TEXAS DEPARTMENT OF TRANSPORTATION

Texas Mobility Fund

(A Special Revenue Fund of the Texas Department of Transportation of the State of Texas)

Financial Statements - For Fiscal Year Ended August 31, 2010

Texas Mobility Fund

FINANCIAL STATEMENTS

August 31, 2010

Prepared by:
Finance Division of the Texas Department of Transportation

Texas Mobility Fund

Financial Statements
August 31, 2010

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INTRODUCTORY SECTION

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Texas Department of Transportation
DEWITT C. GREER STATE HIGHWAY BLDG. • 125 E. 11TH STREET • AUSTIN, TEXAS 78701-2483 • (512) 463-8585

December 14, 2010

TO: The Citizens of the State of Texas and the Creditors of the Texas Mobility Bonds

The Master Resolution, dated as of May 4, 2005, as amended and supplemented by the First through Eighth Supplemental Master Resolutions (collectively, the "Resolution") requires the Texas Transportation Commission (the "Commission") to provide audited annual financial statements of the Texas Mobility Fund (the "Mobility Fund"). Pursuant to this requirement, we hereby present to you the Financial Statements for the Mobility Fund for the year ended August 31, 2010 and for comparative purposes the year ended August 31, 2009. This report was prepared by the Accounting Management staff in the Finance Division of the Texas Department of Transportation (the "Department").

Management is responsible for the accuracy of the data in this report as well as for the completeness and fairness of the presentation. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this financial report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements of the Mobility Fund in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the Department's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement. To the best of our knowledge and belief, the financial report is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the Mobility Fund and provides disclosures that enable the reader to understand the Mobility Fund's financial condition.

The Texas State Auditor's Office performed an independent audit of the Mobility Fund's basic financial statements for the year ended August 31, 2010. The auditors issued an unqualified opinion on the financial statements 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. The financial statements for the Mobility Fund as of August 31, 2009 were also audited by the Texas State Auditor's Office, whose report dated December 15, 2009, expressed an unqualified opinion on those financial statements.

The Management's Discussion and Analysis (*MD&A*) provides a narrative introduction, overview and analysis of the financial activities of the Mobility Fund. We encourage readers to consider the information in this letter of transmittal in conjunction with the MD&A, which can be found on page 13.

Profile of the Government

The Department is an agency of the State of Texas (the "*State*") created to provide safe, effective and efficient movement of people and goods. The Department is managed by the Executive Director and is governed by a five-member Commission. The Department is organized into 25 districts, 26 divisions and offices, 4 regional offices and currently has an annual budget of approximately $9.7 billion and a staff of approximately 12,000 which manages approximately $3.2 billion in annual highway contract lettings.

Voter approval in 2001 of Proposition 15 (Texas constitutional amendment) and enactment of legislation by the 77th Legislature in 2001 created the Mobility Fund. In particular, Article III, Section 49-k of the Texas Constitution (the "*Constitutional Provision*") created the Mobility Fund within the treasury of the State of Texas. The creation of the Mobility Fund allows the Department to issue bonds secured by future revenue. This allows the acceleration of mobility projects throughout the state. The Mobility Fund is to be administered by the Commission as a revolving fund to provide a method of financing for the construction, reconstruction, acquisition, and expansion of State highways, including costs of any necessary design and costs of acquisition of rights-of-way, as determined by the Commission in accordance with standards and procedures established by law. Monies in the Mobility Fund may also be used to provide state participation in the payment of a portion of the costs of constructing and providing publicly owned toll roads and other public transportation projects in accordance with procedures, standards, and limitations established by law. By expediting the delivery of transportation infrastructure, the Mobility Fund is an important tactic in meeting the Department's goals to address future multimodal transportation needs, enhance safety, maintain the transportation system, promote strategies for congestion relief, enhance system connectivity, and facilitate the development and exchange of comprehensive multimodal funding strategies.

Legislation enacted under the Constitutional Provision authorized the Commission to issue and sell obligations of the State and enter into related credit agreements that are payable from and secured by a pledge of and a lien on all or part of the money on deposit in the Mobility Fund. As of the end of August 2010, the Department has issued a par amount of $6.26 billion in bonds.

Information useful in assessing the government's financial condition

Cash Management policies and practices: In 2003, the 78th Legislature dedicated sources of revenue to the Mobility Fund. The funds generated by these dedicated revenues, as well as funds generated through other pledged revenues, are required to be accounted for in accounts established in the Mobility Fund.

The following accounts have been created and established by the Commission in the Mobility Fund:

1. Mobility Fund General Account – monies in this account may be used for any lawful purpose for which the Mobility Fund may be used pursuant to the Constitutional Provision, the Enabling Act, and other State Law.

2. Mobility Fund Portfolio Account – any Transportation Assistance Bonds acquired for the Mobility Fund are to be promptly deposited into this account and held therein until paid.

3. Mobility Fund Interest and Sinking Account – monies in this account are used to pay amounts due on or with respect to Parity Debt, including the principal of, premium, if any, and interest on Parity Debt as they become due and payable. This account is required as long as Parity Debt is outstanding.

4. Mobility Fund Bond Proceeds Account – proceeds from the issuance of Parity Debt are deposited into this account upon the issuance of such Parity Debt. Such proceeds and the interest thereon remain in the Bond Proceeds Account until expended to accomplish the purposes for which such Parity Debt was issued.

5. Rebate Account – the Fifth Supplemental Resolution established the Rebate Account for the bonds. Money on deposit in the Rebate Account, if any, is paid to the United States of America in compliance with the provisions of section 148(f) of the Internal Revenue Code. Money in the Rebate Fund, if any, does not constitute security.

6. Purchase Account – is used for the purpose of depositing money obtained from (a) the remarketing of the Bonds, and (b) draws under a Liquidity Facility, and such deposited money is used solely to pay the purchase price of the bonds or to reimburse a Liquidity Facility Issuer for a drawing on the Liquidity Facility to pay the purchase price of the bonds.

7. Reserve Accounts or Subaccounts – these accounts are established as required by any Supplements to the Resolution.

The Department is responsible for ensuring that accounts maintain the proper minimum balances as set forth in the Resolution and for investing in securities required to meet liquidity requirements. The investments suitable for each account have been determined using the following criteria that are detailed in the Commission's Investment Strategy: 1) preservation and safety of principal; 2) liquidity; and 3) return on investments. For more detailed information, please see the latest *Texas Transportation Commission Investment Policy*. Requests for a copy of the Investment Policy should be addressed to the Finance Division, Debt & Portfolio Management Section, 125 E. 11th Street, Austin, Texas, 78701-2483.

The Mobility Fund does not have any employees. Department employees and contractors perform the work of the Mobility Fund. The Department provides all debt financing, accounting and administrative services. The Mobility Fund does not provide financing for any of the risks the Department is subject to in the course of its operations.

Risk Financing & Management: The Department is exposed to a wide range of risks due to the size, scope, and nature of its activities. Risks include, but are not limited to, property and casualty losses, workers' compensation and health benefit claims, theft, damage of assets, etc. The Department retains these risks, and manages them through claims review and safety programs, which are primarily the responsibility of the Department's Occupational Safety Division.

