

# **Alamo Regional Mobility Authority**

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

Financial Report and Independent Auditor's Report  
September 30, 2019

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## **Financial Section**

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## Independent Auditor's Report

To the Board of Directors  
Alamo Regional Mobility Authority

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information 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, 2019, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Authority as of September 30, 2019, and the respective changes in its financial position (deficit) for the year then ended in accordance 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 (Unaudited), 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 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***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Expenditures for Assets Owned or Pending Transfer to Other Entities (Unaudited) is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This information 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 18, 2020, 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 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 Authority'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 the Authority's internal control over financial reporting and compliance.

***RSM US LLP***

San Antonio, Texas  
March 18, 2020

## **Alamo Regional Mobility Authority**

### **Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2019**

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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, 2019, 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 traffic 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). As new funding sources have become available to the State, decisions were made to have TxDOT construct these projects instead of the Authority.

These decisions left the Authority with significant cost accumulated in the development in progress asset account. During FY 2019, the Authority's staff evaluated the assets that had been accrued in this account related to both the US 281 and Loop 1604 toll projects. Recent decision by the Texas Transportation Commission resulted in anticipated state funding for these projects becoming unavailable. As a result of these developments, management determined the amounts in the development in progress account should be impaired as the Authority has ceased all construction activity and the State is completing the projects as nontolled facilities. The decision to impair the accumulated cost of the projects has resulted in a \$16M write-off of assets held in the development in progress account.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to introduce the reader to the Authority's basic financial statements. These statements are comprised of three basic components:

- 1) Government-wide financial statements,
- 2) Fund financial statements, and
- 3) Notes to the basic financial statements.

#### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the financial position of the Authority in a manner similar to a private-sector business. The statements include a statement of net position and a statement of activities. Both of these statements are presented using the full accrual basis of accounting; therefore, revenues are recorded when earned and expenses are recorded when a liability is incurred.

## Alamo Regional Mobility Authority

### Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2019

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The statement of net position presents information on all of the Authority's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position could serve the reader as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Another important factor to be taken into consideration is the Authority's expenditures for assets owned by other entities. See the table Schedule of Expenditures for Assets Owned or Pending Transfer to Other Entities (Unaudited) on page 43 for more details. If the Authority issues debt in order to construct or improve roadways which will ultimately be owned by another governmental entity, then the net position (deficit) in the government wide statement of net position will grow.

The statement of activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Due to a full accrual presentation, revenues and expenses are reported for some items that will affect cash flows in future fiscal periods.

#### **Fund Financial Statements**

The fund financial statements are groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the Authority are considered governmental funds.

**Governmental funds:** Unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Authority's near-term financing requirements.

Because the focus of governmental funds is narrower than government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented in government-wide financial statements. This will allow readers to better understand the long-term impact of the government's near-term financing decisions. The governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities and can be found on pages 22 and 24. Information is presented separately in the governmental funds' balance sheet and in the governmental funds' statement of revenues, expenditures and changes in fund balances for the major funds: General Fund, Debt Service Fund and Capital Projects Fund.

#### **Notes to the Basic Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in both the government-wide and fund financial statements. Notes to the financial statements begin on page 25.

## Alamo Regional Mobility Authority

### Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2019

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#### FINANCIAL HIGHLIGHTS

##### Government-Wide Financial Statements

The government-wide total net position (deficit) decreased by \$2,771,217 during fiscal year 2019.

- The total government-wide liabilities of the Authority exceeded assets on September 30, 2019, by \$14,779,174 and are reported as net position (deficit) of the primary government. This is comparable to the previous year when liabilities exceeded assets by \$17,550,391. The improvement in total net position is primarily due to vehicle registrations fees and interest income exceeding all expenditures for the year.
- The change in net position can further be explained by the change in governmental expenditures between fiscal year 2018 and fiscal year 2019. Expenditures in fiscal year 2018 totaled \$14,347,634 compared to only \$20,445,284 for fiscal year 2019, a difference of \$6,097,650. This increase in expenditures is due to a fiscal year 2018 conveyance of \$10,000,000 to TxDOT. No similar conveyance occurred in fiscal year 2019. This increase in expenditures is due to the impairment and write-off of \$16M of toll project assets held in the development in progress account in fiscal year 2019. In fiscal year 2018, a conveyance of \$10,000,000 to TxDOT occurred.

##### Fund Financial Statements

- As of September 30, 2019, the Authority's governmental funds reported combined fund balances of \$117,439,325. At September 30, 2018, the combined fund balance was \$110,212,840. The increase in combined fund balance in 2019 of \$7,226,485 is primarily due to the changes in fund balances to both the General Fund and the Capital Projects Fund. In the General Fund, vehicle registrations fees and interest income exceeded all expenditures for the year, and in the Capital Projects Fund, there was no conveyance of assets to TxDOT, resulting in a reduced fund balance deficit for fiscal year 2019 in comparison to fiscal year 2018.
- At the end of fiscal year 2019, fund balance for the General Fund is \$65,479,905 compared to \$54,890,359 at September 30, 2018. The \$10,589,546 increase in fiscal year 2019 is comparable to the \$8,975,713 increase in fiscal year 2018. The growth continues to be driven primarily by the excess of revenues over expenditures.
- At the end fiscal year 2019, fund balance for the Capital Projects Fund is \$48,378,142 compared to \$51,754,935 at September 30, 2018, a decrease of \$3,376,792. Expenditures in fiscal year 2019 of \$8,154,092 exceeded revenues of \$4,728,014 causing the fund balance to decrease for the year. This trend is expected to continue as our road projects move further into the construction phase.

## Alamo Regional Mobility Authority

### Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2019

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#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The current financial reporting model focuses on net position and serves as a useful indicator of a government's financial position. The following is comparative condensed statement of net position information for fiscal years 2019 and 2018.

#### Condensed Statement of Net Position Information

	September 30	
	2019	2018
Current assets	\$ 66,411,228	\$ 49,107,880
Noncurrent assets	54,383,368	63,552,241
Capital assets	12,908,956	20,766,107
Total assets	<u>\$ 133,703,552</u>	<u>\$ 133,426,228</u>
Current liabilities	\$ 6,725,465	\$ 5,751,840
Noncurrent liabilities	141,757,261	145,224,779
Total liabilities	<u>148,482,726</u>	<u>150,976,619</u>
Net position (deficit):		
Net investment in capital assets	(11,261,481)	1,504,332
Restricted for:		
Debt service	1,217,955	1,182,236
Capital projects	52,145,178	51,738,469
Unrestricted deficit	(56,880,826)	(71,975,428)
Total net position (deficit)	<u>(14,779,174)</u>	<u>(17,550,391)</u>
Total liabilities and net position (deficit)	<u>\$ 133,703,552</u>	<u>\$ 133,426,228</u>

Net investment in capital assets of (\$11,261,481) represents the Authority's investment in capital assets net of related debt. Due to management's decision to impair capital assets related to toll projects in fiscal year 2019, the related debt exceeded the assets by (\$11,261,481). Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be externally provided from other sources. Liquidation of capital assets is not an alternative to providing funds to service debt and other related liabilities.

