**TEXAS TRANSPORTATION COMMISSION**

ALL Counties

ALL Districts

**MINUTE ORDER**



Article III, Section 49-k of the Texas Constitution created the Texas Mobility Fund (Mobility Fund) within the treasury of the State of Texas (state) to be administered by the Texas Transportation Commission (commission) as a revolving fund to: (i) 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, as determined by the commission in accordance with standards and procedures established by law; and (ii) provide participation by the state 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 the procedures, standards, and limitations established by law.

Transportation Code, Chapter 201 and other applicable law authorized the commission to issue obligations secured by and payable from a pledge of and lien on all or part of the moneys in the Mobility Fund in the name and on behalf of the state and the Texas Department of Transportation (department) in multiple series and issues from time to time for one or more of the following purposes: (i) to pay all or part of the costs of constructing, reconstructing, acquiring, and expanding state highways, including any necessary design and acquisition of rights of way, in the manner and locations determined by the commission that, according to conclusive findings of the commission, have an expected useful life, without material repair, of not less than 10 years; (ii) to provide participation by the state in the payment of part of the costs of constructing and providing publicly owned toll roads and other public transportation projects that are determined by the commission to be in the best interests of the state in its major goal of improving the mobility of the residents of the state; (iii) to create debt service reserve accounts; (iv) to pay interest on obligations for a period of not longer than two years; (v) to refund or cancel outstanding obligations; and (vi) to pay the commission's costs of issuance. The commission also authorized the execution of a master resolution (Resolution), an amendment to the Resolution and eleven supplemental resolutions (resolutions) to authorize bonds for the Mobility Fund revenue financing program. The resolutions pledge a variety of dedicated statutory fees and other revenues as security and sources of payment for the Mobility Fund bonds and additionally pledge the general revenue of the state. The resolutions also prescribe the terms, provisions and covenants related to the general obligation Mobility Fund bonds.

Under Section 5 (j) of the Resolution, the commission covenants to prepare, or cause to be prepared, no more than 120 days after the last day of each fiscal year, a financial report of the Mobility Fund. The financial report is required to be prepared in accordance with generally accepted accounting principles and certified by a certified public accountant. Audited financial statements, contained in the attached Exhibit A, have been prepared for the fiscal year ended August 31, 2015.

IT IS THEREFORE ORDERED by the commission that the audited financial statements of the Mobility Fund, attached as Exhibit A, are accepted.

Submitted and reviewed by:

Director, Finance Division

Recommended by:

Executive Director

114487 JAN 28 16

Minute Number | Date Passed

# Exhibit A

ANNUAL FINANCIAL REPORT

# Texas Mobility Fund

*A Governmental Fund of the Texas Department of Transportation*

(With Independent Auditor's Report)

Texas Department of Transportation

For the Fiscal Year Ended August 31, 2015

# Texas Mobility Fund

A Governmental Fund of the Texas Department of Transportation

## FINANCIAL STATEMENTS
## For the Fiscal Year Ended
## August 31, 2015

Prepared by:
Finance Division of the Texas Department of Transportation

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# Texas Mobility Fund
# FINANCIAL STATEMENTS
# For the Fiscal Year Ended
# August 31, 2015

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# Texas Mobility Fund
# INTRODUCTORY SECTION

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Texas Department of Transportation
125 EAST 11TH STREET | AUSTIN, TEXAS 78701-2483 | (512) 463-8588 | WWW.TXDOT.GOV

December 16, 2015

To: The Citizens of the State of Texas and the Creditors of the Texas Mobility Fund Bonds

The audited financial statements of the Texas Mobility Fund (Mobility Fund) for the year ended August 31, 2015, are submitted herewith. The Master Resolution, dated as of May 4, 2005, as amended and supplemented by the first through eleventh Supplemental Master Resolutions (Resolution) requires the preparation and submission of audited annual financial statements. This report was prepared by the Accounting section of the Finance division of the Texas Department of Transportation (TxDOT).

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 fairness of all of the information presented in the financial statements. To the best of my knowledge and belief, the financial statements are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the Mobility Fund and provide disclosures that enable the reader to understand the Mobility Fund's financial condition.

TxDOT's internal accounting controls provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposal and the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefit.

Crowe Horwath LLP performed an independent audit, in accordance with generally accepted auditing standards, of the Mobility Fund's basic financial statements for the year ended August 31, 2015. The audit opinion is presented in this report preceding the financial statements.

## Profile of the Government

This report includes financial statements for the Mobility Fund. The Mobility Fund is part of TxDOT's reporting entity. TxDOT is an agency of the state of Texas. The functions of TxDOT have evolved over time due to statutory changes, with the most recent being the creation of the Texas Department of Motor Vehicles in 2009. Headquartered in Austin, TxDOT is organized by administration, districts, divisions and offices.

TxDOT also maintains a comprehensive public interest website that outlines the agency's policies, plans, projects status and major initiatives at www.txdot.gov.

TxDOT is managed by an executive director and is governed by the five-member Texas Transportation Commission (Commission). All members of the Commission are appointed by the Governor.

In 2001, voters approved a Texas constitutional amendment that authorized the creation of the Mobility Fund. In particular, Article III, Section 49-k of the Texas Constitution (Constitutional Provision) created the Mobility Fund within the treasury of the state of Texas.

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 August 31, 2015, the Commission had issued a par amount of $9.1 billion in Mobility Fund bonds.

The Mobility Fund is 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 tool in meeting TxDOT's goals to maintain a safe system, address congestion, connect Texas communities and become a best-in-class state agency.

## Information Useful in Assessing the Mobility Fund's Financial Condition

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.

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. TxDOT 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.

