

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
FINANCIAL STATEMENTS
WITH AUDITORS' REPORT THEREON
SEPTEMBER 30, 2021 AND 2020

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
North East Texas Regional Mobility Authority
Tyler, Texas

Report on the Financial Statements

We have audited the accompanying statements of financial position and the statements of revenues, expenses, and changes in net position of the North East Texas Regional Mobility Authority (the Authority), as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of September 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 8), Schedule of Changes in Net Pension Liability and Related Ratios (page 35), and Schedule of Employer Contributions (page 36) 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 ("GASB"), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2022, 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 solely 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 the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
March 8, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

The North East Texas Regional Mobility Authority (the Authority) presents the following discussion and analysis of the Authority's financial activities during the fiscal years that ended September 30, 2021 and 2020. This section is intended to be read in conjunction with the Authority's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Property, toll roads and equipment were \$379,610,103 and \$377,375,006 as of September 30, 2021 and 2020, respectively. Property, toll roads and equipment as of September 30, 2020 was restated to reflect \$75,809 for leased assets recorded with early implementation of GASB 87 *Leases*. Property, toll roads and equipment increased \$2,235,097 from 2020 to 2021 due to the completion of road improvement projects as well as other capital additions in 2021.
- Construction in progress was \$4,416,380 and \$3,384,581 as of September 30, 2021 and 2020, respectively. Construction in progress increased \$1,031,799 from 2020 to 2021 due to continued work on the Segment 6 project and the Toll 49 widening study. During 2021, work also was performed on Segment 1 overlay plans, a new toll integrator system as well as potential road projects.
- Long-term liabilities decreased \$2,680,039 from 2020 to 2021 due to 1) the reclass of the current portion of Revenue Bonds due within a year to the current liabilities section; 2) the amortization of premiums related to the Revenue Bonds and 3) the \$500,000 principal payment on the Subordinate Lien Bonds.
- Toll revenues (net of expenses) increased \$1,796,707 from 2020 to 2021. Most of the increase is due to increased transactions on the toll road, attributable to Covid recovery as well as overall increase in toll road traffic, and slightly better collections of pay by mail revenue.
- Total operating expenses were \$15,285,904 and \$14,840,510 in 2021 and 2020, respectively. The majority of the increase was due to budgeted increases in roadway maintenance, marketing and advertising and depreciation expenses.

OVERVIEW OF FINANCIAL STATEMENTS

The financial section of this report consists of four parts: management's discussion and analysis, the basic financial statements, the notes to the financial statements and the required supplementary information.

The financial statements provide both long-term and short-term information about the Authority's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

Basic financial statements: The financial statements are designed to provide readers with an overview of the Authority's finances in a manner similar to a private-sector business.

The *Statements of Net Position* present information on all of the Authority's assets and deferred outflows, as well as the Authority's liabilities and deferred inflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statements of Revenues, Expenses and Change in Net Position* present information showing how the Authority's net position changed during the fiscal years ended September 30, 2021 and 2020. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The increase or decrease in net position may serve as an indicator of the effect of the Authority's current year operations on its financial position.

The *Statements of Cash Flows* summarize all of the Authority's cash flows into three categories as applicable: 1) cash flows from operating activities; 2) cash flows from capital related financing activities and 3) cash flows from investing activities. The Statements of Cash Flows, along with the related notes and information in other financial statements, can be useful in assessing the following:

- The Authority's ability to generate future cash flows
- The Authority's ability to pay its debt as the debt matures
- Reasons for the difference between the Authority's operating cash flows and operating income
- The impact of the Authority's financial position of cash and noncash transactions from investing, capital, and financing activities.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net position: As noted above, net position may serve over time as a useful indicator of the Authority's financial position. The net position reflects an un-expendable and expendable portion of net position. The Authority's assets and deferred outflows exceeded liabilities and deferred inflows by \$167,182,736 and \$170,617,431 as of September 30, 2021 and 2020, respectively.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

Net Position

	<u>2021</u>	<u>2020</u>
Current assets	\$ 48,619,510	\$ 46,689,752
Noncurrent assets	322,910,899	330,388,818
Total assets	<u>\$ 371,530,409</u>	<u>\$ 377,078,570</u>
Deferred outflows of resources	104,861	87,462
Total assets and deferred outflows of resources	<u>\$ 371,635,270</u>	<u>\$ 377,166,032</u>
Current liabilities	\$ 4,484,082	\$ 3,972,563
Long-term liabilities	199,859,141	202,539,180
Total liabilities	<u>204,343,223</u>	<u>206,511,743</u>
Deferred inflows of resources	109,311	36,858
Total liabilities and deferred inflows of resources	<u>\$ 204,452,534</u>	<u>\$ 206,548,601</u>
Net position		
Invested in capital assets	\$ 119,007,511	\$ 124,382,728
Restricted	42,564,857	40,024,120
Unrestricted	5,610,368	6,210,583
Total net position	<u>\$ 167,182,736</u>	<u>\$ 170,617,431</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 371,635,270</u>	<u>\$ 377,166,032</u>

The largest portion of the Authority's net position is reflected in investment in capital assets net of any outstanding debt used to acquire those assets. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt will be provided from revenue generated from the operation of the toll roads, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Authority's net position, \$42,564,857 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,610,368 is unrestricted and may be used to meet the Authority's ongoing obligations.

Changes in net position: The Authority's operating revenues increased \$1,796,707 from 2020 to 2021 as a result of increased transactions on the toll road, attributable to Covid recovery and overall increase in toll road traffic, and slightly improved pay by mail revenue collections. The average monthly tolling transactions increased from 35,075 in fiscal year 2020 to 38,848 in fiscal year 2021.

Total operating expenses increased \$445,394 from fiscal year 2020 to fiscal year 2021. The increase is a result of budgeted increases in roadway maintenance, marketing and advertising and depreciation expenses.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

The following table indicates change in net position for the Authority:

	2021	2020
Changes in Net Position		
Revenues:		
Toll revenues – electronic, net	\$ 12,182,881	\$ 11,306,977
Toll revenues – video, net	7,312,310	6,391,507
Contributions – member counties	40,000	40,000
	<u>19,535,191</u>	<u>17,738,484</u>
Expenses:		
General expenses	1,566,211	1,565,635
Toll operating expenses	13,719,693	13,274,875
	<u>15,285,904</u>	<u>14,840,510</u>
Nonoperating revenues (expenses)	<u>(7,683,982)</u>	<u>(7,282,588)</u>
Change in net position	(3,434,695)	(4,384,614)
Net position, beginning of year	<u>170,617,431</u>	<u>175,002,045</u>
Net position, end of year	<u>\$ 167,182,736</u>	<u>\$ 170,617,431</u>

Capital Assets and Long-Term Debt

The Authority's capital assets, net of accumulated depreciation, decreased by \$7,546,108, which is primarily due to the recording of depreciation expense on the Authority's capital assets, thereby increasing accumulated depreciation.

