



Alamo Regional Mobility Authority

(A Component Unit of Bexar County)
San Antonio, Texas

Financial Report and Independent Auditor's Report
Year Ended September 30, 2016

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Financial Section

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Independent Auditor's Report

To the Board of Directors
Alamo Regional Mobility Authority
San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the Alamo Regional Mobility Authority (the Authority), a discretely presented component unit of Bexar County, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority'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 an opinion 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 Authority'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 Authority'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2016, and the changes in its financial position and its cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information: Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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: The Schedule of Expenditures for Assets Owned or Pending Transfer to Other Entities—(Unaudited) has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2017, on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

RSM US LLP

San Antonio, Texas
March 23, 2017

**Alamo Regional Mobility Authority
San Antonio, Texas**

**Management's Discussion and Analysis—Unaudited
Year Ended September 30, 2016**

As management of Alamo Regional Mobility Authority (the Authority), we offer the following Management's Discussion and Analysis (MD&A). The MD&A serves as an introduction to the financial statements for the fiscal year (FY) ended September 30, 2016, and is designed to assist the reader in focusing on significant financial issues and activities and identifying any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

The Authority was established in 2004 by the Bexar County Commissioners Court with the intent to partner with the Texas Department of Transportation (TxDOT), the San Antonio-Bexar County Metropolitan Planning Organization (MPO) and Bexar County to leverage funding and bring needed relief to the congestion impacting the Bexar County area. An initial 50-mile toll road network was identified. The network was to include new capacity on Loop 1604 from FM 471 (Culebra Road) to IH 35 (north), new capacity on US 281 from Loop 1604 (north) to the Comal County line and new capacity in the northwest (IH 35) corridor from Loop 1604 (north) to the Central Business District (CBD). New connector/exchange ramps at US 281 and Loop 1604 and at IH 10 and Loop 1604 were also included as projects in the initial network.

Since that time, the Authority has partnered with TxDOT to complete superstreet improvements to portions of Loop 1604 in northwest San Antonio and on US 281 from Loop 1604 to Marshall Road. The Authority completed preliminary planning work on potential projects in the SH 16 corridor from IH 410 to Loop 1604 and IH 35 from the CBD to the Guadalupe County Line. In 2013, the Authority, in partnership with the Federal Highway Administration (FHWA) and TxDOT, completed the construction of four direct connector ramps at US 281 and Loop 1604 in north central San Antonio. This \$110 million project was funded through a combination of American Recovery and Reinvestment Act of 2009 and TxDOT Proposition 12 and 14 funds.

The Authority also procured a design/build developer for improvements to US 281 from Loop 1604 to the Comal County Line prior to that project falling victim to an environmental lawsuit. In 2015, the Authority completed the Environmental Impact Statement (EIS) for the US 281 North Improvement Project ending a six-year long environmental clearance process. With environmental clearances in place, the Authority was prepared to move forward with construction when the State made available to TxDOT sufficient funds to complete the US 281 North Improvement Project without having to rely on any toll revenue. The Authority subsequently turned over all construction responsibility for this project to TxDOT.

Alamo RMA Staffing

Staff duties of the Authority are performed by employees of Bexar County. Utilization of Bexar County employees is an effort to reduce ongoing operating costs of the Authority while revenue-generating projects remain under development. David Smith continues to serve the dual role of Bexar County Manager and the Authority's Executive Director and Renee Green, P.E., serves as Bexar County Director of Public Works and as the Authority's Director of Engineering and Operations.

Alamo RMA Board of Directors (Board) Members

In January 2016, John Clamp resigned as the Board Chairman due to his new employment with the Alamo Area Council of Governments. Governor Greg Abbott appointed James Conrad Weaver to replace John Clamp as the presiding officer of the Authority. The other Board Members are John Montford, Lou Miller, Ramiro Cavazos, Gavino Ramos, Jr. and David Starr. In January 2016, Baltazar Serena was sworn in to fill the final position on the Board.

In February 2017, James Conrad Weaver resigned as the Board Chairman due to his appointment to the Board of Regents of the University of Texas System. As of the time of the publication of the fiscal year 2015-16 audited financial statements, the position of Board Chairman remains vacant awaiting appointment from the Governor.

**Management's Discussion and Analysis—Unaudited
Year Ended September 30, 2016**

Financial Highlights

Financial highlights for the Authority include the following:

During the 2013 session of the State Legislature, House Bill 1573 was passed and signed into law which allows a county with a population greater than 1.5 million that is coterminous with a regional mobility authority, the ability to impose an additional \$10 vehicle registration fee collected by the county. The revenue from the additional fee is required to be remitted to a regional mobility authority located in the county. Bexar County Commissioners Court approved the imposition of the fee on August 29, 2013, and the Authority started receiving revenues from the fee in February 2014. Revenue received in FY 2016 was \$16,305,320. Projected revenue from this fee is estimated to be \$16,000,000 in FY 2016-17.

In April 2014, the Authority and Bexar County entered into an Inter-Local Agreement whereby the County Commissioners pledged to not rescind the order imposing the Vehicle Registration Fee (VRF) as long as revenue derived from the fee is pledged as security for any obligations issued by the Authority.

In June 2016, the authority issued \$114,425,000 in Vehicle Registration Fee Revenue Bonds to partially fund 14 local transportation projects with a combined budget of \$179 million. The debt was issued through \$62,105,000 in Senior Lien Revenue Bonds (AA+, Aa2) and \$52,320,000 in Junior Lien Revenue Bonds (AA+, AA3) and will be repaid over the next 30 years.

