

Alamo Regional Mobility Authority

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

Financial Report and Independent Auditor's Report
September 30, 2018

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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, 2018, 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the governmental activities, each major fund and the aggregate remaining fund information of the Authority as of September 30, 2018, 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.

Emphasis of Matter

As of September 30, 2018, the Authority changed its reporting structure from business-type activities to governmental activities. See detailed discussion of this change in Note A1. Our opinions are not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis—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 20, 2019, 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 20, 2019

Alamo Regional Mobility Authority

Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2018

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, 2018, 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.

Once the decision to construct the improvements to US 281 North without toll revenues was made, the Authority was left with one potential toll project, the Loop 1604 Managed Lanes Project. This project includes two at-grade managed lanes in each direction spanning 22.8 miles from SH 16 to IH-35 and a direct connector interchange at Loop 1604 and IH-10. The proposed project was to 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 was estimated at \$882.2 million. The Draft Environmental Assessment was approved for circulation in April 2016.

Proposition 7

During the 84th Legislative Session, the House and Senate approved Senate Joint Resolution 5 which is a constitutional amendment that provides for \$2.5 billion in general sales tax proceeds in excess of \$28.0 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.

Alamo Regional Mobility Authority

Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2018

Based on the availability of these funds, TxDOT reevaluated all highway projects in the state and decided it would construct the Loop 1604 Managed Lanes Project improvements without the use of any toll revenues. This removed the last viable toll project the Authority was considering.

Without a plausible source of future toll revenues, the Authority's management decided that continued reporting of financial data in an enterprise fund format is inappropriate. Therefore, the data as of the end of fiscal year 2018 is being converted to a governmental fund presentation. This presentation requires a government-wide statement of net position, as well as a statement of activities, both on a full accrual basis of accounting. Additional separate funds are being created for General Fund, Debt Service Fund and Capital Projects Fund. These funds are reported on the modified approach of accounting. More data on this conversion can be found in the notes to the financial statements on page 25.

The major impact of this conversion is the creation of the three separate funds. Since this is the first year of reporting data in these funds, prior-year data had to be allocated (proforma) as if the funds had existed in the prior year. These proforma amounts have not been subject to audit. The use of these proforma amounts is necessary for use in comparisons of year-to-year data throughout this MD&A.

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
- 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.

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, on page 41 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.

Alamo Regional Mobility Authority

Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2018

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 reconciliations to facilitate this comparison between governmental funds and governmental activities. These reconciliations 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 Project 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.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements

- The total government-wide liabilities of the Authority exceeded assets on September 30, 2018, by \$17,550,391 and is reported as a deficit total net position of the primary government. This is comparable to the previous year when liabilities exceeded assets by \$21,354,286. The improvement in total net position (deficit) is primarily due to vehicle registrations fees and interest income exceeding all expenditures for the year.
- The government-wide total net position (deficit) decreased by \$3,803,895 during the fiscal year ending September 30, 2018. The change can be attributed to the same reasons given above.

Fund Financial Statements

- As of September 30, 2018, the Authority's governmental funds reported combined fund balances of \$110,212,840. At September 30, 2017, the combined fund balance would have been \$112,650,870 had fund level reporting been in use. The decrease in combined fund balance in 2018 of \$2,438,030 is primarily due to the conveyance of \$10 million of debt proceeds to TxDOT for its share of the construction costs on Loop 1604 South from US 281 to FM 1303.

Alamo Regional Mobility Authority

**Management’s Discussion and Analysis (Unaudited)
Year Ended September 30, 2018**

- At the end of the current fiscal year, fund balance for the General Fund was \$54,890,359 compared to \$45,914,646 at September 30, 2017, had fund level reporting been in use. The \$8,975,713 increase is due to the excess of revenues over expenditures of \$8,975,713 and by net transfers out to other funds of \$41,464.
- At the end of the current fiscal year, fund balance for the Capital Projects Fund was \$51,754,935 compared to \$63,468,372 at September 30, 2017, had fund level reporting been in use. The \$11,713,437 decrease is mostly due to a \$10,000,000 conveyance to TxDOT for the Authority's share of improvement cost on Loop 1604 South from US 281 to FM 1303 and capital expenditures on local projects of \$2,855,205.

