TEXAS MOBILITY FUND

A governmental fund of the Texas Department of Transportation

Annual Financial Report

For the Fiscal Year Ended August 31, 2022

(With Independent Auditor's Report)

Texas Department of Transportation

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Texas Mobility Fund

A Governmental Fund of the Texas Department of Transportation

Annual Financial Report

For the Fiscal Year Ended
August 31, 2022

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

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Texas Mobility Fund
Annual Financial Report
For the Fiscal Year Ended August 31, 2022

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Section One

Introductory Section

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Texas Department of Transportation

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

December 15, 2022

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 Aug. 31, 2022, are submitted in conformity with the Master Resolution, dated as of May 4, 2005, as amended and supplemented by the first through fourteenth Supplemental Resolutions (Resolution).

An external audit firm, Crowe LLP, performed an independent audit, in accordance with generally accepted auditing standards, of the Mobility Fund's basic financial statements for the year ended Aug. 31, 2022. The audit opinion is presented in this report preceding the financial statements. This report was prepared by the accounting staff in the Financial Management Division of the Texas Department of Transportation (TxDOT). TxDOT's internal accounting controls provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposal and the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefit.

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.

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.

Profile of the Government

This report includes financial statements for the Mobility Fund, a part of TxDOT's reporting entity. TxDOT is an agency of the state of Texas. 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 with the advice and consent of the Texas Senate.

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.

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 the accounts are maintained at the proper minimum balances as set forth in the Resolution and for investing in securities required to meet liquidity requirements.

The Mobility Fund is administered by the Commission 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 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 goal to develop and operate an integrated transportation system that provides reliable and accessible mobility and enables economic growth.

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. Mobility Fund obligations may be issued to refunding: (i) outstanding bonds for savings; and (ii) outstanding variable rate bonds and to renew or replace credit agreements. In addition, the Texas Legislature enacted H.B. 2219 (87th Legislature) authorizing the issuance of new Mobility Fund obligations between June 18, 2021, and January 1, 2027. The principal amount of the bonds may not exceed $3,565,920,000 and the actual amount of bonds can be issued is subject to a revenue estimate provided by the Comptroller as well as other market conditions at the time of each issuance.

Budgetary Controls

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

Acknowledgements

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

Sincerely,

DocuSigned by:
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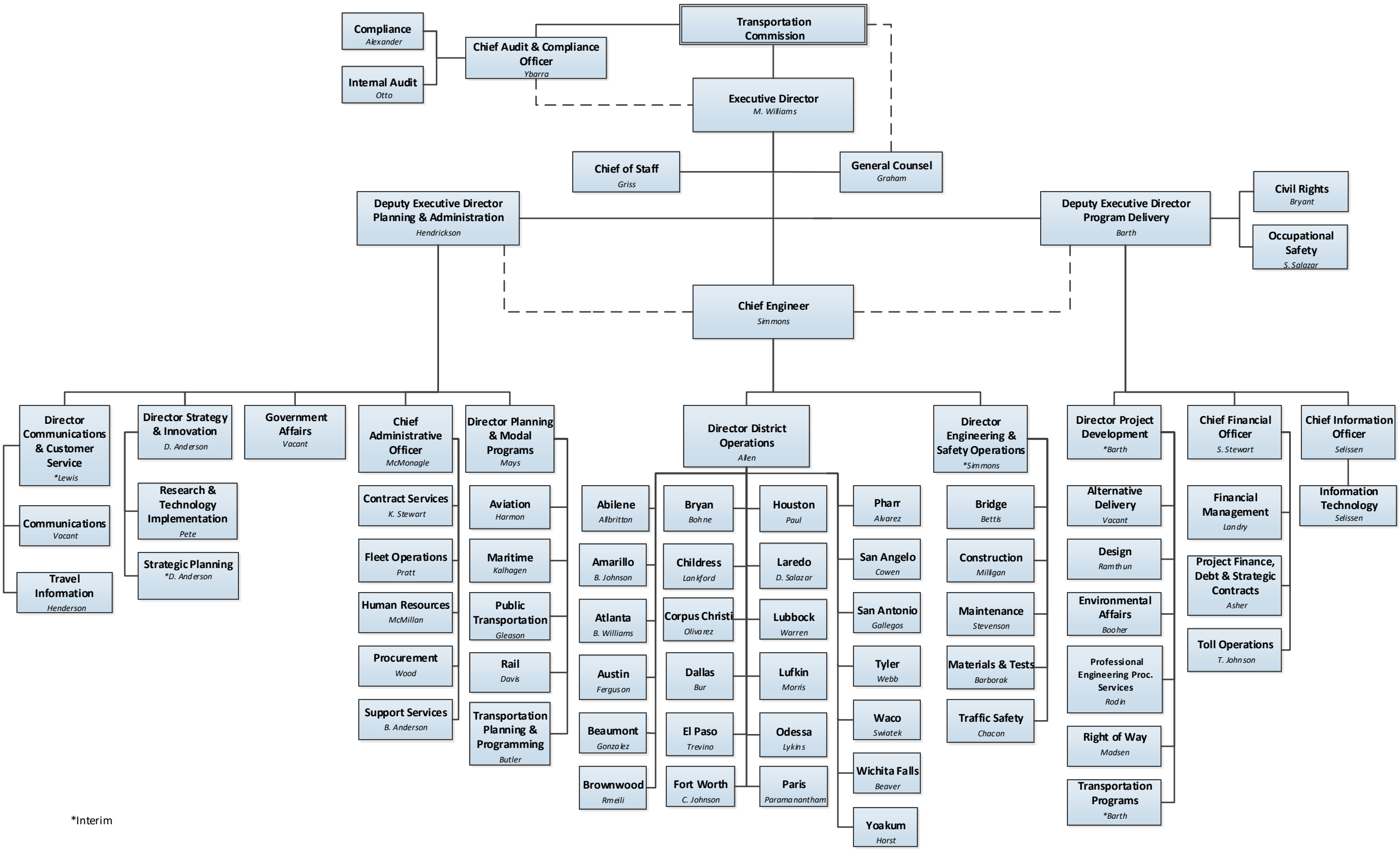
Marc D. Williams
Executive Director

