NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY

FINANCIAL STATEMENTS

WITH AUDITORS' REPORT THEREON

SEPTEMBER 30, 2022 AND 2021

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinions
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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Authority as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in aggregate, that raise substantial doubt about the Authority ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information be presented to supplement the basic financial statements, Schedule of Changes in Net Pension Liability and Related Ratios, and Schedule of Employer Contributions are also presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Emphasis of Matter – Change in Accounting Principle

As described in Note 1 to the financial statements, the Authority adopted new accounting guidance, *GASB Statement No. 87, Leases.* The Authority elected to early implement this guidance in the prior year; however, this guidance is required for the year ended September 30, 2022. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated May 9, 2023, on our consideration of the Authority's internal control over financial reporting an 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
May 9, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 AND 2021

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, 2022 and 2021. 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 $388,685,075 and $379,524,571 as of September 30, 2022 and 2021, respectively. Property, toll roads and equipment increased $9,160,504 from 2021 to 2022 due to the completion of the Segment 1 overlay project and other road improvement projects as well as the implementation of a new toll integrator system, a new back-office provider and other capital additions in 2022.

- Construction in progress was $5,626,781 and $4,416,380 as of September 30, 2022 and 2021, respectively. Construction in progress increased $1,210,401 from 2021 to 2022 due to continued work on the Toll 49 widening study and other potential road projects. During 2022, work also was performed on a new comprehensive traffic and revenue study.

- Long-term liabilities decreased $2,503,633 from 2021 to 2022 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 $1,320,000 total principal payments on the Senior Lien and Subordinate Lien Bonds.

- Toll revenues (net of expenses) increased $210,447 from 2021 to 2022 as there were increased transactions on the toll road. Net electric toll revenue increased $774,456 from 2021 to 2022. Net video toll revenue decreased $564,009 from 2021 to 2022 due to the one and one-half months planned delay in customer billing, and ultimately collections, with the cutover to the new toll integrator system and back-office provider.

- Total operating expenses were $17,652,690 and $15,285,904 in 2022 and 2021, respectively. The majority of the increase was due to budgeted increases in roadway maintenance and depreciation expenses as well as $1,934,143 recorded in bad debt expense as September 30, 2022.

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.

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, 2022 and 2021. 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 $160,925,710 and $167,182,736 as of September 30, 2022 and 2021, respectively.

Net Position

	2022	2021
Current assets	$ 31,308,855	$ 48,619,510
Noncurrent assets	332,123,266	322,910,899
Total assets	$ 363,432,121	$ 371,530,409
Deferred outflows of resources	111,426	104,861
Total assets and deferred outflows of resources	$ 363,543,547	$ 371,635,270
Current liabilities	$ 5,103,276	$ 4,484,082
Long-term liabilities	197,355,508	199,859,141
Total liabilities	202,458,784	204,343,223
Deferred inflows of resources	159,053	109,311
Total liabilities and deferred inflows of resources	$ 202,617,837	$ 204,452,534
Net position		
Invested in capital assets	$ 120,976,702	$ 119,007,511
Restricted	34,179,344	42,564,857
Unrestricted	5,769,664	5,610,368
Total net position	$ 160,925,710	$ 167,182,736
Total liabilities, deferred inflows of resources and net position	$ 363,543,547	$ 371,635,270

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 must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Authority's net position, $34,179,344 represents resources that are subject to external restrictions on how they may be used. The remaining balance of $5,769,664 is unrestricted and may be used to meet the Authority's ongoing obligations.

Changes in net position: The Authority's operating revenues increased $210,447 overall from 2021 to 2022 as there were increased transactions on the toll road. The average monthly tolling transactions increased from 38,848 in fiscal year 2021 to 40,158 in fiscal year 2022. While net electric toll revenue increased $774,456 from 2021 to 2022, net video toll revenue decreased $564,009 from 2021 to 2022 as a result of the one and one-half months planned delay in customer billing, and ultimately collections, with the cutover to the new toll integrator system and back-office provider.

Total operating expenses increased $2,366,786 from fiscal year 2021 to fiscal year 2022. The increase is a result of budgeted increases in roadway maintenance and depreciation expenses as well as $1,934,143 recorded in bad debt expense as of September 30, 2022.

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

Changes in Net Position

	2022	2021
Revenues:		
Toll revenues – electronic, net	$ 12,957,337	$ 12,182,881
Toll revenues – video, net	6,748,301	7,312,310
Contributions – member counties	40,000	40,000
Total operating revenues	19,745,638	19,535,191
Expenses:		
General expenses	1,733,830	1,566,211
Toll operating expenses	15,918,860	13,719,693
Total expenses	17,652,690	15,285,904
Nonoperating revenues (expenses)	(8,349,974)	(7,683,982)
Change in net position	(6,257,026)	(3,434,695)
Net position, beginning of year	167,182,736	170,617,431
Net position, end of year	$ 160,925,710	$ 167,182,736

Capital Assets, Right of Use Assets/Leases and Long-Term Debt

The Authority's capital assets, net of accumulated depreciation, decreased by $576,896, which is primarily due to the recording of depreciation expense on the Authority's capital assets, thereby increasing accumulated depreciation, being offset by the Authority's capital additions.