Total assets increased by \$81,426,785. This was primarily related to cash received from the June 2016 issuance of \$114 million in debt. The Authority immediately conveyed \$70 million of the debt proceeds to TxDOT as partial funding for Loop 1604 from Potranco to US 90, one of the 14 local projects being funded by the debt issuance.

The Authority ended the year with a deficit in net position of \$33,930,652, which was a decrease of \$65,471,975 from the previous year. This decrease is primarily related to the conveyance of the \$79.4M to TxDOT partially offset by the receipt of \$16.3M in VRF.

Basic Financial Statements

The basic financial statements are comprised of the Balance Sheet; Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The basic financial statements report information using accounting methods similar to those used by private-sector companies. These financial statements are prepared under the accrual basis of accounting in which revenues and assets are recognized when earned or acquired and expenses and liabilities are recognized when incurred, regardless of when cash is received or paid. These financial statements offer short-term and long-term financial information about the Authority's activities.

The Balance Sheet includes all of the Authority's assets and liabilities. It provides information about the nature and amount of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing its liquidity and financial flexibility.

The Statement of Revenues, Expenses and Changes in Net Position presents both operating revenues and expenses and nonoperating revenues and expenses. Operating revenues are expected to be generated from administrative fees and/or toll revenues in future years. Operating expenses are related to planning and operating the Authority on an annual basis. All other activity is classified as nonoperating revenues and expenses. Total revenues, total expenses, operating income (loss) and increase (decrease) in net position are all important factors when assessing the change in the Authority's financial position. Further detail is presented in the Statement of Revenues, Expenses and Changes in Net Position and notes to the financial statements.

**Alamo Regional Mobility Authority
San Antonio, Texas**

**Management's Discussion and Analysis—Unaudited
Year Ended September 30, 2016**

The Statement of Cash Flows reports cash inflows and outflows and net changes in cash resulting from operations, capital and financing activities. It provides answers to such questions as how cash was generated, what was the cash used for and what the change was in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the basic financial statements.

Financial Analysis

**Table 1
Condensed Balance Sheet Information**

	2016	2015
Current and other assets	\$ 42,239,948	\$ 26,531,627
Noncurrent assets	65,288,682	-
Capital assets	15,993,433	24,920,124
Total assets	<u>\$ 123,522,063</u>	<u>\$ 51,451,751</u>
Current and other liabilities	\$ 5,332,193	\$ 1,935,639
Noncurrent liabilities	152,120,522	17,974,789
Total liabilities	<u>157,452,715</u>	<u>19,910,428</u>
Net position (deficit):		
Net investment in capital assets	5,164,203	13,210,782
Unrestricted (deficit)	<u>(39,094,855)</u>	<u>18,330,541</u>
Total net position (deficit)	<u>(33,930,652)</u>	<u>31,541,323</u>
Total liabilities and net position	<u>\$ 123,522,063</u>	<u>\$ 51,451,751</u>

Current and other assets increased by \$15,708,321 (59 percent). The majority of this increase is related to the collection of the VRF. Noncurrent assets increased by \$65,288,682 and noncurrent liabilities increased by \$134,145,733, both due to issuance of \$114 million in debt. Capital assets decreased by \$8,926,691 (35.8 percent) due to conveying the 281 EIS work product to TxDOT. Current and other liabilities increased by \$3,396,554 (175 percent) primarily due to accrued interest payable on debt issuance and the recording of the current portion of repayment due on the principal of the new debt issuance. Overall, net position decreased by \$65,471,975 (208 percent) due to 1) conveyance of \$70 million of debt proceeds to the TxDOT for the Authority's share of a local project, 2) conveyance of the completed 281 EIS work product valued at \$9,356,474 to TxDOT and offset by 3) receipt of \$16.3 million of VRF revenues.

**Table 2
Condensed Revenues, Expenses and Changes in Net Position Information**

	2016	2015
Operating expenses	\$ 332,701	\$ 502,910
Total operating expenses	(332,701)	(502,910)
Nonoperating revenue (expense), net	(65,150,799)	(103,452,611)
Decrease in net position before capital contributions	(65,483,500)	(103,955,521)
Capital contributions	11,525	918,621
Change in net position	(65,471,975)	(103,036,900)
Net position at beginning of year	31,541,323	134,578,223
Net position at end of year	<u>\$ (33,930,652)</u>	<u>\$ 31,541,323</u>

Operating expenses decreased from the previous year by \$170,209 (34 percent) due primarily to the lower legal fees incurred during nonlegislative years. Nonoperating revenues (expense) decreased by \$38,301,812 (37 percent) due to a much smaller (\$79.4M versus \$119M) conveyance to TxDOT this year compared to FY 2015. Other items affecting nonoperating revenue (expense) include interest expense, grant revenue and capital contributions. Interest expense increased by \$1,179,432 due to new debt issued during 2016. State grant revenue and capital contributions both saw a significant decrease this year as the work on Loop 1604 slowed and construction responsibility for US 281 was turned over to TxDOT for completion of the project.

Capital Assets and Debt Administration

Capital assets: As of September 30, 2016, the Authority had \$15,993,433 invested in capital assets, all related to development in progress costs. This represents a decrease of \$8,926,691 (35.8 percent) from FY 2015. Additional information can be found in Note 5 to the financial statements.

