TEXAS DEPARTMENT OF TRANSPORTATION

Annual Financial Report

For The Fiscal Year Ended August 31, 2017

(With Independent Auditor's Report)

Texas Department of Transportation

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Annual Financial Report
(With Independent Auditor's Report)
For the Fiscal Year Ended August 31, 2017

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

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Section One

Introductory Section

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Texas Department of Transportation

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

December 15, 2017

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

I am pleased to submit the audited annual financial report of the Texas Department of Transportation (TxDOT) for the fiscal year ended August 31, 2017 in compliance with Texas Government Code Annotated, Section 2101.11, the requirements established by the Texas Comptroller of Public Accounts and the Texas Transportation Code, Chapter 201, Section 2041. The financial data of TxDOT is included in the audited State of Texas Comprehensive Annual Financial Report (CAFR) as part of the primary government.

An external audit firm, Crowe Horwath LLP, performed an independent audit, in accordance with generally accepted auditing standards, of TxDOT's basic financial statements for the year ended August 31, 2017. 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 provides disclosures that enable the reader to understand TxDOT's financial condition.

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

Profile of the Government

TxDOT is an agency of the state of Texas. Headquartered in Austin, TxDOT is organized by 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.

Budgetary Controls

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

State Economy

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

Long-Term Financial Planning

Texas' population is expected to grow to 40 million people by 2035. Population growth brings more congestion to urban areas, increases the stress on roads and bridges and places greater demand on rural highways to support freight movement and travel connections between farms, ranches, homes, jobs and markets.

The Texas Transportation Commission approved the 2017 Unified Transportation Program (UTP) with $70 billion worth of projects to help TxDOT meet the state's growing transportation demands. The plan is the largest of its kind in the agency's history and addresses capacity, maintenance and safety needs around state. The 10-year UTP plan, developed with extensive public input, targets congestion in the state's most-populated areas and includes projects to better connect the major interstates in rural areas with local roads and highways. Also, 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 41.8 percent of TxDOT's fund financial revenue comes from federal funds. TxDOT receives federal funds through the Moving Ahead for Progress in the 21st Century Act (MAP-21) which funded surface transportation projects for federal fiscal years 2013 through 2017. Congress has subsequently passed several extensions of this legislation. The Fixing America's Surface Transportation (FAST) Act (Pub. L. No. 114-94), signed into law on December 4, 2015, is the first federal law in over a decade to provide long-term funding certainty for surface transportation infrastructure planning and investment. The FAST Act authorizes $305 billion over federal fiscal years 2016 through 2020 for highway, highway and motor vehicle safety, public transportation, motor carrier safety, hazardous materials safety, rail, and research, technology, and statistics programs.

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

3. Motor fuels tax is TxDOT's primary state funding source. The motor fuels tax includes two major types, gasoline and diesel fuel. It also includes other liquefied gases. Texas' tax rates on gasoline and diesel have remained stable at 20 cents per gallon since 1991. The federal fuel tax rates have also been stable since 1993. The federal gasoline tax rate is 18.4 cents per gallon and the diesel tax 24.4 cents per gallon. Three- quarters of the state's motor fuels tax revenue is allocated to the 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 approved recent measures to supplement road

funding by drawing revenues from oil and gas production taxes, the general sales tax and the sales tax on motor vehicles and rentals as explained in Proposition 1 and Proposition 7 below.

4. Proposition 1 - Funds are derived from a portion of oil and gas production taxes, which voters approved in FY 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 appropriations include estimated unexpended balances from FY 2016-2017 as well as new appropriations for estimated FY 2018-2019 revenues. Estimated unexpended balances from Proposition 1 funds in FY 2016-2017 total $1.21 billion, with $722.2 million appropriated in FY 2018 and $485.7 million in FY 2019. Estimated new revenues of Proposition 1 funds in FY 2018 total approximately $563 million in FY 2018 and $739 million in FY 2019. Total Proposition 1 appropriations equal approximately $2.5 billion for FY 2018-2019.

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 will be deposited into the SHF pursuant to Section 7-c, Article VIII, Texas Constitution. Of the estimated $2.9 billion in appropriated Proposition 7 funds, approximately $613.4 million is needed 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 initiative will transform how TxDOT executes and measures portfolio, project asset, contract and letting management. 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**

   The Texas Transportation Commission recently approved the purchase of property for our future Austin Consolidated Campus. The Legislature and the Transportation Commission have given TxDOT authority to pay $8.9 million for 49 acres of land in Southeast Austin. The property, near East Stassney Lane and Burleson Road in Southeast Austin, will become the home to about 2,200 employees who now work at East Riverside Drive, the Camp Hubbard site, and at the warehouse on Centimeter Circle in North Austin, including the print shop. This legislative session, TxDOT was appropriated $30 million for design and other preconstruction activities. This work should begin early fiscal year 2018.

3. **100TH Anniversary**
   The Texas Department of Transportation celebrated a century of service during 2017. Since its beginning on April 4, 1917, the agency has pursued its ongoing mission of connecting Texans to what matters most – the people and places they love. As the state's economy and population continue to grow, TxDOT remains committed to meeting Texas' ongoing and ever-changing transportation needs. In the early 1900s, the goal was connecting farms and ranches to market; today it's safely moving goods and a population of more than 27 million across 80,000 centerline miles of state-maintained roadways.

4. **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. As a result, Chairman Tryon Lewis asked Commissioner J. Bruce Bugg to head the effort to relieve congestion, particularly in the state's five metropolitan areas. The effort is known as Texas Clear Lanes. Since the program began, the Transportation Commission has awarded more than $3.8 billion to congestion-relief efforts in Austin, Dallas, Fort Worth, Houston and San Antonio – all areas with populations over 1 million.

5. **Funding Key Priorities**
   With more than $70 billion in total funding, TxDOT's 2017 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, the largest of its kind in the agency's history, 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.

6. **Autonomous Vehicle Partnership**
   Autonomous vehicles are expected to greatly reduce traffic crashes caused by human errors, and increase mobility options for people who can't drive. In January of this year, the U.S. Department of Transportation named Texas a national Automated Vehicle Proving Ground for testing connected and automated vehicle technologies. The designation establishes Texas as a leader in the research and development of new transportation technologies that could make roads safer and less congested. TxDOT is joined in this effort by the Texas Transportation Institute, the University of Texas Austin's Center for Transportation Research, the Southwest Research Institute and 32 municipal and regional partners which form the Texas AV Proving Grounds Partnership.

Innovative Financing Efforts

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

Acknowledgements

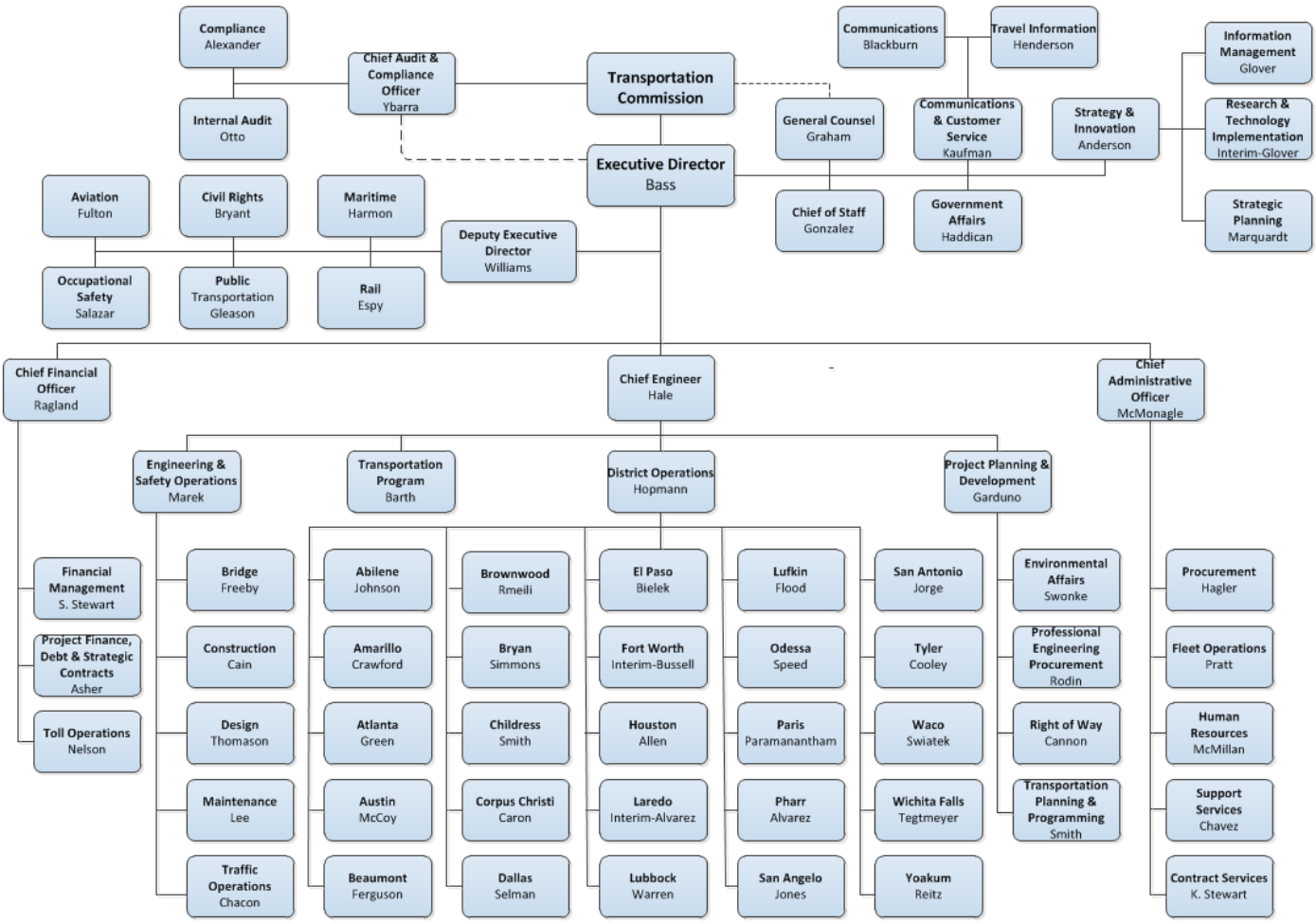
The preparation of the report requires the efforts of individuals throughout TxDOT, including the dedicated efforts of the management and staff of the TxDOT Financial Reports Section and Financial Management Division. I sincerely appreciate the efforts of all these individuals who continue to help make TxDOT a leader in quality financial reporting.

Sincerely,

James M. Bass
Executive Director

Texas Department of Transportation

Organization Chart as of August 31, 2017



Commission and Key Personnel
As of August 31, 2017

TEXAS TRANSPORTATION COMMISSION

TRYON D. LEWIS.....Chair
Odessa

JEFF AUSTIN III .....Commissioner
Tyler

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

LAURA RYAN .....Commissioner
Houston

VICTOR VANDERGRIFF.....Commissioner
Arlington

TEXAS DEPARTMENT OF TRANSPORTATION

JAMES M. BASS ..... Executive Director
MARC D. WILLIAMS..... Deputy Executive Director
JESUS GONZALEZ.....Chief of Staff
BRIAN RAGLAND..... Chief Financial Officer
BENITO YBARRA .....Chief Audit and Compliance Officer
BILL HALE..... Chief Engineer
RICHARD MCMONAGLE .....Chief Administrative Officer
BOB KAUFMAN..... Director of Communications and Customer Service
JEFF GRAHAM .....General Counsel
JERRY HADDICAN.....Director of Government Affairs
DARRAN ANDERSON..... Director of Strategy and Innovation

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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements of TxDOT are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of TxDOT. They do not purport to, and do not, present fairly the financial position of the State as of August 31, 2017, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Budgetary Comparison Schedule and Pension Plan Information* on pages 12-17, 90-92 and 94-96, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the TxDOT's basic financial statements. The Combining Financial Statements, the Bond Schedules and the other information, such as the Introductory section, Schedule 1A, 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 15, 2017 on our consideration of the TxDOT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the TxDOT's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Dallas, Texas
December 15, 2017

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, 2017. Use this section in conjunction with the TxDOT's basic financial statements.

Overview of Financial Statements

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

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

Reporting on TxDOT as a Whole

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

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

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

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

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

Reporting on TxDOT's Most Significant Funds

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

Governmental Funds

A majority of TxDOT's activities are reported in governmental funds. Reporting of these funds focuses on how money flows into and out of the funds, and amounts remaining at year-end for future spending. Governmental funds are accounted for using the modified accrual basis of accounting, which measures cash and other assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of TxDOT's general governmental operations and the basic services it provides. This information should be helpful to determine whether there are more or less resources available for TxDOT's programs. The reconciliation following the fund financial statements explains the differences between the government's activities, reported in the entity-wide statement of net position and entity-wide statement of activities, and the governmental funds. The State Highway Fund, Texas Mobility Fund, Proposition 12 Highway Improvement Fund and Local Government Political Subdivision Road/Airport Fund are reported as major funds.

Proprietary Funds

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

Reporting on TxDOT's Fiduciary Responsibilities

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

Financial Analysis of TxDOT as a Whole

Net Position

Net Position - The assets and deferred outflows of TxDOT exceeded its liabilities and deferred inflows of resources as of Aug. 31, 2017, by $78.9 billion, which is presented as net position. Approximately $76.7 billion of the total net position is reported as Net Investment in Capital Assets. TxDOT uses these capital assets to provide services to the citizens and businesses in the state; consequently, these assets are not available for future spending. Although reported net of related debt and deferred inflow of resources, capital assets themselves cannot be used to liquidate liabilities.

Capital Assets - Capital assets, net of depreciation and amortization, were approximately $104.1 billion as of Aug. 31, 2017. Net capital assets increased by $4.9 billion, or 5.0 percent, for the fiscal year ended Aug. 31, 2017. Construction in progress and infrastructure accounted for the majority of these additions. See the capital assets section of this management's discussion and analysis for more information on the accounting treatment of capital assets.

Long-term Liabilities - TxDOT's total long-term obligations increased by $1.8 billion during the current fiscal year to $25.2 billion. The majority of this change is attributable to the issuance and of $2.4 billion of general obligation and revenue bonds reduced primarily by $1.4 billion in principal payments, refundings and amortization of bonds. Net pension liability increased by $591.6 million and pass-through tolls payable decreased by $79.1 million. For more information on long-term liabilities see Notes 5, 6, and 8 of this report.

Statement of Net Position
August 31, 2017 and 2016 (Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
ASSETS						
Assets Other Than Capital Assets	$ 8,837,854	$ 8,691,280	$ 3,602,838	$ 3,545,377	$ 12,440,692	$ 12,236,657
Capital Assets	101,415,045	96,418,885	2,648,000	2,696,832	104,063,045	99,115,717
Total Assets	110,252,899	105,110,165	6,250,838	6,242,209	116,503,737	111,352,374
DEFERRED OUTFLOW OF RESOURCES	698,415	362,909	30,102	32,021	728,517	394,930
LIABILITIES						
Current Liabilities	2,990,209	2,933,165	105,485	57,471	3,095,694	2,990,636
Non-current Liabilities	18,450,645	16,812,288	5,925,452	5,892,178	24,376,097	22,704,466
Total Liabilities	21,440,854	19,745,453	6,030,937	5,949,649	27,471,791	25,695,102
DEFERRED INFLOW OF RESOURCES	10,838,907	11,143,628	0	996	10,838,907	11,144,624
NET POSITION						
Net Investment in Capital Assets	76,119,487	71,357,974	597,067	637,980	76,716,554	71,995,954
Restricted	2,665,797	3,438,003	271,523	160,600	2,937,320	3,598,603
Unrestricted	(113,731)	(211,984)	(618,587)	(474,995)	(732,318)	(686,979)
Total Net Position	$ 78,671,553	$ 74,583,993	$ 250,003	$ 323,585	$ 78,921,556	$ 74,907,578

Changes in Net Position

TxDOT earned program revenues of $5.4 billion and general revenues of $3.8 billion, for total revenues of $9.2 billion. The expenses of TxDOT were $6.6 billion. As a result of revenues exceeding expenses, the total net position increased to $78.9 billion. Revenues and expenses of TxDOT's governmental and business-type activities are detailed on the following page.

Over time, increases and decreases in the net position measures whether TxDOT's financial position is improving or deteriorating. The net position of governmental activities increased by $4.1 billion, or 5.5 percent, from fiscal 2016, primarily due to TxDOT's continued efforts to maintain, improve and expand the state's infrastructure network.

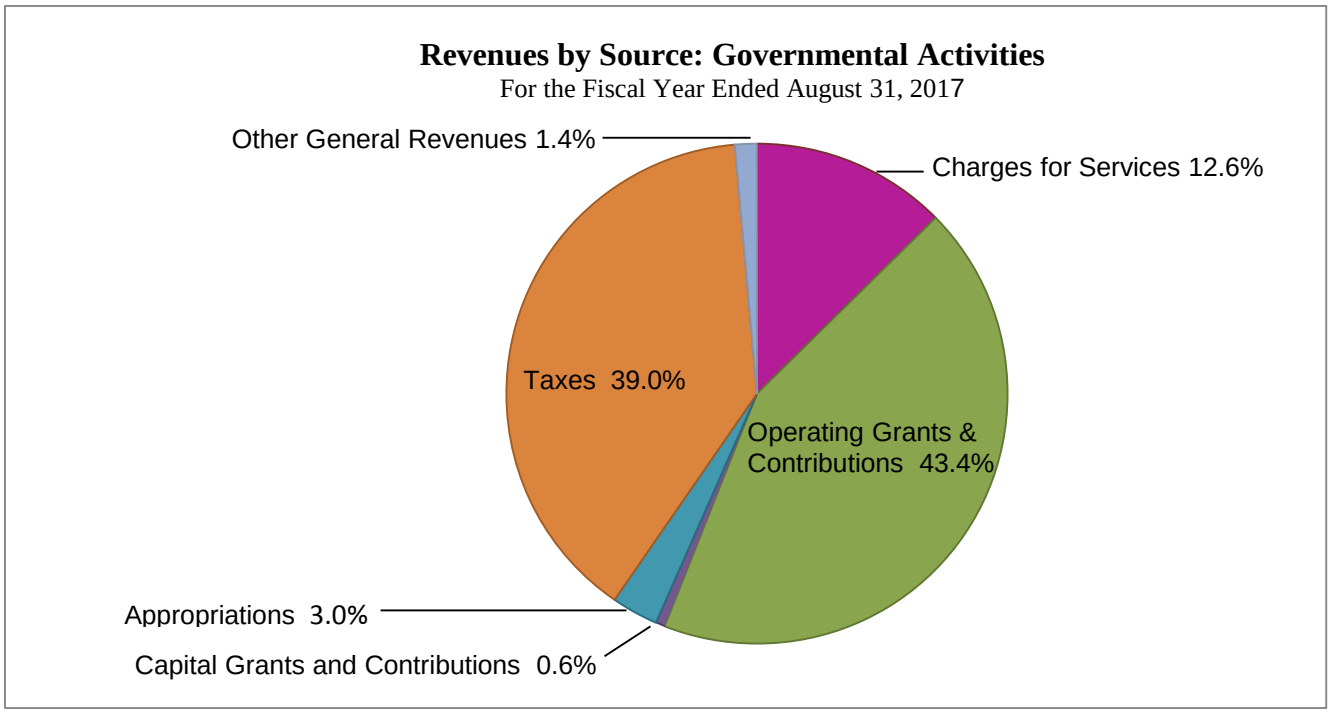
In fiscal 2017 the net position of business-type activities, which includes CTTS and GPTC, decreased by a total of $73.6 million, or 22.7 percent from fiscal 2016.

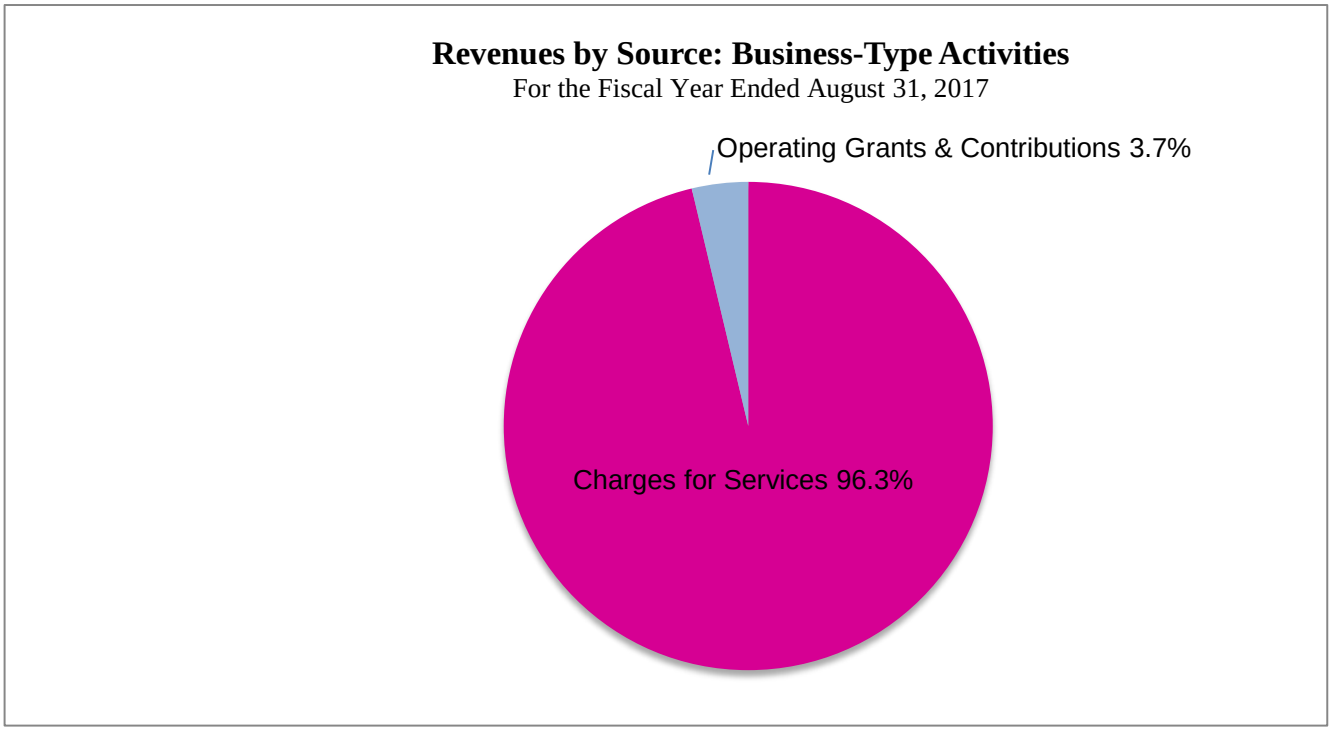
- CTTS had a decrease in the net position of $16.7 million, or 4.8 percent, which is largely attributed to depreciation of capital assets of $54.4 million and accretion of long-term liabilities of $30.2 million, offset by an increase in operating revenues of $28.7 million.

