

ALAMO REGIONAL MOBILITY AUTHORITY
San Antonio, Texas

**BASIC FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**Year Ended September 30, 2006 and
Fifteen Months Ended September 30, 2005**

ALAMO REGIONAL MOBILITY AUTHORITY
San Antonio, Texas

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Alamo Regional Mobility Authority
San Antonio, Texas

We have audited the accompanying basic financial statements of the Alamo Regional Mobility Authority (the Authority), as of and for the year ended September 30, 2006 and for the fifteen months ended September 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2006 and 2005, and the changes in net assets and cash flows for the year ended September 30, 2006 and the fifteen months ended September 30, 2005 in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 9, was not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Garza/Gonzalez
& Associates

October 18, 2006

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ALAMO REGIONAL MOBILITY AUTHORITY
San Antonio, Texas

Management's Discussion and Analysis
Year Ended September 30, 2006 and
Fifteen Months Ended September 30, 2005
(Unaudited)

The discussion and analysis of the Alamo Regional Mobility Authority (the Authority) financial statements provides an overview of its financial position and activities for the year ended September 30, 2006 and for the fifteen months ended September 30, 2005. The discussion and analysis provides summary level financial information; therefore, it should be read in conjunction with the accompanying financial statements.

USING THIS ANNUAL REPORT

Three basic financial statements are presented: the Statements of Net Assets; the Statements of Revenues, Expenses, and Changes in Net Assets; and the Statements of Cash Flows. These statements are prepared in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis for State and Local Governments*.

The 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.

Financial Highlights

These are the second audited financial statements prepared by the Authority. The Authority has not generated any operating revenues since the Authority is in the process of planning and start-up of projects that will generate operating revenues in future years. The Authority has financed its start-up costs with loans from Bexar County, City of San Antonio, and Texas Department of Transportation. The majority of expenses are related to personnel costs and professional services. As a result of the start-up costs and the lack of operating revenues in the current period, the Authority ended the period with a deficit net asset balance (difference between assets and liabilities) of \$2,836,994 and \$604,537 as of September 30, 2006 and 2005, respectively.

Statement of Net Assets

The Statement of Net Assets presents the Authority's assets, liabilities, and net assets as of the end of a fiscal period. The information presented is useful in determining the assets available for the Authority's operations as well as the amounts the Authority owes to vendors, debt holders, and other entities at the end of the period. The Authority's net assets - the difference between assets and liabilities - can be a factor in assessing its financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its' financial health is improving or deteriorating when considered with other factors such as overall population growth, economic development, income levels and vehicle miles traveled in Bexar County and surrounding communities.

Assets and liabilities are classified based on liquidity and longevity. Current liabilities are generally those liabilities which are due within one year and current assets are those assets which are available to satisfy current liabilities. Noncurrent assets are those assets not expected to be utilized within one year.

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Noncurrent liabilities include loans payable not expected to be settled within one year.

Net assets are normally presented in three major categories; Invested in Capital Assets Net of Related Debt, Restricted and Unrestricted. All three categories of net assets are described as follows; however, the Authority's net assets were all considered unrestricted. Amounts presented as "Invested in Capital Assets Net of Related Debt" represent the investment in property, plant and equipment net of accumulated depreciation on the assets and net of related outstanding debt used to construct, purchase, or renovate them. Restricted net assets are available for expenditure but must be spent in accordance with the restrictions of donors and other external entities. Unrestricted net assets are available for any lawful purpose. Unrestricted net assets are accumulated only as necessary to ensure sufficient reserve funds for future operations and capital improvements. Further detail concerning assets, liabilities, and net assets is presented in the Statement of Net Assets and notes to the financial statements.

Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets, as presented in the Statement of Net Assets, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. Operating revenues are expected to be generated from toll revenues in future years. Operating expenses were incurred in planning and operating the Authority. All other activity is classified as non-operating revenues and expenses. Total revenues, total expenses, operating income (loss), and increase (decrease) in net assets 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 Assets and notes to the financial statements.

Statement of Cash Flows

The Statement of Cash Flows provides information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also helps users assess (1) the entity's ability to meet its obligations as they come due and (2) the need for external financing.