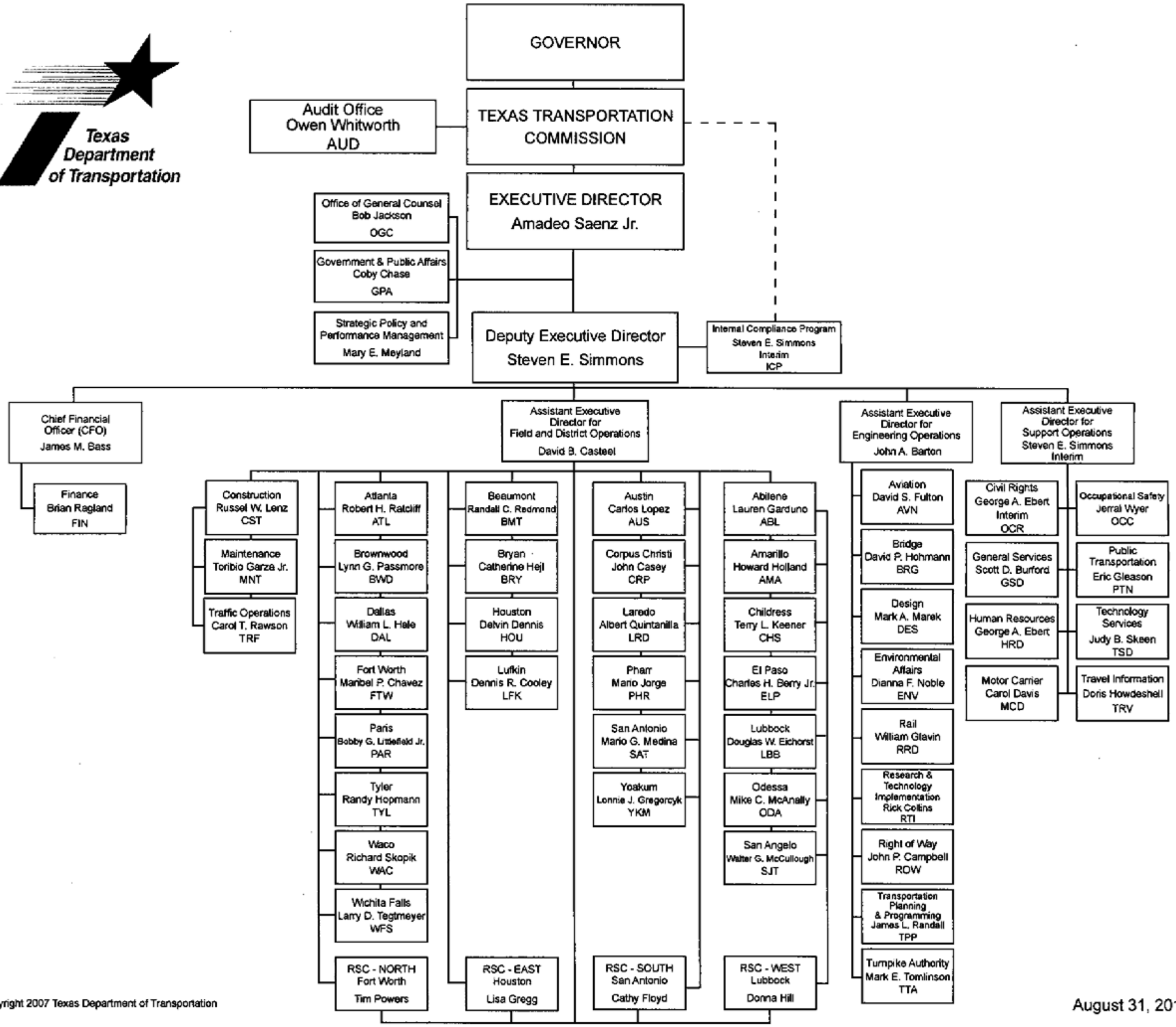
Acknowledgements

Production of this report would not have been possible without the efficient and dedicated staff of the Department. We extend special appreciation to Glen Knipstein, Silvia G. Morales, Diana Gittinger, Jennifer Wright and the rest of the Finance Division for their professionalism and devotion in preparing this complex financial document.

Amadeo Saenz

Amadeo Saenz, Jr., P.E.
Executive Director

Texas Department of Transportation



August 31, 2010

Commission and Key Personnel
As of August 31, 2010

TEXAS TRANSPORTATION COMMISSION

DEIRDRE DELISI..Chair
Austin

NED S. HOLMES..Commissioner
Houston

TED HOUGHTON ....Commissioner
El Paso

WILLIAM MEADOWS ....Commissioner
Fort Worth

FRED UNDERWOOD ....Commissioner
Lubbock

TEXAS DEPARTMENT OF TRANSPORTATION

AMADEO SAENZ, Jr., P.E. ....Executive Director
STEVEN E. SIMMONS, P.E. .... Deputy Executive Director
DAVID CASTEEL, P.E. ....Assist. Exec. Dir. for District Operations
JOHN A. BARTON, P.E .... Assist. Exec. Dir. for Engineering Operations
STEVEN E. SIMMONS, P.E. (Interim)..............Assist. Exec. Dir. for Support Operations
JAMES M. BASS .... Chief Financial Officer
BOB JACKSON ....General Counsel
COBY CHASE ....Director of Government and Public Affairs

FINANCIAL SECTION

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State Auditor's Office
John Keel, CPA
State Auditor

INDEPENDENT AUDITOR'S REPORT

Members of the Texas Transportation Commission:
Ms. Deirdre Delisi, Chair
Mr. Ned S. Holmes
Mr. Ted Houghton
Mr. Fred Underwood
Mr. William Meadows
Mr. Amadeo Saenz, Jr., P.E., Executive Director, Department of Transportation

We have audited the accompanying financial statements of the Texas Mobility Fund (Fund) as of and for the year ended August 31, 2010, which collectively comprise the Fund's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Department of Transportation's (Department) management. Our responsibility is to express an opinion on these financial statements based on our audit. Comparative information is presented from the financial statements for the year ended August 31, 2009. These statements were audited by us, and we expressed an unqualified opinion on them in our report dated December 15, 2009.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Notes 1(A) and 1(B), the financial statements present only the financial position of the Fund, which is a special revenue fund of the Department and the State of Texas. They do not purport to, and do not, present fairly the financial position of the Department nor the State of Texas as of August 31, 2010, and the changes in the Department's or the State's financial position for the reporting period then ended in conformity with principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of August 31, 2010, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Management's Discussion and Analysis and Required Supplementary Information, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The Introductory Section and Supplementary Schedules, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we will issue a report on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

John Keel, CPA
State Auditor

December 14, 2010

Management's Discussion and Analysis

As management of the Texas Department of Transportation (the *"Department"*), we offer readers of the Texas Mobility Fund's (the *"Mobility Fund"*) financial statements this narrative overview and analysis of its financial activities for the fiscal years ended August 31, 2010 and 2009. The information presented should be read in conjunction with our letter of transmittal, which can be found on page 3 of this report, the financial statements and the accompanying notes to the financial statements.

Financial Highlights

- As of August 31, 2010, the Texas Bond Review Board has approved $6,400,000,000 in Mobility Fund bonds through one or more issuances.
- As of August 31, 2010, the Commission has issued a par amount of $6,255,100,000 in Mobility Fund bonds.
- As of August 31, 2010, the Mobility Fund has received $1,267,349,261 in dedicated revenue.
- The Mobility Fund transferred $263,724,988 and $599,980,487 during fiscal years 2010 and 2009, respectively to the State Highway Fund to accelerate various transportation projects.
- Implementation of *GASB Statement No. 53*, Accounting and Financial Reporting for Derivative Instruments during fiscal year 2010 required the Mobility Fund to restate its fiscal year 2010 beginning net assets.

Overview of the Financial Statements

The annual financial report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements with the notes to the financial statements, and supplementary information.

The Mobility Fund's financial statements combine two types of financial statements into one statement. These two types of financial statements are the fund financial statements and the entity-wide financial statements. The fund financial statements are presented on the first column of the statements and the entity-wide financial statements on the last column. Adjustments between the fund financial statements and the entity-wide financial statements are presented in the Adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Fund Financial Statements. The focus of fund financial statements is directed to specific activities of the Mobility Fund rather than the Mobility Fund as a whole. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activities related to the Mobility Fund are accounted for in a special revenue fund. The accounts of the Mobility Fund are maintained in accordance with practices set forth in the provisions of the Resolution. These practices are modeled after generally accepted accounting principles for a special revenue fund on a modified accrual basis.

Entity-Wide Financial Statements. The focus of the entity-wide financial statement is on the overall financial position and activities of the Mobility Fund. The Mobility Fund's entity-wide financial statements include the statement of net assets and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net assets is to report all of the assets and liabilities of the Mobility Fund. The Mobility Fund reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The statement of activities focuses on both the gross and net costs of various activities; these costs are paid by the Mobility Fund's revenues. This statement summarizes the cost of providing (or the subsidy provided by) specific governmental services and includes all current year revenues and expenses.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 23-35 of this report.

Supplemental Information. The Budgetary Comparison Schedule – Texas Mobility Fund is presented on page 36 as required supplementary information. The Summary of Project Expenditures Funded by the Texas Mobility Fund by County for Fiscal Year 2010 can be found on pages 37-38 and the Texas Mobility Fund Dedicated Revenues schedule can be found on page 39.

Entity-Wide Financial Analysis

The Mobility Fund's overall financial position and operations for the past years are summarized as follows based on the information included in the entity-wide financial statements.

CONDENSED NET ASSETS

	FY 2010	FY 2009	FY 2008
Current Assets	$1,400,554,008	$1,584,153,651	$956,369,615
Noncurrent Assets	34,757,455	26,835,997	19,769,927
Total Assets	1,435,311,463	1,610,989,648	976,139,542
Current Liabilities	(211,942,995)	(166,217,358)	(200,503,968)
Noncurrent Liabilities	(6,197,224,909)	(6,245,552,810)	(5,089,381,178)
Total Liabilities	(6,409,167,904)	(6,411,770,168)	(5,289,885,146)
Net Assets (Deficit):			
Restricted for Mobility Projects	(4,973,856,441)	(4,800,780,520)	(4,313,745,604)
Total Net Assets (Deficit)	$(4,973,856,441)	$(4,800,780,520)	$(4,313,745,604)

Condensed net assets highlights are as follows for the fiscal year ended August 31, 2010:

- Overall the Mobility Fund continues to operate at a deficit. However, the purpose of the Mobility Fund is to issue debt in order to accelerate transportation projects, to track transportation fees dedicated to the Mobility Fund, and to pay off the debt over a 30-year period from issuance.
- Current assets consist of Cash and Cash Equivalents in State Treasury, a federal receivable and an accrued Swap receivable. A federal receivable was created for a portion of the Build America Bonds federal interest rate subsidy payment that is due from the federal government.
- Noncurrent assets consist of Deferred Charges for bond issue costs that are being amortized over the life of the bonds and Investment Derivative Instruments. The increase of noncurrent assets in fiscal year 2010 is due to the recognition of Investment Derivative Instruments as required per *GASB Statement No. 53*.
- Total liabilities of the Mobility Fund exceed its assets by $4,973,856,441 and $4,800,780,520 as of August 31, 2010 and 2009, respectively. The primary reason for this is that the Mobility Fund issued $1,208,495,000 and $1,100,000,000 in debt in fiscal years 2009 and 2008, respectively and transferred out $263,724,988, $599,980,487, and $1,212,608,361 to the State Highway Fund in 2010, 2009, and 2008 respectively, to speed up the completion of various transportation projects.

- The Mobility Fund has no ownership interest in the highway projects, which it is helping to accelerate in the State Highway Fund, and is not responsible for the maintenance of these roadways, which will become part of the Texas State Highway System.