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 a comparative condensed statement of net position for fiscal years 2018 and 2017.

Condensed Statement of Net Position Information

	September 30	
	2018	2017
Current assets	\$ 49,107,880	\$ 45,723,406
Noncurrent assets	63,552,241	69,274,974
Capital assets	20,766,107	17,910,902
Total assets	<u>\$ 133,426,228</u>	<u>\$ 132,909,282</u>
Current liabilities	\$ 5,751,840	\$ 5,591,956
Noncurrent liabilities	145,224,779	148,671,612
Total liabilities	<u>150,976,619</u>	<u>154,263,568</u>
Net position (deficit):		
Net investment in capital assets	1,504,332	1,462,868
Restricted for:		
Debt service	1,182,236	-
Capital projects	51,738,469	-
Unrestricted deficit	(71,975,428)	(22,817,154)
Total net position (deficit)	<u>(17,550,391)</u>	<u>(21,354,286)</u>
Total liabilities and net position (deficit)	<u>\$ 133,426,228</u>	<u>\$ 132,909,282</u>

Alamo Regional Mobility Authority

Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2018

Net investment in capital assets of \$1,504,332 represents the Authority's investment in capital assets net of related debt. 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.

The net position deficit balance is primarily attributed to the Authority's expenses for assets owned by other entities. The Authority has contributed \$80 Million in bond proceeds to TxDOT for improvements to local roadways. The Authority retains the liability for this debt, but no longer has an asset related to the contribution/debt. In the future, the Authority will convey all projects in the development in progress account to other entities while maintaining the liability for the debt. This will cause the unrestricted net position deficit to grow even more in future years. See Note F on page 34 for some additional details on this matter.

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 \$127,763,231. 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 \$20,766,107
- Long-term liabilities of (\$145,224,779)

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

The following is a comparative condensed statement of activities for fiscal years 2018 and 2017.

Condensed Statement of Activities Information

	Years Ended September 30	
	2018	2017
Program revenue:		
Charges for services	\$ 16,267,220	\$ 16,177,450
Capital grants and contributions	283,020	30,662
General revenue:		
Other income	1,601,289	938,204
Total revenues	<u>18,151,529</u>	<u>17,146,316</u>
Program expenses:		
General government	301,435	341,091
Conveyance of assets/funds to other governmental entities	10,000,000	178,369
Interest on long-term debt	4,046,199	4,050,490
Total expenses	<u>14,347,634</u>	<u>4,569,950</u>
Change in net position	3,803,895	12,576,366
Beginning net position (deficit)	(21,354,286)	(33,930,652)
Ending net position (deficit)	<u>\$ (17,550,391)</u>	<u>\$ (21,354,286)</u>

Alamo Regional Mobility Authority

Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2018

Revenue Analysis

For the year ended September 30, 2018, total revenues for the Authority were \$18,151,529 compared to \$17,146,316 for the year ended September 30, 2017, a net increase of \$1,005,213. Program revenues from contributions from other entities increased by \$252,358 and other income, primarily from investments, increased by \$663,085 as interest rates started to climb and the Authority invested more resources.

Expense Analysis

For the year ended September 30, 2018, program expenses for general government operations were \$301,435 compared to \$341,091 for the prior fiscal year; interest on long-term debt was \$4,046,199 compared to \$4,050,490 in the prior fiscal year; and conveyances to other entities were \$10 million compared to \$178,369 for the prior fiscal year. During the current fiscal year, the Authority conveyed \$10 million to TxDOT for its share of improvement cost on Loop 1604 South from US 281 to FM 1303.

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 \$6,241,925. 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 \$2,855,205 at the fund level for capital outlays that are capitalized at the government-wide level.

A detailed reconciliation can be found in the basic financial statements, page 24.

FINANCIAL ANALYSIS OF FUNDS

Major Government 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.

Since this is the first year of reporting data in these funds, prior year's data had to be allocated (proforma) as if the funds had existed in the prior year. These proforma amounts have not been subject to audit. The use of these proforma amounts is necessary for use in comparisons of year to year data through-out this MD&A.