This statement presents information related to cash inflows/outflows summarized by operating, non-capital financing, capital and related financing, and investing activities. For additional detail concerning these classifications see the Statement of Cash Flows.

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CONDENSED FINANCIAL INFORMATION

Statement of Net Assets

The following table is condensed financial information for the Statement of Net Assets:

Statement of Net Assets

	<u>9/30/2006</u>	<u>9/30/2005</u>
Current Assets	<u>\$ 260,993</u>	<u>\$ 828,348</u>
Total Assets	260,993	828,348
Current Liabilities	1,157,025	158,021
Non-Current Liabilities	<u>1,940,962</u>	<u>1,274,864</u>
Total Liabilities	3,097,987	1,432,885
Unrestricted Net Assets	<u>(2,836,994)</u>	<u>(604,537)</u>
Total Net Assets	<u>\$(2,836,994)</u>	<u>\$ (604,537)</u>

Total assets were \$260,993 and \$828,348 at September 30, 2006 and 2005, respectively and consisted mainly of cash and cash equivalents.

Total liabilities were \$3,097,987 and \$1,432,885 at September 30, 2006 and 2005, respectively and consisted mainly of accrued expense (\$1,045,158 and \$0), loans payable to other governmental entities (\$1,940,962 and \$1,274,864), accounts payable (\$103,316 and \$148,205), and accrued paid leave (\$8,551 and \$9,816).

The Authority's net assets (assets less liabilities), was a deficit of \$2,836,994 and \$604,537 at September 30, 2006 and 2005, respectively. This is due to the start-up costs of the Authority.

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Statement of Revenues, Expenses and Changes in Net Assets

The following table is condensed financial information for the Statement of Revenues, Expenses and Changes in Net Assets:

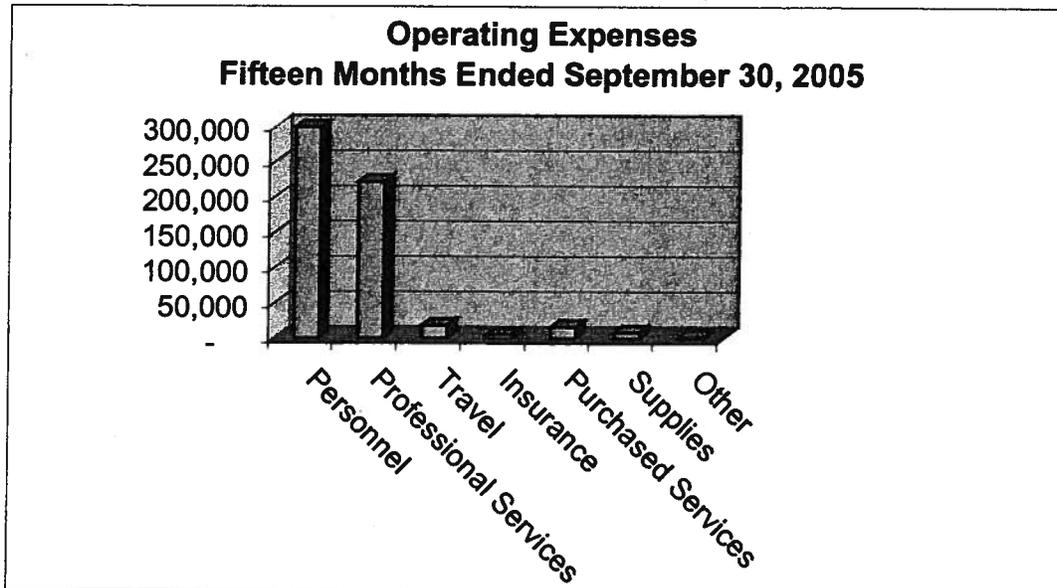
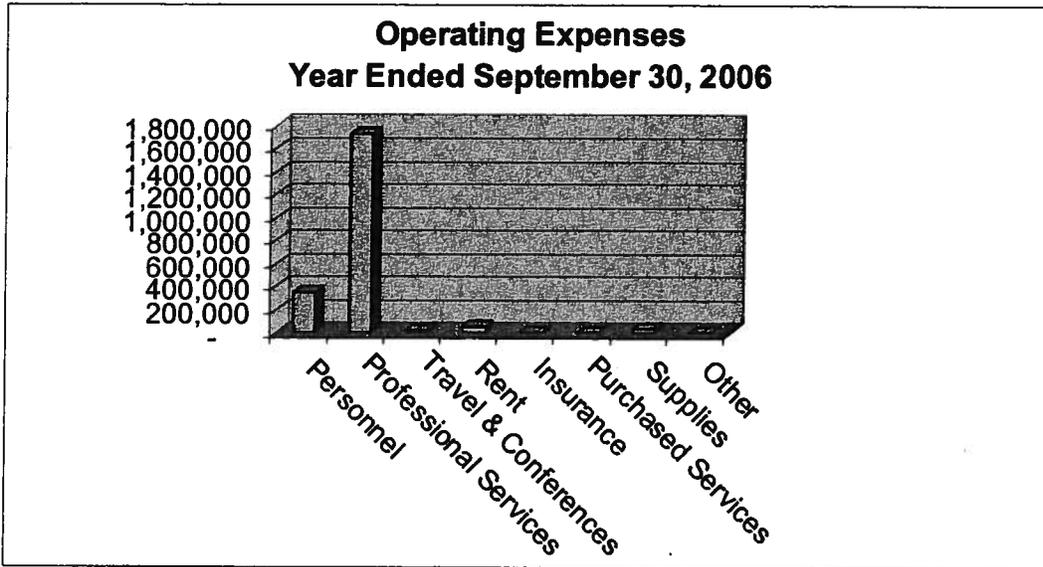
**Statement of Revenues, Expenses
and Changes in Net Assets**