CONDENSED CHANGES IN NET ASSETS

	FY 2010	FY 2009	FY 2008
Revenues			
Federal Revenue	$23,303,934	$323,666	
Charges for Services -			
Licenses, Fees and Permits	320,404,949	319,044,133	$267,915,922
Operating Grants and Contributions -			
Interest and Investment Income	20,418,021	15,087,643	35,460,407
Total Revenues	364,126,904	334,455,442	303,376,329
Expenses			
Professional Fees & Services	(420,361)	(273,859)	(415,079)
Debt Service	(279,804,292)	(221,207,466)	(198,335,966)
Other Expenses	(4,937)	(28,546)	(23,390)
Total Expenses	(280,229,590)	(221,509,871)	(198,774,435)
Excess of Revenues over Expenses	83,897,314	112,945,571	104,601,894
Transfers to State Highway Fund	(263,724,988)	(599,980,487)	(1,212,608,361)
Change in Net Assets	(179,827,674)	(487,034,916)	(1,108,006,467)
Total Net Assets (Deficit) – beginning	(4,800,780,520)	(4,313,745,604)	(3,205,739,137)
Restatement	6,751,753		
Total Net Assets (Deficit) – ending	$(4,973,856,441)	$(4,800,780,520)	$(4,313,745,604)

Condensed changes in net assets highlights are as follows for the fiscal year ended August 31, 2010:

- The $23,303,934 of federal revenue represents the interest rate subsidy earned during fiscal year 2010 on Build America Bonds. See Note 1 G(1).
- The Mobility Fund recognized fee revenue of $320,404,949 in fiscal year 2010 and $319,044,133 in fiscal year 2009.
- Transfers to the State Highway Fund continue to decrease as the Mobility Fund approaches its $6,400,000,000 debt issuance maximum, and few or no new mobility projects can be obligated with this funding source.
- Beginning net assets for fiscal year 2010 were restated to include the fair value of Investment Derivative Instruments per *GASB Statement No. 53* requirements.

Mobility Fund Financial Analysis

The Mobility Fund's fund financial statements reflect a fund balance of $1,358,551,992 and $1,556,534,286 for the periods ended August 31, 2010 and 2009, respectively. This is in contrast to the entity-wide financial statements which reflect net deficits of $4,973,856,441 in 2010 and $4,800,780,520 in 2009. The primary reason for the difference is that the fund financial statements do not show long-term debt. The Mobility Fund has $6,197,224,909 in long-term debt as of August 31, 2010 and $6,245,885,810 in long-term debt as of August 31, 2009 that is not recorded in the fund financial statements, which are more concerned with current resources, but are recorded in the entity-wide financial statements.

Debt Administration

Long-term debt. As of August 31, 2010, the Mobility Fund had total long-term debt outstanding of $6,197,224,909. Total bonds payable of $6,245,552,810, as detailed in the table below, includes $48,327,901 for amounts due within one year.

Bonds Payable	2010	2009	2008
Series 2009-A Fixed Rate Interest Bonds	$1,208,495,000	$1,208,495,000	
Series 2008 Fixed Rate Interest Bonds	1,151,287,793	1,154,726,981	$1,158,167,507
Series 2007 Fixed Rate Interest Bonds	1,022,798,185	1,023,925,490	1,025,053,014
Series 2006-B Variable Rate Interest Bonds	150,000,000	150,000,000	150,000,000
Series 2006-A Fixed Rate Interest Bonds	1,067,602,864	1,070,581,392	1,072,612,028
Series 2006 Fixed Rate Interest Bonds	710,299,813	724,943,234	738,984,195
Series 2005-B Variable Rate Interest Bonds	85,400,000	88,385,000	91,275,000
Series 2005-A Fixed Rate Interest Bonds	849,669,155	867,988,190	885,579,434
Total Bonds Payable	$6,245,552,810	$6,289,045,287	$5,121,671,178

The issuance of Build America Bonds Series 2009-A increased the Mobility Fund's current financial resources. The Mobility Fund issued the Series 2009-A bonds with no premium and the Series 2008 bonds with a premium of $61,109,369. Premiums and discounts are being amortized over the life of the bonds using the bonds outstanding method of amortization. Additional information on the Mobility Fund's long-term debt can be found in Note 4 on pages 30-34.

Bond Credit Ratings

	Fitch	Moody's	Standard & Poor's
Series 2009-A	AAA	Aaa	AA+
Series 2008	AAA	Aaa	AA+
Series 2007	AAA	Aaa	AA+
Series 2006-B	AAA/F1+	Aaa/VMIG 1	n/a
Series 2006-A	AAA*	Aaa*	AA+*
Series 2006	AAA	Aaa	AA+
Series 2005-B	AAA/F1+	Aaa/VMIG 1	AA+/A-2
Series 2005-A	AAA	Aaa	AA+
* insurer rating has been withdrawn			

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.

Requests for Information

This financial report is designed to provide a general overview of the Mobility Fund's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Division, Accounting Management Section, 125 E. 11th Street, Austin, Texas, 78701-2483.

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BASIC FINANCIAL STATEMENTS

EXHIBIT I
TEXAS MOBILITY FUND
Statement of Net Assets and Governmental Fund Balance Sheet

August 31, 2010

	Special Revenue Fund	Adjustments	Statement of Net Assets
ASSETS			
Current Assets:			
Cash and Cash Equivalents in State Treasury (Note 3)	$ 1,390,311,368	$	$ 1,390,311,368
Federal Receivable	9,709,973		9,709,973
Accrued Swap Payment Receivable	532,667		532,667
Total Current Assets	1,400,554,008		1,400,554,008
Noncurrent Assets:			
Deferred Charges		25,860,599	25,860,599
Investment Derivative Instruments (Note 3)		8,896,856	8,896,856
Total Noncurrent Assets	0	34,757,455	34,757,455
TOTAL ASSETS	1,400,554,008	34,757,455	1,435,311,463
LIABILITIES			
Current Liabilities:			
Accounts Payable	34,889		34,889
Interest Payable		121,613,078	121,613,078
Due to State Highway Fund (Note 5)	41,967,127		41,967,127
General Obligation Bonds Payable (Note 4)		39,645,000	39,645,000
Premium/Discount (Note 4)		8,682,901	8,682,901
Total Current Liabilities	42,002,016	169,940,979	211,942,995
Noncurrent Liabilities:			
General Obligation Bonds Payable (Note 4)		6,057,680,000	6,057,680,000
Premium/Discount (Note 4)		139,544,909	139,544,909
Total Noncurrent Liabilities	0	6,197,224,909	6,197,224,909
TOTAL LIABILITIES	42,002,016	6,367,165,888	6,409,167,904
FUND BALANCE/NET ASSETS			
Unreserved:	1,358,551,992	(1,358,551,992)	
TOTAL FUND BALANCE	1,358,551,992	(1,358,551,992)	
TOTAL LIABILITIES AND FUND BALANCE	$ 1,400,554,008		
Net Assets (Deficit):			
Restricted for Mobility Projects		(4,973,856,441)	(4,973,856,441)
TOTAL NET ASSETS (DEFICIT)		$ (6,332,408,433)	$ (4,973,856,441)

August 31, 2009

	Special Revenue Fund	Adjustments	Statement of Net Assets
ASSETS			
Current Assets:			
Cash and Cash Equivalents in State Treasury	$ 1,583,078,613	$	$ 1,583,078,613
Federal Receivable	323,666		323,666
Accrued Swap Payment Receivable	751,372		751,372
Total Current Assets	1,584,153,651		1,584,153,651
Noncurrent Assets:			
Deferred Charges		26,835,997	26,835,997
Total Noncurrent Assets	0	26,835,997	26,835,997
TOTAL ASSETS	1,584,153,651	26,835,997	1,610,989,648
LIABILITIES			
Current Liabilities:			
Accounts Payable	224,850		224,850
Interest Payable		95,429,182	95,429,182
Deferred Revenue	323,666	(323,666)	
Due to State Highway Fund	27,070,849		27,070,849
General Obligation Bonds Payable		34,730,000	34,730,000
Premium/Discount		8,762,477	8,762,477
Total Current Liabilities	27,619,365	138,597,993	166,217,358
Noncurrent Liabilities:			
General Obligation Bonds Payable		6,097,325,000	6,097,325,000
Premium/Discount		148,227,810	148,227,810
Total Noncurrent Liabilities	0	6,245,552,810	6,245,552,810
TOTAL LIABILITIES	27,619,365	6,384,150,803	6,411,770,168
FUND BALANCE/NET ASSETS			
Unreserved:	1,556,534,286	(1,556,534,286)	
TOTAL FUND BALANCE	1,556,534,286	(1,556,534,286)	
TOTAL LIABILITIES AND FUND BALANCE	$ 1,584,153,651		
Net Assets (Deficit):			
Restricted for Mobility Projects		(4,800,780,520)	(4,800,780,520)
TOTAL NET ASSETS (DEFICIT)		$ (6,357,314,806)	$ (4,800,780,520)

