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, 2009

Texas Mobility Fund

FINANCIAL STATEMENTS

August 31, 2009

Prepared by:
Finance Division of the Texas Department of Transportation

Texas Mobility Fund

Financial Statements
August 31, 2009

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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 15, 2009

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 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, 2009 and for comparative purposes the year ended August 31, 2008. This report has been 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, 2009. 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, 2008 were audited by Clifton Gunderson LLP, an independent certified public accounting firm, whose report dated December 10, 2008 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 a safe, effective and efficient transportation system throughout the State. The Department is managed by the Executive Director and is governed by a five-member Commission. The Department is organized into 25 districts, 28 divisions and offices, 4 regional offices and currently has an annual budget of approximately $8.2 billion and a staff of approximately 13,000 which manage approximately $2.7 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 reduce congestion, improve air quality, enhance safety, expand economic opportunity and preserve the value of transportation assets.

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 2009, 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 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) safety; 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, Accounting Management Section, 125 E. 11th Street, Austin, Texas, 78701-2483.

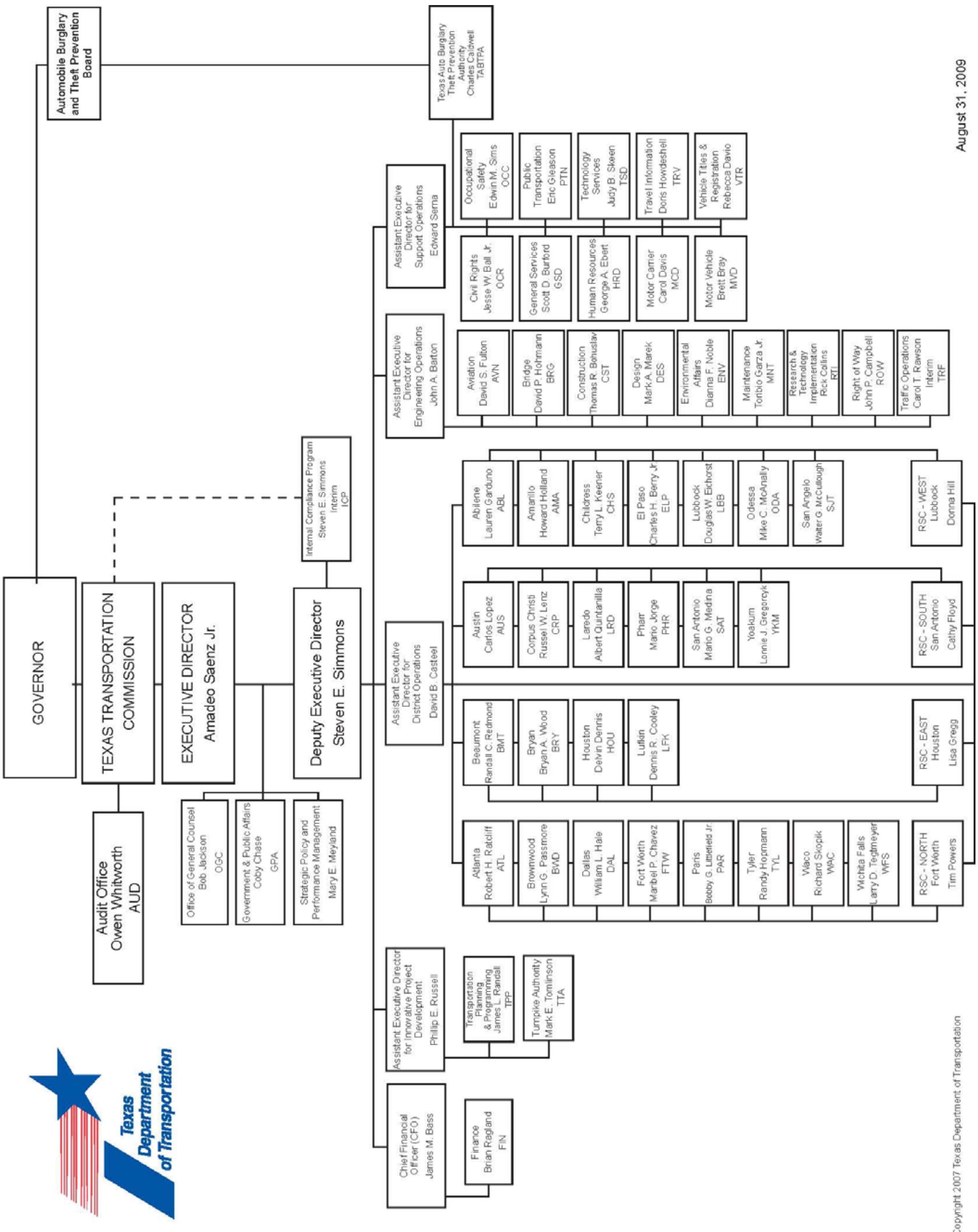
The Mobility Fund does not have any employees. Department employees and contractors perform the work of the Mobility Fund. The Department provides all debt financing, accounting and administrative services. The Mobility Fund does not provide financing for any of the risks the Department is subject to 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. Some of these 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 Duane Sullivan, Diana Smith, Silvia G. Morales, Glen Knipstein and the Finance Division for their professionalism and devotion in preparing this complex financial document.

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



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Maintenance Toribio Garza Jr. MNT
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Right of Way John P. Campbell ROW
Traffic Operations Carol T. Rawson Interim TRF
Assistant Executive Director for Support Operations Edward Serna
Civil Rights Jesse W. Ball Jr. OCR
General Services Scott D. Burford GSD
Human Resources George A. Ebert HRD
Motor Carrier Carol Davis MCD
Motor Vehicle Brett Bray MVD
Occupational Safety Edwin M. Sims OCC
Public Transportation Eric Gleason PTN
Technology Services Judy B. Skeen TSD
Travel Information Doris Howdeshell TRV
Vehicle Titles & Registration Rebecca Davio VTR
Texas Auto Burglary Theft Prevention Authority Charles Caldwell TABTPA
August 31, 2009
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Commission and Key Personnel
As of August 31, 2009

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NED S. HOLMES..Commissioner
Houston

TED HOUGHTON ....Commissioner
El Paso

WILLIAM MEADOWS ....Commissioner
Fort Worth

FRED UNDERWOOD ....Commissioner
Lubbock

TEXAS DEPARTMENT OF TRANSPORTATION

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STEVEN E. SIMMONS, P.E. .... Deputy Executive Director
DAVID CASTEEL, P.E. ....Assist. Exec. Dir. for District Operations
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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 governmental activities and special revenue fund as of and for the year ended August 31, 2009, which collectively comprise Texas Mobility Fund's (Fund) 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 opinions on these financial statements based on our audit. The financial statements of the Fund as of August 31, 2008, were audited by other auditors whose report dated December 10, 2008, expressed an unqualified opinion on those statements.

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 the Fund's 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, 2009, 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the aggregate remaining fund information of the Fund as of August 31, 2009, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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The Management's Discussion and Analysis, 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 opinions on the financial statements that collectively comprise the Fund's basic financial statements. The Summary of Project Expenditures Funded by the Texas Mobility Fund, Texas Mobility Fund Dedicated Revenues, and Introductory Section, 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 them.