## Alamo Regional Mobility Authority

### Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2019

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The Authority has contributed \$80 million in bond proceeds to TxDOT for improvements to local roadways. The Authority retains the liability of this debt, but no longer has an asset related to the contribution/debt. Similar to this, the Authority expends debt proceeds designing, engineering and constructing local roadway projects and records these expenditures as a capital asset on the statement of net position. Once completed, these projects will be conveyed to other entities and the Authority will no longer have an asset related to the contribution/debt. This could cause a deficit in the total net position in future years.

The difference between total fund balance in the governmental fund balance sheet (fund financial statements) and total net position for governmental activities in the statement of net position (government-wide) is a decrease of \$132,218,499. This variance exists because of items that are presented in the government-wide financial statements that are not presented in the fund financial statements, such as:

- Assets held in the development in progress account in the amount of \$12,908,956
- Long-term liabilities of (\$141,757,261)

A detailed reconciliation can be found in the basic financial statements, page 22.

The following is comparative condensed statement of activities information for fiscal years 2019 and 2018.

#### Condensed Statement of Activities Information

	Years Ended September 30	
	2019	2018
Program revenue:		
Charges for services	\$ 16,757,710	\$ 16,267,220
Capital grants and contributions	3,409,826	283,020
General revenue:		
Investment income	3,048,965	1,601,289
Total revenues	<u>23,216,501</u>	<u>18,151,529</u>
Program expenses:		
General government	16,418,046	301,435
Conveyance of assets/funds to other governmental entities	-	10,000,000
Interest on long-term debt	4,027,238	4,046,199
Total expenses	<u>20,445,284</u>	<u>14,347,634</u>
Change in net position	2,771,217	3,803,895
Beginning net position (deficit)	(17,550,391)	(21,354,286)
Ending net position (deficit)	<u>\$ (14,779,174)</u>	<u>\$ (17,550,391)</u>

## Alamo Regional Mobility Authority

### Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2019

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#### Revenue Analysis

For the year ended September 30, 2019, total revenues for the Authority are \$23,216,501 compared to \$18,151,529 for the year ended September 30, 2018, a net increase of \$5,064,972. Program revenues generated by interlocal agreements with other entities increased \$3,126,806 for their share of cost on road projects entering construction phase. Also general revenues from investments increased by \$1,447,826 as interest rates continued to climb and the Authority invested more resources.

#### Expense Analysis

For the year ended September 30, 2019, program expenses are \$20,445,284 compared to \$14,347,634 for fiscal year 2018. This increase in expenditures is due to the impairment and write-off of \$16M of toll project assets held in the development in progress account in fiscal year 2019. During the prior fiscal year, the Authority contributed \$10 million to TxDOT for its share of improvement cost on Loop 1604 South from US 281 to FM 1303. No conveyance occurred in fiscal year 2019.

The difference between the governmental funds net change in fund balance in the statement of revenues, expenditures and changes in fund balances (fund financial statements) and the change in net position in the statement of activities (government-wide) is \$4,455,268. The variance exists because of items that are presented in the government-wide financial statements that are not presented in the fund financial statements and items reported in the fund financial statements that are not reported in the government-wide financial statements, such as:

- Expenditures of \$8,154,092 at the fund level for capital outlays that are capitalized at the government-wide level.
- Impairment loss of \$16,011,243 at the government-wide level that does not appear at the fund level.

A detailed reconciliation can be found in the Basic Financial Statements, page 24.

## FINANCIAL ANALYSIS OF FUNDS

### Major Governmental Funds

The Authority's governmental functions are contained in the General, Debt Service and Capital Project Funds. The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Authority's annual financing and budgeting requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At September 30, 2019, the Authority's governmental funds reported a combined fund balance of \$117,439,325 and at September 30, 2018 reported \$110,212,840. There was an increase of \$7,226,485 or 7% in fund balance during fiscal year 2019. Of the total current fund balance, \$58,039,005 or 49% constitutes unassigned fund balance, which is available to meet the Authority's current and future needs of its citizens. Restricted fund balance of \$59,400,320 or 51% of total fund balance, is restricted for debt service in the amount of \$11,022,178 and capital expenditures in the amount of \$48,378,142.

## Alamo Regional Mobility Authority

### Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2019

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The following schedule compares the revenues by source for the Authority's governmental funds for fiscal years ended September 30, 2019 and 2018.

#### Revenues Classified by Source—Governmental Funds

	September 30		Increase (Decrease)
	2019	2018	
Revenues by source:			
Vehicle registration fees	\$ 16,757,710	\$ 16,267,220	\$ 490,490
Investment income	3,048,965	1,601,139	1,447,826
Intergovernmental	3,409,826	283,020	3,126,806
Other	-	150	(150)
	<u>\$ 23,216,501</u>	<u>\$ 18,151,529</u>	<u>\$ 5,064,972</u>

**The General Fund:** The General Fund is the chief operating fund of the Authority and a major governmental fund. At September 30, 2019, the total fund balance was \$65,479,905 of which \$7,440,900 is restricted for debt service and the remainder was unassigned.

**The Debt Service Fund:** The Debt Service Fund, a major governmental fund, accounts for receipts and disbursements of funds related to the Authority's long-term debt obligations for governmental activities. Expenditures include principal and interest payments on the Authority's debt, and bond issuance costs when debt is issued. Restricted fund balance at September 30, 2019 of \$3,581,278 is comparable to the \$3,567,546 restricted in fiscal year 2018.

**The Capital Projects Fund:** The Capital Projects Fund, a major governmental fund, is used to account for receipts and disbursements relating to the acquisition or construction of major capital projects, including assets to be owned by other entities (see table on page 43). At the end of fiscal year 2019, the fund balance was \$48,378,142 compared with the fiscal year 2018 fund balance of \$51,754,935. This decrease of \$3,376,793 is attributable to capital outlays exceeding revenues during the year. The Capital Projects Fund's fund balance will continue to decline as expenditures in excess of revenues are made in future years.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The Authority tracks capital outlays for projects it is constructing for other entities in an asset development in progress account. Once a project is completed and the asset is formally accepted by this respective entity, it will be conveyed and the cost in the development in progress account will be reduced.