	2021	2020
Property, toll roads, and equipment, net	\$ 379,610,103	\$ 377,375,006
Construction in progress	4,416,380	3,384,581
Accumulated depreciation	(61,234,063)	(50,421,059)
	<u>\$ 322,792,420</u>	<u>\$ 330,338,528</u>

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

Long-Term Debt

Senior Lien Revenue Bonds, Series 2016A:

The terms of the Senior Lien Bonds are as follows:

1. The Authority issued bonds to fund the construction of Segment 4 and paying off the remaining balance of the interim loan.
2. The Senior Lien Bond was issued June 16, 2016 in the amount of \$124,735,000 and has a stated maturity date of January 1, 2046.
3. Interest on the aggregate disbursed principal amount of the bond shall be accrued at an interest rate of 5.00 percent per annum, with such interest being payable on each January 1 and July 1, commencing January 1, 2017. Accrued interest payable on the Senior Lien Bond at September 30, 2021 and 2020 was \$1,559,188.
4. The initial principal payment is due January 1, 2022.

Subordinate Lien Revenue Bonds, Series 2016B:

The terms of the Subordinate Lien Bonds are as follows:

1. The Authority issued bonds to fund the construction of Segment 4 and paying off the remaining balance of the interim loan.
2. The Subordinate Lien Bond was issued June 16, 2016 in the amount of \$56,615,000 and has a stated maturity date of January 1, 2046.
3. Interest on the aggregate disbursed principal amount of the bond shall be accrued at an interest rate of 5.00 percent per annum, with such interest being payable on each January 1 and July 1, commencing January 1, 2017. Accrued interest payable on the Subordinate Lien Bond at September 30, 2021 and 2020 was \$638,938 and \$690,188, respectively.
4. The next principal payment is due January 1, 2022.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

As of September 30, 2021 and 2020, the Authority had the following long-term debt:

	September 30, 2021	September 30, 2020
	<u> </u>	<u> </u>
Long-term liabilities:		
Revenue bonds payable	\$ 199,828,266	\$ 202,510,335
Lease liability	6,432	15,410
Compensated absences	24,443	13,435
Total long-term liabilities	<u>\$ 199,859,141</u>	<u>\$ 202,539,180</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The gross operating revenue estimate for fiscal year 2022 of \$24,478,000 is an approximately 17% increase over the fiscal year 2021 budget, reflective of Covid recovery as well as an anticipated, continued increase of toll road traffic. Operating expenses estimate for fiscal year 2022 of \$8,842,555 is an approximately 4% increase over the fiscal year 2021 budget, reflective of the Authority’s commitment to conservative spending.

CONTACTING THE AUTHORITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide patrons, and other interested parties with a general overview of the Authority’s finances and to show the Authority’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the North East Texas Regional Mobility Authority, 1011 Pruitt Place, Tyler, Texas 75703.

FINANCIAL STATEMENTS

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2021 AND 2020 (as restated)

ASSETS	2021	2020 (as restated)
Current assets:		
Cash and cash equivalents	\$ 5,561,441	\$ 5,983,034
Due from other agencies, net	5,196,441	4,331,417
Other assets	15,080	165,503
Restricted assets:		
Cash and cash equivalents	37,846,548	36,209,798
Total current assets	48,619,510	46,689,752
Noncurrent assets:		
Capital assets:		
Property, toll roads, and equipment	379,610,103	377,375,006
Construction in progress	4,416,380	3,384,581
Accumulated depreciation	(61,234,063)	(50,421,059)
Net capital assets	322,792,420	330,338,528
Pension asset	118,479	50,290
Total noncurrent assets	322,910,899	330,388,818
Total assets	371,530,409	377,078,570
Deferred outflows of resources related to pension	104,861	87,462
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 371,635,270	\$ 377,166,032
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 784,348	\$ 1,053,153
Accrued expenses	87,301	84,123
Accrued interest payable	2,243,125	2,249,375
Compensated absences, current portion	31,018	25,413
Lease liability, current portion	18,290	60,499
Bonds payable, current portion	1,320,000	500,000
Total current liabilities	4,484,082	3,972,563
Long-term liabilities:		
Compensated absences, net of current portion	24,443	13,435
Lease liability, net of current portion	6,432	15,410
Bonds payable, net of current portion	199,828,266	202,510,335
Total long-term liabilities	199,859,141	202,539,180
Deferred inflows of resources related to pension	109,311	36,858
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	204,452,534	206,548,601
NET POSITION		
Net investment in capital assets	119,007,511	124,382,728
Restricted	42,564,857	40,024,120
Unrestricted	5,610,368	6,210,583
Total net position	167,182,736	170,617,431
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 371,635,270	\$ 377,166,032

See accompanying notes to the financial statements.

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
OPERATING REVENUES		
Toll revenues - electronic, net	\$ 12,182,881	\$ 11,306,977
Toll revenues and fees - video, net	7,312,310	6,391,507
Contributions - member counties	40,000	40,000
Total operating revenues	19,535,191	17,738,484
GENERAL EXPENSES		
Administrative	215,862	269,128
Salaries, benefits and payroll taxes	1,056,273	1,017,991
Legal and professional	294,076	278,516
Total general expenses	1,566,211	1,565,635
TOLL OPERATING EXPENSES		
Depreciation expense	10,813,004	10,605,166
General engineering consultants	327,471	164,284
Project director	90,012	105,717
Roadway maintenance	1,249,374	1,071,893
Toll equipment maintenance	359,750	318,000
Transmission line charges	57,428	99,751
Legal fees	90,758	205,210
Toll operating system support	106,456	167,255
Utilities	21,421	25,560
Insurance	68,071	72,486
Marketing and advertising	411,587	310,429
Traffic and revenue study	102,045	102,941
Other operating expenses	22,316	26,183
Total toll operating expenses	13,719,693	13,274,875
Total expenses	15,285,904	14,840,510
Operating income	\$ 4,249,287	\$ 2,897,974
NONOPERATING REVENUES (EXPENSES)		
Interest income	8,684	294,583
Income on investments (net of fees)	-	(7,083)
Interest expense (net of capitalized interest)	(7,618,262)	(7,647,251)
Priority projects	(77,817)	-
Insurance proceeds	-	102,172
Loss on truck disposal	-	(28,580)
Other income (loss)	3,413	3,571
Total nonoperating revenues (expenses)	(7,683,982)	(7,282,588)
Change in net position	(3,434,695)	(4,384,614)
NET POSITION, beginning of year	170,617,431	175,002,045
NET POSITION, end of year	\$ 167,182,736	\$ 170,617,431

See accompanying notes to the financial statements.