At September 30, 2018, the Authority's governmental funds reported a combined fund balance of \$110,212,840 and at September 30, 2017, would have reported \$112,650,870. There was a decrease of \$2,438,030 or 2 percent in fund balance during 2018. Of the total current fund balance, \$54,890,359 or 50 percent constitutes unassigned fund balance, which is available to meet the Authority's current and future needs of its citizens. Restricted fund balance of \$55,319,873 or 50 percent of total fund balance is restricted for debt service in the amount of \$3,567,546 and capital expenditures in the amount of \$51,752,327. Committed fund balance of \$2,608 is attributed to vendor contracts in the Capital Project Fund.

Alamo Regional Mobility Authority

Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2018

The following schedule compares the revenues by source for the Authority's governmental funds for fiscal years ended September 30, 2018 and 2017.

Revenues Classified by Source—Governmental Funds

	September 30		Increase (Decrease)
	2018	2017	
Revenues by source:			
Vehicle registration fees	\$ 16,267,220	\$ 16,177,450	\$ 89,770
Investment earnings	1,601,139	949,040	652,099
Grants/contributions	283,020	30,662	252,358
Other	150	(10,836)	10,986
	<u>\$ 18,151,529</u>	<u>\$ 17,146,316</u>	<u>\$ 1,005,213</u>

The General Fund: The General Fund is the chief operating fund of the Authority and a major governmental fund. At September 30, 2018, the total fund balance was \$54,890,359, of which all 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, 2018, of \$3,567,546 is comparable to the \$3,267,852 that would have been restricted in 2017 had the Authority been reporting fund level financials. More information on the Authority's long-term debt can be found in Note G on page 35.

The Capital Project Fund: The Capital Project 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 41.) At the end of fiscal year 2018, the fund balance was \$51,754,935 compared with the 2017 fund balance of \$63,468,372 had the Authority been reporting fund level financials. This decrease of \$11,713,437 is primarily attributable to the contribution of \$10 million of fund resources to TxDOT for the Authority's share of cost related to Loop 1604 South from US 281 to FM 1303 and to the expenditure of \$2.8 million in fund resources on projects the Authority will not own.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority owns no capital assets; however, it tracks capital outlays for projects it is constructing for other entities in an asset development in progress account. Once a project is completed, it will be expensed and the cost in the development in progress account will be reduced.

A major capital event occurred during the current fiscal year. Fischer Road II moved from planning stage to actual construction. Over the next 18 months, the Authority will spend approximately \$4.1 million dollars on this project.

Alamo Regional Mobility Authority

Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2018

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

	September 30	
	2018	2017
Capital assets not being depreciated:		
Development in progress:		
US 281 North	\$ 3,243,821	\$ 3,243,821
Loop 1604 EIS	11,723,336	11,722,275
Loop 1604	1,042,478	1,002,074
Blanco Road Phase II	1,447,707	618,137
Evans Road Phase I	42,363	5,963
Evans Road Phase II	1,063,933	687,602
Foster Road Phase III	931,498	578,090
Talley Road Phase I	680,976	36,548
West Military Drive	191,182	13,334
Fischer Road Phase II	343,480	2,453
Old FM 471/Talley Road	1,294	605
Candlemeadow	54,039	-
Total capital assets not being depreciated	20,766,107	17,910,902
Total capital assets	\$ 20,766,107	\$ 17,910,902

Long-Term Debt

At September 30, 2018, the Authority had total long-term debt outstanding of \$147,139,779 as compared to \$150,516,612 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 Requirement

During 2018, the Authority had no federal or state program requiring a single audit.

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.

Alamo Regional Mobility Authority

Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2018

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 10 proposed Bexar County transportation projects. The projects are distributed throughout Bexar County and will alleviate localized traffic congestion for years to come. Eight of the 10 Bexar County transportation projects are in either planning or design phases. It is anticipated that five of the projects will be let for construction in 2019. 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 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	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	Construction
Evans Road Phase II	TPC Parkway to Hanging Oak	\$ 9,700,000	VRF	Design
Candlemeadow	Binz-Engleman to Foster Road	\$ 4,871,176	VRF	Design
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	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	Construction

ECONOMIC FACTORS

During the current fiscal year, construction of the Loop 1604 Managed Lanes Project was assumed by TxDOT. The Loop 1604 Managed Lanes project was the single remaining potential toll project at this point in time. Without access to toll revenues, the Authority currently has one primary source of revenue, (the \$10 vehicle registration fee assessed upon vehicle registrations in Bexar County). 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.