**Table 3
Capital Assets**

	2016	2015
Capital assets not being depreciated:		
Development in progress:		
US 281 North	\$ 3,213,159	\$ 3,208,588
US 281 EIS	-	9,349,520
IH 10 from Loop 1604 to Ralph Fair	10,836	10,666
Loop 1604 EIS	11,710,236	11,451,468
Loop 1604	932,191	899,882
Blanco Rd Phase II	11,186	-
Evans Rd Phase I	2,782	-
Evans Rd Phase II	28,847	-
Foster Rd Phase III	84,196	-
Total capital assets not being depreciated	<u>15,993,433</u>	<u>24,920,124</u>
Total capital assets	<u>\$ 15,993,433</u>	<u>\$ 24,920,124</u>

Debt

As of September 30, 2016, the Authority had total long-term debt of \$153,875,522 comprised of loans from TxDOT and \$114,425,000 million in vehicle registration fee revenue bonds. The loans from the State do not accrue interest and are not payable until the Authority has a source of operating revenues. The new debt issued in FY 2016 is payable over a 30-year time frame. More information related to the Authority’s long-term debt can be found in Note 6 to the financial statements.

Economic Factors Affecting the Future

\$825 million plan: In 2014, the Authority entered into a funding partnership with TxDOT and multiple local agencies, including Bexar County, the City of San Antonio, VIA and the MPO to address the transportation needs of the greater San Antonio metropolitan area. The goal of the partnership is to address much needed congestion relief in several highly traveled corridors, including IH 10, Loop 1604 and US 281. The partnership will provide \$825 million dollars of infrastructure improvements and accelerate project delivery; however, due to increases in estimated construction/right of way, the \$825 million price tag has increased, although the plan is still referred to as the \$825 Million Plan. In June of 2016, the Authority issued debt in the amount of \$114 million (backed by revenue from the VRF). Immediately after receiving the debt proceeds, the Authority transferred \$70 million to TxDOT for the funding of Loop 1604 from US 90 to FM 1957 to allow TxDOT to construct the non-toll improvements. The Authority will use the remaining balance from this debt issuance to start the construction of other local transportation projects.

**Management's Discussion and Analysis—Unaudited
Year Ended September 30, 2016**

Proposition 7: During the 84th Legislative Session, the House and Senate approved Senate Joint Resolution 5, which is a constitutional amendment that provides for \$2.5 billion in general sales tax proceeds in excess of \$28 billion to be deposited to the State Highway Fund beginning in fiscal year 2018, along with 35 percent of motor vehicle sales tax proceeds in excess of \$5 billion beginning in fiscal year 2020. This proposal was approved by voters on the November 3, 2015, ballot as Proposition 7. Funds may only be used to construct, maintain or acquire right-of-way for public roadways other than toll roads or to repay the principal and interest on Proposition 12 general obligation bonds.

US 281 North improvement project: The Authority took the lead preparing an EIS for US 281 in 2009 and spent the next six years meeting with stakeholders from neighborhoods, businesses, organizations in the area and with transportation engineers to determine how best to improve US 281. In addition to completion of the EIS, the Authority also undertook and completed an Investment Grade Traffic and Revenue Study. The Final EIS recommended a preferred alternative that would improve eight miles of US 281, from Loop 1604 to Borgfeld Drive and cleared the way for construction to begin. The cost associated with the EIS was conveyed to TxDOT in FY 2016.

The proposed 281 North Improvement Project is a two-phased project with plans to double the number of lanes on US 281 and add the final four direct connector interchange ramps at the US 281 and Loop 1604 intersection. This project will significantly reduce the amount of traffic congestion and meet the needs of this growing community for the next 30 years. On July 17, 2015, TxDOT signed the Record of Decision (ROD) for the proposed improvements to US 281 North. The ROD explains the selection of the Preferred Expressway Alternative, and signifies the completion of the six-year environmental review process.

On June 15, 2015, Bexar County Judge Nelson Wolff, Bexar County Commissioner Kevin Wolff and the Authority's Chairman John Clamp requested that TxDOT provide additional funding based on the Legislative action so US 281 could be completed non-tolled. The MPO Policy Board unanimously approved a resolution on September 14, 2015, to allocate Proposition 7 funding (if passed) to complete US 281 non-tolled. Subsequently, the TxDOT Commission approved a Minute Order on September 24, 2015 removing the tolls from US 281. The project was re-configured to four toll-free expressway lanes with two high-occupancy vehicle (HOV) lanes in the center of the freeway. The southern segment of the US 281 project from Loop 1604 to Stone Oak Parkway is currently fully funded with construction anticipated to begin in mid-2017.

TxDOT has accepted responsibility for construction of this project.

IH 10 managed lanes project: TxDOT has continued development of the schematic for the IH 10 managed lanes project from Loop 1604 to Ralph Fair Road. The Authority has continued to attend coordination meetings and provide input related to the development of the managed lanes. TxDOT completed the Level II Traffic and Revenue Study. Similar to the US 281 Project, the tolled component has been removed from this project and replaced with HOV lanes. TxDOT is responsible for the final design and delivery of the project.

Loop 1604 managed lanes project: In 2007, FHWA and TxDOT prepared a Draft Environmental Assessment (EA) for improvements to portions of 1604 from SH 151 to IH 10 East. During the course of the study, FHWA determined that an EIS was required. The Authority, TxDOT and FHWA initiated the EIS in 2009 with revised project limits along Loop 1604 from FM 1957 to IH 35 North. In 2014, the limits of the Loop 1604 project area being evaluated in the EIS were modified, and the environmental review was changed to an EA. The Authority has continued with the EA and the Schematic Design of Loop 1604 with the new limits from SH 16 to IH 35 for a distance of 22.8 miles. The Draft EA was approved for circulation in April 2016 with a final environmental decision anticipated in 2017.

**Alamo Regional Mobility Authority
San Antonio, Texas**

**Management’s Discussion and Analysis—Unaudited
Year Ended September 30, 2016**

The project includes four new at-grade managed lanes and direct connector interchanges at Loop 1604 and IH 10, as well as at Loop 1604 and IH 35.