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

EXHIBIT II

TEXAS MOBILITY FUND

Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance

For the year ended August 31, 2010

	Special Revenue Fund	Adjustments	Statement of Activities
REVENUES			
Federal Revenue	$ 23,627,600	$ (323,666)	$ 23,303,934
Charges for Services -			
Licenses, Fees and Permits	320,404,949		320,404,949
Operating Grants and Contributions -			
Interest and Investment Income	18,272,918	2,145,103	20,418,021
TOTAL REVENUES	362,305,467	1,821,437	364,126,904
EXPENDITURES/EXPENSES			
Professional Fees & Services	420,361		420,361
Debt Service:			
Principal	34,730,000	(34,730,000)	0
Interest	260,764,636	26,183,895	286,948,531
Amortization of Premium/Discount		(8,762,477)	(8,762,477)
Amortization of Bond Issue Costs		975,399	975,399
Other Financing Fees	642,839		642,839
Other Expenditures/Expenses	4,937		4,937
TOTAL EXPENDITURES/EXPENSES	296,562,773	(16,333,183)	280,229,590
Excess of Revenues over Expenditures	65,742,694	18,154,620	83,897,314
OTHER FINANCING SOURCES (USES)			
Operating Transfers Out to the State Highway Fund	(263,724,988)		(263,724,988)
TOTAL OTHER FINANCING SOURCES (USES)	(263,724,988)	0	(263,724,988)
Change in Fund Balance/Net Assets	(197,982,294)	18,154,620	(179,827,674)
Fund Balance/Net Assets (Deficit):			
FUND BALANCE/NET ASSETS (DEFICIT), August 31, 2009	1,556,534,286	(6,357,314,806)	(4,800,780,520)
Restatement		6,751,753	6,751,753
FUND BALANCE/NET ASSETS (DEFICIT), August 31, 2010	$ 1,358,551,992	$ (6,332,408,433)	$ (4,973,856,441)

For the year ended August 31, 2009

	Special Revenue Fund	Adjustments	Statement of Activities
REVENUES			
Federal Revenue	$	$ 323,666	$ 323,666
Charges for Services -			
Licenses, Fees and Permits	319,044,133		319,044,133
Operating Grants and Contributions -			
Interest and Investment Income	15,087,643		15,087,643
TOTAL REVENUES	334,131,776	323,666	334,455,442
EXPENDITURES/EXPENSES			
Professional Fees & Services	273,859		273,859
Debt Service:			
Principal	32,290,000	(32,290,000)	0
Interest	228,627,558	324,801	228,952,359
Amortization of Premium/Discount		(8,830,891)	(8,830,891)
Bond Issue Costs	7,779,366	(7,779,366)	0
Amortization of Bond Issue Costs		713,296	713,296
Other Financing Fees	372,702		372,702
Other Expenditures/Expenses	28,546		28,546
TOTAL EXPENDITURES/EXPENSES	269,372,031	(47,862,160)	221,509,871
Excess of Revenues over Expenditures	64,759,745	48,185,826	112,945,571
OTHER FINANCING SOURCES (USES)			
Bond and Note Proceeds	1,208,495,000	(1,208,495,000)	0
Operating Transfers Out to the State Highway Fund	(599,980,487)		(599,980,487)
TOTAL OTHER FINANCING SOURCES (USES)	608,514,513	(1,208,495,000)	(599,980,487)
Change in Fund Balance/Net Assets	673,274,258	(1,160,309,174)	(487,034,916)
Fund Balance/Net Assets (Deficit):			
FUND BALANCE/NET ASSETS (DEFICIT), August 31, 2008	883,260,028	(5,197,005,632)	(4,313,745,604)
FUND BALANCE/NET ASSETS (DEFICIT), August 31, 2009	$ 1,556,534,286	$ (6,357,314,806)	$ (4,800,780,520)

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

Reconciliations of Fund to Entity-Wide Basis

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets

	2010	2009
Total Fund Balance - Governmental Fund	$1,358,551,992	$1,556,534,286
Deferred Charges	25,860,599	26,835,997
Investment Derivative Instruments	8,896,856	-
Interest Payable	(121,613,078)	(95,429,182)
Deferred Revenue	-	323,666
General Obligation Bonds Payable	(6,097,325,000)	(6,132,055,000)
Premium/Discount	(148,227,810)	(156,990,287)
Total Net Assets (Deficit) - Governmental Activities	$(4,973,856,441)	$(4,800,780,520)

The governmental fund does not report deferred charges and investment derivative instruments. Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported as liabilities in the governmental fund.

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

	2010	2009
Net Change in Fund Balance - Governmental Fund	$(197,982,294)	$673,274,258
Federal Revenue	(323,666)	323,666
Interest and Investment Income	2,145,103	-
Debt Service Principal	34,730,000	32,290,000
Debt Service Interest	(26,183,895)	(324,801)
Amortization of Premium/Discount	8,762,477	8,830,891
Bond Issue Costs	-	7,779,366
Amortization of Bond Issue Costs	(975,399)	(713,296)
Bond and Note Proceeds	-	(1,208,495,000)
Change in Net Assets - Governmental Activities	$(179,827,674)	$(487,034,916)

The issuance of long-term debt provides current financial resources to the governmental fund, while the repayment of the principal of long-term debt consumes the current financial resources of governmental fund. The governmental fund also reports the effect of bond issue costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

These financial statements reflect the financial position of the Texas Mobility Fund (the “Mobility Fund”). The Mobility Fund is a special revenue fund of the Texas Department of Transportation (the “Department”), an agency of the State of Texas. The Texas Transportation Commission (the “Commission”), the governing body of the Department, has the authority to commit the Mobility Fund to various legal agreements.

The Commission

The State created the State Highway Commission on April 4, 1917, for the purpose of adopting and implementing a comprehensive system of state highways and promoting the construction of a State highway system by cooperation with counties or independently by the State Highway Commission. In 1975, the State Legislature changed the name of the State Highway Commission to the State Highway and Public Transportation Commission. In 1991, the State Legislature changed the name to the current name, the Texas Transportation Commission. The State Legislature directed the Commission to plan and make policies for the location, construction and maintenance of a comprehensive system of State highways and public roads.

The Commission governs the Department and is charged by statute with policy-making responsibilities. The Department is charged with the management responsibilities for implementing the policies of the Commission. The Department is managed by the Executive Director and supported by the staff. The State Legislature provided that the Commission must divide the State into no more than 25 regional districts for the purpose of the performance of the Department’s duties. There are currently 25 districts.

The Commission consists of five members appointed by the Governor with the advice and consent of the State Senate. One member is designated by the Governor as the Chairman and serves as the chief executive officer of the Commission. A person is not eligible to be a member of the Commission if the person or the person’s spouse is employed by or manages a business that is regulated by or regularly receives funds from the Department, directly or indirectly owns or controls more than ten percent (10%) interest in a business that is regulated by or receives funds from the Department, uses or receives a substantial amount of goods, services or funds from the Department, or is registered, certified, or licensed by the Department. Members of the Commission serve six-year terms, with one to two members’ terms expiring February 1 of each odd-numbered year.

The Department

The Department was created to provide safe, effective and efficient movement of people and goods, enhance economic viability and improve the quality of life for the people that travel in the State of Texas. The Department is governed by the five-member Commission and an executive director selected by the Commission and is an agency of the State of Texas. The Department’s operations are conducted by a central office with 20 functional divisions, 6 offices, 4 regional offices, and 25 geographic districts in the State.

The Mobility Fund

The Texas Legislature (the “Legislature”) established the Mobility Fund pursuant to the Constitutional Provision to be administered by the Commission to provide a method of financing the construction, reconstruction, acquisition, and expansion of State highways, including costs of any necessary design and costs of acquisition of rights-of-way. The Mobility Fund may also be used to provide participation by the Department in the payment of a portion of the costs of constructing and providing publicly owned toll roads and other public transportation projects. Pursuant to the Enabling Act, the Commission may sell obligations of the State that are payable from and secured by a pledge of and a lien on all or part of the money dedicated to and on deposit in the Mobility Fund. The Legislature has dedicated to the Mobility Fund certain statutory fee revenues and federal receipts of the State. The Commission may also elect to pledge the general obligation of the State as additional repayment security for the bonds.

The Commission has issued a total of $6,255,100,000 par value of general obligation bonds. To date, the dedicated revenues of the Mobility Fund have been sufficient to meet the debt service requirements of the bonds without the necessity of calling on the general obligation pledge. These proceeds are used to pay, or reimburse the State Highway Fund for, the payment of the costs of (i) constructing, reconstructing, acquiring, and expanding certain State highways and providing participation by the State in the payment of part of the costs of constructing and providing certain publicly owned toll roads and other public transportation projects as described below and (ii) issuing the bonds.

The Mobility Fund does not have any employees. The Department provides all accounting, debt financing and administrative services. In addition, the Department's risk financing and insurance programs apply to the Mobility Fund.

B. Basis of Presentation

The records of the Mobility Fund are maintained in accordance with the practices set forth in the provisions of the Resolution for the Texas Mobility Fund General Obligation Bonds. These practices are modeled after generally accepted accounting principles for a special revenue fund. The Mobility Fund is a special revenue fund within the Department.

The accompanying financial statements present only the financial position and changes in financial position of the Mobility Fund, and are not intended to and do not present fairly the financial position or changes in financial position of the Department in conformity with accounting principles generally accepted in the United States of America.

The reporting period is for the year ended August 31, 2010. Voter approval in 2001 of Proposition 15 (Texas constitutional amendment) and enactment of legislation by the 77th Legislature in 2001 created the Mobility Fund. Dedicated revenue and investment earnings began to be deposited into the Mobility Fund in March 2004.

C. Measurement Focus and Basis of Accounting

The entity-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The basis of accounting determines when revenues and expenditures are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. A special revenue fund is a type of governmental fund used to account for a government's tax-supported activities. Special revenue funds are accounted for on the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Expenditures are generally recognized when the related fund liability is incurred. The reconciliations on page 22 provide further details for the adjustments from the governmental fund presentation to the entity-wide presentation.

D. Budgets and Budgetary Accounting

The Mobility Fund budget is prepared biennially and represents appropriations authorized by the Legislature and approved by the governor (the General Appropriations Act). The Mobility Fund has collected revenue budgets for debt service and for in-house design, contracted design, construction and right of way. After mobility-related expenditures are incurred in the State Highway Fund, the Mobility Fund transfers cash and collected budget as reimbursement to the State Highway Fund. Since the Mobility Fund budgets are collected budgets, budgets can be increased up to the amount of receipts collected in the Mobility Fund.