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from toll revenues	\$ 19,189,526	\$ 17,551,364
Receipts from member counties	38,000	36,000
Receipts from other revenue sources	3,027	67,120
Payments to employees	(1,038,632)	(969,947)
Payments to vendors	(3,970,306)	(3,633,617)
	<u>14,221,615</u>	<u>13,050,920</u>
Net cash flows provided by operating activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(3,453,671)	(3,627,362)
Payments on grants	(77,817)	-
Payments on principal	(500,000)	(1,400,000)
Payments on interest	(8,985,000)	(9,032,500)
Proceeds from insurance	-	385,258
	<u>(13,016,488)</u>	<u>(13,674,604)</u>
Net cash (used in) capital and related financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earned	10,030	357,116
	<u>10,030</u>	<u>357,116</u>
Net cash flows provided by investing activities		
Net increase (decrease) in cash and cash equivalents	1,215,157	(266,568)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>42,192,832</u>	<u>42,459,400</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 43,407,989</u>	<u>\$ 42,192,832</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 4,249,287	\$ 2,897,974
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	10,813,004	10,605,166
Change in assets and liabilities:		
(Increase) in due from other agencies	(865,023)	(375,408)
(Increase) decrease in other assets	149,073	(138,559)
(Increase) in net pension asset	(68,189)	(37,845)
(Increase) decrease in deferred outflows of resources	(17,399)	611
Increase (decrease) in accounts payable	(131,381)	145,467
Increase (decrease) in accrued expenses	3,177	(68,291)
Increase in compensated absences payable	16,613	3,131
Increase in deferred inflows of resources	72,453	18,674
	<u>\$ 14,221,615</u>	<u>\$ 13,050,920</u>
Net cash flows provided by operating activities		
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Unrestricted cash and cash equivalents	\$ 5,561,441	\$ 5,983,034
Restricted cash and cash equivalents	37,846,548	36,209,798
Total	<u>\$ 43,407,989</u>	<u>\$ 42,192,832</u>

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

1. SIGNIFICANT ACCOUNTING POLICIES

General Statement

The financial statements of the North East Texas Regional Mobility Authority (the Authority) have been prepared in conformity with accounting practices generally accepted in the United States of America as applied to government units. Generally accepted accounting principles for government units include those principles prescribed by the Governmental Accounting Standards Board (GASB). The more significant Authority's accounting policies are described below.

Reporting Entity

The Authority was formed by the State of Texas in 2004. At September 30, 2021 and 2020, the member counties included: Bowie, Cherokee, Gregg, Harrison, Kaufman, Panola, Rusk, Smith, Titus, Upshur, Wood, Van Zandt, Camp and Cass.

Under the power given by the State Legislature, the Authority has the ability to finance, acquire, design, construct, operate, maintain, expand, or extend local transportation projects. The primary purpose of the Authority is to accelerate the development of transportation projects that will enhance the quality of life and economic environment in North East Texas.

Basis of Presentation

The operations of the Authority are accounted for within a single proprietary fund. Proprietary Fund Financial Statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

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.

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

1. SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and demand deposits as of September 30, 2021 and 2020. These deposits are fully collateralized or covered by federal deposit insurance.

Restricted Assets

Certain proceeds from the Authority's bonds and grants are classified as restricted assets because their use is restricted by applicable bond covenants. In addition, the bond covenants specify that toll revenues collected be held in bank accounts for the purposes of construction, operation and maintenance, renewal and replacement, and debt service of Toll 49.

Capital Assets

Capital assets are reported at cost and typically include property, equipment, and infrastructure assets. Construction in progress costs are not depreciated until construction is complete and the assets are placed in service. Depreciation is computed on the straight-line method over the following estimated useful lives:

- Bridges – 45 years
- Roads – 30 years
- Gantries – 20 years
- Improvements – 30 years
- Signage, guardrails, and lighting – 10 years
- Equipment – 7 years

The Authority tests for impairment of capital assets when significant unexpected decline in service utility occurs. There were no asset impairments in fiscal year 2021 or 2020.

Compensated Absences

Full-time regular employees are eligible for paid time off for sick and vacation time, which accrue per pay period. Employees with one to five years of service accrue 120 hours per year. Employees with five years of service and over accrue 176 hours per year. As a condition of employment and as reflected in the employment agreement, the Executive Director accrues 240 hours per year. Employees' unused paid time off may carry over into subsequent years, except that employees may bank no more than 240 hours at any given time. If an employee reaches the 240-hour cap, the employee will accrue no more paid time off until the employee uses paid time off and falls below the 240-hour cap. Accrued paid time off on the Statements of Net Position is \$55,461 and \$38,848 as of September 30, 2021 and 2020, respectively.

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

1. SIGNIFICANT ACCOUNTING POLICIES - continued

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Authority or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The Authority's policy is to first use restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Income Taxes

The Authority is a quasi-governmental entity formed by the State of Texas. As a result, income earned by the operation of the Authority is exempt from state or federal income taxes.

Pensions

The net pension asset/liability, deferred outflows and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Authority's participation in the Texas County and District Retirement System (TCDRS), an Agent Plan, and additions/deductions from TCDRS's fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized in the TCDRS net pension liability calculations when due and payable in accordance with the benefit terms. The investments are stated at fair value.

Deferred Outflows and Inflows of Resources

The Authority has classified as deferred inflows of resources items that represent acquisition of net position that applies to future periods and will not be recognized as a revenue until then. The Authority has classified as deferred outflows of resources certain items that represent a consumption of resources that applies to a future period and, therefore, will not be recognized as an expense until then.

Toll Revenues and Related Costs

Toll revenues and related costs associated with the collection of toll revenues are reported on the financials at their net amounts.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

1. SIGNIFICANT ACCOUNTING POLICIES - continued

Reclassification and restatement

Certain reclassifications have been made to the prior year's amounts reflected within the statement of net position and the statement of revenues, expenses, and changes in net position to enhance comparability with the current year's financial statements and to enhance the comparability with the periodic reporting completed by the Authority. The most significant reclassification made was presenting restricted cash as a component of restricted net position rather than net investment in capital assets for the years ending September 30, 2021 and 2020, respectively. See Note 2 for the detail of restricted cash and restricted net position for years ending 2021 and 2020. Also, property, toll roads and equipment amounts were restated and lease liability amounts were included for September 30, 2020, as a result of the early implementation of GASB 87 *Leases*.