- GPTC had a decrease in the net position of $56.8 million, or 244.0 percent, which is due to amortization expense of $63.9 million and interest expense of $137.1 million, offset by the increase of operating revenues of $74.3 million. Interest was capitalized as intangible asset prior to substantial completion of the five segments of the Grand Parkway System in March 2016. Starting April 2016, interest was reported as expense. Amortization of intangible assets also began in fiscal 2016.

Changes in Net Position
For the Fiscal Years Ended August 31, 2017 and 2016 (Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program Revenues:						
Charges for Services	$ 1,114,190	$ 916,445	$ 359,149	$ 256,137	$ 1,473,339	$ 1,172,582
Operating Grants and Contributions	3,835,286	3,941,411	13,858	2,237	3,849,144	3,943,648
Capital Grants and Contributions	49,542	39,496			49,542	39,496
Total Program Revenues	4,999,018	4,897,352	373,007	258,374	5,372,025	5,155,726
General Revenues:						
Appropriations	268,868	219,083			268,868	219,083
Taxes	3,446,772	3,035,240			3,446,772	3,035,240
Unrestricted Investment Earnings	77,318	52,150		7,601	77,318	59,751
Settlement of Claims	28,215	47,698			28,215	47,698
Gain on Sale of Capital Assets		52,434			0	52,434
Other General Revenues	9,071	17,094			9,071	17,094
Total General Revenues	3,830,244	3,423,699		7,601	3,830,244	3,431,300
Total Revenues	8,829,262	8,321,051	373,007	265,975	9,202,269	8,587,026
EXPENSES						
Transportation	6,135,429	5,686,085	451,780	352,734	6,587,209	6,038,819
Total Expenses	6,135,429	5,686,085	451,780	352,734	6,587,209	6,038,819
Excess (Deficiency) Before Special Items and Transfers	2,693,833	2,634,966	(78,773)	(86,759)	2,615,060	2,548,207
Transfers - Internal Activities	(5,191)	(2,067)	5,191	2,067	0	0
Transfers-Other State Agencies	1,398,918	1,379,236			1,398,918	1,379,236
Change in Net Position	4,087,560	4,012,135	(73,582)	(84,692)	4,013,978	3,927,443
Net Position, September 1, 2016	74,583,993	70,571,858	323,585	408,277	74,907,578	70,980,135
Net Position, August 31, 2017	$ 78,671,553	$ 74,583,993	$ 250,003	$ 323,585	$ 78,921,556	$ 74,907,578





Financial Analysis of TxDOT's Funds

TxDOT's governmental funds reported a combined ending fund balance, as of Aug. 31, 2017, of $6.0 billion. Expenditures exceeded revenues by $3.3 billion. Not all expenditure activity is supported by revenues. Some project expenditures are funded by bond proceeds.

Capital Assets and Debt Administration

Capital Assets

As of Aug. 31, 2017, TxDOT had $104.1 billion in net capital assets, including roads, bridges, buildings, land, equipment and intangible capital assets.

Capital Assets - Net of Depreciation and Amortization
August 31, 2017 and 2016 (Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land and Land Improvements	$ 12,937,927	$ 12,105,328	$ 668,771	$ 668,281	$ 13,606,698	$ 12,773,609
Infrastructure - Depreciable	71,088,892	68,178,284	1,947,170	1,986,723	73,036,062	70,165,007
Construction in Progress	16,679,638	15,363,299	8,351	17,759	16,687,989	15,381,058
Buildings and Building Improvements	251,806	249,312	4,242	4,603	256,048	253,915
Furniture and Equipment	62,179	64,263			62,179	64,263
Vehicles, Boats and Aircraft	338,911	307,740			338,911	307,740
Other Capital Assets	4,546	4,131			4,546	4,131
Land Use Rights - Permanent	24,819	118,048	19,466	19,466	44,285	137,514
Land Use Rights - Term	2,492	5,861			2,492	5,861
Computer Software	23,835	22,619			23,835	22,619
Total Capital Assets	$ 101,415,045	$ 96,418,885	$ 2,648,000	$ 2,696,832	$ 104,063,045	$ 99,115,717

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 2017 is 2.5% based on a 40 year weighted average life expectancy of the assets in service.

To ensure future availability of essential services and to finance capital improvements, TxDOT made commitments for construction contracts, comprehensive development agreements and pass-through toll agreements totaling an estimated $27.5 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.

Outstanding Bonded Debt
As of August 31, 2017 (Amount in Thousands)

	Governmental Activities		Business-Type Activities	
	2017	2016	2017	2016
General Obligation Bonds Payable	$ 11,247,275	$ 10,794,869	$	
Revenue Bonds Payable	4,732,778	4,223,561	5,088,789	5,166,334
Total Bond Payable	$ 15,980,053	$ 15,018,430	$ 5,088,789	$ 5,166,334

Bond Credit Ratings

Long-Term Credit Ratings as of August 31, 2017			
Governmental Activities	Fitch	Moody's	Standard & Poor's
General Obligation Bonds	AAA	Aaa	AAA
Revenue Bonds	n/a	Aaa	AAA
Business-Type Activities			
Revenue Bonds			
CTTS 2002-A, 2012-A, 2015-A,B	A-	A3	A-
CTTS 2015-C	BBB	Baa1	BBB+
GPTC 2013-A	BBB+	n/a	BBB
GPTC 2013-B,E	AA	n/a	AA+
GPTC 2016	n/a	n/a	AA+

Short-term ratings are usually reliant upon the supporting liquidity facility and its strength. The following variable rate demand bonds carried short-term credit ratings as of Aug. 31, 2017.

Short-Term Credit Ratings as of August 31, 2017			
Governmental Activities	Fitch	Moody's	Standard & Poor's
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 11th 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, 2017 (Amounts in Thousands)

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 6,176,494	$ 403,220	$ 6,579,714
Short-Term Investments		59,930	59,930
Restricted:			
Cash and Cash Equivalents	22,121	454,155	476,276
Short-Term Investments	10,910	147,957	158,867
Legislative Appropriations	7,029		7,029
Due from Other Agencies (Note 11)	958,677		958,677
Receivable:			
Taxes	266,370		266,370
Federal	433,980		433,980
Interest and Dividends	6,981	534	7,515
Accounts Receivable	44,154	50,251	94,405
Other Intergovernmental	130,431		130,431
Loans and Contracts	9,897		9,897
Consumable Inventory	153,869	1,630	155,499
Total Current Assets	8,220,913	1,117,677	9,338,590
Noncurrent Assets:			
Restricted:			
Investments		114,999	114,999
Loans and Contracts	616,306		616,306
Investments		14,910	14,910
Receivable:			
Taxes	635		635
Intangible Assets (Note 20)		2,355,252	2,355,252
Capital Assets:			
Non-Depreciable Capital Assets (Note 2)	29,642,384	696,588	30,338,972
Depreciable Capital Assets, Net (Note 2)	71,772,661	1,951,412	73,724,073
Total Noncurrent Assets	102,031,986	5,133,161	107,165,147
Total Assets	110,252,899	6,250,838	116,503,737
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Bond Refunding (Note 21)	171,816	30,102	201,918
Pensions (Note 8)	526,599		526,599
Total Deferred Outflows of Resources	698,415	30,102	728,517

Texas Department of Transportation
Statement of Net Position
August 31, 2017 (Amounts in Thousands)

	Primary Government		
	Governmental Activities	Business Type Activities	Total
LIABILITIES			
Current Liabilities:			
Payables:			
Accounts	1,070,046	29,924	1,099,970
Payroll	75,833		75,833
Interest	274,484	41,858	316,342
Contract Retainage	1,056	2,089	3,145
Deposits		686	686
Internal Balances (Note 11)	(4,866)	4,866	0
Due to Other Agencies (Note 11)	2,304		2,304
Unearned Revenues	764,590		764,590
Employees' Compensable Leave (Note 5)	66,939		66,939
Notes and Loans Payable (Note 5)	195,821		195,821
General Obligation Bonds Payable (Note 5)	275,917		275,917
Revenue Bonds Payable (Note 5)	262,598	26,062	288,660
Pollution Remediation Obligation (Note 5)	5,487		5,487
Total Current Liabilities	2,990,209	105,485	3,095,694
Noncurrent Liabilities:			
Net Pension Liability (Note 8)	1,869,732		1,869,732
Employees' Compensable Leave (Note 5)	27,103		27,103
Notes and Loans Payable (Note 5)	1,111,884	862,725	1,974,609
General Obligation Bonds Payable (Note 5)	10,971,358		10,971,358
Revenue Bonds Payable (Note 5)	4,470,180	5,062,727	9,532,907
Pollution Remediation Obligation (Note 5)	388		388
Total Noncurrent Liabilities	18,450,645	5,925,452	24,376,097
Total Liabilities	21,440,854	6,030,937	27,471,791
DEFERRED INFLOWS OF RESOURCES			
Pensions (Note 8)	153,313		153,313
Service Concession Arrangements (Note 20)	10,682,031		10,682,031
Gain on Bond Refunding (Note 21)	3,563		3,563
Total Deferred Inflows of Resources	10,838,907	0	10,838,907
NET POSITION			
Net Investment in Capital Assets	76,119,487	597,067	76,716,554
Restricted for:			
Capital Projects	2,159,612		2,159,612
Debt Service	502,376	129,404	631,780
Operations and Maintenance	3,809	142,119	145,928
Unrestricted	(113,731)	(618,587)	(732,318)
Total Net Position	$ 78,671,553	$ 250,003	$ 78,921,556

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, 2017 (Amounts in Thousands)

Functions	Expenses	PROGRAM REVENUES: Charges for Services	PROGRAM REVENUES: Operating Grants and Contributions	PROGRAM REVENUES: Capital Grants and Contributions
Primary Government				
Governmental Activties:				
Transportation	$ 6,135,429	$ 1,114,190	$ 3,835,286	$ 49,542
Total Governmental Activities	6,135,429	1,114,190	3,835,286	49,542
Business-Type Activities:				
Transportation	451,780	359,149	13,858	
Total Business-Type Activities	451,780	359,149	13,858	0
Total Primary Government	$ 6,587,209	$ 1,473,339	$ 3,849,144	$ 49,542
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, 2016				
Net Position, August 31, 2017				

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

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

Governmental Activities	Business-Type Activties	Total
$ (1,136,411)	$	$ (1,136,411)
(1,136,411)	0	(1,136,411)
	(78,773)	(78,773)
0	(78,773)	(78,773)
(1,136,411)	(78,773)	(1,215,184)
272,833		272,833
315		315
(4,280)		(4,280)
2,667,454		2,667,454
44,900		44,900
734,418		734,418
77,318		77,318
28,215		28,215
9,071		9,071
(5,191)	5,191	0
1,398,918		1,398,918
5,223,971	5,191	5,229,162
4,087,560	(73,582)	4,013,978
74,583,993	323,585	74,907,578
$ 78,671,553	$ 250,003	$ 78,921,556

Texas Department of Transportation
Balance Sheet - Governmental Funds
August 31, 2017 (Amounts in Thousands)

	State Highway Fund	Texas Mobility Fund	Proposition 12 Highway Improvement Project Fund	Local Government Political Subdivision Road/Airport	Nonmajor Funds	Total
ASSETS						
Cash and Cash Equivalents:						
Cash on Hand	$ 387	$	$	$	$ 10	$ 397
Cash in Bank	376					376
Cash in State Treasury	3,595,554	959,199	727,402	637,799	255,767	6,175,721
Legislative Appropriations					7,029	7,029
Receivables:						
Taxes	267,005					267,005
Federal	429,114				4,866	433,980
Other Intergovernmental	130,431					130,431
Interest and Dividends	6,981					6,981
Accounts Receivable	44,154					44,154
Due from Other Funds (Note 11)	21,016			9,179		30,195
Due from Other Agencies (Note 11)	958,677					958,677
Consumable Inventories	153,869					153,869
Loans and Contracts (Note 4)	626,137				66	626,203
Restricted:						
Cash Equivalents	22,121					22,121
Short-Term Investments	10,910					10,910
Total Assets	$ 6,266,732	$ 959,199	$ 727,402	$ 646,978	$ 267,738	$ 8,868,049
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Payables:						
Accounts	964,841	47,010	52,684		5,511	1,070,046
Payroll	75,712				121	75,833
Contract Retainage	1,056					1,056
Due to Other Funds (Note 11)	1,310				24,019	25,329
Due to Other Agencies (Note 11)	2,304					2,304
Unearned Revenues	113,707	1,808		646,978	2,097	764,590
Total Liabilities	1,158,930	48,818	52,684	646,978	31,748	1,939,158
Deferred Inflows of Resources:						
Unavailable Revenue (Note 21)	922,482					922,482
Total Deferred Inflows of Resources	922,482	0	0	0	0	922,482
Fund Balances (Deficits):						
Nonspendable (Note 13)	153,869				45	153,914
Restricted (Note 13)	2,227,667	910,381	674,718		199,278	4,012,044
Committed (Note 13)	927,031				24,888	951,919
Assigned (Note 13)	876,753				4,897	881,650
Unassigned (Note 13)					6,882	6,882
Total Fund Balances	4,185,320	910,381	674,718	0	235,990	6,006,409
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,266,732	$ 959,199	$ 727,402	$ 646,978	$ 267,738	$ 8,868,049

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, 2017 (Amounts in Thousands)

Total Fund Balance - Governmental Funds		$ 6,006,409
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	$ 29,642,384	
Capital Assets - Depreciable or Amortizable, Net	71,772,661	
		101,415,045
Deferred outflows of resources were reported in the Statement of Net Position to reflect the losses incurred in bond refunding transactions (Note 21).	171,816	
		171,816
Deferred outflows of resources were reported in the Statement of Net Position to reflect current year contributions to Pensions and the unamortized balance of changes in assumptions used to calculate the Net Pension Liability.	526,599	
		526,599
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).	922,482	
		922,482
Long-term liabilities applicable to TxDOT's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. These liabilities, however, are included in the Statement of Net Position. *		
Net Pension Liability (Note 8)	(1,869,732)	
Employees' Compensable Leave (Note 5)	(94,042)	
Notes and Loans Payable (Note 5)**	(1,307,705)	
General Obligation Bonds Payable (Note 5)	(11,247,275)	
Revenue Bonds Payable (Note 5)	(4,732,778)	
Pollution Remediation Obligations (Note 5)	(5,875)	
		(19,257,407)
* Current portion $806,762 and noncurrent portion $18,450,645		
**Pass-Through Tolls Payable $1,010,720, Contracts Payable $9,527 and TIFIA Loan Payable $287,458		
Deferred inflows of resources were reported in the Statement of Net Position to reflect the unamortized difference between the projected experience and investment return used to calculate the Net Pension Liability and the actual experience and investment return (Note 21).	(153,313)	
		(153,313)
Deferred inflows of resources were reported in the Statement of Net Position to reflect the unamortized upfront payments received and capital improvements acquired in connection with Service Concession Arrangements (Note 20).	(10,682,031)	
		(10,682,031)
Deferred inflows of resources were reported in the Statement of Net Position to reflect gains on bond refunding transactions (Note 21).	(3,563)	
		(3,563)
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.	(274,484)	
		(274,484)
Net Position of Governmental Activities		$ 78,671,553

Texas Department of Transportation
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended August 31, 2017 (Amounts in Thousands)

	State Highway Fund	Texas Mobility Fund	Proposition 12 Highway Improvement Project Fund	Local Government Political Subdivision Road/Airport Account	Nonmajor Funds	Total
REVENUES						
Legislative Appropriations:						
Original Appropriatons	$	$	$	$	$ 272,833	$ 272,833
Additional Appropriations					315	315
Taxes	3,115,426					3,115,426
Federal Revenues	3,781,833	21,700			36,863	3,840,396
Federal Pass-Through Revenues	469					469
Licenses, Fees and Permits	61,170	443,214				504,384
Interest & Investment Income	57,849	10,307	8,156		1,858	78,170
Land Income	13,222					13,222
Settlement of Claims	28,215					28,215
Sales of Goods and Services	70,136			208,671	1,091	279,898
Other Revenues	9,830					9,830
Total Revenues	7,138,150	475,221	8,156	208,671	312,960	8,143,158
EXPENDITURES						
Transportation	3,551,439	32			43,510	3,594,981
Capital Outlay	6,011,424	291,033	396,636		1,001	6,700,094
Debt Service:						
Principal on State Bonds		61,960			251,555	313,515
Principal on Pass-Through Tolls	109,081					109,081
Interest on State Bonds		292,666			372,307	664,973
Other Financing Fees	4,267	4,177	2,191		503	11,138
Total Expenditures	9,676,211	649,868	398,827	0	668,876	11,393,782
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,538,061)	(174,647)	(390,671)	208,671	(355,916)	(3,250,624)
OTHER FINANCING SOURCES (USES)						
Transfers In (Note 11)	1,748,978	123,154			378,243	2,250,375
Transfers Out (Note 11)	(519,381)	(123,154)		(208,671)		(851,206)
Long-Term Debt Issued	886,210		588,755			1,474,965
Bonds Issued for Refunding	89,370	770,155				859,525
Premium/Discount on Bonds Issued	112,255	143,780	110,972			367,007
Payment to Escrow on Refunding	(100,000)	(910,186)				(1,010,186)
Sale of Capital Assets	8,715				3,087	11,802
Upfront Payment - Service Concession Arrangement	392					392
Appropriations Lapsed					(4,280)	(4,280)
Total Other Financing Sources (Uses)	2,226,539	3,749	699,727	(208,671)	377,050	3,098,394
Net Change in Fund Balances	(311,522)	(170,898)	309,056	0	21,134	(152,230)
Fund Balances, September 1, 2016	4,496,842	1,081,279	365,662		214,856	6,158,639
Fund Balances, August 31, 2017	$ 4,185,320	$ 910,381	$ 674,718	$ 0	$ 235,990	$ 6,006,409

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, 2017 (Amounts in Thousands)

Net Change in Fund Balances		$ (152,230)
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	$ 6,700,094	
Depreciation and Amortization Expense (Note 2)	(1,798,961)	
		4,901,133
The effect of various miscellaneous transactions involving capital assets is an increase to net position.		
Donations of Capital Assets	49,542	
Loss on Sale of Capital Assets	(18,976)	
Sale of Capital Assets	(11,802)	
Interagency Transfers of Capital Assets	(5,442)	
		13,322
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	259,996	
Federal Revenue	(7,193)	
Local Revenue	56,694	
Oil & Natural Gas Production Tax Revenue	294,906	
Motor Fuel Tax Revenue	36,440	
		640,843
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	422,596	
Payment to Escrow for Refunding	1,010,186	
Net Change in Pollution Remediation Obligation	222	
Long-Term Debt Issued	(2,334,490)	
Premiums on Bonds Issued	(367,007)	
Upfront Payments Received Under Service Concession Arrangements	(392)	
Net Change in Employees' Compensable Leave	728	
		(1,268,157)
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	95,418	
Financing Fees	(9,626)	
Payroll Related Costs	(133,143)	
		(47,351)
Change in Net Position of Governmental Activities		$ 4,087,560

Texas Department of Transportation
Statement of Net Position - Proprietary Funds
August 31, 2017 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds		
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 326,916	$ 76,304	$ 403,220
Short-Term Investments	29,949	29,981	59,930
Restricted:			
Cash and Cash Equivalents	72,570	381,585	454,155
Short-Term Investments	71,993	75,964	147,957
Receivables:			
Accounts Receivable	16,535	33,716	50,251
Interest and Dividends	267	267	534
Due from Other Funds (Note 11)	1,310		1,310
Consumable Inventory	1,408	222	1,630
Total Current Assets	520,948	598,039	1,118,987
Noncurrent Assets:			
Restricted:			
Investments	114,999		114,999
Investments		14,910	14,910
Intangible Assets (Note 20)		2,355,252	2,355,252
Capital Assets:			
Non-Depreciable Capital Assets (Note 2)	696,588		696,588
Depreciable Capital Assets, Net (Note 2)	1,951,412		1,951,412
Total Noncurrent Assets	2,762,999	2,370,162	5,133,161
Total Assets	3,283,947	2,968,201	6,252,148
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources			
Loss on Bond Refunding (Note 21)	30,102		30,102
Total Deferred Outflows of Resources	30,102		30,102

Texas Department of Transportation
Statement of Net Position - Proprietary Funds
August 31, 2017 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds		
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Totals
LIABILITIES			
Current Liabilities:			
Payables:			
Accounts	10,639	19,285	29,924
Interest	4,460	37,398	41,858
Contract Retainage		2,089	2,089
Deposits		686	686
Due to Other Funds (Note 11)		6,176	6,176
Revenue Bonds Payable (Notes 5, 6)	26,392	(330)	26,062
Total Current Liabilities	41,491	65,304	106,795
Noncurrent Liabilities:			
Notes and Loans Payable (Note 5)		862,725	862,725
Revenue Bonds Payable (Notes 5, 6)	2,942,418	2,120,309	5,062,727
Total Noncurrent Liabilities	2,942,418	2,983,034	5,925,452
Total Liabilities	2,983,909	3,048,338	6,032,247
NET POSITION			
Net Investment in Capital Assets	597,067		597,067
Restricted for:			
Debt Service	77,154	52,250	129,404
Operations and Maintenance	92,825	49,294	142,119
Unrestricted	(436,906)	(181,681)	(618,587)
Total Net Position	$ 330,140	$ (80,137)	$ 250,003