## Acknowledgements

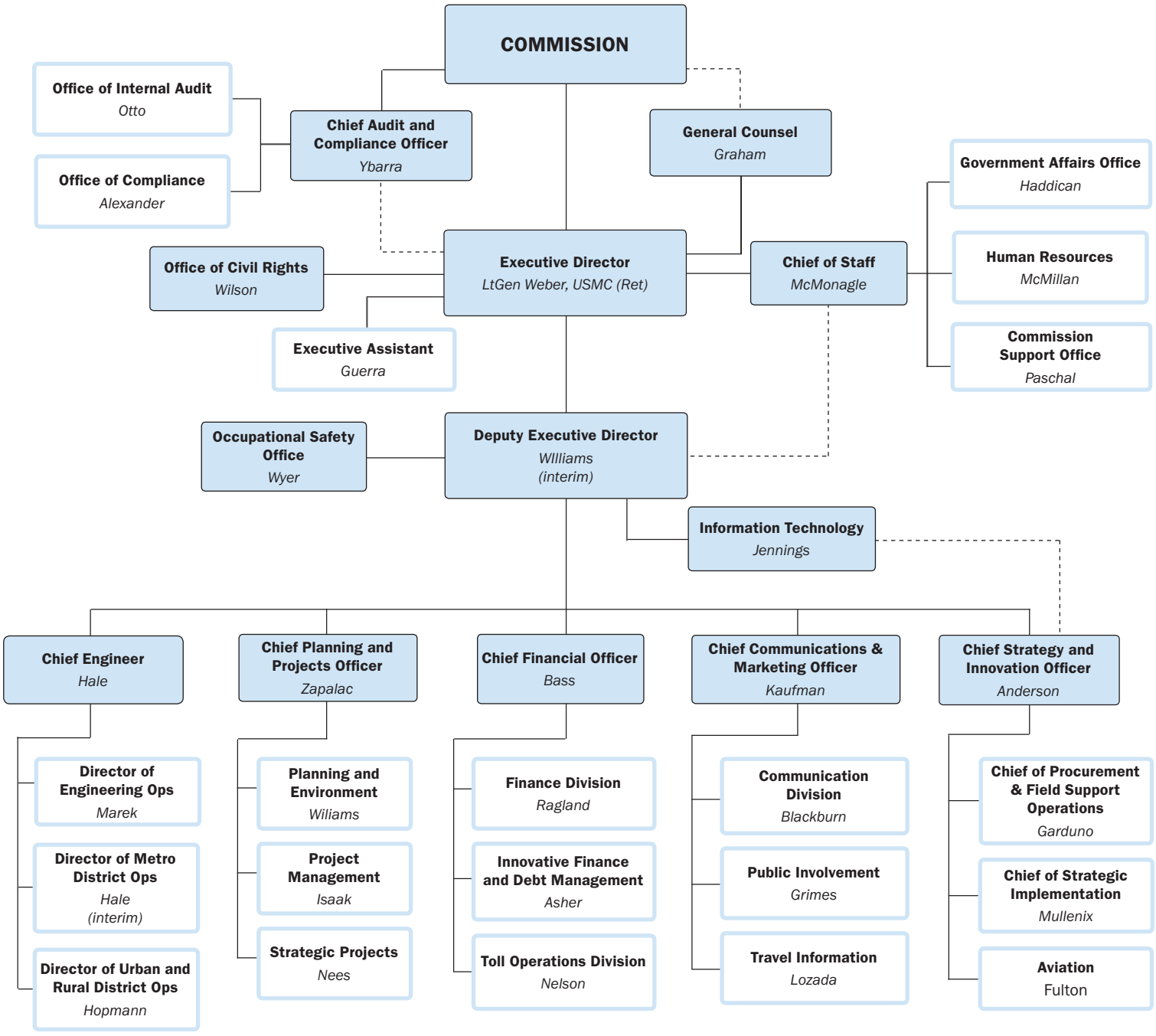
The preparation of the report requires the efforts of individuals throughout TxDOT, including the dedicated efforts of the management and staff of the TxDOT Financial Reports Section and Finance Division. I sincerely appreciate the efforts of all these individuals who continue to help make TxDOT a leader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

Sincerely,

LtGen J.F. Weber, USMC (Ret)
Executive Director

# Texas Department of Transportation

*Effective 8/31/2015*



**Commission and Key Personnel**
**As of August 31, 2015**

## TEXAS TRANSPORTATION COMMISSION

TRYON D. LEWIS ..... Chair
Odessa

JEFF AUSTIN III ..... Commissioner
Tyler

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

JEFF MOSELEY ..... Commissioner
Houston

VICTOR VANDERGRIFF ..... Commissioner
Arlington

## TEXAS DEPARTMENT OF TRANSPORTATION

LT GEN JOE WEBER, USMC (RET) ..... Executive Director
MARC WILLIAMS ..... Deputy Executive Director (Interim)
RICHARD McMONAGLE ..... Chief of Staff
BILL HALE ..... Chief Engineer
BOB KAUFMAN ..... Chief Communications and Marketing Officer
JAMES M. BASS ..... Chief Financial Officer
RUSSELL ZAPALAC ..... Chief Planning and Project Officer
DARRAN ANDERSON ..... Chief Strategy and Innovation Officer

# Texas Mobility Fund
# FINANCIAL SECTION

# INDEPENDENT AUDITOR'S REPORT

*Members of the Texas Transportation Commission*
*State of Texas*

## Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the Texas Mobility Fund (Fund), a fund of the Texas Department of Transportation (TxDOT), an agency of the State of Texas, as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Texas Mobility Fund, as of August 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

As discussed in Note 1, the financial statements present only the Fund, a debt service and capital project fund of the Texas Department of Transportation, an agency of the State of Texas and do not purport to, and do not, present fairly the financial position of TxDOT or the State of Texas as of August 31, 2015, and the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 1, the Fund does not report entity-wide financial statements and as a result, the long-term liabilities are presented in Note 4. Our opinions are not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 10-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The introductory section and the Texas Mobility Fund Dedicated Revenues schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and the Texas Mobility Fund Dedicated Revenues schedule have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards,* we have also issued our report dated December 16, 2015 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Dallas, Texas
December 16, 2015

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# MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

## Management's Discussion and Analysis

As management of the Texas Department of Transportation (TxDOT), we offer readers of the Texas Mobility Fund's (Mobility Fund) financial statements this narrative overview and analysis of its financial activities for the fiscal years ended Aug. 31, 2015 and 2014 for comparative purposes. The information presented should be read in conjunction with our letter of transmittal, the financial statements and the accompanying notes to the financial statements.

### Highlights

*Bonds Issuance*

In fiscal year 2015, the Commission issued Mobility Fund bonds totaling $1.8 billion, of which $930.2 million was issued to refinance $1.0 billion of outstanding Parity Debt for the purpose of achieving debt service savings and to pay the costs of issuing the bonds. The remaining bonds were issued for new money purposes.

*Function of Mobility Fund Bonds Issued*

The Mobility Fund bonds are used to accelerate transportation projects across the state of Texas. The Mobility Fund has no ownership interest in the highway or other transportation projects that it is helping to fund and does not fund the maintenance of any such completed projects.