Texas Department of Transportation
Organization Chart as of August 31, 2022



*Interim

TEXAS TRANSPORTATION COMMISSION

J. Bruce Bugg, Jr
Chairman
San Antonio

Alvin New
Commissioner
San Angelo

Laura Ryan
Commissioner
Houston

Robert C. Vaughn
Commissioner
Dallas

TxDOT ADMINISTRATION

The following is a list of administrators who oversee the Texas Department of Transportation. All TxDOT districts, divisions and offices report to a member of the administration, headquartered in Austin.

Marc Williams
Executive Director

Brandye Hendrickson
Deputy Executive Director for Planning and Administration

Brian Barth
Deputy Executive Director for Program Delivery

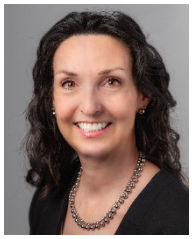
Richard McMonagle
Chief Administrative Officer

Benito Ybarra
Chief Audit and Compliance Officer

Lance W. Simmons
Chief Engineer

Stephen Stewart
Chief Financial Officer

Anh Selissen
Chief Information Officer



Mary Anne Griss
Chief of Staff

Raquelle Lewis
Interim Director of Communications and Public Affairs

Darran Anderson
Director of Strategy and Innovation

Jeff Graham
General Counsel

Section Two

Financial Section

INDEPENDENT AUDITOR'S REPORT

Members of the Texas Transportation Commission
State of Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of each major fund of the Texas Department of Transportation (TxDOT), an agency of the State of Texas, as of and for the year ended August 31, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund for the Fund of TxDOT, as of August 31, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TxDOT, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Fund of TxDOT are intended to present the financial position, and the changes in financial position of only that portion of each major fund of TxDOT that is attributable to the transactions of the Fund. They do not purport to, and do not, present fairly the financial position of the TxDOT, as of August 31, 2022, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 TxDOT's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, although not a part of the basic financial statements, is required by the 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and the Texas Mobility Fund Dedicated Revenues schedule but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022, on our consideration of TxDOT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the TxDOT's 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 TxDOT's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Dallas, Texas
December 15, 2022

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Section Two (Continued)

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, 2022 and 2021 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

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 assisting to fund and does not fund the maintenance of any such completed projects.

On Oct. 01, 2021, the Original Series 2014-B Bonds was subject to mandatory tender and was redesignated and remarketed as the "Texas Transportation Commission State of Texas General Obligation Mobility Fund Put Bonds, Series 2014-B' and the interest rate mode thereof was converted to a Multiannual Mode, which is still considered a variable rate bond.

Governmental Fund

As of Aug. 31, 2022, the Mobility Fund's combined governmental fund balance was $461.6 million, an increase of $72.3 million, or 18.6 percent, from fiscal 2021. The increase in fund balance is largely attributed to the decrease in capital outlay expenditures in fiscal 2022. The fiscal 2022 expenditures totaled $437.1 million, which decreased by $17.6 million or 3.9 percent, as compared to 2021.

Overview of the Financial Statements

The annual financial report consists of three parts: (1) management's discussion and analysis (MD&A), (2) basic financial statements and related notes, and (3) other 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 in 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:

Balance Sheet

As of August 31, 2022 and 2021

(Amounts in Thousands)

	2022	2021	Amount of Increase (Decrease)	Percent Change
Assets	$ 481,883	$ 405,241	$ 76,642	18.9%
Total Assets	481,883	405,241	76,642	18.9%
Liabilities:	20,314	15,977	4,337	27.1%
Total Liabilities	20,314	15,977	4,337	27.1%
Fund Balances (Deficits):				
Restricted	261,936	241,777	20,159	8.3%
Committed	199,633	147,487	52,146	35.4%
Total Fund Balances	$ 461,569	$ 389,264	$ 72,305	18.6%

Payables increased by 36.9% due to the conversion of County Transportation Infrastructure Grants from the Economic Stabilization Fund to the Mobility Fund. The 86th Legislature appropriated $125.0 million from the Economic Stabilization Fund and $125.0 million for the Mobility Fund for approved projects from a 2020 program call. The $125 million from the Economic Stabilization Fund was fully utilized as of Nov. 2022, and all remaining projects in progress were programmed to use Mobility Fund dollars.

