrease in Inventories	76	(7)	69
Increase (Decrease) in Payables	554	(2,401)	(1,847)
(Decrease) in Deposits		(686)	(686)
Increase in Due to Other Funds		389	389
Total Adjustments	<u>55,114</u>	<u>83,994</u>	<u>139,108</u>
Net Cash Provided by Operating Activities	<u>\$ 165,405</u>	<u>\$ 158,596</u>	<u>\$ 324,001</u>
<b>Non-Cash Transactions</b>			
Transfer in of capital assets from other Fund	\$ 2,990	\$ 1,894	\$ 4,884
Amortization of Investment Premium/Discount	\$ 1,447	\$ 110	\$ 1,557

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

**Texas Department of Transportation**  
**Statement of Fiduciary Net Position**  
August 31, 2018 (Amounts in Thousands)

	<b>AGENCY FUNDS</b>
	<u>                    </u>
<b>ASSETS</b>	
Cash and Cash Equivalents:	
Cash on Hand	\$          12
Cash in Bank	987
Cash in State Treasury	446
Cash Equivalents	25,197
Short-Term Investments	21,839
Total Assets	<u>\$         48,481</u>
 <b>LIABILITIES</b>	
Liabilities:	
Funds Held for Others	48,481
Total Liabilities	<u>\$         48,481</u>

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

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

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

### ***Reporting Entity***

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

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

The Commission is authorized by Transportation Code Chapter 431 to create Texas transportation corporations to perform functions normally undertaken by TxDOT. As of fiscal 2018, two 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.

### ***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 in the preparation of the state of Texas Comprehensive Annual Financial Report (CAFR).

### ***GASB Statements Effective for Fiscal Year 2018***

In fiscal 2018 TxDOT adopted the following new GASB pronouncements:

- *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement replaces the Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. This statement establishes standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB.
- *GASB Statement No. 81, Irrevocable Split-Interest Agreements.* This statement establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts, in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The statement requires that a government recognize revenue when the resources become applicable to the reporting period.

- *GASB No. 85, Omnibus 2017.* This statement establishes accounting and financial reporting requirements to address practice issues identified in certain GASB statements. The topics include issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits including pensions and other postemployment benefits.
- *GASB 86, Certain Debt Extinguishment Issues.* This statement establishes accounting and financial reporting requirements for in-substance defeasance of debt using existing resources other than the proceeds of refunding debt. The statement establishes essentially the same requirements as the GASB statement No. 7, Advance Refundings Resulting in Defeasance of Debt, for a government places cash and other monetary assets acquired with only existing resources. This statement also addresses that for financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance.

### ***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.

### *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 (SHF) 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 – 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.
- Proposition 1 Fund – This fund is used to record, track and report the receipt and disbursement of the Proposition 1 allocation of oil and gas production tax to SHF.
- Proposition 7 Fund – This fund is used to record, track and report the receipt and disbursement of the Proposition 7 allocation of state sales and use tax and motor vehicle sales and rental tax to SHF.
- State Infrastructure Bank – This fund operates as a revolving loan program that makes loans to public and private entities to encourage the development of transportation projects and facilities.

#### Texas Mobility Fund

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

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

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 – 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 – This fund is used to account for expenditures pertaining to the crash records information system.
- Colonias Project Fund – 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 – 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– 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.

#### Debt Service Fund:

- Proposition 14/State Highway Fund Debt Service– 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

These funds report the activity and debt associated with the Central Texas Turnpike System toll roads.

#### Grand Parkway Transportation Corporation

These funds report the activity and debt associated with the development of Segments D (Harris County), E, F-1, F-2, G, H and I of the Grand Parkway toll road construction as reported by the 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 2018 included the unappropriated general revenue fund, child support deductions suspense account, toll revenue custodial account and the direct deposit correction accounts.

### *Component Units*

The Texas Private Activity Bond Surface Transportation Corporation is reported as a nonmajor component unit. 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 enacted by the Legislature and signed 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.

### *Investments*

Amounts invested associated with TxDOT 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 fiscal year end, 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*

Loans and contracts represent claims for which formal instruments of credit are issued as evidence of debt, such as a promissory note. The credit instrument normally requires the debtor to pay interest and extends for time periods of 30 days or longer. TxDOT provides state and local financing tools to assist local governments with transportation projects. See Note 4 for more details.

### *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 21 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 and Net OPEB Liability. Reported deferred outflows of resources include plan contributions made subsequent to the Aug. 31, 2017 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 two service concession arrangements (SCA) with TxDOT. As a governmental operator, GPTC records an intangible asset for its cost of design and construction. GPTC is capitalizing interest and accretion paid during the construction period to the intangible asset. Amortization of the intangible asset begins upon the completion of construction and the opening to traffic. 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*

TxDOT receives up-front payments related to the SCA's on the development of highways and future toll-road operations. 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, net OPEB 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, which is materially consistent with the effective interest 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.

On Nov. 3, 2015, Texas voters approved Proposition 7 that dedicates a portion of the revenue from the state sales and use tax and motor vehicle sales and rental tax to the State Highway Fund to provide funding for non-tolled roads and the reduction of transportation-related debt.

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 allowance for doubtful accounts and fee revenue.

Operating revenues of GPTC consist of toll revenue for open segments D, E, F-1, F-2, and G, net of allowance for doubtful accounts, and fee revenue earned by GPTC.

### ***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 2018. 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, 2018 (Amounts in Thousands)					
	<b>Balance 9/1/2017</b>	<b>Reclass- ifications</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 8/31/2018</b>
<b>GOVERNMENTAL ACTIVITIES</b>					
<b>Non-Depreciable &amp; Non-Amortizable Assets</b>					
Land and Land Improvements	\$ 12,937,927	\$ (27)	\$ 776,746	\$ (1,986)	\$ 13,712,660
Construction in Progress	16,679,638	(4,617,652)	5,823,115		17,885,101
Land Use Rights - Permanent	24,819		623		25,442
Total Non-Depreciable & Non-Amortizable Assets	<u>29,642,384</u>	<u>(4,617,679)</u>	<u>6,600,484</u>	<u>(1,986)</u>	<u>31,623,203</u>
<b>Depreciable Assets</b>					
Buildings and Building Improvements	527,952	25,609		(100)	553,461
Infrastructure	89,729,152	4,585,833	1,059,856	(3,183)	95,371,658
Furniture and Equipment	199,707	174	14,471	(8,330)	206,022
Vehicles and Aircraft	783,711	805	31,593	(23,908)	792,201
Other Capital Assets	12,569	2,442			15,011
Total Depreciable Assets	<u>91,253,091</u>	<u>4,614,863</u>	<u>1,105,920</u>	<u>(35,521)</u>	<u>96,938,353</u>
Less Accumulated Depreciation for:					
Buildings and Building Improvements	(276,146)		(18,421)	95	(294,472)
Infrastructure	(18,640,261)		(1,834,675)	80	(20,474,856)
Furniture and Equipment	(137,524)	(36)	(12,682)	7,570	(142,672)
Vehicles and Aircraft	(444,802)		(38,530)	19,310	(464,022)
Other Capital Assets	(8,024)		(620)		(8,644)
Total Accumulated Depreciation	<u>(19,506,757)</u>	<u>(36)</u>	<u>(1,904,928)</u>	<u>27,055</u>	<u>(21,384,666)</u>
Depreciable Assets, Net	<u>71,746,334</u>	<u>4,614,827</u>	<u>(799,008)</u>	<u>(8,466)</u>	<u>75,553,687</u>
<b>Intangible Capital Assets - Amortizable</b>					
Land Use Rights - Term	15,756		124		15,880
Computer Software	72,705		1,784	(209)	74,280
Total Amortizable Assets	<u>88,461</u>	<u>0</u>	<u>1,908</u>	<u>(209)</u>	<u>90,160</u>
Less Accumulated Amortization for:					
Land Use Rights - Term	(13,264)		(1,616)		(14,880)
Computer Software	(48,870)		(9,500)	198	(58,172)
Total Accumulated Amortization	<u>(62,134)</u>	<u>0</u>	<u>(11,116)</u>	<u>198</u>	<u>(73,052)</u>
Amortizable Assets, Net	<u>26,327</u>	<u>0</u>	<u>(9,208)</u>	<u>(11)</u>	<u>17,108</u>
Governmental Activities Capital Assets, Net	<u>\$ 101,415,045</u>	<u>\$ (2,852)</u>	<u>\$ 5,792,268</u>	<u>\$ (10,463)</u>	<u>\$ 107,193,998</u>

**Capital Asset Activity (Concluded)**

For the Fiscal Year Ended August 31, 2018 (Amounts in Thousands)

	<b>Balance 9/1/2017</b>	<b>Reclass- ifications</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 8/31/2018</b>
<b>BUSINESS-TYPE ACTIVITIES</b>					
<b>Non-Depreciable &amp; Non-Amortizable Assets</b>					
Land and Land Improvements	\$ 668,771	\$ 30	\$	\$	\$ 668,801
Construction in Progress	8,351	204			8,555
Land Use Rights - Permanent	19,466				19,466
Total Non-Depreciable & Non-Amortizable Assets	<u>696,588</u>	<u>234</u>	<u>0</u>	<u>0</u>	<u>696,822</u>
<b>Depreciable Assets</b>					
Buildings and Building Improvements	8,360				8,360
Infrastructure	2,281,008	2,757			2,283,765
Total Depreciable Assets	<u>2,289,368</u>	<u>2,757</u>	<u>0</u>	<u>0</u>	<u>2,292,125</u>
Less Accumulated Depreciation for:					
Buildings and Building Improvements	(4,118)		(362)		(4,480)
Infrastructure	(333,838)		(54,112)		(387,950)
Total Accumulated Depreciation	<u>(337,956)</u>	<u>0</u>	<u>(54,474)</u>	<u>0</u>	<u>(392,430)</u>
Depreciable Assets, Net	<u>1,951,412</u>	<u>2,757</u>	<u>(54,474)</u>	<u>0</u>	<u>1,899,695</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,648,000</u>	<u>\$ 2,991</u>	<u>\$ (54,474)</u>	<u>\$ 0</u>	<u>\$ 2,596,517</u>

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

TxDOT and 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 TxDOT 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, 2018 (Amounts in Thousands)	
<u>Governmental Activities</u>	
Cash in Bank – Depository Accounts	\$ 8,837
<u>Fiduciary Funds</u>	
Cash in Bank – Carrying Amount	\$ 987

***Custodial Credit Risk – Deposits***

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

Regular depository accounts are insured by the FDIC up to \$250 thousand per depositor, per insured bank. As of Aug. 31, 2018, the sweep account is subjected to the same \$250 thousand coverage provided to a regular depository account.

***Cash in Transit***

As of Aug. 31, 2018, CTTS had \$38.0 million of cash in transit from the state Treasury to the Texas Treasury Safekeeping Trust Company (Trust Company). These funds are certain CTTS reserves required to be held outside the Trust bank account. The funds were received and invested in the CTTS account at the Trust Company on Sept. 4, 2018. See Note 16 for more information.

***Treasury Pool***

TxDOT’s governmental fund cash is established in the state Treasury, and is pooled with other state funds and invested under the direction of the Comptroller of Public Accounts Treasury Operations Division (Treasury). Governmental fund deposits in the state treasury totaled \$5.4 billion at Aug. 31, 2018.

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 2018. 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 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, 2018, the measurements of TxDOT’s investments are summarized below:

<b>Investment Valuation</b>			
August 31, 2018 (Amounts in Thousands)			
<b>Investment Type</b>	<b>Fair Value Hierarchy Level 1</b>	<b>Other Measurement Method</b>	<b>Total</b>
<b>Governmental Activities</b>			
Money Market Mutual Funds	\$	\$ 19,248	\$ 19,248
U.S. Treasuries		4,966	4,966
Total Governmental Activities	\$ <u>0</u>	\$ <u>24,214</u>	\$ <u>24,214</u>
<b>Business-Type Activities</b>			
Money Market Mutual Funds	\$	\$ 10,694	\$ 10,694
U.S. Treasuries	69,647	1,146,087	1,215,734
U.S. Government Agency Obligations		101,254	101,254
Government Investment Pools		1,380,060	1,380,060
Repurchase Agreements		201,873	201,873
Total Business-Type Activities	\$ <u>69,647</u>	\$ <u>2,839,968</u>	\$ <u>2,909,615</u>
<b>Fiduciary Funds</b>			
Money Market Mutual Funds	\$	\$ 25,197	\$ 25,197
U.S. Treasuries		10,954	10,954
U.S. Government Agency Obligations		10,885	10,885
Total Fiduciary Funds	\$ <u>0</u>	\$ <u>47,036</u>	\$ <u>47,036</u>

Government securities and government sponsored entity investments of \$69.6 million with maturities of one year or more are valued at quoted market prices (Level 1 input).

As of Aug. 31, 2018, 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, overnight repurchase agreement pool (REPO), government securities, government sponsored entities and government investment pools of \$2.9 billion with maturities less than one year valued at amortized cost.
- TxDOT entered into a repurchase agreement of \$115.0 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, 2018, TxDOT's long term 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 A2, A+ and A+ as of Aug. 31, 2018 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's policy does not limit the amount of investment in obligations of the United States or its agencies. The long term 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, 2018, TxDOT's and GPTC's investments had the following ratings:

<b>Investment Credit Ratings</b>				
August 31, 2018 (Amounts in Thousands)				
<b>Investment Type</b>	<b>Valuation</b>	<b>Moody's</b>	<b>Standard &amp; Poor's</b>	<b>Fitch</b>
<b>Governmental Activities</b>				
Money Market Mutual Funds				
Fidelity Government Money Market Fund	\$ 19,248	AAA-mf	AAAm	NR
Government Securities				
U.S. Treasury Notes	4,966	Aaa	AA+	AAA
Total Governmental Activities	<u>\$ 24,214</u>			
<b>Business-Type Activities</b>				
Money Market Mutual Funds:				
JPMorgan US Government Fund	\$ 10,565	Aaa-mf	NR	AAAmmf
Morgan Stanley Government Fund	129	Aaa-mf	AAAm	AAAmmf
Goldman Sachs Financial Square Government Fund		Aaa-mf	AAAm	NR
Government Sponsored Entities:				
Federal Home Loan Bank Discount Note	45,295	P-1	A-1+	NR
Freddie Mac Discount Note	19,449	P-1	A-1+	F1+
Federal Home Loan Mortgage Corporation	36,510	P-1	A-1+	F1+
Government Securities:				
U.S. Treasury Notes	705,061	Aaa	AA+	AAA
U.S. Treasury Bills	510,673	NR	A-1+	F1+
Government Investment Pools:				
Lone Star	22,422	NR	AAAm	NR
TexPool	1,267,846	NR	AAAm	NR
TexPool Prime	89,792	NR	AAAm	NR
Repurchase Agreement:				
Long term (Citigroup GIC)	114,999	A2	A+	A+
Repo (TTSTC)	86,874	NR	AAA	NR
Total Business-Type Activities	<u>\$ 2,909,615</u>			
<b>Fiduciary Fund</b>				
BlackRock Federal Funds	\$ 25,197	AAA-mf	AAAm	NR
Freddie Mac Discount Note	4,934	P-1	A-1+	F1+
Federal Farm Credit Discount Note	5,951	P-1	A-1+	F1+
U.S. Treasury Notes	4,966	Aaa	AA+	AAA
U.S. Treasury Bills	5,988	NR	A-1+	F1+
Total Fiduciary Funds	<u>\$ 47,036</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, 2018, the following investments exceeded five percent of the total portfolio: U.S. Treasuries and TexPool.

TxDOT and GPTC both address diversification in TxDOT's investment policy. 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. Investment maturities are noted in the investment fair value table.

### NOTE 4 – LOANS RECEIVABLE

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

TxDOT also makes project loans through project development agreements. In these cases, TxDOT funds the construction costs of a regional mobility authority owned project up front and gets repayment over an established loan term. The loan receivable is recorded as TxDOT incurs eligible expenditures on the project.

The loan receivable balances as of Aug. 31, 2018 are as follows.

<b>Loans and Contracts</b>		
August 31, 2018 (Amounts in Thousands)		
<b>Fund</b>	<b>Loans Receivable</b>	<b>Due Within One Year</b>
General Fund	\$ 66	\$ 43
Highway Fund - Toll Equity Loans	113,197	
Highway Fund - Project Loans	356,332	2,200
Highway Fund - NTTA	125,337	5,237
Highway Fund - State Infrastructure Bank	155,759	4,486
Governmental Funds Total	\$ <u>750,691</u>	\$ <u>11,966</u>

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

**Long-Term Liabilities**

Long-term liabilities for fiscal 2018 are presented in the table below:

<b>Long-Term Liabilities Activity</b>								
For the Fiscal Year Ended August 31, 2018 (Amounts in Thousands)								
<b>Primary Government</b>	<b>Beginning Balance 9/01/2017</b>	<b>Additions**</b>	<b>Reductions</b>	<b>Adjustments*</b>	<b>Ending Balance 8/31/2018</b>	<b>Amounts Due Within One Year</b>	<b>Amounts Due Thereafter</b>	
<b>Governmental Activities</b>								
Compensable Leave	\$ 94,042	\$ 145,685	\$ (140,737)	\$ 2,494	\$ 101,484	\$ 73,162	\$ 28,322	
General Obligation Bonds	11,247,275		(196,330)	(79,587)	10,971,358	287,947	10,683,411	
Revenue Bonds	4,732,778		(215,675)	(46,923)	4,470,180	268,420	4,201,760	
Pollution Remediation Obligations	5,875	12,600	(11,835)		6,640	6,508	132	
Pass Through Tolls Payable	1,010,720	39,211	(110,843)		939,088	242,126	696,962	
Notes and Loans Payable	287,458	6,846			294,304		294,304	
Contracts Payable	9,527	13,131			22,658	4,000	18,658	
Governmental Activities - Long-Term Liabilities	\$ 17,387,675	\$ 217,473	\$ (675,420)	\$ (124,016)	\$ 16,805,712	\$ 882,163	\$ 15,923,549	
<b>Business-Type Activities</b>								
Revenue Bonds Payable	\$ 5,088,789	\$ 930,097	\$ (14,225)	\$ 102,294	\$ 6,106,955	\$ 36,755	\$ 6,070,200	
Notes and Loans Payable	862,725	637,107		52,659	1,552,491	10,532	1,541,959	
Business-Type Activities - Long-Term Liabilities	\$ 5,951,514	\$ 1,567,204	\$ (14,225)	\$ 154,953	\$ 7,659,446	\$ 47,287	\$ 7,612,159	
* 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, 2018, three notes and loans agreements are outstanding. The purpose and the source for repayment of debt service for the notes and loans payable are summarized below.

**TIFIA**

The Commission entered into a secured loan agreement with the United States Department of Transportation (USDOT) through the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). USDOT agreed to lend the Commission up to \$285.0 million to pay a portion of the eligible project costs related to the initial phase of the IH-35E project. As of Aug. 31, 2018, the note's debt service requirements are as follows.