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated. A budgetary comparison schedule is presented on page 36.

E. Assets and Liabilities

(1) Cash and Cash Equivalents in State Treasury

Short-term highly liquid investments with a maturity of three months or less at the time of purchase are considered cash equivalents. On the Statement of Net Assets and Governmental Fund Balance Sheet, Cash and Cash Equivalents in State Treasury reflect the amount of cash in the State Treasury.

(2) Federal Receivable

The Federal Receivable represents the portion of the Build America Bonds (BABs) federal interest rate subsidy payment that is owed from the federal government. The federal subsidy due is 35 percent of the interest expense accrued in fiscal year 2010 for the Series 2009-A bonds.

(3) Accrued Swap Payment Receivable

Accrued Swap Payment Receivable represents the August 2010 Swap receivable, which was outstanding at the end of the fiscal year.

(4) Deferred Charges

Deferred Charges consist of the unamortized bond issuance costs incurred on the Mobility Fund bond issuances. Deferred charges are amortized using the straight-line method over the life of the bonds.

(5) Investment Derivative Instruments

Investment Derivative Instruments represent the fair value at August 31, 2010 of the Constant Maturity Swaps (CMS basis swaps) that are associated with the Mobility Fund's Series 2006-A fixed-rate bonds.

(6) Accounts Payable

Accounts Payable represents the liability for the value of assets or services received during the reporting period for which payment is pending.

(7) Interest Payable

Interest Payable represents the amount of interest expense accrued for fiscal year 2010.

(8) Due to State Highway Fund

The Due to State Highway Fund represents the amount owed for the costs of certain projects incurred as of August 31, 2010.

(9) General Obligation Bonds Payable

General Obligation Bonds Payable is reported at par value and is reported separately as either current or non-current in the Statement of Net Assets.

(10) Premium/Discount

Premium/Discount represents the net of the unamortized premiums and discounts. Premiums and discounts are amortized over the life of the bonds using the bonds outstanding method of amortization and are reported separately as either current or non-current in the Statement of Net Assets.

F. Fund Balance/Net Assets

(1) Unreserved Fund Balance

In the special revenue fund, fund equity is classified as fund balance. Fund balance can be further classified as reserved and unreserved. Unreserved fund balance is the amount that represents the unexpended balance at year-end and which is available for use in subsequent years.

(2) Net Assets (Deficit), Restricted for Mobility Projects

In the entity-wide statements, equity is classified as net assets. Net assets can be classified into three components: invested in capital assets, restricted, and unrestricted. The Mobility Fund's net assets are restricted by enabling legislation.

G. Revenues, Expenditures/Expenses and Transfers

(1) Federal Revenue

The American Recovery and Reinvestment Act of 2009 enabled issuance of taxable Build America Bonds (BABs) by providing a federal interest rate subsidy payment equal to 35% of the interest expense paid on the BABs. Current guidance suggests that this federal payment be characterized as "Federal Revenue" for financial accounting and reporting purposes. However, it is important to note that governing bond resolutions stipulate that the federal interest rate subsidy payment will be deposited into a subaccount of the Interest and Sinking Fund of the Mobility Fund and used to offset debt service cost.

(2) Charges for Services - Licenses, Fees and Permits

The Legislature has dedicated to the Mobility Fund certain revenues of the State. These dedicated revenues are those revenue sources allocated by the Legislature for the benefit of the Mobility Fund. Commencing on September 1, 2005, the initial revenue sources of the Mobility Fund were incrementally redirected to the State of Texas General Revenue Fund.

New sources of revenue may be phased into the Mobility Fund annually. In fiscal year 2010 and fiscal year 2009 the major sources of revenue were Driver License Fees, Motor Vehicle Inspection Fees, Certificate of Title Fees and Driver Record Information Fees. A list of fiscal year 2010 dedicated revenues can be found as supplementary information on page 39 of this report.

(3) Operating Grants and Contributions - Interest and Investment Income

Cash held in the State Treasury consists of dedicated revenues, proceeds from the sale of the bonds, interest and investment income, and the federal interest rate subsidy. Interest and investment income earned is revenue to the Mobility Fund in the period earned.

Changes in fair value of the Investment Derivative Instruments are also reported within Interest and Investment Income.

(4) Expenditures/Expenses

Expenditures/Expenses include payments for professional fees, debt service and other financing fees and the amortization of bond premium, discount and issue costs.

(5) Operating Transfers Out to the State Highway Fund

Operating Transfers Out to the State Highway Fund reflect the transfer of cash to reimburse the State Highway Fund for the costs of constructing, reconstructing, acquiring, and expanding certain State highways and providing participation by the State in the payment of part of the costs of constructing and providing certain publicly owned toll roads and other public transportation projects.

NOTE 2 – CAPITAL ASSETS

The Mobility Fund does not have any capital assets. Mobility Fund bond proceeds provide a source of funding to pay for the costs of constructing, reconstructing, acquiring, and expanding certain State highways and providing participation by the State in the payment of part of the costs of constructing and providing certain publicly owned toll roads and public transportation projects. The revenues accumulated in the Mobility Fund are used to pay the debt service of the Mobility Bonds. The infrastructure built with transfers from the Mobility Fund to the State Highway Fund becomes part of the State Highway System and a capital asset to the State Highway Fund.

NOTE 3 – DEPOSITS AND INVESTMENTS

The carrying amount of deposits for the Mobility Fund was $1,390,311,368 as of August 31, 2010 and $1,583,078,613 as of August 31, 2009, as reported on the Statement of Net Assets.

Custodial Credit Risk – Deposits

In the case of deposits, there is the risk that in the event of a bank failure, the government's deposits may not be returned to the Mobility Fund. All of the Mobility Fund's deposits are held by the Comptroller in the State Treasury. Deposits of the State of Texas are normally managed by the State Comptroller of Public Accounts (the "Comptroller"). On October 3, 2008, the Emergency Economic Stabilization Act of 2008 temporarily raised the basic limit on federal deposit insurance coverage from $100,000 to $250,000 per depositor. On August 10, 2010, the Federal Deposit Insurance Corporation (FDIC) Board of Directors adopted a final rule amending the standard maximum deposit insurance amount from $100,000 to $250,000.

Deposits that exceed the $250,000 of insurance guaranteed by the FDIC must be collateralized in accordance with Comptroller policy. Pledged collateral must be equal to at least 105% of the principal amount deposited by the Department. The Comptroller has full responsibility for ensuring adequate collateralization of all State deposits, including those held in local banks. On August 31, 2010, the deposits were fully collateralized with securities held by an agent of the Comptroller, in the Department's name, in accordance with the Comptroller's requirements.

The Mobility Fund is established in the Treasury Operations Division of the Comptroller's Office (Treasury) and is pooled with other state funds for investment purposes. See the State of Texas Comprehensive Annual Financial Report (CAFR) for information on the investment policy and for the risks associated with the investment pool. The State of Texas CAFR may be found online at https://fmx.cpa.state.tx.us/fm/pubs/cafr/index.php.

Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at August 31, 2010, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2010 financial statements are as follows:

	Changes in Fair Value		Fair Value at August 31, 2010		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Governmental Activities					
Investment Derivatives:					
Receive-Fixed Interest Rate Swaps (JPM)	Investment Revenue	$ 1,035,449	Investment	$ 4,411,326	$ 200,000,000
Receive-Fixed Interest Rate Swaps (MS)	Investment Revenue	$ 626,713	Investment	$ 2,170,879	$ 100,000,000
Receive-Fixed Interest Rate Swaps (GSMMDP)	Investment Revenue	$ 482,941	Investment	$ 2,314,651	$ 100,000,000
		$ 2,145,103		$ 8,896,856	

Note:
JPM=J.P. Morgan Chase Bank, N.A.
MS=Morgan Stanley Capital Services, Inc.
GSMMDP=Goldman Sachs Mitsui Marine Derivative Products

As of August 31, 2010, the fair value of investment derivative instruments and maturities are as follows:

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Investment Derivative Instruments	$8,896,856	$ -	$ -	$ -	$8,896,856

The fair values of the interest rate swaps were estimated using a proprietary pricing service.

The Commission is a party to three pay-variable, receive-variable Constant Maturity Swaps (CMS basis swaps) associated with the Commission's State of Texas General Obligation Mobility Fund Series 2006-A fixed-rate bonds. Under the original terms of the transactions, the Commission pays the SIFMA index weekly tax-exempt rate and receives 69.42% of the 10 year LIBOR Swap Index taxable rate. In late calendar year 2009 the slope of the 10 year LIBOR Swap yield curve had steepened, allowing the negotiation of a fixed monthly cash flow annuity benefit on all three transactions. Thus, on December 3, 2009, the exchange of basis payments on the $200 million transaction with J.P. Morgan Chase Bank, N.A. ("JPM") and the $100 million transaction with Morgan Stanley Capital Services Inc. ("MS") were suspended for a period of approximately three years. The exchange of basis payments on the $100 million transaction with Goldman Sachs Mitsui Marine Derivative Products ("GSMMDP") was suspended for a period of approximately three years on December 8, 2009. For the three year suspension period, the exchange of payments will cease and the Commission will receive fixed monthly annuities as consideration for the suspension. The swaps will continue to be outstanding obligations that have value, as indicated through the periodic mark-to-market valuations. At the end of the three year suspension period, the exchange of payment terms for the three transactions will revert back to the identical provisions originally entered into.