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.

Alamo Regional Mobility Authority

Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2018

THE AUTHORITY'S BOARD OF DIRECTORS

In January 2018, Gavino Ramos resigned from the Board and in March 2018, Bobby Perez was sworn in as his replacement. In October 2018, Ramiro Cavazos resigned from the Board and in February 2019, William Raba was appointed by the Bexar County Commissioners Court as his replacement. Also in February 2019, the Commissioners Court appointed John Agather to replace John Montford on the Board.

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.

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, 1948 Probandt Street, San Antonio, Texas 78214.

Basic Financial Statements

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Alamo Regional Mobility Authority

**Statement of Net Position
September 30, 2018**

	Governmental Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 8,903,168
Investments	38,514,132
Accounts receivable	1,492,830
Accrued interest	189,781
Prepaid asset	7,969
Total current assets	<u>49,107,880</u>
Noncurrent assets:	
Investments	8,382,851
Restricted noncurrent assets:	
Cash and cash equivalents	4,673,863
Investments	50,282,440
Prepaid asset	213,087
Capital assets—development in progress	20,766,107
Total noncurrent assets	<u>84,318,348</u>
Total assets	<u>133,426,228</u>
Liabilities and Net Position (Deficit)	
Current liabilities:	
Accounts payable	265,951
Accrued liabilities	184,041
Accrued interest payable	1,610,615
Retainage payable	13,210
Current portion of bonds payable	1,915,000
Due to TxDOT	1,763,023
Total current liabilities	<u>5,751,840</u>
Noncurrent liabilities:	
Due to other governments	17,974,789
Bonds payable, net of unamortized premium	127,249,990
Total noncurrent liabilities	<u>145,224,779</u>
Total liabilities	<u>150,976,619</u>
Net position (deficit):	
Net investment in capital assets	1,504,332
Restricted for:	
Debt service	1,182,236
Capital projects	51,738,469
Unrestricted deficit	(71,975,428)
Total net position (deficit)	<u>\$ (17,550,391)</u>

The accompanying notes are an integral part of this statement.

Alamo Regional Mobility Authority

Statement of Activities Year Ended September 30, 2018

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
Governmental activities:						
General government	\$ 301,435	\$ 16,267,220	\$ -	\$ 283,020	\$ 16,248,805	\$ 16,248,805
Conveyance of assets/funds to other governmental entities	10,000,000	-	-	-	(10,000,000)	(10,000,000)
Interest on long-term debt	4,046,199	-	-	-	(4,046,199)	(4,046,199)
Total governmental activities	<u>\$ 14,347,634</u>	<u>\$ 16,267,220</u>	<u>\$ -</u>	<u>\$ 283,020</u>	2,202,606	2,202,606
General revenues:						
Investment income					1,601,139	1,601,139
Miscellaneous					150	150
Total general revenues and transfers					<u>1,601,289</u>	<u>1,601,289</u>
Change in net position					3,803,895	3,803,895
Deficit net position at beginning of year					<u>(21,354,286)</u>	<u>(21,354,286)</u>
Deficit net position at end of year					<u>\$(17,550,391)</u>	<u>\$ (17,550,391)</u>

The accompanying notes are an integral part of this statement.

Alamo Regional Mobility Authority

**Balance Sheet—Governmental Funds
September 30, 2018**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
Assets				
Cash and temporary investments	\$ 6,857,125	\$ -	\$ 2,046,043	\$ 8,903,168
Investments	46,896,983	-	-	46,896,983
Receivables:				
Accounts receivable, net	718,132	774,698	-	1,492,830
Due from other funds	334,801	309,879	-	644,680
Accrued interest	108,198	-	81,583	189,781
Cash and temporary investments—restricted	309,879	2,482,969	1,881,015	4,673,863
Investments—restricted	-	-	50,282,440	50,282,440
Total assets	\$ 55,225,118	\$ 3,567,546	\$ 54,291,081	\$ 113,083,745
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 3,128	\$ -	\$ 262,823	\$ 265,951
Accrued liabilities	21,752	-	162,289	184,041
Due to other funds	309,879	-	334,801	644,680
Due to TxDOT	-	-	1,763,023	1,763,023
Contract retainage payable	-	-	13,210	13,210
Total liabilities	334,759	-	2,536,146	2,870,905
Fund balance:				
Restricted:				
Debt services	-	3,567,546	-	3,567,546
Capital projects	-	-	51,752,327	51,752,327
Committed:				
Capital projects	-	-	2,608	2,608
Unassigned	54,890,359	-	-	54,890,359
Total fund balance	54,890,359	3,567,546	51,754,935	110,212,840
Total liabilities and fund balance	\$ 55,225,118	\$ 3,567,546	\$ 54,291,081	\$ 113,083,745