Currently, the Authority is conducting a financial analysis to determine the financial viability of the project. The total project cost is currently estimated at \$882.2 million. No funding decisions for the project have been finalized and all alternative solutions are being diligently explored.

VRF projects: On August 29, 2013, the Bexar County Commissioners Court adopted an optional VRF of \$10.00 per vehicle. Commissioners Court approved an Inter-local Funding Agreement on April 29, 2014, with the Authority whereby the Court committed to maintain the fee in order to fund long-term transportation projects. Revenues from this fee are transferred to the Authority weekly by the tax office.

On October 22, 2015, the Authority’s Board approved a list of non-tolled projects to be funded with the optional VRF. Subsequently, on November 10, 2015, Bexar County Commissioners Court approved a resolution authorizing the use of VRF revenues on the Authority’s list of specified long-term, regionally significant transportation projects. The approved list of projects includes four projects in partnership with TxDOT and ten proposed Bexar County transportation projects. The projects are distributed throughout Bexar County and will alleviate localized traffic congestion for years to come. Total projected cost of all 14 projects is \$270 million of which the Authority will fund \$179 million through debt backed by the VRF. Construction on projects will be staggered over several years commencing in 2017.

In June 2016, the Authority held its first debt issuance with the sale of Alamo RMA Vehicle Registration Fee Revenue Bonds. The proceeds from the bond sale will be used to fund the development of the initial VRF projects.

**Table 4
Local Vehicle Registration Fee Projects**

Project Name	Limits	Project Cost	Funding Source	Status
Fischer Road Phase II	IH 35 to Somerset Road	\$ 4,705,540	Local, VRF	Design
Old FM 471/ Talley Road	Various limits	\$ 12,000,000	Local, VRF	Design
Talley Road Phase I	FM 1957 to Wiseman Boulevard	\$ 15,375,000	Local, VRF	Design
Watson Road Phase II	South West Verano South 4500'	\$ 3,784,300	VRF	Planning
West Military Drive	West Creek Oak Estates to Borgfeld Road	\$ 3,042,000	VRF	Planning
Blanco Road Phase II	West Oak Estates to Borgfeld Road	\$ 19,071,000	VRF, STP-MM	Design
Evans Road Phase I	Bulverde Road to TPC Parkway	\$ 10,600,000	Local, VRF	Design
Evans Road Phase II	TPC Parkway to Hanging Oak	\$ 9,700,000	VRF	Design
Candlemeadow	Binz-Engleman to Foster Road	\$ 4,871,176	VRF	Planning
Foster Road Phase III	IH 10 to FM 1346	\$ 9,945,000	VRF	Design
Loop 1604 South	US 281 to FM 1303	\$ 26,000,000	State, VRF	Planning
FM 471	Old FM 471 to SH 211	\$ 27,300,000	State, VRF	Planning
FM 1516	FM 78 to IH 10	\$ 30,550,000	State, VRF	Environmental
Loop 1604 West	FM 1957 to US 90	\$ 93,801,000	Federal, State, VRF	Construction

Requests for Information

This financial report is designed to provide a general overview of the Authority’s finances for all those with an interest in the Authority’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Alamo Regional Mobility Authority, c/o Bexar County Public Works, 233 North Pecos La Trinidad, Suite 420, San Antonio, Texas 78207.

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Basic Financial Statements

**Alamo Regional Mobility Authority
San Antonio, Texas**

**Balance Sheet
Year Ended September 30, 2016**

Assets

Current assets:

Cash and cash equivalents	\$ 15,978,941
Investments	25,058,589
Accounts receivable—Tax Assessor Collector	1,180,942
Grants receivable from State of Texas	
Accrued interest	13,507
Prepaid asset	7,969
Total current assets	<u>42,239,948</u>

Noncurrent assets:

Restricted cash and cash equivalents	35,059,632
Restricted investments	30,000,000
Prepaid asset	229,050
Capital assets—development in progress	15,993,433
Total noncurrent assets	<u>81,282,115</u>

Total assets \$ 123,522,063

Liabilities and Net Position

Current liabilities:

Accounts payable	
Accrued payroll	\$ 30,401
Accrued liabilities	102,554
Accrued interest payable	1,657,731
Unearned revenue	1,786,507
Current portion of long-term debt	1,755,000
Total current liabilities	<u>5,332,193</u>

Noncurrent liabilities—long-term debt

152,120,522

Total noncurrent liabilities 152,120,522

Total liabilities 157,452,715

Net position (deficit):

Net investment in capital assets	5,164,203
Unrestricted deficit	(39,094,855)
Total net position (deficit)	<u>(33,930,652)</u>

Total liabilities and net position \$ 123,522,063

See notes to financial statements.

**Alamo Regional Mobility Authority
San Antonio, Texas**

**Statement of Revenues, Expenses and Changes in Net Position (Deficit)
Year Ended September 30, 2016**

Operating revenue	<u>\$ -</u>
Operating expenses:	
Payroll and payroll-related expenses	311,398
Travel and conferences	3,250
Professional and contracted services	35,500
Legal services	17,459
Memberships and accreditations	4,190
Insurance	1,997
Telephone and internet service	678
Supplies and postage	2,391
Printing	627
Equipment rental and maintenance	2,570
Miscellaneous	446
Less expenses capitalized to development in progress	(47,805)
Total operating expenses	<u>332,701</u>
Operating loss	<u>(332,701)</u>
Nonoperating revenues (expenses):	
Vehicle registration fees	16,305,320
State grant revenue	7,047
Interest income	223,585
Amortization of bond insurance	(2,337)
Interest expense	(1,183,354)
Cost of issuance—bonds	(1,144,586)
Conveyance of asset/funds to other governmental entities	(79,356,474)
Total nonoperating revenue (expenses)	<u>(65,150,799)</u>
Decrease in net position before capital contributions	(65,483,500)
Capital contributions	<u>11,525</u>
Change in net position	(65,471,975)
Net position at beginning of year	<u>31,541,323</u>
Net position (deficit) at end of year	<u>\$ (33,930,652)</u>

See notes to financial statements.