Issued but not yet effective pronouncements

GASB Statement No. 92, *Omnibus 2020*, is to improve the consistency of authoritative literature and enhance the comparability in the application of accounting and financial reporting requirements. The requirements of the statement are effective for the period beginning after June 15, 2021; however, early implementation is encouraged. Management of the Authority is currently evaluating the requirements of this pronouncement but expects the adoption may have an impact on a few select financial statement note disclosures.

2. CASH

Cash is reflected on the statement of net position at September 30, 2021 and 2020 as follows:

	September 30, 2021	September 30, 2020
Cash and cash equivalents	\$ 5,561,441	\$ 5,983,034
Restricted cash and cash equivalents	37,846,548	36,209,798
Total	\$ 43,407,989	\$ 42,192,832

The Authority has an operating reserve policy that requires twelve-months of budgeted operating and maintenance expenditures be set aside. The reserve requirement at September 30, 2021 and 2020 was 100% of budgeted operating and maintenance expenses and totaled \$5,229,660 and \$5,609,214, respectively.

Custodial Credit Risk - Deposits

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The Authority's deposits were fully insured as required by state statutes at September 30, 2021 and 2020.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

2. CASH - continued

Interest Rate Risk - Deposits

Interest rate risk is the risk that earnings on interest bearing deposits will fall due to changes in general interest rates. The Authority holds restricted cash related to loan covenants of the Senior and Subordinate lien revenue bonds in interest bearing accounts with Amegy Bank.

3. RESTRICTED ASSETS

Restricted assets of the Authority consist primarily of cash and cash equivalents, toll receivables and payables from restricted accounts at September 30, 2021 and 2020 are as follows:

	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Cash:		
Bond debt service accounts	\$ 19,514,743	\$ 18,899,240
Construction fund	-	6,023,888
Revenue fund	431,824	352,627
Operating and maintenance fund	1,167,074	585,556
Renewal and replacement fund	3,581,798	3,557,875
General fund	13,151,109	6,790,612
Total restricted cash	<u>37,846,548</u>	<u>36,209,798</u>
Other restrictions:		
Restricted receivables	5,196,441	4,331,417
Amounts payable out of restricted assets	<u>(478,132)</u>	<u>(517,095)</u>
Total other restrictions	<u>4,718,309</u>	<u>3,814,322</u>
Restricted net position	<u>\$ 42,564,857</u>	<u>\$ 40,024,120</u>

Included in restricted cash is the general fund. According to the loan covenants of the Senior and Subordinate lien revenue bonds, cash from the general fund will be used to satisfy deficiencies in the bond debt service accounts, if necessary. After satisfying those requirements, such cash may be expended or transferred from time to time for any of the following purposes, with no one item having priority over any of the others:

- a) To purchase, redeem, or repay obligations;
- b) To pay maintenance expenses and operating expenses;
- c) To make payments into the construction fund;
- d) To fund improvements, extensions, and replacements of the System toll roads; or
- e) For any other lawful purpose.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

3. RESTRICTED ASSETS - continued

The Authority has the right under the bond indentures to pledge amounts on deposit in the general fund to the payment of any obligation of the Authority.

4. DUE FROM OTHER AGENCIES

Due from other agencies consists of amounts due from other tolling authorities for toll tag transactions and other agencies for video transactions and violation fees from Toll 49.

The Authority has contracted with various tolling authorities to handle the operations related to toll tag transactions. Toll tag revenue due from these agencies at September 30, 2021 are fully collectible.

The Authority has contracted with toll collection provider Cofiroute USA LLC to provide collection services for video tolls and violation fees. The allowance for uncollectible video tolls and fees reflected in the table below has been estimated based upon historical placement of tolls and subsequent collection rates.

	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Tolls receivable - electronic	\$ 1,268,644	\$ 1,026,242
Tolls receivable - video and fees	21,399,647	16,962,307
Allowance for uncollectible video tolls and fees	<u>(17,471,850)</u>	<u>(13,657,132)</u>
	<u>3,927,797</u>	<u>3,305,175</u>
Due From Other Agencies	<u>\$ 5,196,441</u>	<u>\$ 4,331,417</u>

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

5. CAPITAL ASSETS

Capital assets of the Authority consisted of the following as of September 30, 2021:

	September 30, 2020	Additions	Transfers/ Retirements	September 30, 2021
Property, Toll Roads, and Equipment:				
Toll 49 Right of Way	\$ 47,904,404	\$ -	\$ -	\$ 47,904,404
Toll 49 Bridges	84,286,695	-	-	84,286,695
Toll 49 Highway	227,612,646	1,146,472	-	228,759,118
Toll 49 Gantries and toll equipment	16,401,483	156,662	-	16,558,145
Toll 49 Improvements	453,539	876,199	-	1,329,738
Office equipment and other	503,074	46,141	-	549,215
Leased assets	75,909	9,623	-	85,532
Trucks and Auto	137,256	-	-	137,256
Construction in progress	3,384,581	3,164,699	2,132,900	4,416,380
Total Capital Assets	<u>380,759,587</u>	<u>5,399,796</u>	<u>2,132,900</u>	<u>384,026,483</u>
Less Accumulated Depreciation	(50,421,059)	(10,752,024)	-	(61,173,083)
Less Accumulated Depreciation - Leased Assets	-	(60,980)	-	(60,980)
Total Accumulated Depreciation	<u>(50,421,059)</u>	<u>(10,813,004)</u>	<u>-</u>	<u>(61,234,063)</u>
Total Capital Assets, net	<u>\$ 330,338,528</u>	<u>\$ (5,413,208)</u>	<u>\$ 2,132,900</u>	<u>\$ 322,792,420</u>

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

5. CAPITAL ASSETS – continued

Capital assets of the Authority consisted of the following as of September 30, 2020:

	<u>September 30, 2019</u>	<u>Additions</u>	<u>Transfers / Retirements</u>	<u>September 30, 2020</u>
Property, Toll Roads, and Equipment:				
Toll 49 Right of Way	\$ 47,904,404	\$ -	\$ -	\$ 47,904,404
Toll 49 Bridges	84,286,695	-	-	84,286,695
Toll 49 Highway	226,007,377	1,605,269	-	227,612,646
Toll 49 Gantries and toll equipment	16,320,180	81,303	-	16,401,483
Toll 49 Improvements	-	453,539	-	453,539
Office equipment and other	327,418	175,656	-	503,074
Leased assets	-	75,909	-	75,909
Trucks and Auto	89,985	82,937	35,666	137,256
Construction in progress	2,593,235	2,704,909	1,913,563	3,384,581
Total Capital Assets	<u>377,529,294</u>	<u>5,179,522</u>	<u>1,949,229</u>	<u>380,759,587</u>
Less Accumulated Depreciation	<u>(39,822,979)</u>	<u>(10,605,166)</u>	<u>7,086</u>	<u>(50,421,059)</u>
Total Capital Assets, net	<u>\$ 337,706,315</u>	<u>\$ (5,425,644)</u>	<u>\$ 1,956,315</u>	<u>\$ 330,338,528</u>

Depreciation expense for the years ended September 30, 2021 and 2020 was \$10,813,004 and \$10,605,166 respectively.