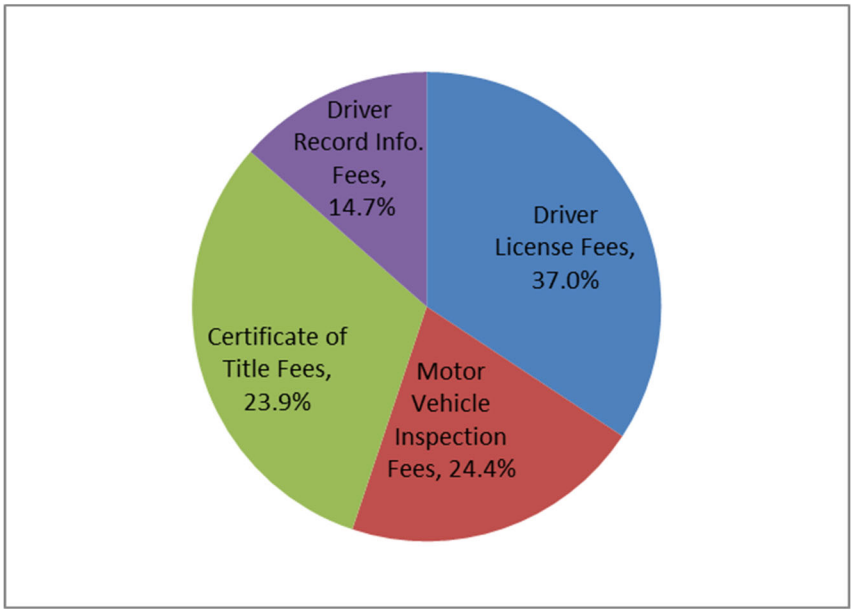
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended August 31, 2022 and 2021
(Amounts in Thousands)

	2022	2021	Amount of Increase (Decrease)	Percent Change
REVENUES				
Federal Revenues	$ 22,240	$ 21,962	$ 278	1.3%
Licenses, Fees and Permits	370,365	499,721	(129,356)	(25.9%)
Interest & Investment Income	1,737	1,251	486	38.8%
Other Revenues	20	15	5	33.3%
Total Revenues	394,362	522,949	(128,587)	(24.6%)
EXPENDITURES				
Transportation	12,142	3,064	9,078	3.0%
Capital Outlay	45,609	111,885	(66,276)	(59.2%)
Debt Service	379,333	339,778	39,555	11.6%
Total Expenditures	437,084	454,727	(17,643)	(3.9%)
Excess (Deficiency) of Revenues **Over (Under) Expenditures**	(42,722)	68,222	(110,944)	(1.6%)
OTHER FINANCING SOURCES (USES)				
Transfers In	115,027		115,027	100.0%
Total Other Financing Sources (Uses)	115,027	0	115,027	100.0%
Change in Fund Balances	72,305	68,222	4,083	6.0%
Fund Balances - Beginning	389,264	321,042	68,222	21.3%
Fund Balances - Ending	$ 461,569	$ 389,264	$ 72,305	18.6%

Capital Outlay expenditures decreased by $66.3 million, or 59.2 percent. This is due to the decrease in construction project expenditures receiving mobility fund dollars. Debt Service expenditures increased by $39.6 million, or 11.6 percent, because of greater principal payments paid out on long-term debt. Also, Licenses, Fees and Permits revenues decreased by $129.3 million, or 25.9 percent, after the passage of House Bill 4472 during the 87th Texas Legislature, which redirected Certificate of Title Fees to the Texas Emissions Reduction Plan Trust. The Mobility Fund received a $115.0 million cash transfer in from the State Highway Fund in an amount equal to the Certificate of Title Fees deposited into the Trust.

The major dedicated revenue sources of the Mobility Fund for the year ended Aug. 31, 2022, are summarized in the pie chart. A detailed listing of all dedicated revenue sources can be found in the supplementary information section of this report.

The state collects varies inspection-fees at the time of registration, a portion of which is deposited to the Mobility Fund, based on the inspection category for the type of vehicle being registered.



Debt Administration

The Mobility Fund bonds are 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 percent of the annual debt service requirements.

All Mobility Fund debt issuances must be approved by the Texas Bond Review Board prior to issuance.

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, 2022, the principal amount of debt outstanding is $6.1 billion.