Four major capital events occurred during the current fiscal year as Old FM 471/Talley Road, Evans Road Phase II, Talley Road Phase I and Foster Road Phase III moved into the construction phase after many months of design and engineering preparation. Construction contracts totaling \$54,589,490 were let at the September 2019 Board of Directors meeting.

## Alamo Regional Mobility Authority

### Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2019

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During FY 2019, the Authority's management evaluated the assets that had been accrued in the development in progress account related to both the US 281 and Loop 1604 toll projects. Recent decision by the Texas Transportation Commission resulted in anticipated state funding for these projects becoming unavailable. As a result of these developments, management determined the amounts in the development in progress account should be impaired as the Authority has ceased all construction activity and the State is completing the projects as nontolled facilities. The decision to impair the accumulated cost of the projects has resulted in a \$16M write-off of assets held in the development in progress account.

A condensed analysis of the Authority's capital assets is as follows:

	September 30	
	2019	2018
Capital assets not being depreciated:		
Development in progress:		
US 281 North	\$ -	\$ 3,243,821
Loop 1604 EIS	-	11,723,336
Loop 1604	-	1,042,478
Blanco Road Phase II	1,775,306	1,447,707
Evans Road Phase I	3,755,881	42,363
Evans Road Phase II	1,136,734	1,063,933
Foster Road Phase III	1,106,057	931,498
Talley Road Phase I	741,208	680,976
West Military Drive	285,969	191,182
Fischer Road Phase II	3,685,613	343,480
Old FM 471/Talley Road	11,930	1,294
Candlemeadow	410,258	54,039
Total capital assets not being depreciated	12,908,956	20,766,107
Total capital assets	\$ 12,908,956	\$ 20,766,107

#### Long-Term Debt

At September 30, 2019, the Authority had total long-term debt outstanding of \$143,752,261 as compared to \$147,139,779 in the prior year.

The Authority is currently in compliance with all required bond covenants. The Authority continues to enjoy a favorable debt rating. The bond rating services have assigned the Authority the following long-term bond ratings:

- Fitch IBCA, Inc. AA+
- Moody's Investor Service, Inc. Aa2

#### Compliance Requirements

During 2019, the Authority had no federal or state program requiring a single audit.

## Alamo Regional Mobility Authority

### Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2019

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#### Vehicle Registration Fee Projects

On August 29, 2013, the Bexar County Commissioners Court adopted an optional vehicle registration fee of \$10 per vehicle. Subsequently, the Commissioners Court approved an Interlocal Funding Agreement with the Authority for the transfer of optional vehicle registration fee revenue to the Authority to fund long-term transportation projects. Revenues from the fee are transferred to the Authority on a weekly basis by the County Tax Office

On October 22, 2015, the Authority's Board approved a list of nontolled projects to be funded with the optional vehicle registration fee. Subsequently, on November 10, 2015, Bexar County Commissioners Court approved a resolution authorizing the use of vehicle registration fee 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. Six of the ten Bexar County transportation projects are in construction, three are in design and one is still in the planning stage. The total projected cost of all 14 projects is \$270 million, of which the Authority will fund \$179 million through debt backed by the vehicle registration fee.

In June 2016, the Authority executed its first debt issuance with the sale of Alamo RMA Vehicle Registration Fee Revenue Bonds. The proceeds from the issuance totaled \$135 million and will be used to fund the development of the vehicle registration fee projects. A listing of the fourteen vehicle registration fee projects, as well as their status, is below.

Project Name	Limits	Project Cost	Funding Source	Status
Fischer Road Phase II	IH-35 to Somerset Road	\$ 4,705,540	Local, VRF	Construction
Old FM 471/Talley Road	Various Limits	12,000,000	Local, VRF	Construction
Talley Road Phase I	FM 1957 to Wiseman Blvd.	15,375,000	Local, VRF	Construction
Watson Road Phase II	SW Verano South 4500	3,784,300	VRF	Planning
W. Military Drive	West Creek Oak Estates to Borgfeld Road	3,042,000	VRF	Design
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	Construction
Evans Road Phase II	TPC Parkway to Hanging Oak	9,700,000	VRF	Construction
Candlemeadow	Binz-Engleman to Foster Road	4,871,176	VRF	Design
Foster Road Phase III	IH-10 to FM 1346	9,945,000	VRF	Construction
Loop 1604 South	US 281 to FM 1303	26,000,000	State, VRF	Construction
FM 471	Old FM 471 to SH 211	27,300,000	State, VRF	Environmental
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	Substantially Complete

#### ECONOMIC FACTORS

During fiscal year 2019, the construction of Loop 1604 Managed Lane Project was formally assumed by TxDOT. The Loop 1604 Managed Lanes project was the single remaining potential toll project at this point in time. Without access to tolls, the Authority currently has one primary source of revenues, (the \$10 vehicle registration fee assessed annually upon vehicle registration). This funding source will continue to be utilized to support local nontolled projects. The Authority will also continue its efforts to leverage state and/or federal funding via TxDOT and the Federal Highway Administration to construct major roadway improvements.

## **Alamo Regional Mobility Authority**

### **Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2019**

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#### **THE AUTHORITY'S 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. 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.

#### **THE AUTHORITY'S BOARD OF DIRECTORS**

In October 2018, Ramiro Cavazos resigned as a member of Board of Directors of the Authority due to acceptance of a new employment position. In February 2019, William Raba was appointed as his replacement. In February 2019, John Agather was appointed to replace John Monteford as a member of the Board of Directors of the Authority. Both were sworn in at the March 2019 meeting of the Board of Directors.

The presiding officer of the Authority continues to be Michael Lynd. He is joined by Board members Lou Miller, Bobby Perez, David Starr, Baltazar Serna, William Raba and John Agather.

#### **REQUEST 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, 1948 Probandt Street, San Antonio, Texas 78214.

## **Basic Financial Statements**

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**Alamo Regional Mobility Authority**

**Statement of Net Position  
September 30, 2019**

	<b>Governmental Activities</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 24,103,185
Investments	40,530,213
Accounts receivable	1,545,370
Accrued interest	224,481
Prepaid asset	7,979
<b>Total current assets</b>	<b>66,411,228</b>
Noncurrent assets:	
Investments	3,000,434
Restricted noncurrent assets:	
Cash and cash equivalents	14,840,656
Investments	36,337,180
Prepaid asset	205,098
Capital assets—development in progress	12,908,956
<b>Total noncurrent assets</b>	<b>67,292,324</b>
<b>Total assets</b>	<b>133,703,552</b>
<b>Liabilities and Net Position (Deficit)</b>	
Current liabilities:	
Accounts payable	835,851
Accrued liabilities	203,966
Accrued interest payable	1,588,271
Retainage payable	339,353
Current portion of bonds payable	1,995,000
Due to TxDOT	1,763,024
<b>Total current liabilities</b>	<b>6,725,465</b>
Noncurrent liabilities:	
Due to other governments	17,974,789
Bonds payable, including unamortized premium	123,782,472
<b>Total noncurrent liabilities</b>	<b>141,757,261</b>
<b>Total liabilities</b>	<b>148,482,726</b>
Net position (deficit):	
Net investment in capital assets	(11,261,481)
Restricted for:	
Debt service	1,217,955
Capital projects	52,145,178
Unrestricted deficit	(56,880,826)
<b>Total net position (deficit)</b>	<b>\$ (14,779,174)</b>

The accompanying notes are an integral part of this statement.