IH-35E TIFIA Loan Debt Service Requirements (Amounts in Thousands)			
Year	Governmental Activities		
	Principal	Interest*	Total
2019	\$	\$	\$
2020			
2021			
2022		4,136	4,136
2023		8,341	8,341
2024-2028	3,528	41,695	45,223
2029-2033	35,693	39,769	75,462
2034-2038	69,865	33,467	103,332
2039-2043	100,309	22,152	122,461
2044-2048	60,044	11,674	71,718
2049-2052	53,857	3,518	57,375
Total	\$ 323,296	\$ 164,752	\$ 488,048
Unamortized Accretion	(28,992)		(28,992)
Total Requirements	\$ 294,304	\$ 164,752	\$ 459,056

\*Fixed interest rate at 2.58 percent

The second TIFIA loan payable represents a secured loan made to the Grand Parkway Transportation Corporation by the USDOT under the TIFIA. USDOT agreed to lend GPTC up to \$840.6 million to pay a portion of the eligible project costs. As of Aug. 31, 2018, the GPTC has drawn down \$840.6 million under the secured loan agreement for the purpose of providing funds to refund the GPTC Series 2014-A bond anticipation notes and the GPTC Series 2014-C toll revenue bonds. In accordance with the TIFIA loan agreement, the payments of principal and interest can be postponed under certain circumstances and such postponed payments increase the principal amount of the loan. As of Aug. 31, 2018, the note's debt service requirements are as follows.

<b>GPTC TIFIA Loan</b>			
<b>Debt Service Requirements</b>			
<b>(Amounts in Thousands)</b>			
<b>Year</b>	<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest*</b>	<b>Total</b>
2019	\$	\$	\$
2020			
2021		34,528	34,528
2022		34,575	34,575
2023		34,575	34,575
2024-2028	2,828	172,836	175,664
2029-2033	15,736	171,239	186,975
2034-2038	33,850	167,115	200,965
2039-2043	127,393	155,486	282,879
2044-2048	400,969	112,835	513,804
2049-2051	366,483	20,960	387,443
<b>Total</b>	<b>\$ 947,259</b>	<b>\$ 904,149</b>	<b>\$ 1,851,408</b>
<b>Unamortized Accretion</b>	<b>(52,757)</b>		<b>(52,757)</b>
<b>Total Requirements</b>	<b>\$ 894,502</b>	<b>\$ 904,149</b>	<b>\$ 1,798,651</b>

\*Fixed interest rate at 3.65 percent.

### **Bond Anticipation Notes (BANs)**

The Grand Parkway Transportation Corporation issued a bond anticipation note for the purpose of providing funds to pay the costs of extending, expanding and improving the Grand Parkway System. Proceeds from the note will also be used to pay costs of issuance. As of Aug. 31, 2018, 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>
2019	\$	\$ 25,306	\$ 25,306
2020		30,267	30,267
2021		30,267	30,267
2022		30,267	30,267
2023	605,330	25,222	630,552
<b>Total</b>	<b>605,330</b>	<b>141,329</b>	<b>746,659</b>
<b>Unamortized Premium</b>	<b>52,659</b>		<b>52,659</b>
<b>Total Requirements</b>	<b>\$ 657,989</b>	<b>\$ 141,329</b>	<b>\$ 799,318</b>

\* Fixed interest rate at 5.00 percent.

### **Pass-Through Tolls Payable**

The balance recorded as pass-through tolls payable relates to the Commission's obligations under executed pass-through financing agreements. As of Aug. 31, 2018, there were 40 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, 2018 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>
2019	\$	242,126
2020		163,421
2021		144,275
2022		111,443
2023		96,675
2024-2028		238,679
2029-2031		9,553
Total **		1,006,172
Unrealized Payable		(67,084)
Total Requirements	\$	939,088

\* 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 one year following completion of Westpark Tollway Phase I and opening of the roadway to traffic. Westpark Tollway Phase I was completed in November 2017. The obligation to make future reimbursements is recognized as contracts payable. 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>
2019	\$	4,000
2020		4,000
2021		4,000
2022		4,000
2023		4,000
2024-2028		20,000
Total *		40,000
Unrealized Payable		(17,342)
Total Requirements	\$	22,658

\*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, 2018 (Amounts in Thousands)		
<b>Governmental Activities</b>		
Comply with Federal and State asbestos requirements	\$	3,909
Comply with Federal and State OSHA requirements for lead based paint		23
Comply with Federal Safe Drinking Water Act requirements		210
Comply with state Leaking Petroleum Storage Tank (LPST) cleanup requirements		1,084
Comply with OSHA Health and Safety Plan (HASP) requirements		688
Comply with Waste Disposal regulations		229
Comply with state cleanup requirements (non-LPST sources)		497
Total	\$	<u>6,640</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, 2018, 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, 2018. The Grand Parkway Transportation Corporation (GPTC), another blended component unit of TxDOT, had six revenue bond issuances outstanding as of Aug. 31, 2018. The debt service payments associated with debt issued by TxPABST and GPTC are not the responsibility of the state of Texas, however due to the relationship between TxDOT and these entities, their disclosures and, as appropriate, financial balances associated with the outstanding bonds are included in this report.

<b>Miscellaneous Bond Information</b>						
(Amounts in Thousands)						
Description of Issue	Bonds Issued to Date	Date Issued	Range of Interest Rates	Maturities		
				First Year	Last Year	First Call Date
<b>GOVERNMENTAL ACTIVITIES</b>						
<b>General Obligation Bonds</b>						
<b>Texas Mobility Fund</b>						
Series 2006-B Variable Rate Bonds	\$ 150,000	12/13/2006	variable	2036	2036	**
Series 2008 Fixed Rate Bonds*	1,100,000	02/28/2008	4.00% 5.00%	2009	2037	04/01/2018
Series 2009-A Taxable Fixed Rate Bonds	1,208,495	08/26/2009	5.37% 5.52%	2029	2039	**
Series 2014 Fixed Rate Refunding Bonds	973,775	07/02/2014	4.00% 5.00%	2016	2034	04/01/2024
Series 2014-A Fixed Rate and Refunding Bonds	1,580,160	12/18/2014	4.00% 5.00%	2017	2044	10/01/2024
Series 2014-B SIFMA Bonds	250,000	12/18/2014	variable	2041	2041	04/01/2018
Series 2015-A Fixed Rate Refunding Bonds	911,360	09/30/2015	3.20% 5.00%	2018	2036	10/01/2025
Series 2015-B Fixed Rate Refunding Bonds	254,105	10/07/2015	5.00% 5.00%	2031	2036	10/01/2025
Series 2017-A Fixed Rate Refunding Bonds	296,020	02/01/2017	5.00% 5.00%	2030	2034	10/01/2027
Series 2017-B Fixed Rate Refunding Bonds	474,135	02/01/2017	5.00% 5.00%	2029	2036	10/01/2027
<b>Texas Highway Improvement</b>						
Series 2010-A Taxable Fixed Rate Bonds	815,420	09/29/2010	3.20% 4.68%	2019	2040	**
Series 2010-B Fixed Rate Bonds*	162,390	09/29/2010	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	04/01/2022
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	04/01/2024
Series 2016 Fixed Rate Bonds	615,000	05/04/2016	5.00% 5.00%	2017	2046	04/01/2026
Series 2016-A Fixed Rate Bonds	588,755	11/02/2016	4.00% 5.00%	2018	2046	04/01/2026
<b>Revenue Bonds</b>						
<b>State Highway Fund</b>						
Series 2008 Fixed Rate Bonds	162,995	08/19/2008	3.50% 5.25%	2010	2028	04/01/2018
Series 2010 Taxable Fixed Rate Bonds	1,500,000	08/05/2010	5.03% 5.18%	2026	2030	**
Series 2014-A Fixed Rate and Refunding Bonds	1,157,795	04/02/2014	4.75% 5.00%	2017	2034	04/01/2024
Series 2014-B1 Variable Rate Bonds	150,000	04/03/2017	variable	2032	2032	**
Series 2014-B2 LIBOR Bonds	150,000	04/03/2017	variable	2032	2032	**
Series 2015 Fixed Rate Refunding Bonds	781,080	07/22/2015	3.00% 5.00%	2017	2026	n/a
Series 2016-A Fixed Rate Bonds	601,210	10/26/2016	3.00% 5.00%	2017	2030	10/01/2026
Series 2016-B Hard Put Refunding Bonds	89,370	10/26/2016	4.00% 4.00%	2025	2026	10/01/2021
Governmental Activities Total	\$ 16,150,270					

\*These bonds are not outstanding as of 08/31/2018.

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

<b>Miscellaneous Bond Information (Concluded)</b>								
(Amounts in Thousands)								
Description of Issue	Bonds Issued to Date	Date Issued	Range of Interest Rates		Maturities			
					First Year	Last Year	First Call Date	
<b>BUSINESS-TYPE ACTIVITIES</b>								
<b>Revenue Bonds</b>								
<b>Central Texas Turnpike System</b>								
First Tier Revenue Bonds Series 2002-A								
Non-Callable Capital Appreciation Bonds***	\$ 653,180	08/29/2002	4.47%	5.75%	2012	2030	n/a	
Callable Capital Appreciation Bonds*	325,494	08/29/2002	6.00%	6.10%	2025	2038	08/15/2012	
First Tier Revenue Refunding Bonds, Series 2012-A	585,330	11/27/2012	4.00%	5.00%	2038	2041	08/15/2022	
First Tier Revenue Refunding Put Bonds, Series 2015-A	225,000	02/04/2015	5.00%	5.00%	2041	2042	04/01/2020	
First Tier Revenue Refunding Bonds, Series 2015-B	198,025	02/04/2015	5.00%	5.00%	2032	2037	08/15/2024	
First Tier Revenue Refunding Bonds, Series 2015-B Capital Appreciation Bonds	108,099	02/04/2015	4.36%	4.38%	2036	2037	08/15/2024	
Second Tier Revenue Refunding Bonds, Series 2015-C	1,157,320	02/04/2015	5.00%	5.00%	2022	2042	08/15/2024	
<b>Grand Parkway Transportation Corporation</b>								
First Tier Revenue Bonds, Series 2013-A	200,000	08/01/2013	5.13%	5.50%	2031	2053	10/01/2023	
Subordinate Tier Toll Revenue Bonds, Series 2013-B								
Convertible Capital Appreciation Bonds***	368,100	08/01/2013	4.95%	5.85%	2029	2048	10/01/2028	
Current Interest Bonds	1,137,935	08/01/2013	5.00%	5.25%	2048	2053	10/01/2023	
Subordinate Tier Toll Revenue Bonds, Series 2013-E	361,810	08/01/2013	5.18%	5.18%	2036	2042	**	
Subordinate Tier Toll Revenue Bonds, Series 2016	83,775	12/07/2016	2.20%	2.20%	2023	2023	n/a	
Subordinate Tier Toll Revenue Bonds, Series 2018-A	712,100	05/30/2018	5.00%	5.00%	2030	2048	04/01/2028	
Subordinate Tier Toll Revenue Bonds, Series 2018-B	166,525	05/30/2018	5.00%	5.00%	2049	2052	10/01/2023	
Business-Type Activities Total	<u>6,282,693</u>							
Total	<u>\$ 22,432,963</u>							
*These bonds are not outstanding as of 08/31/2018.								
** Bonds are subject to redemption prior to their respective maturities at the option of the Commission.								
*** Bonds issued to date include interest accreted to principal.								

<b>Changes in Bonds Payable</b>							
For the Fiscal Year Ended August 31, 2018 (Amounts in Thousands)							
Description	Bonds Outstanding 8/31/2017	Adjustments*	Bonds Issued**	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2018	Due Within One Year
<b>Governmental Activities:</b>							
General Obligation Bonds	\$ 11,247,275	\$ (79,587)	\$	\$ (196,330)	\$	\$ 10,971,358	\$ 287,947
Revenue Bonds	<u>4,732,778</u>	<u>(46,923)</u>		<u>(215,675)</u>		<u>4,470,180</u>	<u>268,420</u>
Total Governmental Activities	<u>15,980,053</u>	<u>(126,510)</u>		<u>(412,005)</u>		<u>15,441,538</u>	<u>556,367</u>
<b>Business-Type Activities:</b>							
Revenue Bonds	<u>5,088,789</u>	<u>102,294</u>	<u>930,097</u>	<u>(14,225)</u>		<u>6,106,955</u>	<u>36,755</u>
Total	<u>\$ 21,068,842</u>	<u>\$ (24,216)</u>	<u>\$ 930,097</u>	<u>\$ (426,230)</u>	<u>\$ 0</u>	<u>\$ 21,548,493</u>	<u>\$ 593,122</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, 2018, 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 for the repayment 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, 2018, 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, 2018, the Commission has issued \$5.0 billion 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>
2019	\$ 211,010	\$ 473,150	\$ 684,160
2020	223,915	463,120	687,035
2021	237,925	452,067	689,992
2022	252,760	440,307	693,067
2023	268,485	427,742	696,227
2024-2028	1,612,570	1,919,029	3,531,599
2029-2033	2,087,240	1,471,131	3,558,371
2034-2038	2,732,035	925,441	3,657,476
2039-2043	1,784,730	301,869	2,086,599
2044-2048	490,535	29,152	519,687
	<u>9,901,205</u>	<u>6,903,008</u>	<u>16,804,213</u>
Premium	1,070,153		1,070,153
Total	\$ <u>10,971,358</u>	\$ <u>6,903,008</u>	\$ <u>17,874,366</u>

**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, 2018, the Commission has issued \$6.0 billion under the state highway fund revenue bond program.

<b>Debt Service Requirements – Governmental Activities</b>			
<b>Revenue Bonds (Amounts in Thousands)</b>			
<b>State Highway Fund</b>			
<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 225,500	\$ 197,705	\$ 423,205
2020	236,580	186,680	423,260
2021	248,615	174,650	423,265
2022	260,480	162,775	423,255
2023	271,155	152,104	423,259
2024-2028	1,558,975	542,292	2,101,267
2029-2033	1,227,795	165,323	1,393,118
2034-2038	173,205	8,660	181,865
	<u>4,202,305</u>	<u>1,590,189</u>	<u>5,792,494</u>
Premium	267,875		267,875
Total	\$ <u>4,470,180</u>	\$ <u>1,590,189</u>	\$ <u>6,060,369</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 bonds are payable from and secured solely by a first and second lien on, as applicable, 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.

<b>Debt Service Requirements – Business-Type Activities Revenue Bonds</b> (Amounts in Thousands)			
<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 20,365	\$ 233,537	\$ 253,902
2020	26,715	240,737	267,452
2021	36,480	240,737	277,217
2022	45,350	240,737	286,087
2023	54,315	240,627	294,942
2024-2028	510,470	1,313,160	1,823,630
2029-2033	719,980	1,286,910	2,006,890
2034-2038	1,296,655	1,077,537	2,374,192
2039-2043	1,502,520	738,630	2,241,150
2044-2048	594,915	474,477	1,069,392
2049-2053	1,492,455	246,221	1,738,676
	<u>6,300,220</u>	<u>6,333,310</u>	<u>12,633,530</u>
Accretion	(513,325)		(513,325)
Premium	337,043		337,043
Discount	<u>(16,983)</u>		<u>(16,983)</u>
Total	\$ <u>6,106,955</u>	\$ <u>6,333,310</u>	\$ <u>12,440,265</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.

<b>Pledged Future Revenue</b> (Amounts in Thousands)	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>Texas Mobility</b>	<b>State Highway</b>	<b>Central Texas</b>	<b>Grand</b>
	<b>Fund General</b>	<b>Fund Revenue</b>	<b>Turnpike</b>	<b>Parkway</b>
	<b>Obligation</b>	<b>Bonds</b>	<b>System</b>	<b>Transportation</b>
	<b>Bonds</b>	<b>Bonds</b>		<b>Corporation</b>
Principal and Interest on Existing Bonds	\$ 10,309,466	\$ 5,792,493	\$ 5,166,917	\$ 7,466,613
Term of Commitment Year Ending Aug. 31	2045	2034	2042	2053
Percentage of Revenue Pledged	100%	100%	95.01%	99.04%
Current Year Pledged Revenue	\$ 485,219	\$ 8,406,613 *	\$ 224,100	\$ 186,488
Current Year Principal and Interest Paid	\$ 357,391	\$ 421,902	\$ 121,276	\$ 89,755

\* 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 6.6 percent effective Oct. 1, 2017 through Sept. 30, 2018 for BAB subsidy payments paid in federal fiscal year 2018. See the table below for details on the Commission's Direct Payment BABs outstanding at Aug. 31, 2018.

<b>Direct Payment Build America Bonds</b> (Amounts in Thousands)			
	<u>Issue Date</u>	<u>Par Amount</u>	<u>Outstanding</u>
<b>Governmental Activities</b>			
General Obligation Bonds			
Texas Mobility Fund Series 2009-A	8/26/2009	\$ 1,208,495	\$ 1,208,495
Texas Highway Improvement Bonds Series 2010-A	9/29/2010	815,420	815,420
Revenue Bonds			
State Highway Fund Series 2010	8/05/2010	<u>1,500,000</u>	<u>1,500,000</u>
Governmental Activities Total		<u>\$ 3,523,915</u>	<u>\$ 3,523,915</u>

### **Variable Rate Bonds**

The Commission and GPTC have four variable rate bond issues outstanding at Aug. 31, 2018. The interest rates in effect as of Aug. 31, 2018 for the Texas Mobility Fund Series 2006-B, Texas Mobility Fund Series 2014-B, State Highway Fund Series 2014-B1 and State Highway Fund Series 2014-B2 used to calculate the debt service requirements were 1.57, 1.94, 1.56, and 2.28 percent, respectively. These rates reset every seven days, except for the State Highway Fund Series 2014-B2 bonds which resets monthly.

### **Variable Rate Put Bonds**

The Commission has two variable rate put bond issues outstanding, the Texas Mobility Fund Series 2014-B bonds and the State Highway Fund Series 2014-B2 bonds. The Texas Mobility Fund Series 2014-B bonds bear interest at the initial index floating rate determined weekly. The State Highway Fund Series 2014-B2 bonds bear interest at the index floating rate determined monthly. Both are subject to mandatory tender for purchase on the mandatory tender date as specified in each award certificate. Neither is subject to optional tender prior to the mandatory tender date.

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 for either bond issue. For the Texas Mobility Fund Series 2014- B bonds, the Commission expects to either redeem or remarket the bonds. The obligation of the Commission to purchase the Texas Mobility Fund Series 2014-B bonds on the mandatory tender date is subject to the successful remarketing of such Texas Mobility Fund Series 2014-B bonds and a failed conversion and remarketing will not constitute an event of default. The Commission has no obligation to purchase Texas Mobility Fund Series 2014- B bonds except from remarketing proceeds. If the Texas Mobility Fund Series 2014- B bonds are not remarketed or refunded on the mandatory tender date, the bonds will bear interest at the stepped coupon rate of 8.0 percent per annum from the mandatory tender date until purchased or redeemed.