Capital Assets

	2022	2021
Property, toll roads, and equipment, net	$ 388,685,075	$ 379,524,571
Construction in progress	5,626,781	4,416,380
Accumulated depreciation	(72,120,884)	(61,173,083)
Total capital assets, net	$ 322,190,972	$ 322,767,868

Right of Use Assets/Leases

Based on the provisions of GASB 87, the Authority must recognize certain lease assets and liabilities for leases previously classified as operating leases and recognize inflows of resources or outflows of resources based on the payment provisions of the contract. Under the Statement, a lessee is required to recognize a lease liability and an intangible right of use lease asset. Right of use asset, net of accumulated amortization, totaling $525,289 and $24,552 as of September 30, 2022 and 2021, respectively, is inclusive of the Authority's long-term operating leases for office space and a copy machine. The lease liability is broken out between current and noncurrent liabilities. For the year ended September 30, 2022, the current portion of leases payable is $46,599 and the noncurrent leases payable is $502,375.

Long-Term Debt

<u>Senior Lien Revenue Bonds, Series 2016A:</u>
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 as of September 30, 2022 and 2021 was $1,550,188 and $1,559,188, respectively.

4. The next principal payment is due January 1, 2023.

<u>Subordinate Lien Revenue Bonds, Series 2016B:</u>
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 as of September 30, 2022 and 2021 was $676,437 and $683,937, respectively.

4. The next principal payment is due January 1, 2023.

As of September 30, 2022 and 2021, the Authority had the following long-term debt:

Long-Term Debt

	September 30, 2022	September 30, 2021
Long-term liabilities:		
Revenue bonds payable	$ 196,819,739	$ 199,828,266
Lease liability	502,375	6,432
Compensated absences	33,394	24,443
Total long-term liabilities	$ 197,355,508	$ 199,859,141

The long-term lease liability increased $495,943 from 2021 to 2022 due to the Authority's new office space lease agreement and reflecting the calculated liability on the financials in accordance with GASB 87.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The gross operating revenue estimate for fiscal year 2023 of $25,350,000 is an approximately 4% increase over the fiscal year 2022 budget, reflective of anticipated, marginal increase in toll road traffic, partnered with a toll rate increase effective January 1, 2023. Operating expenses estimate for fiscal year 2023 of $9,825,825 is an approximately 11% increase over the fiscal year 2022 budget. While the Authority continues to be committed to conservative spending, the fiscal year 2023 operating expense budget reflects the impact of increased prices/inflation in the current economic environment. The overall, approved fiscal year 2023 budget was balanced, with net cash inflows equal to net cash outflows across all funds.

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, 2022 AND 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,527,950	$ 5,561,441
Due from other agencies, net	2,137,783	5,196,441
Other assets	159,415	15,080
Restricted assets:		
Cash and cash equivalents	13,935,817	37,846,548
Investments	9,547,890	-
Total current assets	31,308,855	48,619,510
Noncurrent assets:		
Investments - restricted	9,209,810	-
Right of use asset, net	525,289	24,552
Capital assets:		
Property, toll roads, and equipment	388,685,075	379,524,571
Construction in progress	5,626,781	4,416,380
Accumulated depreciation	(72,120,884)	(61,173,083)
Net capital assets	322,190,972	322,767,868
Pension asset	197,195	118,479
Total noncurrent assets	332,123,266	322,910,899
Total assets	363,432,121	371,530,409
Deferred outflows of resources related to pension	111,426	104,861
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 363,543,547	$ 371,635,270
LIABILITIES		
Current liabilities:		
Accounts payable	$ 755,047	$ 784,348
Accrued expenses	386,130	87,301
Accrued interest payable	2,226,625	2,243,125
Compensated absences, current portion	33,875	31,018
Lease liability, current portion	46,599	18,290
Bonds payable, current portion	1,655,000	1,320,000
Total current liabilities	5,103,276	4,484,082
Long-term liabilities:		
Compensated absences, net of current portion	33,394	24,443
Lease liability, net of current portion	502,375	6,432
Bonds payable, net of current portion	196,819,739	199,828,266
Total long-term liabilities	197,355,508	199,859,141
Total liabilities	202,458,784	204,343,223
Deferred inflows of resources related to pension	159,053	109,311
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	202,617,837	204,452,534
NET POSITION		
Net investment in capital assets	120,976,702	119,007,511
Restricted	34,179,344	42,564,857
Unrestricted	5,769,664	5,610,368
Total net position	160,925,710	167,182,736
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 363,543,547	$ 371,635,270