**Alamo Regional Mobility Authority**

**Statement of Activities  
Year Ended September 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
<b>Governmental activities:</b>						
General government	\$ 16,418,046	\$ 16,757,710	\$ -	\$ 3,409,826	\$ 3,749,490	\$ 3,749,490
Interest on long-term debt	4,027,238	-	-	-	(4,027,238)	(4,027,238)
Total governmental activities	<u>\$ 20,445,284</u>	<u>\$ 16,757,710</u>	<u>\$ -</u>	<u>\$ 3,409,826</u>	<u>(277,748)</u>	<u>(277,748)</u>
<b>General revenues:</b>						
Investment income					3,048,965	3,048,965
Total general revenues					<u>3,048,965</u>	<u>3,048,965</u>
Change in net position					2,771,217	2,771,217
Deficit net position at beginning of year					<u>(17,550,391)</u>	<u>(17,550,391)</u>
Deficit net position at end of year					<u>\$ (14,779,174)</u>	<u>\$ (14,779,174)</u>

The accompanying notes are an integral part of this statement.

**Alamo Regional Mobility Authority**

**Balance Sheet—Governmental Funds  
September 30, 2019**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
<b>Assets</b>				
Cash and cash equivalents	\$ 19,322,586	\$ -	\$ 4,780,599	\$ 24,103,185
Investments	43,530,647	-	-	43,530,647
Receivables:				
Accounts receivable, net	770,318	775,052	-	1,545,370
Due from other funds	1,757,943	310,021	-	2,067,964
Accrued interest	131,197	-	93,284	224,481
Cash and cash equivalents—restricted	310,021	2,496,205	12,034,430	14,840,656
Investments—restricted	-	-	36,337,180	36,337,180
<b>Total assets</b>	<b>\$ 65,822,712</b>	<b>\$ 3,581,278</b>	<b>\$ 53,245,493</b>	<b>\$ 122,649,483</b>
<b>Liabilities and Fund Balance</b>				
Liabilities:				
Accounts payable	\$ 371	\$ -	\$ 835,480	\$ 835,851
Accrued liabilities	32,415	-	171,551	203,966
Due to other funds	310,021	-	1,757,943	2,067,964
Due to TxDOT	-	-	1,763,024	1,763,024
Contract retainage payable	-	-	339,353	339,353
<b>Total liabilities</b>	<b>342,807</b>	<b>-</b>	<b>4,867,351</b>	<b>5,210,158</b>
Fund balance:				
Restricted:				
Debt services	7,440,900	3,581,278	-	11,022,178
Capital projects	-	-	48,378,142	48,378,142
Unassigned	58,039,005	-	-	58,039,005
<b>Total fund balance</b>	<b>65,479,905</b>	<b>3,581,278</b>	<b>48,378,142</b>	<b>117,439,325</b>
<b>Total liabilities and fund balance</b>	<b>\$ 65,822,712</b>	<b>\$ 3,581,278</b>	<b>\$ 53,245,493</b>	<b>\$ 122,649,483</b>

The accompanying notes are an integral part of this statement.

**Alamo Regional Mobility Authority**

**Reconciliation of Balance Sheet—Governmental Funds to Statement of Net Position  
September 30, 2019**

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Total fund balances—governmental funds		\$ 117,439,325
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		12,908,956
Prepaid surety policy for debt issuance is not a financial resource and, therefore, not reported as an asset in the governmental funds.		213,077
Long-term liabilities, including loans and bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds:		
Bonds	\$ (108,910,000)	
Loans from the state	(17,974,789)	
Issuance premium (to be amortized as interest expense)	(16,867,472)	
Accrued interest	(1,588,271)	
		<u>(145,340,532)</u>
<b>Total net position (deficit)—governmental activities</b>		<b><u><u>\$ (14,779,174)</u></u></b>

The accompanying notes are an integral part of this statement.

**Alamo Regional Mobility Authority**

**Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds  
Year Ended September 30, 2019**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
<b>Revenues:</b>				
Vehicle registration fees	\$ 9,366,561	\$ 7,391,149	\$ -	\$ 16,757,710
Investment income	1,671,094	59,683	1,318,188	3,048,965
Intergovernmental	-	-	3,409,826	3,409,826
<b>Total revenues</b>	<b>11,037,655</b>	<b>7,450,832</b>	<b>4,728,014</b>	<b>23,216,501</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	398,824	-	-	398,824
Capital outlay	-	-	8,154,092	8,154,092
<b>Debt service:</b>				
Principal	-	1,915,000	-	1,915,000
Interest	-	5,522,100	-	5,522,100
<b>Total expenditures</b>	<b>398,824</b>	<b>7,437,100</b>	<b>8,154,092</b>	<b>15,990,016</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>10,638,831</b>	<b>13,732</b>	<b>(3,426,078)</b>	<b>7,226,485</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	49,285	49,285
Transfers out	(49,285)	-	-	(49,285)
<b>Total other financing sources (uses)</b>	<b>(49,285)</b>	<b>-</b>	<b>49,285</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>10,589,546</b>	<b>13,732</b>	<b>(3,376,793)</b>	<b>7,226,485</b>
Fund balance at beginning of year	54,890,359	3,567,546	51,754,935	110,212,840
Fund balance at end of year	\$ 65,479,905	\$ 3,581,278	\$ 48,378,142	\$ 117,439,325

The accompanying notes are an integral part of this statement.

**Alamo Regional Mobility Authority**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances—  
Governmental Funds to Statement of Activities  
Year Ended September 30, 2019**

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Net change in fund balances—total governmental funds		\$	7,226,485
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			8,154,092
The repayment of the principal of long-term debt consumes current financial resources of governmental funds			1,915,000
Loss on impairment of capital assets reported in the statement of activities is not reported in the governmental funds			(16,011,243)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:			
Accrued interest on debt	\$	22,344	
Amortization of debt premium		1,472,518	
Amortization of debt insurance		(7,979)	
		<u>          </u>	<u>1,486,883</u>
<b>Change in net position—governmental activities</b>		\$	<u><u>2,771,217</u></u>

The accompanying notes are an integral part of this statement.