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, 2017 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds		
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Totals
OPERATING REVENUES			
Toll Revenue - Pledged	$ 218,408	$ 149,299	$ 367,707
Discounts and Allowances	(33,207)	(3,974)	(37,181)
Fee Revenue - Pledged	15,704	12,905	28,609
Total Operating Revenues	200,905	158,230	359,135
OPERATING EXPENSES			
Salaries	1,579	1,536	3,115
Professional Fees and Services	3,172	2,079	5,251
Travel	10	8	18
Materials and Supplies	1,503	287	1,790
Communication and Utilities	799	184	983
Repairs and Maintenance	14,543	3,949	18,492
Rentals and Leases	31	3	34
Contracted Services	24,864	11,206	36,070
Advertising	1,042	105	1,147
Depreciation and Amortization	54,403	63,901	118,304
Interest Expense		3	3
Other Operating Expenses	3,649	10,519	14,168
Total Operating Expenses	105,595	93,780	199,375
Operating Income (Loss)	95,310	64,450	159,760
NONOPERATING REVENUES (EXPENSES)			
Lease Revenue	13		13
Interest and Investment Income	9,781	4,075	13,856
Net Decrease in Fair Value of Investments	(6)	9	3
Amortization	12,167	12,767	24,934
Interest Expense	(139,168)	(137,109)	(276,277)
Bond Issuance Expenses	(24)	(1,000)	(1,024)
Other Financing Fees	(2)	(36)	(38)
Total Nonoperating Revenues (Expenses)	(117,239)	(121,294)	(238,533)
Income (Loss) before Transfers	(21,929)	(56,844)	(78,773)
TRANSFERS			
Transfers In (Note 11)	5,191		5,191
Total Transfers	5,191	0	5,191
Change in Net Position	(16,738)	(56,844)	(73,582)
Net Position, September 1, 2016	346,878	(23,293)	323,585
Net Position, August 31, 2017	$ 330,140	$ (80,137)	$ 250,003

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, 2017 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds		
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Totals
Cash Flows from Operating Activities			
Proceeds from Customers	$ 197,273	$ 135,845	$ 333,118
Payments for Local Entity		(2,398)	(2,398)
Payments for Interfund Services Used		(23,652)	(23,652)
Payments to Suppliers for Goods and Services	(44,269)	(328)	(44,597)
Net Cash Provided by Operating Activities	153,004	109,467	262,471
Cash Flows from NonCapital Financing Activities			
Proceeds from Transfers from Other Funds	56,678		56,678
Proceeds from Loan Draw		840,645	840,645
Proceeds from Issuing Bonds		83,775	83,775
Payments for Retirement of Bonds and Notes		(924,195)	(924,195)
Payments for Debt Interest		(105,152)	(105,152)
Payments for Costs of Debt Issuance		(433)	(433)
Payments for Interfund Services Used		(19)	(19)
Payments for Intangible Assets		(111,025)	(111,025)
Net Cash (Used) for NonCapital Financing Activities	56,678	(216,404)	(159,726)
Cash Flows from Capital and Related Financing Activities			
Proceeds from Lease Revenue	13		13
Payments for Purchase of Capital Assets	(380)		(380)
Payments for Principal on Debt	(7,885)		(7,885)
Payments of Interest on Debt	(107,051)		(107,051)
Payments for Interfund Services Used for Other Financing Fees	(25)		(25)
Net Cash (Used) by Capital and Related Financing Activities	(115,328)		(115,328)
Cash Flows from Investing Activities			
Proceeds from Interest and Investment Income	9,291	4,156	13,447
Proceeds from Sales and Maturities of Investments	196,037	578,462	774,499
Payments to Acquire Investments	(249,700)	(317,718)	(567,418)
Payments for Accrued Interest on Purchase of Investment		(478)	(478)
Net Cash Provided (Used) by Investing Activities	(44,372)	264,422	220,050
Net Increase (Decrease) in Cash and Cash Equivalents	49,982	157,485	207,467
Cash and Cash Equivalents- September 1, 2016	349,504	300,404	649,908
Cash and Cash Equivalents – August 31, 2017	$ 399,486	$ 457,889	$ 857,375

Concluded on the following page

Texas Department of Transportation
Statement of Cash Flows - Proprietary Funds (continued)
For the Fiscal Year Ended August 31, 2017 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds		
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Totals
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income	$ 95,310	$ 64,450	$ 159,760
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortizaton	54,403	63,901	118,304
Changes in Assets and Liabilities:			
(Increase) Decrease in Receivables	(3,631)	(22,386)	(26,017)
(Increase) Decrease in Inventories	(1,230)	(215)	(1,445)
Increase in Payables	8,152	3,855	12,007
Increase (Decrease) in Deposits		(2,397)	(2,397)
Increase (Decrease) in Due to Other Funds		2,259	2,259
Total Adjustments	57,694	45,017	102,711
Net Cash Provided by Operating Activities	$ 153,004	$ 109,467	$ 262,471
Non Cash Transactions			
Transfer in of capital asset from other Fund	$ 5,191	$	$ 5,191
Net Change in Fair Market Value of Investments	$ (6)	$ 9	$ 3
Amortization of Investment Premium/Discount	$ 294	$ 497	$ 791

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, 2017 (Amounts in Thousands)

		AGENCY FUNDS
ASSETS		
Cash and Cash Equivalents:		
Cash on Hand	$	34
Cash in Bank		5,002
Cash in State Treasury		322
Short-Term Investments		63,682
Total Assets	$	69,040
LIABILITIES		
Liabilities:		
Funds Held for Others		69,040
Total Liabilities	$	69,040

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

Texas Department of Transportation

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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 2017, 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 to prepare the state of Texas CAFR.

GASB Statements Effective for Fiscal Year 2017

In fiscal 2017 TxDOT adopted the following new GASB pronouncements:

- *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* This statement establishes reporting requirements for reporting defined benefit OPEB plans and defined contribution OPEB plans administered through trusts or equivalent arrangements. It supersedes the remaining provisions of GASB Statements 25 and 50 as well as GASB Statement 43 and certain paragraphs of Statements 45 and 57.
- *GASB Statement No. 77, Tax Abatement Disclosures.* This statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. The Statement provides information about the nature and magnitude of tax revenue reductions via tax abatement programs.
- *GASB Statement No. 78, Pensions Provided through Certain Multiple-employer Defined Benefit Pension Plans.* This statement provides reporting guidance for employers whose employees are provided defined benefit pensions through cost-sharing multiple-employer plans with certain characteristics. The requirements include recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information.
- *GASB Statement No. 80, Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14.* This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. It requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

- *GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of the statement has minimal impact on TxDOT's financial statements.

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 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.
- State Infrastructure Bank – This fund operates as a revolving loan program that makes loans to public and private entities to encourage the development of transportation projects and facilities.
- Federal American Recovery and Reinvestment Fund – This fund was created to record, track and report the receipt and disbursement of American Recovery and Reinvestment Act (ARRA) funding.

Texas Mobility Fund

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, and G 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 2017 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 Aug. 31, 2017, 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. Reported deferred outflows of resources include plan contributions made subsequent to the Aug. 31, 2016 measurement date, and the unamortized balance resulting from changes in assumptions used to calculate net pension liability. TxDOT reports deferred inflows of resources for the unamortized balance resulting from other changes to the components used to calculate net pension liability. See Note 21 for additional information.

Intangible Assets

Our blended component unit GPTC, is operating under a service concession agreement (SCA) with TxDOT. As a governmental operator, GPTC records an intangible asset for its cost of design and construction of Segments D (Harris County), E, F-1, F-2, and G of the Grand Parkway toll road. Additionally, GPTC is capitalizing interest and accretion paid during the construction period to the intangible asset. Amortization of the intangible asset began in fiscal 2016 upon the completion of construction and the opening to traffic of the System. Intangible assets associated with SCAs are not considered capital assets. See Note 20 for more information about GPTC's SCA with TxDOT.

Capital Assets

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

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

Capitalization Thresholds by Class of Asset

Classification	Capitalization Threshold	Estimated Useful Life
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; 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 an increase in allowance for doubtful accounts and fee revenue.

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

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 2017. 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.

Capital Asset Activity

For the Fiscal Year Ended August 31, 2017 (Amounts in Thousands)

	Balance 9/1/2016	Reclass-ifications	Additions	Deletions	Balance 8/31/2017
GOVERNMENTAL ACTIVITIES					
Non-Depreciable & Non-Amortizable Assets					
Land and Land Improvements	$ 12,105,328	$ 82,774	$ 753,472	$ (3,647)	$ 12,937,927
Construction in Progress	15,363,299	(4,674,987)	5,991,326		16,679,638
Land Use Rights - Permanent	118,048	(83,130)	2,395	(12,494)	24,819
Total Non-Depreciable & Non-Amortizable Assets	27,586,675	(4,675,343)	6,747,193	(16,141)	29,642,384
Depreciable Assets					
Buildings and Building Improvements	507,806	20,371		(225)	527,952
Infrastructure	85,099,183	4,643,106		(13,137)	89,729,152
Furniture and Equipment	200,406	170	11,420	(12,289)	199,707
Vehicles and Aircraft	739,834		73,252	(29,375)	783,711
Other Capital Assets	11,544	1,025			12,569
Total Depreciable Assets	86,558,773	4,664,672	84,672	(55,026)	91,253,091
Less Accumulated Depreciation for:					
Buildings and Building Improvements	(258,494)		(17,866)	214	(276,146)
Infrastructure	(16,920,899)		(1,719,934)	572	(18,640,261)
Furniture and Equipment	(136,143)	74	(12,827)	11,372	(137,524)
Vehicles and Aircraft	(432,094)		(36,546)	23,838	(444,802)
Other Capital Assets	(7,413)		(611)		(8,024)
Total Accumulated Depreciation	(17,755,043)	74	(1,787,784)	35,996	(19,506,757)
Depreciable Assets, Net	68,803,730	4,664,746	(1,703,112)	(19,030)	71,746,334
Intangible Capital Assets - Amortizable					
Land Use Rights - Term	19,440			(3,684)	15,756
Computer Software	62,911		4,521	(128)	72,705
Total Amortizable Assets	82,351	5,401	4,521	(3,812)	88,461
Less Accumulated Amortization for:					
Land Use Rights - Term	(13,579)		(2,477)	2,792	(13,264)
Computer Software	(40,292)		(8,700)	122	(48,870)
Total Accumulated Amortization	(53,871)	0	(11,177)	2,914	(62,134)
Amortizable Assets, Net	28,480	5,401	(6,656)	(898)	26,327
Governmental Activities Capital Assets, Net	$ 96,418,885	$ (5,196)	$ 5,037,425	$ (36,069)	$ 101,415,045

Capital Asset Activity (Concluded)
For the Fiscal Year Ended August 31, 2017 (Amounts in Thousands)

	Balance 9/1/2016	Reclass-ifications	Additions	Deletions	Balance 8/31/2017
BUSINESS-TYPE ACTIVITIES					
Non-Depreciable & Non-Amortizable Assets					
Land and Land Improvements	$ 668,281	$ 110	$ 380	$	$ 668,771
Construction in Progress	17,759	(9,408)			8,351
Land Use Rights - Permanent	19,466				19,466
Total Non-Depreciable & Non-Amortizable Assets	705,506	(9,298)	380	0	696,588
Depreciable Assets					
Buildings and Building Improvements	8,360				8,360
Infrastructure	2,266,519	14,489			2,281,008
Total Depreciable Assets	2,274,879	14,489	0	0	2,289,368
Less Accumulated Depreciation for:					
Buildings and Building Improvements	(3,757)		(361)		(4,118)
Infrastructure	(279,796)		(54,042)		(333,838)
Total Accumulated Depreciation	(283,553)	0	(54,403)	0	(337,956)
Depreciable Assets, Net	1,991,326	14,489	(54,403)	0	1,951,412
Business-Type Activities Capital Assets, Net	$ 2,696,832	$ 5,191	$ (54,023)	$ 0	$ 2,648,000

N*OTE 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.

Cash In Bank – Carrying Amount August 31, 2017 (Amounts in Thousands)		
Governmental Activities		
Governmental Funds Current Assets Cash in Bank – Depository Accounts	$	376
Cash in Bank – Carrying Amount	$	376
Fiduciary Funds		
Fiduciary Fund Current Assets Cash in Bank – Depository Accounts	$	284
Fiduciary Fund Current Assets Cash in Bank – Sweep Account		4,718
Cash in Bank – Carrying Amount	$	5,002

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, 2017, the sweep account is subjected to the same $250 thousand coverage provided to a regular depository account.

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 and proprietary fund deposits in the state treasury totaled $6.1 billion and $96.3 million at Aug. 31, 2017, respectively.

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 2017. 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, 2017, the measurements of TxDOT's investments are summarized below:

Investment Valuation
August 31, 2017 (Amounts in Thousands)

Investment Type	Fair Value Hierarchy Level 1	Other Measurement Method	Total
Governmental Activities			
Money Market Mutual Funds	$	$ 4,072	$ 4,072
U.S. Treasuries		28,959	28,959
Total Governmental Activities	$ 0	$ 33,031	$ 33,031
Business-Type Activities			
Money Market Mutual Funds	$	$ 3,388	$ 3,388
U.S. Treasuries	14,910	138,166	153,076
U.S. Government Agency Obligations		69,721	69,721
Government Investment Pools		757,687	757,687
Repurchase Agreements		114,999	114,999
Total Business-Type Activities	$ 14,910	$ 1,083,961	$ 1,098,871
Fiduciary Funds			
Miscellaneous	$	$ 20,852	$ 20,852
U.S. Treasuries		34,869	34,869
U.S. Government Agency Obligations		7,960	7,960
Total Fiduciary Funds	$ 0	$ 63,681	$ 63,681

Government securities and government sponsored entity investments of $14.9 million with maturities of one year or more are valued at quoted market prices (Level 1 input).

As of Aug. 31, 2017, TxDOT and GPTC also have the following two types of investments which are excluded from measurement at fair value according to GASB 72.

- TxDOT and GPTC had investments in money market funds, government securities, government sponsored entities and government investment pools of $1.1 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, 2017, TxDOT's repurchase agreement is collateralized with U.S. Government and agency securities. Collateral for the repurchase agreement is held by the Bank of New York Mellon Trust Company with the underlying securities being the property of the Citigroup Global Markets Inc., (the direct counterparty), held in trust for TxDOT. Citigroup Global Markets Inc. is rated A2, A+ and A+ as of Aug. 31, 2017 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 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, 2017, TxDOT's and GPTC's investments had the following ratings:

Investment Credit Ratings
August 31, 2017 (Amounts in Thousands)

Investment Type		Valuation	Moody's	Standard & Poor's	Fitch
Governmental Activities					
Money Market Mutual Funds					
Fidelity Government Money Market Fund	$	4,072	Aaa-mf	AAAm	NR
Government Securities					
U.S. Treasury Bills		28,959	NR	A-1+	NR
Total Governmental Activities	$	33,031			
Business-Type Activities					
Money Market Mutual Funds:					
JPMorgan US Government Fund	$	2,310	Aaa-mf	NR	AAAmmf
Morgan Stanley Government Fund		994	NR	AAAm	AAAmmf
Fidelity Government Money Market Fund		3	Aaa-mf	AAAm	NR
Goldman Sachs Financial Square Government Fund		81	Aaa-mf	AAAm	AAAmmf
Government Sponsored Entities:					
Federal Home Loan Bank Discount Note		9,988	P-1	A-1+	NR
Freddie Mac Discount Note		53,732	P-1	A-1+	F1+
Federal Home Loan Mortgage Corporation		6,001	Aaa	AA+	AAA
Government Securities:					
U.S. Treasury Notes		118,136	Aaa	AA+	AAA
U.S. Treasury Bills		34,940	NR	A-1+	NR
Government Investment Pools:					
Lone Star		67,862	NR	AAAm	NR
TexPool		601,547	NR	AAAm	NR
TexPool Prime		88,278	NR	AAAm	NR
Repurchase Agreement		114,999	A2	A+	A+
Total Business-Type Activities	$	1,098,871			
Fiduciary Fund					
Short Term Investment Fund	$	20,852	P-1	A-1+	NR
Freddie Mac Discount Note		7,960	P-1	A-1+	F1+
U.S. Treasury Notes		4,989	Aaa	AA+	AAA
U.S. Treasury Bills		14,958	NR	A-1+	NR
U.S. Treasury Strips		14,922	NR	A-1+	NR
Total Fiduciary Funds	$	63,681			

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, 2017, the following investments exceeded five percent of the total portfolio: U.S. Treasuries, Lone Star, TexPool, TexPool Prime and the Repurchase agreement with Citigroup Global Markets Inc.

TxDOT and GPTC both address diversification in TxDOT'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, 2017 are as follows.

Loans and Contracts
August 31, 2017 (Amounts in Thousands)

Fund	Loans Receivable	Due Within One Year
General Fund	$ 66	$ 21
Highway Fund - Toll Equity Loans	71,156	
Highway Fund - Project Loans	285,636	2,200
Highway Fund - NTTA	128,923	3,586
Highway Fund - State Infrastructure Bank	140,422	4,090
Governmental Funds Total	$ 626,203	$ 9,897

NOTE 5 – SUMMARY OF LONG-TERM LIABILITIES

Long-Term Liabilities

Long-term liabilities for fiscal 2017 are presented in the table below:

Long-Term Liabilities Activity
For the Fiscal Year Ended August 31, 2017 (Amounts in Thousands)

Primary Government	Beginning Balance 09/01/2016	Additions**	Reductions	Adjustments*	Ending Balance 08/31/2017	Amounts Due Within One Year	Amounts Due Thereafter
Governmental Activities							
Compensable Leave	$ 94,770	$ 98,233	$ (100,740)	$ 1,779	$ 94,042	$ 66,939	$ 27,103
General Obligation Bonds	10,794,869	1,358,910	(1,052,325)	145,821	11,247,275	275,917	10,971,358
Revenue Bonds	4,223,561	690,580	(245,195)	63,832	4,732,778	262,598	4,470,180
Pollution Remediation Obligations	6,097	9,461	(9,683)		5,875	5,487	388
Pass Through Tolls Payable	1,089,797	30,004	(109,081)		1,010,720	195,821	814,899
Notes and Loans Payable	0	287,458			287,458		287,458
Contracts Payable	3,870	5,657			9,527		9,527
Governmental Activities - Long-Term Liabilities	$ 16,212,964	$ 2,480,303	$ (1,517,024)	$ 211,432	$ 17,387,675	$ 806,762	$ 16,580,913

	Beginning Balance 09/01/2016	Additions**	Reductions	Adjustments*	Ending Balance 08/31/2017	Amounts Due Within One Year	Amounts Due Thereafter
Business-Type Activities							
Revenue Bonds Payable	$ 5,166,334	$ 132,906	$ (198,614)	$ (11,837)	$ 5,088,789	$ 26,062	$ 5,062,727
Notes and Loans Payable	745,565	862,725	(733,465)	(12,100)	$ 862,725		862,725
Business-Type Activities - Long-Term Liabilities	$ 5,911,899	$ 995,631	$ (932,079)	$ (23,937)	$ 5,951,514	$ 26,062	$ 5,925,452

* 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, 2017, two loan agreements are active. The purpose and the source of debt service for the note payable balances 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, 2017, the note's debt service requirements are as follows.

TIFIA Loan – Debt Service Requirements
(Amounts in Thousands)

	Governmental Activities		
Year	Principal	Interest*	Total
2018	$	$	$
2019			
2020			
2021			
2022		4,136	4,136
2023-2027	823	41,705	42,528
2028-2032	28,399	40,524	68,923
2033-2037	62,534	35,070	97,604
2038-2042	106,521	24,900	131,421
2043-2047	58,534	13,184	71,718
2048-2052	66,485	5,233	71,718
Total	$ 323,296	$ 164,752	$ 488,048
Unamortized Accretion	(35,838)		(35,838)
Total Requirements	$ 287,458	$ 164,752	$ 452,210

*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, 2017, 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, 2017, the note's debt service requirements are as follows.

TIFIA Loan – Debt Service Requirements
(Amounts in Thousands)

	Business-Type Activities		
Year	Principal	Interest*	Total
2018	$	$	$
2019			
2020			
2021		34,528	34,528
2022		34,575	34,575
2023-2027	1,346	172,850	174,196
2028-2032	12,863	171,828	184,691
2033-2037	28,678	168,157	196,835
2038-2042	95,938	159,258	255,196
2043-2047	329,895	125,482	455,377
2048-2052	478,539	37,470	516,009
Total	$ 947,259	$ 904,148	$ 1,851,407
Unamortized Accretion	(84,534)		(84,534)
Total Requirements	$ 862,725	$ 904,148	$ 1,766,873

*Fixed interest rate at 3.65 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, 2017, there were 41 active pass-through financing agreements finalized and executed by the Commission. Under these agreements, an outside party (usually a local government) pays for all or a portion of a highway project. In return, TxDOT contractually agrees to make reimbursements after the improvement is open for traffic. Reimbursements are subject to minimum and maximum annual thresholds and are variable within those thresholds based on the volume of traffic on the project roadway. The agreements covering multiple projects generally contain a provision allowing for reimbursements to begin as each project is open for traffic.

The obligation to make future reimbursement payments is recognized as pass-through tolls payable as the underlying highway project is constructed. Accruals of payables continue until the liability amount reaches the total TxDOT reimbursement obligation specified in the agreement. If the cost of the completed underlying highway project is less than the total TxDOT reimbursement obligation, TxDOT will accrue the additional obligation amount upon that project's completion and acceptance. The estimated debt service requirements related to pass-through toll contracts executed as of Aug. 31, 2017 are as follows. The timing of actual payments may differ substantially from this estimate, but the total amount paid is linked to contractually established levels. The estimates are updated monthly to account for these variations.

Pass-Through Tolls Payable - Debt Service Requirements (Amounts in Thousands) **Governmental Activities**		
Year		**Principal***
2018	$	195,821
2019		169,559
2020		170,133
2021		146,655
2022		121,368
2023-2027		327,157
2028-2032		24,271
Total **		1,154,964
Unrealized Payable		(144,244)
Total Requirements	$	1,010,720

* There is no interest component to the pass-through toll reimbursements.
** This projection assumes the Commission's maximum potential obligation.