Capitalization of Interest

The Authority early implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. As a result, no interest costs were capitalized during the year ended September 30, 2020.

6. ACCOUNTS PAYABLE

Accounts payable consisted of the following at September 30, 2021 and 2020:

	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Accounts payable – capital	\$ 393,517	\$ 620,181
Accounts payable – operations	184,169	286,110
Accounts payable – other	<u>206,662</u>	<u>146,862</u>
Total	<u>\$ 784,348</u>	<u>\$ 1,053,153</u>

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

7. BONDS PAYABLE

The following summarizes long-term debt activity of the Authority for the years ended September 30, 2021 and 2020:

	<u>September 30, 2020</u>	<u>Additions/ Amortization</u>	<u>Reductions</u>	<u>September 30, 2021</u>
Long-term debt:				
Bonds - Senior lien	\$ 124,735,000	\$ -	\$ -	\$ 124,735,000
Bonds - Subordinate lien	55,215,000	-	(500,000)	54,715,000
Subtotal	<u>179,950,000</u>	<u>-</u>	<u>(500,000)</u>	<u>179,450,000</u>
Bond premium payable:				
Bond premiums	28,956,440	-	-	28,956,440
Bond premiums amortization	(5,896,105)	(1,362,069)	-	(7,258,174)
Subtotal	<u>23,060,335</u>	<u>(1,362,069)</u>	<u>-</u>	<u>21,698,266</u>
Total long-term debt	203,010,335	(1,362,069)	(500,000)	201,148,266
Less: Bonds payable, current portion	(500,000)	(1,320,000)	500,000	(1,320,000)
Bonds payable, net of current portion	<u>\$ 202,510,335</u>	<u>\$ (2,682,069)</u>	<u>\$ -</u>	<u>\$ 199,828,266</u>
Current year interest payable:				
Bond accrued interest	<u>\$ 2,249,375</u>	<u>\$ 8,978,750</u>	<u>\$ (8,985,000)</u>	<u>\$ 2,243,125</u>

	<u>September 30, 2019</u>	<u>Additions/ Amortization</u>	<u>Reductions</u>	<u>September 30, 2020</u>
Long-term debt:				
Bonds - Senior lien	\$ 124,735,000	\$ -	\$ -	\$ 124,735,000
Bonds - Subordinate lien	56,615,000	-	(1,400,000)	55,215,000
Subtotal	<u>181,350,000</u>	<u>-</u>	<u>(1,400,000)</u>	<u>179,950,000</u>
Bond premium payable:				
Bond premiums	28,956,440	-	-	28,956,440
Bond premiums amortization	(4,528,355)	(1,367,750)	-	(5,896,105)
Subtotal	<u>24,428,085</u>	<u>(1,367,750)</u>	<u>-</u>	<u>23,060,335</u>
Total long-term debt	205,778,085	(1,367,750)	(1,400,000)	203,010,335
Less: Bonds payable, current portion	(1,400,000)	(500,000)	1,400,000	(500,000)
Bonds payable, net of current portion	<u>\$ 204,378,085</u>	<u>\$ (1,867,750)</u>	<u>\$ -</u>	<u>\$ 202,510,335</u>
Current year interest payable:				
Bond accrued interest	<u>\$ 2,266,875</u>	<u>\$ 9,015,000</u>	<u>\$ (9,032,500)</u>	<u>\$ 2,249,375</u>

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

7. BONDS PAYABLE – continued

Additions to long-term liabilities

	September 30, 2021	September 30, 2020
Bond interest expense	\$ 7,616,681	\$ 7,647,250
Bond premium amortization	1,362,069	1,367,750
Additions to long-term liabilities	<u>\$ 8,978,750</u>	<u>\$ 9,015,000</u>

Senior and Subordinate Lien Revenue Bonds:

On June 16, 2016, the Authority issued two bonds totaling approximately \$181 million for the purpose of providing financial assistance in connection with the design, development, financing, right-of-way acquisition, and construction of Segment 4 of the Toll 49.

Senior Lien Revenue Bonds:

The terms of the Senior Lien Bonds are as follows:

1. The Authority issued bonds to fund the construction of Segment 4 and pay the remaining balance of the interim loan.
2. The Senior Lien Bond was issued June 16, 2016 in the amount of \$124,735,000 and has a stated maturity date of January 1, 2046.
3. Interest on the aggregate disbursed principal amount of the bond shall accrue at an interest rate of 5.00 percent per annum, with such interest being payable on each January 1 and July 1, commencing January 1, 2017. Accrued interest payable on the Senior Lien Bond was \$1,559,188 as of both years ended September 30, 2021 and 2020.
4. The initial principal payment is due January 1, 2022.

Subordinate Lien Revenue Bonds:

The terms of the Subordinate Lien Bonds are as follows:

1. The Authority issued bonds to fund the construction of Segment 4 and paying the remaining balance of the interim loan.
2. The Subordinate Lien Bond was issued June 16, 2016 in the amount of \$56,615,000 and has a stated maturity date of January 1, 2046.
3. Interest on the aggregate disbursed principal amount of the bond shall accrue at an interest rate of 5.00 percent per annum, with such interest being payable on each January 1 and July 1, commencing January 1, 2017. Accrued interest payable on the Subordinate Lien Bond was \$683,937 and \$690,187 for years ended September 30, 2021 and 2020, respectively.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

7. BONDS PAYABLE – continued

4. The next principal payment is due January 1, 2022.

Future payments of principal and interest on the Authority’s Revenue Bonds as of September 30, 2021 are as follows:

Fiscal Year Ended September 30	Principal	Interest	Total Amount
2022	1,320,000	8,939,500	10,259,500
2023	1,655,000	8,865,125	10,520,125
2024	2,375,000	8,764,375	11,139,375
2025	2,550,000	8,641,250	11,191,250
2026	3,285,000	8,495,375	11,780,375
2027-2031	22,330,000	39,478,250	61,808,250
2032-2036	35,425,000	32,376,375	67,801,375
2037-2041	48,545,000	21,796,125	70,341,125
2042-2046	61,965,000	8,048,375	70,013,375
Total obligations	<u>\$179,450,000</u>	<u>\$145,404,750</u>	<u>\$324,854,750</u>

8. INTERLOCAL AGREEMENTS

CTRMA Interlocal Agreement

On September 30, 2018, the Authority entered into an agreement with the Central Texas Regional Mobility Authority (CTRMA). Under the agreement, the Authority and CTRMA jointly evaluated and selected a vendor, Cofiroute USA, LLC (Cofiroute), for pay by mail processing, violations processing, collections, and customer services.