	Year Ended 9/30/2006	15 Months Ended 9/30/2005
Operating Expenses		
Personnel	\$ 356,946	\$ 299,702
Professional Services	1,716,858	240,874
Travel & Conferences	18,176	18,190
Rent	50,887	-
Insurance	4,968	5,417
Other Purchased Services	10,649	16,434
Supplies	45,513	8,827
Other	5,527	2,275
Total Operating Expenses	<u>2,209,524</u>	<u>591,719</u>
Operating Loss	<u>(2,209,524)</u>	<u>(591,719)</u>
Non-Operating Revenues (Expenses)		
Interest Income	14,591	12,046
Interest Expense	(37,524)	(24,864)
Total Non-Operating Revenues (Expenses)	<u>(22,933)</u>	<u>(12,818)</u>
Decrease in Net Assets	(2,232,457)	(604,537)
Beginning Net Assets	<u>(604,537)</u>	-
Ending Net Assets	<u>\$ (2,836,994)</u>	<u>\$ (604,537)</u>

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The following graphs summarize operating expenses for the year ended September 30, 2006 and fifteen months ended September 30, 2005:



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(Unaudited)

The Authority did not generate any operating revenues for the year ended September 30, 2006 and fifteen months ended September 30, 2005. However, the Authority is expected to generate operating revenues from grant and toll revenues in future years.

Approximately 94% of operating expenses for the year ended September 30, 2006 represent personnel and professional services, as compared to 91% for the fifteen months ended September 30, 2005. These expenses relate to the start-up and planning phase associated with the Authority's initial operations.

Non-operating revenues and expenses for the year ended September 30, 2006 and fifteen months ended September 30, 2005 consisted solely of interest income received on cash and cash equivalents totaling \$14,591 and \$12,046 respectively and loans interest expense totaling \$37,524 and \$24,864 respectively.

Statement of Cash Flows

The following table is condensed financial information for the Statement of Cash Flows:

	Year Ended 9/30/2006	15 Months Ended 9/30/2005
Cash provided / (used) by:		
operating activities	\$ (1,216,179)	\$ (434,405)
Non-capital financing activities	628,575	1,250,000
Investing activities	14,591	12,046
Net Increase / (decrease) in cash	(573,013)	827,641
Cash beginning of period	827,641	-
Cash end of period	\$ 254,628	\$ 827,641

Cash used by operating activities for the year ended September 30, 2006 includes payments to employees of \$356,946 and to suppliers of \$859,233. For the fifteen months ended September 30, 2005, cash used by operating activities included payments to employees of \$289,886 and \$144,519 to suppliers.