Contracts Payable

TxDOT is party to a financial assistance arrangement with Fort Bend County related to the expansion of Farm to Market Road 1093. The terms of this agreement are such that in return for Fort Bend County funding the costs of the project up-front, TxDOT will reimburse Fort Bend County $4 million per year for 10 years beginning upon substantial completion of the project. As of Aug. 31, 2017, the first phase of the project was let in July 2017, the second phase is scheduled to be let in January 2018. The obligation to make future reimbursements is recognized as contracts payable as the project is constructed. The estimated date of substantial completion is in fiscal 2018. The estimated debt service requirements related to this arrangement are as follows.

Contracts Payable – Debt Service Requirements (Amounts in Thousands) **Governmental Activities**		
Year		**Principal***
2018	$	
2019		4,000
2020		4,000
2021		4,000
2022		4,000
2023-2027		20,000
2028-2032		4,000
Total *		40,000
Unrealized Payable		(30,473)
Total Requirements	$	9,527

*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.

Pollution Remediation Obligations - Disaggregation of Total Liability		
As of August 31, 2017 (Amounts in Thousands)		
Governmental Activities		
Comply with Federal and State asbestos requirements	$	2,097
Comply with Federal and State lead based paint and asbestos requirements		1,106
Comply with Federal and State OSHA requirements for lead based paint		624
Comply with Federal Safe Drinking Water Act requirements		174
Comply with state Leaking Petroleum Storage Tank (LPST) cleanup requirements		713
Comply with OSHA Health and Safety Plan (HASP) requirements		1,119
Comply with Waste Disposal regulations		7
Comply with state cleanup requirements (non-LPST sources)		35
Total	$	5,875

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, 2017, the Commission had 30 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, 2017. The Grand Parkway Transportation Corporation (GPTC), another blended component unit of TxDOT, had four revenue bond issuances outstanding as of Aug. 31, 2017. The debt service payments associated with debt issued by TxPABST and GPTC are not the responsibility of the state of Texas, however due to the relationship between TxDOT and these entities, their disclosures and, as appropriate, financial balances associated with the outstanding bonds are included in this report.

Miscellaneous Bond Information
(Amounts in Thousands)

Description of Issue	Bonds Issued to Date	Date Issued	Range of Interest Rates	Maturities: First Year	Maturities: Last Year	First Call Date
GOVERNMENTAL ACTIVITIES						
General Obligation Bonds						
Texas Mobility Fund						
Series 2006-A Fixed Rate Bonds*	$ 1,040,275	10/31/2006	4.00% 5.00%	2007	2035	04/01/2017
Series 2006-B Variable Rate Bonds	150,000	12/13/2006	variable	2036	2036	**
Series 2007 Fixed Rate Bonds*	1,006,330	06/21/2007	4.00% 5.00%	2008	2037	04/01/2017
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
Texas Highway Improvement						
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
Revenue Bonds						
State Highway Fund						
Series 2006-B Variable Rate Bonds*	100,000	11/08/2006	variable	2026	2026	**
Series 2007 Fixed Rate Bonds*	1,241,845	10/25/2007	4.00% 5.00%	2009	2027	04/01/2017
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-B SIFMA Bonds*	300,000	04/02/2014	variable	2032	2032	10/01/2016
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	$ 19,838,720					

*These bonds are not outstanding as of 08/31/2017.
** Bonds are subject to redemption prior to their respective maturities at the option of the Commission.

Changes in Bonds Payable
For the Fiscal Year Ended August 31, 2017 (Amounts in Thousands)

Description	Bonds Outstanding 08/31/2016	Adjustments*	Bonds Issued**	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/2017	Due Within One Year
Governmental Activities:							
General Obligation Bonds	$ 10,794,869	$ 145,821	$ 1,358,910	$ (168,320)	$ (884,005)	$ 11,247,275	$ 275,917
Revenue Bonds	4,223,561	63,832	690,580	(145,195)	(100,000)	4,732,778	262,598
Total Governmental Activities	15,018,430	209,653	2,049,490	(313,515)	(984,005)	15,980,053	538,515
Business-Type Activities:							
Revenue Bonds	5,166,334	(11,837)	132,906	(7,884)	(190,730)	5,088,789	26,062
Total	$ 20,184,764	$ 197,816	$ 2,182,396	$ (321,399)	$ (1,174,735)	$ 21,068,842	$ 564,577

*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, 2017, two general obligation bond programs are active. All general obligation bond issuances must be approved by the Texas Bond Review Board prior to issuance. The purpose and the sources of debt service for each program are summarized as follows.

Texas Mobility Fund General Obligation Bond Program

Texas Constitution, Article III, Section 49-k and Transportation Code, Chapter 201, Subchapter M authorize the Commission to issue general obligation bonds payable from a pledge of and lien on all or part of the money in the Mobility Fund. The Mobility Fund bonds are designed to be self-supporting, but the full faith and credit of the state is pledged in the event the revenue and money dedicated to the Mobility Fund is insufficient to pay debt service on the bonds. As of Aug. 31, 2017, 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 84th 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, 2017, the Commission has issued $5.0 billion under the Texas highway improvement general obligation bond program.

Debt Service Requirements – Governmental Activities
General Obligation Bonds (Amounts in Thousands)

Year	Principal	Interest	Total
2018	$ 196,330	$ 479,765	$ 676,095
2019	211,010	470,040	681,050
2020	223,915	460,007	683,922
2021	237,925	448,960	686,885
2022	252,760	437,197	689,957
2023-2027	1,519,185	1,979,767	3,498,952
2028-2032	1,989,645	1,553,643	3,543,288
2033-2037	2,553,610	1,024,075	3,577,685
2038-2042	2,188,105	404,946	2,593,051
2043-2046	725,050	60,371	785,421
	10,097,535	7,318,771	17,416,306
Premium	1,149,740		1,149,740
Total	$ 11,247,275	$ 7,318,771	$ 18,566,046

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, 2017, the Commission has issued $6.0 billion under the state highway fund revenue bond program.

Debt Service Requirements – Governmental Activities

Revenue Bonds (Amounts in Thousands)

State Highway Fund

Year	Principal	Interest	Total
2018	$ 215,675	$ 205,506	$ 421,181
2019	225,500	195,692	421,192
2020	236,580	184,612	421,192
2021	248,615	172,587	421,202
2022	260,480	160,711	421,191
2023-2027	1,492,960	605,019	2,097,979
2028-2032	1,400,005	218,572	1,618,577
2033-2037	338,165	25,569	363,734
	4,417,980	1,768,268	6,186,248
Premium	314,798		314,798
Total	$ 4,732,778	$ 1,768,268	$ 6,501,046

Central Texas Turnpike System Revenue Bond Program

Transportation Code, Chapter 228 Subchapter C authorizes the Commission to issue revenue bonds to pay a portion of the costs of planning, designing, engineering, developing and constructing the Central Texas Turnpike System (CTTS) located in the greater Austin metropolitan area in Travis and Williamson counties. The bond obligations are payable from and secured solely by a first and second, as applicable, lien on and pledge of the trust estate. The trust estate consists of all project revenues and investment earnings. Neither the state, the Commission, TxDOT, nor any other agency or political subdivision of the state, is obligated to pay the debt service on the CTTS revenue bonds.

Grand Parkway System Toll Revenue Bond Program

Transportation Code, Chapter 431 authorizes the creation of the Grand Parkway Transportation Corporation, a public, non-profit Texas corporation created by the Commission to act on behalf of the Commission to finance, build and operate certain segments of State Highway 99 (the "Grand Parkway Project") in the greater Houston area. In March 2012, the Commission adopted a resolution creating the Grand Parkway Transportation Corporation (GPTC). GPTC is authorized to assist and act on behalf of the Commission in the development, financing, design, construction, reconstruction, expansion, operation and/or maintenance of the Grand Parkway toll project. The bond obligations are payable from tolls and other revenues of the GPTC held by the trustee. Neither the state, the Commission, nor any other agency or political subdivision of the state is obligated to pay the debt service on the GPTC bonds.

Debt Service Requirements – Business-Type Activities **Revenue Bonds** (Amounts in Thousands)			
Year	**Principal**	**Interest**	**Total**
2018	$ 14,225	$ 196,806	$ 211,031
2019	20,365	196,806	217,171
2020	26,715	196,806	223,521
2021	36,480	196,806	233,286
2022	45,350	196,806	242,156
2023-2027	459,560	1,070,096	1,529,656
2028-2032	619,690	1,086,636	1,706,326
2033-2037	1,043,075	925,960	1,969,035
2038-2042	1,493,565	668,418	2,161,983
2043-2047	313,840	409,344	723,184
2048-2052	937,325	272,473	1,209,798
2053-2054	425,630	16,160	441,790
	5,435,820	5,433,117	10,868,937
Accretion	(564,797)		(564,797)
Premium	235,250		235,250
Discount	(17,485)		(17,485)
Total	$ 5,088,788	$ 5,433,117	$ 10,521,905

Pledged Future Revenues

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

Pledged Future Revenue (Amounts in Thousands)	**Governmental Activities**		**Business-Type Activities**	
	Texas Mobility Fund General Obligation Bonds	**State Highway Fund Revenue Bonds**	**Central Texas Turnpike System**	**Grand Parkway Transportation Corporation**
Principal and Interest on Existing Bonds	$ 10,601,120	$ 6,186,247	$ 5,288,193	$ 5,580,744
Term of Commitment Year Ending Aug. 31	2045	2034	2042	2053
Percentage of Revenue Pledged	100%	100%	99.04%	99.57%
Current Year Pledged Revenue	$ 470,178	$ 8,449,956 *	$ 208,102	$ 161,602
Current Year Principal and Interest Paid	$ 340,997	$ 340,425	$ 114,936	$ 89,627

* 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 6.9 percent effective Oct. 1, 2016 through Sept. 30, 2017 for BAB subsidy payments paid in federal fiscal year 2017. See the table below for details on the Commission's Direct Payment BABs outstanding at Aug. 31, 2017.

Direct Payment Build America Bonds (Amounts in Thousands)

	Issue Date	Par Amount	Outstanding
Governmental Activities			
General Obligation Bonds			
Texas Mobility Fund Series 2009-A	08/26/2009	$ 1,208,495	$ 1,208,495
Texas Highway Improvement Bonds Series 2010-A	09/29/2010	815,420	815,420
Revenue Bonds			
State Highway Fund Series 2010	08/05/2010	1,500,000	1,500,000
Governmental Activities Total		$ 3,523,915	$ 3,523,915

Variable Rate Bonds

The Commission and GPTC have four variable rate bond issues outstanding at Aug. 31, 2017. The interest rates in effect as of Aug. 31, 2017 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 0.78, 1.17, 0.79, and 1.54 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. 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 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.

Put Bonds (Amounts in Thousands)

Description of Issue	Mandatory Tender Date	Initial Rate	Initial Period Interest	Stepped Coupon Rate	Stepped Rate Period Interest[1]
Governmental Activities					
General Obligation Bonds					
Texas Mobility Fund					
Series 2014-B	10/01/2018	SIFMA + 0.38%	Variable[2]	8.00% per annum	$ 20,000
Revenue Bonds					
State Highway Fund					
Series 2014-B2	04/01/2022	LIBOR * 70% + .68%	Variable[3]	Base Rate + 1% per annum[5]	$ 12,000
Series 2016-B	10/01/2021	4.00% per annum[4]	$ 3,575	None[6]	n/a
Business-Type Activities					
Central Texas Turnpike System:					
First Tier Revenue Put Bonds					
Series 2015-A	04/01/2020	5.00% per annum[4]	$ 11,250	8.00% per annum	$ 18,000

[1] Assumes a full year of interest

[2] Index Floating Rate Mode/resets weekly

[3] Index Floating Rate Mode/resets monthly

[4] Multiannual Mode

[5] Base Rate is 7.0% at Aug. 31, 2017

[6] 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, 2017.

Demand Bonds (Amounts in Thousands)

Governmental Activities	Bonds Held by Liquidity Providers	Principal Balance Outstanding
General Obligation Bonds		
Texas Mobility Fund	None	$ 150,000
Series 2006-B		
Revenue Bonds		
State Highway Fund		
Series 2014-B1	None	150,000
Total		$ 300,000

Demand Bonds – Standby Bond Purchase Agreement Provisions

Governmental Activities	Counterparties	Annual Liquidity Fee	Agreement Termination Date
General Obligation Bonds			
Texas Mobility Fund			
Series 2006-B	Texas Comptroller of Public Accounts	0.12%	08/31/2019
Revenue Bonds			
State Highway Fund			
Series 2014-B1	Sumitomo Mitsui Banking Corporation	0.3% - 3.0%*	04/01/2022

* Dependent on credit ratings of the bonds.

The standby bond purchase agreements provide liquidity in the event demand bonds are tendered for purchase and such bonds are not remarketed by the remarketing agent. The standby bond purchase 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 standby bond purchase agreements in place may be classified as non-current liabilities. The table shown below provides the estimated impact of such an event.

Demand Bonds – Takeout Provisions (Amounts in Thousands)

Governmental Activities	Estimated Debt Service	Rate	Basis	Replacement Debt Terms
Revenue Bonds				
State Highway Fund				
Series 2014-B1	174,921	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.
Total	$ 174,921			

Refunding

The Commission had five bond refunding transactions during fiscal 2017. On Jan. 28, 2016, the Commission approved the Texas Mobility Fund Twelfth Supplemental Resolution which authorized, among other things, the issuance of general obligation refunding bonds to refund outstanding bonds. The Commission issued General Obligation Mobility Fund and Refunding Bonds, Series 2017-A and General Obligation Mobility Fund Refunding Bonds, Series 2017-B, with par amounts of $296.0 million and $474.1 million, respectively. The premium associated with the Series 2017-A bonds was $55.6 million and the underwriter's discount amounted to $1.2 million resulting in a net proceeds amount of $350.4 million. The premium associated with the Series 2017-B bonds was $88.2 million and the underwriter's discount amounted to $1.8 million resulting in a net proceeds amount of $560.5 million. The issuance closed on Feb. 1, 2017.

On Jan. 28, 2016, the Commission approved the State Highway Fund Eighth Supplemental Resolution which authorized the issuance of revenue and refunding bonds to refund certain outstanding Series 2006-B bonds. The State Highway Fund First Tier Revenue and Refunding Bonds, Series 2016-B, were issued with a par value of $89.4 million. The premium associated with the Series 2016-B bonds was $11.0 million and the underwriter's discount amounted to $247 thousand resulting in a net proceeds amount of $100.2 million. The issuance closed on Oct. 26, 2016.

GPTC entered into a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan agreement with the United States Department of Transportation (USDOT), effective Feb. 6, 2014. On Dec. 3, 2016, GPTC requisitioned $840.6 million pursuant to the TIFIA loan agreement, $107.2 million was used to refund the Subordinate Tier Toll Revenue Refunding Bonds, Series 2014-C. The GPTC issued Series 2016 Subordinate Tier Toll Revenue Refunding Bonds with a par amount of $83.8 million on Dec. 7, 2016.

Refunding Issues (Amounts in Thousands)

Description	Type of Refunding	Par Value Refunded	Par Value of Refunding Issue		Cash Flow Increase/ (Decrease)	Economic Gain/(Loss)
GOVERNMENTAL ACTIVITIES						
General Obligation Bonds						
Texas Mobility Fund			Series 2017-A	Series 2017-B		
Series 2006-A	Current	$ 194,300	$ 166,080	$	$ 39,996	$ 21,575
Series 2007	Current	153,495	129,940		32,931	19,643
Series 2008	Advanced	536,210		474,135	101,761	56,586
Total GO Bonds		884,005	296,020	474,135	174,688	97,804
Revenue Bonds						
State Highway Fund			Series 2016-B			
Series 2006-B	Current	100,000	89,370		*	*
Total Revenue Bonds		100,000	89,370			
Governmental Activities Total		$ 984,005	$ 385,390	$ 474,135	$ 174,688	$ 97,804
BUSINESS-TYPE ACTIVITIES						
Revenue Bonds and BANs						
Grand Parkway Transportation Corporation			TIFIA Note	Series 2016		
Series 2014-B	Current	$ 83,550	$	$ 83,775	*	*
Series 2014-C	Current	107,180	107,180		**	**
Total Revenue Bonds and BANs		190,730	107,180	83,775		
Business-Type Activities Total		$ 190,730	$ 107,180	$ 83,775		

* Represents a change in mode from one variable rate to another mode.
** Represents a conversion from interim financing to long-term financing.

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, 2017, the amounts of defeased bonds, at par, that remain outstanding are presented in the table below.

Defeased Bonds Outstanding (Amount in Thousands)	
Description	**Par Value**
Governmental Activities	
General Obligation Bonds	
Texas Mobility Fund Series 2008	990,870
Revenue Bonds	
State Highway Fund Series 2008	45,500
Governmental Activities Total	1,036,370
Business-Type Activities	
Revenue Bonds	
Central Texas Turnpike System Capital Appreciation Bonds	80,375 *
Business-Type Activities Total	80,375
Total	$ 1,116,745
* Includes $44,233 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, 2017, TxPABST private activity revenue bonds outstanding aggregated $1.6 billion. TxPABST's remaining authorized bond authority has expired. The debt service schedule for the outstanding TxPABST conduit debt is disclosed below.

Conduit Debt Obligations - Miscellaneous Information (Amounts in Thousands)

	NTE Mobility Partners LLC North Tarrant Express Managed Lanes Project Series 2009	**LBJ Infrastructure Group LLC IH-635 Managed Lanes Project Series 2010**	**NTE Mobility Partners Segments 3 LLC Segments 3A and 3B Facility Series 2013**	**Blueridge Transportation Group, LLC SH 288 Toll Lanes Project Series 2016**
Bonds Issued	$ 400,000	$ 615,000	$ 274,030	$ 272,635
Date Issued	12/17/2009	06/22/2010	09/19/2013	05/09/2016
Range of Interest Rates	6.875% - 7.500%	7.000% - 7.500%	6.75% - 7.00%	5.00%
Maturities (First Year - Last Year)	2031 - 2039	2032 - 2040	2038 - 2043	2036 - 2055
First Call Date	12/31/2019	06/30/2020	09/01/2023	12/31/2025

Conduit Debt Obligations – Debt Service (Amounts in Thousands)			
TxPABST Bonds – Conduit Debt			
Year	**Principal**	**Interest**	**Total**
2018	$	$ 104,081	$ 104,081
2019		104,081	104,081
2020		104,081	104,081
2021		104,081	104,081
2022		104,081	104,081
2023-2027		520,405	520,405
2028-2032	150,655	511,016	661,671
2033-2037	583,520	377,814	961,334
2038-2042	579,195	146,417	725,612
2043-2047	98,270	48,267	146,537
2048-2052	80,540	28,856	109,396
2053-2057	69,485	7,121	76,606
	1,561,665	2,160,301	3,721,966
Premium	31,529		31,529
Discount	(16,290)		(16,290)
Total	$ 1,576,904	$ 2,160,301	$ 3,737,205

NOTE 7– LEASES

Operating Leases

To minimize long-term costs, and to ensure future availability of essential services, TxDOT, in routine transactions, enters into leases which extend beyond a single fiscal year. Operating lease payments are recorded as expenditures or expenses during the life of the lease. Included in the expenditures reported in the state highway fund is $25.2 million of rent paid or due under operating lease obligations.

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

Noncancelable Operating Lease Obligations (Amounts in Thousands)	
Fiscal Year	**Total Operating Leases**
2018	$ 7,036
2019	6,792
2020	4,292
2021	4,264
2022	3,759
2023-2027	8,053
Total	$ 34,196

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, 2016 is presented in the table below:

Texas Department of Transportation's Membership	
Retirees and Beneficiaries Currently Receiving Benefits	13,990
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	5,447
Current Employees	
Vested and Non-Vested	12,045
Total Members	31,482

The contribution rates for the state and the members for the ERS plan for the measurement period of fiscal 2016 are presented as follows:

Required Contribution Rates

		Employer			Members		
Fiscal Year	Plan	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%

The amount of TxDOT's contributions recognized by the ERS plan during the fiscal 2016 measurement period was $65.0 million. TxDOT must report its 9.46 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, 2016.

The table below presents the actuarial methods and assumptions used to measure the total pension liability as of Aug. 31, 2016:

ERS Plan	
Actuarial Valuation Date	August 31, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Open
Actuarial Assumptions:	
Discount Rate	5.73%
Investment Rate of Return	8.0%
Inflation	3.5%
Salary Increase	0% to 11.5%
Mortality	1994 Group Annuity Mortality Table with no setback for males and set forward two years for females. Generational mortality improvements in accordance with Scale AA are projected from the year 2000.
Cost-of-living Adjustments	None-Employee 3.5%-Elected

A single discount rate of 5.73 percent was applied to measure the total pension liability. The 5.73 percent discount rate incorporated an 8.0 percent long-term expected rate of return on pension plan investments and 2.84 percent 20-year municipal bond rate based on Federal Reserve Statistical Release H.15. The long-term expected investment rate of return was applied to projected benefit payments through fiscal 2050 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 84th 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 83rd legislative session. Considering these above events, the projected employer contributions are based on fiscal 2016 funding level.

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

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

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

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:

Sensitivity of TxDOT's Proportionate Share of Net Pension Liability to Changes Discount Rate
(Amounts in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
ERS Plan Discount Rate	4.73%	5.73%	6.73%
Net Pension Liability	$2,407,129	$1,869,732	$1,420,110

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 Reports (CAFRs). More detailed information on the plan's investment valuation, investment policy, assets, and fiduciary net position may be obtained from ERS' fiscal 2016 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, 2016. For fiscal 2017 reporting, the measurement date of TxDOT's net pension liability is Aug. 31, 2016. The schedule of changes in TxDOT's net pension liability for the fiscal year ending Aug. 31, 2017 is presented below:

Schedule of Changes in Net Pension Liability
(Amounts in Thousands)

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at 09/01/16	$ 3,594,116	$ 2,316,030	$ 1,278,086
Changes for the year:			
Service Cost	108,528		108,528
Interest	238,733		238,733
Benefit Changes			0
Differences between Expected and Actual Experience	12,639		12,639
Assumption Changes	501,760		501,760
Benefit Payments and Refunds	(203,213)	(203,213)	0
Change in Proportional Percentage	(22,595)		(22,595)
Contributions-Employer		64,993	(64,993)
Contributions-Member		63,849	(63,849)
Net Investment Income		120,512	(120,512)
Administrative Expense		(1,935)	1,935
Net Changes	635,852	44,206	591,646
Balances at 08/31/17	$ 4,229,968	$ 2,360,236	$ 1,869,732

The change of discount rate from 6.86 percent to 5.73 percent and a slight change in the assumption of the withdrawal rate of member contributions at termination are the assumption changes during the current measurement period. There have been no changes to benefit terms of the plan since the prior measurement date. TxDOT's proportion of the entire ERS was plan 9.46 percent in fiscal 2017 as compared to 9.63 percent in the prior measurement period.

