

Alamo Regional Mobility Authority
San Antonio, Texas

Financial Statements and
Independent Auditors' Report

Year Ended September 30, 2012

Alamo Regional Mobility Authority

San Antonio, Texas

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Alamo Regional Mobility Authority

San Antonio, Texas

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Financial Section

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Independent Auditors' Report

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

We have audited the accompanying Balance Sheet of Alamo Regional Mobility Authority (the "Authority") as of and for the year ended September 30, 2012, and the related Statements of Revenues, Expenses, and Changes in Net Assets and Cash Flows for the year ended September 30, 2012. These financial statements are the responsibility of the management of the Authority. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2012, and the Changes in Net Assets and Cash Flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2013; 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* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the Pension and Retirement Plan – Schedule of Funding Progress and Management’s Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority’s financial statements. The Schedule of Expenditures of State Awards, as required by the State of Texas Single Audit Circular, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of State Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Padgett, Stratmann & Co., L.L.P.

Certified Public Accountants
February 14, 2013

Alamo Regional Mobility Authority

San Antonio, Texas

Management's Discussion and Analysis

Year Ended September 30, 2012

(Unaudited)

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 ended September 30, 2012 and is designed to assist the reader in focusing on significant financial issues and activities and identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole. Certain reclassifications have been made to 2011 information in order to conform to the presentation of the fiscal year 2012 financial statements.

Financial Highlights

Financial highlights for the Authority include the following:

- Personnel costs directly associated with Authority projects totaled \$1,022,616 and \$936,194 for the years ended September 30, 2012 and 2011, respectively. These costs have been capitalized as part of development in progress.
- Total assets increased by \$65,381,809, primarily related to an increase in development in progress for the interchanges located at US 281 and Loop 1604.
- The Authority ended the year with a total net asset balance of \$105,640,309, an increase of \$67,344,790 from the previous year. This increase is primarily related to capital contributions from grantors.
- The Authority prepaid a portion of unfunded actuarially determined liability, resulting in a net pension asset of \$95,000. The Authority expects this prepaid pension asset to reduce its required contributions to the pension plan in future years.

Basic Financial Statements

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

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

Alamo Regional Mobility Authority

San Antonio, Texas

Management's Discussion and Analysis

Year Ended September 30, 2012

(Unaudited)

The Statement of Revenues, Expenses, and Changes in Net Assets presents operating revenues and expenses and nonoperating revenues and expenses. 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 nonoperating 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.

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

Notes to the Financial Statements

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

Alamo Regional Mobility Authority

San Antonio, Texas

Management's Discussion and Analysis

Year Ended September 30, 2012

(Unaudited)

Financial Analysis

Table 1
Condensed Balance Sheet Information

	<u>2012</u>	<u>2011</u>
Current assets	\$ 14,423,401	\$ 17,777,459
Capital assets	122,509,811	53,868,944
Other noncurrent assets	95,000	-
 Total assets	 <u>\$ 137,028,212</u>	 <u>\$ 71,646,403</u>
Current liabilities	\$ 11,872,466	\$ 14,466,358
Noncurrent liabilities	19,515,437	18,884,526
 Total liabilities	 <u>31,387,903</u>	 <u>33,350,884</u>
Net assets:		
Invested in capital assets – net of related debt	113,737,370	46,440,508
Unrestricted	<u>(8,097,061)</u>	<u>(8,144,989)</u>
 Total net assets	 <u>105,640,309</u>	 <u>38,295,519</u>
 Total liabilities and net assets	 <u>\$ 137,028,212</u>	 <u>\$ 71,646,403</u>

Total current assets decreased by \$3,354,058 (19%); the majority of this decrease is related to a decrease in cash as the result of current year operations. Capital assets increased by \$68,640,867 (127%); the majority of this increase was related the development in projects for the US 281 and Loop 1604 interchange project. Total liabilities had a slight decrease of approximately 6%. Overall net assets increased significantly from the previous year by \$67,344,790 (176%) as the result of additions to capital assets funded by capital contributions. Unrestricted net assets ended the year with a deficit of \$8,097,061, which is comparable to the previous year.

Alamo Regional Mobility Authority

San Antonio, Texas

Management's Discussion and Analysis

Year Ended September 30, 2012

(Unaudited)

Table 2
Condensed Revenues, Expenses, and Changes in Net Assets Information

	<u>2012</u>	<u>2011</u>
Operating revenues	\$ -	\$ -
Operating expenses	<u>452,228</u>	<u>547,018</u>
Total operating expenses	(452,228)	(547,018)
Nonoperating revenue	<u>461,277</u>	<u>310,774</u>
Increase (decrease) in net assets before capital contributions and extraordinary item	9,049	(236,244)
Capital contributions	67,335,741	24,905,673
Extraordinary item	<u>-</u>	<u>2,915,211</u>
Change in net assets	67,344,790	27,584,640
Net assets at beginning of year	<u>38,295,519</u>	<u>10,710,879</u>
Net assets at end of year	<u>\$ 105,640,309</u>	<u>\$ 38,295,519</u>

Operating expenses decreased slightly from the previous year by \$94,790. Capital contributions were \$67,335,741, an increase of \$42,430,068 (170%) from the previous year. These capital contributions were used to fund a number of development projects, the largest being the US 281 and Loop 1604 interchanges. Capital contributions accounted for the majority of the increase in net assets for the year ended September 30, 2012.