For the State Highway Fund Series 2014-B2 bonds, the Commission expects to either redeem or remarket the bonds. The obligation of the Commission to purchase the State Highway Fund Series 2014-B2 bonds on the mandatory tender date is subject to the successful remarketing of such State Highway Fund Series 2014-B2 bonds and a failed conversion and remarketing will not constitute an event of default. The Commission has no obligation to purchase the State Highway Fund Series 2014-B2 bonds except from remarketing proceeds. If the State Highway Fund Series 2014-B2 bonds are not

remarketed or refunded on the mandatory tender date, the bonds will bear interest at 8.0 percent per annum from the mandatory tender date until purchased or redeemed.

**Fixed Rate Put Bonds**

The Commission has two fixed rate put bond issues outstanding, the State Highway Fund Series 2016-B bonds and the Central Texas Turnpike System Series 2015-A bonds. Both bonds were issued in a multiannual rate mode. Both are subject to mandatory tender for purchase on the initial mandatory tender date. Neither is subject to optional tender prior to the mandatory tender date.

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 for either bond. For the State Highway Fund Series 2016-B bonds, the Commission is obligated to pay the purchase price of all tendered 2016-B bonds on the mandatory tender date from the remarketing proceeds, pledged revenues, or any combination thereof. Failure to do so constitutes an event of default.

For the Central Texas Turnpike System Series 2015-A bonds, the principal portion of the purchase price is expected to be obtained from the remarketing thereof. The obligation of the Commission to purchase the 2015-A bonds on the mandatory tender date is subject to the successful remarketing of such 2015-A bonds and a failed conversion and remarketing will not constitute an event of default. The Commission has no obligation to purchase the Central Texas Turnpike System Series 2015-A bonds except from remarketing proceeds. If the Series 2015-A bonds are not remarketed or refunded on the mandatory tender date, the bonds will bear interest at the stepped coupon rate of 8 percent per annum from the mandatory tender date until purchased or redeemed.

<b>Put Bonds</b> (Amounts in Thousands)					
<b>Description of Issue</b>	<b>Mandatory Tender Date</b>	<b>Initial Rate</b>	<b>Initial Period Interest</b>	<b>Stepped Coupon Rate</b>	<b>Stepped Rate Period Interest<sup>1</sup></b>
Governmental Activities					
General Obligation Bonds					
Texas Mobility Fund					
Series 2014-B	10/01/2018	SIFMA + 0.38%	Variable <sup>2</sup>	8.00% per annum	\$ 20,000
Revenue Bonds					
State Highway Fund					
Series 2014-B2	04/01/2022	LIBOR * 77% + .68%	Variable <sup>3</sup>	Base Rate + 1% per annum <sup>5</sup>	\$ 12,000
Series 2016-B	10/01/2021	4.00% per annum <sup>4</sup>	\$ 3,575	None <sup>6</sup>	n/a
Business-Type Activities					
Central Texas Turnpike System:					
First Tier Revenue Put Bonds					
Series 2015-A	04/01/2020	5.00% per annum <sup>4</sup>	\$ 11,250	8.00% per annum	\$ 18,000
<sup>1</sup> Assumes a full year of interest					
<sup>2</sup> Index Floating Rate Mode/resets weekly					
<sup>3</sup> Index Floating Rate Mode/resets monthly					
<sup>4</sup> Multiannual Mode					
<sup>5</sup> Base Rate is 7.0% at Aug. 31, 2018					
<sup>6</sup> The Commission is obligated to pay the purchase price of all tendered bonds on the Mandatory Tender Date.					

**Demand Bonds**

The Texas Mobility Fund Series 2006-B and the State Highway Fund Series 2014-B1 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, 2018.

<b>Demand Bonds – Standby Bond Purchase Agreement Provisions</b>				
<b>Governmental Activities</b>	<b>Principal Balance Outstanding</b>	<b>Counterparties</b>	<b>Annual Liquidity Fee</b>	<b>Agreement Termination Date</b>
General Obligation Bonds				
Texas Mobility Fund				
Series 2006-B	\$150,000	Texas Comptroller of Public Accounts	0.12%	8/31/2019
Revenue Bonds				
State Highway Fund				
Series 2014-B1	150,000	Sumitomo Mitsui Banking Corporation	0.3% - 3.0%*	4/01/2022
<b>TOTAL</b>	<u><u>\$300,000</u></u>			

\* Dependent on credit ratings of the bonds.

The Texas Mobility Fund Series 2006-B bonds are subject to a standby bond purchase liquidity agreement (agreement) with the Texas Comptroller of Public Accounts (Comptroller). The agreement provides terms to be negotiated and mutually agreed upon by TxDOT and the Comptroller upon need for the Comptroller to purchase bonds put but that the remarketing agent cannot resell timely to new investors. In that case, TxDOT would pay interest to the Comptroller based on the existing debt service schedule for the Series 2006-B bonds.

The agreement was made pursuant to powers granted to Comptroller under Texas Government Code Sec. 404.027. The agreement provides protection to prevent an unplanned draw on current financial resources of the Texas Mobility Fund. The agreement is subject to renewal on an ongoing basis.

For fiscal 2018, the Trustee did not draw from the Comptroller related to the Series 2006-B demand bonds.

The standby bond purchase agreement for the State Highway Fund Series 2014-B1 contains 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 take-out provisions in place may be classified as non-current liabilities. The table shown below provides the estimated impact of such an event.

<b>Demand Bonds – Takeout Provisions</b> (Amounts in Thousands)				
<b>Governmental Activities</b>	<b>Estimated Debt Service</b>	<b>Rate</b>	<b>Basis</b>	<b>Replacement Debt Terms</b>
Revenue Bonds				
State Highway Fund				
Series 2014-B1	\$ 174,934	9.50%	Base Rate + 2%	Semi-annual payments over three years (or sooner under certain termination events) starting on the first day of the sixth month of that period.
<b>Total</b>	<u><u>\$ 174,934</u></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, 2018, the amounts of defeased bonds, at par, that remain outstanding are presented in the table below.

<b>Defeased Bonds Outstanding</b> (Amount in Thousands)	
<b>Description</b>	<b>Par Value</b>
Business-Type Activities	
Revenue Bonds	
Central Texas Turnpike System Capital Appreciation Bonds	\$ 65,456 *
Business-Type Activities Total	<u>65,456</u>
Total	<u>\$ 65,456</u>

\* Includes \$37,861 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, 2018, TxPABST private activity revenue bonds outstanding aggregated \$1.6 billion. The debt service schedule for the outstanding TxPABST conduit debt is disclosed below.

<b>Conduit Debt Obligations - Miscellaneous Information</b> (Amounts in Thousands)				
	<b>NTE Mobility Partners LLC North Tarrant Express Managed Lanes Project Series 2009</b>	<b>LBJ Infrastructure Group LLC IH-635 Managed Lanes Project Series 2010</b>	<b>NTE Mobility Partners Segments 3 LLC Segments 3A and 3B Facility Series 2013</b>	<b>Blueridge Transportation Group, LLC SH 288 Toll Lanes Project Series 2016</b>
<b>Bonds Issued</b>	\$ 400,000	\$ 615,000	\$ 274,030	\$ 272,635
<b>Date Issued</b>	12/17/2009	06/22/2010	09/19/2013	05/09/2016
<b>Range of Interest Rates</b>	6.88% - 7.50%	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	06/30/2020	09/01/2023	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>
2019	\$		\$	104,081	\$ 104,081
2020				104,081	104,081
2021				104,081	104,081
2022				104,081	104,081
2023				104,081	104,081
2024-2028				520,405	520,405
2029-2033		234,660		497,621	732,281
2034-2038		652,690		335,857	988,547
2039-2043		472,765		109,986	582,751
2044-2048		66,085		43,290	109,375
2049-2053		84,620		24,778	109,398
2054-2057		50,845		3,877	54,722
		<u>1,561,665</u>		<u>2,056,219</u>	<u>3,617,884</u>
Premium		30,239			30,239
Discount		<u>(15,502)</u>			<u>(15,502)</u>
Total	\$	<u><u>1,576,402</u></u>	\$	<u><u>2,056,219</u></u>	\$ <u><u>3,632,621</u></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. Rental expenditures for operating leases reported in the state highway fund was \$32.2 million in 2018.

The following table presents future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year as of August 31, 2018.

<b>Noncancelable Operating Lease Obligations</b>		
<b>(Amounts in Thousands)</b>		
<b>Fiscal Year</b>	<b>Total Operating Leases</b>	
2019	\$	7,243
2020		6,766
2021		4,636
2022		3,807
2023		2,287
2024-2028		5,809
Total	\$	<u><u>30,548</u></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, 2017 is presented in the table below:

<b>Texas Department of Transportation's Membership</b>	
Retirees and Beneficiaries Currently Receiving Benefits	14,203
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	5,731
Current Employees - Vested and Non-Vested	11,812
<b>Total Members</b>	<b>31,746</b>

The contribution rates for the state and the members for the ERS plan for the measurement period of fiscal 2017 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%
2017	ERS	10.00%	10.00%	10.00%	9.50%	9.50%	9.50%
2018	ERS	10.00%	10.00%	10.00%	9.50%	9.50%	9.50%

The amount of TxDOT’s contributions recognized by the ERS plan during the fiscal 2017 measurement period was \$63.7 million. TxDOT must report its 9.09 percent proportionate share of the State of Texas contributions.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of Aug. 31, 2017. The table below presents the actuarial methods and assumptions used to measure the total pension liability as of Aug. 31, 2017 the measurement date:

<b>ERS Plan</b>	
Actuarial Valuation Date	August 31, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Open
Actuarial Assumptions:	
Discount Rate	5.36%
Investment Rate of Return	7.5%
Inflation	2.5%
Salary Increase	2.5% to 9.3%
Mortality	The mortality rates for active members and disability retirees are based on RP-2014 Active Member Mortality tables with generational mortality improvements projected from the year 2014, which is based on the most recent Ultimate MP scale. The mortality rates for service retirees and beneficiaries are based on the 2017 State Retirees of Texas Mortality tables with generational mortality improvements projected from the year 2017, which is based on the most recent Ultimate MP scale.
Cost-of-living Adjustments	None-Employee 2.75%-Elected

Changes in the assumptions since the previous are described as follows:

- Decrease the investment return assumption from 8.00% to 7.50%;
- Decrease the inflation assumption from 3.50% to 2.50%;
- Establish a general wage inflation assumption of 0.50% above inflation, or 3.00%;
- Mortality Assumptions updated from 1994 Group Annuity Mortality table to most recently published national tables, RP-2014 Mortality Tables for employees and disability retirees;
- Modified the application of Entry Age Normal (EAN) actuarial cost method from Ultimate EAN, the normal cost rate based on the benefits payable to a new member and the entry age characteristics of the current active membership, to Individual EAN which bases the normal cost rate on benefits payable to each individual active member.

A single discount rate of 5.36 percent was applied to measure the total pension liability. The 5.36 percent discount rate incorporated a 7.5 percent long-term expected rate of return on pension plan investments and 3.42 percent 20-year municipal bond rate based on Fidelity Index’s “20-Year Municipal GO AA Index”. The long-term expected investment rate of return was applied to projected benefit payments through fiscal 2047 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. The Legislature also maintained some changes made by Senate Bill 1459 in the 83<sup>rd</sup> legislative session. Considering these above events, the projected employer contributions are based on fiscal 2017 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%	4.57%
Global Credit	10%	0.29%
Intermediate Treasuries	15%	0.33%
Real Estate	10%	0.53%
Infrastructure	4%	0.29%
Hedge Funds	5%	0.40%
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 in the table below:

<b>Sensitivity of TxDOT's Proportionate Share of Net Pension Liability to Changes Discount Rate</b> (Amounts in Thousands)			
	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
ERS Plan Discount Rate	4.36%	5.36%	6.36%
Net Pension Liability	\$2,591,547	\$1,988,386	\$1,452,579

Amounts in this schedule are based on 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 2017 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, 2017. For fiscal 2018 reporting, the measurement date of TxDOT's net pension liability is Aug. 31, 2017. The schedule of changes in TxDOT's net pension liability for the fiscal year ending Aug. 31, 2018 is presented below:

<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 09/01/17	\$ 4,229,968	\$ 2,360,236	\$ 1,869,732
Changes for the year:			
Service Cost	132,525		132,525
Interest	228,274		228,274
Differences between Expected and Actual Experience	10,516		10,516
Assumption Changes	201,859		201,859
Benefit Payments and Refunds	(208,148)	(208,148)	0
Change in Proportional Percentage	(73,016)		(73,016)
Contributions-Employer		63,666	(63,666)
Contributions-Member		62,336	(62,336)
Net Investment Income		257,602	(257,602)
Administrative Expense		(2,100)	2,100
Net Changes	<u>292,010</u>	<u>173,356</u>	<u>118,654</u>
Balances at 08/31/18	\$ <u>4,521,978</u>	\$ <u>2,533,592</u>	\$ <u>1,988,386</u>

The change of discount rate is the assumption change 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 plan was 9.09 percent in fiscal 2017; as compared to 9.46 percent in the prior measurement period.

For the fiscal year ending Aug. 31, 2018, TxDOT recognized pension expense of \$221.7 million. At Aug. 31, 2018, 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, 2018</b>			
(Amounts in Thousands)			
	<b>Deferred Outflows of Resources</b>		<b>Deferred Inflows of Resources</b>
Difference between Expected and Actual Experience	\$	11,885	\$ 1,769
Changes in assumptions		322,975	21,307
Net Difference between Projected and Actual Investment Return		9,687	
Change in proportion and contribution			51,232
Contributions Subsequent to the Measurement Date		67,077	
Total	\$	<u>411,624</u>	\$ <u>74,308</u>

The \$67.1 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, 2019.

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

<b>Fiscal Year Ended August 31:</b>		
<b>(Amounts in Thousands)*</b>		
2019	\$	171,538
2020	\$	109,711
2021	\$	5,585
2022	\$	(16,595)
2023	\$	0
Thereafter	\$	0

\*Positive amounts indicate increase in pension expense;  
negative amounts indicate decrease in pension expense.

**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**

Retirees are provided with postemployment healthcare, life and dental insurance benefits through the State Retiree Health Plan (SRHP). The Employees Retirement System of Texas (ERS) is the administrator of SRHP, which is a cost sharing multiple-employer postemployment healthcare plan with a special funding situation. TxDOT reports its allocated proportional share of the SRHP in the TxDOT annual financial report. This plan covers retired employees of the state, and other entities as specified by the State Legislature. The benefit and contribution provisions of the SRHP are authorized by state law and may be amended by the Legislature. Benefits are provided to retirees through the Texas Employees Group Benefits Program as authorized by Texas Insurance Code, Chapter 1551. 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 SRHP. The plan does not provide automatic cost of living adjustments (COLAs).

TxDOT’s ERS membership in SRHP as of the measurement date of Aug. 31, 2017 is presented in the table below:

<b>TxDOT Retiree Health Plan Membership</b>	
Active Members*	11,949
Inactive Members Currently Receiving Benefit Payments**	12,523
Inactive Members Entitled to But Not Yet Receiving Benefit Payments	889
<b>Total Members</b>	<b>25,361</b>
* Includes 323 retirees who receive the Opt-Out credit in lieu of health benefits.	
** Includes return-to-work retirees and employees who have not yet satisfied the waiting period.	

**Contributions**

During the measurement period of 2017 for fiscal 2018 reporting, the amount of TxDOT’s contributions recognized by the OPEB plan was \$104.5 million. TxDOT does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. The contribution requirements for the state and the members in the measurement period are presented in the table below:

<b>Employer Contribution Rates</b>			
<b>Retiree Health and Basic Life Premium</b>			
<b>For the Fiscal Year Ended August 31, 2017</b>			
		ERS SRHP	
		Employer	Plan Member
Retiree Only	\$	617.30	\$ 0
Retiree & Spouse	\$	970.98	\$ 353.68
Retiree & Children	\$	854.10	\$ 236.80
Retiree & Family	\$	1,207.78	\$ 590.48

The total OPEB liability is determined by the contribution rates and an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total OPEB liability as of the Aug. 31, 2017 measurement date.

<b>Actuarial Methods and Assumptions - OPEB - State Retiree Health Plan (SRHP)</b>	
Valuation Date	August 31, 2017
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Pay, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	Not applicable
Actuarial Assumptions:	
Discount Rate	3.51%
Inflation	2.50%
Projected Annual Salary Increase	2.50% to 9.50%
Annual Healthcare Trend Rate	8.50% for FY 2019, decreasing 0.50% per year to 4.50% for FY 2027 and later years
Aggregate Payroll Growth	3.00%
Retirement Age	Experience-based tables of rates that are specific to the class of employee
Mortality-State Agency Members	<p><u>Service Retirees, Survivors and Other Inactive Members:</u> 2017 State Retirees of Texas mortality table with 1 year set forward for male members</p> <p><u>Disabled Retirees:</u> RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from year 2014</p> <p><u>Active Members:</u> RP-2014 Active Member Mortality tables with Ultimate MP Projection Scale from the year 2014</p>
Ad hoc Postemployment Benefit Changes	None

The many actuarial assumptions used in the valuation were primarily based on the result of actuarial experience studies performed by the ERS retirement plan actuaries for the period Sept. 1, 2011 to Aug. 31, 2016. The mortality rates were based on the tables identified in the table above titled *Actuarial Methods and Assumptions*.

Benefit revisions have been adopted since the prior valuation. The benefit changes for HealthSelect retirees and dependents for whom Medicare is not primary include:

- a. increase in the out-of-pocket cost applicable to services obtained at the free standing emergency facility.
- b. elimination of the copayment for virtual visits.
- c. copay reduction for Airrosti and for out of state participants and
- d. elimination of the deductible for in-network services and application of a copayment rather than coinsurance to certain services like primary care and specialist visits.

The discount rate used to measure the total OPEB liability was the municipal bond rate of 3.51 percent as of the end of the measurement year and 2.84 percent as of the beginning of the measurement year. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Since the plan operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return. The investment rate of return used to calculate the projected earnings on OPEB investments was 2.84 percent.

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

<b>Sensitivity of TxDOT's Proportionate Share of Net OPEB Liability to Changes in Discount Rate</b> (Amount in Thousands)			
	1% Decrease	Current Discount Rate	1% Increase
ERS Plan Discount Rate	2.51%	3.51%	4.51%
Net OPEB Liability	\$ 4,535,557	\$ 3,799,554	\$ 3,229,454

Sensitivity analysis was performed on the impact of changes in the healthcare cost trend rates on the proportionate share of TxDOT's net OPEB liability. The result of the analysis is presented in the table below:

<b>Sensitivity of TxDOT's Proportionate Share of Net OPEB Liability to Changes in Healthcare Cost Trend Rates</b> (Amount in Thousands)			
	1% Decrease (7.50% decreasing to 3.50%)	Current Healthcare Cost Trend Rates (8.50% decreasing to 4.50%)	1% Increase (9.50% decreasing to 5.50%)
Net OPEB Liability	\$ 3,194,171	\$ 3,799,554	\$ 4,585,073

The OPEB plan's fiduciary net position is determined using the economic resources measurement focus and the accrual basis of accounting, which is the same basis used by ERS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments of the Other Employee Benefit Trust Fund are reported at fair value in accordance with GASB Statement No. 72. 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. More detailed information of the plan's investment valuation, investment policy, assets, and fiduciary net position may be obtained from ERS's fiscal 2017 CAFR:

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

At Aug. 31, 2018, TxDOT reported a liability of \$3.8 billion for its proportionate share of the collective net OPEB liability. The collective OPEB liability was measured as of Aug. 31, 2017, and the total OPEB liability used to calculate the net liability was determined by an actuarial valuation as of that date. TxDOT's proportional percentage at Aug. 31, 2017 was 11.15 percent. TxDOT's proportion of the collective net OPEB liability was based on its contributions to the OPEB plan relative to the contributions of all the employers and non-employer contributing entities to the plan for the period Sept. 1, 2016 through Aug. 31, 2017.