For the fiscal year ending Aug. 31, 2017, TxDOT recognized pension expense of $195.7 million. At Aug. 31, 2017, TxDOT reported deferred outflows of resources and deferred inflows of resources from the following sources:

Outstanding Deferred Outflows and Deferred Inflows at August 31, 2017
(Amounts in Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ 8,726	$ 12,051
Changes in assumptions	355,145	122,957
Net Difference between Projected and Actual Investment Return	99,056	
Change in proportion and contribution		18,305
Contributions Subsequent to the Measurement Date	63,672	
Total	$ 526,599	$ 153,313

The $63.7 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, 2018.

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

Fiscal Year Ended August 31: (Amounts in Thousands)	
2018	$68,307
2019	$147,139
2020	$82,544
2021	$11,625

NOTE 9 - DEFERRED COMPENSATION

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

NOTE 10 - POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

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

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

Plan Description

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

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

Funding Policy

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

Contribution Rates
Retiree Health and Basic Life Insurance Premium
For the Fiscal Year Ended August 31, 2017

	ERS SRHP	
Level of Coverage	Employer	Plan Member
Retiree Only	$ 617.30	$
Retiree/Spouse	$ 970.98	$ 353.68
Retiree/Children	$ 854.10	$ 236.80
Retiree/Family	$1,207.78	$ 590.48

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.

Interfund Transfers In/Out by Purpose
August 31, 2017 (Amounts in Thousands)

Purpose	Interfund Transfer In (Fund)	Interfund Transfer Out (Fund)		Amount
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	$	208,671
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	$	376,240

Interfund Transfers In/Out
August 31, 2017 (Amounts in Thousands)

	Transfers In Other Funds	Transfers Out Other Funds
Governmental Funds		
Major Funds:		
State Highway Fund	$ 208,671	$ 376,240
Local Government Political Sub Account		208,671
Texas Mobility Fund	123,154	123,154
Nonmajor Funds	376,240	
	708,065	708,065
Total	$ 708,065	$ 708,065

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.

Due From/To
August 31, 2017 (Amounts in Thousands)

	Due From Other Funds	Due To Other Funds
Governmental Funds		
Major Funds:		
State Highway Fund	$ 21,016	$ 1,310
Local Government Political Sub Account	9,179	
Nonmajor Funds		24,019
	30,195	25,329
Proprietary Funds		
Central Texas Turnpike System	1,310	
Grand Parkway Transportation Corp.		6,176
	1,310	6,176
Total	$ 31,505	$ 31,505

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

Transfers-Internal Activities per the Government-Wide Financial Statements
August 31, 2017 (Amounts in Thousands)

Fund Category	Other Funds
Governmental Activities	$ (5,191)
Business-Type Activities	$ 5,191

Internal Balances per the Government-Wide Financial Statements
August 31, 2017 (Amounts in Thousands)

	Governmental Activities	Business-Type Activities	Total
Current Liabilities:			
Internal Balances - Payables	$ (4,866)	$ 4,866	$ 0

Interfund Transactions

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

The following tables detail the balances of transfers to/from and due to/from other state agencies and TxDOT. Approximately $1.5 billion of the interagency transfers-in balance for the state highway fund is related to the net amount of cash collected by Texas Department of Motor Vehicles for certificate of title fees and motor vehicle registration fees. The transfer-in, received in fiscal 2017, 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 $734.4 million in fiscal 2017. The Comptroller of Public Accounts transferred this amount to TxDOT on Nov. 29, 2017.

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

Transfers In/Out to Other State Agencies
August 31, 2017 (Amounts in Thousands)

	Transfers In Other Agencies	Transfers Out Other Agencies
Governmental Funds		
Major Funds:		
State Highway Fund	$ 1,540,307	$ 143,141
Nonmajor Funds	2,004	
Total	$ 1,542,311	$ 143,141

Due From/To Other State Agencies
August 31, 2017 (Amounts in Thousands)

	Due From Other Agencies	Due To Other Agencies
Governmental Funds		
Major Funds:		
State Highway Fund	$ 958,677	$ 2,304
Total	$ 958,677	$ 2,304

Pass-Throughs To/From Other State Agencies
August 31, 2017 (Amounts in Thousands)

	State Highway Fund
Federal Pass-throughs:	
Expenditures	$ (13,246)
Revenue	469
Total	$ (12,777)

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 91st 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, 2017 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.

Governmental Fund Balances –
Disaggregation of Nonspendable, Restricted, Committed, Assigned and Unassigned Fund Balances
August 31, 2017 (Amounts in Thousands)

MAJOR FUNDS	**State Highway Fund**	**Texas Mobility Fund**	**Prop.12 Highway Improv. Project**	**Total Major Funds**
Nonspendable:				
Inventory	$ 153,869	$	$	$ 153,869
Restricted For:				
Capital Projects	2,227,667	340,822	674,718	3,243,207
Debt Service		569,559		569,559
Committed To:				
Transportation Infrastructure	927,031			927,031
Assigned To:				
Transportation	876,753			876,753
Total	$ 4,185,320	$ 910,381	$ 674,718	$ 5,770,419

NONMAJOR FUNDS	**General Fund**	**Special Revenue Funds**	**Debt Service Funds**	**Total Nonmajor Funds**
Nonspendable:				
Long-Term Receivables	$ 45	$	$	$ 45
Restricted For:				
Capital Projects				
Debt Service			199,278	199,278
Committed To:				
Transportation Infrastructure		24,888		24,888
Assigned To:				
Transportation	4,897			4,897
Unassigned	6,882			6,882
Total	$ 11,824	$ 24,888	$ 199,278	$ 235,990

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 2017, there were no adjustments made to restate fund balances or net position.

Restatements to Fund Balances/Net Position
(Amounts in Thousands)

	September 1, 2016, As Previously Reported	Restatements	September 1, 2016 As Restated
Major Funds:			
State Highway Fund	$ 4,496,842	$	$ 4,496,842
Texas Mobility Fund	1,081,279		1,081,279
Proposition 12 Project Fund	365,662		365,662
Total Major Funds	5,943,783	0	5,943,783
Nonmajor Funds:			
General Fund Accounts	6,452		6,452
Special Revenue Funds	71,400		71,400
Debt Service Funds	137,004		137,004
Total Nonmajor Funds	214,856	0	214,856
Governmental Activities Adjustments			
Capital Assets	96,418,885		96,418,885
Long-Term Liabilities	(28,535,168)		(28,535,168)
Other Adjustments	541,637		541,637
Total Governmental Activities Adjustments	68,425,354	0	68,425,354
Total Governmental Activities	74,583,993	0	74,583,993
BUSINESS-TYPE ACTIVITIES			
Central Texas Turnpike System	346,878		346,878
Grand Parkway Transportation Corp.	(23,293)		(23,293)
Total Business-Type Activities	323,585	0	323,585
Total Primary Government	$ 74,907,578	$ 0	$ 74,907,578

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, 2017 outstanding contractor claims pending at the TxDOT claims committee totaled $25.5 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, 2017. 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	Total claims with amounts indicated range from $0 to $25.0 million with a total of $410.9 million.
Contract	Amounts claimed range from $2 thousand to $996 thousand. Total claims of amounts indicated is $1.6 million.
Inverse Condemnation	Monetary amounts have not been specified in any of these cases.
Declaratory Judgment	Monetary amounts have not been specified in sixteen of the nineteen cases. Amounts claimed range from $440 to $10.0 million. Total claims of amounts indicated is $10.3 million.
Employment Law and Related Lawsuits	Monetary amounts have not been specified in any of these cases. Liability against TxDOT is limited to $300 thousand; however, there is no limit on attorney fees and front pay.
Tort Claims	Statutory limits of liability on these cases are $250 thousand per person or $500 thousand per accident. Amounts claimed range from $10 thousand to $1.0 million. Total claims including estimates of liabillity limits where no amounts are specified, came to approximately $25.6 million.

Arbitrage

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

Federal Reimbursements and Grants

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

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

Significant Commitments

Construction Related Contracts

As of Aug. 31, 2017, TxDOT had outstanding contractual commitments related to the award of construction contracts, terms of outstanding design-build contracts and terms requiring contribution of public funds to provide for a portion of construction costs related to service concession arrangements (SCAs). Of the amounts committed under these contracts, TxDOT expects to receive future reimbursements from the Federal Highway Administration (FHWA). In addition, the Grand Parkway Transportation Corporation (GPTC), our blended component unit, has outstanding construction commitments. Disclosure of these construction related commitments and potential FHWA reimbursement is displayed below.

Construction Related Contract Commitments
August 31, 2017 (Amounts in Thousands)

	Total Remaining Commitment	FHWA Reimbursements
Construction Contracts	$ 8,863,681	$ 4,470,587
Design-Build Projects	1,060,597	829,797
SCA Projects	98,980	45,588
GPTC Project	858,324	
Totals	$ 10,881,582	$ 5,345,972

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, 2017 there were 41 active pass-through financing agreements.

TxDOT recognizes liabilities associated with pass-through toll projects as notes payable as the projects are being constructed. Notes payable amounts are determined by contractually negotiated agreements with pass-through toll partners. See Note 5 for details on the payables recognized related to pass-through toll repayment obligations.

The maximum total repayment obligation for pass-through toll projects executed as of Aug. 31, 2017, was approximately $1.1 billion. Approximately $646.4 million was repaid as of Aug. 31, 2017. 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, 2017, the Commission has outstanding toll equity grant commitments and toll equity loan commitments totaling $202.4 million and $15.3 billion, respectively. Payments of these amounts are made subject to executed financial assistance agreements between TxDOT and the applicable public or private entity.

Of the outstanding toll equity loan commitment, $5.8 billion is related to a toll equity loan agreement (TELA) with the North Texas Tollway Authority (NTTA) and $9.5 billion is related to a TELA with the GPTC. These agreements make loans available to be drawn on in the event revenues and certain reserves are insufficient to pay certain debt service or operations and maintenance costs of the toll systems of aforementioned entities.

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

NOTE 16 – SUBSEQUENT EVENTS

TxDOT signed the Design Build contract on Jun. 30, 2017 with Grand Parkway Infrastructure, LLC (DB contractor) for the H and I project. The H and I project included construction of the H-West Option (Option Work). On Oct. 27, 2017, TxDOT issued the notice to proceed for the Option Work. Upon exercise of the Option Work, the Design Build contract amount will be increased by $39.4 million. The H-West Option consists of the construction of two additional tolled main lanes for the first 8 miles of Segment H. It starts from the connection of Segment H to Segment G at Interstate Highway 69 through Montgomery and Harris Counties

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.

Claims and Judgments
August 31, 2017 (Amounts in Thousands)

	Beginning Balance 9/1/2016	Increases	Decreases	Ending Balance 8/31/2017
2017	$ 0	3,434	(3,434)	$ 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, 2017, 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, 2017. TxPABST does not publish financial statements. Further information can be obtained by writing:

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

The Grand Parkway Transportation Corporation (GPTC) acts on behalf of TxDOT in the promotion and development of the Grand Parkway Project, by issuing bonds and entering into comprehensive development agreements with developers for the design and construction of several segments of the Grand Parkway project. Bonds issued by GPTC are not legal obligations of the state of Texas and are payable solely from revenues and other funds of the Grand Parkway System, which is comprised of Segments D (Harris County), E, F-1, F-2, and G. See Note 6 for additional details about the GPTC bond issuances as of Aug. 31, 2017. GPTC has a fiscal year end of Aug. 31, 2017, 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.

Non-exchange Transactions

TxDOT is in the process of applying the grant from FEMA for the damage caused by Hurricane Harvey on Aug. 29 to Aug. 31 in the Houston area. The loss of the damage and the FEMA grant to be received was not recognized in the financial statements because they were not measurable or estimable as of Aug. 31, 2017.

NOTE 20 – SERVICE CONCESSION ARRANGEMENTS

As of Aug. 31, 2017, TxDOT has entered into eight agreements that are classified as service concession arrangements (SCA) under the definition established by the Governmental Accounting Standards Board. An SCA is an arrangement between TxDOT and an operator in which all of the following criteria are met:

a. TxDOT conveys to the operator the right and related obligation to provide public services through the use and operation of an infrastructure asset in exchange for significant consideration, such as up-front payments, a new infrastructure asset, or improvements to an existing infrastructure asset.

b. The operator collects and is compensated by fees from third parties. In all of the active TxDOT SCAs these fees are in the form of tolls.

c. TxDOT determines or has the ability to modify or approve what services the operator is required to provide, to whom the operator is required to provide the services and the rates that can be charged for the services.

d. TxDOT is entitled to significant residual interest in the service utility of the infrastructure asset at the end of the arrangement.

SCA projects were entered to:

- Improve mobility by expanding existing road capacity and introducing managed toll lanes, traditional toll lanes and other strategies aimed at reducing traffic congestion.
- Enable TxDOT to deliver these projects faster than would be possible using traditional funding sources.
- Shift the majority of the financial risk to the operator.

TxDOT may enter into SCAs with both public and private operators. At the end of these arrangements, operations and maintenance of the projects will transfer to TxDOT. The state of Texas retains ownership rights and title to all assets associated with an SCA.

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

Service Concession Arrangements
As of August 31, 2017

Arrangement Name	Construction Status	Term of Concession	Concession Begin	Concession End
IH 10 "Katy Managed Lanes"	Complete	46 years	2010	2055 *
SH 130 Segments 5 and 6	Complete	50 years	2012	2062
SH 121 Concession	Complete	50 years	2009	2059
North Tarrant Exp Seg 1 and 2-West	Complete	52 years	2009	2061
North Tarrant Exp Seg 3A and 3B	Under Construction	52 years	2009	2061
LBJ/IH-635 Managed Lanes	Complete	52 years	2009	2061
Grand Parkway Seg D, E, F1, F2, G	Complete	40 years	2013	2053 *
SH 288	Under Construction	52 years	2016	2068

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

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

Service Concession Arrangements - Amounts Recognized in Financial Statements – Governmental Activities

August 31, 2017 (Amounts in Thousands)

Arrangement Name	Cash in State Treasury*	Capital Assets	Deferred Inflows of Resources**
IH 10 "Katy Managed Lanes"	$	$	$ 206,522
SH 130 Segments 5 and 6	61,094	1,439,612	1,376,630
SH 121 Concession	532,887	1,336,604	3,178,886
North Tarrant Exp Seg 1 and 2-West		2,395,438	1,610,087
North Tarrant Exp Seg 3A and 3B		365,631	
LBJ/IH-635 Managed Lanes		2,664,459	1,983,982
Grand Parkway Seg D, E, F1, F2, G		2,453,495	2,300,445
SH 288	15,479	22,641	25,479
Total	$ 609,460	$ 10,677,880	$ 10,682,031

* 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, 2017. This amount is reported in the business-type activities.

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

As of Aug. 31, 2017, TxDOT reported deferred outflows of resources and deferred inflows of resources in the Statement of Net Position as presented in the table below.

Deferred Outflows and Deferred Inflows of Resources
Statement of Net Position
As of August 31, 2017 (Amounts in Thousands)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities		
Loss on Bond Refunding	$ 171,816	$
Gain on Bond Refunding		3,563
Pensions (Note 8)	526,599	153,313
Service Concession Arrangements (Note 20)		10,682,031
Total Governmental Activities	698,415	10,838,907
Business-Type Activities		
Loss on Bond Refunding	30,102	
Total Business-Type Activities	30,102	0
Total	$ 728,517	$ 10,838,907

Deferred outflows of resources in the amounts of $171.8 million in governmental activities and $30.1 million in business-type activities relate to losses on bond refunding transactions. The deferred inflow of $3.6 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 $10.7 billion reported in governmental activities relate to eight different service concession arrangements, to which TxDOT was a party, as of Aug. 31, 2017. The amount recorded in the financial statements represents the balance of unamortized upfront payments and capital improvements TxDOT received under the agreements.

TxDOT reported $526.6 million in deferred outflows of resources and $153.3 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 inflows of $922.5 million were reported on the governmental funds balance sheet as presented in the table as follows. These deferred inflows relate to unavailable revenues that were earned as of Aug. 31, 2017, but not available within 60 days of year end.

Deferred Inflows of Resources
Balance Sheet-Governmental Funds
As of August 31, 2017 (Amounts in Thousands)

Description	Deferred Inflows of Resources
State Highway Fund	
Oil and Natural Gas Production Tax	$ 734,418
Local Revenue	120,646
Federal Revenue	30,882
Motor Fuel Tax	36,536
Total	$ 922,482

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, 2017 (Amount in Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Final to Actual Variance
	Original	Final		
REVENUES				
Taxes	$ 3,825,015	$ 3,239,929	$ 3,113,590	$ (126,339)
Federal	3,622,302	4,794,707	3,900,765	(893,942)
Licenses, Fees and Permits	114,034	101,232	61,170	(40,062)
Interest and Investment Income	705	16,048	56,873	40,825
Land Income			13,222	13,222
Settlement of Claims			28,215	28,215
Sales of Goods and Services	166,600	166,600	74,248	(92,352)
Other	200,482	193,924	9,830	(184,094)
Total revenues	7,929,138	8,512,440	7,257,913	(1,254,527)
EXPENDITURES				
Transportation:	9,249,669	10,868,861	9,490,185	1,378,676
Total Expenditures	9,249,669	10,868,861	9,490,185	1,378,676
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,320,531)	(2,356,421)	(2,232,272)	124,149
OTHER FINANCING SOURCES (USES)				
Transfers In			1,748,977	1,748,977
Transfers Out			(519,381)	(519,381)
Long-Term Debt Issued			886,210	886,210
Sale of Capital Assets			8,715	8,715
Bonds Issued for Refunding			89,370	89,370
Premiums on Bonds Issued			112,255	112,255
Payment to Escrow for Refunding			(100,000)	(100,000)
Upfront Payment - Serv. Conc. Agmt.			392	392
Available Beginning Balances	4,159,308	4,159,308	4,159,308	
Total Other Financing Sources (Uses)	4,159,308	4,159,308	6,385,846	2,226,538
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ 2,838,777	$ 1,802,887	$ 4,153,574	$ 2,350,687

NOTES TO THE BUDGETARY COMPARISION SCHEDULE

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

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

Basis of Accounting Differences

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

Perspective Differences

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

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS
August 31, 2017 (Amounts in Thousands)

		State Highway Fund
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses- Actual Budgetary Basis	$	4,153,574
Basis of Accounting Differences:		
Receivables and Unearned Revenues		(119,765)
Payables		(72,676)
Perspective Differences:		
Beginning Cash Balances Reported as Other Financing Sources		(4,159,308)
Other Revenues Not Budgeted		
Other Expenditures Not Budgeted		(113,347)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses - GAAP Basis	$	(311,522)

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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Schedule of Changes in Net Pension Liability
(Amounts in Thousands)

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at 09/01/14	$ 3,576,753	$ 2,206,822	$ 1,369,931
Changes for the year:			
Service Cost	109,957		109,957
Interest	224,284		224,284
Benefit Changes			0
Differences between Expected and Actual Experience	(24,411)		(24,411)
Assumption Changes	115,710		115,710
Benefit Payments and Refunds	(189,477)	(189,477)	0
Contributions-Employer		46,536	(46,536)
Contributions-Member		41,553	(41,553)
Net Investment Income		313,859	(313,859)
Administrative Expense		(1,949)	1,949
Net Changes	236,063	210,522	25,541
Balances at 08/31/15	3,812,816	2,417,344	1,395,472
Balances at 09/01/15	$ 3,812,816	$ 2,417,344	$ 1,395,472
Changes for the year:			
Service Cost	118,614		118,614
Interest	228,696		228,696
Benefit Changes	(8,462)		(8,462)
Differences between Expected and Actual Experience	(27,433)		(27,433)
Assumption Changes	(330,365)		(330,365)
Benefit Payments and Refunds	(197,428)	(197,428)	0
Change in Proportional Percentage	(2,322)		(2,322)
Contributions-Employer		48,208	(48,208)
Contributions-Member		44,524	(44,524)
Net Investment Income		5,486	(5,486)
Administrative Expense		(2,104)	2,104
Net Changes	(218,700)	(101,314)	(117,386)
Balances at 08/31/16	3,594,116	2,316,030	1,278,086
Balances at 09/01/16	$ 3,594,116	$ 2,316,030	1,278,086
Changes for the year:			
Service Cost	108,528		108,528
Interest	238,733		238,733
Benefit Changes			0
Differences between Expected and Actual Experience	12,639		12,639
Assumption Changes	501,760		501,760
Benefit Payments and Refunds	(203,213)	(203,213)	0
Change in Proportional Percentage	(22,595)		(22,595)
Contributions-Employer		64,993	(64,993)
Contributions-Member		63,849	(63,849)
Net Investment Income		120,512	(120,512)
Administrative Expense		(1,935)	1,935
Net Changes	635,852	44,206	591,646
Balances at 08/31/17	$ 4,229,968	$ 2,360,236	$ 1,869,732

Plan Year Ending August 31, 2015	
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.40% *
Covered Payroll	$574,704 **
Net Pension Liability as a Percentage of Covered Payroll	242.82%

Notes to Schedule:

*The change in the total pension liability due to the change in the single discount rate is included as an assumption change.