Cash provided by non-capital financing activities are loans from Bexar County, City of San Antonio, and Texas Department of Transportation to finance start-up costs for the Authority.

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Debt

The Authority obtained loans from Texas Department of Transportation totaling \$628,575 in the year ended September 30, 2006. The Authority obtained three loans for a total amount of \$1,250,000 from Bexar County and the City of San Antonio in the fifteen months ended September 30, 2005. All loans are used to finance start-up costs of the Authority and are to be repaid from future bond issues.

More detailed information about the Authority's loans payable is presented in Note 4 to the basic financial statements.

ECONOMIC FACTORS AFFECTING THE FUTURE

Every year Texans are spending more and more time sitting in traffic due to increased congestion. In the next 25 years, the region is expected to experience significant growth in population, in number of vehicle miles traveled, in number of jobs and in economic development opportunities. If this growth occurs, travel times in many parts of the region will increase dramatically. The number of people living in Texas has increased by 8 million between the year 1980 and the year 2003. The number of vehicles driven on our Texas roadways has also gone up, from 11.7 million to 18.9 million. The number of roadways to drive on; however, has only increased by less than 8%.

Transportation networks are the backbone of our economy. It is critical that goods and services are delivered on time, every time. When delivery is delayed, we as consumers are affected through increased product costs. Increased traffic congestion will cost us more than just our time.

Currently road construction and maintenance cost are being funded by the Federal/State Gasoline Tax of 38.4 cents per gallon – State Tax is 20 cents per gallon. Of the revenue generated from the 20 cents, less than 72% is used towards actual transportation projects. Although this amount of revenue was sufficient for most past transportation needs, it is now falling short in meeting the demands of today. Maintenance costs alone are more than the funds brought in by the state fuel tax, so we can't stay even, let alone build more roads to help alleviate the mounting congestion problems.

Only about \$1.7 billion of traditional state/federal funding is available for the San Antonio metropolitan area for the next 25 years, leaving a funding gap of nearly \$8 billion (\$4.7 billion of the \$8 billion gap is related to the expressway system). One solution to consider is raising the state's gasoline sales tax, which has not been raised since 1991.

Realistically, revenue generated from one source isn't the answer; we need a number of resources in place to help with the funding of planning and design, acquiring rights of way, constructing the projects and the ongoing maintenance of transportation projects.

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If the problem is not solved soon, motorists will spend more time sitting in traffic, resulting in more time away from home and causing future maintenance and construction costs to skyrocket. We are headed for these increased frustrations and costs unless Texans pull together to implement a safe, reliable and efficient transportation system with innovative funding solutions.

The Texas Legislature adopted legislation providing governmental entities new and innovative transportation tools to form local partnerships, provide financing, accelerate projects and create new revenue streams for transportation systems through the operation of the newly formed regional mobility authorities (RMAs). RMAs will allow communities to decide priority projects and take the initiative to seek funding alternatives to complete those projects sooner. RMAs can also construct, operate and maintain tolled lanes and other transportation projects in their areas. They can accelerate project delivery by financing construction with bond sales and pledging revenue from toll fees to retire the bond debt.

TxDOT is providing \$1 million in financial assistance to the Alamo RMA that will fund both direct and indirect costs associated with the review and evaluation of the possible Concession Comprehensive Development Agreement proposals to design, construct, operate, maintain and finance the 45 mile toll lane system on US 281 from Loop 1604 to Bexar/Comal County Line and Loop 1604 from SH 151 to IH 10 East.

TxDOT is also providing \$7.5 million in financial assistance to support the AlamoRMA's development of toll revenue bond funded projects in Bexar County. The projects include express toll lanes on IH 35 from the Bexar/Guadalupe County Line to the Central Business District, express toll lanes on SH 16 (Bandera Road) from IH 410 to Loop 1604 and the completion of the Wurzbach Parkway interchange as a toll road from Jones Maltsberger Road to West Avenue.