**Alamo Regional Mobility Authority
San Antonio, Texas**

**Statement of Cash Flows
Year Ended September 30, 2016**

<hr/>	
Cash flows from operating activities:	
Payments to employees	\$ (264,258)
Payments to suppliers	(66,048)
Net cash used in operating activities	<u>(330,306)</u>
Cash flows from noncapital financing activities:	
Proceeds from vehicle registration fees	16,634,788
Net cash provided by noncapital financing activities	<u>16,634,788</u>
Cash flows from capital and related financing activities:	
Payments for development projects	(429,783)
Proceeds from bond issuance	135,552,931
Payment of bond issue costs	(561,763)
Payment to Texas Department of Transportation	(70,000,000)
Net cash provided by capital and related financing activities	<u>64,561,385</u>
Cash flows from investing activities:	
Purchase of investments	(55,058,589)
Proceeds from interest	210,078
Net cash used in investing activities	<u>(54,848,511)</u>
Net increase in cash and cash equivalents	26,017,356
Cash and cash equivalents at beginning of year	<u>25,021,217</u>
Cash and cash equivalents at end of year	<u>\$ 51,038,573</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (332,701)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Changes in liabilities:	
Accrued wages and payroll-related liabilities	(665)
Accrued liabilities	3,060
Compensated absences	
Net cash used in operating activities	<u>\$ (330,306)</u>
Noncash investing, capital or related financing activities:	
Bond issuance cost paid directly by Trustee	<u>\$ 582,823</u>

See notes to financial statements.

**Alamo Regional Mobility Authority
San Antonio, Texas**

**Notes to Financial Statements
Year Ended September 30, 2016**

Note 1. Organization and Summary of Significant Accounting Policies

A. Reporting Entity

The Bexar County Regional Mobility Authority was approved by the Texas Department of Transportation (TxDOT) on December 18, 2003, as a political subdivision of the State of Texas under the Texas Transportation Code, Chapter 370. Bexar County (the County) formally approved the conditions of TxDOT on January 14, 2004. The Bexar County Regional Mobility Authority held its first meeting on April 13, 2004. On October 14, 2004, the Bexar County Regional Mobility Authority formally changed its name to Alamo Regional Mobility Authority (the Authority). The Authority was created to provide the Bexar County area with a local entity to make mobility decisions for the community and to accelerate needed transportation projects.

The Authority's powers and duties are enumerated under Texas Transportation Code, Chapter 370, and include authority to borrow monies and issue bonds to finance transportation projects. The Authority is governed by a seven-member Board of Directors. Six are appointed by Bexar County Commissioners Court, and the Chairman is appointed by the Governor of the State of Texas. In fiscal year (FY) 2013, Bexar County took over the day-to-day business activity of the Authority. The Authority is currently being managed by the Offices of the County Manager and Public Works Department. The Bexar County Manager is also Executive Director of the Authority. Bexar County must approve the Authority's vehicle registration fee and all projects funded from that fee. There are no component units included within the reporting entity; however, in accordance with the Governmental Accounting Standards Board (GASB) Codification 2600: *Reporting Entity and Component Unit Presentation and Disclosure*, the Authority is considered a discrete component unit of Bexar County, Texas.

B. Basis of Accounting

All the Authority's activities are reported in a single proprietary (enterprise) fund and are prepared on the accrual basis of accounting and the economic resource measurement focus in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

House Bill 1573 allows a county with a population greater than 1.5 million that is coterminous with a regional mobility authority, the ability to impose an additional \$10 vehicle registration fee collected by the county. Bexar County approved the additional \$10 fee on August 29, 2013. The Bexar County Tax Assessor-Collector collects this fee and remits it to the Authority.

C. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, noninterest-bearing demand deposit accounts and cash in interest-bearing demand accounts with financial entities are considered cash equivalents. Short-term highly liquid investments that are both readily convertible and are invested with original maturities of three months or less are cash equivalents. Restricted cash and investments are related to unspent bond proceeds which are restricted to certain capital projects.

**Alamo Regional Mobility Authority
San Antonio, Texas**

**Notes to Financial Statements
Year Ended September 30, 2016**

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

D. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Capital Contributions

Capital contributions consist of funds received through various grants to assist in the acquisition or construction of capital assets.

F. Conveyance of Assets/Funds to Other Governmental Entities

The Authority will construct certain assets with the intent to transfer the completed infrastructure or project to another government once the project is completed. The other government will be responsible for maintenance and any other ongoing costs of the asset. Once the infrastructure or project is formally conveyed to the other government, the Authority removes the associated infrastructure or project from its financial statements. During the current year, the Authority conveyed \$9,356,474 in project costs to the State of Texas.

Additionally, during 2016 the Authority issued \$114,425,000 in Vehicle Registration Fee Revenue Bonds. As part of this issuance, the Authority paid \$70,000,000 to TxDOT to leverage State money for other transportation projects to be completed by TxDOT.

G. Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as needed.

H. Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Authority, but which will only be resolved when one or more future events occur or fail to occur. The Authority's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Authority or unasserted claims that may result in such proceedings, the Authority's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates it is probable that a material loss has been incurred, and the amount of the liability can be estimated, then the estimated liability would be accrued in the Authority's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

**Alamo Regional Mobility Authority
San Antonio, Texas**

**Notes to Financial Statements
Year Ended September 30, 2016**

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

The Authority participates in various federal and state grant programs which are subject to program compliance requirement and audits. Accordingly, the Authority's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Authority anticipates such amounts, if any, will be immaterial.

I. Investments

Investments and certificates of deposits are reported at amortized cost.

J. Capital Assets and Depreciation

Capital assets are stated at historical cost. Donated capital assets are valued at their estimated acquisition value on the date received. For equipment, the Authority's capitalization policy includes all items with a unit cost of \$20,000 or more and an estimated useful life in excess of one year. Development in progress includes personnel costs that are directly attributable to a specific project in development. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Currently, the Authority has no capital assets other than the cost associated with projects in development.

Expenses capitalized to development in progress as listed on the statement of revenues, expenses and changes in net position represents costs for employees and other internal cost directly related to development in progress projects.

K. Impairment of Long-Lived Assets

The Authority reviews the carrying value of assets for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects and effects of obsolescence, demand, competition and other economic factors. The Authority recorded no impairments in FY 2016.

L. Compensated Absences

As of September 30, 2016, there is no liability for compensated absences. The Authority reimburses Bexar County for direct salaries; however, the County retains the liability for any long-term compensated absences.

M. Operating Revenues and Expenses

The Authority did not generate any operating revenues in FY 2016; however, it expects to generate operating revenues in future years. Vehicle registration fees, grants, capital contributions, interest income and other revenues are classified as nonoperating revenues since they are considered nonexchange transactions. Operating expenses are related to the administration and operations of the Authority, all other expenses are considered nonoperating.

**Alamo Regional Mobility Authority
San Antonio, Texas**

**Notes to Financial Statements
Year Ended September 30, 2016**

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

N. In-Kind Services

Bexar County is responsible for the day-to-day operations of the Authority. The Authority has not placed a value on some of these services, which include engineering, administration, public relations and accounting. No in-kind revenues or expenses have been reflected in the financial statements.

Note 2. Inter-local Agreement

On April 29, 2014, the Authority entered into an Inter-Local Agreement with the County whereby the County committed to maintaining the imposition of the optional vehicle registration fee of \$10 per vehicle as long as the Authority has outstanding debt that is backed by the fee.

Note 3. Cash and Cash Equivalents

Cash and cash equivalents at September 30, 2016, consist of the following:

Bank deposit	\$ -
Cash equivalents:	
Investment Sweep Account—Federal Home Loan Bank Dallas	12,615,718
Money Market Fund—Blackrock Liquidity	38,422,855
Total cash and cash equivalents	<u>\$ 51,038,573</u>

Deposits: At September 30, 2016, the carrying amount of the Authority's deposits was \$-0- and the bank balance was \$-0-. The Authority's excess cash deposits are swept into higher yielding savings account within Generations Federal Credit Union daily. Deposits not backed by U.S. government securities are collateralized with a letter of credit backed by the Federal Home Loan Bank of Dallas.

Investments: State statutes govern the Authority's investment policies. State authorized investments include obligations of the United States Treasury and United States government agencies, commercial paper, certificates of deposits (CDs) and repurchase agreements. The Authority complies with applicable provisions of the State of Texas Public Funds Investment Act. The Authority accounts for and reports investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Realized and unrealized gains and losses on investments are reported as investment income. The Authority invests in nonparticipating CDs which are reported at amortized cost in the amount of \$55,058,589. The Authority adopted GASB Statement No. 72, *Fair Value Measurement and Application*, in the current year; however, the impact of this statement is minimal since all investments held by the Authority are recorded at amortized cost in accordance with the GASB Statement No. 72.

Custodial credit risk-deposits: Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. It is the Authority's policy to collateralize deposits at 102 percent of the deposit amount. As of September 30, 2016, Generations Federal Credit Union held \$37,674,307 of the Authority's available funds, all of which were secured with a letter of credit backed by the Federal Home Loan Bank and held by the Authority. Wilmington Trust Bank held \$68,422,855 of the Authority's available funds of which \$30M was invested in CDs held on behalf of the Authority and backed by a letter of credit from the Federal Home Loan Bank. The remaining funds at Wilmington Trust Bank are invested in government securities held in the name of Wilmington Trust.

**Alamo Regional Mobility Authority
San Antonio, Texas**

**Notes to Financial Statements
Year Ended September 30, 2016**

Note 3. Cash and Cash Equivalents (Continued)

Credit risk: The Authority's investment policy requires the purchase of securities that are of the highest credit quality, based on current ratings provided by nationally recognized credit agencies. The Authority's funds shall be primarily invested in CDs, United States Treasury securities, federal agency securities and commercial paper (both corporate and municipal). Investments in corporate or municipal commercial paper must be rated not less than A-1 or P-1 by at least two nationally recognized credit rating agencies. Investments in debt securities other than those issued by the United States government or its instrumentalities must be rated A or better by a nationally recognized investment rating firm.

Concentration of credit risk: The Authority places no limit on the amount it may invest in any one issuer. Funds totaling \$12,615,718 (12 percent of total available funds) are held in demand deposit accounts and are swept each night into higher yielding savings account within Generations Federal Credit Union. Funds in the amount of \$38,422,855 are invested in a governmental money market fund comprised of government securities. Funds totaling \$55,058,589 (52 percent of available funds) have been invested in numerous nonparticipating CDs that are held by Generations Federal Credit Union.