In accordance with *Government Auditing Standards*, we will issue a report on our consideration of the Texas Department of Transportation'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 15, 2009

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, 2009 and 2008. 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, 2009, the Texas Bond Review Board has approved $6.4 billion in Mobility Fund bonds through one or more issuances.
- As of August 31, 2009, the Commission has issued $6.3 billion in bonds.
- As of August 31, 2009, the Mobility Fund has received $928,671,394 in dedicated revenue.
- The Department transferred $599,980,487 and $1,212,608,361 during fiscal years 2009 and 2008, respectively to the State Highway Fund to accelerate various transportation projects.
- On August 11, 2009, the State of Texas general obligation credit rating, which is the credit backing the Texas Mobility Fund bonds, was upgraded from AA to AA+ by Standard & Poor’s.
- The American Recovery and Reinvestment Act of 2009 authorized 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 Texas Transportation Commission (the “Commission”) authorized use of the program and issued $1,208,495,000 of BABs Series 2009-A bonds on August 26, 2009. Use of the program facilitated considerable savings reflected in the all-in true interest cost of 3.62%, as well as enhanced the leverage capacity of the program.
- During fiscal year 2008 certain accounting changes and adjustments were made which required the restatement of fund balances. Additional information on this restatement can be found in the Mobility Fund Financial Analysis section.

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.

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 cost of various activities; these costs are paid by the state'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.

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 being 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.

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 22-41 of this report.

Supplemental Information. The Summary of Project Expenditures Funded by the Texas Mobility Fund by County for Fiscal Year 2009 can be found on pages 42-43 of this report. The Texas Mobility Fund Dedicated Revenues schedule can be found on page 44 of this report.

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 2009	FY 2008	FY 2007
Current Assets	$1,584,153,651	$956,369,615	$1,125,545,231
Deferred Charges	26,835,997	19,769,927	16,398,662
Total Assets	1,610,989,648	$976,139,542	$1,141,943,893
Long-term Liabilities	(6,245,552,810)	(5,089,381,178)	(3,969,456,546)
Other Liabilities	(166,217,358)	(200,503,968)	(378,226,484)
Total Liabilities	(6,411,770,168)	(5,289,885,146)	(4,347,683,030)
Net Assets (Deficit):			
Restricted for: Mobility Projects	(4,800,780,520)	(4,313,745,604)	(3,205,739,137)
Total Net Assets (Deficit)	$(4,800,780,520)	$(4,313,745,604)	$(3,205,739,137)

Condensed net assets highlights are as follows for the fiscal year ended August 31, 2009:

- The net liabilities of the Mobility Fund exceed its assets by $4,800,780,520 and 4,313,745,604 as of August 31, 2009 and 2008, respectively. The primary reason for this is that the Mobility Fund issued $1.2 billion, $1.1 billion, and $2.2 billion in debt in fiscal years 2009, 2008 and 2007, respectively and transferred out $599,980,487, $1,212,608,361, and $1,780,133,499 to the State Highway Fund in 2009, 2008 and 2007 respectively, to speed up the completion of various transportation projects.
- 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 tax subsidy that is due from the federal government.
- Bond issue costs are reported as deferred charges and are being amortized over the life of the bonds.

- 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.
- Even though this negative statement of net assets appears unfavorable, 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 thirty-year period from issuance.

CONDENSED CHANGES IN NET ASSETS

	FY 2009	FY 2008	FY 2007
Revenues			
Federal Revenue	$323,666		
Charges for Services			
Violations, Fines & Penalties	319,044,133	$267,915,922	$140,481,055
Interest and Investment Income			
Operating Grants and Contributions	15,087,643	35,460,407	36,700,487
Total Revenues	334,455,442	303,376,329	177,181,542
Expenses			
Professional Fees & Services	(273,859)	(415,079)	(913,497)
Interest on State Bonds	(228,952,359)	(205,902,012)	(137,301,879)
Amortization	8,117,595	8,185,132	5,439,100
Other Financing Fees	(372,702)	(619,086)	(627,919)
Other	(28,546)	(23,390)	(12,991)
Total Expenses	(221,509,871)	(198,774,435)	(133,417,186)
Excess of Revenues over Expenses	112,945,571	104,601,894	43,764,356
Transfer to State Highway Fund	(599,980,487)	(1,212,608,361)	(1,780,133,499)
Change in Net Assets (Deficit)	(487,034,916)	(1,108,006,467)	(1,736,369,143)
Total Net Assets (Deficit) – beginning	(4,313,745,604)	(3,205,739,137)	(1,469,369,994)
Total Net Assets (Deficit) – ending	$(4,800,780,520)	$(4,313,745,604)	$(3,205,739,137)

Condensed changes in net assets highlights are as follows for the fiscal year ended August 31, 2009:

- The $323,666 of federal revenue represents the fiscal year 2009 portion of the Build America Bonds interest rate subsidy.
- The Mobility Fund recognized fee revenue of about $319 million in fiscal year 2009 compared to $268 million in fiscal year 2008. The majority of the increase is attributable to the addition of Certificate of Title fees in fiscal year 2009.
- Interest expense continues to increase as more bonds are issued.
- Amortization consists of amortization of bond premium and discounts and bond issue costs.
- Transfers to State Highway Fund continue to decrease as the Mobility Fund reaches its $6.4 billion debt issuance maximum and few or no new mobility projects can be obligated with this funding source.

Mobility Fund Financial Analysis

The Mobility Fund's fund financial statements reflect a fund balance of $1,556,534,286 and $883,260,028 for the periods ended August 31, 2009 and 2008, respectively. This is in contrast to the entity-wide financial statements which reflect net deficits of $4,800,780,520 in 2009 and $4,313,745,604 in 2008. The primary reason for the difference is that the fund financial statements do not show long-term debt. The Mobility Fund has $6.246 billion in long-term debt as of August 31, 2009 and $5.089 billion in long term debt as of August 31, 2008 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.

The fiscal year 2008 fund balance was restated due to adjustments of assets and liabilities for bond premium, discount, and bond issue costs which were not capitalized or amortized in prior periods.

Debt Administration

Long-term debt. As of August 31, 2009, the Mobility Fund had total long-term debt outstanding of $6,245,552,810. Total bonds payable of $6,289,045,287, as detailed in the table below, includes $43,492,477 of amounts due within one year.

Bonds Payable	2009	2008	2007
Series 2005-A Fixed Rate Interest Bonds	$867,988,190	$885,579,434	$902,475,876
Series 2005-B Variable Rate Interest Bonds	88,385,000	91,275,000	94,075,000
Series 2006 Fixed Rate Interest Bonds	724,943,234	738,984,195	752,461,652
Series 2006-A Fixed Rate Interest Bonds	1,070,581,392	1,072,612,028	1,074,268,261
Series 2006-B Variable Rate Interest Bonds	150,000,000	150,000,000	150,000,000
Series 2007 Fixed Rate Interest Bonds	1,023,925,490	1,025,053,014	1,027,075,757
Series 2008 Fixed Rate Interest Bonds	1,154,726,981	1,158,167,507	
Series 2009-A Fixed Rate Interest Bonds	1,208,495,000		
Total Bonds Payable	$6,289,045,287	$5,121,671,178	$4,000,356,546

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, the Series 2008 bonds with a premium of $61,109,369 and the Series 2007 bonds with a premium of $21,624,500. 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 5 on pages 27-39.