The Alamo RMA has an opportunity to help address the funding gap by using a variety of tools provided by the legislature. The Alamo RMA was created to give the region the authority to:

- Deliver tolled lanes while always providing a **choice** of nearby non-tolled lanes as an alternative
- **Leverage** federal, state, regional and local funds through the use of all available funding tools
- Provide **local** leadership and **control** over transportation projects to keep our economy moving
- **Accelerate** the construction of multi-modal transportation projects
- Increase travel **safety** for our commuting public by decreasing congestion

Basic Financial Statements

ALAMO REGIONAL MOBILITY AUTHORITY
San Antonio, Texas

STATEMENT OF NET ASSETS

September 30, 2006 and 2005

ASSETS	<u>2006</u>	<u>2005</u>
Current Assets		
Cash and Cash Equivalents	\$ 254,628	\$ 827,641
Prepaid Expenses	<u>6,365</u>	<u>707</u>
Total Assets	<u>\$ 260,993</u>	<u>\$ 828,348</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 103,316	\$ 148,205
Accrued Expenses	1,045,158	-
Current Portion of Long-Term Liabilities	<u>8,551</u>	<u>9,816</u>
Total Current Liabilities	<u>1,157,025</u>	<u>158,021</u>
Non-Current Liabilities		
Accrued Interest Payable	62,387	24,864
Long-Term Liabilities	<u>1,878,575</u>	<u>1,250,000</u>
Total Non-Current Liabilities	<u>1,940,962</u>	<u>1,274,864</u>
Total Liabilities	<u>3,097,987</u>	<u>1,432,885</u>
Net Assets		
Unrestricted	<u>(2,836,994)</u>	<u>(604,537)</u>
Total Net Assets	<u>(2,836,994)</u>	<u>(604,537)</u>
Total Liabilities and Net Assets	<u>\$ 260,993</u>	<u>\$ 828,348</u>

The accompanying notes form an integral part of this statement.

ALAMO REGIONAL MOBILITY AUTHORITY
San Antonio, Texas

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year Ended September 30, 2006 and
Fifteen Months Ended September 30, 2005

	<u>2006</u>	<u>2005</u>
Operating Expenses		
Personnel	\$ 356,946	\$ 299,702
Professional Services	1,716,858	240,874
Travel and Conferences	18,176	18,190
Rent	50,887	-
Insurance	4,968	5,417
Other Purchased Services	10,649	16,434
Supplies	45,513	8,827
Other	5,527	2,275
Total Operating Expenses	<u>2,209,524</u>	<u>591,719</u>
Operating Loss	<u>(2,209,524)</u>	<u>(591,719)</u>
Nonoperating Revenues (Expenses)		
Interest Income	14,591	12,046
Interest Expense	<u>(37,524)</u>	<u>(24,864)</u>
Total Nonoperating Revenues (Expenses)	<u>(22,933)</u>	<u>(12,818)</u>
Decrease in Net Assets	(2,232,457)	(604,537)
Beginning Net Assets	<u>(604,537)</u>	<u>-</u>
Ending Net Assets	<u>\$ (2,836,994)</u>	<u>\$ (604,537)</u>

The accompanying notes form an integral part of this statement.

ALAMO REGIONAL MOBILITY AUTHORITY
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STATEMENT OF CASH FLOWS

Year Ended September 30, 2006 and
Fifteen Months Ended September 30, 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to Employees	\$ (356,946)	\$ (289,886)
Payments to Suppliers	(859,233)	(144,519)
Net Cash Used for Operating Activities	(1,216,179)	(434,405)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Noncapital Loans	628,575	1,250,000
Net Cash Provided by Noncapital Financing Activities	628,575	1,250,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	14,591	12,046
Net Cash Provided by Investing Activities	14,591	12,046
Net (Decrease) Increase in Cash and Cash Equivalents	(573,013)	827,641
Cash and Cash Equivalents, Beginning	827,641	-
Cash and Cash Equivalents, Ending	\$ 254,628	\$ 827,641
Reconciliation of Operating Loss to Cash Used For Operating Activities		
Operating Loss	\$ (2,209,524)	\$ (591,719)
Net Change in Assets & Liabilities		
Prepaid Expenses	(5,658)	(707)
Accounts Payable	(44,889)	148,205
Accrued Expenses	1,045,158	-
Compensated Absences	(1,266)	9,816
Net Cash Used for Operating Activities	\$ (1,216,179)	\$ (434,405)

The accompanying notes form an integral part of this statement.