The schedule of changes in TxDOT's net OPEB liability for the fiscal year ending Aug. 31, 2018, is presented below:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at 09/01/17	\$ 4,595,668	\$ 56,007	\$ 4,539,661
Changes for the year:			
Service Cost	256,922		256,922
Interest	136,668		136,668
Differences between Expected and Actual Experience	(55,942)		(55,942)
Contributions-Employer		99,328	(99,328)
Contributions-Non-employer Contributing Entities		5,140	(5,140)
Contributions-Employee		21,835	(21,835)
Other (Federal Revenues and Other Additions)		8,009	(8,009)
Net Investment Income		504	(504)
Benefit Payments, including Refunds of Employee- Contributions	(81,242)	(81,242)	0
Benefit Payments financed by Employee- Contributions and Federal Revenues		(29,803)	29,803
Administrative Expense		(627)	627
Assumption Changes	(973,369)		(973,369)
Net Changes	(716,963)	23,144	(740,107)
Balances at 08/31/18	<u>\$ 3,878,705</u>	<u>\$ 79,151</u>	<u>\$ 3,799,554</u>

For the year ending Aug. 31, 2018, TxDOT recognized OPEB expense of \$203.3 million. At Aug. 31, 2018, TxDOT reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Outstanding Deferred Outflows and Deferred Inflows Related to OPEB at August 31, 2018		
(Amounts in Thousands)		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$	\$ 45,658
Changes of assumptions		794,442
Net Difference between Projected and Actual Investment Return	1,125	
Contributions Subsequent to the Measurement Date	106,049	
Total	<u>\$ 107,174</u>	<u>\$ 840,100</u>

The \$106.0 million reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability for the year ending Aug. 31, 2019.

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

Fiscal Year Ended August 31:	
(Amounts in Thousands)	
2019	\$ (188,930)
2020	\$ (188,930)
2021	\$ (188,930)
2022	\$ (188,930)
2023	\$ (83,255)
Thereafter	\$ 0

**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, 2018 (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	\$ 307,929
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	\$ 402,542

<b>Interfund Transfers In/Out</b>		
August 31, 2018 (Amounts in Thousands)		
	<b>Transfers In Other Funds</b>	<b>Transfers Out Other Funds</b>
Governmental Funds		
Major Funds:		
State Highway Fund	\$ 312,795	\$ 425,485
Local Government Political Sub Account		307,929
Texas Mobility Fund	151,424	151,424
Nonmajor Funds	<u>402,541</u>	<u>4,866</u>
	<u>866,760</u>	<u>889,704</u>
Proprietary Funds		
Central Texas Turnpike System	<u>22,944</u>	
	<u>22,944</u>	<u>0</u>
<b>Total</b>	<b>\$ <u>889,704</u></b>	<b>\$ <u>889,704</u></b>

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

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

<b>Due From/To</b>		
August 31, 2018 (Amounts in Thousands)		
	<b>Due From Other Funds</b>	<b>Due To Other Funds</b>
Governmental Funds		
Major Funds:		
State Highway Fund	\$ 15,957	\$
Local Government Political Sub Account □	4,400	
Nonmajor Funds		10,088
	<u>20,357</u>	<u>10,088</u>
Proprietary Funds		
Central Texas Turnpike System		3,684
Grand Parkway Transportation Corp.		6,585
	<u>0</u>	<u>10,269</u>
<b>Total</b>	<b>\$ <u>20,357</u></b>	<b>\$ <u>20,357</u></b>

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

eliminations are made and transfers in and out are netted and presented in the government-wide statement of activities as “transfers-internal activities.”

<b>Transfers-Internal Activities per the Government-Wide Financial Statements</b>	
August 31, 2018 (Amounts in Thousands)	
<b>Fund Category</b>	<b>Other Funds*</b>
Governmental Activities	\$ (25,933)
Business-Type Activities	\$ 25,933
*Amounts include capital asset transfers of \$3.0 million from Governmental Activities to Business-Type Activities.	

<b>Internal Balances per the Government-Wide Financial Statements</b>			
August 31, 2018 (Amounts in Thousands)			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Current Liabilities:			
Internal Balances - Payables	\$ (10,269)	\$ 10,269	\$ 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 \$1.6 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 2018, 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 \$1.4 billion in fiscal 2018. The Comptroller of Public Accounts transferred this amount to TxDOT on Nov. 28, 2018.

On Nov. 3, 2015, Texas voters approved the Proposition 7 ballot measure that dedicates a portion of the revenue from the state sales and use tax and motor vehicle sales and rental tax to the state highway fund. TxDOT recorded a due from of \$1.6 billion for fiscal 2018 related to Proposition 7. This amount was transferred to the state highway fund by the Comptroller of Public Accounts on Sept. 1, 2018.

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, 2018 (Amounts in Thousands)		
	<u>Transfers In Other Agencies</u>	<u>Transfers Out Other Agencies</u>
Governmental Funds		
Major Funds:		
State Highway Fund	\$ 1,640,563	\$ 145,705
Nonmajor Funds	<u>1,209</u>	<u>13</u>
Total	<u>\$ 1,641,772</u>	<u>\$ 145,718</u>

<b>Due From/To Other State Agencies</b>		
August 31, 2018 (Amounts in Thousands)		
	<u>Due From Other Agencies</u>	<u>Due To Other Agencies</u>
Governmental Funds		
Major Funds:		
State Highway Fund	\$ <u>3,171,988</u>	\$ <u>1,547</u>
Total	<u>\$ 3,171,988</u>	<u>\$ 1,547</u>

<b>Pass-Throughs To/From Other State Agencies</b>	
August 31, 2018 (Amounts in Thousands)	
	<u>State Highway Fund</u>
Federal Pass-throughs:	
Expenditures	\$ (10,954)
Revenue	<u>13,008</u>
Total	<u>\$ 2,054</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, 2029, unless continued in existence by the 91<sup>st</sup> Legislature as provided by the Act. If abolished, TxDOT may continue until Sept. 1, 2030 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, 2018 governmental fund balances by major and nonmajor governmental funds. With the exception of nonspendable fund balances, fund balance is presented based on specific purpose for which the funds are restricted, committed, assigned or unassigned.

<b>Governmental Fund Balances –</b>				
<b>Disaggregation of Nonspendable, Restricted, Committed, Assigned and Unassigned Fund Balances</b>				
August 31, 2018 (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	\$ 145,882	\$	\$	\$ 145,882
Restricted For:				
Capital Projects	3,709,928		398,406	4,108,334
Debt Service		545,706		545,706
Committed To:				
Transportation Infrastructure	787,550			787,550
Assigned To:				
Transportation	1,320,135			1,320,135
<b>Total</b>	<b>\$ 5,963,495</b>	<b>\$ 545,706</b>	<b>\$ 398,406</b>	<b>\$ 6,907,607</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	\$ 23	\$	\$	\$ 23
Restricted For:				
Debt Service			206,939	206,939
Committed To:				
Transportation Infrastructure		10,155		10,155
Assigned To:				
Transportation	116			116
Unassigned	5,104			5,104
<b>Total</b>	<b>\$ 5,243</b>	<b>\$ 10,155</b>	<b>\$ 206,939</b>	<b>\$ 222,337</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 2018, an adjustment was made that required the restatement of fund balances or net position. The impact of this adjustment is summarized and discussed below.

<b>Restatements to Fund Balances/ Net Position</b>			
(Amounts in Thousands)			
	<b>September 1, 2017, As Previously Reported</b>	<b>Restatements</b>	<b>September 1, 2017 As Restated</b>
<b>Major Funds:</b>			
State Highway Fund	\$ 4,185,320	\$	\$ 4,185,320
Texas Mobility Fund	910,381		910,381
Proposition 12 Project Fund	674,718		674,718
Total Major Funds	<u>5,770,419</u>		<u>5,770,419</u>
<b>Nonmajor Funds:</b>			
General Fund Accounts	11,824		11,824
Special Revenue Funds	24,888		24,888
Debt Service Funds	199,278		199,278
Total Nonmajor Funds	<u>235,990</u>		<u>235,990</u>
<b>Governmental Activities Adjustments</b>			
Capital Assets	101,415,045		101,415,045
Long-Term Liabilities	(29,672,383)	(4,435,191) (A)	(34,107,574)
Other Adjustments	922,482		922,482
Total Governmental Activities Adjustments	<u>72,665,144</u>	<u>(4,435,191)</u>	<u>68,229,953</u>
Total Governmental Activities	<u>78,671,553</u>	<u>(4,435,191)</u>	<u>74,236,362</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Central Texas Turnpike System	330,140		330,140
Grand Parkway Transportation Corp.	(80,137)		(80,137)
Total Business-Type Activities	<u>250,003</u>		<u>250,003</u>
Total Primary Government	<u>\$ 78,921,556</u>	<u>\$ (4,435,191)</u>	<u>\$ 74,486,365</u>

(A) The \$4.4 billion restatement for long-term liabilities included a restatement for Net OPEB Liability and a restatement for OPEB Deferred Outflows of Resources that resulted from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions*, in fiscal 2018.

**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, 2018 outstanding contractor claims pending at the TxDOT claims committee totaled \$12.8 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, 2018. 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 948 cases. Total claims with amounts indicated range from \$10 to \$18.0 million with a total of \$356.9 million.
Contract	Amounts claimed range from \$9 thousand to \$996 thousand. Total claims of amounts indicated is \$1.7 million.
Inverse Condemnation	Monetary amounts have not been specified in any of these cases.
Declaratory Judgment	Monetary amounts have not been specified in eighteen of the nineteen cases. Amounts claimed range from \$10.0 million on a singular case.
Employment Law and Related Lawsuits	Monetary amounts have not been specified in any of these cases. Liability against TxDOT is limited to \$600 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.

**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, 2018, 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.

<b>Construction Related Contract Commitments</b>		
August 31, 2018 (Amounts in Thousands)		
	Total Remaining Commitment	FHWA Reimbursements
Construction Contracts	\$ 10,366,643	\$ 5,817,956
Design-Build Projects	1,794,416	1,187,259
SCA Projects	52,238	24,033
GPTC Project	845,830	
<b>Totals</b>	<b>\$ 13,059,127</b>	<b>\$ 7,029,248</b>

*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, 2018 there were 40 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 remaining for pass-through toll projects executed as of Aug. 31, 2018, was approximately \$1.0 billion. Approximately \$757.3 million had been repaid as of Aug. 31, 2018. 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, 2018, the Commission has outstanding toll equity grant commitments and toll equity loan commitments totaling \$178.2 million and \$9.5 billion, respectively. Payments of these amounts are made subject to executed financial assistance agreements between TxDOT and the applicable public or private entity.

The toll equity loan commitment is related to a toll equity loan agreement (TELA) with the GPTC. This agreement makes a loan 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 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, G, H, and I 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”.

**NOTE 16 – SUBSEQUENT EVENTS**

*Remarketed TMF Series 2014B Bonds*

The \$250.0 million par TMF Series 2014-B bonds, initially issued in an index floating rate mode, were successfully remarketed on Oct. 1, 2018. Below are the new terms of the TMF Series 2014-B Bonds.

<b>Put Bonds</b> (Amount in Thousands)					
<b>Governmental Activities</b>	<b>Mandatory Tender Date</b>	<b>Initial Rate</b>	<b>Initial Period Interest</b>	<b>Stepped Coupon Rate</b>	<b>Stepped Rate Period Interest**</b>
General Obligation Bonds					
Series 2014-B	10/1/2021	Lessor of. i. SIFMA + 30 basis points; ii. Maximum Rate (9%)	Variable*	8.00% per annum \$	20,000
* Index Floating Rate Mode/reseats weekly					
** Assumes a full year of interest					

*CTTS Reserves In Transit*

At Aug. 31, 2018, \$38.0 million of certain CTTS reserves were in transit to the Texas Treasury Safekeeping Trust Company (Trust Company). The funds were being moved on Aug. 31, 2018 from the state Treasury in compliance with a state policy for local operating trust funds. The policy requires that such funds established in the statewide accounting system must be clearing accounts and have minimal cash balances at fiscal year end. The funds were received and invested in overnight repurchase agreements in the CTTS account at the Trust Company on Sept. 4, 2018.

**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, 2018 (Amounts in Thousands)					
		Beginning Balance	Increases	Decreases	Ending Balance
2018	\$	0	20,276	(20,276)	\$ 0
2017	\$	0	4,187	(4,187)	\$ 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.

As of Aug. 31, 2018, 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, 2018. 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, G, H, I-1, and I-2. See Note 6 for additional details about the GPTC bond issuances as of Aug. 31, 2018. GPTC has a fiscal year end of Aug. 31, 2018, consistent with TxDOT. The financial activity of GPTC is reported as a Proprietary fund within 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.

### ***Deficit fund balance***

Grand Parkway Transportation Corporation (GPTC) at the end of fiscal 2018 had a \$143.5 million deficit balance of net position. The total expense exceeded the total revenue by \$63.4 million. The large expense included \$64.1 million of amortization and \$141.5 million of interest payments.

**NOTE 20 – SERVICE CONCESSION ARRANGEMENTS**

As of Aug. 31, 2018, TxDOT has entered into nine 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.

<b>Service Concession Arrangements</b>				
As of August 31, 2018				
<b>Arrangement Name</b>	<b>Construction Status</b>	<b>Term of Concession</b>	<b>Concession Begin</b>	<b>Concession End</b>
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	Complete	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 *
Grand Parkway Seg H - I	Under Construction	36 years	2018	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.

<b>Service Concession Arrangements - Amounts Recognized in Financial Statements – Governmental Activities</b>			
August 31, 2018 (Amounts in Thousands)			
<b>Arrangement Name</b>	<b>Cash in State Treasury*</b>	<b>Capital Assets</b>	<b>Deferred Inflows of Resources**</b>
IH 10 "Katy Managed Lanes"	\$	\$	\$ 201,088
SH 130 Segments 5 and 6	32,719	1,440,965	1,346,038
SH 121 Concession	413,429	1,336,606	3,101,352
North Tarrant Exp Seg 1 and 2-West		2,396,823	1,572,643
North Tarrant Exp Seg 3A and 3B		1,610,813	1,131,801
LBJ/IH-635 Managed Lanes		2,675,329	1,938,891
Grand Parkway Seg D, E, F1, F2, G		2,461,564	2,244,388
SH 288	10,738	44,920	25,479
Total	\$ <u>456,886</u>	\$ <u>11,967,020</u>	\$ <u>11,561,680</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 \$2.4 billion for its costs of design, construction and right-of-way acquisition through Aug. 31, 2018. This amount is reported in the business-type activities.

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

As of Aug. 31, 2018, 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, 2018 (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	\$ 159,457	\$
Gain on Bond Refunding		3,362
Pensions (Note 8)	411,624	74,308
Service Concession Arrangements (Note 20)		11,561,680
Other Postemployment Benefits (Note 10)	107,174	840,100
Total Governmental Activities	<u>678,255</u>	<u>12,479,450</u>
<b>Business-Type Activities</b>		
Loss on Bond Refunding	28,183	
Total Business-Type Activities	<u>28,183</u>	<u>0</u>
Total	<u>\$ 706,438</u>	<u>\$ 12,479,450</u>

Deferred outflows of resources in the amounts of \$159.5 million in governmental activities and \$28.2 million in business-type activities relate to losses on bond refunding transactions. The deferred inflow of \$3.4 million reported in governmental 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 \$11.6 billion reported in governmental activities relate to nine different service concession arrangements, to which TxDOT was a party, as of Aug. 31, 2018. The amount recorded in the financial statements represents the balance of unamortized upfront payments and capital improvements TxDOT received under the agreements.

TxDOT reported \$411.6 million in deferred outflows of resources and \$74.3 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 outflows of resources of \$107.2 million and deferred inflows of resources of \$840.1 million reported in governmental activities relate to other postemployment benefits. The reported deferred outflows of resources include TxDOT's share of OPEB contributions made subsequent to the measurement date and the unamortized balance of the net difference between projected and actual return on plan investments used to calculate net OPEB liability. The reported deferred inflows of resources are comprised of the unamortized balances of differences between expected and actual experience on earnings on OPEB plan investments and changes in assumptions used to calculate net OPEB liability.

Deferred inflows of \$1.6 billion were reported on the governmental funds balance sheet as presented in the table as follows. These deferred inflows relate to unavailable revenues that were earned as of Aug. 31, 2018, 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, 2018 (Amounts in Thousands)	
<b>Description</b>	<b>Deferred Inflows of Resources</b>
<b>State Highway Fund</b>	
Oil and Natural Gas Production Tax	\$ 1,384,115
Local Revenue	122,968
Federal Revenue	98,837
<b>Total</b>	<b>\$ 1,605,920</b>

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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, 2018 (Amount in Thousands)

	<u>Budgetary Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 5,448,879	\$ 4,310,472	\$ 6,623,820	\$ 2,313,348
Federal	5,407,980	4,119,413	3,818,528	(300,885)
Licenses, Fees and Permits	120,766	123,834	68,570	(55,264)
Interest and Investment Income	59,575	59,575	74,460	14,885
Land Income			23,128	23,128
Settlement of Claims			21,133	21,133
Sales of Goods and Services	46,000	46,000	88,798	42,798
Other	207,996	207,996	3,516	(204,480)
Total revenues	<u>11,291,196</u>	<u>8,867,290</u>	<u>10,721,953</u>	<u>1,854,663</u>
<b>EXPENDITURES</b>				
Transportation:	<u>11,637,966</u>	<u>12,030,271</u>	<u>9,240,250</u>	<u>2,790,021</u>
Total Expenditures	<u>11,637,966</u>	<u>12,030,271</u>	<u>9,240,250</u>	<u>2,790,021</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(346,770)</u>	<u>(3,162,981)</u>	<u>1,481,703</u>	<u>4,644,684</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In			1,953,357	1,953,357
Transfers Out			(571,189)	(571,189)
Sale of Capital Assets			5,453	5,453
Available Beginning Balances	<u>3,595,553</u>	<u>3,595,553</u>	<u>3,595,553</u>	
Total Other Financing Sources (Uses)	<u>3,595,553</u>	<u>3,595,553</u>	<u>4,983,174</u>	<u>1,387,621</u>
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ 3,248,783</u>	<u>\$ 432,572</u>	<u>\$ 6,464,877</u>	<u>\$ 6,032,305</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 inflows, 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, 2018 (Amounts in Thousands)	
	<b>State Highway Fund</b>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses- Actual Budgetary Basis	\$ 6,464,877
Basis of Accounting Differences:	
Receivables and Deferred Inflows	(565,076)
Payables	(93,756)
Perspective Differences:	
Beginning Cash Balances Reported as Other Financing Sources	(3,595,553)
Other Revenues Not Budgeted	
Other Expenditures Not Budgeted	(432,317)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses - GAAP Basis	\$ 1,778,175

## *Basis of Budgeting*

The state's budget is prepared on a cash basis. The Texas Constitution limits appropriation 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.