**The covered payroll is the actual annual payroll for fiscal 2014-the measurement period.

Other Information:

1. Amounts shown in this schedule represent TxDOT's 9.65 percent proportionate share of the collective amounts for the state of Texas. The contribution percentage is based on ERS records of actual contributions from each of the state agencies as a percentage of the total state contributions.
2. This is a 10 year schedule. However, the information in this schedule in not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.
3. Actuarially determined contributions are adjusted for actual payroll and administrative expenses.
4. Members and employers contribute based on statutorily fixed rates.

Plan Year Ending August 31, 2016	
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.40%
Covered Payroll	$593,496
Net Pension Liability as a Percentage of Covered Payroll	215.71%

Notes to Schedule:

*TxDOT's proportional percentage decreased from FY14 (prior measurement period) to FY15 (current measurement period).

1. The change in the total pension liability due to the change in the single discount rate is included as an assumption change.
2. The covered payroll is the actual annual payroll for fiscal 2015 - the measurement period.
3. The impact of House Bill 9 passed by the 84th Legislature is included as a benefit change.
4. This schedule is intended to present 10 years of information. Currently only two years of information is available. Information for future years will be added when it becomes available.

Plan Year Ending August 31, 2017	
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	55.32%
Covered Payroll	$649,536
Net Pension Liability as a Percentage of Covered Payroll	293.04%

Notes to Schedule:

1. The change in total pension liability due to the change in the single discount rate is included as an assumption change.
2. The covered payroll is the actual annual payroll for fiscal year as reported by ERS.
3. This schedule is intended to present 10 years of information. Currently, only three years of information is available. Information for future years will be added when it becomes available.

Schedule of Employer Contributions **(Amounts in Thousands)**

Fiscal Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency/ (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	$ 70,242	$ 46,536	$ 23,706	$ 574,704	8.10%
2015	71,131	48,288	22,843	593,496	8.14%
2016	65,492	66,163	(671)	649,536	10.20%
2017	64,889	63,666	1,223	623,828	10.21%

Notes to Schedule of Employer Contributions

Valuation Date	Actuarially determined contribution rates are calculated based on the actuarial valuation as of Aug. 31, 2016.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Period	31 years
Asset Valuation Method	20% of market plus 80% of expected actuarial value
Inflation	3.5%
Salary Increases	0% to 11.5%
Investment Rate of Return	8.0%
Retirement Age	Experience-based table of rates that are specific to the class of employee. Last updated for the 2013 valuation pursuant to an experience study of the 5-year period from Sept. 1, 2006 through Aug. 31, 2011.
Mortality	1994 Group Annuity Mortality with no setback for males and set forward two years for females. Generational mortality improvements in accordance with Scale AA are projected from the year 2000.

Other Information:

1. Actuarially determined contributions are adjusted for actual payroll and administrative expenses.
2. Members and employers contribute based on statutorily fixed rates.
3. 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.

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.

Appropriated Fund	GAAP Fund	USAS D23 Funds
0006	0006	0006 - State Highway Fund
		0020 - Tax Exempt Bonds
		0121 - SH121 Concession-Project Fund
		0122 - SH121 Concession-Revolving Fund
		0130 - SH130 Concession
		0161 - SH161 Project Fund
		0162 - SH161 Revolving Fund
		0288 - SH 288 Concession-Project Fund
		0513 - CTTS Operating Account
		0514 - CTTS Maintenance Account
		0515 - CTTS Reserve Maintenance Account
		0635 - LBJ Project Concession Refund
		0823-NTE SEG 3A&3B Concession Fund
		1006 - Proposition 1 Account
		1016 - Texas State Cemetery Committee
		8006 - Depository Interest Default Fund
		9000 - Deposit Default Fund
		9001 - Returned Items Default Fund
0899	0006	0835 - I-35E Project Disbursing Account

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

Appropriated Fund	GAAP Fund	USAS D23 Funds
0006	0006	0099 - State Infrastructure Bank

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

Appropriated Fund	GAAP Fund	USAS D23 Funds
0369	0006	0369 - Federal American Recovery & Reinvestment Fund

Texas Department of Transportation
Combining Balance Sheet - State Highway Fund
August 31, 2017 (Amounts in Thousands)

	State Highway Fund - Major Special Revenue Fund			
	State Highway Fund Accounts	State Infrastructure Bank	Federal American Recovery & Reinvestment Fund	TOTAL
ASSETS				
Cash and Cash Equivalents:				
Cash on Hand	$ 387	$	$	$ 387
Cash in Bank	376			376
Cash in State Treasury	3,247,506	348,048		3,595,554
Receivables:				
Taxes	267,005			267,005
Federal	429,114			429,114
Other Intergovernmental	130,431			130,431
Interest and Dividends	4,764	2,217		6,981
Accounts Receivable	44,154			44,154
Due from Other Funds	21,016			21,016
Due from Other Agencies	958,677			958,677
Consumable Inventories	153,869			153,869
Loans and Contracts	485,715	140,422		626,137
Restricted:				
Cash Equivalents	22,121			22,121
Short Term Investments	10,910			10,910
Total Assets	$ 5,776,045	$ 490,687	$ 0	$ 6,266,732
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Payables:				
Accounts	964,841			964,841
Payroll	75,712			75,712
Contract Retainage	1,056			1,056
Due to Other Funds	1,310			1,310
Due to Other Agencies	2,304			2,304
Unearned Revenues	113,707			113,707
Total Liabilities	1,158,930	0	0	1,158,930
Deferred Inflows of Resources:				
Unavailable Revenue	922,482			922,482
Total Deferred Inflows of Resources	922,482	0	0	922,482
Fund Balances (Deficits):				
Nonspendable:				
Inventory	153,869			153,869
Restricted	1,736,980	490,687		2,227,667
Committed	927,031			927,031
Assigned	876,753			876,753
Total Fund Balances	3,694,633	490,687	0	4,185,320
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 5,776,045	$ 490,687	$ 0	$ 6,266,732

Texas Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - State Highway Fund
For the Fiscal Year Ended, August 31, 2017 (Amounts in Thousands)

	State Highway Fund - Major Special Revenue Fund			
	State Highway Fund Accounts	**State Infrastructure Bank**	**Federal American Recovery & Reinvestment Fund**	**TOTAL**
REVENUES				
Taxes	$ 3,115,426	$	$	$ 3,115,426
Federal Revenues	3,781,394		439	3,781,833
Federal Pass-Through Revenues	469			469
Licenses, Fees and Permits	61,170			61,170
Interest & Investment Income	48,604	9,245		57,849
Land Income	13,222			13,222
Settlement of Claims	28,215			28,215
Sales of Goods and Services	70,136			70,136
Other Revenues	9,830			9,830
Total Revenues	7,128,466	9,245	439	7,138,150
EXPENDITURES				
Transportation	3,551,439			3,551,439
Capital Outlay	6,010,985		439	6,011,424
Debt Service:				
Principal on Pass-Through Tolls	109,081			109,081
Other Financing Fees	4,267			4,267
Total Expenditures	9,675,772	0	439	9,676,211
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,547,306)	9,245	0	(2,538,061)
OTHER FINANCING SOURCES (USES)				
Transfers In	1,748,978			1,748,978
Transfers Out	(519,381)			(519,381)
Long-Term Debt Issued	886,210			886,210
Bond Issued for Refunding	89,370			89,370
Premium/Discount on Bonds Issued	112,255			112,255
Payment to Escrow on Refunding	(100,000)			(100,000)
Sale of Capital Assets	8,715			8,715
Upfront Payment - Service Concession Arrangement	392			392
Total Other Financing Sources (Uses)	2,226,539	0	0	2,226,539
Net Change in Fund Balances	(320,767)	9,245	0	(311,522)
Fund Balances, September 1, 2016	4,015,400	481,442		4,496,842
Fund Balances, August 31, 2017	$ 3,694,633	$ 490,687	$ 0	$ 4,185,320

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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.

Appropriated Fund	GAAP Fund	USAS D23 Funds
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.

Appropriated Fund	GAAP Fund	USAS D23 Funds
0365	0365	0375 - TMF-2008 Bond Issue Account-Capital Project
		0377 - TMF-Bond Issue Account-Capital Project

Texas Department of Transportation
Combining Balance Sheet - Texas Mobility Fund
August 31, 2017 (Amounts in Thousands)

	Texas Mobility Fund - Major Debt Service & Capital Projects		
	Debt Service Fund	**Capital Projects Fund**	**Total**
ASSETS			
Cash and Cash Equivalents:			
Cash in State Treasury	$ 581,660	$ 377,539	$ 959,199
Total Assets	$ 581,660	$ 377,539	$ 959,199
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables:			
Accounts	10,293	36,717	47,010
Unearned Revenues	1,808		1,808
Total Liabilities	12,101	36,717	48,818
Fund Balances (Deficits):			
Restricted	569,559	340,822	910,381
Total Fund Balances	569,559	340,822	910,381
Total Liabilities and Fund Balances	$ 581,660	$ 377,539	$ 959,199

Texas Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Texas Mobility Fund
For the Fiscal Year Ended August 31, 2017 (Amounts in Thousands)

	Texas Mobility Fund - Major Debt Service & Capital Projects Fund		
	Debt Service Fund	Capital Projects Fund	Total
REVENUES			
Legislative Appropriations:			
Federal Revenues	$ 21,700	$	$ 21,700
Licenses, Fees and Permits	443,214		443,214
Interest and Investment Income	5,264	5,043	10,307
Total Revenues	470,178	5,043	475,221
EXPENDITURES			
Transportation		32	32
Capital Outlay		291,033	291,033
Debt Service:			
Principal on State Bonds	61,960		61,960
Interest on State Bonds	292,666		292,666
Other Financing Fees	4,063	114	4,177
Total Expenditures	358,689	291,179	649,868
Excess (Deficiency) of Revenues Over (Under) Expenditures	111,489	(286,136)	(174,647)
OTHER FINANCING SOURCES (USES)			
Transfers In		123,154	123,154
Transfers Out	(123,154)		(123,154)
Bonds Issued for Refunding	770,155		770,155
Premiums on Bonds Issued	143,780		143,780
Payment to Escrow Refunding	(910,186)		(910,186)
Total Other Financing Sources (Uses)	(119,405)	123,154	3,749
Net Change in Fund Balances	(7,916)	(162,982)	(170,898)
Fund Balances, September 1, 2016	577,475	503,804	1,081,279
Fund Balances, August 31, 2017	$ 569,559	$ 340,822	$ 910,381

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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.

Appropriated Fund	GAAP Fund	USAS D23 Funds
0001	0001	0001 - General Revenue Fund
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.

Appropriated Fund	GAAP Fund	USAS D23 Funds
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.

Appropriated Fund	GAAP Fund	USAS D23 Funds
0008	0008	0010 - State Highway Debt Service Fund

Texas Department of Transportation
Combining Balance Sheet - Nonmajor Governmental Funds
August 31, 2017 (Amounts in Thousands)

	General Fund	Special Revenue Fund*	Debt Service Fund*	Total Nonmajor Funds
ASSETS				
Cash and Cash Equivalents:				
Cash on Hand	$ 10	$	$	$ 10
Cash in State Treasury	24,022	30,370	201,375	255,767
Legislative Appropriations	7,029			7,029
Receivables:				
Federal	4,866			4,866
Loans and Contracts	66			66
Total Assets	$ 35,993	$ 30,370	$ 201,375	$ 267,738
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables:				
Accounts	29	5,482		5,511
Payroll	121			121
Due to Other Funds	24,019			24,019
Unearned Revenues			2,097	2,097
Total Liabilities	24,169	5,482	2,097	31,748
Fund Balances (Deficits):				
Nonspendable:				
LT Loans, Contracts and Receivables	45			45
Restricted			199,278	199,278
Committed		24,888		24,888
Assigned	4,897			4,897
Unassigned	6,882			6,882
Total Fund Balances	11,824	24,888	199,278	235,990
Total Liabilities and Fund Balances	$ 35,993	$ 30,370	$ 201,375	$ 267,738

Texas Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Governmental Funds
For the Fiscal Year Ended, August 31, 2017 (Amounts in Thousands)

	General Fund	Special Revenue Fund*	Debt Service Fund*	Total Nonmajor Funds
REVENUES				
Legislative Appropriations:				
Original Appropriations	$ 272,833	$	$	$ 272,833
Additional Appropriations	315			315
Federal Revenues	11,679		25,184	36,863
Interest and Investment Income		574	1,284	1,858
Sales of Goods and Services	1,091			1,091
Total Revenues	285,918	574	26,468	312,960
EXPENDITURES				
Transportation	(3,576)	47,086		43,510
Capital Outlay	1,001			1,001
Debt Service:				
Principal on State Bonds	106,360		145,195	251,555
Interest on State Bonds	177,068		195,239	372,307
Other Financing Fees	503			503
Total Expenditures	281,356	47,086	340,434	668,876
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,562	(46,512)	(313,966)	(355,916)
OTHER FINANCING SOURCES (USES)				
Transfers In	2,003		376,240	378,243
Sale of Capital Assets	3,087			3,087
Appropriations Lapsed	(4,280)			(4,280)
Total Other Financing Sources (Uses)	810	0	376,240	377,050
Net Change in Fund Balances	5,372	(46,512)	62,274	21,134
Fund Balances, September 1, 2016	6,452	71,400	137,004	214,856
Fund Balances, August 31, 2017	$ 11,824	$ 24,888	$ 199,278	$ 235,990

*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.

Appropriated Fund	GAAP Fund	USAS D23 Funds
0001	0001	0001 - General Revenue Fund
0999		0998 - Mis-Utility Fund (Non-Cash)

Traffic Safety-Crash Records Information Systems

Appropriated Fund	GAAP Fund	USAS D23 Funds
0036	0036	0036 - Traffic Safety Crash Records

Colonias Projects Fund

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

Suspense Fund

Appropriated Fund	GAAP Fund	USAS D23 Funds
0900	0900	0090 - Suspense Fund

Texas Department of Transportation
Combining Balance Sheet - Nonmajor General Funds
August 31, 2017 (Amounts in Thousands)

	General Revenue Fund	Traffic Safety Crash Records	Colonias Projects Fund	Suspense Fund	Total
ASSETS					
Cash and Cash Equivalents:					
Cash on Hand	$ 10	$	$	$	$ 10
Cash in State Treasury				24,022	24,022
Legislative Appropriations	7,029				7,029
Receivables:					
Federal	4,866				4,866
Loans and Contracts	66				66
Total Assets	$ 11,971	$ 0	$ 0	$ 24,022	$ 35,993
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables:					
Accounts	26			3	29
Payroll	121				121
Due to Other Funds				24,019	24,019
Total Liabilities	147	0	0	24,022	24,169
Fund Balances (Deficits):					
Nonspendable:	45				45
Assigned	4,897				4,897
Unassigned	6,882				6,882
Total Fund Balances	11,824	0	0	0	11,824
Total Liabilities and Fund Balances	$ 11,971	$ 0	$ 0	$ 24,022	$ 35,993

Texas Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor General Funds
For the Fiscal Year Ended August 31, 2017 (Amounts in Thousands)

	General Revenue Fund	Traffic Safety Crash Records	Colonias Projects Fund	Suspense Fund	Total
REVENUES					
Legislative Appropriations:					
Original Appropriations	$ 272,833	$	$	$	$ 272,833
Additional Appropriations	315				315
Federal Revenues	11,679				11,679
Sales of Goods and Services	1,091				1,091
Total Revenues	285,918	0	0	0	285,918
EXPENDITURES					
Transportation	(5,579)	750	1,253		(3,576)
Capital Outlay	1,001				1,001
Debt Service:					
Principal on State Bonds	106,360				106,360
Interest on State Bonds	177,068				177,068
Other Financing Fees	503				503
Total Expenditures	279,353	750	1,253	0	281,356
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,565	(750)	(1,253)	0	4,562
OTHER FINANCING SOURCES (USES)					
Transfers In		750	1,253		2,003
Sale of Capital Assets	3,087				3,087
Appropriations Lapsed	(4,280)				(4,280)
Total Other Financing Sources (Uses)	(1,193)	750	1,253	0	810
Net Change in Fund Balances	5,372	0	0	0	5,372
Fund Balances, September 1, 2016	6,452				6,452
Fund Balances, August 31, 2017	$ 11,824	$ 0	$ 0	$ 0	$ 11,824

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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

Appropriated Fund	GAAP Fund	USAS D23 Funds
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, 2017

	Balances September 1, 2016	Additions	Deductions	Balances August 31, 2017
UNAPPROPRIATED RECEIPTS				
General Revenue Fund				
Assets:				
Cash on Hand	$ 0	$ 3,922	$ 3,922	$ 0
Total Assets	$ 0	$ 3,922	$ 3,922	$ 0
Liabilities:				
Funds Held for Others	$ 0	$ 3,922	$ 3,922	$ 0
Total Liabilities	$ 0	$ 3,922	$ 3,922	$ 0
OTHER AGENCY FUNDS				
Child Support Deducts Account				
Assets:				
Cash in State Treasury	$ 323	$ 4,181	$ 4,182	$ 322
Total Assets	$ 323	$ 4,181	$ 4,182	$ 322
Liabilities:				
Funds Held for Others	$ 323	$ 4,181	$ 4,182	$ 322
Total Liabilities	$ 323	$ 4,181	$ 4,182	$ 322
Direct Deposit Correction Account				
Assets:				
Cash in State Treasury	$ 128	$ 2,851	$ 2,979	$ 0
Total Assets	$ 128	$ 2,851	$ 2,979	$ 0
Liabilities:				
Funds Held for Others	$ 128	$ 2,851	$ 2,979	$ 0
Total Liabilities	$ 128	$ 2,851	$ 2,979	$ 0
Toll Revenue Custodial Account				
Assets:				
Cash on Hand	$ 0	$ 34	$ 0	$ 34
Cash in Bank	616	975,098	970,712	5,002
Cash Equivalents	15,058	448,811	463,869	0
Short-Term Investments	19,980	105,702	62,000	63,682
Total Assets	$ 35,654	$ 1,529,645	$ 1,496,581	$ 68,718
Liabilities:				
Funds Held For Others	$ 35,654	$ 1,529,645	$ 1,496,581	$ 68,718
Total Liabilities	$ 35,654	$ 1,529,645	$ 1,496,581	$ 68,718
TOTALS - ALL AGENCY FUNDS				
Assets:				
Cash on Hand	$ 0	$ 3,956	$ 3,922	$ 34
Cash in Bank	616	975,098	970,712	5,002
Cash In State Treasury	451	7,032	7,161	322
Cash Equivalents	15,058	448,811	463,869	0
Short-Term Investments	19,980	105,702	62,000	63,682
Total Assets:	$ 36,105	$ 1,540,599	$ 1,507,664	$ 69,040
Liabilities:				
Funds Held for Others	$ 36,105	$ 1,540,599	$ 1,507,664	$ 69,040
Total Liabilities	$ 36,105	$ 1,540,599	$ 1,507,664	$ 69,040

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 2F - Early Extinguishment and Refunding

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, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From Agency Number	Pass-Through From State Entities	Pass-Through From Other Entities	Direct Program Amount
			$	$	$
Department of Defense :					
Direct Program:					
Community Investment	12.600				3,669,384.99
Total Department of Defense:			0.00	0.00	3,669,384.99
Federal Aviation Administration (FAA):					
Direct Program:					
Airport Improvement Program	20.106				37,743,681.49
Total FAA:			0.00	0.00	37,743,681.49
Federal Highway Administration (FHWA):					
Direct Program:					
Highway Research and Development Program	20.200				280,841.40
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program	20.223				1,108,619,060.86
Total FHWA:			0.00	0.00	1,108,899,902.26
Federal Railroad Administration (FRA):					
Direct Program:					
Railroad Development	20.314				440,127.44
High-Speed Rail Corridors and Intercity Passenger Rail Service-Capital Assistance Grants - ARRA	20.319				439,078.81
Total FRA:			0.00	0.00	879,206.25
Federal Transit Administration (FTA):					
Direct Program:					
Federal Transit Metropolitan Planning Grants	20.505				839,925.85
Formula Grants For Other Than Urbanized Areas	20.509				2,535,919.95
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grants	20.528				317,072.28
Pass-Through Funds to Other Entities:					
Federal Transit Metropolitan Planning Grants	20.505				1,103,984.73
Formula Grants For Other Than Urbanized Areas	20.509				36,309,353.03
Total FTA:			0.00	0.00	41,106,255.84
National Highway Traffic Safety Admin. (NHTSA):					
Direct Program:					
NHTSA Discretionary Safety Grants	20.614				220,944.05
Total NHTSA:			0.00	0.00	220,944.05
Office of the Secretary (OST) Administration Secretariat:					
Direct Program:					
National Infrastructure Investments	20.933				(22,689.62)
Pass-Through Funds to Other Entities:					
National Infrastructure Investments	20.933				6,384,560.80
Total U.S. DOT:			0.00	0.00	6,361,871.18
General Services Administration (GSA):					
Pass-Through Funds:					
Donation of Federal Surplus Personal Property-NonMonetary Pass-Through from Texas Facilities Commission	39.003	303	86,034.71		0.00
Total GSA:			86,034.71	0.00	0.00
Department of Homeland Security (DHS):					
Pass-Through Funds:					
Disaster Grants - Public Assistance Pass-Through from Texas Department of Public Safety	97.036	405	469,247.19		
Total DHS:			469,247.19	0.00	0.00

Through From and Direct Program	Pass-Through To Agency Number	State Entities	Other Entities	Expenditures	Through To and Expenditures Amount
$	$	$	$	$	
3,669,384.99				3,669,384.99	3,669,384.99
3,669,384.99		0.00	0.00	3,669,384.99	3,669,384.99
37,743,681.49				37,743,681.49	37,743,681.49
37,743,681.49		0.00	0.00	37,743,681.49	37,743,681.49
280,841.40				280,841.40	280,841.40
1,108,619,060.86				1,108,619,060.86	1,108,619,060.86
1,108,899,902.26		0.00	0.00	1,108,899,902.26	1,108,899,902.26
440,127.44				440,127.44	440,127.44
439,078.81				439,078.81	439,078.81
879,206.25		0.00	0.00	879,206.25	879,206.25
839,925.85				839,925.85	839,925.85
2,535,919.95				2,535,919.95	2,535,919.95
317,072.28				317,072.28	317,072.28
1,103,984.73			1,103,984.73		1,103,984.73
36,309,353.03			36,309,353.03		36,309,353.03
41,106,255.84		0.00	37,413,337.76	3,692,918.08	41,106,255.84
220,944.05				220,944.05	220,944.05
220,944.05		0.00	0.00	220,944.05	220,944.05
(22,689.62)				(22,689.62)	(22,689.62)
6,384,560.80			6,384,560.80		6,384,560.80
6,361,871.18		0.00	6,384,560.80	(22,689.62)	6,361,871.18
86,034.71				86,034.71	86,034.71
86,034.71		0.00	0.00	86,034.71	86,034.71
469,247.19				469,247.19	469,247.19
469,247.19		0.00	0.00	469,247.19	469,247.19