*Governmental Fund*

As of Aug. 31, 2015, the Mobility Fund's combined governmental fund balance was $1.2 billion, an increase of $836.8 million from fiscal 2014. Expenditures for fiscal 2015 totaled $536.0 million, a decrease of $736.4 million, or 58 percent, as compared to fiscal 2014 expenditures.

### 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.

*Fund Financial Statements*

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. TxDOT, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Mobility Fund is reported in two governmental fund types: capital projects fund and debt service fund.
See Note 1 for more information.

Financial reports of governmental funds focus on how money flows into and out of the funds, and amounts remaining at year end for future spending. Governmental funds are accounted for using the modified accrual basis of accounting, which measures cash and other assets that can be readily converted

to cash. The fund financial statements provide a detailed short-term view of the Mobility Fund's operations.

*Impact of Mobility Fund Activity on TxDOT's Entity-Wide Financial Statements*

The assets, liabilities, revenues and expenditures not recognizable on the Mobility Fund's governmental fund financial statements are included within the governmental activities section of the TxDOT entity-wide financial statements. These statements consist of the statement of net position and statement of activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting. The activity of the Mobility Fund is considered a governmental activity for the purpose of the TxDOT statement of net position and statement of activities.

## Financial Analysis

The Mobility Fund's overall financial position and operations for the past two years is summarized as follows:

**Condensed Balance Sheet**

August 31, 2015 and 2014

(Amounts in Thousands)

| | 2015 | 2014 | Amount of Increase (Decrease) | Percent Change |
|---|---|---|---|---|
| Assets | $1,212,942 | $373,165 | $839,777 | 225% |
| **Total Assets** | 1,212,942 | 373,165 | 839,777 | 225% |
| Liabilities | 22,354 | 19,369 | 2,985 | 15% |
| **Total Liabilities** | 22,354 | 19,369 | 2,985 | 15% |
| Fund Balance: | | | | |
| Restricted – Debt Service | 1,190,588 | 372,893 | 817,695 | 219% |
| Unassigned - Capital Projects | | (19,096) | 19,096 | n/a |
| **Total Fund Balance** | $1,190,588 | $353,797 | $836,791 | 237% |

Total Assets increased by $839.8 million, or 225%, due to the issuance of new money bonds and a decrease in expenditures for fiscal 2015 as compared to fiscal 2014.

**Condensed Statement of Revenues, Expenditures and Changes in Fund Balances**

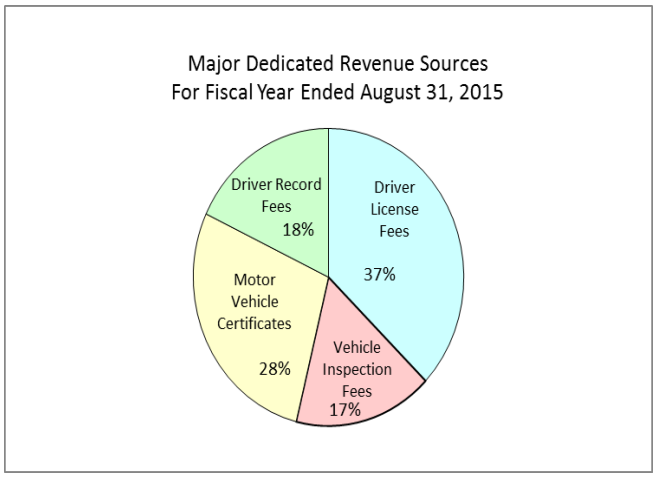
For the Fiscal Years Ended August 31, 2015 and 2014

(Amounts in Thousands)

| | 2015 | 2014 | Amount of Increase (Decrease) | Percent Change |
|---|---|---|---|---|
| **Revenues** | | | | |
| Federal Revenue | 21,638 | 21,561 | 77 | n/a |
| Licenses, Fees and Permits | $367,548 | $399,401 | ($31,853) | (8)% |
| Interest and Investment Income | 3,423 | 4,326 | (903) | (21)% |
| **Total Revenues** | 392,609 | 425,288 | (32,679) | (8)% |
| **Expenditures** | | | | |
| Transportation | 147,483 | 501,014 | ($353,531) | (71)% |
| Capital Outlay | 59,631 | 238,640 | (179,009) | (75)% |
| Debt Service Function | 328,912 | 532,815 | ($203,903) | (38)% |
| **Total Expenditures** | 536,026 | 1,272,469 | (736,443) | (58)% |
| Deficiency of Revenues over Expenditures | (143,417) | (847,181) | 703,764 | (83)% |
| **Other Financing Sources (Uses)** | | | | |
| Bonds & Notes Issued | 900,000 | | 900,000 | n/a |
| Bonds Issued for Refunding | 930,160 | 973,775 | (43,615) | n/a |
| Premiums on Bonds Issued | 259,555 | 157,760 | 101,795 | n/a |
| Payment to Escrow for Refunding | (1,109,507) | (1,127,015) | 17,508 | n/a |
| **Total Other Financing Sources (Uses)** | 980,208 | 4,520 | 975,688 | n/a |
| **Change in Fund Balance** | 836,791 | (842,661) | 1,679,452 | (199)% |
| **Fund Balance – Beginning** | 353,797 | 1,196,458 | (842,661) | (70)% |
| **Fund Balance – Ending** | $1,190,588 | $353,797 | $836,791 | 237% |

Interest and Investment income decreased by $903 thousand, or 21 percent, due to low cash balances in capital projects fund for the first four months of fiscal 2015.

The major dedicated revenue sources of the Mobility Fund for the year ended Aug. 31, 2015, are summarized in the adjacent chart. A detailed listing of all dedicated revenue sources can be found in the supplementary information section of this report.




Dedicated revenues, specifically the vehicle inspection fees, had a decrease pursuant to House Bill 2305 passed in 2013, which amended Chapter 548, Subchapter H, Texas Transportation Code. Beginning March 1, 2015, vehicles are no longer issued a separate inspection decal. Only a single registration decal is required for each motor vehicle that has passed inspection and is registered in the State. The implementation of the new dual certification system resulted in a decrease in the motor vehicle inspection fees.

Debt service expenditures decreased by 38 percent in fiscal 2015 as compared to 2014, largely resulting from the cash defeasance in fiscal 2014. Expenditures for transportation decreased primarily due to the $500 million grant payment in fiscal 2014 to Camino Real Regional Mobility Authority. Capital outlay expenditures decreased as result of fewer capital projects being implemented throughout the year.

