

Alamo Regional Mobility Authority

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

Financial Report and Independent Auditor's Report
September 30, 2017

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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 Alamo Regional Mobility Authority (the Authority), a discretely presented component unit of Bexar County, Texas, as of and for the year ended September 30, 2017, 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, 2017, and the changes in its financial position (deficit) and its cash flows thereof 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

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 14, 2018, 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 14, 2018

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

**Management's Discussion and Analysis—Unaudited
Year Ended September 30, 2017**

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, 2017, 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 Loop 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. 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.

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 (VRF) collected by the county. The revenue from the additional fee is required to be remitted to a regional mobility authority located in the county. The 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 2017 was \$16.2 million. Budgeted revenue from this fee is estimated to be \$16.6 million in FY 2017-18.

In April 2014, the Authority and Bexar County entered into an Interlocal Agreement whereby the County Commissioners pledged to not rescind the order imposing the 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 \$114.4 million in Vehicle Registration Fee Revenue Bonds to partially fund 14 local transportation projects with a combined budget of \$190.9 million, which includes \$11.7 million in MPO reimbursements. The debt was issued through \$62.1 million in Senior Lien Revenue Bonds (AA+, Aa2) and \$52.3 million in Junior Lien Revenue Bonds (AA+, AA3) and will be repaid over the next 30 years.

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

**Management's Discussion and Analysis—Unaudited
Year Ended September 30, 2017**

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, while potential 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.

The Authority's Board of Directors (Board) Members

In January 2017, James Conrad "Rad" Weaver resigned as the Presiding Officer of the Authority due to his appointment to the University of Texas System Board of Regents. In November 2017, Governor Greg Abbott appointed Michael Lynd, Jr. to replace Mr. Weaver. Mr. Lynd is joined by Board members John Montford, Lou Miller, Ramiro Cavazos, Gavino Ramos, Jr., David Starr and Baltazar Serna.

Basic Financial Statements

The basic financial statements are comprised of the balance sheet; statement of revenues, expenses and changes in net position (deficit) 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 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 (deficit) 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. 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 (deficit) and notes to financial statements.

The statement of cash flows reports cash inflows and outflows and net changes in cash resulting from operations, capital and noncapital and investing activities. It provides answers to such questions as where did cash come from, what was the cash used for and what was the change in the cash balance during the reporting period.

Notes to Financial Statements

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

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

**Management's Discussion and Analysis—Unaudited
Year Ended September 30, 2017**

Financial Analysis

**Table 1
Condensed Balance Sheet Information**

	September 30	
	2017	2016
Current assets	\$ 45,723,406	\$ 42,239,948
Noncurrent assets	69,274,974	65,288,682
Capital assets	17,910,902	15,993,433
Total assets	<u>\$ 132,909,282</u>	<u>\$ 123,522,063</u>
Current liabilities	\$ 5,591,956	\$ 5,332,193
Noncurrent liabilities	148,671,612	152,120,522
Total liabilities	<u>154,263,568</u>	<u>157,452,715</u>
Net position (deficit):		
Net investment in capital assets	1,462,868	1,380,945
Unrestricted deficit	<u>(22,817,154)</u>	<u>(35,311,597)</u>
Total net position (deficit)	<u>(21,354,286)</u>	<u>(33,930,652)</u>
Total liabilities and net position (deficit)	<u>\$ 132,909,282</u>	<u>\$ 123,522,063</u>

Total assets increased \$9.4 million (7.6 percent) due to the cash received from the VRF exceeding the usage of the receipts. Unrestricted net position improved \$12.6 million primarily due to the \$9.4 million increase in total assets.