Alamo Regional Mobility Authority

San Antonio, Texas

Management's Discussion and Analysis

Year Ended September 30, 2012

(Unaudited)

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2012, the Authority had \$122,509,811 invested in capital assets, primarily development in progress costs. This represents an increase of \$68,640,867 from fiscal year 2011. Additional information can be found in note 5 to the financial statements.

Table 3
Capital Assets

	<u>2012</u>	<u>2011</u>
Equipment – software	\$ 78,895	\$ 78,895
Capital assets not being depreciated:		
Development in progress:		
US 281 North	1,598,881	1,341,502
US 281 EIS	6,975,605	6,441,532
US 281 Superstreet	6,751,130	6,750,064
US 281/1604 Interchange	96,632,590	30,465,203
Loop 1604 EIS	8,779,685	7,444,024
Loop 1604 Superstreet	900,631	900,763
Loop 1604	778,178	446,961
IH-35	45,774	-
Total capital assets not being depreciated	<u>122,462,474</u>	<u>53,790,049</u>
Total capital assets	122,541,369	53,868,944
Less accumulated depreciation	<u>31,558</u>	<u>-</u>
Total net capital assets	<u>\$ 122,509,811</u>	<u>\$ 53,868,944</u>

Overall net capital assets increased by \$68,640,867 (127%); the majority of this increase is related to the US 281 and Loop 1604 interchange project. More information related to the Authority's capital assets can be found in the notes to financial statements.

Alamo Regional Mobility Authority

San Antonio, Texas

Management's Discussion and Analysis

Year Ended September 30, 2012

(Unaudited)

Debt

As of September 30, 2012, the Authority had total long-term debt of \$19,224,789, comprised of loans from Texas Department of Transportation ("TxDOT") and local agencies. Accrued interest payable of \$290,648 is considered a long-term liability since amounts are not due in the next fiscal year.

The Authority did not have any significant changes in its long-term debt during the year. However, the Authority did renegotiate the terms of its loan with the City of San Antonio, making the entire portion long-term. More information related to the Authority's long-term debt can be found in note 6 to the financial statements.

Economic Factors Affecting the Future

Every year Texans are spending more and more time sitting in traffic due to increased congestion. Based on current population estimates, Bexar County will see over a million new residents within the next twenty-five years. A million new residents who will need access to services, such as transportation, which is already close to capacity given the current demands on our roadway infrastructure.

According to the 2010 census, from 2000 to 2010, San Antonio and Bexar County saw an increase of 233% in the number of residents living outside of Loop 1604 from US 90 to IH 35 North, the same general corridor as being studied by the Loop 1604 Environmental Impact Statement. With ever decreasing resources from the federal and state government being provided to local communities for transportation projects, and with the continued growth of fuel economy in vehicles, the traditional methods of paying for transportation projects are crumbling.

Currently, road construction and maintenance costs are funded by the Federal/State Gasoline tax, which is 38.4 cents per gallon. Texas' Gasoline Tax makes up 20 cents of this amount. Less than half of the revenue generated from the state's 20 cents per gallon fuel tax is used towards state transportation projects. Although this tax revenue was sufficient for prior transportation needs, it cannot fund the growth and increased transportation demands we face today. Maintenance costs alone exceed the revenue generated by the state fuel tax.

Combined with increases in fleet fuel efficiency, the gas tax method of funding transportation infrastructure expansion can no longer be viewed as a truly dependable method of planning, programming, and constructing the needed relief from congestion to keep the economic engine thriving in our state.

If the transportation problem is not solved, our residents will spend more time sitting in traffic, resulting in more time away from home, and they will face higher product costs. Meanwhile, maintenance and construction costs will continue to increase for those much needed projects in our region. We will be subject to increased frustrations and costs unless Texans pull together to implement a safe, reliable, and efficient transportation system with innovative funding solutions.

Alamo Regional Mobility Authority

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Management's Discussion and Analysis

Year Ended September 30, 2012

(Unaudited)

Regional Mobility Authorities ("RMAs") are authorized by the Texas Legislature as a way to help address the regional transportation needs of the state through local direction and involvement. RMAs are equipped with innovative tools to solve the transportation funding gap, which include formation of local partnerships, provisions for financing, acceleration of projects, and creation of new revenue streams, for critical transportation systems. RMAs allow residents to prioritize transportation projects in their community and to utilize alternative funding sources to speed up project completion. Alternative funding includes toll projects and bond sales that pledge future toll revenue to retire bond debt. RMAs can also construct, operate, and maintain tolled lanes and other transportation projects in their communities.