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, 2022 AND 2021

	2022	2021
OPERATING REVENUES		
Toll revenues - electronic, net	$ 12,957,337	$ 12,182,881
Toll revenues and fees - video, net	6,748,301	7,312,310
Contributions - member counties	40,000	40,000
Total operating revenues	19,745,638	19,535,191
GENERAL EXPENSES		
Administrative	334,451	215,862
Salaries, benefits and payroll taxes	1,156,983	1,056,273
Legal and professional	242,396	294,076
Total general expenses	1,733,830	1,566,211
TOLL OPERATING EXPENSES		
Depreciation and amortization expense	11,070,367	10,813,004
General engineering consultants	203,463	327,471
Project director	79,609	90,012
Roadway maintenance	1,467,198	1,249,374
Toll equipment maintenance	237,552	359,750
Transmission line charges	64,988	57,428
Legal fees	61,409	90,758
Toll operating system support	96,091	106,456
Utilities	19,249	21,421
Insurance	102,700	68,071
Marketing and advertising	471,504	411,587
Bad debt expense	1,934,143	-
Traffic and revenue study	85,695	102,045
Other operating expenses	24,892	22,316
Total toll operating expenses	15,918,860	13,719,693
Total expenses	17,652,690	15,285,904
Operating income	$ 2,092,948	$ 4,249,287
NONOPERATING REVENUES (EXPENSES)		
Interest income	190,522	8,684
Income on investments (net of fees)	(86,092)	-
Interest expense	(7,588,652)	(7,618,262)
Priority projects	(874,893)	(77,817)
Project development	(8,156)	-
Other income (loss)	17,297	3,413
Total nonoperating revenues (expenses)	(8,349,974)	(7,683,982)
Change in net position	(6,257,026)	(3,434,695)
NET POSITION, beginning of year	167,182,736	170,617,431
NET POSITION, end of year	$ 160,925,710	$ 167,182,736

See accompanying notes to the financial statements.

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from toll revenues	$ 21,317,738	$ 19,189,526
Receipts from member counties	30,000	38,000
Receipts from other revenue sources	5,147	3,027
Payments to employees	(1,064,046)	(1,038,632)
Payments to vendors	(3,887,113)	(3,970,306)
Net cash flows provided by operating activities	16,401,726	14,221,615
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets and construction in progress	(10,477,103)	(3,453,671)
Payments on grants	(874,893)	(77,817)
Payments on principal	(1,320,000)	(500,000)
Payments on interest	(8,939,500)	(8,985,000)
Net cash (used in) capital and related financing activities	(21,611,496)	(13,016,488)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(19,993,288)	-
Proceeds from sale or maturity of investments	1,125,000	-
Interest earned	133,836	10,030
Net cash flows provided by investing activities	(18,734,452)	10,030
Net increase (decrease) in cash and cash equivalents	(23,944,222)	1,215,157
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	43,407,989	42,192,832
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 19,463,767	$ 43,407,989
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 2,092,948	$ 4,249,287
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	11,070,367	10,813,004
Change in assets and liabilities:		
(Increase) in due from other agencies	3,058,657	(865,023)
(Increase) decrease in other assets	(49,921)	149,073
(Increase) in net pension asset	(78,716)	(68,189)
(Increase) decrease in deferred outflows of resources	(6,565)	(17,399)
Increase (decrease) in accounts payable	(45,424)	(131,381)
Increase (decrease) in accrued expenses	298,830	3,177
Increase in compensated absences payable	11,808	16,613
Increase in deferred inflows of resources	49,742	72,453
Net cash flows provided by operating activities	$ 16,401,726	$ 14,221,615
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Unrestricted cash and cash equivalents	$ 5,527,950	$ 5,561,441
Restricted cash and cash equivalents	13,935,817	37,846,548
Total	$ 19,463,767	$ 43,407,989

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, 2022 AND 2021

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, 2022 and 2021, 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.

1. SIGNIFICANT ACCOUNTING POLICIES - continued

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand and demand deposits as of September 30, 2022 and 2021. These deposits are fully collateralized or covered by federal deposit insurance. Investments are reported at fair value. Short-term investments have an original maturity greater than three months but less than one year at the time of purchase. Long-term investments include investments with original maturities greater than one year at the time of purchase. The Authority intends to hold these investments until maturity. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants. The net change in fair value of investments is recorded in the Statements of Revenues, Expenses and Changes in Net Position and includes the unrealized and realized gains and losses on investments.

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 2022 or 2021.

Leases

Leases are defined by the Authority as the right to use an underlying asset. The Authority recognizes a lease liability and an intangible right-of-use lease asset at the beginning of the lease unless the lease is considered a short-term lease or transfers ownership of the underlying asset. Right-of-use lease assets are measured based on the net present value of the future lease payments at inception, using the weighted average cost of capital, which approximate the incremental borrowing rate. Remeasurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability.

1. SIGNIFICANT ACCOUNTING POLICIES - continued

The Authority calculates the amortization of the discount rate on the lease liability and report that amount as outflow of resources. Payments are allocated first to accrued interest liability and then to the lease liability.

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 $67,269 and $55,461 as of September 30, 2022 and 2021, respectively.

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.

1. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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 first reclassification made was presenting restricted cash as a component of restricted net position rather than net investment in capital assets for the year ending September 30, 2021. See Note 2 for the detail of restricted cash and restricted net position for year ending 2021. The second reclassification made was presenting right of use assets, resulting from long term operating leases, and related accumulated amortization in a separate line item on the Statement of Net Position for the year ending September 30, 2021. See Note 10 for the detail of the leases.