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

**Management's Discussion and Analysis—Unaudited
Year Ended September 30, 2017**

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

	Years Ended September 30	
	2017	2016
Operating expenses	\$ 325,931	\$ 332,701
Total operating expenses	(325,931)	(332,701)
Nonoperating revenues (expenses), net	12,871,635	(65,150,799)
Increase (decrease) in net position before capital contributions	12,545,704	(65,483,500)
Capital contributions	30,662	11,525
Change in net position (deficit)	12,576,366	(65,471,975)
Net position (deficit) at beginning of year	(33,930,652)	31,541,323
Net position (deficit) at end of year	\$ (21,354,286)	\$ (33,930,652)

Nonoperating revenues (expenses) increased by \$78 million (119 percent) because contribution of assets to TxDOT was only \$178 thousand in FY 2017 compared to \$79.4 million in FY 2016. Other major items affecting nonoperating revenues (expenses) include interest income and expense and registration fees. See the statement of revenues, expenses and changes in net position (deficit) for a complete breakdown. Net position improved by \$12.6 million (37 percent) because nonoperating revenues exceeded nonoperating expenses by \$12.6 million, due primarily to the receipt of VRFs.

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2017, the Authority had \$17.9 million invested in capital assets, all related to development in progress costs. This represents an increase of \$1.9 million (12 percent) from FY 2016. Additional information can be found in Note 6 to the financial statements.

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

**Management's Discussion and Analysis—Unaudited
Year Ended September 30, 2017**

**Table 3
Capital Assets**

	September 30	
	2017	2016
Capital assets not being depreciated:		
Development in progress:		
US 281 North	\$ 3,243,821	\$ 3,213,159
Loop 1604 EIS	11,722,275	11,710,236
Loop 1604	1,002,074	932,191
IH-10 from Loop 1604 to Ralph Fair	-	10,836
Blanco Road Phase II	618,137	11,186
Evans Road Phase I	5,963	2,782
Evans Road Phase II	687,602	28,847
Foster Road Phase III	578,090	84,196
Talley Road Phase I	36,548	-
West Military Drive	13,334	-
Fischer Road Phase II	2,453	-
Old FM 471/Talley Road	605	-
Total capital assets not being depreciated	17,910,902	15,993,433
Total capital assets	<u>\$ 17,910,902</u>	<u>\$ 15,993,433</u>

Debt and Due to Other Governments

As of September 30, 2017, the Authority had total long-term debt of \$150.5 million comprised of amounts due to TxDOT and Vehicle Registration Fee Revenue Bonds, Series 2016. The loans from the state do not accrue interest and are not payable until the Authority has a source of operating revenues. The 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 7 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 Metropolitan Transit 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 \$825.0 million dollars of infrastructure improvements and accelerate project delivery; however, due to increases in estimated construction/ right of way, the \$825.0 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 \$114.4 million (backed by revenue from the VRF). Immediately after receiving the debt proceeds, the Authority transferred \$70.0 million to TxDOT for the funding of Loop 1604 from US 90 to FM 1957 to allow TxDOT to construct the nontoll improvements. The Authority will use the remaining balance from this debt issuance to start the construction of other local transportation projects.

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

**Management's Discussion and Analysis—Unaudited
Year Ended September 30, 2017**

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 \$28.0 billion to be deposited to the State Highway Fund beginning in FY 2018, along with 35 percent of motor vehicle sales tax proceeds in excess of \$5.0 billion beginning in FY 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 the 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 US 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 TxDOT provide additional funding based on the legislative action so US 281 could be completed nontolled. The MPO Policy Board unanimously approved a resolution on September 14, 2015, to allocate Proposition 7 funding (if passed) to complete US 281 nontolled. 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 FY 2018.

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: The 1604 Managed Lanes Project includes two at-grade managed lanes in each direction from SH 16 to IH-35 and a direct connector interchange at Loop 1604 and IH-10 for a total length of 22.8 miles. The proposed project will be delivered in two phases; Phase 1 from SH 16 to Redland Road and Phase 2 from Redland Road to IH-35. The total project cost is estimated at \$882.2 million. The Draft Environmental Assessment was approved for circulation in April 2016.