**Debt Administration**

The Mobility Fund bonds are considered to be self-supporting general obligation debt. The issuance of Mobility Fund bonds is subject to debt service coverage requirements as prescribed in Section 201.943(e) of the Texas Transportation Code. Prior to a Mobility Fund debt issuance, the Texas Comptroller of Public Accounts (Comptroller) must certify that the projected dedicated revenues and money on deposit in the Mobility Fund will be equal to at least 110% of the annual debt service requirements.

The Mobility Fund program is currently established in the aggregate principal amount of $7.5 billion outstanding at any one time. As of Aug. 31, 2015, the principal amount of debt outstanding is $6.4 billion.

House Bill 122, which was enacted during the regular session of the 84th Legislature and became effective on June 10, 2015, amends the authority to provide that no additional program obligations may be issued or incurred after Jan. 1, 2015, except for obligations issued to refund outstanding obligations to provide savings.

All Mobility Fund debt issuances must be approved by the Texas Bond Review Board prior to issuance. Bonds payable balances are not reported in the accompanying financial statements as long-term

liabilities are not reported in governmental fund financial statements. See Note 4 for additional information.

## Bond Credit Ratings

The Mobility Fund bonds are rated by the major Nationally Recognized Statistical Rating Organizations.

As of Aug. 31, 2015, the bonds carried a long term rating of AAA, Aaa and AAA from Fitch Ratings (Fitch), Moody's Investor Services (Moody's) and Standard & Poor's, respectively. The short term rating of variable rate demand bonds are usually reliant upon the supporting liquidity facility and its credit strength.

| **Long Term Credit Ratings as of August 31, 2015** | | | |
|---|---|---|---|
| | **Fitch** | **Moody's** | **Standard & Poor's** |
| General Obligation Bonds | AAA | Aaa | AAA |
| **Short Term Credit Ratings as of August 31, 2015** | | | |
| Series 2006-B Variable Rate Demand Bonds | F1+ | VMIG 1 | n/a |

An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the Commission makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the bonds.

## Requests for Information

This financial report is designed to provide a general overview of the Mobility Fund's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the TxDOT Finance Division at the following address:

Texas Department of Transportation
Finance Division - Accounting Section
125 East 11th Street
Austin, Texas 78701-2483

# BASIC FINANCIAL STATEMENTS

## Texas Mobility Fund
## Balance Sheet
August 31, 2015 (Amounts in Thousands)

| | Debt Service Fund | Capital Projects Fund | Total Texas Mobility Fund |
|---|---|---|---|
| ASSETS | | | |
| Cash in State Treasury (Note 3) | $ 519,973 | $ 692,969 | $ 1,212,942 |
| Total Assets | 519,973 | 692,969 | 1,212,942 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts Payable | 282 | 9,610 | 9,892 |
| Due to Other Funds (Note 5) | | 10,662 | 10,662 |
| Unearned Revenues | 1,800 | | 1,800 |
| Total Liabilities | 2,082 | 20,272 | 22,354 |
| Fund Balances (Deficits): | | | |
| Restricted | 517,891 | 672,697 | 1,190,588 |
| Total Fund Balances | 517,891 | 672,697 | 1,190,588 |
| Total Liabilities and Fund Balances | $ 519,973 | $ 692,969 | $ 1,212,942 |

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

## Texas Mobility Fund
## Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended August 31, 2015 (Amounts in Thousands)

| | Debt Service Fund | Capital Projects Fund | Total Texas Mobility Fund |
|---|---|---|---|
| REVENUES | | | |
| Federal Revenues | $ 21,638 | $ | $ 21,638 |
| Licenses, Fees and Permits | 367,548 | | 367,548 |
| Interest and Investment Income | 1,929 | 1,494 | 3,423 |
| Total Revenues | 391,115 | 1,494 | 392,609 |
| EXPENDITURES | | | |
| Transportation | | 147,483 | 147,483 |
| Capital Outlay | | 59,631 | 59,631 |
| Principal on State Bonds | 62,355 | | 62,355 |
| Interest on State Bonds | 258,358 | | 258,358 |
| Other Financing Fees | | 8,199 | 8,199 |
| Total Expenditures | 320,713 | 215,313 | 536,026 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 70,402 | (213,819) | (143,417) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | 84,578 | | 84,578 |
| Transfers Out | | (84,578) | (84,578) |
| Bonds & Note Issued | | 900,000 | 900,000 |
| Bonds Issued for Refunding | | 930,160 | 930,160 |
| Premiums on Bonds Issued | | 259,555 | 259,555 |
| Payment to Escrow Refunding | (9,982) | (1,099,525) | (1,109,507) |
| Total Other Financing Sources (Uses) | 74,596 | 905,612 | 980,208 |
| Net Change in Fund Balances | 144,998 | 691,793 | 836,791 |
| Fund Balances, September 1, 2014 | 372,893 | (19,096) | 353,797 |
| Fund Balances, August 31, 2015 | $ 517,891 | $ 672,697 | $ 1,190,588 |

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

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

These financial statements reflect the financial position of the Texas Mobility Fund (Mobility Fund). The Mobility Fund, an appropriated fund of the state of Texas, is managed by the Texas Department of Transportation (TxDOT). The Mobility Fund is part of the TxDOT reporting entity. The Texas Transportation Commission (Commission), the governing body of TxDOT, has the authority to commit the Mobility Fund to various legal agreements.

The Texas Legislature (Legislature) established the Mobility Fund 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 TxDOT in the payment of a portion of the costs of constructing and providing publicly owned toll roads and other public transportation projects.

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. As of Aug. 31, 2015, a total of $9.1 billion par value of general obligation bonds had been issued. The proceeds of the Mobility Fund bonds are used to pay for eligible expenditures on transportation projects across the state of Texas, costs of issuance, refund existing Mobility Fund Bonds and the costs of issuance.

The Legislature dedicated certain statutory fee revenues of the state to the Mobility Fund for purposes of providing funds for the debt service on the outstanding Mobility Fund obligations. The Commission has also elected to pledge the general obligation of the state as additional repayment security for the currently outstanding bonds. To date, the dedicated revenues of the Mobility Fund have been sufficient to meet the debt service requirements of the bonds without the necessity of calling on the general obligation pledge.