For the Authority, the first two construction projects, representing approximately \$139 million in infrastructure investment, will be non-tolled projects. These projects highlight the commitment to both toll and non-toll projects as long as a funding source can be identified.

The ongoing efforts to finish the US 281 Environmental Impact Statement and the Loop 1604 Environmental Impact Statement, which are anticipated to conclude in 2014, will provide our community with environmentally cleared projects providing for long-term relief from congestion, while being responsible and prudent stewards of the natural resources our region depends on each day. These two studies represent the most detailed examination ever undertaken in our community, and will provide the roadmap for future development of needed infrastructure across the northern sector of our county.

During the 82nd Legislative Session, the Texas Legislature authorized RMAs to exercise a number of new tools, including an extension of design/build authority, the creation of design/build/finance authority and the right of primacy for local toll projects within the boundaries of an existing RMA. For all of this success in new tools to deliver projects, a stable long-term funding solution has not been realized as of yet. For the Authority, the 82nd session provided needed tools and stability in delivery methods that should enable us to provide needed congestion relief projects within our community using the best possible resources and opportunities other communities are currently utilizing to augment ever decreasing federal and state funds.

In the 83rd Session of the Texas Legislature, the Authority will continue to join with counterpart agencies across Texas to preserve the existing grants of authority and seek ways to ensure that all possible tools to address congestion and infrastructure funding remain available for use by this region.

Alamo Regional Mobility Authority

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Management's Discussion and Analysis

Year Ended September 30, 2012

(Unaudited)

Significant Events

On June 12, 2012 the Bexar County Commissioners Court, San Antonio, Texas passed and approved a resolution that provided for the following:

1. "Requests the Alamo RMA Board act to allow Bexar County to assume management of the projects, contracts, administration, legal and fiscal matters, and any other duties currently performed by Alamo RMA staff; and"
2. "Directs the Bexar County Manager to assume responsibility for these duties and act to implement changes necessary to achieve savings, efficiencies, and cost-effectiveness.

On August 8, 2012, the Bexar County Commissioners Court, San Antonio, Texas passed and approved a subsequent resolution that provided for the following:

1. "Thanks the Board members and staff of the Alamo Regional Mobility Authority for their ongoing cooperation with Bexar County and for their continued work to advance transportation projects in our community";
2. "Directs the Bexar County Manager to continue working with ARMA staff so as to further the County's understanding of the issues associated with the development and delivery of ARMA projects, and continue to identify opportunities for delivering the projects in a more cost-effective manner; and"
3. "Adopts as its primary legislative initiative, the enactment of legislation to create the Bexar County Toll Authority in the upcoming 83rd Legislative Session."

Subsequent to the fiscal year ended September 30, 2012, legislation as described in item number 3 above has not been introduced into the 83rd legislature and to date, Bexar County has not included this item in its legislative agenda. Due to budget reductions and efforts to reduce the Authority's operating costs, four of the nine staff positions were announced to be eliminated effective March 1, 2013. The Executive Director, Comptroller, and part-time Office Manager positions remain and the Project Engineer position will be eliminated on June 30, 2013. The details to operate, maintain contracts, assume operations, and carry on the day-to-day business affairs of the Authority are to be worked out. It is expected that during the course of fiscal year 2013, a combination of the Authority staff, Bexar County, and TxDOT will reallocate the various components of the day-to-day business activity of the Authority.

Alamo Regional Mobility Authority

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Management's Discussion and Analysis

Year Ended September 30, 2012

(Unaudited)

While the duties and responsibilities are being reallocated, the mission of the Authority and the role of the agency with respect to tolled/managed lanes in Bexar County remain vital to our community. The Authority has an important role to play in tolling and the powers of the RMA and the tools that are available are critical and unique to address the significant and growing congestion in our community. Given the limited revenue available for new highway infrastructure, the role the Authority can play to guarantee local leadership and local control of toll revenues is significant and critical for the community.

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Basic Financial Statements

Alamo Regional Mobility Authority

San Antonio, Texas

Balance Sheet

September 30, 2012

ASSETS

Current Assets

Cash and cash equivalents	\$ 9,372,570
Grants receivable	<u>5,050,831</u>
Total current assets	<u>14,423,401</u>

Noncurrent Assets

Capital assets:	
Equipment	78,895
Development in progress	122,462,474
Accumulated depreciation	<u>(31,558)</u>
Total capital assets – net	122,509,811
Pension asset	<u>95,000</u>
Total noncurrent assets	<u>122,604,811</u>
Total assets	<u>\$ 137,028,212</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 5,048,191
Accrued wages and payroll related liabilities	110,249
Deferred revenue	6,647,295
Accrued compensated absences	<u>66,731</u>
Total current liabilities	<u>11,872,466</u>

Long-Term Liabilities

Accrued interest payable	290,648
Long-term debt	<u>19,224,789</u>
Total long-term liabilities	<u>19,515,437</u>
Total liabilities	<u>31,387,903</u>