Bond Credit Ratings

	Fitch	Moody's	Standard & Poor's
Series 2009- A	AA+	Aa1	AA+
Series 2008	AA+	Aa1	AA+
Series 2007	AA+	Aa1	AA+
Series 2006-A	AA+*	Aa1*	AA+*
Series 2006-B	AA+/F1+	Aa1/VMIG1	n/a
Series 2006	AA+	Aa1	AA+
Series 2005-A	AA+	Aa1	AA+
Series 2005-B	AA+/F1+	Aa1/VMIG1	AA+/A-2
* 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, or either of them, 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, 2009 and 2008

	Special Revenue Fund	Adjustments	Statement of Net Assets 8/31/2009
ASSETS			
Current Assets:			
Cash and Cash Equivalents in State Treasury (Note 4)	$ 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	0	1,584,153,651
Noncurrent Assets:			
Deferred Charges		26,835,997	26,835,997
Total Noncurrent Assets		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 (Note 6)	27,070,849		27,070,849
General Obligation Bonds Payable (Note 5)		34,730,000	34,730,000
Premium/Discount (Note 5)		8,762,477	8,762,477
Total Current Liabilities	27,619,365	138,597,993	166,217,358
Noncurrent Liabilities:			
General Obligation Bonds Payable (Note 5)		6,097,325,000	6,097,325,000
Premium/Discount (Note 5)		148,227,810	148,227,810
Total Noncurrent Liabilities		6,245,552,810	6,245,552,810
TOTAL LIABILITIES	27,619,365	6,384,150,803	6,411,770,168
FUND BALANCES/NET ASSETS			
Unreserved:	1,556,534,286	(1,556,534,286)	
TOTAL FUND BALANCES	1,556,534,286	(1,556,534,286)	
TOTAL LIABILITIES AND FUND BALANCES	$ 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)

	Special Revenue Fund	Adjustments	Statement of Net Assets 8/31/2008
ASSETS			
Current Assets:			
Cash and Cash Equivalents in State Treasury	$ 955,909,300	$	$ 955,909,300
Accrued Swap Payment Receivable	460,315		460,315
Total Current Assets	956,369,615	0	956,369,615
Noncurrent Assets:			
Deferred Charges		19,769,927	19,769,927
Total Noncurrent Assets	0	19,769,927	19,769,927
TOTAL ASSETS	956,369,615	19,769,927	976,139,542
LIABILITIES			
Current Liabilities:			
Accounts Payable	18,565		18,565
Interest Payable		95,104,381	95,104,381
Due to State Highway Fund	73,091,022		73,091,022
General Obligation Bonds Payable		32,290,000	32,290,000
Total Current Liabilities	73,109,587	127,394,381	200,503,968
Noncurrent Liabilities:			
General Obligation Bonds Payable		4,923,560,000	4,923,560,000
Premium/Discount		165,821,178	165,821,178
Total Noncurrent Liabilities	0	5,089,381,178	5,089,381,178
TOTAL LIABILITIES	73,109,587	5,216,775,559	5,289,885,146
FUND BALANCES/NET ASSETS			
Unreserved:	883,260,028	(883,260,028)	
TOTAL FUND BALANCES, as Restated	883,260,028	(883,260,028)	
TOTAL LIABILITIES AND FUND BALANCES	$ 956,369,615		
Net Assets (Deficit):			
Restricted for Mobility Projects		(4,313,745,604)	(4,313,745,604)
Total Net Assets (Deficit)		$ (5,197,005,632)	$ (4,313,745,604)

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 years ended August 31, 2009 and August 31, 2008

	Special Revenue Fund	Adjustments	Statement of Activities
REVENUES			
Federal Revenue	$	$ 323,666	$ 323,666
Charges for Services -			
Violations, Fines & Penalties	319,044,133		319,044,133
Interest and Investment Income			
Operating Grants and Contributions	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 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/Expenses	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 Transfer 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 (Deficit)	673,274,258	(1,160,309,174)	(487,034,916)
Fund Balance/Net Assets (Deficit):			
FUND BALANCES/NET ASSETS (DEFICIT), August 31, 2008	883,260,028	(5,197,005,632)	(4,313,745,604)
FUND BALANCES/NET ASSETS (DEFICIT), August 31, 2009	$ 1,556,534,286	$ (6,357,314,806)	$ (4,800,780,520)

	Special Revenue Fund	Adjustments	Statement of Activities
REVENUES			
Charges for Services -	$	$	$
Violations, Fines & Penalties	267,915,922		267,915,922
Interest and Investment Income			
Operating Grants and Contributions	35,460,407		35,460,407
Total Revenues	303,376,329	0	303,376,329
EXPENDITURES/EXPENSES			
Professional Fees & Services	415,079		415,079
Debt Service:			
Principal	30,900,000	(30,900,000)	0
Interest	173,437,824	32,464,188	205,902,012
Amortization of Premium/Discount		(8,894,737)	(8,894,737)
Bond Issue Costs	4,080,868	(4,080,868)	0
Amortization Bond Issue Costs		709,605	709,605
Other Financing Fees	619,086		619,086
Other Expenditures/Expenses	23,390		23,390
Total Expenditures/Expenses	209,476,247	(10,701,812)	198,774,435
Excess of Revenues over Expenditures/Expenses	93,900,082	10,701,812	104,601,894
OTHER FINANCING SOURCES (USES):			
Bond and Note Proceeds	1,100,000,000	(1,100,000,000)	0
Premium on Bonds Issued	61,109,369	(61,109,369)	0
Operating Transfer Out to the State Highway Fund	(1,212,608,361)		(1,212,608,361)
TOTAL OTHER FINANCING SOURCES (USES):	(51,498,992)	(1,161,109,369)	(1,212,608,361)
Change in Fund Balance/Net Assets (Deficit)	42,401,090	(1,150,407,557)	(1,108,006,467)
Fund Balance/Net Assets (Deficit):			
FUND BALANCES/NET ASSETS (DEFICIT), August 31, 2007	840,858,938	(4,046,598,075)	(3,205,739,137)
FUND BALANCES/NET ASSETS (DEFICIT), August 31, 2008	$ 883,260,028	$ (5,197,005,632)	$ (4,313,745,604)

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

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 a safe, effective and efficient transportation system throughout the State. 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 twenty-two functional divisions, six offices, four regional offices, and twenty-five 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 revenues 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. 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, 2009. 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 for 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. Note 3 provides further details for the adjustments from the governmental fund presentation to the entity-wide presentation.

D. Assets and Liabilities

(1) Cash and Cash Equivalents

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 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 2009.

(3) Accrued Swap Payment Receivable

Accrued Swap Payment Receivable represents the August 2009 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. Unamortized deferred charges equaled $26,835,997 and $19,769,927 as of August 31, 2009 and August 31, 2008, respectively. Deferred charges are amortized using the straight-line method over the life of the bonds.