ORIGINAL TERMS OF THE $400 MILLION TOTAL CMS BASIS SWAPS

Counterparty	***Notional Amount***	***Variable Rate Paid***	***Variable Rate Received***
JP Morgan Chase Bank, N.A.	$200 million	SIFMA	69.42% of 10-yr LIBOR
Goldman Sachs MM Derivative Products	$100 million	SIFMA	69.42% of 10-yr LIBOR
Morgan Stanley Capital Services, Inc.	$100 million	SIFMA	69.42% of 10-yr LIBOR
	$400 million		

SUSPENSION PERIOD TERMS EFFECTIVE UNTIL 12/1/2012			
Counterparty	***Notional Amount***	***Fixed Rate Paid***	***Fixed Rate Received***
JP Morgan Chase Bank, N.A.	$200 million	$0	1.590% of notional value
Goldman Sachs MM Derivative Products	$100 million	$0	1.637% of notional value
Morgan Stanley Capital Services, Inc.	$100 million	$0	1.575% of notional value
	$400 million		

Credit Risk. Credit risk is the risk that a counterparty will not fulfill its obligations according to the swap agreement. The Commission mitigates credit risk associated with swap transactions by only entering into transactions with highly rated counterparties. Upon entering a derivative transaction, the Commission requires that counterparties have a minimum credit rating of AA-/Aa3 by at least one of the three nationally recognized rating agencies and not on rating/credit watch where a rating downgrade below AA-/Aa3 may be imminent. Additionally, the Commission diversifies exposure to counterparty credit risk through multiple awards. Although the original notional award amount for the CMS basis swap was $400 million, the actual award was split amongst three counterparties.

COUNTERPARTY CREDIT RATINGS AS OF 8/31/2010	
Counterparty	**Fitch/Moody's/Standard & Poor's**
J.P. Morgan Chase Bank, N.A.	AA-/Aa1/AA-
Goldman Sachs Mitsui Marine Derivative Products	NR*/Aa1/AAA
Morgan Stanley Capital Services Inc.	A/A2/A
*Not Rated	

CMS basis swap agreements contain provisions for collateral posting by counterparties in the event of a credit rating downgrade. Acceptable forms of collateral include cash in the form of U.S. dollars, negotiable debt obligations issued by the U.S. Treasury Department, and agency securities. Agency securities include negotiable debt obligations which are fully guaranteed as to both principal and interest by the Federal National Mortgage Association, the Government National Mortgage Association or the Federal Home Loan Mortgage Corporation, but excluding 1) interest only and principal only securities, and 2) Collateralized Mortgage Obligations, Real Estate Mortgage Investment Conduits and similar derivative securities. Collateral will be held by the Commission and/or its designated custodian.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the CMS basis swaps or cash flows of those swaps. The fair values and the cash flows of the CMS swaps are sensitive to interest rate risk. The interest rate risk on the cash flows was eliminated during the suspension period by establishing the fixed annuity for that period. The Commission mitigates interest rate risk by maintaining the unilateral option to terminate any or all of the swaps at any time should interest rates cause sustained negative cash flows or fair values that warrant termination of the swaps.

The Commission assesses interest rate risk by monitoring the changing relationship between SIFMA and 69.42% of the 10-year LIBOR swap index and quantifying potential risk.

ESTIMATED HISTORICAL WORST RISK AND AVERAGE ANNUAL BENEFIT		
Fiscal Year	**Historical Worst Risk (A)**	**Average Annual Benefit/ (Cost) (B)**
2011	$6,392,000	$6,392,000
2012	6,392,000	6,392,000
2013	1,649,900	5,577,500
2014	69,200	5,306,000
2015	69,200	5,306,000
2016-2020	346,000	26,530,000
2021-2025	346,000	26,530,000
2026-2027	74,967	5,748,167
Total	**$15,339,267**	**$87,781,667**

(A) The worst historical annual spread differential between SIFMA and 69.42% of the 10-year LIBOR swap rate from 1990 to 8/31/2010 is assumed to be 0.0173%.

(B) The historical average annual spread differential between SIFMA and 69.42% of the 10-year LIBOR swap rate from 1990 to 8/31/2010 is assumed to be 1.3265%.

NOTE 4 – SUMMARY OF LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the period ended August 31, 2010, the following changes occurred in liabilities (including premiums and discounts).

Debt	Balance 09/01/09	Additions	Amortization	Principal Payments	Balance 08/31/10	Amounts Due Within One Year
General Obligation Bonds	$6,132,055,000			$(34,730,000)	$6,097,325,000	$39,645,000
Premium (Discount)	156,990,287		(8,762,477)		148,227,810	8,682,901
Total Governmental Type Activities	$6,289,045,287		$(8,762,477)	$(34,730,000)	$6,245,552,810	$48,327,901

During the period ended August 31, 2009, the following changes occurred in liabilities (including premiums and discounts).

Debt	Balance 09/01/08	Additions	Amortization	Principal Payments	Balance 08/31/09	Amounts Due Within One Year
General Obligation Bonds	$4,955,850,000	$1,208,495,000		$(32,290,000)	$6,132,055,000	$34,730,000
Premium (Discount)	165,821,178		(8,830,891)		156,990,287	8,762,477
Total Governmental Type Activities	$5,121,671,178	$1,208,495,000	$(8,830,891)	$(32,290,000)	$6,289,045,287	$43,492,477

Debt Service Requirements

FISCAL YEAR	GENERAL OBLIGATION BONDS Yearly Service Requirements		TOTAL
	Principal	Interest	
2011	$39,645,000	$292,766,072	$332,411,072
2012	46,770,000	290,992,999	337,762,999
2013	53,190,000	288,871,077	342,061,077
2014	60,385,000	286,430,312	346,815,312
2015	67,925,000	283,735,762	351,660,762
2016-2020	471,295,000	1,364,532,633	1,835,827,633
2021-2025	756,950,000	1,228,315,958	1,985,265,958
2026-2030	1,151,795,000	1,009,602,259	2,161,397,259
2031-2035	1,661,675,000	686,401,437	2,348,076,437
2036-2039	1,787,695,000	240,761,819	2,028,456,819
Total Requirements	$6,097,325,000	$5,972,410,328	$12,069,735,328

The table above does not reflect the federal interest rate subsidy payment related to the Mobility Fund Build America Bonds Series 2009-A which will be used to offset debt service cost. The fixed interest rates for the Series 2005-A bonds vary from 3.900% to 5.000% depending on maturities. The Series 2005-B bonds have a variable interest rate. To date, the average interest rate on the Series 2005-B bonds has been approximately 2.821%. Fixed interest rates on the Series 2006 bonds vary from 3.625% to 5.000%. Fixed interest rates on the Series 2006-A bonds range from 4.0% to 5.0%. The Series 2006-B bonds have a variable interest rate. To date, the average interest rate on the Series 2006-B bonds has been approximately 1.362%. Fixed interest rates on the Series 2007 bonds range from 4.0% to 5.0%. Fixed interest rates on the Series 2008 bonds vary from 4.0% to 5.0%. Fixed interest rates on the Series 2009-A bonds range from 5.367% to 5.517%.

To calculate the interest debt service requirements for the Series 2005-B and Series 2006-B variable bonds, the interest rates in effect as of August 31, 2010 were used, which were 0.6% and 0.26% respectively.

General Obligation Bonds Payable

Transportation Code, Chapter 201, Subchapter M. Obligations for Certain Highway and Mobility Projects authorized the Commission to issue Texas Mobility Fund bonds. The Commission issued these bonds to pay, or reimburse the State Highway Fund or the Mobility Fund for, the costs of (i) constructing, reconstructing, acquiring, and expanding State highways and providing participation by the State in the payment of part of the costs of constructing and providing certain publicly owned toll roads and other public transportation projects and (ii) issuing the Bonds.

Long-term obligations proposed to be issued by the Commission may not be issued unless the Comptroller certifies that the amount of money dedicated to the Mobility Fund and required to be on deposit in the Mobility Fund, and the investment earnings on that money, during each year of the period during which the proposed obligations are scheduled to be outstanding will be equal to at least 110% of the debt service requirements during that year. The Commission, through an amendment to the Resolution, which can be amended without bondholder consent, has authorized up to $6,500,000,000 outstanding at any time. As of August 31, 2010, the Bond Review Board (BRB) has only approved $6,400,000,000 in bond issuances. The Commission has issued $6,255,100,000 in par value with an additional $61,109,369 of premium counting towards the BRB approved amount.

Series	Par Value	Date Issued
Series 2009-A General Obligation Bonds	$1,208,495,000	August 26, 2009
Series 2008 General Obligation Bonds	$1,100,000,000	February 28, 2008
Series 2007 General Obligation Bonds	$1,006,330,000	June 21, 2007
Series 2006-B General Obligation Bonds	$150,000,000	December 13, 2006
Series 2006-A General Obligation Bonds	$1,040,275,000	October 31, 2006
Series 2006 General Obligation Bonds	$750,000,000	June 8, 2006
Series 2005-B General Obligation Bonds	$100,000,000	June 8, 2005
Series 2005-A General Obligation Bonds	$900,000,000	June 8, 2005

The Commission is subject to various covenants imposed by the various bond resolutions. Management believes the Commission was in compliance with all significant covenants as of August 31, 2010.