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, 2018**

Total fund balances—governmental funds		\$ 110,212,840
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.		20,766,107
Prepaid surety policy for debt issuance is not a financial resource and, therefore, not reported as an asset in the governmental funds.		221,056
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	\$ (110,825,000)	
Loans from the state	(17,974,789)	
Issuance premium (to be amortized as interest expense)	(18,339,990)	
Accrued interest	(1,610,615)	
		<u>(148,750,394)</u>
Total net position—governmental activities		<u><u>\$ (17,550,391)</u></u>

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
Governmental Funds
Year Ended September 30, 2018

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
Revenues:				
Vehicle registration fees	\$ 8,555,152	\$ 7,712,068	\$ -	\$ 16,267,220
Investment income	755,329	28,526	817,284	1,601,139
Contributions for infrastructure	-	-	283,020	283,020
Miscellaneous revenue	150	-	-	150
Total revenues	9,310,631	7,740,594	1,100,304	18,151,529
Expenditures:				
Current:				
General government	293,454	-	-	293,454
Capital outlay:				
Capital assets	-	-	2,855,205	2,855,205
Conveyance of assets/funds to other governmental entities	-	-	10,000,000	10,000,000
Debt service:				
Principal	-	1,845,000	-	1,845,000
Interest	-	5,595,900	-	5,595,900
Total expenditures	293,454	7,440,900	12,855,205	20,589,559
Excess (deficiency) of revenues over expenditures	9,017,177	299,694	(11,754,901)	(2,438,030)
Other financing sources (uses):				
Transfers in	-	-	41,464	41,464
Transfers out	(41,464)	-	-	(41,464)
Total other financing sources (uses)	(41,464)	-	41,464	-
Net change in fund balances	8,975,713	299,694	(11,713,437)	(2,438,030)
Fund balance at beginning of year, as restated	45,914,646	3,267,852	63,468,372	112,650,870
Fund balance at end of year	\$ 54,890,359	\$ 3,567,546	\$ 51,754,935	\$ 110,212,840

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, 2018**

Net change in fund balances—total governmental funds		\$	(2,438,030)
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.			2,855,205
The repayment of the principal of long-term debt consumes current financial resources of governmental funds			1,845,000
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	\$	17,868	
Amortization of debt premium		1,531,833	
Amortization of debt insurance		(7,981)	
		<u> </u>	<u>1,541,720</u>
Change in net position—governmental activities		\$	<u><u>3,803,895</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

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 (the Board). 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.

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.

When the Authority was created in 2004, it was anticipated that transportation projects would be funded from a mixture of grants, loans and toll revenues, as the Authority had no other sources of funding. For 13 years, the Authority reported its operations as an enterprise fund in anticipation of at some point establishing tolling fees as a source of revenues.

In 2018, the Authority was informed by TxDOT that the last remaining toll road project, 1604 Managed Lane Project, was being reconfigured to be toll-free (i.e., fully funded by state and federal governments without the need of toll revenues as a funding source). With no identifiable source of toll revenues in the immediate future, the Authority's management and board of directors made the decision to change the reporting entity from a business-type activities to governmental activities, since today its primary source of revenue is vehicle registration fees. As there was no change in the operations of the Authority, only a change in the reporting structure, this change had no effect on beginning net position. Deficit net position reported last year was \$(21,354,286). This amount is presented as deficit beginning net position in the statement of activities on page 20.