The Commission is subject to various covenants imposed by the bond resolutions. As of Aug. 31, 2015, the Commission and management believe that they were in compliance with all covenants.

The Mobility Fund does not have any employees or equipment. TxDOT employees provide all accounting, debt management and administrative services. In addition, TxDOT's risk financing and insurance programs apply to the Mobility Fund. TxDOT is exposed to a wide range of risks due to the size, scope and nature of its activities. Some of these risks include, but not limited to, property and casualty losses, workers' compensation and health benefit claims, thefts, damage of assets, etc. The state highway fund retains these risks and manages them through self-insurance and safety programs, which are the responsibility of TxDOT's occupational safety division.

### Basis of Presentation and Basis of Accounting

The accompanying financial statements were prepared in conformance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The Mobility Fund implemented the following new GASB pronouncements for fiscal 2015. Adoption of these statements had no impact on the Mobility Fund's financial position.

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27*
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — an amendment of GASB Statement No. 68*

The Mobility Fund, a governmental fund of TxDOT, is part of the TxDOT's reporting entity. The Mobility Fund does not have any employees and does not make contributions to any retirement plans. TxDOT employees provide all accounting and administrative services for the Mobility Fund. Those employees are members of the Employee Retirement System of Texas defined benefit pension plan (ERS Plan). Allocation of pension liabilities and expense is deemed unnecessary as long term liabilities of the Mobility Fund are reported in the governmental activities section of the TxDOT Annual Financial Report.

The data in this report is combined and consolidated by TxDOT and included in the TxDOT Annual Financial Report submitted to the Texas Comptroller's office. 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 TxDOT.

The records of the Mobility Fund are maintained in accordance with the practices set forth in the provisions of the bond resolutions. Details on outstanding Mobility Fund Bonds are provided in Note 4.

While the Mobility Fund is established as a single appropriated fund, it is reported in the following sub-accounts in two governmental fund types:

Debt Service Fund:

- Mobility Fund General Account (0365) – monies in this account may be used for any lawful purpose for which the Mobility Fund may be used.

- Mobility Fund Portfolio Account (0366) – any Transportation Assistance Bonds acquired for the Mobility Fund are to be promptly deposited into this account and held therein until paid. As of August 31, 2015, no Transportation Assistance Bonds were held by the Mobility Fund.

- Mobility Fund Interest and Sinking Account (0367) – 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.

- Rebate Account (0373) – the fifth Supplemental Resolution established the rebate account. Money on deposit in the rebate account, if any, is paid to the federal government in compliance with arbitrage earnings requirements. Money in the rebate account, if any, does not constitute security.

- Purchase Account (0374) – monies obtained from the remarketing of the bonds and from draws under a liquidity facility are deposited to the purchase account. Money on deposit in the purchase account 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.

- Reserve Accounts or Subaccounts (0376) – these accounts are established as required by any supplements to the Resolution.

- Mobility Fund Refunding Bond Account (0379) – used to pay costs of issuance related to refunding bond.

Capital Projects Fund:

- Mobility Fund Bond Proceeds Account (0375, 0377) - 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.

Bond proceeds associated with Mobility Fund bond issuances as well as the related expenditure of the bond proceeds for eligible transportation projects are recorded in the capital projects fund.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Measurement focus refers to the definition of the resource flows measured and relates to the types of transactions or events reported in the statement of revenues, expenditures, and changes in fund balances. Basis of accounting refers to the timing of the recognition of transactions or events. Under the modified accrual basis of accounting, amounts are recognized as revenues as they become susceptible to accrual (measurable and available). The Mobility Fund considers revenues available if they are collected within 60 days of the end of the fiscal year. Accruals whose receipt is due after the 60 day period are classified as deferred inflows of resources. Amounts are considered measurable if they can be estimated or otherwise determined. Expenditures are generally recognized when the related fund liability is incurred. However, principal and interest on bonds is recorded at the earlier of its due date or its payment date. The issuance of long-term debt is reported as other financing sources. Debt issuance costs are recognized as an expense in the year incurred.

**Budgets and Budgetary Accounting**

The Mobility Fund budget is prepared biennially and represents appropriations authorized by the Legislature and approved by the governor (the General Appropriations Act). The Mobility Fund has committed revenue budgets for debt service and for in-house design, contracted design, construction and right of way. After mobility-related expenditures are incurred in the state highway fund, the Mobility Fund reimburses cash and committed budget to the state highway fund.

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

**Assets and Liabilities**

*Cash and Cash Equivalents in State Treasury*

Cash and cash equivalents in the state treasury is the balance of funds held in the state Treasury Pool. See Note 3 for more information.

*Accounts Payable*

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

*Unearned Revenue*

The Unearned Revenue represents cash received prior to being earned.

**Revenues and Expenditures**

*Licenses, Fees and Permits*

The major sources of dedicated revenue to the Mobility Fund for fiscal 2015 were driver license fees, motor vehicle inspection fees, motor vehicle certificate fees, and driver record information fees. A list of all fiscal 2015 dedicated revenues can be found in the supplementary information section of this report.

*Federal Revenue*

Federal revenue relates to the federal interest rate subsidy provided in relation to the Mobility Fund's Build America Bond issuance. Although the amount is recognized as revenue on the financial statements, the subsidy is specifically restricted to use as an offset of debt service costs. Refer to Note 4 for more details on the Mobility Fund's involvement with the Build America Bond program.

*Interest Income*

Cash in the state treasury earns interest income at stated rates established by the Texas Comptroller of Public Accounts.

*Expenditures*

Expenditures include payments for debt service, professional fees, other financing fees and the funding of eligible transportation projects. Capital outlay represents Mobility Fund contributions to projects on the state highway system and owned by the state of Texas.

**Fund Balance**

Fund balance classifications depict the nature of constraints on the use of net resources in a governmental fund. The Mobility Fund's fund balance is classified as restricted as of Aug. 31, 2015. Restricted fund balance includes those resources that have constraints placed on their use through external parties or by law through constitutional provisions.

The Mobility Fund's fund balance is restricted due to bond covenants and constitutional provisions. The majority of current year revenues relate to fees pledged for debt service on outstanding bonds. Proceeds from the sale of bonds and interest earned on the bond proceeds account are constitutionally restricted for the purpose of funding eligible transportation projects.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first and then unrestricted resources as they are needed. When only unrestricted resources are available for use, it is the Commission's policy to use committed resources first, then, assigned resources, and lastly unassigned resources.

