

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY

FINANCIAL STATEMENTS

September 30, 2016



TOM J. FITZGERALD
CERTIFIED PUBLIC ACCOUNTANT

3650 OLD BULLARD ROAD • STE. 330
TYLER, TEXAS 75701
(903) 561-1148

MEMBER OF:
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

ACCOUNTANT'S COMPILATION REPORT

November 4, 2016

Board of Directors
North East Texas Regional Mobility Authority

Management is responsible for the accompanying financial statements of the North East Texas Regional Mobility Authority (the Authority), which comprise the statement of net assets as of September 30, 2016 and the related statement of revenues, expenses and change in net assets for the years ended September 30, 2016 and 2015 and cash flows for the year ended September 30, 2016 in accordance with accounting principles generally accepted in the United States of America. I have performed the compilation engagement in accordance with the Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, nor provide any assurance on the financial statements.

Management has elected to omit substantially all the disclosures ordinarily included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Authority's assets, liabilities, net assets, revenues, expenses, and change in net assets and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

The accompanying information in Schedule 1 is presented for the purpose of additional analysis and is not a required part of the financial statements. The information is the representation of management and was subject to the compilation engagement, however, I have not audited or reviewed the information and accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

I am not independent with respect to the North East Texas Regional Mobility Authority.

North East Texas Regional Mobility Authority
Statement of Net Assets
September 30, 2016

Assets

Current Assets:

Cash (Restricted \$239,369)	\$ 425,919	
Cash - Toll Revenue & Operating Funds (restricted \$4,567,090)	21,088,030	
Cash - Construction Fund (restricted)	103,790,679	
Toll Revenue and Fees Receivable	3,757,384	
Prepaid Insurance and Other	3,205	
Total		\$ 129,065,217

Noncurrent Assets:

Cash- Debt Service Reserve Funds (restricted)		24,049,618
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Capital Assets:

Toll 49 - Right of Way	39,798,777	
Toll 49 - Bridges	64,191,695	
Toll 49 - Highway	126,943,753	
Toll 49 -Gantries and other	12,060,181	
Construction in Progress	26,848,266	
Website and Office Equipment	48,221	
Accumulated Depreciation	(16,940,880)	
Total		252,950,013

Total Assets		<u>\$ 406,064,848</u>
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Liabilities and Net Assets

Current Liabilities:

Accounts Payable - Operations	\$ 1,396,905	
Accounts Payable - Construction in progress	9,347,037	
Accounts Payable - Other	44,332	
Accrued Interest Payable	2,644,688	
Rusk County Funds - Loop 571	239,369	
Total		13,672,331

Long-term Liabilities:

Senior Lien Bonds Payable	124,735,000	
Subordinated Lien Bonds Payable	56,615,000	
Unamortized Bond Premiums	28,556,011	
Total		209,906,011

Net Assets:

Invested in Capital Assets		
Net of Related Debt	166,026,190	
Restricted for:		
Capital Projects	(4,488,930)	
Other Purposes	20,949,246	
Total		182,486,506
Total Liabilities and Net Assets		<u>\$ 406,064,848</u>

See Accompanying Accountant's Compilation Report.

North East Texas Regional Mobility Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended September 30, 2016 and 2015

	2016	2015
Revenue:		
Toll revenue - electronic	\$ 8,731,328	\$ 7,016,986
Toll revenue - video	3,354,235	3,387,168
Video violation fees	1,124,962	1,292,280
County contributions	35,300	36,000
Design settlement	275,000	-
Grants and related revenue	312,624	56,623
Total Revenue	<u>13,833,449</u>	<u>11,789,057</u>
General Expenses:		
Accounting fees	49,290	43,120
Auditing fees	37,889	32,627
Legal fees	521,980	361,624
Employee salaries and benefits	231,308	158,891
Board and staff travel	18,674	3,373
Office and related expenses	27,647	17,376
Surety bonds, dues and trustee fees	14,987	11,920
IT support	39,780	32,434
Website maintenance	20,199	23,885
Other general expenses	64,268	8,404
Grant related expenses	312,250	56,623
Total General Expenses	<u>1,338,272</u>	<u>750,277</u>
Toll 49 Operating Expenses:		
Project director	246,176	229,906
General engineering consultants	514,361	378,898
Toll processing costs	881,394	908,695
Toll maintenance support	390,285	168,543
Toll operating system support	443,765	772,134
Roadway maintenance	1,577,135	1,475,609
Insurance expense	27,886	27,562
Depreciation expense	6,520,063	6,086,701
Total Toll 49 Operating Expenses	<u>10,601,065</u>	<u>10,048,048</u>
Operating Income (Loss)	<u>1,894,112</u>	<u>990,732</u>
Other Income and (Expense):		
Interest income	26,807	663
Interest expense	(3,615,923)	(1,877,486)
East Texas Hour Glass Study	-	(28,988)
Loss on camera replacement	(130,527)	-
Loan fees and expenses	(3,556,187)	-
Net Other Income (Expense)	<u>(7,275,830)</u>	<u>(1,905,811)</u>
Change in Net Assets	(5,381,718)	(915,079)
Net Assets - Beginning of Period	187,868,224	188,783,303
Net Assets - End of Period	<u>\$ 182,486,506</u>	<u>\$ 187,868,224</u>

See Accompanying Accountant's Compilation Report.