ALAMO REGIONAL MOBILITY AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2006 and
Fifteen Months Ended September 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Alamo Regional Mobility Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) for governmental entities. The Governmental Accounting Standards Board (GASB) is the governing body for establishing governmental accounting and financial reporting standards. For financial reporting purposes, the Authority is considered a special purpose government engaged only in business-type activities. The following is a summary of significant accounting policies of the Authority.

A. Reporting Entity

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

The Authority's powers and duties are enumerated under Texas Transportation Code Chapter 370 and include authority to borrow monies and issue bonds to finance transportation projects. The Authority is governed by a seven member Board of Directors, six are appointed by Bexar County Commissioners Court and the Chairman of the Board is appointed by the Governor of the State of Texas. The Authority is not included in any other governmental "reporting entity" as defined by GASB Statement No. 14, *"The Reporting Entity"*. There are no component units included within the reporting entity.

B. Basis of Accounting

The Authority's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) Opinions of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by GASB.

ALAMO REGIONAL MOBILITY AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2006 and
Fifteen Months Ended September 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All of the Authority's activities are accounted for within a single proprietary (enterprise) fund. The accounting and financial reporting treatment applied is determined by measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net assets (i.e., total assets net of total liabilities) are segregated into amounts invested in capital assets, net of related debt; amounts restricted for capital activity and debt service; and amounts which are unrestricted.

C. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

D. Investments

In accordance with GASB Statement No 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, investments are reported at fair value. Fair values are based on published market rates.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

F. Capital Assets

Capital assets are stated at historical cost. Donated capital assets are valued at their estimated fair market value on the date received. For equipment, the Authority's capitalization policy includes all items with a unit cost of \$20,000 or more and an estimated useful life in excess of one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following estimated useful lives are used:

Furniture, Machinery and Other Equipment 3 - 7 years

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NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2006 and
Fifteen Months Ended September 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Classification of Revenues

The Authority has classified its revenues as either operating or nonoperating according to the following criteria:

Operating Revenues: Operating revenues are generated by activities that have the characteristics of exchange transactions. Exchange transactions are those in which a service or product is exchanged for revenue.

Nonoperating Revenues: Nonoperating revenues include activities that do not have the characteristics of exchange transactions.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Authority's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources available for use.

H. Compensated Absences

The Authority employees are entitled up to four weeks of paid vacation leave per calendar year which is accrued by pay period. No more than 240 hours of unused vacation leave is carried forward to the next year and unused leave is paid to employees upon termination, resignation or retirement up to 240 hours. The liability recorded for compensated absences was \$8,551 at September 30, 2006 and \$9,816 at September 30, 2005.

I. Comparative Data

Comparative data for the prior period (fifteen months ended September 30, 2005) has been presented to provide an understanding of the changes in the financial position and operations. Certain amounts have been reclassified in order to be consistent with the current year's presentation.

2. INTERLOCAL AGREEMENTS

The Authority entered into interlocal agreements with Bexar County and the City of San Antonio to fund the start-up costs of the Authority. The interlocal agreements require repayment of the loans when the Authority issues bonds or from the proceeds of the first available revenues received.

ALAMO REGIONAL MOBILITY AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2006 and
Fifteen Months Ended September 30, 2005

3. DEPOSITS AND INVESTMENTS

The Authority's cash and cash equivalents at September 30, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Cash in Bank	\$ 15,128	\$ 17,732
AIM Investment	<u>239,500</u>	<u>809,909</u>
Total Cash and Cash Equivalents	<u>\$ 254,628</u>	<u>\$ 827,641</u>

The Authority does not have any of its funds invested in derivatives.