## *NOTE 2 – CAPITAL ASSETS*

The Mobility Fund does not own the capital assets it finances. The state highway system infrastructure built using Mobility Fund resources becomes a capital asset of the governmental activities of the state of Texas. The capital assets of the state highway system are reported in the TxDOT Annual Financial Report.

## *NOTE 3 – DEPOSITS AND INVESTMENTS*

### Investments – Treasury Pool

The Mobility Fund is established in the state treasury, thus all monies are pooled with other state funds and invested under the direction of the Comptroller of Public Accounts' Treasury Operations Division (Treasury). The Treasury obtains direct access to the services of the Federal Reserve System through the Texas Treasury Safekeeping Trust Company (Trust Company). The Federal Reserve Bank requires the Trust Company to maintain a positive cash balance in the account during and at the end of the day. The Trust Company met those requirements throughout fiscal 2015. The Comptroller has delegated investment authority to the Trust Company and utilizes the Trust Company to manage and invest funds in the Treasury Pool.

State statutes authorize the Treasury to invest state funds in fully collateralized time deposits; direct security repurchase agreements; reverse repurchase agreements; obligations of the United States and its agencies and instrumentalities; banker's acceptances; commercial paper; and contracts written by the Comptroller, which are commonly known as covered call options. Funds held in the Treasury Pool have not been categorized as to credit risk because TxDOT does not own individual securities. Detail on the nature of these deposits and investments are available within the state of Texas Comprehensive Annual Financial Report.

As of Aug. 31, 2015 the Mobility Fund's pro rata share of participation in the Treasury Pool was $1.2 billion. No further detail of this balance is available due to the management policies of the Treasury.

## *NOTE 4 – BONDED INDEBTEDNESS*

Texas Constitution, Article III, Section 49-k and Transportation Code, Chapter 201, Subchapter M authorize the Commission to issue general obligation bonds payable from a pledge of and lien on all or part of the money in the Mobility Fund. The Mobility Fund bonds are designed to be self-supporting, but the full faith and credit of the state is pledged in the event the revenue and money dedicated to the mobility fund is insufficient to pay debt service on the bonds. As of Aug. 31, 2015, major sources of pledged revenue to the Mobility Fund include driver license fees, motor vehicle inspection fees, motor vehicle certificates, and driver record information fees.

The Resolution currently allows for $7.5 billion of principal amount outstanding at any time. Prior to a Mobility Fund debt issuance, the Texas Comptroller of Public Accounts must certify that there will be sufficient future resources on deposit in the Mobility Fund to ensure 110 percent coverage of debt service requirements during the period that the debt will be outstanding. House Bill 122 (HB 122), which was enacted during the regular session of the 84th Legislature and became effective on June 10, 2015, amends the authority to provide that no additional program obligations may be issued or incurred after Jan. 1, 2015, except for obligations issued to refund outstanding obligations to provide savings or to renew or replace credit agreements relating to outstanding variable rate obligations. Additionally, HB 122 provides that money in the Mobility Fund, in excess of amounts required by the proceedings authorizing obligations and credit agreements to be retained on deposit, and may not be used for toll roads.

Bond proceeds are to be used for the purpose of refunding existing bonds, creating reserves for payment of bonds, paying bond issuance costs and paying interest on the bonds.

**Mobility Fund Bond Information**
(Amounts in Thousands)

| Description of Issue | Bonds Issued to Date (Par) | Date Issued | Range of Interest Rates | Maturities First Year | Maturities Last Year | First Call Date |
|---|---|---|---|---|---|---|
| **GOVERNMENTAL ACTIVITIES** | | | | | | |
| **General Obligation Bonds** | | | | | | |
| Series 2005-A Fixed Rate Bonds* | 900,000 | 6/8/2005 | 3.9000% 5.0000% | 2006 | 2035 | 4/1/2015 |
| Series 2005-B Variable Rate Bonds* | 100,000 | 6/8/2005 | variable | 2006 | 2030 | *** |
| Series 2006 Fixed Rate Bonds | 750,000 | 6/8/2006 | 3.6250% 5.0000% | 2007 | 2036 | 4/1/2016 |
| Series 2006-A Fixed Rate Bonds | 1,040,275 | 10/31/2006 | 4.0000% 5.0000% | 2007 | 2035 | 4/1/2017 |
| Series 2006-B Variable Rate Bonds | 150,000 | 12/13/2006 | variable** | 2036 | 2036 | *** |
| Series 2007 Fixed Rate Bonds | 1,006,330 | 6/21/2007 | 4.0000% 5.0000% | 2008 | 2037 | 4/1/2017 |
| Series 2008 Fixed Rate Bonds | 1,100,000 | 2/28/2008 | 4.0000% 5.0000% | 2009 | 2037 | 4/1/2018 |
| Series 2009-A Taxable Fixed Rate Bonds | 1,208,495 | 8/26/2009 | 5.3670% 5.5170% | 2029 | 2039 | *** |
| Series 2014 Fixed Rate Refunding Bonds | 973,775 | 7/2/2014 | 4.0000% 5.0000% | 2016 | 2034 | 4/1/2024 |
| Series 2014-A Fixed Rate and Refunding Bonds | 1,580,160 | 12/18/2014 | 4.0000% 5.0000% | 2017 | 2044 | 10/1/2024 |
| Series 2014-B SIFMA Bonds | 250,000 | 12/18/2014 | variable** | 2040 | 2041 | 10/1/2018 |
| **Total** | $9,059,035 | | | | | |

*These bonds are not outstanding as of 08/31/2015.

**Average interest rates on the Series 2006-B and Series 2014-B variable rates bond are 0.53 percent and 0.42 percent, respectively.

***The variable rate bonds and the Series 2009-A fixed rate bonds are subject to redemption prior to their respective maturities at the option of the Commission.

The interest rates on the Series 2006-B and Series 2014-B variable rate bonds resets every seven days. The potential volatility for related debt service increases with these interest rate reset provisions.

## Information on Long-Term Liabilities

The Mobility Fund bonds are recorded as long term liabilities within the governmental activities balances in the TxDOT Annual Financial Report. During the fiscal year ended Aug. 31, 2015, the following changes occurred in the long-term liabilities.