Net Assets

Invested in capital assets – net of related debt	113,737,370
Unrestricted	<u>(8,097,061)</u>
Total net assets	<u>105,640,309</u>
Total liabilities and net assets	<u>\$ 137,028,212</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, 2012

Operating Revenues

Total operating revenues \$ -

Operating Expenses

Payroll and payroll related expenses	1,237,992
Professional services	67,442
Travel and conferences	21,326
Office space	81,982
Insurance	980
Communications	14,090
Supplies and postage	20,383
Printing	2,155
Equipment rental, maintenance, and depreciation	58,696
Memberships and subscriptions	5,611
Miscellaneous	(35,813)
Less expenses capitalized to development in progress	<u>(1,022,616)</u>
Total operating expenses	<u>452,228</u>

Operating loss (452,228)

Nonoperating Revenues (Expenses)

State grant revenue	496,219
Miscellaneous revenue	1,522
Interest income	1,564
Interest expense	<u>(38,028)</u>

Total nonoperating revenues (expenses) 461,277

Increase in net assets before capital contributions	9,049
Capital contributions	<u>67,335,741</u>

Change in net assets 67,344,790

Net assets at beginning of year 38,295,519

Net assets at end of year \$ 105,640,309

The accompanying notes form an integral part of this statement.

Alamo Regional Mobility Authority
San Antonio, Texas

Statement of Cash Flows

Year Ended September 30, 2012

Cash Flows From Operating Activities

Payments to employees	\$ (100,777)
Payments to suppliers	<u>(192,882)</u>
Net cash used in operating activities	<u>(293,659)</u>

Cash Flows From Noncapital Financing Activities

Proceeds from grants	496,219
Proceeds from other sources	<u>1,522</u>
Net cash provided by noncapital financing activities	<u>497,741</u>

Cash Flows From Capital and Related Financing Activities

Payments for construction projects	(68,203,969)
Proceeds from capital grants	66,480,469
Payments to employees	<u>(1,022,616)</u>
Net cash used in capital and related financing activities	<u>(2,746,116)</u>

Cash Flows From Investing Activities

Increase in pension asset	(95,000)
Interest received	<u>1,564</u>
Net cash used in investing activities	<u>(93,436)</u>
Net decrease in cash and cash equivalents	(2,635,470)

Cash and cash equivalents at beginning of year	<u>12,008,040</u>
Cash and cash equivalents at end of year	<u>\$ 9,372,570</u>

**Reconciliation of Operating Loss to Net Cash
Used By Operating Activities**

Operating loss	\$ (452,228)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	31,558
Changes in assets and liabilities:	
Prepaid expenses	12,412
Accrued wages and payroll related liabilities	110,246
Compensated absences	<u>4,353</u>
Net cash used in operating activities	<u>\$ (293,659)</u>

Noncash Investing, Capital, or Related Financing Activities

Interest expense of \$38,028 was recognized related to the accrual of interest on outstanding loans.

The accompanying notes form an integral part of this statement.

Alamo Regional Mobility Authority

San Antonio, Texas

Notes to Financial Statements

Year Ended September 30, 2012

1. Organization and Summary of Significant Accounting Policies

A. Reporting Entity

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

The Authority's powers and duties are enumerated under Texas Transportation Code Chapter 370 and include authority to borrow monies and issue bonds to finance transportation projects. The Authority is governed by a seven member Board of Directors, six are appointed by Bexar County Commissioners Court and the Chairman is appointed by the Governor of the State of Texas. The Authority is not included in any other governmental "reporting entity," as defined by Governmental Accounting Standards Board ("GASB") Codification Section 2100, Defining the Financial Reporting Entity. There are no component units included within the reporting entity.

B. Basis of Accounting

All the Authority's activities are reported in a single proprietary (enterprise) fund and are prepared on the accrual basis of accounting and the economic resource measurement focus in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and qualifying expenditures have been incurred. The Authority applies all GASB pronouncements, as well as all Financial Accounting Standards Board ("FASB") statements issued prior to November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The Authority has elected not to apply the FASB statements and interpretations issued after November 30, 1989.

C. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, noninterest-bearing demand deposit accounts and cash in interest bearing demand accounts with commercial banks are considered cash equivalents. Short-term, highly liquid investments that are both readily convertible and that are invested in money-market funds with original maturities of three months or less are "cash equivalents."

Alamo Regional Mobility Authority

San Antonio, Texas

Notes to Financial Statements

Year Ended September 30, 2012

1. Organization and Summary of Significant Accounting Policies (continued)

D. Use of Estimates

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

E. Grants Receivable

Grants receivables, and allowance for doubtful accounts are shown separately on the financial statements. The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectability is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically-identified questionable receivables. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. As of September 30, 2012, there was no allowance for doubtful accounts, as management believes all receivables are collectible.

F. Capital Contributions

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

G. Risk Management

The Authority is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment, and employee health insurance claims. The Authority carries commercial insurance for risk of loss that may arise from such losses. This insurance is for property, casualty, general liability, workers' compensation, and employee health.