House Bill No. 2219 which was enacted during the regular session of the 87th Legislature and became effective on June 18, 2021, now authorizes the Commission to issue Program obligations for certain transportation projects, after May 1, 2021 and before January 1, 2027.

Bonds payable balances are not reported in the accompanying governmental fund balance sheet which is presented on a current financial resources measurement focus and modified accrual basis of accounting. Governmental fund financial statements do not include long-term liabilities. Long-term liabilities are reported in the governmental activities of the TxDOT entity-wide financial statements. See Note 4 and 5 for additional information.

Also, as of Sept. 1, 2021, the 87th Texas Legislature enacted House Bill 4472 which redirects portions of the Title fees to the Texas Emissions Reduction Plan Trust, Fund 1201. In addition, an amount equal to the Certificate of Title Fees deposited into the Trust Fund 1201 shall be transferred from non-constitutionally dedicated funds of the State Highway Fund to the Mobility Fund.

Bond Credit Ratings

The Mobility Fund bonds are rated by the major nationally recognized statistical rating organizations.

As of Aug. 31, 2022, the bonds carried a long-term rating of AAA, Aaa, AAA and AAA from Fitch Ratings (Fitch), Moody's Investor Services (Moody's), Standard & Poor's, and Kroll, respectively. The short-term rating of variable rate demand bonds is usually reliant upon the supporting liquidity facility and its credit strength.

Long-Term Credit Ratings as of August 31, 2022				
	Fitch	**Moody's**	**Standard & Poor's** [2]	**Kroll**
General Obligation Bonds	AAA	Aaa	AAA	AAA

2 Series 2020 is not rated by Standard & Poor's

Short-Term Credit Ratings as of August 31, 2022				
	Fitch	**Moody's**	**Standard & Poor's**	**Kroll**
Series 2006-B Variable Rate Demand Bonds	F1+	VMIG 1	n/a	AAA

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

Contacting TxDOT's Financial Management

This financial report is designed to provide a general overview of the 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 Financial Management Division at the following address:

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

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Section Two (Continued)

Basic Financial Statements

Texas Department of Transportation
Combining Balance Sheet - Texas Mobility Fund
August 31, 2022 (Amounts in Thousands)

	Debt Service Fund	Capital Projects Fund	Total
ASSETS			
Cash and Cash Equivalents:			
Cash in State Treasury	$ 239,696	$ 219,947	$ 459,643
Receivables:			
Federal	22,240		22,240
Total Assets	$ 261,936	$ 219,947	$ 481,883
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables:			
Accounts		19,944	19,944
Due to Other Funds		370	370
Total Liabilities	0	20,314	20,314
Fund Balances (Deficits):			
Restricted	261,936		261,936
Committed		199,633	199,633
Total Fund Balances	261,936	199,633	461,569
Total Liabilities and Fund Balances	$ 261,936	$ 219,947	$ 481,883

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

Texas Department of Transportation
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Texas Mobility Fund
For the Fiscal Year Ended August 31, 2022 (Amounts in Thousands)

	Debt Service Fund	Capital Projects Fund	Total
REVENUES			
Federal Revenues	$ 22,240	$	$ 22,240
Licenses, Fees and Permits	286,588	83,777	370,365
Interest and Investment Income	731	1,006	1,737
Other Revenues		20	20
Total Revenues	309,559	84,803	394,362
EXPENDITURES			
Transportation		12,142	12,142
Capital Outlay		45,609	45,609
Debt Service			
Principal	141,710		141,710
Interest	236,699		236,699
Other Financing Fees		924	924
Total Expenditures	378,409	58,675	437,084
Excess (Deficiency) of Revenues Over (Under) Expenditures	(68,850)	26,128	(42,722)
OTHER FINANCING SOURCES (USES)			
Transfers In	89,009	26,018	115,027
Total Other Financing Sources (Uses)	89,009	26,018	115,027
Net Change in Fund Balances	20,159	52,146	72,305
Fund Balances, September 1, 2021	241,777	147,487	389,264
Fund Balances, August 31, 2022	$ 261,936	$ 199,633	$ 461,569

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

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Texas Mobility Fund
Notes to Financial Statements

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NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

These fund 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, part of the TxDOT reporting entity, is created in the Texas Constitution and administered by the Texas Transportation Commission (Commission). The 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 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.

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, 2022, the Commission and management believe that they were in compliance with all covenants.

Basis of Presentation

The accompanying financial statements were prepared in conformance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Financial reporting for the Mobility Fund is based on all GASB pronouncements. The data in this report is combined and consolidated by the Texas Comptroller's Office with similar data from other state agencies and universities in the preparation of the state of Texas Annual Comprehensive Financial Report (ACFR).

GASB Pronouncements and Implementation Guides Effective for Fiscal 2022

In fiscal 2022 the Mobility Fund adopted the following new GASB pronouncements:

- *GASB Statement No. 87, Leases.* This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under the statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Changes adopted to conform to the provisions of this Statement are applied retroactively by restating the beginning fund balance or net position, as applicable, for the earliest period restated. The effective date of the Statement is postponed from fiscal 2021 to fiscal 2022 by *GASB Statement 95, Postponement of the Effective Dates of Certain Authoritative Guidance*, due to the COVID-19 pandemic.