Cofiroute will perform the review of license plates to ensure accuracy of images associated with pay by mail processing and collection efforts. In addition, CTRMA entered into an agreement with Kapsch TrafficCom USA, Inc. (Kapsch) to perform image reviews. Image reviews performed for CTRMA under the Kapsch agreement will also be performed for the Authority.

The contract provides that Cofiroute shall be entitled to retain a portion of the tolls and fees as full compensation for the services provided under the contract. Cofiroute will remit the tolls and fees collected for the Authority, net of the compensation owed to Cofiroute, to the Authority on a weekly basis.

The agreement between CTRMA and the Authority is effective until March 8, 2023.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

8. INTERLOCAL AGREEMENTS – continued

Cooperative Interlocal Agreement

On January 14, 2020, the Authority entered into an agreement with the Local Government Purchasing Cooperative (Cooperative). Under the agreement, the Authority staff have identified participation in the Cooperative, also known as “BuyBoard,” as a method to enhance efficiencies and costs in eligible procurements. The purpose of the interlocal participation agreement is to facilitate compliance with the state procurement requirements, to identify qualified vendors of commodities, goods, and services, to relieve the burdens of the governmental purchasing function, and to realize the various potential economies, including administrative cost savings, for members of the Cooperative. The agreement automatically renews for successive one-year terms unless terminated.

Priority Project Commitments

The Authority approved program grant funds for the various member counties as reflected below:

Fiscal Year Awarded	County Awarded	Amount Awarded (Paid Out)	Comments
2017	Kaufman County	\$ 77,817	
		<u>(77,817)</u>	Paid August 5, 2021
		\$ -	
2018	Bowie County	\$ 350,000	Expires 2022
	Harrison County	150,000	Expires 2022
		<u>\$ 500,000</u>	
2019	Titus County	\$ 320,000	Expires 2022
	Upshur County	280,000	Extended without timeline
		40,000	Carryover from 2017
		<u>\$ 640,000</u>	
2020	Gregg County	\$ 270,000	Expires 2022
	Rusk County	240,000	Expires 2022
	Wood County	125,000	Expires 2022
		<u>\$ 635,000</u>	
2021	Gregg County	\$ 200,000	Expires 2023
	Cherokee County	125,000	Expires 2023
		<u>\$ 325,000</u>	
	Total	<u><u>\$ 2,100,000</u></u>	

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

8. INTERLOCAL AGREEMENTS – continued

Priority Projects – continued

Priority projects are funds awarded on a reimbursement basis to member counties who are approved by the Board based on project proposals submitted. Once approved, the commitment stands for two years, pending the start of the project. Once the project is started, it begins to earn reimbursements once funds have been expended and submitted to the Authority. Commitment terms expire when a project is not started within the two years unless an extension is requested and granted by the Board. The length of extensions are currently on a case-by-case basis. If the commitment term expires prior to starting the project, the project will need to be re-submitted for consideration to receive any funds from the Authority.

Subsequent to September 30, 2021, grant funds totaling \$758,752 were paid out to member counties and \$101,248 were released from restriction as their commitment term expired.

9. TOLL REVENUES AND RELATED COSTS

Electronic and video revenues and related costs are detailed below for the years ended September 30, 2021 and 2020:

	September 30, 2021	September 30, 2020
Toll revenues – electronic	\$ 13,036,074	\$ 12,124,470
Less: electronic processing costs	(853,193)	(817,493)
Toll revenues – electronic, net	<u>\$ 12,182,881</u>	<u>\$ 11,306,977</u>
Toll revenues – video	\$ 5,776,823	\$ 5,015,135
Video violation fees	4,346,376	3,956,348
Less: video processing costs	(2,810,889)	(2,579,976)
Toll revenues and fees – video, net	<u>\$ 7,312,310</u>	<u>\$ 6,391,507</u>

For the years ended September 30, 2021 and 2020, video toll revenue and violation fees were recorded internally at their gross amounts to provide more useful information to management and the Board of Directors. Likewise, video processing fees were also recorded internally at their gross amounts. The net video toll revenue and fees of \$7,312,310 and \$6,391,507 presented in the Statement of Revenues, Expenses, and Changes in Net Position for the years ended September 30, 2021 and 2020, respectively, reflect the net portion of revenue after the provider’s retention of their share of the video tolls and fees. Please see Note 8 for more information on the agreement with video toll collection provider.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

10. LEASES

The Authority entered an operating lease during the fiscal year ended September 30, 2017 for a 3,702 square foot office space located at the Woodgate Centre in Tyler, Texas, expiring December 31, 2021. Rent expense for this lease was \$62,009 and \$61,777 for the years ended September 30, 2021 and 2020.

The Authority entered into a 39-month lease agreement, effective August 5, 2021, for the use of a copier. The monthly payment amount is \$270, with total rent expense of \$383 incurred for the year end September 30, 2021.

At the time of the initial measurement, there was no interest rate specified in the lease agreements. The Authority used an estimated borrowing rate of 4.5%, which was provided by the Authority's local bank president, to discount the annual lease payments for the office space and the copier to recognize the respective lease asset and lease liability at September 30, 2021 and 2020.