Alamo Regional Mobility Authority

San Antonio, Texas

Notes to Financial Statements

Year Ended September 30, 2012

1. Organization and Summary of Significant Accounting Policies (continued)

H. Restricted and Unrestricted Resources

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

I. Contingencies

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

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

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

J. 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.

Alamo Regional Mobility Authority

San Antonio, Texas

Notes to Financial Statements

Year Ended September 30, 2012

1. Organization and Summary of Significant Accounting Policies (continued)

K. Capital Assets and Depreciation

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. Development in progress includes personnel costs that are directly attributable to a specific project in development. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following estimated useful lives are used:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture, fixtures, and equipment	3-7 years

L. Impairment of Long-Lived Assets

The Authority reviews the carrying value of assets for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, and effects of obsolescence, demand, competition, and other economic factors. The Authority recorded no impairment loss as of September 30, 2012.

M. Compensated Absences

The Authority's 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 are carried forward to the next year and unused leave is paid to employees upon termination, resignation, or retirement up to 240 hours, with the exception of the Executive Director who may carry forward 280 hours. The liability recorded for compensated absences was \$66,731 as of September 30, 2012.

Alamo Regional Mobility Authority

San Antonio, Texas

Notes to Financial Statements

Year Ended September 30, 2012

1. Organization and Summary of Significant Accounting Policies (continued)

N. Operating Revenues and Expenses

The Authority did not generate any operating revenues in the current year; however, the Authority expects to generate operating income in future years. All other revenues and expenses are reported as nonoperating revenues and expenses.

2. Interlocal Agreements

The Authority entered into interlocal agreements with the County and the City of San Antonio (the "City") to fund a portion of 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.

3. Cash and Cash Equivalents

Cash and investments consist of the following:

	September 30, 2012
Cash in bank or on hand	\$ 795
Cash equivalents:	
Money market funds – Invesco Government and Agency Portfolio: Resource Class	<u>9,371,775</u>
Total cash and cash equivalents	<u>\$ 9,372,570</u>

Deposits

At September 30, 2012, the carrying amount of the Authority's deposits was \$795 and the bank balance was \$795. The Authority's cash deposits at September 30, 2012 were covered by the Federal Deposit Insurance Corporation ("FDIC"). Excess cash is swept into the investment account each night.

Alamo Regional Mobility Authority

San Antonio, Texas

Notes to Financial Statements

Year Ended September 30, 2012

3. Cash and Cash Equivalents (continued)

Investments

State statutes govern the Authority's investment policies. State authorized investments include obligations of the United States Treasury and United States government agencies, commercial paper, and repurchase agreements. The Authority complies with applicable provisions of the State of Texas Public Funds Investment Act. The Authority accounts for and reports investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Realized and unrealized gains and losses on investments are reported as investment income. Investments are valued at fair value.

Credit Risk – The Authority's investment policy requires the purchase of securities that are of the highest credit quality, based on current ratings provided by nationally recognized credit agencies. The Authority's funds shall be primarily invested in United States Treasury securities and federal agency securities. Investments in other debt securities must be rated "A" or better by at least two nationally recognized credit rating agencies. The Authority's money market fund is rated AAAM (S&P). Investments in the money market fund are not guaranteed by the FDIC or any other government agency. The fund invests in direct obligations of the United States government and other securities issued or guaranteed as to principal by the United States government or its agencies and instrumentalities, as well as repurchase agreements secured by those obligations.

Interest Rate Risk – As required by state law and The Authority's investment policy, investments in obligations are limited to having maturities at the date of purchase of no more than 10 years. The Authority also limits maturities of commercial paper to no more than 270 days from the date of issuance, and requires that mutual funds have a weighted average maturity of 90 days or fewer.

Concentration of Credit Risk – The Authority places no limit on the amount it may invest in any one issuer. 100% of the Authority's total investments are held in money market funds. The money market funds hold only repurchase agreements and United States Treasury obligations.

4. Grants Receivable

Accounts receivable in the amount of \$5,050,831 at September 30, 2012 represents amounts due from the state of Texas.

Alamo Regional Mobility Authority
San Antonio, Texas

Notes to Financial Statements

Year Ended September 30, 2012

5. Capital Assets

Changes in the Authority's capital assets for the year ended September 30, 2012 consist of the following:

	October 1, 2011	Additions	Deletions	September 30, 2012
Equipment – software	\$ 78,895	\$ -	\$ -	\$ 78,895
Capital assets not being depreciated:				
Development in progress:				
US 281 North	1,341,502	257,379	-	1,598,881
US 281 EIS	6,441,532	534,073	-	6,975,605
US 281 Superstreet	6,750,064	1,066	-	6,751,130
US 281/1604 Interchange	30,465,203	66,167,387	-	96,632,590
Loop 1604 EIS	7,444,024	1,335,661	-	8,779,685
Loop 1604 Superstreet	900,763	(132)	-	900,631
Loop 1604	446,961	331,217	-	778,178
IH-35	-	45,774	-	45,774
Total capital assets not being depreciated	<u>53,790,049</u>	<u>68,672,425</u>	<u>-</u>	<u>122,462,474</u>
Total capital assets	53,868,944	68,672,425	-	122,541,369
Less accumulated depreciation	<u>-</u>	<u>31,558</u>	<u>-</u>	<u>31,558</u>
Total net capital assets	<u>\$ 53,868,944</u>	<u>\$ 68,640,867</u>	<u>\$ -</u>	<u>\$ 122,509,811</u>

Depreciation expense for the year ended September 30, 2012 was \$31,558.