Issued but not yet effective pronouncements

In March 2020, the GASB issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". This Statement establishes standards of accounting and financial reporting for Public-Public Partnerships and Availability Payment Arrangements for governments. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The Authority is evaluating the effect that Statement No. 94 will have on the financial statements.

In May 2020, the GASB issued Statement No. 96, "Subscription-Based Information Technology Arrangements". This Statement provides guidance on accounting and financial reporting for subscription-based information technology arrangements ("SBITA") for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Authority is evaluating the effect that Statement No. 96 will have on the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES - continued

In June 2022, the GASB issued Statement No. 100, "Accounting Changes and Error Corrections – Amendment of GASB 62". This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this statement are effective for financial statements for reporting period beginning after June 15, 2023. The Authority is evaluating the impact that adoption of this Statement will have on its financial statements.

In June 2022, the GASB issued Statement No. 101, "Compensated Absences". This Statement clarifies the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2023. The Authority is evaluating the impact that adoption of this Statement will have on its financial statements.

2. CASH AND INVESTMENTS

Cash and investments are reflected on the statement of net position at September 30, 2022 and 2021 as follows:

	September 30, 2022	September 30, 2021
Cash and cash equivalents	$ 5,527,950	$ 5,561,441
Restricted cash and cash equivalents	13,935,817	37,846,548
Restricted investments		
Current	9,547,890	-
Noncurrent	9,209,810	-
Total	$ 38,221,467	$ 43,407,989

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, 2022 and 2021 was 100% of budgeted operating and maintenance expenses and totaled $5,233,998 and $5,229,660, respectively.

The Authority utilizes various methods to measure the fair value of investments on a recurring basis. GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are:

2. CASH AND INVESTMENTS- continued

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets and liabilities that the Authority has the ability to access.

Level 2: Inputs are observable other than quoted prices included in Level 1 for the asset or liability, either directly or indirectly. These inputs may include quotes prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3: Inputs are unobservable for the asset or liability, to the extent relevant observable inputs are not available, representing the Authority's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Investments measured at net asset value do not have significant terms or conditions for redemption or commitment for additional funding. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table summarizes the inputs used as of September 30, 2022 for the Authority's investments measured at fair value:

	Fair Value Hierarchy			
Investment Type	Level 1	Level 2	Level 3	Fair Value
Federal Farm Credit Bank	$ -	$ 1,185,793	$ -	$ 1,185,793
United States Treasury	-	11,462,680	-	11,462,680
Federal Home Loan Bank	-	6,109,227	-	6,109,227
Total	$ -	$ 18,757,700	$ -	$ 18,757,700

2. CASH AND INVESTMENTS- continued

As of September 30, 2022, the Authority's investments in debt securities mature as follows:

	Investment Maturities			
Investment Type	90 Days or Less	91 Days to 180 Days	181 Days to 365 Days	Greater than 365 Days
Federal Farm Credit Bank	$ -	$ -	$ -	$ 1,185,793
United States Treasury	-	-	9,153,712	2,308,968
Federal Home Loan Bank	-	-	394,178	5,715,049
Total	$ -	$ -	$ 9,547,890	$ 9,209,810

The Authority's eligible investments are governed by the 2016 Senior and Subordinate lien revenue bond indentures, state statutes and the Authority's investment policy. By contractual agreement, the Authority may invest all or a portion of the funds from the Senior and Subordinate lien revenue bonds. The investments maximum stated maturity of an individual investment cannot exceed five years unless approved by the Board of Directors. Interest earned, or profits realized from any investments must be retained in the investment account. Any profit realized from the liquidation of investments must be retained in the investment account. Likewise, any loss resulting from the liquidation of investments must be charged to the investment account. As of September 30, 2022, all the Authority's investments were rated AAA by Moody's Corporation.

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, 2022 and 2021.

Custodial Credit Risk - Investments
For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by the counterparty, its trust or agent, but not in the Authority's name. The Authority's investment securities are not exposed to custodial credit risk because all securities are held by the Authority's custodial bank in the Authority's name.

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.

2. CASH AND INVESTMENTS- continued

Interest Rate Risk - Investments

Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. Interest rate risk may be mitigated by investing operating funds primarily in shorter term securities, money market funds or similar investment pools and limiting the average maturity of the portfolio.

3. RESTRICTED ASSETS

Restricted assets of the Authority, consisting primarily of cash and cash equivalents, investments, toll receivables and payables from restricted accounts at September 30, 2022 and 2021, are as follows:

	September 30, 2022	September 30, 2021
Cash and Investments:		
Bond debt service accounts	$ 19,711,243	$ 19,514,743
Revenue fund	1,063,650	431,824
Operating and maintenance fund	1,179,572	1,167,074
Renewal and replacement fund	1,690,925	3,581,798
General fund	9,048,127	13,151,109
Total restricted cash and investments	32,693,517	37,846,548
Other restrictions:		
Restricted receivables	2,137,783	5,196,441
Amounts payable out of restricted assets	(651,956)	(478,132)
Total other restrictions	1,485,827	4,718,309
Restricted net position	$ 34,179,344	$ 42,564,857

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.