Annual requirements to amortize these lease liabilities and related interest are as follows:

Year Ending September 30	Woodgate Office Space		Copier		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 15,410	\$ 93	\$ 2,880	\$ 360	\$ 18,290	\$ 453
2023	-	-	3,270	241	3,270	241
2024	-	-	2,893	77	2,893	77
2025	-	-	269	1	269	1
	<u>\$ 15,410</u>	<u>\$ 93</u>	<u>\$ 9,312</u>	<u>\$ 679</u>	<u>\$ 24,722</u>	<u>\$ 772</u>

11. PENSION PLAN

Plan description: The Authority participates in the Texas County and District Retirement System (TCDRS). TCDRS is a statewide, agent multiple-employer, public employee retirement system. TCDRS is a nonprofit public trust providing pension, disability, and death benefits for the eligible employees of participating counties and districts. TCDRS was established by legislative act in 1967 under authority of Article XVI of the Texas Constitution. The TCDRS Act (Subtitle F, Title 8, Texas Government Code) is the basis for TCDRS administration. TCDRS issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. That annual report may be downloaded at <http://www.tcdrs.com>.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

11. PENSION PLAN - continued

Benefits provided: The Authority provides retirement, disability, and death benefits for all its full and part-time non-temporary employees, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership. TCDRS is a savings-based plan. For the Authority’s plan, 6% of each employee’s pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 200%) and is then converted to an annuity. There are no automatic COLAs. Each year, the Authority may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation. Benefit terms are established under the TCDRS Act. They may be amended as of January 1st each year but must remain in conformity with the Act. Members can retire at ages 60 and above with 8 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.

Plan membership: The following employees were covered by the benefit terms as of the valuation date December 31:

	2020	2019
Inactive employees entitled to, but not yet receiving benefits	1	1
Active employees	9	8
Total	10	9

Contributions: The Authority has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the Authority based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the Authority is actuarially determined annually. The Authority contributed using the actuarially rate of 8.40% for the months of the accounting year 2021 and 8.58% for the months of the accounting year 2020. The Authority’s contributions to the plan were \$72,770 and \$72,756 for the year ended September 30, 2021 and 2020, respectively.

Net pension asset: The Authority’s net pension asset was measured as of December 31, 2020 and 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

Actuarial assumptions: The actuarial assumption that determined the total pension liability as of December 31, 2020 were based on the results of an actuarial experience study for the period January 1, 2013, through December 31, 2016, except where required to be different by GASB Statement No. 68.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

11. PENSION PLAN - continued

The total pension liability in the December 31, 2020 and 2019 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2020	2019
Inflation	2.50%	2.75%
Salary increases (including inflation plus average merit of 1.6% and productivity of 0.5% for 2020 and 2019)	4.60%	4.90%
Investment rate of return	7.50%	8.00%

Mortality rates were based on the following:

Depositing members: For the December 31, 2020 and 2019 valuations, 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.

Service retirees, beneficiaries, and non-depositing members: For the December 31, 2020 and 2019 valuations, 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Disabled retirees: For the December 31, 2020 and 2019 valuations, 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Long-term rate of return on assets: The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the actuarial standards of practice.

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

11. PENSION PLAN - continued

The capital market assumptions and information shown below are provided by TCDRS' investment consultant based on the December 31, 2020 information for a ten-year time horizon.

Asset Class	Benchmark	Target Allocation(1)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
United States Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.25%
Private Equity	Cambridge Associates Global Private Equity and Venture Capital Index (3)	25.00%	7.25%
Global Equities	MSCI World (net) Index	2.50%	4.55%
International Equities - Developed	MSCI World Ex USA (net)	5.00%	4.25%
International Equities - Emerging	MSCI EM Standard (net) index	6.00%	4.75%
Investment - Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	2.11%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.70%
Distressed Debt	Cambridge Associates Distressed Index (4)	4.00%	5.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index plus 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	3.45%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.10%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (5)	6.00%	4.90%
Hedge Funds	Hedge Fund Research, Inc. Fund of Funds Composite Index	6.00%	1.85%
Cash Equivalents	90-Day U. S. Treasury	2.00%	-0.70%

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

11. PENSION PLAN - continued

The capital market assumptions and information shown below are provided by TCDRS' investment consultant based on the December 31, 2019 information for a ten-year time horizon.

Asset Class	Benchmark	Target Allocation(1)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
United States Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity and Venture Capital Index(3)	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.00%	5.50%
International Equities - Developed	MSCI World Ex USA (net)	7.00%	5.20%
International Equities - Emerging	MSCI EM Standard (net) index	7.00%	5.70%
Investment - Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Index(4)	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index plus 33% FRSE EPRA/NAREIT Global Real Estate Index	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index(5)	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. Fund of Funds Composite Index	8.00%	2.30%

(1) Target asset allocation adopted at the March 2021 and June 2020 TCDRS Board meetings.

(2) Geometric real rates of return equal the expected return for the assets class minus the assumed inflation of 2.0% and 1.8%, respectively, per investment consultant's 2021 and 2020 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Discount rate: The discount rate used to measure the total pension liability was 7.60% and 8.10% for December 31, 2020 and 2019, respectively. In order to determine the discount rate to be used by the employer, the TCDRS used an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

11. PENSION PLAN – continued

- (1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability shall be amortized as a level percent of pay over 20-year closed layered periods.
- (2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
- (3) The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
- (4) Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Changes in net pension liability (asset): Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the Authority is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB Statement No. 68 purposes. Therefore, the system has used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.1% to be gross of administrative expenses.

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

11. PENSION PLAN – continued

Changes in Net Pension Liability (Asset) 2020

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2019	\$ 317,245	\$ 367,536	\$ (50,290)
Changes for the year:			
Service cost	117,372	-	117,372
Interest on total pension liability (1)	33,169	-	33,169
Effect of plan changes (2)	-	-	-
Effect of economic/demographic (gains) or losses	(80,927)	-	(80,927)
Effect of assumptions changes or inputs	24,443	-	24,443
Refund of contributions	(51,251)	(51,251)	-
Benefit payments	-	-	-
Administrative expenses	-	(350)	350
Member contributions	-	50,346	(50,346)
Net investment income	-	38,114	(38,114)
Employer contributions	-	71,995	(71,995)
Other (3)	-	2,140	(2,140)
Balances as of December 31, 2020	<u>\$ 360,051</u>	<u>\$ 478,529</u>	<u>\$ (118,479)</u>

Changes in Net Pension Liability (Asset) 2019

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2018	\$ 212,363	\$ 224,807	\$ (12,445)
Changes for the year:			
Service cost	99,708	-	99,708
Interest on total pension liability (1)	24,882	-	24,882
Effect of plan changes (2)	-	-	-
Effect of economic/demographic (gains) or losses	(9,753)	-	(9,753)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(9,954)	(9,954)	-
Benefit payments	-	-	-
Administrative expenses	-	(280)	280
Member contributions	-	44,979	(44,979)
Net investment income	-	36,814	(36,814)
Employer contributions	-	67,605	(67,605)
Other (3)	-	3,565	(3,565)
Balances as of December 31, 2019	<u>\$ 317,245</u>	<u>\$ 367,536</u>	<u>\$ (50,290)</u>

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) No plan changes valued.

(3) Relates to allocation of system-wide items.