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## Schedules of Changes in Net Pension Liability and Related Ratios

For each of the fiscal years presented, the measurement date for the information on the schedules of changes in net pension liability and related ratios was the prior fiscal year-end.

<b>Schedule of Changes in Net Pension Liability</b>				
(Amounts in Thousands)				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>				
Service Cost	\$ 132,525	\$ 108,528	\$ 118,614	\$ 109,957
Interest	228,274	238,733	228,696	224,284
Benefit Changes			(8,462)	
Differences between Expected and Actual Experience	10,516	12,639	(27,433)	(24,411)
Assumption Changes	201,859	501,760	(330,365)	115,710
Benefit Payments and Refunds	(208,148)	(203,213)	(197,428)	(189,477)
Change in Proportional Percentage	(73,016)	(22,595)	(2,322)	
<b>Net Change in Total Pension Liability</b>	<u>292,010</u>	<u>635,852</u>	<u>(218,700)</u>	<u>236,063</u>
<b>Total Pension Liability-Beginning</b>	<u>4,229,968</u>	<u>3,594,116</u>	<u>3,812,816</u>	<u>3,576,753</u>
<b>Total Pension Liability-Ending (a)</b>	<u>\$ 4,521,978</u>	<u>\$ 4,229,968</u>	<u>\$ 3,594,116</u>	<u>\$ 3,812,816</u>
<b>Plan Fiduciary Net Position</b>				
Contributions-Employer	63,666	64,993	48,208	46,536
Contributions-Member	62,336	63,849	44,524	41,553
Net Investment Income	257,602	120,512	5,486	313,859
Benefit Payments and Refunds	(208,148)	(203,213)	(197,428)	(189,477)
Administrative Expense	(2,100)	(1,935)	(2,104)	(1,949)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>173,356</u>	<u>44,206</u>	<u>(101,314)</u>	<u>210,522</u>
<b>Plan Fiduciary Net Position-Beginning</b>	<u>2,360,236</u>	<u>2,316,030</u>	<u>2,417,344</u>	<u>2,206,822</u>
<b>Plan Fiduciary Net Position-Ending (b)</b>	<u>2,533,592</u>	<u>2,360,236</u>	<u>2,316,030</u>	<u>2,417,344</u>
<b>Net Pension Liability-Ending (a) - (b)</b>	<u>\$ 1,988,386</u>	<u>\$ 1,869,732</u>	<u>\$ 1,278,086</u>	<u>\$ 1,395,472</u>
<b>Plan Fiduciary Net Position as a percentage of Total Pension Liability</b>	56.03%	55.80%	64.44%	63.40%
<b>Covered Payroll</b>	\$623,828	\$638,053	\$592,508	\$574,704
<b>Net Pension Liability as a percentage of covered payroll</b>	318.74%	293.04%	215.71%	242.82%
<b>Notes to Schedule:</b>				
1. The change in total pension liability is due to the change in the single discount rate included as an assumption change.				
2. The covered payroll is the actual annual payroll for the fiscal year as reported by ERS.				
3. This schedule is intended to present 10 years of information. Currently, only four years of information is available. Information- for future years will be added when it becomes available.				

## Schedules of Employer Contributions - Pension

The information on the schedules of employer contributions was determined as of the end of the fiscal year presented.

<b>Schedule of Employer Contributions</b>				
(Amounts in Thousands)				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 89,848	\$ 67,526	\$ 65,492	\$ 71,131
Actual Contribution	67,073	66,253	66,163	48,288
Contribution deficiency (excess)	22,774	1,273	(670)	22,843
Covered payroll	655,345	649,179	649,536	593,496
Contribution as a percentage of covered payroll	10.23%	10.21%	10.19%	8.14%
<b>Notes to Schedule of Employer Contributions:</b>				
<b>Valuation Date:</b>				
	Actuarially determined contribution rates are calculated as of August 31. Members and employers contribute based on statutorily fixed rates.			
	A new set of assumptions were adopted for the August 31, 2017 actuarial valuation and will be first reflected for the Actuarially Determined Employer Contribution (ADEC) determined for the fiscal year ending 2018.			
<b>Methods and Assumptions Used to Determine Contribution Rates:</b>				
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 Increase	0% to 11.5%			
Investment Rate of Return	8.00%			
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 September 1, 2006 through August 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.			
<b>Other Information:</b>				
1. Actuarially determined contributions are adjusted for actual payroll and administrative expenses.				
2. Members and employers contribute based on statutorily fixed rates.				
3. This schedule is intended to present 10 years of information. Currently only four years of information is available. Information for future years will be added when it becomes available.				
4. The covered employee payroll is the actual annual payroll for the fiscal year as reported by ERS.				

## Schedules of Changes in Net OPEB Liability and Related Ratios

For each of the fiscal years presented, the measurement date for the information on the schedules of changes in net pension liability and related ratios was the prior fiscal year-end.

<b>Schedule of Changes in Net OPEB Liability</b>	
(Amounts in Thousands)	
	<b>2018</b>
<b>Total OPEB Liability</b>	
Service Cost	\$ 256,922
Interest	136,668
Differences between Expected and Actual Experience	(55,942)
Assumption Changes	(973,369)
Benefit Payments, including Refunds of Employee-Contributions	(81,242)
<b>Net Change in Total OPEB Liability</b>	<b>(716,963)</b>
<b>Total OPEB Liability-Beginning</b>	<b>4,595,668</b>
<b>Total OPEB Liability-Ending (a)</b>	<b>3,878,705</b>
<b>Plan Fiduciary Net Position</b>	
Contributions-Employer	99,328
Contributions-Non-employer Contributing Entities	5,140
Contributions-Employee	21,835
Other (Federal Revenues and Other Additions)	8,009
Net Investment Income	504
Benefit Payments, including Refunds of Employee-Contributions	(81,242)
Benefit Payments financed by Employee-Contributions and Federal Revenues	(29,803)
Administrative Expense	(627)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>23,144</b>
<b>Plan Fiduciary Net Position-Beginning</b>	<b>56,007</b>
<b>Plan Fiduciary Net Position-Ending (b)</b>	<b>79,151</b>
<b>Net OPEB Liability-Ending (a) - (b)</b>	<b>\$ 3,799,554</b>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	2.04%
Covered-Employee Payroll	\$1,309,744
Net OPEB Liability as a Percentage of Covered- Employee Payroll	290.10%
<b>Notes to Schedule of OPEB Liabilities:</b>	
1. This schedule is intended to present 10 years of information. Currently, only one year of information is available. Information for future years will be added when it becomes available.	
2. Information is presented using an August 31, 2017 measurement date.	
3. Benefit payments are net of member contributions and Federal Revenues.	

**Schedule of Employer Contributions – OPEB**

<b>Schedule of Employer Contributions</b>	
(Amounts in Thousands)	
	<u>2018</u>
Actuarially determined contribution	\$ 302,751
Actual Contribution	104,517
Contribution deficiency (excess)	198,234
Covered-Employee Payroll	1,309,744
Contribution as a percentage of Covered-Employee Payroll	8.00%
<b>Notes to Schedule of Employer Contributions:</b>	
<b>Methods and assumptions used to determine contribution rates:</b>	
Valuation Date	August 31, 2017
Actuarial Cost Method	Entry Age
Remaining Amortization Period	30 Years
Asset Valuation Method	Not applicable
Actuarial Assumptions:	
Discount Rate	3.51%
Inflation	2.50%
Projected Annual Salary Increase	2.50% to 9.50%
Annual Healthcare Trend Rate	8.50% for FY 2019, decreasing 0.50% per year to 4.50% for FY 2027 and later years
Aggregate Payroll Growth	3.00%
Retirement Age	Experience-based tables of rates that are specific to the class of employee
Mortality-State Agency Members	Service Retirees, Survivors and Other Inactive Members: 2017 State Retirees of Texas mortality table with 1 year set forward for male members  Disabled Retirees: RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from year 2014  Active Members: RP-2014 Active Member Mortality tables with Ultimate MP Projection Scale from the year 2014
Ad hoc Postemployment Benefit Changes	None
<b>Other Information:</b>	
This schedule is intended to present 10 years of information. Currently, only one year of information is available. Information for future years will be added when it becomes available.	

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Section Two (continued)

**Other Supplementary Information**

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## 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.

<u>Appropriated Fund</u>	<u>GAAP Fund</u>	<u>USAS D23 Funds</u>
0006	0006	0006 - State Highway Fund
0006	0006	0020 - Prop 14 Tax Exempt Bonds
0006	0006	0121 - SH121 Concession-Project Fund
0006	0006	0122 - SH121 Concession-Revolving Fund
0006	0006	0130 - SH130 Concession
0006	0006	0161 - SH161 Project Fund
0006	0006	0162 - SH161 Revolving Fund
0006	0006	0288 - SH 288 Concession-Project Fund
0006	0006	0513 - CTTS Operating Account
0006	0006	0514 - CTTS Maintenance Account
0006	0006	0515 - CTTS Reserve Maintenance Account
0006	0006	0635 - LBJ Project Concession Refund
0006	0006	0820 - NTE Segments 1&2W Concession Fund
0006	0006	0823 - NTE Segment 3A&3B Concession Fund
0006	0006	1016 - Texas State Cemetery Committee
0006	0006	8006 - Depository Interest Default Fund
0006	0006	9000 - Deposit Default Fund
0006	0006	9001 - Returned Items Default Fund
0369*	0006	0369 - Federal American Recovery & Reinvestment Fund
0899	0006	0835 - I-35E Project Disbursing Account
9999	0006	1835 - I-35E Local Operating Fund

**Proposition 1** - This fund was created to record, track and report the receipt and disbursement of the Proposition 1 Fund.

<u>Appropriated Fund</u>	<u>GAAP Fund</u>	<u>USAS D23 Funds</u>
0006	0006	1006 - Proposition 1 Fund

**Proposition 7** - This fund was created to record, track and report the receipt and disbursement of the Proposition 7 Fund.

<u>Appropriated Fund</u>	<u>GAAP Fund</u>	<u>USAS D23 Funds</u>
0006	0006	1007 - Proposition 7 Fund

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

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

\* Fund 0369, Federal American Recovery and Reinvestment Funds, was moved to the State Highway Fund

# Combining Balance Sheet - State Highway Fund

August 31, 2018 (Amounts in Thousands)

	<b>State Highway Fund Accounts</b>	<b>Proposition 1</b>	<b>Proposition 7</b>	<b>State Infrastructure Bank</b>	<b>TOTAL</b>
<b>ASSETS</b>					
Cash and Cash Equivalents:					
Cash on Hand	\$ 77	\$	\$	\$	\$ 77
Cash in Bank	8,837				8,837
Cash in State Treasury	1,558,960	1,120,336	630,448	344,057	3,653,801
Receivables:					
Taxes	232,549				232,549
Federal	530,675		4,882		535,557
Other Intergovernmental	180,778				180,778
Interest and Dividends	4,662			2,122	6,784
Accounts Receivable	40,570				40,570
Due from Other Funds	15,957				15,957
Due from Other Agencies	227,064	1,384,115	1,560,809		3,171,988
Consumable Inventories	145,882				145,882
Loans and Contracts	594,866			155,759	750,625
Restricted:					
Cash Equivalents	19,248				19,248
Short Term Investments	4,966				4,966
<b>Total Assets</b>	<b>\$ 3,565,091</b>	<b>\$ 2,504,451</b>	<b>\$ 2,196,139</b>	<b>\$ 501,938</b>	<b>\$ 8,767,619</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Payables:					
Accounts	925,807	124,883			1,050,690
Payroll	80,174				80,174
Contract Retainage	4,500				4,500
Due to Other Agencies	1,547				1,547
Unearned Revenues	61,293				61,293
<b>Total Liabilities</b>	<b>1,073,321</b>	<b>124,883</b>	<b>0</b>	<b>0</b>	<b>1,198,204</b>
Deferred Inflows of Resources:					
Unavailable Revenue	221,805	1,384,115			1,605,920
<b>Total Deferred Inflows of Resources</b>	<b>221,805</b>	<b>1,384,115</b>	<b>0</b>	<b>0</b>	<b>1,605,920</b>
Fund Balances (Deficits):					
Nonspendable:					
Inventory	145,882				145,882
Restricted	16,398	995,453	2,196,139	501,938	3,709,928
Committed	787,550				787,550
Assigned	1,320,135				1,320,135
<b>Total Fund Balances</b>	<b>2,269,965</b>	<b>995,453</b>	<b>2,196,139</b>	<b>501,938</b>	<b>5,963,495</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 3,565,091</b>	<b>\$ 2,504,451</b>	<b>\$ 2,196,139</b>	<b>\$ 501,938</b>	<b>\$ 8,767,619</b>

**Texas Department of Transportation**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - State Highway Fund**  
For the Fiscal Year Ended, August 31, 2018 (Amounts in Thousands)

	State Highway Fund Accounts	Proposition 1	Proposition 7	State Infrastructure Bank	TOTAL
<b>REVENUES</b>					
Taxes	\$ 2,741,784	\$ 734,418	\$ 2,500,000		\$ 5,976,202
Federal Revenues	3,832,297		11,712		3,844,009
Federal Pass-Through Revenues	13,008				13,008
Licenses, Fees and Permits	68,570				68,570
Interest & Investment Income	37,381	25,631		11,251	74,263
Land Income	23,128				23,128
Settlement of Claims	21,133				21,133
Sales of Goods and Services	133,048				133,048
Other Revenues	3,516				3,516
Total Revenues	<u>6,873,865</u>	<u>760,049</u>	<u>2,511,712</u>	<u>11,251</u>	<u>10,156,877</u>
<b>EXPENDITURES</b>					
Transportation	3,673,402				3,673,402
Capital Outlay	4,372,412	1,288,193			5,660,605
Debt Service:					
Principal on State Bonds			127,920		127,920
Principal on Pass-Through Tolls	110,843				110,843
Interest on State Bonds			192,519		192,519
Other Financing Fees	1,035				1,035
Total Expenditures	<u>8,157,692</u>	<u>1,288,193</u>	<u>320,439</u>	<u>0</u>	<u>9,766,324</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,283,827)</u>	<u>(528,144)</u>	<u>2,191,273</u>	<u>11,251</u>	<u>390,553</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	1,948,492		4,866		1,953,358
Transfers Out	(571,190)				(571,190)
Sale of Capital Assets	5,454				5,454
Total Other Financing Sources (Uses)	<u>1,382,756</u>	<u>0</u>	<u>4,866</u>	<u>0</u>	<u>1,387,622</u>
Net Change in Fund Balances	<u>98,929</u>	<u>(528,144)</u>	<u>2,196,139</u>	<u>11,251</u>	<u>1,778,175</u>
Fund Balances, September 1, 2017	2,171,036	1,523,597	0	490,687	4,185,320
Fund Balances, August 31, 2018	<u>\$ 2,269,965</u>	<u>\$ 995,453</u>	<u>\$ 2,196,139</u>	<u>\$ 501,938</u>	<u>\$ 5,963,495</u>

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## 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 0367 - TMF-Interest & Sinking Account 0373 - TMF-Rebate Account 0379 - TMF Cost of Issuance

**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	0377 - TMF-Bond Issue Account-Capital Project

## Combining Balance Sheet - Texas Mobility Fund

August 31, 2018 (Amounts in Thousands)

	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and Cash Equivalents:			
Cash in State Treasury	\$ 568,275	\$	\$ 568,275
Total Assets	<u>\$ 568,275</u>	<u>\$ 0</u>	<u>\$ 568,275</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Payables:			
Accounts	20,752		20,752
Unearned Revenues	<u>1,817</u>		<u>1,817</u>
Total Liabilities	<u>22,569</u>	<u>0</u>	<u>22,569</u>
Fund Balances (Deficits):			
Restricted	<u>545,706</u>		<u>545,706</u>
Total Fund Balances	<u>545,706</u>	<u>0</u>	<u>545,706</u>
Total Liabilities and Fund Balances	<u>\$ 568,275</u>	<u>\$ 0</u>	<u>\$ 568,275</u>

**Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances - Texas Mobility Fund**  
For the Fiscal Year Ended August 31, 2018 (Amounts in Thousands)

	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Legislative Appropriations:			
Federal Revenues	\$ 21,756	\$	21,756
Licenses, Fees and Permits	455,258		455,258
Interest and Investment Income	8,135	4,628	12,763
Other Revenues	70		70
Total Revenues	<u>485,219</u>	<u>4,628</u>	<u>489,847</u>
<b>EXPENDITURES</b>			
Transportation		29	29
Capital Outlay		496,845	496,845
Debt Service:			
Principal on State Bonds	68,410		68,410
Interest on State Bonds	288,986		288,986
Other Financing Fees	252		252
Total Expenditures	<u>357,648</u>	<u>496,874</u>	<u>854,522</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>127,571</u>	<u>(492,246)</u>	<u>(364,675)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In		151,424	151,424
Transfers Out	(151,424)		(151,424)
Total Other Financing Sources (Uses)	<u>(151,424)</u>	<u>151,424</u>	<u>0</u>
Net Change in Fund Balances	<u>(23,853)</u>	<u>(340,822)</u>	<u>(364,675)</u>
Fund Balances, September 1, 2017	<u>569,559</u>	<u>340,822</u>	<u>910,381</u>
Fund Balances, August 31, 2018	<u>\$ 545,706</u>	<u>\$ 0</u>	<u>\$ 545,706</u>

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**Nonmajor Governmental Funds**

**Combining Financial Statements**

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

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

<u>Appropriated Fund</u>	<u>GAAP Fund</u>	<u>USAS D23 Funds</u>
0001	0001	0001 - General Revenue Fund
0036	0036	0036 - Traffic Safety Crash Records
0900	0900	0090 - Suspense Fund
0999	0001	0998 - Miscellaneous-Utility Fund (Non-Cash)
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.

<u>Appropriated Fund</u>	<u>GAAP Fund</u>	<u>USAS D23 Funds</u>
0184	0184	0184 - Transportation Infrastructure Fund

**Debt Service Funds** - These funds are used to report financial resources that are restricted, committed or assigned to expenditure for principal and interest.