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 tolling service providers for electronic toll tag transactions and other agencies for video tolls and violation fees from Toll 49.

Due from other agencies - video tolls and violation fees are reported as a net amount because the tolling service provider serves as a collection agency for these type tolls and fees. The allowance for uncollectible video tolls and fees is estimated annually based upon historical placement of tolls and subsequent collection rates. Any net adjustment to due from other agencies – video tolls and fees is reflected as an increase to video toll revenue and violation fees or as bad debt expense. For the year ended September 30, 2022, the adjustment to reflect the amount due for video tolls and fees resulted in a net adjustment to bad debt expense of $1,934,143 which is reflected in the Statements of Revenues, Expenses and Changes in Net Position. The net adjustment to bad debt expense during the year was the result of a reduction in estimated collection rates as well as a change in toll service providers as described in Note 8.

	September 30, 2022	September 30, 2021
Due from other agencies - electronic tolls	$ 144,129	$ 1,268,644
Tolls receivable - video and fees	25,550,269	21,399,647
Allowance for uncollectible video tolls and fees	(23,556,615)	(17,471,850)
Due from other agencies - video tolls and fees	1,993,654	3,927,797
Due From Other Agencies	$ 2,137,783	$ 5,196,441

5. CAPITAL ASSETS

Capital assets of the Authority consisted of the following as of September 30, 2022:

	September 30, 2021	Additions	Transfers/ Retirements	September 30, 2022
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	228,759,118	4,797,043	-	233,556,161
Toll 49 Gantries and toll equipment	16,558,145	3,100,501	-	19,658,646
Toll 49 Improvements	1,329,738	413,202	-	1,742,940
NTTA Backoffice System	-	610,870	-	610,870
Office equipment and other	549,215	130,293	71,400	608,108
Pruitt Place - Furniture, Signs, Etc.	-	179,995	-	179,995
Trucks and Auto	137,256	-	-	137,256
Construction in progress	4,416,380	9,886,474	8,676,073	5,626,781
Total Capital Assets	383,940,951	19,118,378	8,747,473	394,311,856
Less Accumulated Depreciation	(61,173,083)	(11,010,069)	62,268	(72,120,884)
Total Capital Assets, net	$ 322,767,868	$ 8,108,309	$ 8,685,205	$ 322,190,972

5. CAPITAL ASSETS – continued

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
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	380,683,678	5,390,173	2,132,900	383,940,951
Less Accumulated Depreciation	(50,421,059)	(10,752,024)	-	(61,173,083)
Total Capital Assets, net	$ 330,262,619	$ (5,361,851)	$ 2,132,900	$ 322,767,868

Depreciation expense for the years ended September 30, 2022 and 2021 was $11,010,069 and $10,75,024 respectively.

6. ACCOUNTS PAYABLE

Accounts payable consisted of the following at September 30, 2022 and 2021:

	September 30, 2022	September 30, 2021
Accounts payable – capital	$ 489,221	$ 393,517
Accounts payable – operations	165,301	184,169
Accounts payable – other	100,525	206,662
Total	$ 755,047	$ 784,348

7. BONDS PAYABLE

The following summarizes long-term debt activity of the Authority for the years ended September 30, 2022 and 2021:

	September 30, 2021	Additions/ Amortization	Reductions	September 30, 2022
Long-term debt:				
Bonds - Senior lien	$ 124,735,000	$ -	$ (720,000)	$ 124,015,000
Bonds - Subordinate lien	54,715,000	-	(600,000)	54,115,000
Subtotal	179,450,000	-	(1,320,000)	178,130,000
Bond premium payable:				
Bond premiums	28,956,440	-	-	28,956,440
Bond premiums amortization	(7,258,174)	(1,353,527)	-	(8,611,701)
Subtotal	21,698,266	(1,353,527)	-	20,344,739
Total long-term debt	201,148,266	(1,353,527)	(1,320,000)	198,474,739
Less: Bonds payable, current portion	(1,320,000)	(1,655,000)	1,320,000	(1,655,000)
Bonds payable, net of current portion	$ 199,828,266	$ (3,008,527)	$ -	$ 196,819,739
Current year interest payable:				
Bond accrued interest	$ 2,243,125	$ 8,923,000	$ (8,939,500)	$ 2,226,625

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

7. BONDS PAYABLE – continued

Additions to long-term liabilities

	September 30, 2022	September 30, 2021
Bond interest expense	$ 7,569,473	$ 7,616,681
Bond premium amortization	1,353,527	1,362,069
Additions to long-term liabilities	$ 8,923,000	$ 8,978,750

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 $1,550,188 and $1,550,188 for years ended September 30, 2022, and 2021, respectively.

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 $676,437 and $683,937 for years ended September 30, 2022 and 2021, respectively.