**Long-Term Liabilities Activity** (Amounts in Thousands)
For the Fiscal Year Ended August 31, 2015

| Governmental Activities | Beginning Balance 9/1/14 | Adjustments* | Additions | Deductions | Ending Balance 8/31/15 | Amounts Due Within One Year | Amounts Due Thereafter |
|---|---|---|---|---|---|---|---|
| General Obligation Bonds | $5,879,498 | $211,086 | $1,830,160 | ($1,078,335) | $6,842,409 | $77,234 | $6,765,175 |

*Includes amortization of premiums and discounts

The debt service of the bonds is paid out of the Mobility Fund debt service fund. As of Aug. 31, 2015, the debt service requirements are as follows.

**Debt Service Requirements** (Amounts in Thousands)
**Mobility Fund Bonds**

| Year | Principal | Interest* | Total |
|---|---|---|---|
| 2016 | $48,730 | $298,560 | $347,289 |
| 2017 | 61,960 | 295,679 | 357,639 |
| 2018 | 68,410 | 292,111 | 360,521 |
| 2019 | 85,065 | 288,436 | 373,502 |
| 2020 | 96,870 | 283,946 | 380,816 |
| 2021-2025 | 688,130 | 1,329,966 | 2,018,096 |
| 2026-2030 | 1,101,925 | 1,116,223 | 2,218,148 |
| 2031-2035 | 1,601,460 | 808,286 | 2,409,746 |
| 2036-2040 | 1,881,995 | 396,278 | 2,278,273 |
| 2041-2045 | 765,940 | 84,250 | 850,190 |
| Total | 6,400,485 | 5,193,735 | 11,594,220 |
| Unamortized Premium | 441,924 | | 441,924 |
| Total Requirements | $6,842,409 | $5,193,735 | $12,036,144 |

* The interest rate in effect as of Aug. 31, 2015, for the Series 2006-B and the 2014-B variable rate bonds used to calculate the interest debt service requirements were 0.01 and 0.40 percent, respectively .

## Pledged Future Revenues

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

**Pledged Future Revenues** (Amounts in Thousands)

| | Mobility Fund Bonds |
|---|---|
| Pledged Revenue Required for Future Principal and Interest on Existing General Obligation Bonds | $11,594,220 |
| Term of Commitment | Fiscal Year Ending Aug. 31, 2045 |
| Percentage of Revenue Pledged | 100% |
| Current Year Pledged Revenue | $391,116 |
| Current Year Principal and Interest Paid | $320,545 |

## Build America Bonds

The interest payments shown above do 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 American Recovery and Reinvestment Act of 2009 granted municipal debt issuers access to a broader investor base in the taxable market by providing a federal interest rate subsidy payment to offset debt service costs through the Build America Bonds (BABs) program. Direct Payment BABs provide a federal reimbursement to TxDOT equal to 35 percent of the interest paid on the bonds.

As a result of budget sequestration, the federal government reduced subsidy payments for BABs by 7.3 percent effective Oct. 1, 2014 through Sept. 30, 2015 for BABs subsidy payments paid in federal fiscal year 2015. See the table below for details on the Commission's Direct Payment BABs outstanding at Aug. 31, 2015.

**Direct Payment Build America Bonds**
(Amounts in Thousands)

| | Issue Date | Par Amount | Amount Outstanding at 08/31/15 |
|---|---|---|---|
| **Governmental Activities** | | | |
| General Obligation Bonds | | | |
| Texas Mobility Fund Series 2009-A | 8/26/2009 | $1,208,495 | $1,208,495 |
| Total | | $1,208,495 | $1,208,495 |

## Variable Rate Bonds

The Mobility Fund has two variable rate bond issues outstanding at Aug. 31, 2015. The interest rates in effect as of Aug. 31, 2015 for the Series 2006-B and Series 2014-B used to calculate the debt service requirements were 0.01 and 0.40 percent, respectively. These rates reset every seven days.

## Put Bonds

The Series 2014-B bonds were issued in an initial index floating rate mode, which terminates on a mandatory tender date. At the termination of the initial period, the bonds are subject to mandatory tender and purchase. Upon such mandatory tender and purchase, the bonds are expected to be remarketed unless otherwise redeemed. The Commission has not provided any credit or liquidity facility for the payment of the purchase price of the bonds payable upon the mandatory tender date. The principal portion of the purchase price for the bonds is expected to be obtained from the remarketing proceeds. The obligation of the Commission to purchase the bonds on the mandatory tender date is subject to the successful remarketing of such bonds. The Commission has no obligation to purchase bonds except from remarketing proceeds. If the bonds are not remarketed or otherwise redeemed, the interest rate on the bond will be increased to the stepped coupon rate.

| **Put Bonds** (Amount in Thousands) | | | | | |
|---|---|---|---|---|---|
| **Governmental Activities** | **Mandatory Tender Date** | **Initial Rate** | **Initial Period Interest** | **Stepped Coupon Rate** | **Stepped Rate Period Interest**** |
| General Obligation Bonds | | | | | |
| Series 2014-B | 10/1/2018 | SIFMA + 0.38% | Variable* | 8.00% per annum | $ 20,000 |
| * Index Floating Rate Mode/resets weekly | | | | | |
| **Assumes a full year of interest | | | | | |

## Demand Bonds

The Series 2006-B variable rate bonds are demand bonds. A bondholder may tender any of the bonds for repurchase prior to maturity at a price equal to principal plus accrued interest. Any bonds so tendered will be purchased either by the proceeds of the remarketing of such bonds or, if not successfully remarketed, from amounts drawn under the standby bond purchase agreements. The following tables provide details for outstanding demand bonds and the related standby bond purchase agreements as of Aug. 31, 2015.

| **Demand Bonds** (Amount in Thousands) | | |
|---|---|---|
| **Governmental Activities** | **Bonds Held by Liquidity Providers** | **Principal Balance Outstanding** |
| General Obligation Bonds | | |
| Series 2006-B | None | $150,000 |
| Total | | $150,000 |

| **Demand Bonds – Standby Bond Purchase Agreement Provisions** | | | |
|---|---|---|---|
| **Governmental Activities** | **Counterparties** | **Annual Liquidity Fee** | **Agreement Termination Date** |
| General Obligation Bonds | | | |
| Series 2006-B | State Street Bank and Trust Company & California Public Employees' Retirement System | 0.30% | 12/13/2016 |

The standby bond purchase agreement provides liquidity in the event demand bonds are tendered for purchase and such bonds are not remarketed by the remarketing agent. The standby bond purchase agreement contains takeout provisions, which provide an alternative debt instrument to replace any repurchased bonds that are not remarketed within the prescribed time constraints. Outstanding principal balances on variable rate demand bonds that have standby bond purchase agreements in place may be classified as non-current liabilities. The table shown below provides the estimated impact of such an event.