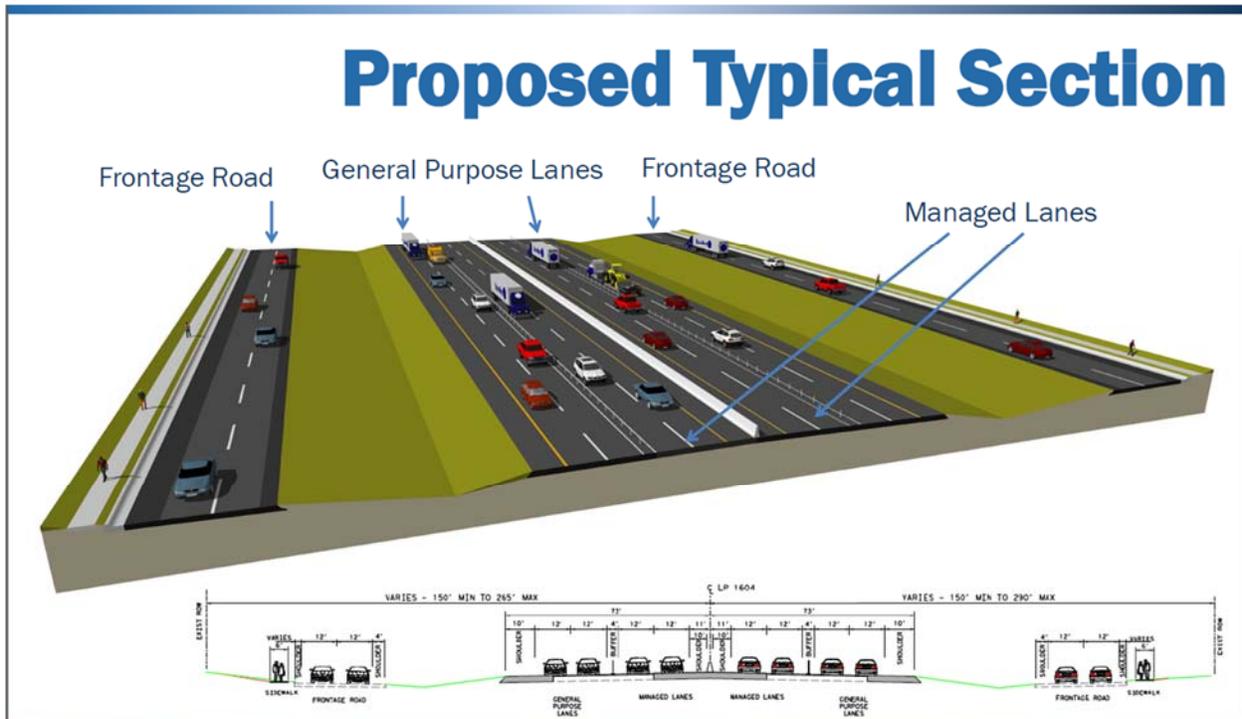


Figure 1—1604 Managed Lanes Proposed Typical Section

In late 2016, a preliminary financial analysis based on a Level II Traffic and Revenue Study indicated that toll revenue was not sufficient to finance 100 percent of the project costs. The Authority subsequently requested that additional Category 2 federal funds be allocated to the project. A summary of recent project development items and 2017 progress is included below:

- December 2016, the Authority requested additional Category 2 federal funds be allocated to the project
- March 2017, the TxDOT Commission approved the addition of \$398.3 million for the project in the Unified Transportation Program
- July 2017, the Authority submitted a request to TxDOT for a portion of the Category 2 federal funds to continue advancing the project
- October 2017, the TxDOT Commission granted preliminary approval for the Authority to receive a grant of up to \$17.0 million to be used to pay for the continued development of the project
- November 2017, the TxDOT Commission granted final approval for the Authority to receive a grant of up to \$17.0 million to be used to pay for the continued development of the project

The Authority will continue the development of the 1604 Managed Lanes Project pending approval of a Financial Assistance Agreement and Project Development Agreement. It is anticipated that the Environmental Assessment can be completed and preliminary design started in 2018 if additional funds are received in early 2018.

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

**Management’s Discussion and Analysis—Unaudited
Year Ended September 30, 2017**

VRF projects: On August 29, 2013, the Bexar County Commissioners Court adopted an optional VRF of \$10 per vehicle. The Commissioners Court approved an Interlocal 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 the list of nontolled projects to be funded with the optional VRF. Subsequently, on November 10, 2015, the 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 10 proposed Bexar County transportation projects. The projects are distributed throughout Bexar County and will alleviate localized traffic congestion for years to come. Nine of the 10 Bexar County transportation projects are in either planning or design phases. Construction is anticipated to begin by late 2018 on six of those nine. Total projected cost of all 14 projects is \$271.0 million, of which the Authority will fund \$179.1 million through debt backed by the VRF.