- *GASB Statement No. 93, Replacement of Interbank Offered Rates.* This statement addresses accounting and reporting implications that result from the replacement of an interbank offered rate (IBOR) or the London Interbank Offered Rate (LIBOR) in hedging derivative instruments and leases. Paragraph 11b on the removal of LIBOR as an appropriate interest rate for hedging derivative instruments and paragraphs 13 and 14 related to lease modifications are effective for fiscal 2022. All other paragraphs of the Statement were effective in fiscal 2021.

- *GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB*

Statement No. 32. The effective date of the Statement, other than paragraphs 4 and 5 was postponed to fiscal 2022 by *GASB Statement 95, Postponement of the Effective Dates of Certain Authoritative Guidance*, due to the COVID-19 pandemic. The Statement requires the IRC Section 457 plan be classified as either a pension plan or another employee benefit plan. The Section 457 Deferred Compensation Plan of TxDOT does not meet the definition of a pension plan and is therefore another employee benefit plan for accounting and financial reporting purposes. See Note 9 for details of the deferred compensation plans.
Paragraphs 4 and 5 related to certain component unit criteria, were effective in fiscal 2021.

- *GASB Statement No. 99, Omnibus 2022.* Paragraphs 26-32 on replacement of LIBOR, SNAP, disclosure of nonmonetary transactions, pledges of future revenues, focus of the government-wide financial statements, and terminology updates are effective upon issuance, or for fiscal 2022. TxDOT early implemented Paragraphs 11-17 related to leases in fiscal 2022. Paragraphs 18-25 related to PPPs and SBITAs are effective in fiscal 2023. Paragraphs 4-10 related to financial guarantees and derivative instruments are effective in fiscal 2024.

- *GASB Implementation Guide No. 2019-3 Leases.* The Implementation Guide provides questions and answers related to accounting and financial reporting for leases in accordance with the requirements of Statement 87.

- *GASB Implementation Guide No. 2020-1, Implementation Guidance Update – 2020*. The requirements of the Implementation Guide are effective for fiscal 2022 except for questions 4.19-4.21 on conduit debt obligations, which will be effective for fiscal 2023. TxDOT early implemented Questions 4.6-4.17 on leases in fiscal 2022. Questions and answers in paragraph 4 are new Category B guidance in the hierarchy of generally accepted accounting principles. Questions in the paragraph 5 amend questions in previously issued Implementation Guides.

- *GASB Implementation Guide No. 2021-1, Implementation Guidance Update – 2021.* Question 4.22 on the effective date and transition of Statement 87 is effective for fiscal 2022. All other questions and answers of the Implementation Guide are effective in fiscal 2023.

The data in this report is combined and consolidated by TxDOT and included in the TxDOT Annual Comprehensive Financial Report submitted to the Texas Comptroller of Public Accounts' office. The accompanying financial statements present only the fund balance and changes in fund balance 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 5.

Fund Structure

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 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.

- Mobility Fund 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.

Capital Projects 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. The General Account is primarily used to fund construction projects throughout the state.

Basis of Accounting

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 expenditure in the year incurred.

Budgetary Information

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, Liabilities and Fund Balance

Cash and Cash Equivalents – Cash in State Treasury

Cash balances in state treasury of most state funds are pulled and invested by the Treasury Operations Division of the Comptroller's Office. Interest earned is deposited in the general revenue fund and specified funds designated by law. See Note 3 for more information.

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.

Accounts Payable

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

Due To Other Funds

The Due to Other Funds balance represents the value of assets or services paid for by the State Highway Fund during the reporting period, for which reimbursement was due from the Texas Mobility Fund as of Aug. 31, 2022.

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 as of Aug. 31, 2022, are displayed in two components.

- Restricted fund balance - resources that have constraints placed on their use through external parties or by law through constitutional provisions.
- Committed fund balance – can be used only for specific purposes pursuant to constraints imposed by a formal action of the Legislature, the state's highest level of decision-making authority.

The Mobility Fund's fund balance in the Debt Service Fund is restricted due to bond covenants and constitutional provisions. Most of current year revenues relate to fees pledged for debt service on outstanding bonds.

The Mobility Fund's fund balance in the Capital Projects Fund is committed since the fund balance can only be used for specific purposes pursuant to constraints imposed by formal action of the state's highest level of decision-making authority (the Legislature), based on the Texas Transportation Statue, subchapter M, Sec.201.946.

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.

Revenues and Expenditures

Licenses, Fees and Permits

The major sources of dedicated revenue to the Mobility Fund for fiscal 2022 were driver license fees, motor vehicle inspection fees, certificate of title fees, and driver record information fees. A list of all fiscal 2022 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 5 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 Comptroller.