(5) Accounts Payable

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

(6) Interest Payable

Interest Payable represents the amount of interest expense accrued for fiscal year 2009.

(7) 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, 2009.

(8) General Obligation Bonds Payable

Bonds Payable is reported at par value plus the unamortized premium and discount. Premiums and discounts are amortized over the life of the bonds using the bonds outstanding method of amortization. Payables are reported separately as either current or non-current in the statement of net assets.

E. Fund Balance

(1) Unreserved

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 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.

F. Revenues and Transfers

(1) Federal Revenue

As stated in the Financial Highlights section of the Management's Discussion and Analysis, 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 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 - Violations, Fines and Penalties

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 were phased into the Mobility Fund annually. In 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. In fiscal year 2008 the major sources of revenue were Driver License Fees, Motor Vehicle Inspection Fees and Driver Record Information Fees. A list of fiscal year 2009 dedicated revenues can be found as supplementary information on page 44 of this report.

(3) Interest and Investment Income

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

(4) Operating Transfers Out to the State Highway Fund

Operating transfers out 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 – ADJUSTMENT OF GOVERNMENTAL TO ENTITY-WIDE BASIS

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

	2009	2008
Total Fund Balance, Governmental Fund	$1,556,534,286	$883,260,028
Deferred Charges	26,835,997	19,769,927
Interest Payable	(95,429,182)	(95,104,381)
Deferred Revenue	323,666	
General Obligation Bonds Payable	(6,132,055,000)	(4,955,850,000)
Premium/Discount	(156,990,287)	(165,821,178)
Total Net Assets(Deficit) – Governmental Activities	$(4,800,780,520)	$(4,313,745,604)

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

	2009	2008
Net Change in Fund Balances – Total Governmental Fund	$673,274,258	$42,401,090
Federal Revenue	323,666	
Debt Service Principal	32,290,000	30,900,000
Debt Service Interest	(324,801)	(32,464,188)
Amortization of Bond Premium/Discount	8,830,891	8,894,737
Bond Issue Costs	7,779,366	4,080,868
Amortization of Bond Issue Costs	(713,296)	(709,605)
Bond and Note Proceeds	(1,208,495,000)	(1,100,000,000)
Premium/Discount on Bonds Issued		(61,109,369)
Change in Net Assets (Deficit) of Governmental Activities	$(487,034,916)	$(1,108,006,467)

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 4 – DEPOSITS AND INVESTMENTS

The carrying amount of deposits for the Mobility Fund was $1,583,078,613 as of August 31, 2009 and $955,909,300 as of August 31, 2008, 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 Fund. All of the 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. The legislation provides that the basic deposit insurance limit will return to $100,000 after December 31, 2009.

Deposits that exceed the $100,000 of insurance guaranteed by the Federal Deposit Insurance Corporation (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, 2009, 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.

NOTE 5 - SUMMARY OF LONG TERM LIABILITIES

Changes in Long-Term Liabilities

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

Debt	Balance 08/31/08	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

During the period ended August 31, 2008, the following changes occurred in liabilities (including premiums and discounts).

Debt	Balance 08/31/07	Additions	Amortization	Principal Payments	Balance 08/31/08	Amounts Due Within One Year (Principal)
General Obligation Bonds	$3,886,750,000	1,100,000,000	$ -	(30,900,000)	$4,955,850,000	$32,290,000
Premium (Discount)	$113,606,546	61,109,369	(8,894,737)	-	$165,821,178	-
Total Governmental Type Activities	$4,000,356,546	1,161,109,369	(8,894,737)	(30,900,000)	$5,121,671,178	$32,290,000

Debt Service Requirements

FISCAL YEAR	GENERAL OBLIGATION BONDS Yearly Service Requirements		TOTAL
	Principal	Interest	
2010	$34,730,000	$ 269,361,649	$304,091,649
2011	39,645,000	294,574,534	334,219,534
2012	46,770,000	292,734,240	339,504,240
2013	53,190,000	290,542,898	343,732,898
2014	60,385,000	288,030,413	348,415,413
2015-2019	425,535,000	1,390,785,001	1,816,320,001
2020-2024	690,835,000	1,266,357,004	1,957,192,004
2025-2029	1,064,340,000	1,062,905,889	2,127,245,889
2030-2034	1,549,145,000	760,896,556	2,310,041,556
2035-2039	2,167,480,000	346,063,326	2,513,543,326
Total Requirements	$6,132,055,000	$6,262,251,510	$12,394,306,510

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 3.256%. Fixed interest rates on the Series 2006 bonds vary from 3.625% to 5.000%. Fixed interest rates on the Series 2006-A bonds vary 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 1.881%. Fixed interest rates on the Series 2007 bonds vary 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%.

In early fiscal year 2009, adverse events in the financial markets led to a period where volatile and higher than historic interest rates were borne by the variable rate bonds. Additionally, the credit rating of a standby bond purchase provider was downgraded, which resulted in sustained higher than comparable market rates on the Texas Mobility Fund Series 2005-B variable rate bonds, as well as tenders and failed remarketings of a portion of those bonds outstanding. Currently all bonds are being successfully remarketed.

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 fund and required to be on deposit in the 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 $6.5 billion outstanding at any time. However, as of August 31, 2009, the Bond Review Board has only approved $6.4 billion in bond issuances.

Series	Par Value	Date Issued
Series 2009A 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-A General Obligation Bonds	$900,000,000	June 8, 2005
Series 2005-B General Obligation Bonds	$100,000,000	June 8, 2005

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 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 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 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 Fund were redirected to the State of Texas General Revenue Fund. New sources of revenue for the Fund were phased into the 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.

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.