Source of Revenue for Debt Service

Pursuant to the Enabling Act, the Commission must secure payment of Parity Debt with all or part of the revenues dedicated to and on deposit in the Mobility Fund, and may pledge the full faith and credit of the State to payments due on Parity Debt if revenues in the Mobility Fund are insufficient to make payments due on such obligations. With respect to Parity Debt, the Commission has pledged to the Owners as security for the payment of the Bonds and the previously issued Outstanding Parity Debt, a first lien in the "Security", which consists of: (i) all Pledged Revenues; (ii) all Transportation Assistance Bonds in the Portfolio Account and all amounts in the General Account and the Interest and Sinking Account; (iii) any additional account or subaccount within the Mobility Fund that is subsequently established and designated as being included within the "Security"; (iv) all of the proceeds of the foregoing, including, without limitation, investments thereof; (v) any applicable Credit Agreement to the extent set forth in such Credit Agreement; and (vi) any applicable guarantee of the State. Monies deposited to the Mobility Fund through August 31, 2005 include revenues from Court Fines and Driver License Point Surcharge Fees. On September 1, 2005, the initial revenue sources of the Mobility Fund were redirected to the State of Texas General Revenue Fund. In fiscal year 2006 the sources of revenue were the United We Stand License Plate Fees, Investment Income, and Motor Vehicle Inspection Fees. Driver Record Information Fees were added in fiscal year 2007, Driver License Fees in fiscal year 2008, and Certificate of Title Fees in fiscal year 2009.

Liquidity

With respect to the Series 2005-B bonds and the Series 2006-B bonds, liquidity facilities have been executed with DEPFA Bank PLC (for Series 2005-B), and State Street Bank and Trust along with California Public Employees' Retirement System (for Series 2006-B), to provide liquidity in the event such bonds are tendered for purchase and such bonds are not remarketed by the remarketing agent. The repayment obligations under the liquidity facilities are parity debt and payable from the same source of revenues as the outstanding parity obligations.

The Bonds and the Commission's payment obligations to the Liquidity Facility Issuers under the liquidity facilities are general obligations of the State, and as provided in the Enabling Act and the Resolution, the full faith and credit of the State is pledged for the payment of the Bonds and the Commission's payment obligations to the Liquidity Facility Issuers under the liquidity facilities in the event that the revenue and money dedicated to and on deposit in the Mobility Fund are insufficient.

Arbitrage Rebate

Arbitrage earnings, defined as earnings on tax-exempt bond proceeds in excess of the yield on the bonds, must be repaid to the federal government per Internal Revenue Code Section 148(f) (“IRC §148”). Pursuant to the Master Resolution, a Rebate Fund has been established within the Mobility Fund to which deposits will be made upon the determination by a verification agent that a rebate payment may be due pursuant to IRC §148.

Per IRC §148, the amount of rebate due the federal government is determined and payable during each five-year period and upon final payment of the tax-exempt bonds. IRC §148 also provides for certain rebate exceptions, including an exception if certain spend-out requirements of the bond proceeds are met. For Series 2005-A and Series 2005-B an initial determination was made that the bonds satisfy the requirements for rebate exception and no arbitrage rebate is due to the federal government. Analysis and determination of rebate payments due, if any, will be made on the remaining series of bonds as the computation dates occur for those bonds.

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 through the Build America Bonds (BABs) program. The Commission authorized use of the program and issued $1,208,495,000 of Direct Payment BABs Series 2009-A on August 26, 2009.

Redemption

Series 2009-A Make-Whole Redemption

The Bonds are subject to redemption prior to their respective maturities at the option of the Commission, in whole or in part, and if in part shall be selected on a pro rata basis within a maturity, on any Business Day, at the "Make-Whole Redemption Price". The Make-Whole Redemption Price is the greater of (i) 100% of the principal amount of the Bonds to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the "Treasury Rate" plus 25 basis points (0.25%), plus, in each case, accrued and unpaid interest on the Bonds to be redeemed to the redemption date.

Series 2009-A Extraordinary Optional Redemption

The Bonds are subject to redemption at any time prior to their maturity at the option of the Commission, in whole or in part, and if in part shall be selected on a pro rata basis within a maturity, upon the occurrence of an Extraordinary Event, at a redemption price (the "Extraordinary Optional Redemption Price") equal to the greater of (i) 100% of the principal amount of the Bonds to be redeemed; or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points (1.00%); plus, in each case, accrued interest on the Bonds to be redeemed to the redemption date.

Series 2008 Optional Redemption

The Bonds maturing on and after April 1, 2019 will be subject to redemption on April 1, 2018 or any day thereafter, in whole or in part, at the option of the Commission, in such manner as the Commission may select, at a redemption price of par plus accrued interest to the date fixed for redemption.

Series 2007 Optional Redemption

The Bonds maturing on and after April 1, 2018 will be subject to redemption on April 1, 2017 or any day thereafter, in whole or in part, at the option of the Commission, in such manner as the Commission may select, at a redemption price of par plus accrued interest to the date fixed for redemption.

Series 2006-B Optional Redemption

Daily Mode or Weekly Mode. Variable Rate Bonds in the Daily Mode or Weekly Mode will be subject to redemption at the option of the Commission in whole or in part, on any Business Day, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date.

Series 2006-A Optional Redemption

The Bonds maturing on and after April 1, 2018 will be subject to redemption on April 1, 2017, or any day thereafter, in whole or in part, at the option of the Commission, in such manner as the Commission may select, at a redemption price of par plus accrued interest to the date fixed for redemption.

Series 2006 Optional Redemption

The Bonds maturing on and after April 1, 2017 will be subject to redemption on April 1, 2016, or any day thereafter, in whole in part, at the option of the Commission, in such manner as the Commission may select, at a redemption price of par plus accrued interest to the date fixed for redemption.

Series 2005-B Optional Redemption

Daily Mode or Weekly Mode. Variable Rate Bonds in the Daily Mode or Weekly Mode will be subject to redemption at the option of the Commission in whole or in part, on any interest payment date, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date.

Redemption in Part

In the event of redemption of less than all the Variable Rate Bonds, the Variable Rate Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar by lot in such manner as the Paying Agent/Registrar, in its discretion, may determine; provided, however, that the Variable Rate Bonds to be redeemed will be in authorized denominations; and provided, further, that any Variable Rate Bonds which are Purchased Bonds will be redeemed prior to any other Variable Rate Bonds.

Redemption of Purchased Bonds

Purchased Bonds are subject to redemption, at the option of the Commission, in whole or in part, on any business day, at a redemption price equal to the principal amount of the Purchased Bonds to be redeemed plus accrued interest thereon to the redemption date. Purchased Bonds are also subject to mandatory redemption in accordance with the terms of the Liquidity Facility. If less than all of the Variable Rate Bonds are to be redeemed, the Commission is required to redeem all Purchased Bonds prior to the redemption of any other Variable Rate Bonds.

Series 2005-A Optional Redemption

The Fixed Rate Bonds maturing on and after April 1, 2016 will be subject to redemption on April 1, 2015 or any day thereafter, in whole or in part, at the option of the Commission, in such manner as the Commission may select, at a redemption price of par plus accrued interest to the date fixed for redemption.

NOTE 5 – DUE TO STATE HIGHWAY FUND

As of August 31, 2010, the Mobility Fund is reporting Due to State Highway Fund in the amount of $41,967,127. This represents accrued expenses which were payable to the State Highway Fund.

NOTE 6 – EMPLOYEES' RETIREMENT PLANS

The State has joint contributory retirement plans for virtually all its employees. The Department participates in the plans administered by the Employees Retirement System of Texas (“ERS”) by making monthly payments based on actuarial calculations. Future pension costs are the liabilities of the ERS. ERS does not account for each State agency separately. Annual financial reports prepared by the ERS include audited financial statements and actuarial assumptions and conclusions. The Mobility Fund does not have any employees. The Department provides all debt financing, accounting and administrative services. The Mobility Fund does not have any contributions to the plan.

NOTE 7 – CONTINUANCE SUBJECT TO REVIEW

The Department is currently subject to a continuance review. Under the Texas Sunset Act, the Department will be abolished effective September 1, 2011, unless continued in existence by the 82^{nd} Legislature as provided by the Act. If abolished, the Department may continue until September 1, 2012 to close out its operations. In the event that the Department is abolished pursuant to the Texas Sunset Act or other law, Section 325.017(f), Texas Government Code, 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 8 – RISK FINANCING & RELATED INSURANCE

The Mobility Fund is established in the Treasury Operations Division of the Comptroller’s Office (Treasury) and is managed by the Texas Department of Transportation (Department). The Mobility Fund does not have any employees or equipment. The Department provides all debt financing, accounting and administrative services. In addition, the Department’s risk financing and insurance programs apply to the Mobility Fund.

NOTE 9 – ADJUSTMENT TO NET ASSETS

During fiscal year 2010, the Governmental Accounting Standards Board implemented *GASB Statement No. 53*. One of the requirements of *GASB Statement No. 53* is to recognize investment derivative instruments on the Statement of Net Assets and changes in fair value of the investment derivative instruments on the Statement of Activities. This change in accounting principle required the restatement of the Mobility Fund’s fiscal year 2010 beginning net assets, by $6,751,753.

NOTE 10 – SUBSEQUENT EVENTS

On October 1, 2010, Moody’s downgraded the credit rating of Depfa Bank plc which provides the liquidity support for the Mobility Fund’s Series 2005-B bonds. Consequently, Moody’s also downgraded the enhanced short-term demand rating on the Series 2005-B bonds from VMIG 1 to VMIG 3. However, the long-term underlying rating on the Series 2005-B bonds remains Aaa.