7. BONDS PAYABLE – continued

Future payments of principal and interest on the Authority's Revenue Bonds as of September 30, 2022 are as follows:

Fiscal Year Ended September 30	Principal	Interest	Total Amount
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	3,450,000	8,327,000	11,777,000
2028-2032	24,740,000	38,301,500	63,041,500
2033-2037	38,350,000	30,532,000	68,882,000
2038-2042	50,970,000	19,308,250	70,278,250
2043-2046	50,755,000	5,230,375	55,985,375
Total obligations	$ 178,130,000	$ 136,465,250	$ 314,595,250

8. INTERLOCAL AND OTHER AGREEMENTS

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.

8. INTERLOCAL AND OTHER AGREEMENTS – continued

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
2018	Bowie County	$	350,000	Expires 2022
		$	(248,752)	Paid November 12, 2021
		$	(101,248)	Restriction released
	Harrison County		150,000	Expires 2022
		$	150,000	
2019	Titus County	$	320,000	Expires 2022
	Upshur County		280,000	Extended without timeline
			40,000	Carryover from 2017
			(116,141)	Various payments to Atkins
		$	523,859	
2020	Gregg County	$	270,000	Expires 2022
		$	(270,000)	Paid January 20, 2022
	Rusk County		240,000	Expires 2022
			(240,000)	Paid January 20, 2022
	Wood County		125,000	Expires 2022
		$	125,000	
2021	Gregg County	$	200,000	Expires 2023
	Cherokee County		125,000	Expires 2023
		$	325,000	
2022	Harrison County	$	105,392	Expires 2024
	Total	$	1,229,251	

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.

8. INTERLOCAL AND OTHER AGREEMENTS – continued

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 was originally effective until March 8, 2023.

In the fiscal year ended September 30, 2022 and prior to the original termination date of the CTRMA Interlocal Agreement, the Authority entered into an agreement with NTTA and proceeded to transfer its tolling services from CTRMA to NTTA.

North Texas Tollway Authority Tolling Services Agreement

On September 24, 2021, the Authority entered into an agreement with the NTTA to be the exclusive provider of tolling services for all tolled lanes in the Authority's service area. Tolling services to be provided by NTTA include customer service, customer account maintenance for TollTag users, NTTA TollTag transponder supply and replacement, toll collection service, image review, clearinghouse, billing and bankruptcy processing, transaction processing and interoperability services. Amendment No. 1 to the agreement was executed October 18, 2021.

The agreement provides that the Authority will compensate NTTA for each transaction that the Authority transmits to NTTA without regards to whether the toll is collected. On the 8^{th} business day of each month, the compensation for the prior month calendar month will be deducted from that day's payment to the Authority. If the deduction results in a negative payment, NTTA allocate will allocate the deduction across additional consecutive business days until no negative payments results. NTTA's compensation also includes 50% of all late fees collected.

8. INTERLOCAL AND OTHER AGREEMENTS – continued

North Texas Tollway Authority Tolling Services Agreement - continued

The agreement also provides that the Authority will pay NTTA a one-time fee of $1,040,000 to cover the costs of configuring and testing the Authority's systems, with the fee payable in two installments. The first half of the fee, $520,000 was paid December 16, 2021. The second half of the fee is payable no later than January 17, 2023.

The agreement between NTTA and the Authority is effective until September 24, 2026. The agreement will automatically renew and be extended for successive five-year periods unless terminated.

SICE Agreement

SICE, Inc. specializes in the implementation of advanced technology solutions for tolling systems. Coinciding with the Authority's agreement with NTTA, the Authority began utilizing SICE as its tolling system provider. To the extent of the agreement, SICE designed, developed, installed, integrated, tested, trained, and commissioned the renovation of the tolling system, which was activated in July 2022. SICE also manages the Authority's maintenance system along with the hardware, software, and communications equipment that capture the activity of the Authority's toll roads.

9. TOLL REVENUES AND RELATED COSTS

Electronic and video revenues and related costs are detailed below for the years ended September 30, 2022 and 2021:

	September 30, 2022	September 30, 2021
Toll revenues – electronic	$ 13,774,694	$ 13,036,074
Less: electronic processing costs	(817,357)	(853,193)
Toll revenues – electronic, net	$ 12,957,337	$ 12,182,881
Toll revenues – video	$ 6,019,023	$ 5,776,823
Video violation fees	4,314,015	4,346,376
Less: video processing costs	(3,584,737)	(2,810,889)
Toll revenues and fees – video, net	$ 6,748,301	$ 7,312,310

For the years ended September 30, 2022 and 2021, 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.

9. TOLL REVENUES AND RELATED COSTS - continued

The net video toll revenue and fees of $6,748,301 and $7,312,310 presented in the Statement of Revenues, Expenses, and Changes in Net Position for the years ended September 30, 2022 and 2021, 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.

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. This lease expired December 31, 2021. Rent expense for this lease was $15,502 and $62,009 for the years ended September 30, 2022 and 2021.

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 $3,240 and $383 incurred for the years ended September 30, 2022 and 2021.

The Authority entered into a commercial lease agreement commencing January 1, 2022 for a 4,234 square foot office space located 1011 Pruitt Place in Tyler, Texas, expiring December 31, 2026. The Authority has the option to extend the term of the lease for two additional terms of 60 months each. Rent expense for this lease was $53,709 for the year ended September 30, 2022.