General Obligation Bonds – Principal*								
MATURITY	SERIES 2009-A	SERIES 2008	SERIES 2007	SERIES 2006-A	SERIES 2006-B	SERIES 2006	SERIES 2005-A	SERIES 2005-B
April 1, 2006	$	$	$	$	$	$	$21,270,000	$3,215,000
April 1, 2007				195,000		18,350,000	14,115,000	2,710,000
April 1, 2008			1,145,000	0		12,275,000	14,680,000	2,800,000
April 1, 2009		500,000	250,000	375,000		12,860,000	15,415,000	2,890,000
April 1, 2010		500,000	250,000	1,325,000		13,485,000	16,185,000	2,985,000
April 1, 2011		2,925,000	250,000	2,275,000		14,115,000	16,995,000	3,085,000
April 1, 2012		7,490,000	250,000	3,215,000		14,785,000	17,845,000	3,185,000
April 1, 2013		11,245,000	250,000	4,185,000		15,485,000	18,735,000	3,290,000
April 1, 2014		13,625,000	2,350,000	5,115,000		16,225,000	19,670,000	3,400,000
April 1, 2015		15,645,000	5,130,000	6,045,000		16,940,000	20,655,000	3,510,000
April 1, 2016		17,765,000	8,125,000	6,955,000		17,770,000	21,690,000	3,625,000
April 1, 2017		19,465,000	10,890,000	8,895,000		18,630,000	22,775,000	3,745,000
April 1, 2018		21,935,000	12,420,000	12,490,000		19,560,000	23,660,000	3,870,000
April 1, 2019		23,860,000	14,035,000	16,305,000		20,540,000	24,605,000	4,000,000
April 1, 2020	420,000	25,905,000	15,735,000	20,340,000		21,565,000	25,590,000	4,130,000
April 1, 2021	730,000	28,045,000	17,540,000	24,655,000		22,645,000	26,640,000	4,265,000
April 1, 2022	2,095,000	30,310,000	19,450,000	29,195,000		23,775,000	27,975,000	4,405,000
April 1, 2023	3,555,000	32,695,000	21,470,000	34,015,000		24,965,000	29,370,000	4,550,000
April 1, 2024	4,470,000	35,880,000	23,595,000	39,105,000		26,215,000	30,840,000	4,700,000
April 1, 2025	6,100,000	38,565,000	25,840,000	44,530,000		27,525,000	32,385,000	4,855,000
April 1, 2026	7,865,000	41,395,000	28,165,000	50,240,000		28,805,000	34,000,000	5,015,000
April 1, 2027	9,755,000	44,375,000	30,605,000	56,035,000		30,245,000	35,700,000	5,180,000
April 1, 2028	11,780,000	47,515,000	33,170,000	62,405,000		31,755,000	37,490,000	5,350,000
April 1, 2029	13,230,000	51,500,000	35,865,000	68,865,000		33,345,000	39,360,000	5,530,000
April 1, 2030	15,490,000	55,015,000	38,725,000	75,975,000		35,010,000	41,330,000	5,710,000
April 1, 2031	17,895,000	58,715,000	41,625,000	83,055,000		36,760,000	49,295,000	
April 1, 2032	20,475,000	62,310,000	44,720,000	90,900,000		38,600,000	51,635,000	
April 1, 2033	23,175,000	66,090,000	47,895,000	99,285,000		40,530,000	54,090,000	
April 1, 2034	26,055,000	70,205,000	51,270,000	108,100,000		42,555,000	56,655,000	
April 1, 2035	28,435,000	75,210,000	66,015,000	86,200,000	19,890,000	44,685,000	59,350,000	
April 1, 2036	31,690,000	79,795,000	135,590,000		130,110,000	30,000,000		
April 1, 2037	36,825,000	121,520,000	273,710,000					
April 1, 2038	461,525,000							
April 1, 2039	486,930,000							
TOTAL	$1,208,495,000	$1,100,000,000	$1,006,330,000	$1,040,275,000	$150,000,000	$750,000,000	$900,000,000	$100,000,000
*Maturity dates and amounts for bonds subject to mandatory redemption prior to maturity are based on mandatory redemption schedules.								

The Bonds and the Commission's payment obligations to the Liquidity Facility Issuer under the Liquidity Facility 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 Issuer under the Liquidity Facility in the event that the revenue and money dedicated to and on deposit in the Mobility Fund are insufficient.

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, 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 2009-A Mandatory Redemption

The Bonds maturing on April 1 in the years 2029 and 2039 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in the aggregate principal amounts and on the dates set forth in the following table, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to, but not including, the redemption date, as follows. If less than all of the Term Bonds are called for redemption, the Paying Agent/Registrar will select on a pro rata basis the Term Bonds to be redeemed (provided that a portion of the Term Bonds may be redeemed only in an integral multiple of $5,000); provided that, for so long as the only Owner of the Term Bonds is The Depository Trust Company, New York, New York ("DTC"), the selection of the Term Bonds to be redeemed will be made by DTC and shall be selected on a pro rata basis in accordance with the arrangements between the Commission and DTC.

Term Bonds Maturing April 1, 2029		**Term Bonds Maturing April 1, 2039**	
Redemption Date (April 1)	**Principal Amount**	**Redemption Date (April 1)**	**Principal Amount**
2020	$420,000	2030	$15,490,000
2021	$730,000	2031	$17,895,000
2022	$2,095,000	2032	$20,475,000
2023	$3,555,000	2033	$23,175,000
2024	$4,470,000	2034	$26,055,000
2025	$6,100,000	2035	$28,435,000
2026	$7,865,000	2036	$31,690,000
2027	$9,755,000	2037	$36,825,000
2028	$11,780,000	2038	$461,525,000
2029*	$13,230,000	2039*	$486,930,000

* Stated maturity

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 2008 Mandatory Redemption

The Bonds maturing on April 1 in the years 2032 and 2037 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in the aggregate principal amounts and on the dates set forth in the following table, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to, but not including, the redemption date, as follows.

Term Bonds Maturing April 1, 2032		**Term Bonds Maturing April 1, 2037**	
Redemption Date (April 1)	**Principal Amount**	**Redemption Date (April 1)**	**Principal Amount**
2031	$58,715,000	2033	$66,090,000
2032*	$62,310,000	2034	$70,205,000
		2035	$75,210,000
		2036	$79,795,000
		2037*	$121,520,000

* Stated maturity

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 2007 Mandatory Redemption

The Bonds maturing on April 1 in the years 2033 and 2037 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in the aggregate principal amounts and on the dates set forth in the following table, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to, but not including, the redemption date, as follows.

Term Bonds Maturing April 1, 2033		**Term Bonds Maturing April 1, 2037**	
Redemption Date (April 1)	**Principal Amount**	**Redemption Date (April 1)**	**Principal Amount**
2030	$38,725,000	2034	$26,270,000
2031	$41,625,000	2035	$66,015,000
2032	$44,720,000	2036	$135,590,000
2033*	$47,895,000	2037*	$273,710,000

* Stated maturity

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-B Mandatory Redemption

The Bonds maturing on April 1 in the years 2035 and 2036 shall be subject to redemption in part by lot, at a redemption prince equal to the principal amounts being redeemed, plus interest accrued to the Redemption Date, from amortization installments therefore at the time and in the amounts specified below:

Redemption Date (April 1)	**Principal Amount**
2035	$19,890,000
2036*	$130,110,000

* Stated Maturity

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-A Mandatory Redemption

The Bonds maturing on April 1 in the years 2033 and 2035 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in the aggregate principal amounts and on the dates set forth in the following table, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to, but not including, the redemption dates, as follows:

Term Bonds Maturing April 1, 2033		**Term Bonds Maturing April 1, 2035**	
Redemption Date (April 1)	**Principal Amount**	**Redemption Date (April 1)**	**Principal Amount**
2031	$83,055,000	2034	$108,100,000
2032	$90,900,000	2035*	$86,200,000
2033*	$99,285,000		

* Stated maturity

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 2006 Mandatory Redemption

The Bonds maturing on April 1, 2035 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in the aggregate principal amounts and on the dates set forth in the following table, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to, but not including, the redemption dates, set forth below:

Term Bonds Maturing
April 1, 2035

Redemption Date (April 1)	Principal Amount
2032	$38,600,000
2033	40,530,000
2034	42,555,000
2035*	44,685,000
TOTAL	$166,370,000

* Stated maturity

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.