## Alamo Regional Mobility Authority

### Notes to Financial Statements Year Ended September 30, 2018

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#### Note A—Summary of Significant Accounting Policies

##### 1. The 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 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 the 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 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 the Public Works Department. The Bexar County Manager is also the 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.

House Bill 1573, effective September 1, 2013, 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 on a weekly basis.

The Authority does not require a legally adopted budget for the general fund.

##### 2. Government-Wide Financial Statements

Government-wide financial statements consist of the statement of net position and the statement of activities. These statements report information on all of the nonfiduciary activities of the Authority. The Authority's governmental activities are supported by vehicle registration fees.

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities and deferred inflows are incurred, regardless of the timing of cash flows. Vehicle registration fees are recognized when imposed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Any amount reported in the funds financial statements as interfund receivables and payables are eliminated in the government wide statement of net position.

## Alamo Regional Mobility Authority

### Notes to Financial Statements Year Ended September 30, 2019

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#### Note A—Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the Authority's programs are offset by those programs' revenues. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by the function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or function. Program revenues for governmental activities include those generated from public works. Other items not properly included among program revenues are reported instead as general revenues.

#### 3. Fund Level Financial Statements

Governmental funds are accounted for on a current financial resources measurement focus and modified accrual basis of accounting. This means that only current assets and liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, this modified basis of accounting is said to present a summary of sources and uses of "available spendable resources" during a period.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to be used to pay liabilities of the current period. The Authority considers revenues as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liabilities are incurred. Debt service expenditures, as well as expenditures related to claims and judgments should they occur, are recorded only when payments are due.

Vehicle registration fees, the Authority's primary revenue source, are susceptible to accrual and are considered available within 60 days of the fiscal year end. Grant and entitlement revenues (when applicable) are also susceptible to accrual. Encumbrances are used during the year, and any unliquidated items are reported at year end as a reservation of fund balance.

The Authority's accounts are organized based on funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which are comprised of each fund's assets and deferred outflows, liabilities and deferred inflows, net position/fund balance, revenues and expenditures or expenses. Separate financial statements are provided for each governmental fund.

The Authority reports the following major funds:

#### **Governmental funds**

**General Fund:** The General Fund accounts for the resources used to finance the fundamental operations of the Authority. It is the basic fund of the Authority.

**Debt Service Fund:** This fund is used to account for the accumulation of resources for and the payment of principal and interest on long-term debt of governmental funds.

**Capital Projects Fund:** This fund is used to account for financial resources to be used for the acquisition and construction of major infrastructure projects and is principally financed by the sale of bonds or certificates of obligation, certain vehicle registration fees and capital grants.

## Alamo Regional Mobility Authority

### Notes to Financial Statements Year Ended September 30, 2019

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#### Note A—Summary of Significant Accounting Policies (Continued)

##### 4. Fund Balance

**Fund balance classifications:** Under accounting principles generally accepted in the United States of America (U.S. GAAP), fund balance is divided into five classifications based upon the extent to which the Authority is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable:*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans. The Authority did not report any nonspendable fund balance.

***Restricted:*** Fund balance is reported as restricted when constraints placed on the use of resources is either externally imposed by creditors, grantors, constitutional provisions or enabling legislation.

***Committed:*** The committed fund balance classification includes amounts that can be used only for specific purposes imposed by formal action such as a resolution of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned:*** Amounts in the assigned fund balance classification are intended to be used by the Authority for specific purposes but do not meet the criteria to be classified as restricted or committed. Such intent should be expressed by the Board to assign amounts to be used. The Executive Director, by virtue of appointment to that office and as a normal function of that office, has the authority to assign fund balance to particular purposes. Assignments made by the Executive Director can occur during the budget process or throughout the year in the normal course of business. The Board, at its discretion, may make assignments of fund balance or direct other Authority officials to do so. Constraints imposed on the use of the assigned amounts and be removed with no formal action. The Authority did not report any assigned fund balance.

***Unassigned:*** The unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When both restricted resources and other resources (i.e., committed, assigned, and unassigned) are available for use, it is the Authority’s policy to use restricted resources first and then unrestricted resources as needed.

**Alamo Regional Mobility Authority**

**Notes to Financial Statements  
Year Ended September 30, 2019**

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**Note A—Summary of Significant Accounting Policies (Continued)**

**5. Cash and Cash Equivalents**

Noninterest-bearing demand deposit accounts and cash in interest-bearing demand accounts with financial entities are considered cash equivalents. Money market funds and short-term highly liquid investments that are both readily convertible and are invested with original maturities of three months or less are cash equivalents.

**6. Investments**

Nonparticipating certificates of deposit (CDs) are recorded at amortized cost. Investments in federal agency notes and commercial paper are recorded at fair value. Fair Value is the price that would be received if an asset were to be sold in an orderly transaction between market participants.

**7. Accounts Receivable**

The allowance for uncollectible accounts is established as losses are estimated to have occurred through a provision for bad debt charged to earnings. Losses are charged against the allowance using specific identification method when management believes it is probable the receivable will be recovered. As of September 30, 2019, management determined accounts receivable to be fully collectible.

**8. Prepaid Asset**

The Authority purchased a surety policy in the amount of \$239,356 when the 2016 Vehicle Registration Fee Revenue Bonds were issued. This prepaid asset is amortized over the life of the bond.

**9. 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.

**10. Conveyance of Assets and/or Transfer of 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 and formally accepted by the respective government. 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 2019, there were no conveyance of assets to other governmental entities.

## Alamo Regional Mobility Authority

### Notes to Financial Statements Year Ended September 30, 2019

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#### Note A—Summary of Significant Accounting Policies (Continued)

##### 11. Restricted Assets

Restricted cash and cash equivalents relates to unspent bond proceeds or vehicle registration fees set aside for debt service which are restricted to certain capital projects or debt service payments, respectively. Unspent proceeds of the revenue bonds issued, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position and balance sheet—governmental funds. Construction accounts are used to report those proceeds of revenue bonds that are restricted for project development cost. In addition, two separate accounts are used to account for resources set aside for debt service requirements. The Authority's policy is to apply restricted resources first if both restricted and unrestricted resources are available for the same activity.

##### 12. Capital Assets—Development in Progress

Capital assets are stated at historical cost. Donated capital assets are valued at their estimated acquisition value on the date received. 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 construction project 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.

**Expenditures for assets owned by other entities:** The Authority has entered into or intends to enter into several inter-local agreements with various entities for the construction of infrastructure projects. The Authority will expend vehicle registration fee revenues and debt resources to complete the projects; however, once projects are substantially 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 not own the capital assets related to the debt the Authority incurred to purchase and/or fund the assets. See the table on page 43 for a detailed listing of the entities involved and the amount of the Authority's expenditures to date.