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

Alamo Regional Mobility Authority

Notes to Financial Statements Year Ended September 30, 2018

Note A—Summary of Significant Accounting Policies (Continued)

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 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 fund financial statements as interfund receivables and payables are eliminated in the government wide statement of net position.

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 general government activities. Other items not properly included among program revenues are reported instead as general revenues, such as vehicle registration fee 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.

Alamo Regional Mobility Authority

Notes to Financial Statements Year Ended September 30, 2018

Note A—Summary of Significant Accounting Policies (Continued)

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 Project 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.

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 can be removed with no formal action. The Authority did not report any assigned fund balance.

Alamo Regional Mobility Authority

Notes to Financial Statements Year Ended September 30, 2018

Note A—Summary of Significant Accounting Policies (Continued)

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.

5. Cash and Cash Equivalents

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.

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, 2018, 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. See Note H for more details.

9. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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. Capital Contributions

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

Alamo Regional Mobility Authority

Notes to Financial Statements Year Ended September 30, 2018

Note A—Summary of Significant Accounting Policies (Continued)

11. 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. 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 2018, there were no conveyance of assets to governmental entities; however, in accordance with the 2016 debt issuance agreement, the Authority transferred \$10,000,000 of debt proceeds to TxDOT for its share of the construction cost on Loop 1604 South from US 281 to FM 1303.

12. Restricted Assets

Restricted cash 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.

13. 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 41 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.

Alamo Regional Mobility Authority

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

Note A—Summary of Significant Accounting Policies (Continued)

14. 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 fiscal year 2018.

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.

Note B—Cash and Cash Equivalents

Cash and cash equivalents at September 30, 2018, consist of the following:

Cash on demand—Regions Bank	\$	267,020
Cash equivalents:		
Investment Sweep Account—Federal Home Loan Bank of Dallas		8,670,516
Money Market Fund—Goldman Sachs Financial Square Funds		4,639,495
Total cash and cash equivalents	\$	<u>13,577,031</u>

Alamo Regional Mobility Authority

Notes to Financial Statements Year Ended September 30, 2018

Note B—Cash and Cash Equivalents (Continued)

Deposits: At September 30, 2018, the carrying amount of the Authority's deposits was \$267,020 and the bank balance was \$267,020. The Authority's excess cash deposits are swept into higher yielding savings accounts which require no collateralization. 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. On September 30, 2018, the Authority's deposits were under collateralized by \$17,020 which was corrected on October 26, 2018.

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 is subject to compliance 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 \$2,563,566. The Authority also invests in federal agency notes and commercial paper, which are reported at fair value in the amount of \$94,615,857.

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.

The following table represents investments by type, by measurement focus, and by input level within the fair value measurement hierarchy as of September 30, 2018.

	Fair Value Measurement at September 30, 2018			
	Total	Level 1	Level 2	Level 3
Investments at fair value:				
Federal agency notes	\$ 22,846,629	\$ -	\$ 22,846,629	\$ -
U.S. Treasuries	33,308,610	-	33,308,610	-
Municipal commercial paper	1,799,478	-	1,799,478	-
Commercial paper	36,661,140	-	36,661,140	-
Total investments at fair value	94,615,857	\$ -	\$ 94,615,857	\$ -
Investments reported at amortized cost:				
CDs	2,563,566			
Total investments	\$ 97,179,423			

Alamo Regional Mobility Authority

Notes to Financial Statements Year Ended September 30, 2018

Note C—Investments (Continued)

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 investments and their weighted average maturity:

Description	Weighted-Average Maturity (Days)
Federal agency notes	196
Municipal commercial paper	32
Commercial paper	123
CDs	46

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, 2018, Generations FCU held \$8,880,520 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.

Regions Bank held \$4,906,514 of the Authority's available funds of which \$4,639,495 was invested in Goldman Sachs Financial Square Funds. Regions did not sweep the last weekly deposit of vehicle registration fees before September 30, 2018. As a result, \$17,020 was not secured by FDIC insurance or by a letter of credit as of September 30, 2018.