Series 2005-A Mandatory Redemption

The Fixed Rate Bonds maturing on April 1, 2035 (the "Term Bond") are subject to mandatory sinking fund redemption prior to maturity in the aggregate principal amounts and on the dates set forth in the following tables, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to, but not including, the redemption date, as follows:

Term Bonds Maturing
April 1, 2035

Redemption Date (April 1)	Principal Amount
2031	$49,295,000
2032	51,635,000
2033	54,090,000
2034	56,655,000
2035*	59,350,000
TOTAL	$271,025,000

* Stated maturity

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.

Series 2005-B Mandatory Redemption

The Variable Rate Bonds will be subject to mandatory redemption prior to maturity on April 1 of such years and in such principal amounts as set forth in the following schedule:

Date	Principal Amount	Date	Principal Amount
2006	$3,215,000	2019	4,000,000
2007	2,710,000	2020	4,130,000
2008	2,800,000	2021	4,265,000
2009	2,890,000	2022	4,405,000
2010	2,985,000	2023	4,550,000
2011	3,085,000	2024	4,700,000
2012	3,185,000	2025	4,855,000
2013	3,290,000	2026	5,015,000
2014	3,400,000	2027	5,180,000
2015	3,510,000	2028	5,350,000
2016	3,625,000	2029	5,530,000
2017	3,745,000	2030	5,710,000
2018	3,870,000	Total	$100,000,000

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.

DERIVATIVES

Pay-Variable, Receive-Variable Interest Rate Swaps

Objective of the Swaps

The Commission is currently 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. The CMS basis swaps exchange the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index for 69.42% of the 10 year London Interbank Offered Rate (LIBOR) Swap Index. The purpose of the CMS basis swaps is to achieve reduced overall borrowing costs through the assumption of yield curve risk (the difference between short-term and long-term rates) and tax risk (the spread between the SIFMA tax-exempt rate and the LIBOR taxable rate).

Significant Terms

The $400 million forward starting CMS basis swap was competitively bid on October 5, 2006 and agreements were executed with the following counterparties on October 6, 2006: JPMorgan Chase Bank, N.A., Goldman Sachs Mitsui Marine Derivative Products, L.P., and Morgan Stanley Capital Services Inc. The notional amount of the JPMorgan Chase CMS basis swap is $200 million and the notional amounts of the Goldman Sachs and Morgan Stanley CMS basis swaps are each $100 million. As of August 31, 2009 there was $1,070,581,392 (which includes $30,876,392 of unamortized premium) of Series 2006-A Bonds outstanding and the notional amount of the CMS basis swaps was $400 million. Effective September 1, 2007, the Commission pays to each swap counterparty an amount equal to the SIFMA Municipal Swap Index on the notional amount of the swap agreements. In return, each swap counterparty will pay the Commission an amount equal to 69.42 percent of the USD-ISDA-Swap Rate assuming a 10-year Designated Maturity (which is a reported market rate at which 10-year interest rate swaps for a one month U.S. dollar LIBOR rate are entered into from time to time) on the notional amounts of each swap agreement. Regularly scheduled amounts owed by the Commission and the swap counterparties are due under the basis swap agreements on a net basis on the first business day of each month following the effective date of the basis swap agreements, which commenced October 2007 and ends on September 1, 2027. Following certain events, such as a credit rating downgrade of a counterparty, collateral posts may be required according to the credit support annex. In addition, the Commission has the option to terminate any swap transaction, in whole or in part, at any time. In the event that the Commission elects to terminate one or more swap transactions, amounts due to and from the counterparty/counterparties will be calculated by an external calculation agent.

TERMS OF THE $400 MILLION CMS BASIS SWAP

Counterparty	*Notional Amount*	*Variable Rate Paid*	*Variable Rate Received*	*Fair Value as of 8/31/09*	*Credit Ratings F/M/S&P*
JPMorgan Chase	$200 million	SIFMA	69.42% of 10-yr LIBOR	$3,375,877	AA-/Aa1/AA-
Goldman Sachs	$100 million	SIFMA	69.42% of 10-yr LIBOR	1,687,938	NR/Aa1/AAA
Morgan Stanley	$100 million	SIFMA	69.42% of 10-yr LIBOR	1,687,938	A/A2/A
	$400 million			$6,751,753	

Fair Value

As of August 31, 2009, the fair market values of the CMS basis swaps with JPMorgan Chase, Goldman Sachs, and Morgan Stanley were $3,375,877, $1,687,938, and $1,687,938, respectively for a total market value of $6,751,753. The valuations are intended to serve as theoretical estimates of the market value of the swaps as of the date indicated.

Due to turbulence in the financial markets and the resulting volatility in short term interest rates, the mark-to-market value of the swaps has moved fairly dramatically in a short period of time. The same has been true for the exchange of payments on the swaps; however the duration of the rate volatility was short and short term rates have stabilized to more what historic experience has been. Additionally, a credit rating downgrade was experienced by one of the swap counterparties, which rendered that firm ineligible to participate in future derivative transactions with the Commission until their ratings are upgraded.

Risks Involved

a. 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. 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.

b. Interest Rate Risk: Yield curve risk, a form of interest rate risk, exists when short-term and long-term interest rates change causing a change in the shape of the yield curve. Yield curve risk has been assumed in the swap transactions, with the anticipated benefit dependent upon the yield curve's return to a slope more closely related to historical norms. Long-term exposure to yield curve risk is mitigated through the Commission's unilateral ability to terminate the swaps at any time should the yield curve not return to normal as projected.

c. Basis Risk: Basis risk is the risk that occurs when derivative transactions incorporate variable interest rates based on different indexes, such as taxable versus tax-exempt indexes. Tax risk, a form of basis risk, is the risk that tax law changes would cause the SIFMA tax-exempt index to rise higher than the established percentage of the LIBOR taxable index. This change could cause the Commission's net cash outflows to be greater than the net cash inflows, thus reducing the cumulative interest rate savings intended by the swap transaction. To mitigate tax risk, the Commission executed swap agreements where the percentage of LIBOR closely matches historical trading relationships creating a net inflow of payments to the Commission, thus reducing interest cost. The Commission also mitigated tax risk by limiting the portion of the total portfolio that can be exposed to tax risk at a given time.

d. Termination Risk: Termination risk exists if

    i. The Commission opts to terminate the swap prior to maturity;

    ii. The credit rating assigned to the long-term, unenhanced senior lien Texas Mobility Fund Revenue Financing Program Obligations of the Commission is withdrawn, suspended or falls below Baa2/BBB or the Commission fails to have any rated long-term, unenhanced senior lien Texas Mobility Fund Revenue Financing Program Obligations and the Commission is unable or not required to post collateral;

iii. The credit rating assigned to the long-term, unsecured, unenhanced, unsubordinated debt of a counterparty is withdrawn, suspended or falls below Baa2/BBB or a counterparty fails to have any rated long-term, unsecured, unenhanced, unsubordinated debt and the counterparty is unable to post collateral; or

iv. If the Commission or counterparty fails to perform under the terms of the respective swap agreements.