<u>Appropriated Fund</u>	<u>GAAP Fund</u>	<u>USAS D23 Funds</u>
0008	0008	0010 - State Highway Debt Service Fund

**Texas Department of Transportation**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
August 31, 2018 (Amounts in Thousands)

	<u>General Fund</u>	<u>Special Revenue Fund*</u>	<u>Debt Service Fund*</u>	<u>Total Nonmajor Funds</u>
<b>ASSETS</b>				
Cash and Cash Equivalents:				
Cash in State Treasury	\$ 10,088	\$ 16,354	\$ 209,043	\$ 235,485
Legislative Appropriations	5,314			5,314
Loans and Contracts	66			66
Total Assets	<u>15,468</u>	<u>16,354</u>	<u>209,043</u>	<u>240,865</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Payables:				
Accounts	22	6,199		6,221
Payroll	115			115
Due to Other Funds	10,088			10,088
Unearned Revenues			2,104	2,104
Total Liabilities	<u>10,225</u>	<u>6,199</u>	<u>2,104</u>	<u>18,528</u>
Fund Balances (Deficits):				
Nonspendable:				
LT Loans, Contracts and Receivables	23			23
Restricted			206,939	206,939
Committed		10,155		10,155
Assigned	116			116
Unassigned	5,104			5,104
Total Fund Balances	<u>5,243</u>	<u>10,155</u>	<u>206,939</u>	<u>222,337</u>
Total Liabilities and Fund Balances	<u>\$ 15,468</u>	<u>\$ 16,354</u>	<u>\$ 209,043</u>	<u>\$ 240,865</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, 2018 (Amounts in Thousands)

	<b>General Fund</b>	<b>Special Revenue Fund*</b>	<b>Debt Service Fund*</b>	<b>Total Nonmajor Funds</b>
<b>REVENUES</b>				
Legislative Appropriations:				
Original Appropriations	\$ 1,208	\$	\$	\$ 1,208
Additional Appropriations	290			290
Federal Revenues			25,239	25,239
Interest and Investment Income		383	1,782	2,165
Sales of Goods and Services	394			394
Total Revenues	<u>1,892</u>	<u>383</u>	<u>27,021</u>	<u>29,296</u>
<b>EXPENDITURES</b>				
Transportation	7,672	15,116		22,788
Debt Service:				
Principal on State Bonds			215,675	215,675
Interest on State Bonds			206,227	206,227
Total Expenditures	<u>7,672</u>	<u>15,116</u>	<u>421,902</u>	<u>444,690</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,780)</u>	<u>(14,733)</u>	<u>(394,881)</u>	<u>(415,394)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,208		402,542	403,750
Transfers Out	(4,879)			(4,879)
Sale of Capital Assets	3,369			3,369
Appropriations Lapsed	(499)			(499)
Total Other Financing Sources (Uses)	<u>(801)</u>	<u>0</u>	<u>402,542</u>	<u>401,741</u>
Net Change in Fund Balances	<u>(6,581)</u>	<u>(14,733)</u>	<u>7,661</u>	<u>(13,653)</u>
Fund Balances, September 1, 2017	11,824	24,888	199,278	235,990
Fund Balances, August 31, 2018	<u>\$ 5,243</u>	<u>\$ 10,155</u>	<u>\$ 206,939</u>	<u>\$ 222,337</u>

\* No combining statements presented.

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**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
0999	0001	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 - Nonmajor General Funds**  
August 31, 2018 (Amounts in Thousands)

	<u>General Revenue Fund</u>	<u>Traffic Safety Crash Records</u>	<u>Colonias Projects Fund</u>	<u>Suspense Fund</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and Cash Equivalents:					
Cash in State Treasury	\$	\$	\$	\$ 10,088	\$ 10,088
Legislative Appropriations	5,314				5,314
Loans and Contracts	66				66
Total Assets	<u>\$ 5,380</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,088</u>	<u>\$ 15,468</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Payables:					
Accounts	22				22
Payroll	115				115
Due to Other Funds				10,088	10,088
Total Liabilities	<u>137</u>	<u>0</u>	<u>0</u>	<u>10,088</u>	<u>10,225</u>
Fund Balances (Deficits):					
Nonspendable	23				23
Assigned	116				116
Unassigned	5,104				5,104
Total Fund Balances	<u>5,243</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,243</u>
Total Liabilities and Fund Balances	<u>\$ 5,380</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,088</u>	<u>\$ 15,468</u>

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

For the Fiscal Year Ended August 31, 2018 (Amounts in Thousands)

	<u>General Revenue Fund</u>	<u>Traffic Safety Crash Records</u>	<u>Colonias Projects Fund</u>	<u>Suspense Fund</u>	<u>Total</u>
<b>REVENUES</b>					
Legislative Appropriations:					
Original Appropriations	\$ 1,208	\$	\$	\$	\$ 1,208
Additional Appropriations	290				290
Sales of Goods and Services	394				394
Total Revenues	<u>1,892</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,892</u>
<b>EXPENDITURES</b>					
Transportation	6,464	731	477		7,672
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,572)</u>	<u>(731)</u>	<u>(477)</u>	<u>0</u>	<u>(5,780)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In		731	477		1,208
Transfers Out	(4,879)				(4,879)
Sale of Capital Assets	3,369				3,369
Appropriations Lapsed	(499)				(499)
Total Other Financing Sources (Uses)	<u>(2,009)</u>	<u>731</u>	<u>477</u>	<u>0</u>	<u>(801)</u>
Net Change in Fund Balances	<u>(6,581)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(6,581)</u>
Fund Balances, September 1, 2017	<u>11,824</u>				<u>11,824</u>
Fund Balances, August 31, 2018	<u>\$ 5,243</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,243</u>

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## Agency Funds

### Combining Financial Statements

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

#### Agency Funds

<u>Appropriated Fund</u>	<u>GAAP Fund</u>	<u>USAS D23 Funds</u>
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

**Texas Department of Transportation**  
**Combining Statement of Changes in Assets and Liabilities - Agency Funds**  
**For the Fiscal Year Ended August 31, 2018**

	<u>Balances September 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances August 31, 2018</u>
<b>UNAPPROPRIATED RECEIPTS</b>				
<b>General Revenue Fund</b>				
Assets:				
Cash on Hand	\$ 0	\$ 4,264	\$ 4,264	\$ 0
Total Assets	<u>\$ 0</u>	<u>\$ 4,264</u>	<u>\$ 4,264</u>	<u>\$ 0</u>
Liabilities:				
Funds Held for Others	\$ 0	\$ 4,264	\$ 4,264	\$ 0
Total Liabilities	<u>\$ 0</u>	<u>\$ 4,264</u>	<u>\$ 4,264</u>	<u>\$ 0</u>
<b>OTHER AGENCY FUNDS</b>				
<b>Child Support Deducts Account</b>				
Assets:				
Cash in State Treasury	\$ 322	\$ 4,361	\$ 4,356	\$ 327
Total Assets	<u>\$ 322</u>	<u>\$ 4,361</u>	<u>\$ 4,356</u>	<u>\$ 327</u>
Liabilities:				
Funds Held for Others	\$ 322	\$ 4,361	\$ 4,356	\$ 327
Total Liabilities	<u>\$ 322</u>	<u>\$ 4,361</u>	<u>\$ 4,356</u>	<u>\$ 327</u>
<b>Direct Deposit Correction Account</b>				
Assets:				
Cash in State Treasury	\$ 0	\$ 947	\$ 828	\$ 119
Total Assets	<u>\$ 0</u>	<u>\$ 947</u>	<u>\$ 828</u>	<u>\$ 119</u>
Liabilities:				
Funds Held for Others	\$ 0	\$ 947	\$ 828	\$ 119
Total Liabilities	<u>\$ 0</u>	<u>\$ 947</u>	<u>\$ 828</u>	<u>\$ 119</u>
<b>Toll Revenue Custodial Account</b>				
Assets:				
Cash on Hand	\$ 34	\$ 12	\$ 34	\$ 12
Cash in Bank	5,002	1,881,436	1,885,451	987
Cash Equivalents	0	502,346	477,149	25,197
Short-Term Investments	63,682	39,035	80,878	21,839
Total Assets	<u>\$ 68,718</u>	<u>\$ 2,422,829</u>	<u>\$ 2,443,512</u>	<u>\$ 48,035</u>
Liabilities:				
Funds Held For Others	\$ 68,718	\$ 2,422,829	\$ 2,443,512	\$ 48,035
Total Liabilities	<u>\$ 68,718</u>	<u>\$ 2,422,829</u>	<u>\$ 2,443,512</u>	<u>\$ 48,035</u>
<b>TOTALS - ALL AGENCY FUNDS</b>				
Assets:				
Cash on Hand	\$ 34	\$ 4,276	\$ 4,298	\$ 12
Cash in Bank	5,002	1,881,436	1,885,451	987
Cash In State Treasury	322	5,308	5,184	446
Cash Equivalents	0	502,346	477,149	25,197
Short-Term Investments	63,682	39,035	80,878	21,839
Total Assets:	<u>\$ 69,040</u>	<u>\$ 2,432,401</u>	<u>\$ 2,452,960</u>	<u>\$ 48,481</u>
Liabilities:				
Funds Held for Others	\$ 69,040	\$ 2,432,401	\$ 2,452,960	\$ 48,481
Total Liabilities	<u>\$ 69,040</u>	<u>\$ 2,432,401</u>	<u>\$ 2,452,960</u>	<u>\$ 48,481</u>

## Section Two (continued)

### **Other Information**

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

**Schedule 1B - Schedule of State Grant Pass-Throughs from/to State Agencies (Unaudited)**

**Schedule 2 - Bond Schedules**

**Schedule 2A - Miscellaneous Bond Information**

**Schedule 2B - Changes in Bonded Indebtedness**

**Schedule 2C - Debt Service Requirements**

**Schedule 2D - Analysis of Funds Available for Debt Service**

**Schedule 2E - Defeased Outstanding Bonds**

**Schedule 3 - Matrix of 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, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From			Direct Program Amount
		Agency Number	State Entities	Other Entities	
		\$	\$	\$	
<u><i>Federal Aviation Administration (FAA):</i></u>					
Direct Program:					
Airport Improvement Program	20.106				39,911,813.15
Pass-Through Funds to Other Entities:					
Airport Improvement Program	20.106				520,056.00
Total FAA:			0.00	0.00	40,431,869.15
<u><i>Federal Highway Administration (FHWA):</i></u>					
Direct Program:					
Highway Research and Development Program	20.200				410,137.18
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program	20.223				17,025,939.14
Total FHWA:			0.00	0.00	17,436,076.32
<u><i>Federal Railroad Administration (FRA):</i></u>					
Direct Program:					
Railroad Development	20.314				146,634.72
Capital Assistance to States - Intercity Passenger Rail Service	20.317				9,059.38
Pass-Through Funds to Other Entities:					
Capital Assistance to States - Intercity Passenger Rail Service	20.317				6,126,911.68
Total FRA:			0.00	0.00	6,282,605.78
<u><i>Federal Transit Administration (FTA):</i></u>					
Direct Program:					
Federal Transit Metropolitan Planning Grants	20.505				485,742.12
Formula Grants For Other Than Urbanized Areas	20.509				1,514,040.10
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grants	20.528				484,294.77
Pass-Through Funds to Other Entities:					
Federal Transit Metropolitan Planning Grants	20.505				317,984.04
Formula Grants For Other Than Urbanized Areas	20.509				51,336,306.07
Total FTA:			0.00	0.00	54,138,367.10
<u><i>National Highway Traffic Safety Admin. (NHTSA):</i></u>					
Direct Program:					
NHTSA Discretionary Safety Grants	20.614				217,893.50
Total NHTSA:			0.00	0.00	217,893.50
<u><i>Office of the Secretary (OST) Administration Secretariat:</i></u>					
Direct Program:					
National Infrastructure Investments	20.933				63,548.66
Pass-Through Funds to Other Entities:					
National Infrastructure Investments	20.933				8,104,601.39
Total U.S. DOT:			0.00	0.00	8,168,150.05
<u><i>General Services Administration (GSA):</i></u>					
Pass-Through Funds:					
Donation of Federal Surplus Personal Property-NonMonetary					
Pass-Through from Texas Facilities Commission	39.003	303	62,680.74		
Total GSA:			62,680.74	0.00	0.00
<u><i>Department of Homeland Security (DHS):</i></u>					
Pass-Through Funds:					
Disaster Grants - Public Assistance					
Pass-Through from Texas Department of Public Safety	97.036	405	13,007,608.12		
Total DHS:			13,007,608.12	0.00	0.00

Through From and Direct Program	Agency Number	Pass-Through To		Expenditures	Through To and Expenditures Amount
		State Entities	Other Entities		
\$	\$	\$	\$	\$	\$
39,911,813.15				39,911,813.15	39,911,813.15
<u>520,056.00</u>			<u>520,056.00</u>		<u>520,056.00</u>
<u>40,431,869.15</u>		<u>0.00</u>	<u>520,056.00</u>	<u>39,911,813.15</u>	<u>40,431,869.15</u>
410,137.18				410,137.18	410,137.18
<u>17,025,939.14</u>				<u>17,025,939.14</u>	<u>17,025,939.14</u>
<u>17,436,076.32</u>		<u>0.00</u>	<u>0.00</u>	<u>17,436,076.32</u>	<u>17,436,076.32</u>
146,634.72				146,634.72	146,634.72
9,059.38				9,059.38	9,059.38
<u>6,126,911.68</u>			<u>6,126,911.68</u>		<u>6,126,911.68</u>
<u>6,282,605.78</u>		<u>0.00</u>	<u>6,126,911.68</u>	<u>155,694.10</u>	<u>6,282,605.78</u>
485,742.12				485,742.12	485,742.12
1,514,040.10				1,514,040.10	1,514,040.10
484,294.77				484,294.77	484,294.77
317,984.04			317,984.04		317,984.04
51,336,306.07			51,336,306.07		51,336,306.07
<u>54,138,367.10</u>		<u>0.00</u>	<u>51,654,290.11</u>	<u>2,484,076.99</u>	<u>54,138,367.10</u>
<u>217,893.50</u>				<u>217,893.50</u>	<u>217,893.50</u>
<u>217,893.50</u>		<u>0.00</u>	<u>0.00</u>	<u>217,893.50</u>	<u>217,893.50</u>
63,548.66				63,548.66	63,548.66
<u>8,104,601.39</u>			<u>8,104,601.39</u>		<u>8,104,601.39</u>
<u>8,168,150.05</u>		<u>0.00</u>	<u>8,104,601.39</u>	<u>63,548.66</u>	<u>8,168,150.05</u>
62,680.74				62,680.74	62,680.74
<u>62,680.74</u>		<u>0.00</u>	<u>0.00</u>	<u>62,680.74</u>	<u>62,680.74</u>
<u>13,007,608.12</u>				<u>13,007,608.12</u>	<u>13,007,608.12</u>
<u>13,007,608.12</u>		<u>0.00</u>	<u>0.00</u>	<u>13,007,608.12</u>	<u>13,007,608.12</u>

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 1A-SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
Year Ended August 31, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From			Direct Program Amount
		Agency Number	State Entities	Other Entities	
		\$	\$	\$	
<i>Other Clusters</i>					
<i>Federal Transit Cluster:</i>					
<u><i>Federal Transit Administration (FTA):</i></u>					
Direct Program:					
Federal Transit - Capital Investment Grants	20.500				(462,449.04)
Bus and Bus Facilities Formula Program	20.526				462,450.46
Pass-Through Funds to Other Entities:					
Federal Transit - Capital Investment Grants	20.500				86,357.00
Bus and Bus Facilities Formula Program	20.526				3,700,667.37
Total FTA:			0.00	0.00	3,787,025.79
<i>Transit Services Programs Cluster:</i>					
<u><i>Federal Transit Administration (FTA):</i></u>					
Direct Program:					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513				747,360.19
Pass-Through to Other Entities:					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513				7,516,608.48
Total FTA:			0.00	0.00	8,263,968.67
<i>Highway Planning and Construction Cluster:</i>					
<u><i>Federal Highway Administration (FHWA):</i></u>					
Direct Program:					
Highway Planning and Construction	20.205				3,485,519,613.01
Pass-Through Funds:					
Highway Planning and Construction					
University of Texas at Arlington	20.205				277,590.19
Prairie View A&M University	20.205				1,641.63
Texas Southern University	20.205				65,461.47
University of Texas at El Paso	20.205				117,347.28
University of Texas at San Antonio	20.205				203,579.82
Texas Parks and Wildlife Department	20.205				5,992.00
Pass-Through to Other Entities	20.205				184,413,102.69
Total FHWA:			0.00	0.00	3,670,604,328.09

Through From and Direct Program	Agency Number	Pass-Through To		Expenditures	Through To and Expenditures Amount
		State Entities	Other Entities		
\$	\$	\$	\$	\$	\$
(462,449.04)				(462,449.04)	(462,449.04)
462,450.46				462,450.46	462,450.46
86,357.00			86,357.00		86,357.00
3,700,667.37			3,700,667.37		3,700,667.37
<u>3,787,025.79</u>		<u>0.00</u>	<u>3,787,024.37</u>	<u>1.42</u>	<u>3,787,025.79</u>
747,360.19				747,360.19	747,360.19
7,516,608.48			7,516,608.48		7,516,608.48
<u>8,263,968.67</u>		<u>0.00</u>	<u>7,516,608.48</u>	<u>747,360.19</u>	<u>8,263,968.67</u>
3,485,519,613.01				3,485,519,613.01	3,485,519,613.01
277,590.19	714	277,590.19			277,590.19
1,641.63	715	1,641.63			1,641.63
65,461.47	717	65,461.47			65,461.47
117,347.28	724	117,347.28			117,347.28
203,579.82	743	203,579.82			203,579.82
5,992.00	802	5,992.00			5,992.00
184,413,102.69			184,413,102.69		184,413,102.69
<u>3,670,604,328.09</u>		<u>671,612.39</u>	<u>184,413,102.69</u>	<u>3,485,519,613.01</u>	<u>3,670,604,328.09</u>

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

Year Ended August 31, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From			Direct Program Amount
		Agency Number	State Entities	Other Entities	
		\$	\$	\$	
<i>Highway Safety Cluster:</i>					
<i>National Highway Traffic Safety Admin. (NHTSA):</i>					
Direct Program:					
State and Community Highway Safety	20.600				1,864,571.53
National Priority Safety Programs	20.616				7,628,856.89
Pass-Through Funds:					
State and Community Highway Safety					
Office of Court Administration	20.600				15,068.33
Texas Department of Public Safety	20.600				351,934.46
Texas Alcoholic Beverage Commission	20.600				376,261.15
Texas Department of State Health Services	20.600				681,485.24
Texas A&M AgriLife Extension Service	20.600				1,227,942.25
University of Texas at Arlington	20.600				358,707.54
Texas A&M Engineering Extension Service	20.600				320,516.23
Texas A&M Transportation Institute	20.600				2,206,532.53
Texas Tech University	20.600				126,530.00
The University of Texas Rio Grande Valley	20.600				6,000.00
Texas State University	20.600				134,829.10
Texas A&M University - Corpus Christi	20.600				5,450.00
National Priority Safety Programs					
Office of Court Administration	20.616				130,309.51
Texas Department of Public Safety	20.616				1,043,325.21
Texas Alcoholic Beverage Commission	20.616				36,123.89
Texas Department of State Health Services	20.616				1,201,049.28
Texas A&M Transportation Institute	20.616				1,184,967.54
Sam Houston State University	20.616				846,659.73
University of Houston - Downtown	20.616				28,244.38
Pass-Through to Other Entities					
State and Community Highway Safety	20.600				13,670,742.94
National Priority Safety Programs	20.616				6,546,673.29
Total NHTSA:			<u>0.00</u>	<u>0.00</u>	<u>39,992,781.02</u>
Total Other Clusters			<u>0.00</u>	<u>0.00</u>	<u>3,722,648,103.57</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 13,070,288.86</u>	<u>\$ 0.00</u>	<u>\$ 3,849,323,065.47</u>