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 Blvd.	15,375,000	Local, VRF	Design
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	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	Design
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	Construction

\$ 270,745,016

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.

Basic Financial Statements

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

**Balance Sheet
September 30, 2017**

Assets

Current assets:

Cash and cash equivalents	\$ 16,377,006
Investments	27,872,317
Accounts receivable	1,426,436
Accrued interest	39,678
Prepaid asset	7,969
Total current assets	<u>45,723,406</u>

Noncurrent assets:

Investments	2,513,351
Restricted noncurrent assets:	
Cash and cash equivalents	13,872,060
Investments	52,668,495
Prepaid asset	221,068
Capital assets—development in progress	17,910,902
Total noncurrent assets	<u>87,185,876</u>

Total assets

\$ 132,909,282

Liabilities and Net Position (Deficit)

Current liabilities:

Accounts payable	\$ 256,360
Accrued liabilities	99,092
Accrued interest payable	1,628,481
Unearned revenue	1,763,023
Current portion of bonds payable	1,845,000
Total current liabilities	<u>5,591,956</u>

Noncurrent liabilities:

Due to other governments	17,974,789
Bonds payable, net of unamortized premium	130,696,823
Total noncurrent liabilities	<u>148,671,612</u>

Total liabilities

154,263,568

Net position (deficit):

Net investment in capital assets	1,462,868
Unrestricted deficit	(22,817,154)
Total net position (deficit)	<u>(21,354,286)</u>

Total liabilities and net position (deficit)

\$ 132,909,282

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, 2017**

Operating revenue	\$ -
Operating expenses:	
Contractual services (payments to Bexar County)	286,187
Travel and conferences	3,888
Professional and contracted services	32,026
Legal services	111,743
Memberships and accreditations	4,250
Insurance	1,756
Telephone and Internet service	624
Supplies and postage	1,262
Equipment rental and maintenance	2,570
Banking fees	16,964
Miscellaneous	140
Less expenses capitalized to development in progress	(135,479)
Total operating expenses	<u>325,931</u>
Operating loss	<u>(325,931)</u>
Nonoperating revenues (expenses):	
Vehicle registration fees	16,177,450
Interest income	949,040
Amortization of bond insurance	(7,982)
Interest expense	(4,050,490)
Loss on disposal of asset	(10,836)
Contributions to other entities	(178,369)
Miscellaneous expense	(7,178)
Total nonoperating revenues (expenses), net	<u>12,871,635</u>
Increase in net position before capital contributions	12,545,704
Capital contributions	<u>30,662</u>
Change in net position	12,576,366
Net position (deficit) at beginning of year	<u>(33,930,652)</u>
Net position (deficit) at end of year	<u>\$ (21,354,286)</u>

See notes to financial statements.

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

**Statement of Cash Flows
Year Ended September 30, 2017**

Cash flows from operating activities:	
Payments to suppliers	\$ (132,684)
Net cash used in operating activities	<u>(132,684)</u>
Cash flows from noncapital financing activities:	
Proceeds from vehicle registration fees	15,931,956
Net cash provided by noncapital financing activities	<u>15,931,956</u>
Cash flows from capital and related financing activities:	
Payments for development projects	(1,928,305)
Payments for retirement of bonds	(1,755,000)
Payments of interest on bonds	(5,654,400)
Payments to Texas Department of Transportation	(178,369)
Net cash used in capital and related financing activities	<u>(9,516,074)</u>
Cash flows from investing activities:	
Purchase of investments	(85,020,506)
Maturity of investments	57,024,932
Proceeds from interest	922,869
Net cash used in investing activities	<u>(27,072,705)</u>
Net decrease in cash and cash equivalents	(20,789,507)
Cash and cash equivalents at beginning of year	<u>51,038,573</u>
Cash and cash equivalents at end of year	<u><u>\$ 30,249,066</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (325,931)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Changes in asset and liabilities:	
Accounts payable	
Accounts payable	256,360
Accrued liabilities	(33,863)
Accrued interest payable	(29,250)
Net cash used in operating activities	<u><u>\$ (132,684)</u></u>

See notes to financial statements.