The Commission mitigates termination risk by maintaining a strong financial standing for its financing programs thus making involuntary termination unlikely. The Commission targets maintenance of sufficient reserves to cover all or part of a termination payment due to a counterparty if the swap is terminated prior to maturity and the swap has a negative fair value. Risk of involuntary termination due to counterparty downgrade is mitigated by a collateral posting requirement, and the use of a diverse group of credit worthy counterparties. Risk of involuntary termination due to a downgrade of the State of Texas below Baa2/BBB is highly unlikely given the General Obligation pledge and Aa1/AA+/AA+ ratings supporting the obligations of the Mobility Fund. In addition, the Commission also has the sole option to terminate and cancel any swap transaction, at any time, in whole or in part.

e. Rollover Risk: Rollover risk is the risk that the duration of the swap transaction does not match the final maturity of the underlying debt issue. This presents risk because once the swap terminates, the Commission will no longer benefit from the anticipated reduced interest cost provided by the swap. The CMS basis swaps present rollover risk because the swaps will terminate on September 1, 2027 and the final maturity of the associated debt series is April 1, 2035. The Commission accepted rollover risk because extending the term of the swap agreements to match the maturity of the bonds would have continued counterparty credit risk for only a marginal projected benefit in reducing borrowing costs.

f. Market-access Risk: Market-access risk is the risk that an entity will not be able to enter credit markets or that credit will become more costly. The CMS basis swap does not present market-access risk because the transaction does not require access to the credit market.

Associated Debt

The CMS basis swaps are associated with the Commission's State of Texas General Obligation Mobility Fund Series 2006-A fixed-rate bonds. The debt service schedule for the bonds is shown in the table below. The effective date for the exchange of payments commencement on the CMS basis swaps was September 1, 2007. Projected cash flows according to assumptions are listed in the table below.

Debt Service Schedule

	State of Texas General Obligation Mobility Fund Series 2006-A Fixed-Rate Bonds		Constant Maturity Swaps	
FY	**PRINCIPAL**	**INTEREST**	**PAYMENTS***	**NET DEBT SERVICE**
2010	$1,325,000	$49,779,500	$(5,116,000)	$45,988,500
2011	2,275,000	49,726,500	(5,116,000)	46,885,500
2012	3,215,000	49,635,500	(5,116,000)	47,734,500
2013	4,185,000	49,506,900	(5,116,000)	48,575,900
2014	5,115,000	49,339,500	(5,116,000)	49,338,500
2015-2019	50,690,000	242,358,700	(25,580,000)	267,468,700
2020-2024	147,310,000	221,265,500	(25,580,000)	342,995,500
2025-2029	282,075,000	172,724,375	(15,774,333)	439,025,042
2030-2034	457,315,000	88,933,875		546,248,875
2035-2039	86,200,000	3,879,000		90,079,000
	$1,039,705,000	**$977,149,350**	**$(92,514,333)**	**$1,924,340,017**

*Swap payments projected using the historical average annual spread differential of 1.279%, between SIFMA and 69.42% of 10-Year USD-ISDA-Swap Rate (10 yr LIBOR) from 1985 to August 31, 2009.

NOTE 6 – DUE TO THE STATE HIGHWAY FUND

As of August 31, 2009, the Mobility Fund is reporting Due To the State Highway Fund in the amount of $27,070,849. This represents accrued expenses which were payable to the State Highway Fund.

NOTE 7- 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 8 – CONTINUANCE SUBJECT TO REVIEW

In 1977, the Legislature enacted the Texas Sunset Act (Chapter 325, Texas Government Code)(the "Sunset Act"), which provides that virtually all agencies of the State, including the Department, are subject to periodic review by the Legislature and that each agency subject to sunset review will be abolished unless the Legislature specifically determines to continue its existence. The Department was subject to such Sunset review in 2009 and was continued through September 1, 2011 (see below for information regarding the 81st Texas Legislature). Accordingly, the next scheduled review of the Department is during the Texas legislative session in 2011. If the Department is not continued in existence at that time, the Department will be abolished; provided, however, the Texas Sunset Act provides that the Department will remain in existence for an additional year (until September 1, 2012) for the sole purpose of concluding its business. Pursuant to the Sunset Act, the Legislature specifically recognizes the State's continuing obligation to pay bonded indebtedness and all other obligations incurred by the Department. Accordingly, in the event that a Sunset review were to result in the Department being abolished, the Governor would be required by law to designate an appropriate State agency that would continue to carry out all covenants contained in the Bonds (and in all other obligations) and the performance of all other obligations to complete the construction of projects or the performance of other obligations of the Department, including lease, contract and other written obligations. The designated State agency would provide payment from the sources of payment of the Bonds in accordance with the terms of the Bonds and would provide payment from the sources of payment of all other obligations in accordance with their terms, whether from taxes, revenues or otherwise, until the principal of and interest on the Bonds are paid in full and all other obligations, including lease, contract and other written obligations, are performed and paid in full. Moreover, debt service for all of the Commission's outstanding indebtedness relating to the Mobility Fund and the Program, including the Bonds, would be automatically appropriated pursuant to the Texas Constitution and the general obligation pledge securing the payment of principal of and interest on the Bonds would remain in full force and effect.

In connection with the 2009 Sunset review of the Department, the Sunset Advisory Commission (the "Sunset Commission") acknowledged that the State has a continuing need for the Department and recommended that the Department be continued in existence. Notwithstanding such recommendation, the Sunset Commission also recommended certain changes to the governance of the Department, including, but not limited to, a recommendation that the five-member Texas Transportation Commission be abolished and replaced with a single Commissioner of Transportation and that a Transportation Legislative Oversight Committee be created to monitor the Department's planning, programming and funding. In connection with its various recommendations, the Sunset Commission promulgated a detailed report which can be accessed at http://www.sunset.state.tx.us/81streports/txdot/txdot_fr.pdf. Other than certain legislation with respect to the Texas Department of Motor Vehicles, the Legislature did not act on the Sunset Commission's recommendations.

The Regular Session of the 81st Texas Legislature was convened on January 13, 2009 and ended on June 1, 2009 (the "2009 Regular Session"). Although various bills relating to the Department and the Commission were proposed, the existence of the Department was not continued by legislative act during the 2009 Regular Session. The Governor subsequently called a special session of the Legislature which convened on July 1, 2009 and adjourned on July 2, 2009. During the special session, the Legislature passed Senate Bill 2, which continues the existence of the Department through September 1, 2011. The Legislature also passed House Bill 1, which authorizes the Commission to issue $2 billion in transportation bonds that were approved by Texas voters in 2007.

NOTE 9 - 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 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 10 - SUBSEQUENT EVENTS

On December 3, 2009, the exchange of basis payments on the $200 million transaction with JPMorgan and the $100 million transaction with Morgan Stanley were suspended for a period of approximately three years. The exchange of basis payments on the $100 million transaction with Goldman Sachs was suspended for a period of approximately three years on December 8, 2009. The slope of the 10 year LIBOR Swap yield curve had steepened for the associated period of the suspension, allowing the negotiation of a fixed monthly cash flow annuity benefit for the period on all three transactions. 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. For the three year period this exchange of payments will cease and for this time frame the Commission will receive the fixed monthly annuity 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.