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, 2022 and 2021. With regards to the Pruitt Place office space lease, the Authority anticipates exercising the first lease extension upon completion of the initial lease term.

10. LEASES - continued

As of September 30, 2022, leases consisted of the following:

	September 30, 2021	Additions	Transfers/Retirements	September 30, 2022
Leases				
Right of Use - Office Space	$ 75,909	$ 561,035	$ (75,909)	$ 561,035
Right of Use - Copy Machine	9,623	-	-	9,623
Total Leases	85,532	561,035	(75,909)	570,658
Less Accumulated Amortization for:				
Right of Use - Office Space	(60,727)	(57,259)	75,909	(42,077)
Right of Use - Copy Machine	(253)	(3,039)	-	(3,292)
Total Accumulated Amortization	(60,980)	(60,298)	75,909	(45,369)
Total Leases, net	$ 24,552	$ 500,737	$ -	$ 525,289

As of September 30, 2021, leases consisted of the following:

	September 30, 2020	Additions	Transfers/Retirements	September 30, 2021
Leases				
Right of Use - Office Space	$ 75,909	$ -	$ -	$ 75,909
Right of Use - Copy Machine	-	9,623	-	9,623
Total Leases	75,909	9,623	-	85,532
Less Accumulated Amortization for:				
Right of Use - Office Space	-	(60,727)	-	(60,727)
Right of Use - Copy Machine	-	(253)	-	(253)
Total Accumulated Amortization	-	(60,980)	-	(60,980)
Total Leases, net	$ 75,909	$ (51,357)	$ -	$ 24,552

10. LEASES - continued

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

Year Ending	Pruitt Place Office Space		Copier		Total	
September 30	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ 43,329	$ 23,535	$ 3,270	$ 241	$ 46,599	$ 23,776
2024	47,007	21,510	2,893	77	49,900	21,587
2025	50,917	19,315	269	1	51,186	19,316
2026	55,060	16,939	-	-	55,060	16,939
2027	59,437	14,372	-	-	59,437	14,372
2028-2032	286,792	28,833	-	-	286,792	28,833
	$ 542,542	$ 124,504	$ 6,432	$ 319	$ 548,974	$ 124,823

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.

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.

11. PENSION PLAN - continued

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

	2021	**2020**
Inactive employees entitled to, but not yet receiving benefits	2	1
Active employees	9	9
Total	11	10

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 9.19% for the months of the accounting year 2022 and 8.40% for the months of the accounting year 2021. The Authority's contributions to the plan were $85,121 and $72,770 for the year ended September 30, 2022 and 2021, respectively.

Net pension asset: The Authority's net pension asset was measured as of December 31, 2021 and 2020, 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, 2021 were based on the results of an actuarial experience study for the period January 1, 2017, through December 31, 2020, except where required to be different by GASB Statement No. 68.

The total pension liability in the December 31, 2021 and 2020 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2021	**2020**
Inflation	2.50%	2.50%
Salary increases (including inflation-varies by age and service - average over career)	4.70%	4.60%
Investment rate of return	7.60%	7.50%

Mortality rates were based on the following:

Depositing members: For the December 31, 2021 valuation, 135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. For the December 31, 2020 valuation, 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.

11. PENSION PLAN - continued

Service retirees, beneficiaries, and non-depositing members: For the December 31, 2021 valuation, 135% of the Pub-210 General Retirees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. For the December 31, 2020 valuation, 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, 2021 valuation, 160% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. For the December 31, 2020 valuation, 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.

The capital market assumptions and information shown below are provided by TCDRS' investment consultant based on January 2022 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%	3.80%
Global Equities	MSCI World (net) Index	2.50%	4.10%
International Equities - Developed	MSCI World Ex USA (net)	5.00%	3.80%
International Equities - Emerging	MSCI EM Standard (net) index	6.00%	4.30%
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%	1.77%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.25%
Distressed Debt	Cambridge Associates Distressed Index (3)	4.00%	4.50%
REIT Equities	67% FTSE NAREIT Equity REITs Index plus 33% S&P Global Real Estate Index	2.00%	3.10%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	3.85%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (4)	6.00%	5.10%
Private Equity	Cambridge Associates Global Private Equity and Venture Capital Index (5)	25.00%	6.80%
Hedge Funds	Hedge Fund Research, Inc. Fund of Funds Composite Index	6.00%	1.55%
Cash Equivalents	90-Day U. S. Treasury	2.00%	-1.05%

11. PENSION PLAN - continued

(1) Target asset allocation adopted at the March 2022 TCDRS Board meetings.

(2) Geometric real rates of return equal the expected return for the asset class minus the assumed inflation of 2.6%, per investment consultant's 2022 capital market assumptions.

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

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

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

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%

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

(2) Geometric real rates of return equal the expected return for the asset class minus the assumed inflation of 2.0%, per investment consultant's 2021 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.

11. PENSION PLAN - continued

Discount rate: The discount rate used to measure the total pension liability was 7.60% for December 31, 2021 and 2020, 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.

(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.