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

**Notes to Financial Statements
Year Ended September 30, 2017**

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 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 (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 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.

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, 2017**

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

D. 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, 2017, management determined accounts receivable to be fully collectible.

E. 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.

F. Capital Contributions

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

G. 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 2017, there were no conveyance of assets to governmental entities; however, the Authority made a contribution to other entities in the amount of \$178,369.

H. 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.

I. 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.

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

**Notes to Financial Statements
Year Ended September 30, 2017**

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

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

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.

J. 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 to sell an asset in an orderly transaction between market participants.

K. 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.

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 these road projects; however, once the projects are complete, ownership and maintenance requirements will be the responsibility of the other entities. 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.

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

L. 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 2017.

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

**Notes to Financial Statements
Year Ended September 30, 2017**

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

M. Operating Revenues and Expenses

The Authority did not generate any operating revenues in FY 2017; 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.

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.

O. Reclassification

Certain reclassifications have been made in the prior-year financial statements to conform to the current-year presentation.

Note 2. Interlocal Agreement

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, 2017, 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.

Note 3. Cash and Cash Equivalents

Cash and cash equivalent at September 30, 2017, consist of the following:

Cash on demand	\$ 2,500,000
Cash equivalents:	
Investment Sweep Account—Federal Home Loan Bank of Dallas	12,975,430
Money Market Fund—Blackrock Liquidity	14,773,636
Total cash and cash equivalents	<u>\$ 30,249,066</u>

Deposits: At September 30, 2017, the carrying amount of the Authority's deposits was \$2,500,000 and the bank balance was \$2,500,000. The Authority's excess cash deposits are swept into higher yielding savings account within Generations Federal Credit Union (Generations FCU) daily. 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. During 2017, the Authority's deposits were undercollateralized by \$2,250,000.

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

**Notes to Financial Statements
Year Ended September 30, 2017**

Note 4. Investments

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, 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 \$22,757,185. The Authority also invests in federal agency notes and commercial paper, which are reported at fair value in the amount of \$60,296,978.

Investments at September 30, 2017, consist of the following:

Federal agency notes	\$ 24,948,353
Commercial paper	35,348,625
CDs	22,757,185
Total investments	<u>\$ 83,054,163</u>

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
San Antonio, Texas**

**Notes to Financial Statements
Year Ended September 30, 2017**

Note 4. Investments (Continued)

The following table represents assets measured at fair value on a recurring basis as reported on the balance sheet as of September 30, 2017, and by level within the fair value measurement hierarchy:

	Fair Value Measurement at September 30, 2017			
	Total	Level 1	Level 2	Level 3
Investments at fair value:				
Federal agency notes	\$ 24,948,353	\$ -	\$ 24,948,353	\$ -
Commercial paper	35,348,625	-	35,348,625	-
Total investments at fair value	<u>60,296,978</u>	<u>\$ -</u>	<u>\$ 60,296,978</u>	<u>\$ -</u>
Investments reported at amortized cost:				
CDs	<u>22,757,185</u>			
Total investments at amortized cost	<u>22,757,185</u>			
Total investments	<u>\$ 83,054,163</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 the maturity of an investment, 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 investments and their maturity:

Description	Weighted-Average Maturity (Days)
Federal agency notes	228
Commercial paper	117

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, 2017, Generations FCU held \$13,246,270 of the Authority's available funds, which was secured with a letter of credit backed by the Federal Home Loan Bank of Dallas and held by the Authority.

Wilmington Trust held \$14,773,636 of the Authority's available funds which was secured by a letter of credit backed by the Federal Home Loan Bank of Dallas and held by the Wilmington Trust, but in the name of the Authority. Wilmington Trust has its own safekeeping facility.

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 by the Authority's agent; therefore, the Authority's investments are not exposed to custodial credit risk.