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

11. PENSION PLAN – continued

Sensitivity analysis: The following presents the net pension asset/liability of the Authority, calculated using the discount rate of 7.60%, as well as what the net pension asset/liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	2020		
	1% Decrease	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Total pension liability	\$ 416,655	\$ 360,051	\$ 312,881
Fiduciary net position	478,529	478,529	478,529
Net pension liability/(asset)	<u>\$ (61,874)</u>	<u>\$ (118,479)</u>	<u>\$ (165,648)</u>
	2019		
	1% Decrease	Current Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Total pension liability	\$ 364,430	\$ 317,245	\$ 277,520
Fiduciary net position	367,536	367,536	367,536
Net pension liability/(asset)	<u>\$ (3,106)</u>	<u>\$ (50,290)</u>	<u>\$ (90,016)</u>

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separate issued TCDRS financial report.

Pension expense and deferred inflows of resources and deferred outflows of resources related to pensions: For the year ended September 30, 2021 and 2020, the Authority recognized pension expense of \$59,636 and \$54,195, respectively. At September 30, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30, 2021		September 30, 2020	
	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 95,953	\$ 22,524	\$ 24,621	\$ 24,416
Changes of assumptions	-	23,035	-	892
Net difference between projected and actual earnings	13,358	6,622	12,237	10,250
Contributions made subsequent to measurement date	-	52,680	-	51,904
	<u>\$ 109,311</u>	<u>\$ 104,861</u>	<u>\$ 36,858</u>	<u>\$ 87,462</u>

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

11. PENSION PLAN – continued

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made after the measurement date, will be recognized in pension expense as follows:

<u>Year Ended December 31</u>		
2021	\$	(6,421)
2022		(6,063)
2023		(9,371)
2024		(6,493)
2025		(5,403)
Thereafter		<u>(23,379)</u>
	<u>\$</u>	<u>(57,130)</u>

12. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments:

As of September 30, 2021, the Authority has committed to paying granted funds of \$2,100,000 for Priority Projects of various counties in the RMA as detailed in Note 8. Since these granted funds are not expended until the project has been submitted for reimbursement, no liability is recorded for the commitments.

Contingencies:

As of September 30, 2021, the Authority is involved in various contract disputes during the normal course of operations. Based upon the status of claims and the information available, the Authority believes that no liability will be incurred because of the claims.

13. SUBSEQUENT EVENTS

Since the coronavirus outbreak (COVID-19), the spread of COVID-19 has impacted many local economies around the world. Businesses have limited operations for short and/or long periods of time. Measures taken to contain the spread of the virus have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

The Authority has determined that these subsequent events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended September 30, 2021, have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of global government and central bank responses, remains unclear currently. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Authority for future periods.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

13. SUBSEQUENT EVENTS - continued

The Authority has evaluated subsequent events through March 8, 2022, which is the date the financial statements were made available to management.

REQUIRED SUPPLEMENTARY INFORMATION

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Measurement Year 2020	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017	Measurement Year 2016	Measurement Year 2015
Total Pension Liability						
Service cost	\$ 117,372	\$ 99,708	\$ 78,796	\$ 51,054	\$ 24,580	\$ 16,561
Interest on total pension liability	33,169	24,882	17,301	8,592	2,372	635
Effect of plan changes	-	-	-	-	-	(1,002)
Effect of assumption changes or inputs	24,443	-	-	749	-	440
Effect of economic/demographic (gains) or losses	(80,927)	(9,753)	(18,531)	19,377	10,839	600
Benefits payments /refunds of contributions	(51,251)	(9,954)	-	-	-	-
Net change in total pension liability	42,806	104,883	77,566	79,772	37,791	17,233
Total pension liability, beginning	317,245	212,363	134,796	55,024	17,233	-
Total pension liability, ending (a)	<u>\$ 360,051</u>	<u>\$ 317,245</u>	<u>\$ 212,363</u>	<u>\$ 134,796</u>	<u>\$ 55,024</u>	<u>\$ 17,233</u>
Fiduciary Net Position						
Employer contributions	\$ 71,995	\$ 67,605	\$ 49,291	\$ 46,562	\$ 22,661	\$ 10,275
Member contributions	50,346	44,979	33,327	29,060	14,123	6,489
Investment income net of investment expenses	38,114	36,814	(1,715)	9,350	1,268	(142)
Benefit payments/refunds of contributions	(51,251)	(9,954)	-	-	-	-
Administrative expenses	(350)	(280)	(181)	(94)	(14)	(6)
Other	2,140	3,565	2,476	1,013	1,068	(1)
Net change in fiduciary net position	110,994	142,728	83,198	85,890	39,106	16,615
Fiduciary net position, beginning	367,536	224,807	141,610	55,720	16,615	-
Fiduciary net position, ending (b)	\$ 478,529	\$ 367,536	\$ 224,807	\$ 141,610	\$ 55,720	\$ 16,615
Net pension liability/(asset), ending = (a) - (b)	<u>\$ (118,479)</u>	<u>\$ (50,290)</u>	<u>\$ (12,445)</u>	<u>\$ (6,813)</u>	<u>\$ (696)</u>	<u>\$ 619</u>
Fiduciary net position as a % of total pension liability	132.91%	115.85%	105.86%	105.05%	101.26%	96.41%
Pensionable covered payroll	\$ 839,098	\$ 749,644	\$ 555,454	\$ 484,326	\$ 235,380	\$ 144,206
Net pension liability as a % of covered payroll	-14.12%	-6.71%	-2.24%	-1.41%	-0.30%	0.43%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

<u>Year Ending September 30</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2015	\$ 10,275	\$ 10,275	\$ -	\$ 108,154	9.50%
2016	22,361	22,661	(300)	235,380	9.60%
2017	46,562	46,562	-	484,326	9.60%
2018	49,291	49,291	-	555,454	8.90%
2019	67,605	67,605	-	749,644	9.00%
2020	71,995	71,995	-	839,098	8.60%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date Actuarially determined contribution rates are calculated each December 31st, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.0 years (based on contribution rate calculated in 12/31/2020 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: Employer contributions reflect that the member contribution rate was increased to 7% and the current service matching rate was decreased to 200% 2020: No changes in plan provisions were reflected in the Schedule.

See accompanying notes to the financial statements

COMPLIANCE AND INTERNAL CONTROL



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*

The Board of Directors
North East Texas Regional Mobility Authority

We have audited, in accordance with the 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, the financial statements of North East Texas Regional Mobility Authority (the Authority), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 8, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Prothro, Wilhelmi & Company, PLLC". The signature is written in a cursive, flowing style.

PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
March 8, 2022