6. Long-Term Liabilities

On July 12, 2004, the Authority entered into an initial interlocal agreement with the County. The agreement provided initial operating funds (Bexar County Loan #1) in the amount of \$250,000 at an annual interest rate of 3.34%. The loan is to be reimbursed in total from the proceeds of the first available revenues received. It is intended that at the time revenue bonds, if any, are issued, the proceeds shall be used to retire the loan and any accrued interest in full. At September 30, 2012, the total amount remains outstanding.

Alamo Regional Mobility Authority

San Antonio, Texas

Notes to Financial Statements

Year Ended September 30, 2012

6. Long-Term Liabilities (continued)

On January 18, 2005, the Authority entered into a second interlocal agreement with the County. The agreement provided additional operating funds (Bexar County Loan #2) in the amount of \$500,000 at an annual interest rate of 2.97%. The loan is to be reimbursed in total from the proceeds of the first available revenues received. It is intended that at the time revenue bonds, if any, are issued, the proceeds shall be used to retire the loan and any accrued interest in full. At September 30, 2012, the total amount remains outstanding.

On June 29, 2005, the Authority entered into an interlocal agreement with the City. The agreement provided additional initial operating funds (City of San Antonio Loan #1) in the amount of \$500,000 at an annual interest rate of 2.97%. The loan is to be reimbursed in total from the proceeds of the first available revenues received. It is intended that at the time revenue bonds, if any, are issued, the proceeds shall be used to retire the loan and any accrued interest in full. At September 30, 2012, the total amount remains outstanding.

Interest on the above notes is accrued from the date the loan is funded; however, no interest payments are due until the loan is retired. The accrued interest payable amount to the County and City is \$290,648 at September 30, 2012.

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.

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.

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

Alamo Regional Mobility Authority

San Antonio, Texas

Notes to Financial Statements

Year Ended September 30, 2012

6. Long-Term Liabilities (continued)

On February 3, 2009, the Authority entered into a financial assistance agreement (“FAA 5”) with TxDOT to provide funding for the environmental impact statement and 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 of identified projects. The Authority received the final disbursement of \$4,130,000 during the current year.

Funds will be repaid for FAA 1, FAA 2, FAA 3, and FAA 5 from bond proceeds and/or toll revenues subject to the provisions and limitations set forth in the financial assistance agreements.

Any revenues used to repay the financial assistance agreements shall not exceed 10% of the revenues received in any calendar year.

Long-term debt activity for the year ended September 30, 2012 is as follows:

	Balance October 1, 2011	Additions	Reductions	Balance September 30, 2012	Due in One Year
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	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 loans payable	19,224,789	-	-	19,224,789	-
Compensated absences	62,378	47,874	(43,521)	66,731	-
Total long-term liabilities	\$ 19,287,167	\$ 47,874	\$ (43,521)	\$ 19,291,520	\$ -

Alamo Regional Mobility Authority

San Antonio, Texas

Notes to Financial Statements

Year Ended September 30, 2012

7. Operating Leases

The Authority leases equipment and its office space pursuant to noncancellable operating lease agreements expiring through 2017. Rental expense totaled approximately \$117,720 for the year ended September 30, 2012.

Future minimum lease payments under noncancellable operating leases as of September 30, 2012 were as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2013	\$ 102,926
2014	134,744
2015	130,892
2016	120,967
2017	<u>48,271</u>
	<u>\$ 537,800</u>

8. Major Vendor

Williams Brother Construction Co. accounted for 99% of vendor payments for the year ended September 30, 2012.

9. Commitments and Contingencies

A. Liquidity and Dependence on Funding Sources

The Authority receives significant financial assistance from TxDOT in the form of grants and loans. A significant reduction in the level of this funding, if this were to occur, may have a significant effect on the Authority. The disbursement of funds received generally requires compliance with terms and conditions specified in the agreements, and are subject to review by TxDOT. Management believes there are no significant contingent liabilities relating to compliance with TxDOT rules and regulations. Additionally, management believes TxDOT and/or current Authority funds will continue funding the subsequent year's operations and ongoing capital projects.