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

**Notes to Financial Statements
Year Ended September 30, 2017**

Note 4. Investments (Continued)

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. 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 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's
Commercial paper	A-1	A-1+	Standard & Poor's

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 \$15,475,430 (14 percent of total available funds) are held in demand deposit accounts and are swept each night into higher yielding savings accounts within Generations FCU or Mellon Bank of New York. Funds in the amount of \$14,773,636 (13 percent of total available funds) are invested in a money market fund—Blackrock Liquidity. Funds totaling \$22,757,185 (20 percent of available funds) have been invested in numerous nonparticipating CDs that are held by Wilmington Trust Bank in the name of the Authority. The remaining \$60,296,978 is invested in federal agency notes and commercial paper.

As of September 30, 2017, the Authority's percentage of its investment portfolio for federal agency notes and commercial paper issuers was as follows:

Description	Percent
Federal agency notes:	
Federal Home Loan Bank	21%
Federal Home Loan Mortgage Corporation	12%
Fannie Mae Discount Note	8%
Commercial paper:	
GE Capital Treas. Svcs. US	12%
JP Morgan SECS. LLC	15%
Nestle FIN. INTL. LTD.	12%
Toyota MTR CR Corp. Disc.	19%

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

**Notes to Financial Statements
Year Ended September 30, 2017**

Note 5. Accounts Receivable

Accounts receivable in the amount of \$1,426,436 at September 30, 2017, represents amounts due from the Tax Assessor Collector for vehicle registration fees collected and not yet remitted to the Authority for FY 2017.

Note 6. Capital Assets

Changes in the Authority's capital assets for the year ended September 30, 2017, consist of the following:

	Balance at October 1, 2016	Additions	Deletions	Balance at September 30, 2017
Capital assets not being depreciated:				
Development in progress:				
US 281 North	\$ 3,213,159	\$ 30,662	\$ -	\$ 3,243,821
IH-10 from 1604 to Ralph Fair	10,836	-	10,836	-
Loop 1604 EIS	11,710,236	12,039	-	11,722,275
Loop 1604	932,191	69,883	-	1,002,074
Blanco Road Phase II	11,186	606,951	-	618,137
Evans Road Phase I	2,782	3,181	-	5,963
Evans Road Phase II	28,847	658,755	-	687,602
Foster Road Phase III	84,196	493,894	-	578,090
Talley Road Phase I	-	36,548	-	36,548
West Military Drive	-	13,334	-	13,334
Fischer Road Phase II	-	2,453	-	2,453
Old FM 471/Talley Road	-	605	-	605
Total development in progress	<u>15,993,433</u>	<u>1,928,305</u>	<u>10,836</u>	<u>17,910,902</u>
Total capital assets not being depreciated	<u>15,993,433</u>	<u>1,928,305</u>	<u>10,836</u>	<u>17,910,902</u>
Total capital assets	<u>\$ 15,993,433</u>	<u>\$ 1,928,305</u>	<u>\$ 10,836</u>	<u>\$ 17,910,902</u>

There was no depreciation expense for the year ended September 30, 2017.

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

**Notes to Financial Statements
Year Ended September 30, 2017**

Note 7. Long-Term Liabilities

Long-term debt activity for the year ended September 30, 2017, is as follows:

	Balance at October 1, 2016	Additions	Reductions/ Amortizations	Balance at September 30, 2017	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	62,105,000	-	1,755,000	60,350,000	1,845,000
Unamortized premium	21,475,733	-	1,603,910	19,871,823	-
Total bonds payable, net	135,900,733	-	3,358,910	132,541,823	1,845,000
Total long-term debt	\$ 153,875,522	\$ -	\$ 3,358,910	\$ 150,516,612	\$ 1,845,000

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, 2017, 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, 2017, 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 FY 2011 for accepted work product on Wurzbach Parkway and Bandera Road. The amount outstanding at September 30, 2017, 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, 2017, totaled \$12,390,000.

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

**Notes to Financial Statements
Year Ended September 30, 2017**

Note 7. Long-Term Liabilities (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 percent of the revenues received in any calendar year.

The Authority has not issued any toll revenue bonds and currently does not receive 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.

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 percent to 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 \$229,037 at September 30, 2017.