Total Pass-Through From and Direct Program	Pass-Through To			Expenditures	Total Pass-Through To and Expenditures Amount
	Agency Number	State Entities	Other Entities		
\$	\$	\$	\$	\$	\$
1,864,571.53				1,864,571.53	1,864,571.53
7,628,856.89				7,628,856.89	7,628,856.89
15,068.33	212	15,068.33			15,068.33
351,934.46	405	351,934.46			351,934.46
376,261.15	458	376,261.15			376,261.15
681,485.24	537	681,485.24			681,485.24
1,227,942.25	555	1,227,942.25			1,227,942.25
358,707.54	714	358,707.54			358,707.54
320,516.23	716	320,516.23			320,516.23
2,206,532.53	727	2,206,532.53			2,206,532.53
126,530.00	733	126,530.00			126,530.00
6,000.00	746	6,000.00			6,000.00
134,829.10	754	134,829.10			134,829.10
5,450.00	760	5,450.00			5,450.00
130,309.51	212	130,309.51			130,309.51
1,043,325.21	405	1,043,325.21			1,043,325.21
36,123.89	458	36,123.89			36,123.89
1,201,049.28	537	1,201,049.28			1,201,049.28
1,184,967.54	727	1,184,967.54			1,184,967.54
846,659.73	753	846,659.73			846,659.73
28,244.38	784	28,244.38			28,244.38
13,670,742.94			13,670,742.94		13,670,742.94
6,546,673.29			6,546,673.29		6,546,673.29
<u>39,992,781.02</u>		<u>10,281,936.37</u>	<u>20,217,416.23</u>	<u>9,493,428.42</u>	<u>39,992,781.02</u>
<u>3,722,648,103.57</u>		<u>10,953,548.76</u>	<u>215,934,151.77</u>	<u>3,495,760,403.04</u>	<u>3,722,648,103.57</u>
<u>\$ 3,862,393,354.33</u>		<u>\$ 10,953,548.76</u>	<u>\$ 282,340,010.95</u>	<u>\$ 3,569,099,794.62</u>	<u>\$ 3,862,393,354.33</u>

**TEXAS DEPARTMENT OF TRANSPORTATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Fiscal Year Ended August 31, 2018

**Note 1 - Nonmonetary Assistance**

The "Donation of Federal Surplus Personal Property" is presented at 22.47 percent of the federal acquisition cost of \$278,953.00. 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 2018 is \$62,680.74. The difference of the value 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	\$3,891,004,082.90
Federal Pass-Through Revenues	13,007,608.12
Subtotal	<u>\$3,904,011,691.02</u>
Reconciling Items:	
Federal Surplus Personal Property Donation (Non-Monetary)	62,680.74
Build America Bonds Federal Subsidy	(58,706,956.57)
Transportation Infrastructure Finance and Innovation Act (TIFIA) Loans	<u>17,025,939.14</u>
Total Pass-Through and Expenditures per Federal Schedule	<u><u>\$3,862,393,354.33</u></u>

**Note 3 - Federally Funded Loan Programs**

Transportation Infrastructure Finance and Innovation Act (TIFIA)

In fiscal 2017, the U.S. Department of Transportation provided a secured loan to the Texas Department of Transportation for \$285 million to pay or reimburse a portion of the costs of the IH 35E Managed Lanes project. The secured loan agreement was entered into pursuant to the provisions of TIFIA and will be repaid with toll revenues.

In fiscal 2017, \$267.9 million of the IH 35E Managed Lanes project TIFIA loan proceeds were expended to fund the project's construction costs. During fiscal 2018, the remaining \$17.1 million of the existing loan proceeds were expended. The TIFIA loans proceeds expended on eligible project expenditures are subject to Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards and are included in the Schedule and are part of a reconciliation item on Note 2.

<u>CFDA Number</u>	<u>Program Name</u>	<u>New Loans Processed*</u>
20.223	Transportation Infrastructure Finance and Innovation Act (TIFIA) Program	\$17,025,939.14

\* This value is the amount of the loan proceeds expended on the project and included in the Schedule.

**Note 7 - Federal Deferred Inflow**

Federal Deferred Inflow September 1, 2017	\$30,882,166.36
Increase	67,954,617.01
Federal Deferred Inflow August 31, 2018	<u><u>\$98,836,783.37</u></u>

The federal deferred inflow ending balance of \$98,836,783.37 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 \$98,836,783.37.

**Note 10 - 10 Percent De Minimis Indirect Cost Rate**

The Texas Department of Transportation did not elect to use the 10 percent de minimis indirect cost rate allowed under the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The department does not currently bill any federal agency for indirect cost.

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 1B-SCHEDULE OF STATE GRANT PASS-THROUGHS FROM/TO STATE AGENCIES**  
Year Ended August 31, 2018

<b>Pass-Through To:</b>	<b>Grant ID</b>	<b>Amount</b>
Airport Routine Maintenance Texas A&M University System ( Agency 710)	601.0029	\$ 50,000.00
Airport Routine Maintenance Texas State Technical College System (Agency 719)	601.0030	<u>\$ 49,999.81</u>
Total Pass-Through To Other Agencies		<u><u>\$ 99,999.81</u></u>

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## **Schedule 2 - Bond Schedules**

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

For the Fiscal Year Ended August 31, 2018

**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-B Variable Rate Bonds	\$ 150,000,000.00	VAR	VAR	Weekly	2036	2036	**
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	2041	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
Series 2017-A Fixed Rate Refunding Bonds	296,020,000.00	5.0000%	5.0000%		2030	2034	10/1/2027
Series 2017-B Fixed Rate Refunding Bonds	474,135,000.00	5.0000%	5.0000%		2029	2036	10/1/2027
Total General Obligation Bonds (Self-Supporting)	<u>7,198,050,000.00</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
Series 2016-A Fixed Rate Bonds	588,755,000.00	4.0000%	5.0000%		2018	2046	4/1/2026
Total General Obligation (Non-Self Supporting)	<u>4,359,770,000.00</u>						
<b>Revenue Bonds:</b>							
<b>State Highway Fund (Self-Supporting)</b>							
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-B1 Variable Rate Bonds	150,000,000.00	VAR	VAR	Weekly	2032	2032	**
Series 2014-B2 LIBOR Bonds	150,000,000.00	VAR	VAR	Monthly	2032	2032	**
Series 2015 Revenue Refunding Bonds	781,080,000.00	3.0000%	5.0000%		2017	2026	n/a
Series 2016-A Fixed Rate Bonds	601,210,000.00	3.0000%	5.0000%		2017	2030	10/1/2026
Series 2016-B Variable Rate Bonds	89,370,000.00	4.0000%	4.0000%		2025	2026	10/1/2021
Total Revenue Bonds (Self-Supporting)	<u>4,592,450,000.00</u>						
<b>Total Governmental Activities</b>	<u>\$ 16,150,270,000.00</u>						

\* These bonds are not outstanding as of 08/31/2018

\*\* 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, 2018

**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***	\$ 653,179,794.86	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 ***	108,099,200.00	4.3600%	4.3800%		2036	2037	8/15/2024
Second Tier Revenue Refunding Bonds, Series 2015-C	1,157,320,000.00	5.0000%	5.0000%		2022	2042	8/15/2024
Total Central Texas Turnpike System (Self-Supporting)	<u>3,252,448,471.51</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***	368,099,466.40	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 Refunding Bonds, Series 2016	83,775,000.00	2.2000%	2.2000%		2023	2023	n/a
Subordinate Tier Toll Revenue Bonds, Series 2018-A	712,100,000.00	5.0000%	5.0000%		2030	2048	4/1/2028
Subordinate Tier Toll Revenue Put Bonds, Series 2018-B	166,525,000.00	5.0000%	5.0000%		2049	2052	10/1/2023
Total Blended Component Unit-Grand Parkway Transportation Corporation	<u>3,030,244,466.40</u>						
<b>Total Business-Type Activities</b>	<u>\$ 6,282,692,937.91</u>						

\* These bonds are not outstanding as of 08/31/2018

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

\*\*\*Bonds issued to date include interest accreted to principal.

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

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2B - CHANGES IN BONDED INDEBTEDNESS**  
For the Fiscal Year Ended August 31, 2018

**Governmental Activities**

<b>Description of Issue</b>	<b>Bonds Outstanding 9/1/2017</b>	<b>Bonds Issued</b>	<b>Bonds Matured or Retired</b>	<b>Bonds Refunded or Extinguished</b>	<b>Bonds Outstanding 8/31/2018</b>
<b>General Obligation Bonds:</b>					
<b>Texas Mobility Fund</b>					
Series 2006-B	\$ 150,000,000.00	\$	\$	\$	\$ 150,000,000.00
Series 2008	19,970,000.00		19,970,000.00		
Series 2009-A	1,208,495,000.00				1,208,495,000.00
Series 2014	948,930,000.00		23,790,000.00		925,140,000.00
Series 2014-A	1,580,160,000.00		24,650,000.00		1,555,510,000.00
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
Series 2017-A	296,020,000.00				296,020,000.00
Series 2017-B	474,135,000.00				474,135,000.00
<b>Texas Highway Improvement</b>					
Series 2010-A	815,420,000.00				815,420,000.00
Series 2010-B	26,470,000.00		26,470,000.00		
Series 2012-A	818,635,000.00				818,635,000.00
Series 2012-B	26,580,000.00		18,645,000.00		7,935,000.00
Series 2014	1,134,000,000.00		42,000,000.00		1,092,000,000.00
Series 2016	594,500,000.00		20,500,000.00		574,000,000.00
Series 2016-A	588,755,000.00		20,305,000.00		568,450,000.00
Total General Obligation Bonds	10,097,535,000.00		196,330,000.00		9,901,205,000.00
<b>Revenue Bonds:</b>					
<b>State Highway Fund</b>					
Series 2008	66,195,000.00		7,840,000.00		58,355,000.00
Series 2010	1,500,000,000.00				1,500,000,000.00
Series 2014-A	1,080,125,000.00		81,400,000.00		998,725,000.00
Series 2014-B1	150,000,000.00				150,000,000.00
Series 2014-B2	150,000,000.00				150,000,000.00
Series 2015	781,080,000.00		61,125,000.00		719,955,000.00
Series 2016-A	601,210,000.00		65,310,000.00		535,900,000.00
Series 2016-B	89,370,000.00				89,370,000.00
Total Revenue Bonds	4,417,980,000.00		215,675,000.00		4,202,305,000.00
<b>Total Governmental Activities</b>	<b>\$ 14,515,515,000.00</b>	<b>\$ 0.00</b>	<b>\$ 412,005,000.00</b>	<b>\$ 0.00</b>	<b>\$ 14,103,510,000.00</b>

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2B - CHANGES IN BONDED INDEBTEDNESS (Continued)**  
For the Fiscal Year Ended August 31, 2018

**Governmental Activities**

Description of Issue	Unamortized Premium	Unamortized Discount	Adjustments	Net Bonds Outstanding 8/31/2018	Amounts Due Within One Year
<b>General Obligation Bonds:</b>					
<b>Texas Mobility Fund</b>					
Series 2006-B	\$	\$	\$	\$ 150,000,000.00	\$
Series 2009-A				1,208,495,000.00	
Series 2014	102,268,730.23			1,027,408,730.23	43,782,957.32
Series 2014-A	206,560,903.50			1,762,070,903.50	43,196,759.68
Series 2014-B				250,000,000.00	
Series 2015-A	106,864,499.37			1,018,224,499.37	27,082,344.66
Series 2015-B	34,793,285.12			288,898,285.12	1,985,728.36
Series 2017-A	49,259,606.59			345,279,606.59	3,153,629.03
Series 2017-B	78,425,357.60			552,560,357.60	4,894,120.60
<b>Texas Highway Improvement</b>					
Series 2010-A				815,420,000.00	27,720,000.00
Series 2012-A	131,421,363.12			950,056,363.12	19,726,417.30
Series 2012-B	9,551.50			7,944,551.50	7,944,551.50
Series 2014	154,557,981.30			1,246,557,981.30	53,448,739.35
Series 2016	108,892,078.90			682,892,078.90	28,009,798.55
Series 2016-A	97,099,567.80			665,549,567.80	27,001,887.53
Total General Obligation Bonds	<u>1,070,152,925.03</u>			<u>10,971,357,925.03</u>	<u>287,946,933.88</u>
<b>Revenue Bonds:</b>					
<b>State Highway Fund</b>					
Series 2008	2,610,241.07			60,965,241.07	322,167.13
Series 2010				1,500,000,000.00	
Series 2014-A	113,186,543.66			1,111,911,543.66	99,524,358.18
Series 2014-B1				150,000,000.00	
Series 2014-B2				150,000,000.00	
Series 2015	71,624,078.38			791,579,078.38	85,952,894.13
Series 2016-A	71,680,511.60			607,580,511.60	81,491,881.30
Series 2016-B	8,773,667.66			98,143,667.66	1,129,082.57
Total Revenue Bonds	<u>267,875,042.37</u>			<u>4,470,180,042.37</u>	<u>268,420,383.31</u>
Total Governmental Activities	<u>\$ 1,338,027,967.40</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 15,441,537,967.40</u>	<u>\$ 556,367,317.19</u>

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2B - CHANGES IN BONDED INDEBTEDNESS (Continued)**  
For the Fiscal Year Ended August 31, 2018

**Business-Type Activities**

Description of Issue	Bonds Outstanding 9/1/2017	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2018
<b>Revenue Bonds:</b>					
<b>Central Texas Turnpike System</b>					
First Tier Bonds Series 2002-A, Non-Callable CAB's	\$ 470,224,839.37	\$ 26,876,352.94 **	\$ 14,225,000.00	\$	\$ 482,876,192.31
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	103,526,533.33	4,572,666.67 **			108,099,200.00
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	348,076,318.07	20,023,148.33 **			368,099,466.40
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 2016	83,775,000.00				83,775,000.00
Subordinate Tier Toll Revenue Bonds, Series 2018-A		712,100,000.00			712,100,000.00
Subordinate Tier Toll Revenue Put Bonds, Series 2018-B		166,525,000.00			166,525,000.00
<b>Total Business-Type Activities</b>	<b>\$ 4,871,022,690.77</b>	<b>\$ 930,097,167.94</b>	<b>\$ 14,225,000.00</b>	<b>\$ 0.00</b>	<b>\$ 5,786,894,858.71</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, 2018

**Business-Type Activities**

Description of Issue	Unamortized Premium	Unamortized Discount	Adjustments	Net Bonds Outstanding 8/31/18	Amounts Due Within One Year
<b>Revenue Bonds:</b>					
<b>Central Texas Turnpike System</b>					
First Tier Bonds Series 2002-A, Non-Callable CAB's	\$	\$	\$	\$ 482,876,192.31	\$ 20,365,000.00
First Tier Bonds Series 2012-A	40,157,249.83			625,487,249.83	1,864,508.47
First Tier Bonds Series 2015-A	32,093,460.20			257,093,460.20	1,347,322.45
First Tier Bonds Series 2015-B:					
Current Interest Bonds	24,278,589.06			222,303,589.06	1,465,537.11
Capital Appreciation Bonds				108,099,200.00	
Second Tier Bonds Series 2015-C	120,687,170.68			1,278,007,170.68	7,489,215.68
<b>Blended Component Unit-Grand Parkway Transportation Corp.*:</b>					
First Tier Toll Revenue Bonds, Series 2013-A		(2,595,105.42)		197,404,894.58	(86,941.84)
Subordinate Tier Toll Revenue Bonds, Series 2013-B:					
Callable CAB				368,099,466.40	
Current Interest Bonds	5,695,466.50	(14,387,948.95)		1,129,242,517.55	(242,705.82)
Subordinate Tier Toll Revenue Bonds, Series 2013-E				361,810,000.00	
Subordinate Tier Toll Revenue Refunding Bonds, Series 2016				83,775,000.00	
Subordinate Tier Toll Revenue Bonds, Series 2018-A	94,147,737.38			806,247,737.38	3,956,112.92
Subordinate Tier Toll Revenue Put Bonds, Series 2018-B	19,984,083.05			186,509,083.05	596,741.70
<b>Total Business-Type Activities</b>	<u>\$ 337,043,756.70</u>	<u>\$ (16,983,054.37)</u>	<u>\$</u>	<u>\$ 6,106,955,561.04</u>	<u>\$ 36,754,790.67</u>

\*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, 2018

**Governmental Activities**

<b>Description of Issue</b>	<b>Year</b>	<b>Principal</b>	<b>Interest</b>
<b>TMF General Obligation Bonds</b>			
Series 2006-B	2019	\$	\$ 2,354,999.99
	2020		2,357,150.67
	2021		2,352,849.31
	2022		2,354,999.99
	2023		2,354,999.99
	2024-2028		11,777,150.63
	2029-2033		11,772,849.27
	2034-2038		150,000,000.00
		<u>150,000,000.00</u>	<u>41,094,767.47</u>
Series 2009-A	2019		66,582,669.16
	2020	420,000.00	66,582,669.16
	2021	730,000.00	66,560,127.76
	2022	2,095,000.00	66,520,948.66
	2023	3,555,000.00	66,408,510.00
	2024-2028	39,970,000.00	327,779,005.24
	2029-2033	90,265,000.00	311,854,509.94
	2034-2038	584,530,000.00	279,577,836.92
	2039-2043	486,930,000.00	26,863,928.10
			<u>1,208,495,000.00</u>
Series 2014	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	44,240,000.00	37,966,850.00
	2023	47,710,000.00	35,668,100.00
	2024-2028	298,445,000.00	137,187,125.00
	2029-2033	307,825,000.00	57,180,875.00
	2034-2038	115,910,000.00	5,577,775.00
		\$	<u>925,140,000.00</u>

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)**  
For the Fiscal Year Ended August 31, 2018