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 1A-SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended August 31, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From Agency Number	State Entities	Other Entities	Direct Program Amount
			$	$	$
Other Clusters					
Federal Transit Cluster:					
Federal Transit Administration (FTA):					
Pass-Through Funds to Other Entities:					
Federal Transit - Capital Investment Grants	20.500				(235,805.45)
Bus and Bus Facilities Formula Program	20.526				5,521,275.66
Total FTA:			0.00	0.00	5,285,470.21
Transit Services Programs Cluster:					
Federal Transit Administration (FTA):					
Direct Program:					
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513				604,151.86
Job Access - Reverse Commute	20.516				79,872.04
New Freedom Program	20.521				89,361.83
Pass-Through Funds:					
Capital Assistance Program for Elderly Persons and Persons with Disabilities					
University of Texas Health Center at Tyler	20.513				40,000.00
Pass-Through to Other Entities:					
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513				5,461,051.68
Job Access - Reverse Commute	20.516				(167,642.91)
New Freedom Program	20.521				292,238.28
Total FTA:			0.00	0.00	6,399,032.78
Highway Planning and Construction Cluster:					
Federal Highway Administration (FHWA):					
Direct Program:					
Highway Planning and Construction	20.205				3,495,434,147.38
Pass-Through Funds:					
Highway Planning and Construction					
University of Texas at Arlington	20.205				467,815.57
Prairie View A&M University	20.205				44,697.92
Texas Southern University	20.205				207,543.96
University of Texas at El Paso	20.205				232,053.00
Texas A&M Transportation Institute	20.205				101,355.96
University of Texas at San Antonio	20.205				137,465.57
Texas Parks and Wildlife Department	20.205				1,003,447.99
Texas Historical Commission	20.205				102,210.43
Pass-Through to Other Entities	20.205				143,269,300.37
Total FHWA:			0.00	0.00	3,641,000,038.15

Through From and Direct Program	Pass-Through To Agency Number	Pass-Through To State Entities	Pass-Through To Other Entities	Expenditures	Through To and Expenditures Amount
$		$	$	$	$
(235,805.45)			(235,805.45)		(235,805.45)
5,521,275.66			5,521,275.66		5,521,275.66
5,285,470.21		0.00	5,285,470.21	0.00	5,285,470.21
604,151.86				604,151.86	604,151.86
79,872.04				79,872.04	79,872.04
89,361.83				89,361.83	89,361.83
40,000.00	785	40,000.00			40,000.00
5,461,051.68			5,461,051.68		5,461,051.68
(167,642.91)			(167,642.91)		(167,642.91)
292,238.28			292,238.28		292,238.28
6,399,032.78		40,000.00	5,585,647.05	773,385.73	6,399,032.78
3,495,434,147.38				3,495,434,147.38	3,495,434,147.38
467,815.57	714	467,815.57			467,815.57
44,697.92	715	44,697.92			44,697.92
207,543.96	717	207,543.96			207,543.96
232,053.00	724	232,053.00			232,053.00
101,355.96	727	101,355.96			101,355.96
137,465.57	743	137,465.57			137,465.57
1,003,447.99	802	1,003,447.99			1,003,447.99
102,210.43	808	102,210.43			102,210.43
143,269,300.37			143,269,300.37		143,269,300.37
3,641,000,038.15		2,296,590.40	143,269,300.37	3,495,434,147.38	3,641,000,038.15

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 1A-SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Concluded)
Year Ended August 31, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From Agency Number	Pass-Through From State Entities	Pass-Through From Other Entities	Direct Program Amount
		$	$	$	
Highway Safety Cluster:					
National Highway Traffic Safety Admin. (NHTSA):					
Direct Program:					
State and Community Highway Safety Program	20.600				2,725,138.84
National Priority Safety Programs	20.616				6,854,979.31
Pass-Through Funds:					
State and Community Highway Safety Program					
Office of Court Administration	20.600				154,477.42
Texas Department of Public Safety	20.600				218,243.97
Texas Department of State Health Services	20.600				688,822.16
Texas A&M AgriLife Extension Service	20.600				1,297,027.46
Texas A&M University	20.600				2,859.69
University of Texas at Arlington	20.600				490,704.36
Texas A&M Engineering Extension Service	20.600				416,091.03
Texas A&M Transportation Institute	20.600				2,080,349.35
Texas Tech University	20.600				115,271.93
Sam Houston State University	20.600				8,095.19
Texas State University	20.600				110,680.97
Texas A&M University - Corpus Christi	20.600				61,414.07
National Priority Safety Programs					
Office of Court Administration	20.616				16,105.59
Texas Department of Public Safety	20.616				1,380,104.55
Texas Alcoholic Beverage Commission	20.616				424,107.27
Texas Department of State Health Services	20.616				1,358,954.22
Texas A&M AgriLife Extension Service	20.616				(105,929.51)
University of Texas at Arlington	20.616				231,603.41
Texas A&M Transportation Institute	20.616				1,247,382.18
University of Texas of the Permian Basin	20.616				3,000.00
Sam Houston State University	20.616				565,884.20
Texas A&M University - Central Texas	20.616				735.58
University of Houston - Downtown	20.616				143,138.00
Pass-Through to Other Entities					
State and Community Highway Safety Program	20.600				12,494,582.81
National Priority Safety Programs	20.616				5,902,705.19
Total NHTSA:			0.00	0.00	38,886,529.24
Total Other Clusters			0.00	0.00	3,691,571,070.38
TOTAL FEDERAL ASSISTANCE			$ 555,281.90	$ 0.00	$ 4,890,452,316.44

Total Pass-Through From and Direct Program	Pass-Through To Agency Number	Pass-Through To State Entities	Pass-Through To Other Entities	Expenditures	Total Pass-Through To and Expenditures Amount
$	$	$	$	$	
2,725,138.84				2,725,138.84	2,725,138.84
6,854,979.31				6,854,979.31	6,854,979.31
154,477.42	212	154,477.42			154,477.42
218,243.97	405	218,243.97			218,243.97
688,822.16	537	688,822.16			688,822.16
1,297,027.46	555	1,297,027.46			1,297,027.46
2,859.69	711	2,859.69			2,859.69
490,704.36	714	490,704.36			490,704.36
416,091.03	716	416,091.03			416,091.03
2,080,349.35	727	2,080,349.35			2,080,349.35
115,271.93	733	115,271.93			115,271.93
8,095.19	753	8,095.19			8,095.19
110,680.97	754	110,680.97			110,680.97
61,414.07	760	61,414.07			61,414.07
16,105.59	212	16,105.59			16,105.59
1,380,104.55	405	1,380,104.55			1,380,104.55
424,107.27	458	424,107.27			424,107.27
1,358,954.22	537	1,358,954.22			1,358,954.22
(105,929.51)	555	(105,929.51)			(105,929.51)
231,603.41	714	231,603.41			231,603.41
1,247,382.18	727	1,247,382.18			1,247,382.18
3,000.00	742	3,000.00			3,000.00
565,884.20	753	565,884.20			565,884.20
735.58	770	735.58			735.58
143,138.00	784	143,138.00			143,138.00
12,494,582.81			12,494,582.81		12,494,582.81
5,902,705.19			5,902,705.19		5,902,705.19
38,886,529.24		10,909,123.09	18,397,288.00	9,580,118.15	38,886,529.24
3,691,571,070.38		13,245,713.49	172,537,705.63	3,505,787,651.26	3,691,571,070.38
$ 4,891,007,598.34		$ 13,245,713.49	$ 216,335,604.19	$ 4,661,426,280.66	$ 4,891,007,598.34

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended August 31, 2017

Note 1 - Nonmonetary Assistance

The "Donation of Federal Surplus Personal Property" is presented at 22.47 percent of the federal acquisition cost of $382,887.00. 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 2017 is $86,034.71. The difference of the values of the surplus property recorded on the federal schedule and Exhibit II (Federal Revenues and Federal Pass-Through Revenues) is a reconciling item under Note 2.

Note 2 - Reconciliation

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

Federal Revenues before Other Adjustments	$3,840,396,762.25
Federal Pass-Through Revenues	469,247.19
Subtotal	$3,840,866,009.44
Reconciling Items:	
Federal Surplus Personal Property Donation (Non-Monetary)	86,034.71
Build America Bonds Federal Subsidy	(58,563,506.67)
Transportation Infrastructure Finance and Innovation Act (TIFIA) Loans	1,108,619,060.86
Total Pass-Through and Expenditures per Federal Schedule	$4,891,007,598.34

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. In addition, an $840.7 million secured loan was provided to pay or reimburse a portion of the Grand Parkway Transportation Corporation's Grand Parkway Segments D-G project. The secured loan agreements were entered into pursuant to the provisions of TIFIA. Both of the TIFIA loans will be repaid with toll revenues from each project.

During fiscal 2017, $267.9 million of the IH 35E Managed Lanes project TIFIA loan proceeds were expended to fund the project's construction costs. The $840.7 million Grand Parkway Segments D-G project TIFIA loan was used to refund $733.5 million of Series 2014-A Bond Anticipation Notes and $107.2 million of the Series 2014-C revenue bonds. 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.

CFDA Number	Program Name	New Loans Processed*
20.223	Transportation Infrastructure Finance and Innovation Act (TIFIA) Program	$1,108,619,060.86

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

Note 7 - Federal Deferred Inflow

Federal Deferred Inflow September 1, 2016	$38,075,014.07
Increase (Decrease)	(7,192,847.71)
Federal Deferred Inflow August 31, 2017	$30,882,166.36

The federal deferred inflow ending balance of $30,882,166.36 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 $30,882,166.36.

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, 2017

Pass-Through To:	Grant ID		Amount
Airport Routine Maintenance	601.0029		
Texas A&M University System (Agency 710)		$	94,014.04
Airport Routine Maintenance	601.0030		
Texas State Technical College System (Agency 719)		$	50,000.00
Total Pass-Through To Other Agencies		$	144,014.04

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Schedule 2 - Bond Schedules

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2A - MISCELLANEOUS BOND INFORMATION
For the Fiscal Year Ended August 31, 2017

Governmental Activities

	Bonds Issued to Date	Range of Interest Rates		Terms of Variable Interest Rates *	Scheduled Maturities First Year	Scheduled Maturities Last Year	First Call Date
General Obligation Bonds:							
Texas Mobility Fund (Self-Supporting)							
Series 2006-A Fixed Rate Bonds*	$ 1,040,275,000.00	4.0000%	5.0000%		2007	2035	4/1/2017
Series 2006-B Variable Rate Bonds	150,000,000.00	VAR	VAR	Weekly	2036	2036	**
Series 2007 Fixed Rate Bonds*	1,006,330,000.00	4.0000%	5.0000%		2008	2037	4/1/2017
Series 2008 Fixed Rate Bonds	1,100,000,000.00	4.0000%	5.0000%		2009	2037	4/1/2018
Series 2009-A Taxable Fixed Rate Bonds	1,208,495,000.00	5.3670%	5.5170%		2029	2039	**
Series 2014 Fixed Rate Refunding Bonds	973,775,000.00	4.0000%	5.0000%		2016	2034	4/1/2024
Series 2014-A Fixed Rate Refunding Bonds	1,580,160,000.00	4.0000%	5.0000%		2017	2044	10/1/2024
Series 2014-B SIFMA Index Bonds	250,000,000.00	VAR	VAR	Weekly	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)	9,244,655,000.00						
Texas Highway Improvement (Non-Self-Supporting)							
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)	4,359,770,000.00						
Revenue Bonds:							
State Highway Fund (Self-Supporting)							
Series 2006-B Variable Rate Bonds*	100,000,000.00	VAR	VAR	Weekly	2026	2026	**
Series 2007 Fixed Rate Bonds*	1,241,845,000.00	4.0000%	5.0000%		2009	2027	4/1/2017
Series 2008 Fixed Rate Bonds	162,995,000.00	3.5000%	5.2500%		2010	2028	4/1/2018
Series 2010 Taxable Fixed Rate Bonds	1,500,000,000.00	5.0280%	5.1780%		2026	2030	**
Series 2014-A Refunding Fixed Rate Bonds	1,157,795,000.00	4.7500%	5.0000%		2017	2034	4/1/2024
Series 2014-B SIFMA Index Bonds*	300,000,000.00	VAR	VAR	Weekly	2032	2032	10/1/2016
Series 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)	6,234,295,000.00						
Total Governmental Activities	$ 19,838,720,000.00						

***** These bonds are not outstanding as of 08/31/2017

** 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, 2017

Business-Type Activities

	Bonds Issued to Date	Range of Interest Rates		of Variable Interest	Scheduled Maturities First Year	Scheduled Maturities Last Year	First Call Date
Revenue Bonds:							
Central Texas Turnpike System (Self-Supporting)							
First Tier Revenue Bonds Series 2002-A							
Non-Callable Capital Appreciation Bonds***	$ 626,303,441.92	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 ***	103,526,533.33	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-	3,220,999,451.90						
Blended Component Unit-Grand Parkway Transportation Corporation**							
First Tier Toll Revenue Bonds, Series 2013-A	200,000,000.00	5.1250%	5.5000%		2031	2053	10/1/2023
Subordinate Tier Toll Revenue Bonds, Series 2013-B							
Convertible Capital Appreciation Bonds***	348,076,318.07	4.9500%	5.8500%		2029	2048	10/1/2028
Current Interest Bonds	1,137,935,000.00	5.0000%	5.2500%		2048	2053	10/1/2023
Subordinate Tier Toll Revenue Bonds, Series 2013-E	361,810,000.00	5.1840%	5.1840%		2036	2042	**
Subordinate Tier Toll Revenue Bonds, Series 2014-B*	83,550,000.00	VAR	VAR	Monthly	2016	2016	**
Subordinate Tier Toll Revenue Bonds, Series 2014-C*	107,180,000.00	VAR	VAR	Monthly	2016	2016	**
Series 2016	83,775,000.00	2.2000%	2.2000%		2023	2023	n/a
Total Blended Component Unit-Grand Parkway Transportation Corporation	2,322,326,318.07						
Total Business-Type Activities	$ 5,543,325,769.97						

* These bonds are not outstanding as of 08/31/2017
** 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, 2017

Governmental Activities

Description of Issue	Bonds Outstanding 9/1/2016	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2017
General Obligation Bonds:					
Texas Mobility Fund					
Series 2006-A	$ 203,195,000.00	$	$ 8,895,000.00	$ 194,300,000.00	$
Series 2006-B	150,000,000.00				150,000,000.00
Series 2007	163,990,000.00		10,495,000.00	153,495,000.00	
Series 2008	573,905,000.00		17,725,000.00	536,210,000.00	19,970,000.00
Series 2009-A	1,208,495,000.00				1,208,495,000.00
Series 2014	973,775,000.00		24,845,000.00		948,930,000.00
Series 2014-A	1,580,160,000.00				1,580,160,000.00
Series 2014-B	250,000,000.00				250,000,000.00
Series 2015-A	911,360,000.00				911,360,000.00
Series 2015-B	254,105,000.00				254,105,000.00
Series 2017-A		296,020,000.00			296,020,000.00
Series 2017-B		474,135,000.00			474,135,000.00
Texas Highway Improvement					
Series 2010-A	815,420,000.00				815,420,000.00
Series 2010-B	51,830,000.00		25,360,000.00		26,470,000.00
Series 2012-A	818,635,000.00				818,635,000.00
Series 2012-B	45,080,000.00		18,500,000.00		26,580,000.00
Series 2014	1,176,000,000.00		42,000,000.00		1,134,000,000.00
Series 2016	615,000,000.00		20,500,000.00		594,500,000.00
Series 2016-A		588,755,000.00			588,755,000.00
Total General Obligation Bonds	9,790,950,000.00	1,358,910,000.00	168,320,000.00	884,005,000.00	10,097,535,000.00
Revenue Bonds:					
State Highway Fund					
Series 2006-B	100,000,000.00			100,000,000.00	
Series 2007	60,035,000.00		60,035,000.00		
Series 2008	73,685,000.00		7,490,000.00		66,195,000.00
Series 2010	1,500,000,000.00				1,500,000,000.00
Series 2014-A	1,157,795,000.00		77,670,000.00		1,080,125,000.00
Series 2014-B	300,000,000.00	(300,000,000.00)			
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				781,080,000.00
Series 2016-A		601,210,000.00			601,210,000.00
Series 2016-B		89,370,000.00			89,370,000.00
Total Revenue Bonds	3,972,595,000.00	690,580,000.00	145,195,000.00	100,000,000.00	4,417,980,000.00
Total Governmental Activities	$ 13,763,545,000.00	$ 2,049,490,000.00	$ 313,515,000.00	$ 984,005,000.00	$ 14,515,515,000.00

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2B - CHANGES IN BONDED INDEBTEDNESS (Continued)
For the Fiscal Year Ended August 31, 2017

Governmental Activities

Description of Issue	Unamortized Premium	Unamortized Discount	Net Bonds Outstanding 8/31/2017	Amounts Due Within One Year
General Obligation Bonds:				
Texas Mobility Fund				
Series 2006-A	$	$	$	$
Series 2006-B			150,000,000.00	
Series 2007				
Series 2008	503,349.53		20,473,349.53	20,473,349.53
Series 2009-A			1,208,495,000.00	
Series 2014	113,139,214.31		1,062,069,214.31	34,660,484.08
Series 2014-A	219,809,334.55		1,799,969,334.55	37,898,431.05
Series 2014-B			250,000,000.00	
Series 2015-A	115,651,844.03		1,027,011,844.03	8,787,344.66
Series 2015-B	36,779,013.48		290,884,013.48	1,985,728.36
Series 2017-A	52,413,235.62		348,433,235.62	3,153,629.03
Series 2017-B	83,319,478.20		557,454,478.20	4,894,120.60
Texas Highway Improvement				
Series 2010-A			815,420,000.00	
Series 2010-B	697,726.24		27,167,726.24	27,167,726.24
Series 2012-A	140,232,780.42		958,867,780.42	8,811,417.30
Series 2012-B	41,546.33		26,621,546.33	18,676,994.83
Series 2014	166,447,056.78		1,300,447,056.78	53,889,075.48
Series 2016	116,670,084.54		711,170,084.54	28,278,005.64
Series 2016-A	104,035,667.75		692,790,667.75	27,241,099.95
Total General Obligation Bonds	1,149,740,331.78		11,247,275,331.78	275,917,406.75
Revenue Bonds:				
State Highway Fund				
Series 2006-B				
Series 2007				
Series 2008	2,975,691.38		69,170,691.38	8,205,450.31
Series 2010			1,500,000,000.00	
Series 2014-A	128,391,794.61		1,208,516,794.61	96,605,250.95
Series 2014-B				
Series 2014-B1			150,000,000.00	
Series 2014-B2			150,000,000.00	
Series 2015	87,076,210.46		868,156,210.46	76,577,132.08
Series 2016-A	86,452,037.45		687,662,037.45	80,081,525.85
Series 2016-B	9,902,750.23		99,272,750.23	1,129,082.57
Total Revenue Bonds	314,798,484.13		4,732,778,484.13	262,598,441.76
Total Governmental Activities	$ 1,464,538,815.91	$	$ 15,980,053,815.91	$ 538,515,848.51

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2B - CHANGES IN BONDED INDEBTEDNESS (Continued)
For the Fiscal Year Ended August 31, 2017

Business-Type Activities

Description of Issue	Bonds Outstanding 9/1/2016	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2017
Revenue Bonds:					
First Tier Bonds Series 2002-A	$	$	$	$	$
Non-Callable CAB's	452,292,145.71	25,817,693.66 **	7,885,000.00		470,224,839.37
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	99,146,613.33	4,379,920.00 **			103,526,533.33
Second Tier Bonds Series 2015-C	1,157,320,000.00				1,157,320,000.00
Blended Component Unit-Grand Parkway Transportation Corp.*:					
First Tier Toll Revenue Bonds, Series 2013-A	200,000,000.00				200,000,000.00
Subordinate Tier Toll Revenue Bonds, Series 2013-B					
Callable CAB	329,142,916.49	18,933,401.58 **			348,076,318.07
Current Interest Bonds	1,137,935,000.00				1,137,935,000.00
Subordinate Tier Toll Revenue Bonds, Series 2013-E	361,810,000.00				361,810,000.00
Subordinate Tier Toll Revenue Refunding Bonds, Series 2014-B	83,550,000.00			83,550,000.00	
Subordinate Tier Toll Revenue Refunding Bonds, Series 2014-C	107,180,000.00			107,180,000.00	
Subordinate Tier Toll Revenue Refunding Bonds, Series 2016		83,775,000.00 **			83,775,000.00
Total Business-Type Activities	$ 4,936,731,675.53	$ 132,906,015.24	$ 7,885,000.00	$ 190,730,000.00	$ 4,871,022,690.77