Required Supplementary Information
Budgetary Comparison Schedule - Texas Mobility Fund
For the year ended August 31, 2010

	Budgetary Amounts Original	Budgetary Amounts Final	Actual Amounts Budgetary Basis	Final to Actual Variance
REVENUES				
Federal Revenue	$	$	$ 13,917,627	$ 13,917,627
Licenses, Fees and Permits	322,410,000	320,422,000	320,468,400	46,400
Interest and Investment Income	15,647,000	15,647,000	18,272,918	2,625,918
Total Revenues	338,057,000	336,069,000	352,658,945	16,589,945
EXPENDITURES				
Professional Fees & Services			255,257	(255,257)
Debt Service	343,750,492	343,750,492	296,027,305	47,723,187
Other Financing Fees			451,213	(451,213)
Total Expenditures	343,750,492	343,750,492	296,733,775	47,016,717
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,693,492)	(7,681,492)	55,925,170	63,606,662
OTHER FINANCING SOURCES (USES)				
Operating Transfers Out to the State Highway Fund	(375,643,335)	(375,643,335)	(221,966,297)	153,677,038
Available Beginning Balance	1,583,078,613	1,583,078,613	1,583,078,613	0
Total Other Financing Sources (Uses)	1,207,435,278	1,207,435,278	1,361,112,316	153,677,038
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	$ 1,201,741,786	$ 1,199,753,786	$ 1,417,037,486	$ 217,283,700

Note to Budgetary Comparison Schedule

The Budgetary Comparison Schedule presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of those differences is required and is presented below:

Reconciliation of Budgetary Basis to GAAP Basis
August 31, 2010

Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses - Actual Budgetary Basis	$ 1,417,037,486
Basis of Accounting Differences:	
Federal Receivable	9,709,973
Swap Receivable	532,667
Accounts Payable	(34,889)
Due to State Highway Fund	(41,967,127)
Revenue charged to prior appropriation year	(63,450)
Expenditures charged to prior appropriation year	(118,341)
Perspective Difference:	
Beginning Cash Balance Reported as Other Financing Sources	(1,583,078,613)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses - GAAP Basis	$ (197,982,294)

The major reconciling items between the Budgetary Comparison Schedule actual and the GAAP financial statements are due to the following:

Basis of Accounting Differences

Revenues and expenditures are reported on the cash basis of accounting and by appropriation year in the Budgetary Comparison Schedule but are reported on the modified accrual basis on the GAAP financial statements.

Perspective Difference

The beginning cash balance is included as other financing sources in the Budgetary Comparison Schedule. The beginning fund balance is not included as financing sources on the GAAP financial statements.

Supplementary Schedule (unaudited)
Summary of Project Expenditures Funded by the Texas Mobility Fund by County for Fiscal Year 2010

County	Preliminary Engineering	Construction	Construction Engineering	Right-of-Way	Total Expenditures
Anderson	$ 121,320	$ -	$ -	$ 243,599	$ 364,919
Angelina	134,111	-	-	41,899	176,010
Archer	534	-	-	-	534
Austin	67,429	-	-	-	67,429
Bastrop	-	-	-	33,976	33,976
Baylor	1,552	(5,861)	7,281	9,600	12,572
Bee	3,007	3,412,375	149,299	-	3,564,681
Bell	7,243,646	9,187,012	351,533	421,486	17,203,677
Bexar	1,040,920	12,652,258	1,144,079	681,308	15,518,565
Bowie	(89,371)	3,819,024	220,093	1,682	3,951,428
Brazoria	492,334	(5,070)	2,240	571,317	1,060,821
Brazos	27,248	2,877,371	130,766	1,078,195	4,113,580
Brooks	474,165	-	-	-	474,165
Burleson	-	-	-	170	170
Burnet	-	-	-	97,818	97,818
Caldwell	-	-	-	69,654	69,654
Cameron	3,030,440	3,195,418	141,654	196,635	6,564,147
Carson	-	-	-	114,097	114,097
Cass	466	8,496,644	319,717	471	8,817,298
Chambers	34,523	196,058	29,092	4,943	264,616
Cherokee	(108,300)	-	-	-	(108,300)
Collin	565,751	249,852	16,395	4,317,995	5,149,993
Comal	19,598	-	-	-	19,598
Concho	-	-	-	29,125	29,125
Cooke	24,425	-	-	53,678	78,103
Coryell	-	639,572	26,026	13,396	678,994
Dallam	-	-	-	424,151	424,151
Dallas	5,277,783	709,626	348,792	27,119,074	33,455,275
Denton	402,710	20,848,990	1,117,125	-	22,368,825
Duval	157	-	-	-	157
Eastland	-	-	-	1,053	1,053
Ector	2,236	-	-	-	2,236
El Paso	165,483	1,160,745	-	265,962	1,592,190
Ellis	245,357	540,195	79,208	-	864,760
Erath	124,279	-	-	(44,294)	79,985
Falls	793	234,130	5,367	198,170	438,460
Fort Bend	1,651,571	(660,373)	(210,271)	98,458	879,385
Galveston	1,103,363	561,216	24,463	-	1,689,042
Goliad	21,850	(205,480)	717	-	(182,913)
Grayson	-	-	-	44,380	44,380
Gregg	-	-	-	52,065	52,065
Grimes	47,138	-	-	-	47,138
Hardin	733	-	-	74,027	74,760
Harris	4,479,548	3,739,404	(357,758)	28,854,447	36,715,641
Harrison	-	(166)	-	52,957	52,791
Haskell	-	38,500	-	-	38,500
Hays	-	-	-	72	72
Henderson	22,760	5,556,167	250,522	181	5,829,630
Hidalgo	86,874	3,964,805	2,766	192,986	4,247,431
Hill	72,586	2,444,140	107,113	23,796	2,647,635
Hood	30,957	-	-	-	30,957
Houston	-	-	-	2,151	2,151
Hunt	5,625	(73,835)	3,945	318,084	253,819
Jefferson	149	-	-	-	149
Johnson	312,044	-	-	502,430	814,474
Kaufman	394,399	-	-	-	394,399

Supplementary Schedule (unaudited)
Summary of Project Expenditures Funded by the Texas Mobility Fund by County for Fiscal Year 2010 (Continued)

County	Preliminary Engineering	Construction	Construction Engineering	Right-of-Way	Total Expenditures
Kerr	-	-	13,978	-	13,978
Kimble	28,657	-	-	-	28,657
Kinney	14,592	-	-	-	14,592
Knox	-	180,000	-	-	180,000
Lampasas	735	-	-	300,936	301,671
Leon	35,370	-	-	-	35,370
Liberty	-	151,631	469,943	114,486	736,060
Limestone	-	-	-	39,492	39,492
Live Oak	32,125	-	-	109,864	141,989
Lubbock	229	748,530	26,594	-	775,353
Madison	102	-	-	249	351
Marion	-	7,414,675	279,017	2,902	7,696,594
Maverick	33,046	-	-	4,429,947	4,462,993
McCulloch	4,023	-	-	-	4,023
McLennan	11,356,914	18,530,863	503,764	835,533	31,227,074
Midland	811	-	-	-	811
Montgomery	2,605,935	642,570	220,162	70,734	3,539,401
Nacogdoches	8,260	-	-	20,082	28,342
Navarro	-	-	1,318	-	1,318
Nueces	6,481	5,435,396	-	-	5,441,877
Orange	196,752	2,146,803	166,734	123,412	2,633,701
Robertson	-	85,652	2,496	4,910	93,058
Rockwall	249,128	3,740,770	391,689	6,117	4,387,704
San Patricio	(401,069)	306,407	50,816	43,109	(737)
Shelby	65,496	-	-	-	65,496
Smith	762,474	1,195,282	42,970	2,133,447	4,134,173
Starr	37,074	-	-	-	37,074
Sterling	-	-	-	22,707	22,707
Tarrant	6,854,097	-	-	2,637,598	9,491,695
Taylor	-	108,530	18,373	-	126,903
Tom Green	5,213	-	-	-	5,213
Travis	381,539	3,420,052	687,862	545,748	5,035,201
Trinity	7,832	-	-	-	7,832
Tyler	7,431	-	-	32,739	40,170
Val Verde	60,483	-	-	-	60,483
Victoria	190,627	-	-	-	190,627
Walker	78,260	-	-	-	78,260
Waller	323,581	-	-	-	323,581
Webb	4,035	181,107	3,246	-	188,388
Wichita	-	598,681	42,231	-	640,912
Williamson	67,549	133,676	6,296	24,850	232,371
Wise	-	2,237	24,019	-	26,256
Wood	3,066	-	29,370	-	32,436
Zapata	25,258	-	-	-	25,258
Totals	$ 50,578,299	$ 128,595,579	$ 6,891,042	$ 77,660,056	$ 263,724,976

- Totals may vary from Operating Transfers Out due to rounding.
- Negative balances may reflect conversion of projects to State Highway Fund funding.
- Only counties with Texas Mobility Fund project expenditures are listed.
- A detailed listing by project is at http://www.txdot.gov/txdot_library/publications/finance/mobility_fund.htm

Supplementary Schedule (unaudited)
Texas Mobility Fund Dedicated Revenues
Fiscal Year 2010

Major Sources of Funds				***Miscellaneous Sources***			
Motor Vehicle Inspection Fees	Driver's License Fees	Driver Record Information Fees	Certificate of Title Fees	United We Stand License Fees	Motor Carrier Act Penalties	Depository Interest	***Total***
$88,892,805	$99,644,788	$55,955,771	$74,179,366	$5,044	$1,727,175	$18,272,918	$338,677,867

Note: The total above does not include the Build America Bonds federal interest rate subsidy and the investment revenue attributed to the change in fair value of the investment derivative instruments.

Texas Department of Transportation

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Produced by the Finance Division
Texas Department of Transportation
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