Thus, the accumulated development in progress costs, which relate to assets that are ultimately going to be conveyed to other entities in accordance with the interlocal agreements, as well as the related debt (Series 2016 Revenue Bonds), are not part of the calculation of the amount reported as net investment in capital assets in the statement of net position.

##### 13. 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.

## Alamo Regional Mobility Authority

### Notes to Financial Statements Year Ended September 30, 2019

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#### Note A—Summary of Significant Accounting Policies (Continued)

During fiscal year (FY) 2019, the Authority's management evaluated the assets that had been accrued in the development in progress account related to both the US 281 and Loop 1604 toll projects. Recent decision by the Texas Transportation Commission resulted in anticipated state funding for these projects becoming unavailable. As a result of these developments, management determined the amounts in the development in progress account should be impaired as the Authority has ceased all construction activity and the State is completing the projects as nontolled facilities. The decision to impair the accumulated cost of the projects has resulted in a \$16 million write-off of assets held in the development in progress account.

#### 15. 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.

#### 16. 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.

#### 17. Current Year GASB Implementations

During FY 2019, the Authority implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*. GASB Statement No. 88 clarifies which liabilities governments should include in their note disclosures related to debt. Governments must disclose amounts of unused lines of credit, assets pledged as collateral for debt and the terms specified in debt agreements related to significant events of default with finance-related consequences, termination events with finance-related consequences and subjective acceleration clauses. The implementation of GASB Statement No. 88 had no significant impact on the financial statements and no effect on ending fund balance or net position.

## Alamo Regional Mobility Authority

### Notes to Financial Statements Year Ended September 30, 2019

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#### Note B—Cash and Cash Equivalents

Cash and cash equivalent at September 30, 2019, consist of the following:

Cash on demand-GFCU	\$ 407,459
Cash equivalents:	
Short term investments	4,493,200
Investment Sweep Account—Federal Home Loan Bank of Dallas	21,944,842
Money Market Fund—Goldman Sachs Financial Square Funds	12,098,340
Total cash and cash equivalents	<u>\$ 38,943,841</u>

**Deposits:** At September 30, 2019, the carrying amount of the Authority's deposits was \$407,459 and the bank balance was \$1,631,265. The Authority's excess cash deposits are swept into higher yielding savings accounts nightly. Deposits that are not backed by United States government securities are collateralized with a letter of credit backed by the Federal Home Loan Bank of Dallas.

#### Note C—Investments

State statutes govern the Authority's investment policies. State authorized investments include, but are not limited to, obligations of the United States Treasury and United States government agencies, commercial paper, CDs and repurchase agreements. The Authority complies with applicable provisions of the State of Texas Public Funds Investment Act (PFIA). 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 \$12,058,922. The Authority also invests in federal agency notes and commercial papers, which are reported at fair value in the amount of \$67,808,905.

**Fair value measurement:** The Authority categorizes its fair value measurement disclosure in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are as follows.

**Level 1 inputs:** Unadjusted quoted prices in active markets for identical assets and liabilities that the Authority has the ability to assess.

**Level 2 inputs:** Significant other observable inputs which may include quoted prices for identical or similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in nonactive market; or inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly.

**Level 3 inputs:** Unobservable inputs which may include situations when there is minimal, if any, market activity for the asset or liability.

## Alamo Regional Mobility Authority

### Notes to Financial Statements Year Ended September 30, 2019

#### Note C—Investments (Continued)

The following table represents investments by type, by measurement focus, and by input level within the fair value measurement hierarchy as of September 30, 2019.

	Fair Value Measurement at September 30, 2019			
	Total	Level 1	Level 2	Level 3
Investments at fair value:				
Federal agency notes	\$ 25,994,835	\$ -	\$ 25,994,835	\$ -
U.S. Treasuries	13,478,785	-	13,478,785	-
Commercial paper	28,335,285	-	28,335,285	-
Total investments at fair value	<u>\$ 67,808,905</u>	<u>\$ -</u>	<u>\$ 67,808,905</u>	<u>\$ -</u>
Investments reported at amortized cost:				
Certificates of deposit	12,058,922			
Total investments at amortized cost	<u>12,058,922</u>			
Total investments	<u>\$ 79,867,827</u>			

**Interest rate risk:** Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer it takes an investment to mature, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the specific investment types and their weighted average maturity:

Description	Weighted-Average Maturity (Days)
Federal agency notes	130
U.S. Treasuries	43
Commercial paper	127
Certificates of deposit	135

**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% of the deposit amount. As of September 30, 2019, Generations FCU held \$23,576,106 of which \$21,944,842 was swept into a higher yielding investment account. The remainder was secured with a letter of credit backed by the Federal Home Loan Bank of Dallas and held by the Authority.

Regions held \$15,095,307 of the Authority's available funds of which \$12,098,340 was swept into Goldman Sachs Financial Square Fund, and \$2,996,867 was held in a federal agency security with less than 90 days to maturity at time of purchase.

**Custodial credit risk—investments:** Custodial credit risk for investments is the risk that, in the event of failure by the counterparty to a transaction, the Authority will not be able to recover the value of its investments or collateral securities that are in possession by an outside party. All of the Authority's investments are insured, registered or held in the Authority's name.

**Credit risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Authority. 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.

## Alamo Regional Mobility Authority

### Notes to Financial Statements Year Ended September 30, 2019

#### Note C—Investments (Continued)

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. Presented below is the minimum rating required (where applicable) by the Authority's investment policy and PFIA and the actual minimum rating as of year-end for each investment as noted by Standard & Poor's:

Description	Minimum Legal Rating	Investment Rating	Rating Organization
Federal agency notes	AA	AA+	Standard & Poor
Commercial paper	A-1	A-1	Standard & Poor

**Concentration of credit risk:** Concentration of credit risk is the risk of loss attributable to the magnitude of the Authority's investment in a single issuer. The Authority places no limit on the amount it may invest in any one issuer. Funds totaling \$22,352,301 (19% of total available funds) are held in demand deposit accounts and are swept each night into higher yielding savings accounts within Generations FCU or Regions Bank. Funds in the amount of \$12,098,340 (10% of total available funds) are invested in a money market fund—Goldman Sachs Financial Square Funds. Funds totaling \$12,058,922 (10% of available funds) have been invested in a nonparticipating CDs from Generations FCU and are for the benefit of the Authority. Funds totaling \$4,493,200 (4% of total available funds) are invested in short-term instruments that are considered cash equivalents in the financial statements. The remaining \$67,808,905 (57% of total available funds) is invested in federal agency notes and commercial paper issuers as follows:

Description	Percentage
Federal agency notes:	
Federal Farm Credit Bank	7%
Federal Home Loan Bank	15%
Federal Home Loan Mortgage Corp	0%
Federal National Mortgage Association	15%
U.S. Treasuries	20%
Commercial paper:	
JPMorgan Securities	13%
Nestle Finance Intl., Ltd.	5%
Royal Bank of Canada	0%
Toyota Motor Co.	16%
University of Texas, Austin	7%
CDs	15%

**Alamo Regional Mobility Authority**

**Notes to Financial Statements  
Year Ended September 30, 2019**

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**Note D—Accounts Receivable**

Accounts receivable in the amount of \$1,545,370 at September 30, 2019, represents amounts due from the Tax Assessor Collector for vehicle registration fees collected and not yet remitted to the Authority for fiscal year 2019.