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

	Senior Lien		Junior Lien	
	Principal	Interest	Principal	Interest
Years ending September 30:				
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	2,195,000	2,625,250	-	2,616,000
2023-2027	7,270,000	11,499,000	5,475,000	12,946,500
2028-2032	-	10,760,000	16,260,000	10,164,000
2033-2037	-	10,760,000	20,755,000	5,672,000
2038-2042	16,665,000	9,954,000	9,830,000	743,250
2043-2046	26,375,000	3,377,250	-	-
	<u>\$ 60,350,000</u>	<u>\$ 60,420,750</u>	<u>\$ 52,320,000</u>	<u>\$ 42,605,750</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 255 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 \$215,696,500. Principal and interest paid in FY 2017 and total vehicle registration fee revenue in FY 2017 was \$7,438,650 and \$16,177,450, respectively.

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

**Notes to Financial Statements
Year Ended September 30, 2017**

Note 8. 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 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.

Note 9. Unearned Revenue

The Authority received \$18,000,000 in advance funding (cost reimbursement grant) from TxDOT to date. Of this amount, \$16,236,977 has been expended, while the remaining amount of \$1,763,023 is recorded as unearned revenue. Any funds not expended on or before December 31, 2018, will no longer be available to the Authority.

Note 10. 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 years.

Note 11. Net Position (Deficit) Balance

At September 30, 2017, the Authority had a deficit net position of \$21,354,286, an improvement in net position of \$12,576,366 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. This situation will continue as 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, ownership and maintenance requirements will be the responsibility of the other entities. These arrangements will result in lowered total net position on the balance sheet because the Authority will own no capital assets; however, the Authority will retain the associated debt.

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

**Notes to Financial Statements
Year Ended September 30, 2017**

Note 12. Subsequent Event

On December 19, 2017, the Authority was notified that Wilmington Trust (the Trustee) was delinquent in paying the principal and interest related to the outstanding Senior Lien Vehicle Registration Fee Revenue Bonds, Series 2016, and the Junior Lien Vehicle Registration Fee Revenue Bonds, Series 2016 (collectively, the Bonds). The payment was due on December 15, 2017, and was subsequently paid on December 19, 2017. While sufficient funds were on deposit with the Trustee and available for the purpose of paying the interest payment due on the Bonds on December 15, 2017, the Trustee advised the Authority that, due to an error by the Trustee, the interest due on the Bonds on December 15, 2017, was not timely paid on such date and was subsequently paid on December 19, 2017. The Authority disclosed the delinquent payment with Electronic Municipal Market Access on December 19, 2017.

As a result of this Trustee error, the Authority's Board elected to replace Wilmington Trust as trustee for the Bonds and approve Regions Bank as the new trustee. The removal of Wilmington Trust as trustee and appointment of Regions Bank was officially communicated to all bondholders through a Notice of Trustee Removal on March 1, 2018.

Other Information

Alamo Regional Mobility Authority

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

Description	Source of Funding	Ownership	Prior Years	2017 Expenditure	Ending Balance
281/1604 Interchange	State FAA5 Loan	State of Texas	\$ 432,077	\$ -	\$ 432,077
US 281 EIS	State FAA5 Loan	State of Texas	1,113	-	1,113
BC1 Fischer Road Phase II	2016 VRF Debt Issuance	Bexar County	-	2,453	2,453
BC2 Old FM 471/Talley Road	2016 VRF Debt Issuance	Bexar County	-	605	605
BC3 Talley Road Phase I	2016 VRF Debt Issuance	Bexar County	-	36,548	36,548
BC5 W. Military Drive	2016 VRF Debt Issuance	Bexar County	-	13,334	13,334
BC6 Blanco Road Phase II	2016 VRF Debt Issuance	Bexar County	11,186	606,951	618,137
BC7 Evans Road Phase I	2016 VRF Debt Issuance	Bexar County	2,782	3,181	5,963
BC8 Evans Road Phase II	2016 VRF Debt Issuance	Bexar County	28,847	658,755	687,602
BC10 Foster Road Phase III	2016 VRF Debt Issuance	Bexar County	84,196	493,894	578,090
TxDOT 825 Loop 1604 West	2016 VRF Debt Issuance	State of Texas	70,000,000	-	70,000,000
Total			<u>\$ 70,560,201</u>	<u>\$ 1,815,721</u>	<u>\$ 72,375,922</u>

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, 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.