**Demand Bonds – Takeout Provisions** (Amount in Thousands)

| Governmental Activities | Estimated Debt Service | Rate | Basis | Replacement Debt Terms |
|---|---|---|---|---|
| General Obligation Bonds | | | | |
| Series 2006-B | $170,098 | 8.50% | 1% + greater of: 3% + Daily Fed Fds Rate, Bank Prime Rate plus 2% or 7.5% | Quarterly payments over three years (or sooner under certain termination events) starting on the first day of the first month of that period. |
| Total | $170,098 | | | |

## Refunding

On Oct. 30, 2014, the Commission approved the Texas Mobility Fund Tenth Supplemental Resolution which authorized, among other things, issuance of general obligation refunding bonds to refund outstanding bonds. The Commission issued General Obligation Mobility Fund and Refunding Bonds, Series 2014-A and General Obligation Mobility Fund SIFMA Index Floating Rate Bonds, Series 2014-B, with a total par value of $1.83 billion. The issue is a combination of new money bonds and refunding bonds, with par amounts of $900.0 million and $930.2 million, respectively. The premium associated with the refunding portion of the Series 2014-A bonds was $173.5 million and the refunding portion of the underwriter's discount amounted to $3.6 million resulting in a net proceeds amount of $1.1 billion. The issuance closed on Dec. 18, 2014.

**Refunding Issue** (Amounts in Thousands)

| Governmental Activities | Type of Refunding | Par Value Refunded | Par Value of Refunding Issue | Cash Flow Increase/(Decrease) | Economic Gain/(Loss) |
|---|---|---|---|---|---|
| Series 2005-B | Current | $70,740 | $58,060 | $8,784 | $6,499 |
| Series 2006 | Advanced | 233,130 | 215,965 | 61,059 | 35,784 |
| Series 2006-A | Advanced | 478,830 | 442,775 | 72,163 | 52,379 |
| Series 2007 | Advanced | 233,280 | 213,360 | 27,397 | 21,510 |
| | | $1,015,980 | $930,160 | $169,403 | $116,172 |

## Defeased Bonds

The Commission defeased various existing issues by placing funds and securities in irrevocable trusts to provide for all future debt service payments on the bonds through the earlier of the maturity date or the first call date. The trust account assets and the liability for the defeased bonds are not included in these financial statements. As of Aug. 31, 2015, the amounts of defeased bonds, at par, that remain outstanding are presented in the table below.

**Defeased Bonds Outstanding**
**(Amounts in Thousands)**

| Governmental Activities | Par Value |
|---|---|
| Series 2006 | $597,710 |
| Series 2006-A | 478,830 |
| Series 2007 | 269,225 |
| Series 2008 | 93,730 |
| Total | $1,439,495 |

## *NOTE 5 – INTERFUND ACTIVITY*

Interfund activity refers to financial interactions between funds and is restricted to internal events. Certain transactions processed during fiscal 2015 were paid with intent to reimburse and require accrual of due to other funds so the activity is correctly presented on the financial statements of each fund. The Mobility Fund interfund activity detail is as follows.

**Due to/Due From Other Funds (Amounts in Thousands)**
As of August 31, 2015

| | Debt Service Funds | Capital Projects Funds |
|---|---|---|
| **Due to Other Funds** | | |
| TxDOT State Highway Fund | | $10,662 |
| | | $10,662 |

Interfund transfers represent the flow of assets (cash or goods) without equivalent flow of assets in return or a requirement for repayment.

**Transfer In/Transfer Out Other Fund (Amounts in Thousands)**
As of August 31, 2015

| | Debt Service Funds | Capital Projects Funds |
|---|---|---|
| **Transfer In Other Funds** | | |
| Mobility Fund Capital Projects Funds | $84,578 | |
| **Transfer Out Other Funds** | | |
| Mobility Fund Debt Service Funds | | ($84,578) |
| | $84,578 | ($84,578) |

## *NOTE 6 – CONTINUANCE SUBJECT TO REVIEW*

TxDOT is currently subject to a continuance review. Under the Texas Sunset Act, TxDOT will be abolished effective Sept. 1, 2017, unless continued in existence by the 85th Legislature as provided by the Act. If abolished, TxDOT may continue until Sept. 1, 2018, to close out its operations. In the event that TxDOT is abolished pursuant to the Texas Sunset Act or other law, Texas Government Code, Section 325.017(f), acknowledges that such action will not alter the obligation of the state to pay bonded indebtedness and all other obligations of the abolished agency.

## *NOTE 7 –COMMITMENTS AND CONTINGENCIES*

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

## *NOTE 8 – SUBSEQUENT EVENTS*

The Commission has issued Mobility Fund Refunding Bonds, Series 2015-A and Series 2015-B to achieve debt service savings as of the date of this report.

| Bond Issuance | Series | Par Amount (In Thousands) | Date of Issuance | Purpose |
|---|---|---|---|---|
| State of Texas General Obligation Mobility Fund Refunding Bonds | 2015-A | $911,000 | 9/30/2015 | To refund Parity debt, and pay costs of issuance |
| State of Texas General Obligation Mobility Fund Refunding Bonds | 2015-B | $254,000 | 10/7/2015 | To refund Parity debt, and pay costs of issuance |

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# Texas Mobility Fund
# SUPPLEMENTARY INFORMATION
# (Unaudited)

**Texas Mobility Fund Dedicated Revenues**
**For the Fiscal Year Ended August 31, 2015**

| *Major Sources of Funds* | |
|---|---|
| Driver License Fees | 135,901,198 |
| Motor Vehicle Inspection Fees | 60,473,076 |
| Motor Vehicle Certificates | 102,622,588 |
| Driver Record Information Fees | 65,668,475 |
| | 364,665,336 |
| | |
| *Miscellaneous Sources* | |
| Motor Carrier Act Penalties | 2,879,454 |
| Motor Vehicle Registration Fees | 3,008 |
| Depository Interest | 3,423,166 |
| | 6,305,628 |
| | |
| *Total Dedicated Revenues* | 370,970,964 |

Note:

The total above does not include the Build America Bonds federal interest rate subsidy.

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