Other Revenues

Money received from voided warrants that were past the statute of limitations.

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.

NOTE 2 – CAPITAL ASSETS

The Mobility Fund does not own capital assets. 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 Comprehensive 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 2022. 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 a 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 Annual Comprehensive Financial Report.

As of Aug. 31, 2022, the Mobility Fund's pro rata share of participation in the Treasury Pool was $459.6 million. No further detail of this balance is available due to the management policies of the Treasury.

NOTE 4 – LONG-TERM LIABILITIES

The Mobility Fund bonds are recorded as long-term liabilities within the governmental activities balances in the TxDOT Comprehensive Annual Financial Report. During the fiscal year ended Aug. 31, 2022, the following changes occurred in the long-term liabilities.

Long-Term Liabilities Activity
For the Fiscal Year Ended August 31, 2022 (Amounts in Thousands)

Governmental Activities	Beginning Balance 9/1/2021	Adjustments*	Additions	Deductions	Ending Balance 8/31/2022	Amounts Due Within One Year	Amounts Due Thereafter
General Obligation Bonds	$ 5,996,050	$ (32,606)	$	$ (141,710)	$ 5,821,734	$ 186,798	$ 5,634,936
General Obligation Bonds - Direct Placements	282,941	(1,986)			280,955	1,986	278,970
Total	$ 6,278,991	$ (34,592)	$	$ (141,710)	$ 6,102,689	$ 188,784	$ 5,913,906

*Includes current year amortization of premiums and discounts

Pledged Future Revenues

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

Pledged Future Revenue
(Amounts in Thousands)

Texas Mobility Fund General Obligation Bonds

Pledged Revenue Required for Future Principal and Interest on Existing Debt	$	8,653,704
Term of Commitment Ending		10/1/2044
Percentage of Revenue Pledged		100%
Current Year Pledged Revenue	$	509,390
Current Year Principal and Interest Paid	$	378,405

NOTE 5 – 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, 2022, major sources of pledged revenue to the Mobility Fund include driver license fees, motor vehicle inspection fees, certificate of title fees, and driver record information fees.

The 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 and project that money dedicated to the Fund and on deposit in the Fund will be

at least 110 percent coverage of debt service requirements during the period that the debt will be outstanding. House Bill No. 2219 which was enacted during the regular session of the 87th Legislature and became effective on June 18, 2021, amended the authority to (i) eliminate the ability of the Commission to issue Program obligations for the purpose of providing participation by the State in the payment of part of the costs of constructing and providing publicly owned toll roads and (ii) authorize the Commission to issue Program obligations for certain transportation projects, as described herein, after May 1, 2021 and before January 1, 2027 in an aggregate principal amount not to exceed an amount equal to sixty percent (60%) of the outstanding principal amount of Program obligations existing on May 1, 2021. As of May 1, 2021, the outstanding principal amount of Program obligations (i.e., Parity Debt) was $5.9 billion. Accordingly, under the authority, as amended by HB 2219, the Commission may issue, other than refunding obligations described herein, no more than $3.6 billion in aggregate principal amount of Parity Debt prior to January 1, 2027. The actual amount of bonds that can be issued is subject to a revenue estimate provided by the Comptroller as well as other market conditions at the time of each issuance.

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

Miscellaneous Bond Information
(Amounts in Thousands)

Description of Issue	Bonds Issued to Date	Date Issued	Range of Interest Rates	Maturities: First Year	Maturities: Last Year	First Call Date
GOVERNMENTAL ACTIVITIES						
General Obligation Bonds						
Series 2006-B Variable Rate Bonds	$ 150,000	12/13/2006	variable	2036	2036	*
Series 2009-A Taxable Fixed Rate Bonds	1,208,495	08/26/2009	5.37% 5.52%	2029	2039	*
Series 2014 Fixed Rate Refunding Bonds	973,775	07/02/2014	4.00% 5.00%	2016	2034	04/01/2024
Series 2014-A Fixed Rate and Refunding Bonds	1,580,160	12/18/2014	4.00% 5.00%	2017	2044	10/01/2024
Series 2014-B Put Bonds	250,000	12/18/2014	variable	2040	2041	10/01/2025
Series 2015-A Fixed Rate Refunding Bonds	911,360	09/30/2015	3.20% 5.00%	2018	2036	10/01/2025
Series 2015-B Fixed Rate Refunding Bonds	254,105	10/07/2015	5.00% 5.00%	2031	2036	10/01/2025
Series 2017-A Fixed Rate Refunding Bonds	296,020	02/01/2017	5.00% 5.00%	2030	2034	10/01/2027
Series 2017-B Fixed Rate Refunding Bonds	474,135	02/01/2017	5.00% 5.00%	2029	2036	10/01/2027
Series 2020 Taxable Fixed Rate Refunding Bonds	1,270,690	08/05/2020	0.26% 2.47%	2021	2044	*
Governmental Activities Total	$ 7,368,740					

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

The Series 2015-B outstanding balance of $281.0 million is from direct placements. In an event of default, any owner of parity debt in connection with any covenant or in any supplement, or default in the payment of annual debt service requirements due in connection with any parity debt, or other costs and expenses related thereto, may require the Commission, the Department, its officials and employees, and any appropriate official of the State, to carry out, respect, or enforce the covenants and obligations of the Master Resolution or any Supplement, by all legal and equitable means, including specifically the use and filing of mandamus proceedings in any court of competent jurisdiction in Travis County, Texas against the Commission, the Department, its officials and employees, or any appropriate official of the State.