Alamo Regional Mobility Authority

San Antonio, Texas

Notes to Financial Statements

Year Ended September 30, 2012

9. Commitments and Contingencies (continued)

B. Pending Lawsuits and Claims

The Authority has been named as a defendant in a case related to a proposed project. While the result of any litigation contains an element of uncertainty, the Authority believes the amount of any liability and costs that may result would not have a material adverse effect on the financial statements. Therefore, no provision for contingency losses has been recorded on the accompanying financial statements.

10. Deferred Revenue

The Authority received \$18,000,000 in grant funds from TxDOT to date. Of this amount, \$11,495,599 was expended to date, while the remaining amount of \$6,504,401 has been recognized as deferred revenue.

The Authority received \$900,000 from the County for development of the 1604 Superstreet. Of this amount, \$757,106 was expended to date, while the remaining \$142,894 has been recognized as deferred revenue.

11. Retirement Plan

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 over five-hundred 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 five 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 five 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.

Alamo Regional Mobility Authority

San Antonio, Texas

Notes to Financial Statements

Year Ended September 30, 2012

11. Retirement Plan (continued)

Benefits 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.

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 11.04% (as required) and 16.73% (additional contribution) from October 1, 2011 to December 31, 2011 and 10.89% (as required) and 16.73% (additional contribution) from January 1, 2012 to September 30, 2012. The additional contribution of 16.73% resulted in a \$95,000 pension asset at September 30, 2012.

The deposit rate payable by all employee members for the calendar year 2012 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 employees' pension cost and the actual contributions for the TCDRS plan was \$205,451 for the year ended September 30, 2012.

Alamo Regional Mobility Authority

San Antonio, Texas

Notes to Financial Statements

Year Ended September 30, 2012

11. Retirement Plan (continued)

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	2012
Actuarial cost method	As of December 31, 2011
Amortization method	Entry age
Amortization period in years	20
Asset value method	**SAF: 10-year smoothed value ***ESF: Fund value
Actuarial assumptions:	
Investment return*	8.0%
Projected salary increases*	5.4%
Inflation	3.5%
Cost-of-living adjustments	-

* Includes inflation at the stated rate.

** Subdivision Accumulation Fund

***Employer's Saving Fund

Trend Information for the Retirement Plan for Employees of the Authority

Year/Period	Annual Pension Cost ("APC")	Percentage of APC Contributed	Net Pension Asset
Year ended September 30, 2012	\$ 110,451	186%	\$ 95,000

12. Insurance

As of September 30, 2012, 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.

Alamo Regional Mobility Authority

San Antonio, Texas

Notes to Financial Statements

Year Ended September 30, 2012

13. Subsequent Events

On June 12, 2012 the Bexar County Commissioners Court, San Antonio, Texas passed and approved a resolution that provided for the following:

1. "Requests the Alamo RMA Board act to allow Bexar County to assume management of the projects, contracts, administration, legal and fiscal matters, and any other duties currently performed by Alamo RMA staff; and"
2. "Directs the Bexar County Manager to assume responsibility for these duties and act to implement changes necessary to achieve savings, efficiencies, and cost-effectiveness.

On August 8, 2012, the Bexar County Commissioners Court, San Antonio, Texas passed and approved a subsequent resolution that provided for the following:

1. "Thanks the Board members and staff of the Alamo Regional Mobility Authority for their ongoing cooperation with Bexar County and for their continued work to advance transportation projects in our community";
2. "Directs the Bexar County Manager to continue working with ARMA staff so as to further the County's understanding of the issues associated with the development and delivery of ARMA projects, and continue to identify opportunities for delivering the projects in a more cost-effective manner; and"
3. "Adopts as its primary legislative initiative, the enactment of legislation to create the Bexar County Toll Authority in the upcoming 83rd Legislative Session."

Subsequent to the fiscal year ended September 30, 2012, legislation as described in item number 3 above has not been introduced into the 83rd legislature and to date, the County has not included this item in its legislative agenda. Due to budget reductions and efforts to reduce the Authority's operating costs, four of the nine staff positions were announced to be eliminated effective March 1, 2013. The Executive Director, Comptroller, and part time Office Manager positions remain and the Project Engineer position will be eliminated on June 30, 2013. The details to operate, maintain contracts, assume operations, and carry on the day-to-day business affairs of the Authority are to be worked out. It is expected that during the course of fiscal year 2013, a combination of the Authority staff, the County, and TxDOT will reallocate the various components of the day-to-day business activity of the Authority.

While the duties and responsibilities are being reallocated, the mission of the Authority and the role of the agency with respect to tolled/managed lanes in the County remain vital to our community. The Authority has an important role to play in tolling and the powers of the RMA and the tools that are available are critical and unique to address the significant and growing congestion in our community. Given the limited revenue available for new highway infrastructure, the role the Authority can play to guarantee local leadership and local control of toll revenues is significant and critical for the community.

Required Supplementary Information

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Alamo Regional Mobility Authority

San Antonio, Texas

Pension and Retirement Plan Schedule of Funding Progress – Last Three Fiscal Years

(Unaudited)

Historical trend information about the Texas County and District Retirement System, a nontraditional defined benefit pension plan, is presented as supplementary information. It is intended to help users assess the plan's funding status on an ongoing basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other comparable retirement systems.