**Note E—Interfund Balance and Transfers**

Capital Projects Fund has a due to other fund (General Fund) in the amount of \$1,757,943 for expenses paid for by the General Fund.

The General Fund has due to other fund (Debt Service Fund) in the amount of \$310,021 for vehicle registrations fees that will be utilized to pay debt service.

During the year, various interfund transfers were made to finance expenditures and service debt. The \$49,285 transfer out of the general fund was for the payment of capital expenditures related to development in progress.

**Note F—Capital Assets**

Changes in the Authority's capital assets for the year ended September 30, 2019, consist of the following:

	Balance at October 1, 2018	Additions	Deletions	Balance at September 30, 2019
Capital assets not being depreciated:				
Development in progress:				
US 281 North	\$ 3,243,821	\$ -	\$ 3,243,821	\$ -
Loop 1604 EIS	11,723,336	-	11,723,336	-
Loop 1604	1,042,478	1,608	1,044,086	-
Blanco Road Phase II	1,447,707	327,599	-	1,775,306
Evans Road Phase I	42,363	3,713,518	-	3,755,881
Evans Road Phase II	1,063,933	72,801	-	1,136,734
Foster Road Phase III	931,498	174,559	-	1,106,057
Talley Road Phase I	680,976	60,232	-	741,208
West Military Drive	191,182	94,787	-	285,969
Fischer Road Phase II	343,480	3,342,133	-	3,685,613
Old FM 471/Talley Road	1,294	10,636	-	11,930
Candlemeadow	54,039	356,219	-	410,258
Total development in progress	<u>20,766,107</u>	<u>8,154,092</u>	<u>16,011,243</u>	<u>12,908,956</u>
Total capital assets not being depreciated	20,766,107	8,154,092	16,011,243	12,908,956
Total capital assets	<u>\$ 20,766,107</u>	<u>\$ 8,154,092</u>	<u>\$ 16,011,243</u>	<u>\$ 12,908,956</u>

There was no depreciation expense for the year ended September 30, 2019.

## Alamo Regional Mobility Authority

### Notes to Financial Statements Year Ended September 30, 2019

#### Note G—Long-Term Debt

Long-term debt activity for the year ended September 30, 2019, is as follows:

	Balance at October 1, 2018	Additions	Reductions/ Amortizations	Balance at September 30, 2019	Due in One Year
Due to other governments:					
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	-
Total due to other governments	17,974,789	-	-	17,974,789	
Revenue bonds:					
VRF Jr. Lien	52,320,000	-	-	52,320,000	-
VRF Sr. Lien	58,505,000	-	1,915,000	56,590,000	1,995,000
Unamortized premium	18,339,990	-	1,472,518	16,867,472	-
Total bonds payable, net	129,164,990		3,387,518	125,777,472	1,995,000
Total long-term debt	\$ 147,139,779	\$ -	\$ 3,387,518	\$ 143,752,261	\$ 1,995,000

The Authority's outstanding TxDOT—FAA1 contains a provision that should the Authority's staff or its consultants disclose certain confidential information related to a comprehensive development agreement which was funded by the note, then the full amount would become due and payable immediately.

**Due to other governments:** 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, 2019, 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, 2019, 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. FAA 3 funds in the amount of \$2,915,211 were reduced by TxDOT during fiscal year 2011 for accepted work product on Wurzbach Parkway and Bandera Road. The amount outstanding at September 30, 2019, 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, 2019, totaled \$12,390,000.

**Alamo Regional Mobility Authority**

**Notes to Financial Statements  
Year Ended September 30, 2019**

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**Note G—Long-Term Debt (Continued)**

Amounts 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 can be repaid with toll revenues subject to the provisions and limitations set forth in the respective financial assistance agreements. Any revenues used to repay the financial assistance agreements shall not exceed 10% of the operating revenues received in any calendar year.

The Authority has not issued any toll revenue bonds and currently does not receive operating revenue from toll roads, as such roads are not yet constructed. Thus, there are no payments due related to any of these financial assistance agreements.

**Vehicle registration fee revenue bonds:** 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 the \$10 vehicle registration fee assessed on all vehicles registered in Bexar County. Interest on the debt varies between 4% and 5%. The proceeds from the debt will be used to (i) initiate construction on 14 local transportation projects spread out across Bexar County including \$80,000,000 in contributions to TxDOT for improvements to Loop 1604, (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 \$213,077 at September 30, 2019.

Vehicle registration fees are projected to produce 255% of the debt service requirements over the life of the bonds. The total principal and interest remaining to be paid on the bonds is \$200,818,500. Principal and interest paid in fiscal year 2019 and total vehicle registration fee revenue in fiscal year 2019 were \$7,437,100 and \$16,757,710, respectively.

The outstanding debt service requirement for the Authority's revenue bonds is as follows:

	Senior Lien		Junior Lien	
	Principal	Interest	Principal	Interest
Years ending September 30:				
2020	\$ 1,995,000	\$ 2,829,500	\$ -	\$ 2,616,000
2021	2,090,000	2,729,750	-	2,616,000
2022	2,195,000	2,625,250	-	2,616,000
2023	2,305,000	2,515,500	-	2,616,000
2024	2,420,000	2,400,250	-	2,616,000
2025-2029	2,545,000	10,887,250	11,510,000	12,251,750
2030-2034	-	10,760,000	17,925,000	8,497,500
2035-2039	-	10,760,000	22,885,000	3,544,500
2040-2044	29,210,000	7,981,500	-	-
2045-2046	13,830,000	1,045,750	-	-
	<b>\$ 56,590,000</b>	<b>\$ 54,534,750</b>	<b>\$ 52,320,000</b>	<b>\$ 37,373,750</b>

## **Alamo Regional Mobility Authority**

### **Notes to Financial Statements Year Ended September 30, 2019**

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#### **Note H—Insurance**

The Authority maintains general liability, errors and omissions and automobile liability insurance 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 years.

#### **Note I—Interlocal Agreements**

On April 29, 2014, the Authority entered into an Interlocal Agreement with Bexar County whereby Bexar 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.