4. LONG-TERM LIABILITIES

On July 12, 2004, the Authority entered into an interlocal agreement with Bexar County. The agreement provided initial operating funds (Bexar County Loan # 1) in the amount of \$250,000 at an annual percentage rate of 3.34%. The loan is to be reimbursed in total from the proceeds of the first available revenues received. If bonds are issued, the proceeds shall be used to retire the loan and any accrued interest in full. At September 30, 2006, the total amount remains outstanding.

On January 18, 2005, the Authority entered into a second interlocal agreement with Bexar County. The agreement provided additional initial operating funds (Bexar County Loan # 2) in the amount of \$500,000 at an annual percentage rate of 2.97%. The loan is to be reimbursed in total from the proceeds of the first available revenues received. If bonds are issued, the proceeds shall be used to retire the loan and any accrued interest in full. At September 30, 2006, the entire amount remains outstanding.

On June 29, 2005, the Authority entered into an interlocal agreement with the City of San Antonio. The agreement provided additional initial operating funds (City of San Antonio Loan # 1) in the amount of \$500,000 at an annual percentage rate of 2.97%. The loan is to be reimbursed in total from the proceeds of the first available revenues received. If bonds are issued, the proceeds shall be used to retire the loan and any accrued interest in full. At September 30, 2006, the entire amount remains outstanding.

Interest accrues from the date the loan payable is issued; however, no interest payments are made until the loan is retired. The accrued interest payable amounts to \$62,387 and \$24,864 at September 30, 2006 and 2005, respectively.

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Year Ended September 30, 2006 and
Fifteen Months Ended September 30, 2005

4. LONG-TERM LIABILITIES (continued)

On December 16, 2005, the Authority entered into a financial assistance agreement (FAA 1) with the Texas Department of Transportation (TxDOT) to provide funding for the Authority's participation in the procurement process for a proposed comprehensive development agreement. This agreement shall not exceed \$1,000,000 and is noninterest bearing. Funds are drawn down as authorized expenses are incurred. Funds not expended by December 31, 2008 will no longer be available to the Authority. Funds must be repaid by the Authority upon the occurrence of any of the following: (1) the project is transferred to the Authority, (2) an agreement is executed which grants the Authority a right to share in the revenues of the proposed project, or (3) the Authority releases confidential information related to the proposed project.

On January 23, 2006, the Authority entered into a financial assistance agreement (FAA 2) with the TxDOT to provide funding for the development costs of certain toll projects. This agreement shall not exceed \$7,500,000 and is noninterest bearing. Funds are drawdown as authorized expenses are incurred. Funds must be repaid by the Authority upon the occurrence of any of the following: (1) the Authority issues revenue bonds for a toll project, (2) a toll project is opened for normal and continuous operation, or (3) the Authority failed to provide a work plan to TxDOT by January 31, 2006.

If revenues are used to repay either FFA 1 or FAA 2, those revenues shall not exceed 10% of the projected revenues received in any single calendar year.

The Authority recognizes the long-term liability from TxDOT for FAA 1 and FAA2 once the draw-down request is approved by TxDOT and the cash is received by the Authority.

Long-term debt activity for the year ended September 30, 2006 was as follows:

	Balance 10/1/05	Additions	Payments	Balance 9/30/06	Current Portion
Bexar County Loan # 1	\$ 250,000	\$ -	\$ -	\$ 250,000	\$ -
Bexar County Loan # 2	500,000	-	-	500,000	-
City of San Antonio Loan # 1	500,000	-	-	500,000	-
TxDOT - FAA 1	-	207,402	-	207,402	-
TxDOT - FAA 2	-	421,173	-	421,173	-
Total Loans Payable	1,250,000	628,575	-	1,878,575	-
Compensated Absences	9,816	6,581	7,846	8,551	8,551
Total Long-Term Liabilities	\$ 1,259,816	\$ 635,156	\$ 7,846	\$ 1,887,126	\$ 8,551

ALAMO REGIONAL MOBILITY AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2006 and
Fifteen Months Ended September 30, 2005

4. LONG-TERM LIABILITIES (continued)

Long-term debt activity for the period ended September 30, 2005 was as follows:

	Balance 7/1/04	Additions	Payments	Balance 9/30/05	Current Portion
Bexar County Loan # 1	\$ -	\$ 250,000	\$ -	\$ 250,000	\$ -
Bexar County Loan # 2	-	500,000	-	500,000	-
City of San Antonio Loan # 1	-	500,000	-	500,000	-
Total Loans Payable	-	1,250,000	-	1,250,000	-
Compensated Absences	-	11,149	1,333	9,816	9,816
Total Long-Term Liabilities	<u>\$ -</u>	<u>\$ 1,261,149</u>	<u>\$ 1,333</u>	<u>\$ 1,259,816</u>	<u>\$ 9,816</u>

5. RETIREMENT PLAN

Plan Description

The Authority provides retirement, disability, and death benefits for all its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system which consists of 559 nontraditional defined benefit pension plans. The Comprehensive Annual Financial Report is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted and may be amended by the governing body of the Authority within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with eight or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdrew their personal deposits in a lump sum and who are not eligible to retire are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employees' deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act, so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchased rates prescribed by the TCDRS Act.

ALAMO REGIONAL MOBILITY AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2006 and
Fifteen Months Ended September 30, 2005

5. RETIREMENT PLAN (Continued)

Funding Policy

The Authority has elected the Annually Determined Contribution Rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The Authority contributed the actuarially determined rate of 10.81% from October 1, 2005 to December 31, 2005 and 10.79% from January 1, 2006 to September 30, 2006.

The deposit rate payable by all employee members for the calendar year 2006 is the rate of 7% as adopted by the governing body of the Authority. The employee deposit rate and the employer contribution rate may be changed by the governing body or the employer within the options available in the TCDRS Act.

Annual Pension Cost

The annual pension cost for the TCDRS plan for its employees was \$32,456 and \$18,118 and the actual contributions were \$32,456 and \$18,118, respectively for the year ended September 30, 2006 and the fifteen months ended September 30, 2005.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of the plan's inception.

Actuarial Valuation Information*

Actuarial valuation date	As of December 31, 2005 and 2004
Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Amortization Period in years	20
Asset valuation method	Long-term appreciation with adjustment
Actuarial assumptions:	
Investment return*	8.0%
Projected salary increases*	5.5%
Inflation	3.5%
Cost-of-living adjustments	0.0%

* Includes inflation at the stated rate.

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NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2006 and
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5. RETIREMENT PLAN (Continued)

Trend Information of the Retirement Plan
for Employees of the Authority*

Year/Period	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Year Ended 9/30/2006	\$ 32,456	100%	\$ -
Fifteen Months Ended 9/30/2005	18,118	100%	\$ -

* Information is only available for the current and prior year/period, since the Authority did not participate in the plan prior to January 1, 2005.

Schedule of Funding Progress for the Retirement Plan
for the Employees of the Authority**

Actuarial Valuation Date	Actuarial Value Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/05	\$ 19,901	\$ 33,411	\$ 13,510	59.56%	\$ 234,038	5.77%

** Information is only available as of December 31, 2005 since the Authority did not begin participation in the plan until January 1, 2005.

6. COMMITMENTS AND CONTINGENCIES

Pending Lawsuits and Claims

From time to time, the Authority may be a defendant in lawsuits or claims filed against it. It is the opinion of management that the ultimate outcome of these lawsuits will not have a material adverse effect on the financial condition of the Authority.

Financial Assistance Agreements – Texas Department of Transportation (TxDOT)

As of September 30, 2006, the Authority has submitted draw down requests to TxDOT of \$66,311 that were not received as of September 30, 2006. In addition, the Authority expects to submit draw down requests of approximately \$1.1 million in fiscal year 2007 for expenses incurred during the year ended September 30, 2006.

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NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2006 and
Fifteen Months Ended September 30, 2005

7. INSURANCE

As of September 30, 2006 and 2005, the Authority has insurance coverage for workers compensation and general liability. This policy provides coverage for errors and omissions and commercial crime. The Authority utilizes third party administrators for the handling of administration, investigation, and adjustment of liability claims.

8. DEFICIT NET ASSETS

At September 30, 2006 and 2005, the Authority had a deficit net asset balance of \$2,836,994 and \$604,537, respectively. Management expects to eliminate this deficit with toll revenues expected to be generated in future years.