Debt service requirements for the revenue bonds as of Aug. 31, 2022, are detailed in the following table.

Debt Service Requirements – Governmental Activities
(Amount in Thousands)

General Obligation Bonds

Year	Principal	Interest*	Total
2023	$ 155,720	$ 222,994	$ 378,714
2024	170,590	215,913	386,503
2025	186,380	208,037	394,417
2026	203,120	199,328	402,448
2027	133,610	198,549	332,159
2028-2032	1,286,515	858,098	2,144,613
2033-2037	1,537,450	569,832	2,107,282
2038-2042	1,399,525	193,900	1,593,425
2043-2047	474,475	20,119	494,594
	5,547,385	2,686,770	8,234,155
Premium	274,349		274,349
Total	$ 5,821,734	$ 2,686,770	$ 8,508,504

* Series 2006-B debt service requirements are calculated with interest rate of 1.47 percent which is the interest rate reported at Aug. 31, 2022.

Debt Service Requirements – Governmental Activities
(Amounts in Thousands)

General Obligation Bonds Direct Placements

Year	Principal	Interest	Total
2023	$	$ 12,705	$ 12,705
2024		12,705	12,705
2025		12,705	12,705
2026		12,705	12,705
2027		12,705	12,705
2028-2032	25,270	62,895	88,165
2033-2037	228,835	39,023	267,858
	254,105	165,443	419,548
Premium	26,850		26,850
Total	$ 280,955	$ 165,443	$ 446,398

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 for a federal reimbursement to TxDOT equal to 35 percent of the interest paid on the BABs.

As a result of budget sequestration, the federal government reduced subsidy payments for BABs by 5.7 percent effective Oct. 1, 2020, through Sept. 30, 2030, for BABs subsidy payments paid in federal fiscal year 2022. See the table below for details on the Commission's Direct Payment BABs outstanding as of Aug. 31, 2022.

Direct Payment Build America Bonds
(Amounts in Thousands)

Description	Issue Date	Par Amount	Outstanding
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds			
Texas Mobility Fund Bonds Series 2009-A	8/26/2009	$ 1,208,495	$ 1,205,250
Governmental Activities Total		$ 1,208,495	$ 1,205,250

Variable Rate Bonds

The Mobility Fund has two variable rate bond issues outstanding as of Aug. 31, 2022. The interest rates in effect on Aug. 31, 2022, for the Series 2006-B used to calculate the debt service requirements was 1.47 percent. The rate reset every seven days. Series 2014-B bonds interest rate mode was converted from Index Floating Rate Mode to a Multiannual Mode on Oct. 1, 2021. During the initial multiannual rate period, the Series 2014-B bonds bear interest at the per annum interest rate of .65 percent.

Fixed Rate Put Bonds

The Series 2014-B bonds were redesigned and remarketed on Oct. 1, 2021. The interest rate mode the bonds was converted to a Multiannual Mode for an initial multiannual rate period that commences on Oct. 1, 2021, and ends on Mar. 31, 2026, the mandatory tender date. At the termination of the initial multiannual rate 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 from the mandatory tender date until purchased or redeemed.

Put Bonds
(Amounts in Thousands)

Description	Mandatory Tender Date	Initial Rate	Initial Period Interest[1]	Stepped Coupon Rate	Stepped Rate Period Interest[1]
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds					
Texas Mobility Fund Series 2014-B	4/1/2026	0.65%	$ 1,625	7.00% per annum	$ 17,500

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

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

For fiscal 2022, the Trustee did not draw from the Comptroller related to the Series 2006-B demand bonds. The following table provides details for the outstanding demand bonds and the related standby bond purchase liquidity agreement.

Demand Bonds – Standby Bond Purchase Agreement Provisions
(Amounts in Thousands)

Description	Principal Balance Outstanding	Counterparties	Annual Liquidity Fee	Agreement Termination Date
GOVERNMENTAL ACTIVITIES				
General Obligation Bonds				
Texas Mobility Fund				
Series 2006-B	$150,000	Texas Comptroller of Public Accounts	0.12%	8/31/2023
Total	$150,000			

Defeased Bonds

The Commission defeased various bond issues by placing funds and securities in irrevocable trusts with external financial institutions to provide for all future debt service payments on the bonds through the earlier of the maturity date or the first call date. As of Aug. 31, 2022, the amounts of defeased bonds, at par, that remain outstanding are presented in the table below.