<b>Description of Issue</b>	<b>Year</b>	<b>Principal</b>	<b>Interest</b>	
<b>TMF General Obligation Bonds (continued)</b>				
Series 2014-A	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	48,770,000.00	68,684,800.00	
	2023	55,750,000.00	66,071,800.00	
	2024-2028	334,555,000.00	279,437,625.00	
	2029-2033	259,495,000.00	206,116,775.00	
	2034-2038	98,590,000.00	163,427,625.00	
	2039-2043	323,865,000.00	127,554,875.00	
	2044-2048	326,135,000.00	15,827,125.00	
			<u>1,555,510,000.00</u>	<u>1,145,561,525.00</u>
	Series 2014-B	2019		4,850,000.02
2020			4,854,429.23	
2021			4,845,570.78	
2022			4,850,000.02	
2023			4,850,000.02	
2024-2028			24,254,429.28	
2029-2033			24,245,570.83	
2034-2038			24,250,000.07	
2039-2043		250,000,000.00	12,203,966.61	
			<u>250,000,000.00</u>	<u>109,203,966.86</u>
Series 2015-A	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	23,775,000.00	39,717,225.00	
	2023	25,805,000.00	38,477,725.00	
	2024-2028	230,830,000.00	168,253,250.00	
	2029-2033	313,765,000.00	95,628,125.00	
	2034-2038	257,015,000.00	34,807,875.00	
		<u>\$ 911,360,000.00</u>	<u>\$ 502,509,250.00</u>	

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)**  
For the Fiscal Year Ended August 31, 2018

<b>Description of Issue</b>	<b>Year</b>	<b>Principal</b>	<b>Interest</b>
<b>TMF General Obligation Bonds (concluded)</b>			
Series 2015-B	2019	\$	\$ 12,705,250.00
	2020		12,705,250.00
	2021		12,705,250.00
	2022		12,705,250.00
	2023		12,705,250.00
	2024-2028		63,526,250.00
	2029-2033	53,000,000.00	60,937,750.00
	2034-2038	201,105,000.00	28,274,375.00
		<u>254,105,000.00</u>	<u>216,264,625.00</u>
	Series 2017-A	2019	
2020			14,801,000.00
2021			14,801,000.00
2022			14,801,000.00
2023			14,801,000.00
2024-2028			74,005,000.00
2029-2033		97,010,000.00	67,006,000.00
2034-2038		199,010,000.00	8,774,750.00
	<u>296,020,000.00</u>	<u>223,790,750.00</u>	
Series 2017-B	2019		23,706,750.00
	2020		23,706,750.00
	2021		23,706,750.00
	2022		23,706,750.00
	2023		23,706,750.00
	2024-2028		118,533,750.00
	2029-2033	195,385,000.00	100,683,375.00
	2034-2038	278,750,000.00	30,282,250.00
	<u>474,135,000.00</u>	<u>368,033,125.00</u>	
	\$	\$	

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

For the Fiscal Year Ended August 31, 2018

<b>Description of Issue</b>	<b>Year</b>	<b>Principal</b>	<b>Interest</b>
<b>Texas Highway Improvement General Obligation Bonds</b>			
Series 2010-A	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	29,580,000.00	32,976,060.30
	2023	30,290,000.00	31,889,586.90
	2024-2028	163,800,000.00	140,435,853.92
	2029-2033	189,380,000.00	101,126,042.42
	2034-2038	219,835,000.00	54,330,728.66
	2039-2043	97,595,000.00	6,886,921.26
		<u>815,420,000.00</u>	<u>472,426,918.76</u>
Series 2012-A	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	21,495,000.00	38,387,750.00
	2023	22,570,000.00	37,313,000.00
	2024-2028	130,945,000.00	168,466,250.00
	2029-2033	167,115,000.00	132,289,000.00
	2034-2038	213,290,000.00	86,118,250.00
	2039-2043	212,340,000.00	27,189,500.00
		<u>818,635,000.00</u>	<u>610,492,750.00</u>
Series 2012-B	2019	<u>7,935,000.00</u>	<u>99,187.50</u>
		<u>7,935,000.00</u>	<u>99,187.50</u>
Series 2014	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	42,000,000.00	47,040,000.00
	2023	42,000,000.00	44,940,000.00
	2024-2028	210,000,000.00	193,200,000.00
	2029-2033	210,000,000.00	141,120,000.00
	2034-2038	210,000,000.00	94,080,000.00
	2039-2043	210,000,000.00	42,000,000.00
	2044-2048	42,000,000.00	2,100,000.00
		<u>\$ 1,092,000,000.00</u>	<u>\$ 718,200,000.00</u>

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)**  
For the Fiscal Year Ended August 31, 2018

<b>Description of Issue</b>	<b>Year</b>	<b>Principal</b>	<b>Interest</b>
<b>Texas Highway Improvement General Obligation Bonds (concluded)</b>			
Series 2016	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	20,500,000.00	25,625,000.00
	2023	20,500,000.00	24,600,000.00
	2024-2028	102,500,000.00	107,625,000.00
	2029-2033	102,500,000.00	82,000,000.00
	2034-2038	102,500,000.00	56,375,000.00
	2039-2043	102,500,000.00	30,750,000.00
	2044-2048	61,500,000.00	6,150,000.00
		<u>574,000,000.00</u>	<u>416,150,000.00</u>
Series 2016-A	2019	20,305,000.00	28,016,500.00
	2020	20,305,000.00	27,001,250.00
	2021	20,305,000.00	25,986,000.00
	2022	20,305,000.00	24,970,750.00
	2023	20,305,000.00	23,955,500.00
	2024-2028	101,525,000.00	104,548,750.00
	2029-2033	101,500,000.00	79,170,000.00
	2034-2038	101,500,000.00	53,795,000.00
	2039-2043	101,500,000.00	28,420,000.00
	2044-2048	60,900,000.00	5,075,000.00
		<u>568,450,000.00</u>	<u>400,938,750.00</u>
<b>Total General Obligation Bonds</b>		<u>\$ 9,901,205,000.00</u>	<u>\$ 6,903,009,095.53</u>

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)**  
For the Fiscal Year Ended August 31, 2018

<b>Description of Issue</b>	<b>Year</b>	<b>Principal</b>	<b>Interest</b>	
<b>SHF Revenue Bonds</b>				
Series 2008	2019	\$	\$ 3,063,637.50	
	2020		3,063,637.50	
	2021		3,063,637.50	
	2022		3,063,637.50	
	2023		3,063,637.50	
	2024-2028		58,355,000.00	9,503,812.50
			<u>58,355,000.00</u>	<u>24,822,000.00</u>
Series 2010	2019		77,226,067.50	
	2020		77,226,067.50	
	2021		77,226,067.50	
	2022		77,226,067.50	
	2023	70,495,000.00	77,226,067.50	
	2024-2028	742,610,000.00	324,072,508.80	
	2029-2033	686,895,000.00	53,650,552.50	
		<u>1,500,000,000.00</u>	<u>763,853,398.80</u>	
Series 2014-A	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	98,935,000.00	36,465,000.00	
	2023	103,885,000.00	31,518,250.00	
	2024-2028	167,855,000.00	100,988,250.00	
	2029-2033	185,420,000.00	87,610,250.00	
	2034-2038	173,205,000.00	8,660,250.00	
		<u>998,725,000.00</u>	<u>402,017,750.00</u>	
Series 2014-B1	2019		2,340,000.00	
	2020		2,342,136.99	
	2021		2,337,863.01	
	2022		2,340,000.00	
	2023		2,340,000.00	
	2024-2028		11,702,136.99	
	2029-2033	150,000,000.00	7,307,720.78	
		<u>150,000,000.00</u>	<u>30,709,857.77</u>	
		\$	\$	

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)**  
For the Fiscal Year Ended August 31, 2018

<b>Description of Issue</b>	<b>Year</b>	<b>Principal</b>	<b>Interest</b>
<b>SHF Revenue Bonds (continued)</b>			
Series 2014-B2	2019	\$	\$ 3,203,181.00
	2020		3,263,500.00
	2021		3,254,583.33
	2022		3,254,583.33
	2023		3,254,583.33
	2024-2028		16,290,750.00
	2029-2033	150,000,000.00	11,532,458.22
		<u>150,000,000.00</u>	<u>44,053,639.21</u>
Series 2015	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	82,910,000.00	22,645,000.00
	2023	87,165,000.00	18,393,125.00
	2024-2028	324,280,000.00	30,555,750.00
		<u>719,955,000.00</u>	<u>162,666,575.00</u>
Series 2016-A	2019	68,325,000.00	24,514,175.00
	2020	71,830,000.00	21,010,300.00
	2021	75,515,000.00	17,326,675.00
	2022	78,635,000.00	13,759,275.00
	2023	9,610,000.00	11,839,500.00
	2024-2028	176,505,000.00	36,798,375.00
	2029-2033	55,480,000.00	5,221,750.00
		<u>535,900,000.00</u>	<u>130,470,050.00</u>
Series 2016-B	2019		3,574,800.00
	2020		3,574,800.00
	2021		3,574,800.00
	2022		4,021,650.00
	2023		4,468,500.00
	2024-2028	89,370,000.00	12,380,500.00
		<u>89,370,000.00</u>	<u>31,595,050.00</u>
<b>TOTAL Revenue Bonds</b>		<u>4,202,305,000.00</u>	<u>1,590,188,320.78</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>		<u>\$ 14,103,510,000.00</u>	<u>\$ 8,493,197,416.31</u>

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)**  
For the Fiscal Year Ended August 31, 2018

**BUSINESS-TYPE ACTIVITIES**

<b>Description of Issue</b>	<b>Year</b>	<b>Principal</b>	<b>Interest</b>
<b>CTTS Revenue Bonds</b>			
Series 2002-A	2019	\$ 20,365,000.00	\$
	2020	26,715,000.00	
	2021	36,480,000.00	
	2022	43,150,000.00	
	2023	48,940,000.00	
	2024-2028	368,525,000.00	
	2029-2033	199,065,000.00	
		<u>743,240,000.00</u>	<u>0.00</u>
Series 2012-A	2019		28,034,150.00
	2020		28,034,150.00
	2021		28,034,150.00
	2022		28,034,150.00
	2023		28,034,150.00
	2024-2028		140,170,750.00
	2029-2033		140,170,750.00
	2034-2038	123,235,000.00	140,170,750.00
	2039-2043	462,095,000.00	45,003,500.00
		<u>585,330,000.00</u>	<u>605,686,500.00</u>
Series 2015-A	2019		11,250,000.00
	2020		11,250,000.00
	2021		11,250,000.00
	2022		11,250,000.00
	2023		11,250,000.00
	2024-2028		56,250,000.00
	2029-2033		56,250,000.00
	2034-2038		56,250,000.00
	2039-2043	225,000,000.00	42,977,000.00
		<u>\$ 225,000,000.00</u>	<u>\$ 267,977,000.00</u>

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)**  
For the Fiscal Year Ended August 31, 2018

<b>Description of Issue</b>	<b>Year</b>	<b>Principal</b>	<b>Interest</b>
<b>CTTS Revenue Bonds (concluded)</b>			
Series 2015-B	2019	\$	\$ 9,901,250.00
	2020		9,901,250.00
	2021		9,901,250.00
	2022		9,901,250.00
	2023		9,901,250.00
	2024-2028		49,506,250.00
	2029-2033	40,000,000.00	47,506,250.00
	2034-2038	398,025,000.00	19,027,750.00
		<u>438,025,000.00</u>	<u>165,546,500.00</u>
Series 2015-C	2019		57,866,000.00
	2020		57,866,000.00
	2021		57,866,000.00
	2022	2,200,000.00	57,866,000.00
	2023	5,375,000.00	57,756,000.00
	2024-2028	58,170,000.00	282,183,500.00
	2029-2033	404,900,000.00	250,118,250.00
	2034-2038	421,685,000.00	123,338,750.00
	2039-2043	264,990,000.00	33,931,500.00
		<u>1,157,320,000.00</u>	<u>978,792,000.00</u>
<b>Grand Parkway Transportation Corp.*</b>			
Series 2013-A	2019		10,821,012.50
	2020		10,821,012.50
	2021		10,821,012.50
	2022		10,821,012.50
	2023		10,821,012.50
	2024-2028		54,105,062.50
	2029-2033	1,070,000.00	54,060,731.25
	2034-2038	11,090,000.00	52,686,462.51
	2039-2043	27,505,000.00	47,866,528.14
	2044-2048	51,315,000.00	37,651,490.63
	2049-2053	109,020,000.00	19,070,837.50
		<u>\$ 200,000,000.00</u>	<u>\$ 319,546,175.03</u>

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)**  
For the Fiscal Year Ended August 31, 2018

<b>Description of Issue</b>	<b>Year</b>	<b>Principal</b>	<b>Interest</b>
<b>Grand Parkway Transportation Corp.* (Continued)</b>			
Series 2013-B	2019	\$	\$ 58,334,250.00
	2020		58,334,250.00
	2021		58,334,250.00
	2022		58,334,250.00
	2023		58,334,250.00
	2024-2028		416,580,236.25
	2029-2033	38,785,000.00	427,798,196.25
	2034-2038	119,380,000.00	401,481,236.25
	2039-2043		387,728,837.50
	2044-2048	302,045,000.00	352,677,236.25
	2049-2053	1,166,885,000.00	201,014,362.50
		<u>1,627,095,000.00</u>	<u>2,478,951,355.00</u>
Series 2013-E	2019		18,756,230.40
	2020		18,756,230.40
	2021		18,756,230.40
	2022		18,756,230.40
	2023		18,756,230.40
	2024-2028		93,781,152.00
	2029-2033		93,781,152.00
	2034-2038	66,060,000.00	91,281,168.00
	2039-2043	295,750,000.00	37,045,382.40
		<u>361,810,000.00</u>	<u>409,670,006.40</u>
Series 2016	2019		1,843,050.00
	2020		1,843,050.00
	2021		1,843,050.00
	2022		1,843,050.00
	2023		1,843,050.00
	2024-2028	83,775,000.00	926,645.00
		<u>\$ 83,775,000.00</u>	<u>\$ 10,141,895.00</u>

**TEXAS DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Concluded)**  
For the Fiscal Year Ended August 31, 2018

<b>Description of Issue</b>	<b>Year</b>	<b>Principal</b>	<b>Interest</b>
<b>Grand Parkway Transportation Corp. (concluded) *</b>			
Series 2018-A	2019	\$	\$ 29,769,736.20
	2020		35,605,000.00
	2021		35,605,000.00
	2022		35,605,000.00
	2023		35,605,000.00
	2024-2028		178,025,000.00
	2029-2033	36,160,000.00	175,593,500.00
	2034-2038	157,180,000.00	151,670,000.00
	2039-2043	227,180,000.00	102,445,750.00
	2044-2048	241,555,000.00	42,516,875.00
	2049-2053	50,025,000.00	1,250,625.00
		<u>712,100,000.00</u>	<u>823,691,486.20</u>
	Series 2018-B	2019	
2020			8,326,250.00
2021			8,326,250.00
2022			8,326,250.00
2023			8,326,250.00
2024-2028			41,631,250.00
2029-2033			41,631,250.00
2034-2038			41,631,250.00
2039-2043			41,631,250.00
2044-2048			41,631,250.00
2049-2053		166,525,000.00	24,884,375.00
		<u>166,525,000.00</u>	<u>273,307,295.16</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>			<b>\$ <u>6,300,220,000.00</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, 2018

<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	\$ 68,410,000.00	\$ 288,981,479.46		
	<u>\$ 68,410,000.00</u>	<u>\$ 288,981,479.46</u>		
<b>Pledged and Other Sources and Related Expenditures for FY 2018</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	\$8,406,612,859.60	(A)	\$ 215,675,000.00	\$ 206,227,155.26
	<u>\$8,406,612,859.60</u>		<u>\$ 215,675,000.00</u>	<u>\$ 206,227,155.26</u>
(A) State Highway Fund expenditures associated with pledged sources were \$9,766,521,535.06.				
<b>Business-Type and Blended Component Unit Activities</b>				
<b>Pledged and Other Sources and Related Expenditures for FY 2018</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	\$ 224,099,897.24	(B)	\$ 14,225,000.00	\$ 107,051,400.00
Grand Parkway Transportation Corporation Series 2013-A,B,E, 2014-B,C	186,488,231.11	(C)		89,754,542.90
	<u>\$ 410,588,128.35</u>		<u>\$ 14,225,000.00</u>	<u>\$ 196,805,942.90</u>
(B) Expenses associated with pledged sources were \$56,694,218.95.				
(C) Expenses associated with pledged sources were \$36,495,521.12.				

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

For the Fiscal Year Ended August 31, 2018

Description of Issue	Year Defeased	Par Value Outstanding
<b>Business-Type Activities</b>		
<b>Central Texas Turnpike System Revenue Bonds</b>		
Series 2002-A Capital Appreciation Bonds*	2015	\$ 65,455,855.94
Total Business-Type Activities		65,455,855.94
 Total		\$ 65,455,855.94

\* Includes \$37,861,377.14 of accreted interest.

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**Texas Department of Transportation**  
**Matrix of Expenditures Reported by Function - Governmental Funds**  
For the Fiscal Year Ended August 31, 2018

	<u>State Highway Fund</u>	<u>Texas Mobility Fund</u>	<u>Proposition 12 Highway Improvement Project Fund</u>	<u>Local Government Political Subdivision Road/Airport Account</u>	<u>Nonmajor Funds</u>	<u>Transportation Function Total</u>
Salaries and Wages	\$ 707,459,405.30	\$ 0.00	\$ 0.00	\$ 0.00	\$ 1,087,603.84	\$ 708,547,009.14
Payroll Related Costs	331,723,427.40	0.00	0.00	0.00	311,453.27	332,034,880.67
Professional Fees and Services	915,998,602.24	0.00	0.00	0.00	945,501.20	916,944,103.44
Federal Pass-Through Expenditures	10,953,548.76	0.00	0.00	0.00	0.00	10,953,548.76
State Pass-Through Expenditures	99,999.81	0.00	0.00	0.00	0.00	99,999.81
Travel	11,386,184.58	0.00	0.00	0.00	80,809.08	11,466,993.66
Materials and Supplies	389,873,903.46	0.00	0.00	0.00	786,410.98	390,660,314.44
Communication and Utilities	46,437,115.49	0.00	0.00	0.00	4,579.05	46,441,694.54
Repairs and Maintenance	655,598,560.62	0.00	0.00	0.00	0.00	655,598,560.62
Rentals and Leases	32,151,137.27	0.00	0.00	0.00	0.00	32,151,137.27
Printing and Reproduction	3,502,641.26	0.00	0.00	0.00	10,519.87	3,513,161.13
Claims and Judgments	20,275,774.26	0.00	0.00	0.00	0.00	20,275,774.26
Intergovernmental Payments	249,013,848.14	28,790.58	0.00	0.00	15,592,208.63	264,634,847.35
Public Assistance Payments	73,318,997.31	0.00	0.00	0.00	0.00	73,318,997.31
Other Expenditures	225,608,639.83	0.00	0.00	0.00	3,966,031.63	229,574,671.46
<b>Total Expenditures</b>	<b>\$ 3,673,401,785.73</b>	<b>\$ 28,790.58</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 22,785,117.55</b>	<b>\$ 3,696,215,693.86</b>

The above schedule represents governmental fund expenditures of the transportation function in the object code detail.





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

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