Supplementary Schedule (unaudited)
Summary of Project Expenditures Funded by the Texas Mobility Fund by County for Fiscal Year 2009

County	Preliminary Engineering	Construction	Construction Engineering	Right-of-Way	Total Expenditures
Anderson	$ 130,462	$ -	$ -	$ 396,895	$ 527,357
Angelina	10,097	-	-	202,378	212,475
Archer	22,639	-	-	960	23,599
Austin	169,507	-	-	-	169,507
Bastrop	-	82,418	464	327,465	410,347
Baylor	54,305	4,180,656	239,039	189,598	4,663,598
Bee	5,962	9,688,236	301,751	-	9,995,949
Bell	2,287,173	21,366,191	584,697	1,554,102	25,792,163
Bexar	(330,063)	39,022,936	1,714,386	1,525,819	41,933,078
Bowie	515,424	3,825,133	205,991	172,728	4,719,276
Brazoria	3,890	394,806	53,017	509,323	961,036
Brazos	11,699	2,572,213	173,237	534,180	3,291,329
Brooks	758,183	-	-	-	758,183
Burleson	-	-	37	346,972	347,009
Burnet	-	-	-	10,363	10,363
Caldwell	-	-	-	80,952	80,952
Calhoun	-	-	-	1,754	1,754
Cameron	387,161	8,347,462	374,001	527,143	9,635,767
Carson	-	-	-	1,204,292	1,204,292
Cass	82,426	10,021,147	344,697	1,446	10,449,716
Chambers	13,823	2,680,718	83,190	-	2,777,731
Cherokee	322,750	-	-	-	322,750
Collin	76,554	(35,152)	61,961	4,598,928	4,702,291
Colorado	219	-	-	-	219
Comal	92,890	(3,145)	(14)	-	89,731
Concho	-	-	-	740,405	740,405
Cooke	60,547	-	-	754,310	814,857
Coryell	-	5,989,753	159,259	15,911	6,164,923
Dallam	1,256	20,347	679	19,047	41,329
Dallas	5,433,420	20,308,503	950,716	73,381,835	100,074,474
Denton	238,801	47,595,522	1,727,189	27,026	49,588,538
Eastland	-	-	-	(823)	(823)
Ector	8,476	-	-	-	8,476
El Paso	1,128,981	(71,369)	(658)	1,518,189	2,575,143
Ellis	-	5,169,258	526,411	-	5,695,669
Erath	165,311	-	-	502,399	667,710
Falls	3,479	5,244,479	145,986	72,678	5,466,622
Fort Bend	12,490	2,492,290	201,535	82,664	2,788,979
Galveston	229,881	9,075,432	317,231	-	9,622,544
Goliad	2,807	8,557,457	352,044	-	8,912,308
Grayson	-	-	-	856,811	856,811
Gregg	606	-	-	196,870	197,476
Grimes	(14)	-	-	-	(14)
Hardin	13,848	-	-	74,759	88,607
Harris	2,155,513	10,718,298	1,283,525	35,586,572	49,743,908
Harrison	-	11,938	1,243	89,183	102,364
Hays	(87,890)	-	-	1,775	(86,115)
Henderson	32,819	9,128,579	306,779	172,495	9,640,672
Hidalgo	66,537	2,850,017	130,530	102,388	3,149,472
Hill	137,632	8,149,201	315,717	324,080	8,926,630
Houston	1,820	-	-	45,577	47,397
Hunt	49,860	5,257,547	145,102	2,651,674	8,104,183
Jasper	-	35,820	11,367	653	47,840
Jefferson	-	17,900	-	-	17,900
Johnson	526,609	-	-	1,388,750	1,915,359
Kaufman	153,576	-	-	-	153,576

Supplementary Schedule (unaudited)
Summary of Project Expenditures Funded by the Texas Mobility Fund by County for Fiscal Year 2009 (Continued)

County	Preliminary Engineering	Construction	Construction Engineering	Right-of-Way	Total Expenditures
Kerr	-	(167,945)	22,498	-	(145,447)
Kimble	12,061	-	-	-	12,061
Kinney	38,079	-	-	-	38,079
Knox	-	786,844	11,527	-	798,371
Lampasas	222	-	-	375,982	376,204
Lavaca	57	-	-	-	57
Liberty	2,821	1,488,420	62,540	(327,854)	1,225,927
Limestone	-	-	-	361,997	361,997
Live Oak	562,072	797,550	135,837	1,088,175	2,583,634
Lubbock	3,777	2,643,536	386,243	-	3,033,556
Marion	581	8,744,450	300,817	9,651	9,055,499
Matagorda	-	-	-	940	940
Maverick	15,924	-	-	399,753	415,677
McCulloch	11,566	-	-	-	11,566
McLennan	1,869,605	28,053,944	723,879	2,845,271	33,492,699
McMullen	(5,555)	-	-	-	(5,555)
Menard	42,211	-	-	15,111	57,322
Midland	5,247	-	-	-	5,247
Milam	6,675	-	-	-	6,675
Montgomery	390,667	30,026,056	1,542,127	1,857,967	33,816,817
Nacogdoches	11,291	-	-	316,610	327,901
Navarro	-	2,750,396	221,639	-	2,972,035
Nueces	198,648	(649,740)	(23,971)	2,243	(472,820)
Orange	6,099	3,624,007	114,295	181,931	3,926,332
Potter	-	-	-	332	332
Robertson	11,170	867,218	48,052	20,876	947,316
Rockwall	103,784	10,724,965	1,042,266	78,047	11,949,062
San Jacinto	-	-	-	230,095	230,095
San Patricio	-	3,382,261	131,315	848,187	4,361,763
Shelby	-	-	-	18,923	18,923
Smith	58,366	2,097,011	433,477	980,582	3,569,436
Starr	241,118	-	-	-	241,118
Sterling	2,970	-	-	391,930	394,900
Tarrant	3,887,261	169,377	2,074	1,837,788	5,896,500
Taylor	-	7,381,774	235,110	-	7,616,884
Tom Green	167,837	226,936	9,591	-	404,364
Travis	578,849	58,258,642	3,328,970	1,855,126	64,021,587
Tyler	77,881	-	-	17,241	95,122
Val Verde	120,526	-	-	-	120,526
Victoria	25,133	-	-	497,102	522,235
Walker	-	61,779	8,415	-	70,194
Waller	59,492	-	-	-	59,492
Webb	115,456	1,212,512	253,238	6,062	1,587,268
Wichita	-	5,665,230	172,853	-	5,838,083
Willacy	-	(164,279)	(10,516)	-	(174,795)
Williamson	280,707	468,184	8,177	85,428	842,496
Wise	4,087	181,882	175,361	15,477	376,807
Wood	6,467	(268,361)	29,158	-	(232,736)
Zapata	181,054	-	-	-	181,054
Totals	$ 24,045,672	$ 411,057,240	$ 20,076,081	$ 144,801,499	$ 599,980,492

- Totals may vary from Operating Transfers Out due to rounding.
- Negative balances 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 2009

Major Sources of Funds				*Miscellaneous Sources*			*Total*
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	
$83,432,592	$102,032,196	57,730,480	$73,712,156	$3,555	$2,133,154	$15,087,643	$334,131,776

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