Defeased Bonds Outstanding
(Amounts in Thousands)

Description	Year Defeased		Par Value Outstanding
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds			
Series 2014 Fixed Rate Refunding Bonds	2020	$	380,815
Series 2014-A Fixed Rate Refunding Bonds	2020		690,760
Total		$	1,071,575

NOTE 6 - RETIREMENT PLAN AND POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The Mobility Fund 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 or other postemployment benefits (OPEB) 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) and the State Retiree Health Plan (SRHP). The Mobility Fund is not obligated in any form for the funding of the pension benefits provided by the ERS Plan or the postemployment benefits provided through the SRHP. Allocation of the pension and OPEB liabilities and expense for the Mobility Fund is deemed unnecessary and not required.

The details are disclosed in the TxDOT's Annual Comprehensive Financial Report for the pension plan in Note 8 and the OPEB plan in Note 10.

NOTE 7 – INTERFUND ACTIVITY

Interfund activity refers to financial interactions between funds and is restricted to internal events. Interfund transfers represent the flow of assets (cash or goods) without equivalent flow of assets in return or a requirement for repayment. The Mobility Fund interfund activity detail is as follows.

Due To
August 31, 2022 (Amounts in Thousands)

Description	Due To Other Funds
State Highway Fund	$ 370
Total	$ 370

Amounts not transferred at fiscal year-end are accrued as due to other funds. As of Aug. 31, 2022, the due to the State Highway Fund balance totaled $370 thousand. This amount represents Mobility Fund expenditures paid by State Highway Fund that were not reimbursed until fiscal 2023.

Transfer In
August 31, 2022 (Amounts in Thousands)

Description	Transfer In
Debt Service Fund	$ 89,008
Capital Project Fund	26,019
Total	$ 115,027

House Bill 4472 changed the way the Certificate of Title Fees were deposited starting Sept. 1, 2021. It is to be deposited in the Texas Emissions Reduction Plan Fund (TERP) and then transfer an equal amount from the State Highway Fund (SHF) to the Texas Mobility Fund (TMF).

As of Aug. 31, 2022, a total of $115.0 million was transferred from the State Highway Fund (SHF) to abide by the new rules in House Bill 4472.

NOTE 8 – CONTINUANCE SUBJECT TO REVIEW

Under the current Texas Sunset Act, TxDOT will be abolished effective Sept. 1, 2029, unless continued in existence by the 91st Legislature as provided by the Act. If abolished, TxDOT may continue until Sept. 1, 2030, to wind down its operations. In the event that TxDOT is abolished, pursuant to the Texas Sunset Act or other law, Texas Government Code, Section 325.017(f), acknowledges that such action will not alter the obligation of the abolished agency.

NOTE 9 –COMMITMENTS AND CONTINGENCIES

Rebatable arbitrage defined by Internal Revenue Code (IRC), Section 148, is earnings on tax exempt bond proceeds in excess of the yield on the bond. The rebatable arbitrage must be repaid to the federal government. Pursuant to the applicable bond 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 Mobility Fund's overall financial condition.

NOTE 10 - RISK MANAGEMENT

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

TxDOT is exposed to various risks of loss related to property, general and employer liability, net income, and personnel. TxDOT and its employees are covered by various immunities and defenses that limit some of these risks of loss, particularly in liability actions brought against TxDOT or its employees. Remaining exposures are managed by self-insurance arrangements.

Property and Liability

TxDOT administers a self-insured workers compensation program. Due to the nature of worker compensation claims, amounts are not reasonably estimable. Claims are paid as they become due.

Health, Life and Dental

Insurance coverage is provided to active state employees and their dependents by one of three health plan administrators. All TxDOT employees are included in the Texas Employees Group Benefit Program (GBP) administered by the Employees Retirement System of Texas (ERS).

Claims for health, life, accidental death and dismemberment, disability and dental insurance coverages are established under GBP. These coverages are provided through a combination of insurance contracts, a self-funded health plan, a self-funded dental indemnity plan, health maintenance organization contracts and dental health maintenance organizations contracts.

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Section Two (Continued)

Other Supplementary Information

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Texas Mobility Fund Dedicated Revenues
For the Fiscal Year Ended August 31, 2022

Major Sources of Funds		
Driver License Fees	$	178,704,553
Motor Vehicle Inspection Fees		117,494,573
Certificate of Title Fees*		115,027,559
Driver Record Information Fees		70,829,381
		482,056,065
Miscellaneous Sources		
Motor Carrier Act Penalties		3,334,130
Motor Vehicle Registration Fees		2,191
Depository Interest		1,736,697
		5,073,018
Total Dedicated Revenues	$	487,129,083

Note:
* The amount is recorded as a transfer on TxDOT's Statement of Revenues, Expenditures and Changes in Fund Balance.
The total above does not include the Build America Bonds federal interest rate subsidy and other revenues that are not dedicated revenue.

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