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. 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 PFA 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
Municipal commercial paper	A-1	A-1	Standard & Poor
Commercial paper	A-1	A-1	Standard & Poor

Alamo Regional Mobility Authority

Notes to Financial Statements Year Ended September 30, 2018

Note C—Investments (Continued)

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 \$8,937,536 (8 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 Regions Bank. Funds in the amount of \$4,639,495 (4 percent of total available funds) are invested in a money market fund—Goldman Sachs Financial Square Funds. Funds totaling \$2,563,566 (2 percent of available funds) have been invested in a nonparticipating CD that is held by Regions Bank for the benefit of the Authority. The remaining \$94,615,857 is invested in federal agency notes and commercial paper issuers as follows:

Description	Percentage
Federal agency notes:	
Federal Farm Credit Bank	5%
Federal Home Loan Bank	8%
Federal Home Loan Mortgage Corp.	2%
Federal National Mortgage Association	9%
Commercial paper:	
American Honda Finance	6%
JPMorgan Securities	14%
Nestle Finance Intl, Ltd	3%
Royal Bank of Canada	3%
Toyota Motor Co	11%
City of Austin, Texas	2%
CDs	3%

Note D—Accounts Receivable

Accounts receivable in the amount of \$1,492,830 at September 30, 2018, represents amounts due from the Tax Assessor Collector for vehicle registration fees collected and not yet remitted to the Authority for fiscal year 2018.

Note E—Interfund Balance and Transfers

Capital Projects Fund has a due to other fund (General Fund) in the amount of \$334,801 for expenses paid for by the General Fund.

The General fund has a due to other fund (Debt Service fund) in the amount of \$309,879, for vehicle registration fees that will be utilized to pay debt service.

During the year, various interfund transfers were made to finance expenditures and service debt. The \$41,464 transfer out of the general fund was for the payment of capital expenditures related to development in progress.

Alamo Regional Mobility Authority

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

Note F—Capital Assets

Changes in the Authority's capital assets for the year ended September 30, 2018, consist of the following:

	Balance at October 1, 2017	Additions	Deletions	Balance at September 30, 2018
Capital assets not being depreciated:				
Development in progress:				
US 281 North	\$ 3,243,821	\$ -	\$ -	\$ 3,243,821
Loop 1604 EIS	11,722,275	1,061	-	11,723,336
Loop 1604	1,002,074	40,404	-	1,042,478
Blanco Road Phase II	618,137	829,570	-	1,447,707
Evans Road Phase I	5,963	36,400	-	42,363
Evans Road Phase II	687,602	376,331	-	1,063,933
Foster Road Phase III	578,090	353,408	-	931,498
Talley Road Phase I	36,548	644,428	-	680,976
West Military Drive	13,334	177,848	-	191,182
Fischer Road Phase II	2,453	341,027	-	343,480
Old FM 471/Talley Road	605	689	-	1,294
Candlemeadow	-	54,039	-	54,039
Total development in progress	17,910,902	2,855,205	-	20,766,107
Total capital assets not being depreciated	17,910,902	2,855,205	-	20,766,107
Total capital assets	\$ 17,910,902	\$ 2,855,205	\$ -	\$ 20,766,107

There was no depreciation expense for the year ended September 30, 2018.

Note G—Long-Term Debt

Long-term debt activity for the year ended September 30, 2018, is as follows:

	Balance at September 30, 2017	Additions	Reductions/ Amortizations	Balance at September 30, 2018	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	60,350,000	-	1,845,000	58,505,000	1,915,000
Unamortized premium	19,871,823	-	1,531,833	18,339,990	-
Total bonds payable, net	132,541,823	-	3,376,833	129,164,990	1,915,000
Total long-term debt	\$ 150,516,612	\$ -	\$ 3,376,833	\$ 147,139,779	\$ 1,915,000

Alamo Regional Mobility Authority

Notes to Financial Statements Year Ended September 30, 2018

Note G—Long-Term Debt (Continued)

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, 2018, 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, 2018, 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, 2018, 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 study 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, 2018, totaled \$12,390,000.

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 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 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 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. As of September 30, 2018, a total of \$80 million has been contributed (transferred) to TxDOT. 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 \$221,056 at September 30, 2018.

Alamo Regional Mobility Authority

Notes to Financial Statements Year Ended September 30, 2018

Note G—Long-Term Debt (Continued)

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 \$208,255,600. Principal and interest paid in fiscal year 2018 and total vehicle registration fee revenue in fiscal year 2018 was \$7,440,900 and \$16,267,220, respectively.