On September 12, 2018, the Authority and Bexar County amended the Interlocal Agreement to allow the Bexar County Purchasing Department to administer the solicitations for procurement of goods and services for the development of any project being constructed by the Authority.

During FY 2019, the Authority approved three Interlocal Agreements with local utilities for the joint-bid items related to relocation of their utilities during construction of road projects being constructed by the Authority. The utilities provided funding to cover the cost of this work.

#### **Note J—Related Party Transactions**

The Authority's day-to-day business activities are managed by the Offices of the Bexar County Manager and the Public Works Department. The Authority has no employees. Select County employees perform duties for both the County and the Authority. The Authority reimburses the County for a proportion of the employees' salaries. This reimbursement typically occurs in the month after the County incurred the expense. During FY2019, the Authority reimbursed \$361,789 to the County for payroll related expenses. The Authority also reimburses the County in the month the expense occurs for the use of copiers (\$2,570), a cell phone (\$626) and a data plan (\$114).

#### **Note K—Commitments and Contingencies**

##### **1. 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.

##### **2. 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 it has adequate insurance coverage to cover such matters and, therefore, does not believe any such matters would have an adverse effect on the financial condition of the Authority.

## Alamo Regional Mobility Authority

### Notes to Financial Statements Year Ended September 30, 2019

#### Note K—Commitments and Contingencies (Continued)

##### 3. Construction Commitment

The Authority's Board of Directors has approved acquisition, design, engineering and construction contracts on various capital projects for road construction. The table below shows the amount committed to each project out of the available resources.

Commitment by Project			
Project Name	Contract Amount	Balance Remaining	Retainage Payable
Fischer Road Phase II	\$ 3,926,257	\$ 747,193	\$ 165,776
Old FM471/Talley	16,676,084	16,676,084	-
Talley Road Phase I	20,433,700	20,433,700	-
W. Military Drive	822,828	573,814	-
Blanco Rd Phase II	2,137,278	456,418	-
Evans Rd Phase I	9,608,199	6,033,532	173,577
Evans Rd Phase II	10,482,415	9,436,739	-
Candlemeadow	728,018	352,603	-
Foster Road	14,991,018	13,981,214	-
	<u>\$ 79,805,798</u>	<u>\$ 68,691,297</u>	<u>\$ 339,353</u>

##### Note L—Due to TxDOT

The Authority received \$18,000,000 in advance funding (cost reimbursement grant) from TxDOT. Of this amount, \$16,236,977 has been expended, while the remaining amount of \$1,763,024 was recorded as unearned revenue. Grant documents require any funds not expended on or before December 31, 2018, to be returned to TxDOT. As of December 31, 2018, no additional funds had been expended; therefore, the \$1,763,024 was reclassified from unearned revenue to liability due back to TxDOT.

##### Note M—Net Position (Deficit)

At September 30, 2019, the Authority had a deficit net position on the statement of net position of \$14,779,174, an improvement in net position of \$2,771,217 over the prior year. The deficit net position has primarily been caused by conveying assets procured with debt proceeds to other governmental entities. Once conveyed, the Authority retains the debt issuance liability, but no longer has an asset on its books.

##### Note N—Subsequent Events

The Authority has approved six additional Interlocal Agreements with local utilities for the joint-bid items related to relocation of their utilities during construction of road projects being constructed by the Authority. The utilities have provided funding in the amount of \$8,004,311 to cover the cost of this work.

## **Alamo Regional Mobility Authority**

### **Notes to Financial Statements Year Ended September 30, 2019**

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#### **Note N—Subsequent Events (Continued)**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a “Public Health Emergency of International Concern” and on March 10, 2020, declared COVID-19 a pandemic. The impact of COVID-19 could negatively affect the Authority’s operations, suppliers or other vendors, as well as intergovernmental entities and citizens it collect fees from. The operations for the Authority’s services could be negatively impacted by the regional and global outbreak of COVID-19, including the potential for stop-work orders on existing construction projects for an unknown period of time. Any quarantines, labor shortages or other disruptions to the Authority’s operations, or that of its suppliers and vendors, may adversely affect the Authority’s revenues, ability to provide its services and operating results. In addition, a significant outbreak of an epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in which the Authority operates, resulting in an economic downturn that could affect demand for services. As of the date of this report, management believes COVID-19 has not had any such impact on the Authority’s financial statements or operations. The extent to which COVID-19 may affect the Authority’s results will depend on future developments, which are highly uncertain and cannot be predicted, including new information, which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others.

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## **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	2019 Additions	Deletions	Ending Balance
281/1604 Interchange	State Loans	State of Texas	\$ 432,077	\$ -	\$ (432,077)	\$ -
US 281 EIS	State Loans	State of Texas	1,113	-	(1,113)	-
BC1 Fischer Road Phase II	2016 VRF Debt	Bexar County	300,339	3,058,171	-	3,358,510
BC2 Old FM 471/Talley Road	2016 VRF Debt	Bexar County	1,175	10,636	-	11,811
BC3 Talley Road Phase I	2016 VRF Debt	Bexar County	680,386	60,232	-	740,617
BC4 Watson Road Phase II	2016 VRF Debt	Bexar County	-	-	-	-
BC5 W. Military Drive	2016 VRF Debt	Bexar County	190,121	94,788	-	284,909
BC6 Blanco Road Phase II	2016 VRF Debt	Bexar County	1,447,117	327,599	-	1,774,716
BC7 Evans Road Phase I	2016 VRF Debt	Bexar County	34,285	3,195,154	-	3,229,439
BC8 Evans Road Phase II	2016 VRF Debt	Bexar County	1,061,339	72,801	-	1,134,140
BC9 Candle meadow	2016 VRF Debt	Bexar County	352,347	356,219	-	708,566
BC10 Foster Road Phase III	2016 VRF Debt	Bexar County	631,834	174,559	-	806,393
TXDOT1 Loop 1604 South	2016 VRF Debt	State of Texas	10,000,000	-	-	10,000,000
TXDOT2 FM 471	2016 VRF Debt	State of Texas	-	-	-	-
TXDOT3 FM 1516	2016 VRF Debt	State of Texas	-	-	-	-
TxDOT 825 Loop 1604 West	2016 VRF Debt	State of Texas	70,000,000	-	-	70,000,000
<b>Total</b>			<b>\$ 85,132,134</b>	<b>\$ 7,350,157</b>	<b>\$ (433,190)</b>	<b>\$ 92,482,292</b>

The Authority has entered into or intends to enter into several interlocal agreements with various entities for the construction of roads. The Authority will expend debt resources to complete the projects; however, once projects are complete and formally accepted by the respective entity, 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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