Note 4. Accounts Receivable

Accounts receivable in the amount of \$1,180,942 at September 30, 2016, represents amounts due from the Tax Assessor Collector for vehicle registration fees collected and not yet remitted to the Authority for FY 2016.

Note 5. Capital Assets

Changes in the Authority's capital assets for the year ended September 30, 2016, consist of the following:

	October 1			September 30
	2015	Additions	Deletions	2016
Capital assets not being depreciated:				
Development in progress:				
US 281 North	\$ 3,208,588	\$ 4,571	\$ -	\$ 3,213,159
US 281 EIS	9,349,520	6,954	9,356,474	-
IH 10 from 1604 to Ralph Fair	10,666	170	-	10,836
Loop 1604 EIS	11,451,468	258,768	-	11,710,236
Loop 1604	899,882	32,309	-	932,191
Blanco Rd Phase II	-	11,186	-	11,186
Evans Rd Phase I	-	2,782	-	2,782
Evans Rd Phase II	-	28,847	-	28,847
Foster Rd Phase III	-	84,196	-	84,196
Total development in progress	<u>24,920,124</u>	<u>429,783</u>	<u>9,356,474</u>	<u>15,993,433</u>
Total capital assets not being depreciated	24,920,124	429,783	9,356,474	15,993,433
Total capital assets	<u>\$ 24,920,124</u>	<u>\$ 429,783</u>	<u>\$ 9,356,474</u>	<u>\$ 15,993,433</u>

There was no depreciation expense for the year ended September 30, 2016.

The US 281 EIS project was conveyed to TxDOT after completion of the record of decision in 2015 and payment of all remaining invoices during 2016. TxDOT is now taking the lead in construction of the US 281 North project.

**Alamo Regional Mobility Authority
San Antonio, Texas**

**Notes to Financial Statements
Year Ended September 30, 2016**

Note 6. Long-Term Liabilities

Long-term debt activity for the year ended September 30, 2016, is as follows:

	Balance October 1, 2015	Additions	Reductions	Balance September 30, 2016	Due in One Year
TxDOT—FAA 1	\$ 913,890	\$ -	\$ -	\$ 913,890	\$ -
TxDOT—FAA 2	4,542,185	-	-	4,542,185	-
TxDOT—FAA 3	128,714	-	-	128,714	-
TxDOT—FAA 5	12,390,000	-	-	12,390,000	-
VRF Junior Lien	-	52,320,000	-	52,320,000	-
VRF Senior Lien	-	62,105,000	-	62,105,000	1,755,000
Premium	-	21,950,110	474,377	21,475,733	-
Total long-term liabilities	<u>\$ 17,974,789</u>	<u>\$ 136,375,110</u>	<u>\$ 474,377</u>	<u>\$ 153,875,522</u>	<u>\$ 1,755,000</u>

On December 16, 2005, the Authority entered into a financial assistance agreement (FAA 1) with TxDOT to provide funding for the Authority's participation in the procurement process for a proposed comprehensive development agreement. This agreement is not to exceed \$1,000,000 and is noninterest-bearing. Funds were drawn down as authorized expenses were incurred. The amount outstanding at September 30, 2016, totaled \$913,890.

On January 23, 2006, the Authority entered into a financial assistance agreement (FAA 2) with TxDOT to provide funding for the development costs of certain toll projects. This agreement is not to exceed \$7,500,000 and is noninterest-bearing. Funds were drawn down as authorized expenses were incurred. The amount outstanding at September 30, 2016, totaled \$4,542,185.

On September 11, 2007, the Authority entered into a financial assistance agreement (FAA 3) with TxDOT to provide funding for the development costs of certain toll projects. FAA 3 is being funded with remaining unused funds on the previous FAAs. Funds were drawn down as authorized expenses were incurred. This agreement is not to exceed \$3,043,925 (the amount of unused funds from the previous FAAs) and is noninterest-bearing. \$2,915,211 of FAA 3 was reduced by TxDOT during the FY 2011 for accepted work product on Wurzbach Parkway and Bandera Road. The amount outstanding at September 30, 2016, totaled \$128,714.

On February 3, 2009, the Authority entered into a financial assistance agreement (FAA 5) with TxDOT to provide funding for the environmental impact statement and Loop 1604 predevelopment costs. TxDOT awarded \$12,390,000 in the form of a loan to conduct feasibility studies, environmental studies, public involvement, schematics and preliminary financial plans associated with the addition of toll lanes on identified projects. The amount outstanding at September 30, 2016 totaled \$12,390,000.

Debt related to FAA 2, FAA 3 and FAA 5 can be repaid with proceeds from toll revenue bonds. Additionally FAA 1, FAA 2, FAA 3 and FAA 5 debt can be repaid with toll revenues subject to the provisions and limitations set forth in the financial assistance agreements. Any revenues used to repay the financial assistance agreements shall not exceed 10 percent of the revenues received in any calendar year.

**Alamo Regional Mobility Authority
San Antonio, Texas**

**Notes to Financial Statements
Year Ended September 30, 2016**

Note 6. Long-Term Liabilities (Continued)

On June 15, 2016, the Authority issued \$114,425,000 (\$62,105,000 in Senior Lien and \$52,320,000 in Junior Lien bonds) in Alamo Regional Mobility Authority Vehicle Registration Fee Revenue Bonds, Series 2016 (maturing in 2046) at a premium of \$21,950,110, with the payment of the related principal and interest to be made from a pledge of net revenues from a \$10 vehicle registration fee assessed on all vehicles registered in Bexar County. Interest on the debt varies between 4-5 percent. The proceeds from the debt will be used to (i) initiate construction on 14 local transportation projects spread-out across Bexar County, (ii) funding for two debt service reserve insurance policies and (iii) pay for cost of issuance. The Authority purchased a surety policy in the amount of \$239,356 at the time of closing, which is recorded as a prepaid asset. The prepaid asset is amortized over the life of the bond and has a balance of \$237,019 at September 20, 2016.