*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, 2017

Business-Type Activities

Description of Issue	Unamortized Premium	Unamortized Discount	Net Bonds Outstanding 8/31/17	Amounts Due Within One Year
Revenue Bonds:				
First Tier Bonds Series 2002-A				
Non-Callable CAB's	$	$	$ 470,224,839.37	$ 14,225,000.00
First Tier Bonds Series 2012-A	42,021,758.30		627,351,758.30	1,864,508.47
First Tier Bonds Series 2015-A	33,440,782.65		258,440,782.65	1,347,322.45
First Tier Bonds Series 2015-B				
Current Interest Bonds	25,744,126.17		223,769,126.17	1,465,537.11
Capital Appreciation Bonds			103,526,533.33	
Second Tier Bonds Series 2015-C	128,176,386.36		1,285,496,386.36	7,489,215.68
Blended Component Unit-Grand Parkway Transportation Corp.*:				
First Tier Toll Revenue Bonds, Series 2013-A		(2,682,047.26)	197,317,952.74	(86,941.84)
Subordinate Tier Toll Revenue Bonds, Series 2013-B				
Callable CAB			348,076,318.07	
Current Interest Bonds	5,867,656.39	(14,802,844.66)	1,128,999,811.73	(242,705.82)
Subordinate Tier Toll Revenue Bonds, Series 2013-E			361,810,000.00	
Subordinate Tier Toll Revenue Refunding Bonds, Series 2014-B				
Subordinate Tier Toll Revenue Refunding Bonds, Series 2014-C				
Subordinate Tier Toll Revenue Refunding Bonds, Series 2016			83,775,000.00	
Total Business-Type Activities	$ 235,250,709.87	$ (17,484,891.92)	$ 5,088,788,508.72	$ 26,061,936.05

*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, 2017

Governmental Activities

Description of Issue	Year	Principal	Interest
TMF General Obligation Bonds			
Series 2006-B	2018	$	$ 1,169,999.96
	2019		1,169,999.96
	2020		1,171,068.48
	2021		1,168,931.48
	2022		1,169,999.96
	2023-2027		5,849,999.84
	2028-2032		5,851,068.36
	2033-2037	150,000,000.00	4,035,440.21
		150,000,000.00	21,586,508.25
Series 2008	2018	19,970,000.00	998,500.00
		19,970,000.00	998,500.00
Series 2009-A	2018		66,582,669.16
	2019		66,582,669.16
	2020	420,000.00	66,582,669.16
	2021	730,000.00	66,560,127.76
	2022	2,095,000.00	66,520,948.66
	2023-2027	31,745,000.00	329,482,759.38
	2028-2032	78,870,000.00	316,168,252.84
	2033-2037	146,180,000.00	287,642,587.52
	2038-2042	948,455,000.00	79,190,190.46
		1,208,495,000.00	1,345,312,874.10
Series 2014	2018	23,790,000.00	45,099,150.00
	2019	33,185,000.00	43,793,725.00
	2020	36,875,000.00	42,042,225.00
	2021	40,950,000.00	40,096,600.00
	2022	44,240,000.00	37,966,850.00
	2023-2027	277,770,000.00	151,592,500.00
	2028-2032	321,780,000.00	72,125,950.00
	2033-2037	170,340,000.00	11,895,425.00
		$ 948,930,000.00	$ 444,612,425.00

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2017

Description of Issue	Year	Principal	Interest
TMF General Obligation Bonds (continued)			
Series 2014-A	2018	$ 24,650,000.00	$ 75,937,800.00
	2019	30,155,000.00	74,567,675.00
	2020	35,990,000.00	72,914,050.00
	2021	42,205,000.00	70,959,175.00
	2022	48,770,000.00	68,684,800.00
	2023-2027	357,050,000.00	296,727,750.00
	2028-2032	257,155,000.00	218,513,100.00
	2033-2037	134,185,000.00	168,312,975.00
	2038-2042	172,150,000.00	139,790,250.00
	2043-2047	477,850,000.00	35,091,750.00
		1,580,160,000.00	1,221,499,325.00
Series 2014-B	2018		2,925,000.02
	2019		2,925,000.02
	2020		2,927,671.24
	2021		2,922,328.78
	2022		2,925,000.02
	2023-2027		14,625,000.08
	2028-2032		14,627,671.30
	2033-2037		14,622,328.84
	2038-2042	250,000,000.00	10,304,627.16
		250,000,000.00	68,804,627.46
Series 2015-A	2018		43,320,100.00
	2019	18,295,000.00	42,862,725.00
	2020	20,030,000.00	41,904,600.00
	2021	21,845,000.00	40,857,725.00
	2022	23,775,000.00	39,717,225.00
	2023-2027	154,410,000.00	177,554,250.00
	2028-2032	349,160,000.00	110,996,250.00
	2033-2037	323,845,000.00	48,616,475.00
		$ 911,360,000.00	$ 545,829,350.00

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2017

Description of Issue	Year	Principal	Interest
TMF General Obligation Bonds (concluded)			
Series 2015-B	2018	$	$ 12,705,250.00
	2019		12,705,250.00
	2020		12,705,250.00
	2021		12,705,250.00
	2022		12,705,250.00
	2023-2027		63,526,250.00
	2028-2032	25,270,000.00	62,894,500.00
	2033-2037	228,835,000.00	39,022,875.00
		254,105,000.00	228,969,875.00
Series 2017-A	2018		14,801,000.00
	2019		14,801,000.00
	2020		14,801,000.00
	2021		14,801,000.00
	2022		14,801,000.00
	2023-2027		74,005,000.00
	2028-2032	61,890,000.00	70,978,500.00
	2033-2037	234,130,000.00	19,603,250.00
		296,020,000.00	238,591,750.00
Series 2017-B	2018		23,706,750.00
	2019		23,706,750.00
	2020		23,706,750.00
	2021		23,706,750.00
	2022		23,706,750.00
	2023-2027		118,533,750.00
	2028-2032	138,520,000.00	109,031,000.00
	2033-2037	335,615,000.00	45,641,375.00
		$ 474,135,000.00	$ 391,739,875.00

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2017

Description of Issue	Year	Principal	Interest
Texas Highway Improvement General Obligation Bonds			
Series 2010-A	2018	$	$ 35,837,342.50
	2019	27,720,000.00	35,837,342.50
	2020	28,300,000.00	34,949,470.90
	2021	28,920,000.00	33,994,911.90
	2022	29,580,000.00	32,976,060.30
	2023-2027	159,475,000.00	147,093,334.06
	2028-2032	183,835,000.00	109,639,441.28
	2033-2037	213,350,000.00	64,297,562.16
	2038-2042	144,240,000.00	13,638,795.66
		815,420,000.00	508,264,261.26
Series 2010-B	2018	26,470,000.00	1,249,000.00
		26,470,000.00	1,249,000.00
Series 2012-A	2018		40,931,750.00
	2019	10,915,000.00	40,931,750.00
	2020	19,495,000.00	40,386,000.00
	2021	20,470,000.00	39,411,250.00
	2022	21,495,000.00	38,387,750.00
	2023-2027	124,710,000.00	174,701,750.00
	2028-2032	159,160,000.00	140,247,000.00
	2033-2037	203,130,000.00	96,274,750.00
	2038-2042	259,260,000.00	40,152,500.00
		818,635,000.00	651,424,500.00
Series 2012-B	2018	18,645,000.00	304,282.50
	2019	7,935,000.00	99,187.50
		$ 26,580,000.00	$ 403,470.00

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2017

Description of Issue	Year	Principal	Interest
Texas Highway Improvement General Obligation Bonds (concluded)			
Series 2014	2018	$ 42,000,000.00	$ 55,440,000.00
	2019	42,000,000.00	53,340,000.00
	2020	42,000,000.00	51,240,000.00
	2021	42,000,000.00	49,140,000.00
	2022	42,000,000.00	47,040,000.00
	2023-2027	210,000,000.00	203,700,000.00
	2028-2032	210,000,000.00	151,200,000.00
	2033-2037	210,000,000.00	103,740,000.00
	2038-2042	210,000,000.00	52,500,000.00
	2043-2047	84,000,000.00	6,300,000.00
		1,134,000,000.00	773,640,000.00
Series 2016	2018	20,500,000.00	29,725,000.00
	2019	20,500,000.00	28,700,000.00
	2020	20,500,000.00	27,675,000.00
	2021	20,500,000.00	26,650,000.00
	2022	20,500,000.00	25,625,000.00
	2023-2027	102,500,000.00	112,750,000.00
	2028-2032	102,500,000.00	87,125,000.00
	2033-2037	102,500,000.00	61,500,000.00
	2038-2042	102,500,000.00	35,875,000.00
	2043-2047	82,000,000.00	10,250,000.00
		594,500,000.00	445,875,000.00
Series 2016-A	2018	20,305,000.00	29,031,750.00
	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
	2023-2027	101,525,000.00	109,625,000.00
	2028-2032	101,505,000.00	84,245,250.00
	2033-2037	101,500,000.00	58,870,000.00
	2038-2042	101,500,000.00	33,495,000.00
	2043-2047	81,200,000.00	8,729,000.00
		588,755,000.00	429,970,500.00
Total General Obligation Bonds		$ 10,097,535,000.00	$ 7,318,771,841.07

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2017

Description of Issue	Year	Principal	Interest
SHF Revenue Bonds			
Series 2008	2018	$ 7,840,000.00	$ 3,455,637.50
	2019		3,063,637.50
	2020		3,063,637.50
	2021		3,063,637.50
	2022		3,063,637.50
	2023-2027	45,460,000.00	11,890,462.50
	2028-2032	12,895,000.00	676,987.50
		66,195,000.00	28,277,637.50
Series 2010	2018		77,226,067.50
	2019		77,226,067.50
	2020		77,226,067.50
	2021		77,226,067.50
	2022		77,226,067.50
	2023-2027	499,750,000.00	349,505,631.30
	2028-2032	1,000,250,000.00	105,443,497.50
		1,500,000,000.00	841,079,466.30
Series 2014-A	2018	81,400,000.00	54,006,250.00
	2019	85,465,000.00	49,936,250.00
	2020	89,730,000.00	45,663,000.00
	2021	94,230,000.00	41,176,500.00
	2022	98,935,000.00	36,465,000.00
	2023-2027	271,740,000.00	114,575,250.00
	2028-2032	20,460,000.00	88,633,250.00
	2033-2037	338,165,000.00	25,568,500.00
		1,080,125,000.00	456,024,000.00
Series 2014-B1	2018		1,185,000.00
	2019		1,185,000.00
	2020		1,186,082.19
	2021		1,183,917.81
	2022		1,185,000.00
	2023-2027		5,925,000.00
	2028-2032	150,000,000.00	4,886,786.95
		$ 150,000,000.00	$ 16,736,786.95

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2017

Description of Issue	Year	Principal	Interest
SHF Revenue Bonds (continued)			
Series 2014-B2	2018	$	$ 2,332,577.50
	2019		2,345,429.17
	2020		2,351,855.00
	2021		2,345,429.17
	2022		2,345,429.17
	2023-2027		11,733,571.66
	2028-2032	150,000,000.00	10,662,769.51
		150,000,000.00	34,117,061.18
Series 2015	2018	61,125,000.00	36,197,525.00
	2019	71,710,000.00	33,846,450.00
	2020	75,020,000.00	30,536,750.00
	2021	78,870,000.00	26,689,500.00
	2022	82,910,000.00	22,645,000.00
	2023-2027	411,445,000.00	48,948,875.00
		781,080,000.00	198,864,100.00
Series 2016-A	2018	65,310,000.00	27,528,500.00
	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
	2023-2027	175,195,000.00	45,590,875.00
	2028-2032	66,400,000.00	8,268,750.00
		601,210,000.00	157,998,550.00
Series 2016-B	2018		3,574,800.00
	2019		3,574,800.00
	2020		3,574,800.00
	2021		3,574,800.00
	2022		4,021,650.00
	2023-2027	89,370,000.00	16,849,000.00
		89,370,000.00	35,169,850.00
TOTAL Revenue Bonds		4,417,980,000.00	1,768,267,451.93
TOTAL GOVERNMENTAL ACTIVITIES		$ 14,515,515,000.00	$ 9,087,039,293.00

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2017

BUSINESS-TYPE ACTIVITIES

Description of Issue	Year	Principal	Interest
CTTS Revenue Bonds			
Series 2002-A	2018	$ 14,225,000.00	$
	2019	20,365,000.00	
	2020	26,715,000.00	
	2021	36,480,000.00	
	2022	43,150,000.00	
	2023-2027	325,635,000.00	
	2028-2032	290,895,000.00	
		757,465,000.00	0.00
Series 2012-A	2018		28,034,150.00
	2019		28,034,150.00
	2020		28,034,150.00
	2021		28,034,150.00
	2022		28,034,150.00
	2023-2027		140,170,750.00
	2028-2032		140,170,750.00
	2033-2037		140,170,750.00
	2038-2042	585,330,000.00	73,037,650.00
		585,330,000.00	633,720,650.00
Series 2015-A	2018		11,250,000.00
	2019		11,250,000.00
	2020		11,250,000.00
	2021		11,250,000.00
	2022		11,250,000.00
	2023-2027		56,250,000.00
	2028-2032		56,250,000.00
	2033-2037		56,250,000.00
	2038-2042	225,000,000.00	54,227,000.00
		$ 225,000,000.00	$ 279,227,000.00

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2017

Description of Issue	Year	Principal	Interest
CTTS Revenue Bonds (concluded)			
Series 2015-B	2018	$	$ 9,901,250.00
	2019		9,901,250.00
	2020		9,901,250.00
	2021		9,901,250.00
	2022		9,901,250.00
	2023-2027		49,506,250.00
	2028-2032	40,000,000.00	49,506,250.00
	2033-2037	398,025,000.00	26,929,000.00
		438,025,000.00	175,447,750.00
Series 2015-C	2018		57,866,000.00
	2019		57,866,000.00
	2020		57,866,000.00
	2021		57,866,000.00
	2022	2,200,000.00	57,866,000.00
	2023-2027	50,150,000.00	284,691,000.00
	2028-2032	267,250,000.00	263,480,750.00
	2033-2037	484,415,000.00	147,559,500.00
	2038-2042	353,305,000.00	51,596,750.00
		$ 1,157,320,000.00	$ 1,036,658,000.00

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2017

Description of Issue	Year	Principal	Interest
Grand Parkway Transportation Corp.*			
Series 2013-A	2018	$	$ 10,821,012.50
	2019		10,821,012.50
	2020		10,821,012.50
	2021		10,821,012.50
	2022		10,821,012.50
	2023-2027		54,105,062.50
	2028-2032	330,000.00	54,096,606.25
	2033-2037	8,490,000.00	53,188,200.01
	2038-2042	23,720,000.00	49,179,168.76
	2043-2047	45,795,000.00	40,278,412.51
	2048-2052	77,970,000.00	23,576,850.00
	2053-2057	43,695,000.00	1,837,825.00
		200,000,000.00	330,367,187.53
Series 2013-B	2018		58,334,250.00
	2019		58,334,250.00
	2020		58,334,250.00
	2021		58,334,250.00
	2022		58,334,250.00
	2023-2027		388,822,683.75
	2028-2032	21,215,000.00	429,351,143.75
	2033-2037	136,950,000.00	408,474,323.75
	2038-2042		387,728,837.50
	2043-2047	227,640,000.00	368,018,832.50
	2048-2052	859,355,000.00	248,895,908.75
	2053-2057	381,935,000.00	14,322,625.00
		$ 1,627,095,000.00	$ 2,537,285,605.00

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Concluded)
For the Fiscal Year Ended August 31, 2017

Description of Issue	Year	Principal	Interest
Grand Parkway Transportation Corp. (concluded) *			
Series 2013-E	2018	$	$ 18,756,230.40
	2019		18,756,230.40
	2020		18,756,230.40
	2021		18,756,230.40
	2022		18,756,230.40
	2023-2027		93,781,152.00
	2028-2032		93,781,152.00
	2033-2037	15,195,000.00	93,387,297.60
	2038-2042	306,210,000.00	52,648,185.60
	2043-2047	40,405,000.00	1,047,297.60
		361,810,000.00	428,426,236.80
Series 2016	2018		1,843,050.00
	2019		1,843,050.00
	2020		1,843,050.00
	2021		1,843,050.00
	2022		1,843,050.00
	2023-2027	83,775,000.00	2,769,695.00
		83,775,000.00	11,984,945.00
TOTAL BUSINESS-TYPE ACTIVITIES		$ 5,435,820,000.00	$ 5,433,117,374.33

*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, 2017

Governmental Activities

Description of Issue	Application of Funds Principal	Application of Funds Interest
Texas Mobility General Obligation Bonds	$ 61,960,000.00	$ 279,037,130.60
	$ 61,960,000.00	$ 279,037,130.60

Pledged and Other Sources and Related Expenditures for FY 2017

Description of Issue	Net Available for Debt Service: Total Pledged and Other Sources	Net Available for Debt Service: Operating Expenses/ Expenditures and Capital Outlay	Debt Service: Principal	Debt Service: Interest
State Highway Fund Revenue Bonds	$ 8,449,955,764.32	(A)	$ 145,195,000.00	$ 195,229,631.94
	$ 8,449,955,764.32		$ 145,195,000.00	$ 195,229,631.94

(A) State Highway Fund expenditures associated with pledged sources were $9,676,210,556.93.

Business-Type and Blended Component Unit Activities

Pledged and Other Sources and Related Expenditures for FY 2017

Description of Issue	Net Available for Debt Service: Total Pledged and Other Sources	Net Available for Debt Service: Operating Expenses/ Expenditures and Capital Outlay	Debt Service: Principal	Debt Service: Interest
Series 2002-A, Series 2012-A Revenue Bonds, and Series 2015-A, B, and C	$ 208,102,003.09	(B)	$ 7,885,000.00	$ 107,051,400.00
Grand Parkway Transportation Corporation Series 2013-A,B,E, 2014-B,C	161,601,543.00	(C)		89,626,608.95
	$ 369,703,546.09		$ 7,885,000.00	$ 196,678,008.95

(B) Expenses associated with pledged sources were $51,191,788.38.
(C) Expenses associated with pledged sources were $29,878,930.27.

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2E-DEFEASED BONDS OUTSTANDING
For the Fiscal Year Ended August 31, 2017

Description of Issue	Year Defeased	Par Value Outstanding
Governmental Activities		
Texas Mobility Fund General Obligation Bonds		
Series 2008 Fixed Rate Bonds	2014	$ 90,400,000.00
	2015	364,260,000.00
	2017	536,210,000.00
Total General Obligation Bonds		990,870,000.00
State Highway Fund Revenue Bonds		
Series 2008 Fixed Rate Bonds	2015	45,500,000.00
Total Revenue Bonds		45,500,000.00
Total Governmental Activities		1,036,370,000.00
Business-Type Activities		
Central Texas Turnpike System Revenue Bonds		
Series 2002-A Capital Appreciation Bonds*	2015	80,375,408.05
Total Business-Type Activities		80,375,408.05
Total		$ 1,116,745,408.05

* Includes $44,233,430.50 of accreted interest.

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2F - EARLY EXTINGUISHMENT AND REFUNDING
For the Fiscal Year Ended August 31, 2017

Governmental Activities

Description	Category	Amount Extinguished or Refunded	For Refundings Only: Refunding Issued Par Value	For Refundings Only: Cash Flow Increase	For Refundings Only: Economic Gain
Texas Mobility Fund					
Series 2006-A Fixed Rate Bonds	Current Refunding	$ 194,300,000.00	$ 166,080,000.00	$ 39,996,250.00	$ 21,574,636.68
Series 2007 Fixed Rate Bonds	Current Refunding	153,495,000.00	129,940,000.00	32,930,906.23	19,643,317.70
Series 2008 Fixed Rate Bonds	Advance Refunding	536,210,000.00	474,135,000.00	101,760,999.97	56,585,756.55
State Highway Fund					
Series 2006-B Fixed Rate Bonds	Current Refunding	100,000,000.00	89,370,000.00	*****	*****
		984,005,000.00	859,525,000.00	174,688,156.20	97,803,710.93
Total Governmental Activities		$ 984,005,000.00	$ 859,525,000.00	$ 174,688,156.20	$ 97,803,710.93

Business-Type Activities

Description	Category	Amount Extinguished or Refunded	For Refundings Only: Refunding Issued Par Value	For Refundings Only: Cash Flow Increase	For Refundings Only: Economic Gain
Revenue Bonds					
Subordinate Tier Toll Revenue Bonds, Series 2014-B	Current Refunding	$ 83,550,000.00	$ 83,775,000.00	*****	*****
Subordinate Tier Toll Revenue Bonds, Series 2014-C	Current Refunding	107,180,000.00	107,180,000.00	******	******
Total Business-Type Activities		190,730,000.00	190,955,000.00		
TOTAL		$ 1,174,735,000.00	$ 1,050,480,000.00	$ 174,688,156.20	$ 97,803,710.93

***** Represents a change in mode from one variable rate to another mode.

****** Represents a conversion from interim financing to long-term financing.

Texas Department of Transportation

Schedule 3 - Matrix of Expenditures Reported by Transportation Function - Governmental Funds

For the Fiscal Year Ended August 31, 2017

	State Highway Fund	Texas Mobility Fund	Proposition 12 Highway Improvement Project Fund	Nonmajor Funds	Transportation Function Total
Salaries and Wages	$ 653,730,449.64	$ 0.00	$ 0.00	$ 1,042,973.82	$ 654,773,423.46
Payroll Related Costs	323,320,767.78	0.00	0.00	316,518.26	323,637,286.04
Professional Fees and Services	914,581,361.77	0.00	0.00	4,353,490.02	918,934,851.79
Federal Pass-Through Expenditures	13,245,713.49	0.00	0.00	0.00	13,245,713.49
State Pass-Through Expenditures	144,014.04	0.00	0.00	0.00	144,014.04
Travel	8,911,278.67	0.00	0.00	61,706.47	8,972,985.14
Materials and Supplies	381,223,135.80	0.00	0.00	1,497,305.51	382,720,441.31
Communication and Utilities	45,418,795.22	0.00	0.00	1,686.59	45,420,481.81
Repairs and Maintenance	673,688,818.92	0.00	0.00	0.00	673,688,818.92
Rentals and Leases	25,180,519.17	0.00	0.00	0.00	25,180,519.17
Printing and Reproduction	3,836,781.55	0.00	0.00	29,257.00	3,866,038.55
Claims and Judgments	4,187,467.45	0.00	0.00	0.00	4,187,467.45
Intergovernmental Payments	180,081,156.66	31,511.44	0.00	50,550,590.99	230,663,259.09
Public Assistance Payments	34,772,555.46	0.00	0.00	0.00	34,772,555.46
Other Expenditures	289,115,926.16	0.00	0.00	(14,343,276.40)	274,772,649.76
Total Expenditures	$ 3,551,438,741.78	$ 31,511.44	$ 0.00	$ 43,510,252.26	$ 3,594,980,505.48

For the year ended Aug. 31, 2017, 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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