North East Texas Regional Mobility Authority
Statement of Cash Flows
For the Year Ended September 30, 2016

Cash Flows From Operating Activities:

Received from toll customers	\$ 13,093,710
Received from counties	35,300
Design Settlement	275,000
Grant revenue received	321,499
Paid to contractors and consultants	(4,896,627)
Paid for salaries and payroll taxes	(228,564)
Paid for other expenses	(92,199)
Net Cash Flows From Operating Activities	<u>8,508,119</u>

Cash Flows From Capital and Financing Activities:

Proceeds from bank loan	65,000,000
Proceeds from bonded debt	210,306,440
Payment of Financial Assistance Agreement	(12,250,000)
Payment of SIB loan	(46,812,965)
Payment of banks loan	(65,000,000)
Payment of loan fees and expenses	(3,556,187)
Payment of interest expense	(732,758)
Purchase of cameras and equipment	(354,806)
Segment 4 expenditures	(13,808,833)
Segment 3B expenditures	(320,460)
Sale of right of way	9,290
Net Cashed Provided by Capital and Financing Activities	<u>132,479,721</u>

Cash Flows from Investing Activities:

Interest earned	<u>26,807</u>
Net Cash Provided by Investing Activities	<u>26,807</u>

Net Increase in Cash and Cash Equivalents 141,014,647

Cash and Cash Equivalents - Beginning of Period	8,339,599
Cash and Cash Equivalents - End of Period	<u>\$ 149,354,246</u>

Reconciliation of Operating Income

To Net Cash Provided by Operating Activities:

Operating Income	\$ 1,894,112
Adjustments to reconcile operating income to net cash provided by operations:	
Depreciation expense	6,520,063
Change in assets and liabilities:	
Increase in accounts receivable, net	(123,786)
Increase in accounts payable, net	217,730
Net Cash Provided by Operating Activities	<u>\$ 8,508,119</u>

See Accompanying Accountant's Compilation Report.

North East Texas Regional Mobility Authority
Revenues and Expenses - Budget to Actual Comparison
For the Year Ended September 30, 2016

	Annual Budget	Actual YTD
Revenue:		
Toll revenue - electronic	\$ 6,510,000	\$ 8,731,328
Toll revenue - video	3,990,000	4,479,197
County contributions	36,000	35,300
Design settlement	-	275,000
Interest Income	-	26,807
Total	<u>10,536,000</u>	<u>13,547,632</u>
Expenses:		
Accounting	42,000	49,290
Auditing	30,000	37,889
Legal fees	385,000	521,980
Employee salaries and benefits	168,991	231,308
Board and staff travel	9,000	18,674
Office and related expenses	19,748	27,647
Public involvement	7,000	-
Project development support	400,000	-
Surety bonds, dues and trustee fees	14,000	14,987
IT support	21,300	39,780
Website maintenance	18,000	20,199
Other general expenses	4,000	64,268
Project director	225,000	246,176
General engineering consultants	404,000	514,361
Toll processing costs	691,381	881,394
Toll maintenance support	318,000	390,285
Toll operating system support	344,500	443,765
Insurance expense	29,000	27,886
Roadway maintenance	<u>1,760,000</u>	<u>1,577,135</u>
	4,890,920	5,107,024
Interest expense on interim loan	250,000	297,917
Interest expense on SIB loan (1)	1,304,521	434,841
Interest on bonded debt	-	2,244,258
Loan fees and expenses	<u>-</u>	<u>3,556,187</u>
Total	<u>6,445,441</u>	<u>11,640,227</u>
Net Operating Cash Flow	<u>4,090,559</u>	<u>1,907,405</u>
Non-Cash Expenses:		
Interest expense on SIB loan (2)	638,907	638,907
Depreciation expense	6,651,665	6,520,063
Loss on camera replacement	-	130,527
Total	<u>7,290,572</u>	<u>7,289,497</u>
Excess of (Expenses) over Revenue	<u>\$ (3,200,013)</u>	<u>\$ (5,382,092)</u>

(1) Interest 2/1/16 through 9/30/16

(2) Interest 10/1/15 through 1/31/16

See Accompanying Accountant's Compilation Report