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

Years ending September 30:	Senior Lien		Junior Lien	
	Principal	Interest	Principal	Interest
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	2,305,000	2,515,500	-	2,616,000
2024-2028	4,965,000	11,135,500	8,420,000	12,672,750
2029-2033	-	10,760,000	17,070,000	9,351,000
2034-2038	-	10,760,000	21,795,000	4,634,250
2039-2043	22,785,000	9,120,750	5,035,000	251,750
2044-2046	20,255,000	2,058,500	-	-
	<u>\$ 58,505,000</u>	<u>\$ 57,440,850</u>	<u>\$ 52,320,000</u>	<u>\$ 39,989,750</u>

Note H—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 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, 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.

On July 18, 2018, the Authority approved an Interlocal agreement with the San Antonio Water System (SAWS) for the joint-bid items of work related to improvements to and relocation of the water utilities during construction on Fischer Road Phase II. SAWS has provided funding in the amount of \$283,019 to cover their share of the cost.

Alamo Regional Mobility Authority

Notes to Financial Statements Year Ended September 30, 2018

Note J—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.

3. Construction Commitment

The Authority's Board has approved acquisition, design, engineering and construction contracts on various capital projects for road construction. The table below shows the amount committed under each project:

Commitment by Project			
Project Name	Contract Amount	Balance Remaining	Retainage Payable
Loop 1604	\$ 50,000	\$ 2,608	\$ -
Fischer Road Phase II	3,811,172	3,509,956	13,210
Talley Road Phase I	20,000	12,084	-
West Military Drive	809,328	648,931	-
Blanco Road Phase II	2,122,278	750,503	-
Evans Road Phase I	7,950,432	7,950,432	-
Evans Road Phase II	1,176,568	189,748	-
Candle Meadow	714,518	669,848	-
Foster Road	1,147,211	287,458	-
	<u>\$ 17,801,507</u>	<u>\$ 14,021,568</u>	<u>\$ 13,210</u>

Note K—Due to TxDOT

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 was recorded as unearned revenue in prior years. 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 \$1,763,023 is recorded as a liability due back to TxDOT.

Alamo Regional Mobility Authority

Notes to Financial Statements Year Ended September 30, 2018

Note L—Fund Balance and Net Position (Deficit)

Net position (deficit): At September 30, 2018, the Authority had a deficit net position on the statement of net position of \$17,550,391, an improvement in net position of \$3,803,895 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 spend its 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 statement of net position because the Authority will own no capital assets; however, the Authority will retain the associated debt.

Note M—Subsequent Events

On October 17, 2018, the Authority approved an interlocal agreement with SAWS for the joint-bid items of work related to improvements to and relocation of the water utilities during construction on Evans Road Phase I. SAWS will provide funding in the amount of \$1,413,184 to cover their share of the cost.

On October 17, 2018, the Authority approved an interlocal agreement with City Public Service (CPS) for the joint-bid items of work related to improvements to and relocation of the natural gas utility lines during construction on Evans Road Phase I. CPS will provide funding in the amount of \$258,792 to cover their share of the cost.

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	2018 Expenditure	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	2,453	297,886	300,339
BC2 Old FM 471/Talley Road	2016 VRF Debt	Bexar County	605	570	1,175
BC3 Talley Road Phase I	2016 VRF Debt	Bexar County	36,548	643,838	680,386
BC4 Watson Road Phase II	2016 VRF Debt	Bexar County	-	-	-
BC5 W. Military Drive	2016 VRF Debt	Bexar County	13,334	176,787	190,121
BC6 Blanco Road Phase II	2016 VRF Debt	Bexar County	618,137	828,980	1,447,117
BC7 Evans Road Phase I	2016 VRF Debt	Bexar County	5,963	28,322	34,285
BC8 Evans Road Phase II	2016 VRF Debt	Bexar County	687,602	373,737	1,061,339
BC9 Candle Meadow	2016 VRF Debt	Bexar County	-	352,347	352,347
BC10 Foster Road Phase III	2016 VRF Debt	Bexar County	578,090	53,744	631,834
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
Total			\$ 72,375,922	\$ 12,756,211	\$ 85,132,133

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 upon completion of the projects.