The debt service requirement for the Authority's bonds are as follows:

	Senior Lien		Junior Lien	
	Principal	Interest	Principal	Interest
Years ending September 30:				
2017	\$ 1,755,000	\$ 3,067,650	\$ -	\$ 2,616,000
2018	1,845,000	2,979,900	-	2,616,000
2019	1,915,000	2,906,100	-	2,616,000
2020	1,995,000	2,829,500	-	2,616,000
2021	2,090,000	2,729,750	-	2,616,000
2022-2026	9,465,000	11,972,250	2,670,000	13,080,000
2027-2031	-	10,760,000	15,490,000	10,938,500
2032-2036	-	10,760,000	19,765,000	6,660,250
2037-2041	10,835,000	10,495,750	14,395,000	1,463,000
2042-2046	32,205,000	4,987,500	-	-
	<u>\$ 62,105,000</u>	<u>\$ 63,488,400</u>	<u>\$ 52,320,000</u>	<u>\$ 45,221,750</u>

The Authority has pledged its vehicle registration fees, to repay \$114,425,000 in Vehicle Registration Fee Revenue Bonds issued in 2016. Proceeds from the bonds will provide financing for 14 local transportation projects including a \$70,000,000 payment to TxDOT. The bonds are payable solely from vehicle registration fees and are payable through 2046. Vehicle registration fees are projected to produce 242 percent of the debt service requirements over the life of the bonds. The total principal and interest remaining to be paid on the bonds is \$223,095,150. Principal and interest paid for the current year and total vehicle registration fee revenue was \$-0- and \$16,305,320, respectively.

**Alamo Regional Mobility Authority
San Antonio, Texas**

**Notes to Financial Statements
Year Ended September 30, 2016**

Note 7. Commitments and Contingencies

A. Grants and Loans

The Authority receives grants and loans from TxDOT. The disbursement of funds received requires compliance with terms and conditions specified in the agreements and are subject to review by TxDOT. Management believes there are no contingent liabilities related to compliance with these requirements.

B. Pending Lawsuits and Claims

From time-to-time, the Authority is a defendant in various lawsuits. The Authority is currently not aware of any pending or threatened lawsuits. Management of the Authority believes they have adequate insurance coverage to cover such matters and, therefore, do not believe any such matters would have an adverse effect on the financial condition of the Authority.

Note 8. Unearned Revenue

The Authority received \$18,000,000 in advance grant funds from TxDOT to date. Of this amount, \$16,213,493 has been expended, while the remaining amount of \$1,786,507 is recorded as unearned revenue. Unspent amounts will be returned to TxDOT if not spent for the specified purpose of the grant.

Note 9. Insurance

The Authority maintains general liability, errors and omissions and automobile liability and utilizes third-party administrators for the handling of administration, investigation and adjustment of liability claims. There have not been any significant reductions in insurance coverage during the year. Additionally no claims have been settled in excess of insurance coverage in the past three year.

Note 10. Net Position Deficit Balance

At September 30, 2016, the Authority had a deficit net position of \$33,930,652. This is due to the issuance of debt and subsequent transfer of \$70M to TxDOT for the Authority's portion of the TxDOT 825 Loop 1604 West project, as well as the transfer of \$9.4M of improvements related to the US 281 EIS project. The Authority has entered into or intends to enter into several inter-local agreements with various entities for the construction of roads. The Authority will expend debt resources to complete the projects; however, once projects are complete, ownership and maintenance requirements will be the responsibility of the other entities. These arrangements, over time, will result in lowered total net position on the Statement of Net Position because the Authority will own no capital assets; however, the Authority will retain the associated debt. The Authority expects to generate sufficient revenues to pay the debt service and operations of the Authority from a combination of vehicle registration fees, federal and state grants and other sources of revenues.

Other Information

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Alamo Regional Mobility Authority

Schedule of Expenditures for Assets Owned or Pending Transfer to Other Entities—(Unaudited)

Description	Source of Funding	Ownership	Prior Years	2016 Expenditure	Ending Balance
US 281/1604 Interchange	State FAA 5 loan	State of Texas	\$ 432,077	\$ -	\$ 432,077
US 281 EIS	State FAA 5 loan	State of Texas	1,113	-	1,113
BC6 Blanco Road Phase II	2016 VRF debt issuance	Bexar County	-	11,186	11,186
BC7 Evans Road Phase I	2016 VRF debt issuance	Bexar County	-	2,782	2,782
BC8 Evans Road Phase II	2016 VRF debt issuance	Bexar County	-	28,847	28,847
BC10 Foster Road Phase III	2016 VRF debt issuance	Bexar County	-	84,196	84,196
TxDOT 825 Loop 1604 West	2016 VRF debt issuance	State of Texas	-	70,000,000	70,000,000
		Total	<u>\$ 433,190</u>	<u>\$ 70,127,011</u>	<u>\$ 70,560,201</u>

The Authority has entered into or intends to enter into several inter-local agreements with various entities for the construction of roads. The Authority will expend debt resources to complete the projects; however, once projects are complete, ownership and maintenance requirements will be the responsibility of the other entities. The above schedule represents projects either transferred or expected to be transferred to other entities.

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