Alamo Regional Mobility Authority TCDRS Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>
Actuarial Value of Assets	551,667	774,605	1,014,780
Actuarial Accrued Liability (AAL)	616,038	823,959	1,027,624
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (OAAL)	64,371	49,354	12,844
Funded Ratio	89.55%	94.01%	98.75%
Annual Covered Payroll	992,898	993,177	991,393
UAAL or (OAAL) as a Percentage of Covered Payroll	6.48%	4.97%	1.30%

See accompanying independent auditors' report.

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Single Audit Section

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Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards*

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

We have audited the balance sheet of Alamo Regional Mobility Authority (the "Authority") as of and for the year ended September 30, 2012, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended, and have issued our report thereon dated February 14, 2013. 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.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and the Public Funds Investment Act, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Public Funds Investment Act.

We noted certain matters that we reported to management of the Authority in a separate letter dated February 14, 2013.

This report is intended solely for the information and use of management, the Board of Directors, federal and state awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Padgett, Stratemann & Co., L.L.P.

Certified Public Accountants
February 14, 2013

Independent Auditors' Report on Compliance With
Requirements That Could Have a Direct and Material
Effect on Each Major Program and on Internal Control
Over Compliance in Accordance With State of
Texas Single Audit Circular

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

Compliance

We have audited Alamo Regional Mobility Authority's (the "Authority") compliance with the types of compliance requirements described in the State of Texas Single Audit Circular that could have a direct and material effect on each of the Authority's major state programs for the year ended September 30, 2012. The Authority's major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of Texas Single Audit Circular. Those standards and the State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state programs for the year ended September 30, 2012.

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Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, state awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Padgett, Stratemann & Co., L.L.P.

Certified Public Accountants
February 14, 2013

Alamo Regional Mobility Authority

San Antonio, Texas

Schedule of Findings and Questioned Costs

Year Ended September 30, 2012

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:		<u>Unqualified</u>		
Internal control over financial reporting:				
Material weakness(es) identified?	_____ Yes		<u> X </u> No	
Significant deficiency(s) identified that are not considered to be material weaknesses?	_____ Yes		<u> X </u> None Reported	
Noncompliance material to financial statements noted?	_____ Yes		<u> X </u> No	

State Awards

Type of auditors’ report issued on compliance for major programs:		<u>Unqualified</u>		
Internal control over major programs:				
Material weakness(es) identified?	_____ Yes		<u> X </u> No	
Significant deficiency(s) identified that are not considered to be material weaknesses?	_____ Yes		<u> X </u> None Reported	
Any audit findings disclosed that are required to be reported in accordance with the State of Texas Single Audit Circular?	_____ Yes		<u> X </u> No	

Identification of Major Programs

<u>Grant Number</u>	<u>Name of State Program or Cluster</u>
86-9XXF7002	Financing Assistance Agreement No. 5
N/A	Proposition 12 & 14
Dollar threshold used to distinguish between type A and type B programs:	<u>\$ 2,077,204</u>
Auditee qualified as low-risk auditee?	<u> X </u> Yes _____ No

See accompanying independent auditors’ report.

Alamo Regional Mobility Authority

San Antonio, Texas

Schedule of Findings and Questioned Costs

Year Ended September 30, 2012

(Continued)

Section II – Financial Statement Findings

No findings were noted.

Section III – State Award Findings and Questioned Costs

There were no state award findings or questioned costs required to be report in accordance the State of Texas Single Audit Circular.

See accompanying independent auditors' report.

Alamo Regional Mobility Authority

San Antonio, Texas

Summary Schedule of Prior Audit Findings

Year Ended September 30, 2012

There were no prior year audit findings reported.

See accompanying independent auditors' report.

Alamo Regional Mobility Authority

San Antonio, Texas

Schedule of Expenditures of State Awards

Year Ended September 30, 2012

<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>Expenditures</u>
<u>Texas Department of Transportation:</u>		
Financial Assistance Agreement No. 5	86-9XXF7002	\$ <u>1,426,914</u>
Total Financial Assistance Agreements – Loans		<u>1,426,914</u>
Financial Assistance Agreement	86-9XXF7001	<u>1,453,318</u>
Total Financial Assistance Agreements – Grants		<u>1,453,318</u>
Proposition 12 & 14	N/A	<u>66,290,035</u>
IH-35 ILA	N/A	<u>69,857</u>
Total Expenditures of State Awards		\$ <u><u>69,240,124</u></u>

See accompanying independent auditors' report.

Alamo Regional Mobility Authority

San Antonio, Texas

Notes to Schedule of Expenditures of State Awards

Year Ended September 30, 2012

1. Basis of Presentation

Expenditures for the financial assistance agreement grants and financial assistance agreements represent expenditures recognized on an accrual basis. The information in this schedule is presented in accordance with the requirements the State of Texas Single Audit Circular. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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