11. PENSION PLAN – continued

Changes in Net Pension Liability (Asset) 2021

	Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2020	$ 360,051	$ 478,529	$ (118,479)
Changes for the year:			
Service cost	131,142	-	131,142
Interest on total pension liability (1)	37,331	-	37,331
Effect of plan changes (2)	-	-	-
Effect of economic/demographic (gains) or losses	2,718	-	2,718
Effect of assumptions changes or inputs	(1,069)	-	(1,069)
Refund of contributions	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	(394)	394
Member contributions	-	52,478	(52,478)
Net investment income	-	119,586	(119,586)
Employer contributions	-	73,469	(73,469)
Other (3)	-	3,700	(3,700)
Balances as of December 31, 2021	$ 530,173	$ 727,368	$ (197,195)

Changes in Net Pension Liability (Asset) 2020

	Total Pension Liability (a)	Increase (Decrease) 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	$ 360,051	$ 478,529	$ (118,479)

(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.

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.

	2021		
	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	$ 613,862	$ 530,173	$ 460,878
Fiduciary net position	727,368	727,368	727,368
Net pension liability/(asset)	$ (113,506)	$ (197,195)	$ (266,490)

	2020		
	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	$ 416,655	$ 360,051	$ 312,881
Fiduciary net position	478,529	478,529	478,529
Net pension liability/(asset)	$ (61,874)	$ (118,479)	$ (165,648)

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 years ended September 30, 2022 and 2021, the Authority recognized pension expense of $49,582 and $59,636, respectively. At September 30, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30, 2022		September 30, 2021	
	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 86,358	$ 23,048	$ 95,953	$ 22,524
Changes of assumptions	950	20,735	-	23,035
Net difference between projected and actual earnings	71,745	3,310	13,358	6,622
Contributions made subsequent to measurement date	-	64,333	-	52,680
	$ 159,053	$ 111,426	$ 109,311	$ 104,861

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:

Year Ended December 31		
2022	$	(21,559)
2023		(24,867)
2024		(21,989)
2025		(20,900)
2026		(5,220)
Thereafter		(17,425)
	$	(111,960)

12. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments:
As of September 30, 2022, the Authority has committed to paying granted funds of $1,229,251 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, 2022, the Authority has no contingent liabilities.

13. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through May 9, 2023 which is the date the financial statements were made available to management.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
***UNAUDITED* REQUIRED SUPPLEMENTARY INFORMATION**
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Measurement Year 2021	Measurement Year 2020	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017	Measurement Year 2016	Measurement Year 2015
Total Pension Liability							
Service cost	$ 131,142	$ 117,372	$ 99,708	$ 78,796	$ 51,054	$ 24,580	$ 16,561
Interest on total pension liability	37,331	33,169	24,882	17,301	8,592	2,372	635
Effect of plan changes	-	-	-	-	-	-	(1,002)
Effect of assumption changes or inputs	2,718	24,443	-	-	749	-	440
Effect of economic/demographic (gains) or losses	(1,069)	(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	170,122	42,806	104,883	77,566	79,772	37,791	17,233
Total pension liability, beginning	360,051	317,245	212,363	134,796	55,024	17,233	-
Total pension liability, ending (a)	$ 530,173	$ 360,051	$ 317,245	$ 212,363	$ 134,796	$ 55,024	$ 17,233
Fiduciary Net Position							
Employer contributions	$ 73,469	$ 71,995	$ 67,605	$ 49,291	$ 46,562	$ 22,661	$ 10,275
Member contributions	52,478	50,346	44,979	33,327	29,060	14,123	6,489
Investment income net of investment expenses	119,586	38,114	36,814	(1,715)	9,350	1,268	(142)
Benefit payments/refunds of contributions	-	(51,251)	(9,954)	-	-	-	-
Administrative expenses	(394)	(350)	(280)	(181)	(94)	(14)	(6)
Other	3,700	2,140	3,565	2,476	1,013	1,068	(1)
Net change in fiduciary net position	248,839	110,994	142,728	83,198	85,890	39,106	16,615
Fiduciary net position, beginning	478,529	367,536	224,807	141,610	55,720	16,615	-
Fiduciary net position, ending (b)	$ 727,368	$ 478,529	$ 367,536	$ 224,807	$ 141,610	$ 55,720	$ 16,615
Net pension liability/(asset), ending = (a) - (b)	$ (197,195)	$ (118,479)	$ (50,290)	$ (12,445)	$ (6,813)	$ (696)	$ 619
Fiduciary net position as a % of total pension liability	137.19%	132.91%	115.85%	105.86%	105.05%	101.26%	96.41%
Pensionable covered payroll	$ 874,625	$ 839,098	$ 749,644	$ 555,454	$ 484,326	$ 235,380	$ 144,206
Net pension liability as a % of covered payroll	-22.55%	-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.

See accompanying notes to the financial statements

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
***UNAUDITED* REQUIRED SUPPLEMENTARY INFORMATION**
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
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%
2021	73,469	73,469	-	874,625	8.40%

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 (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.0 years (based on contribution rate calculated in 12/31/2021 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, 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	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
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. 2021: 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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 9, 2023.

Report on 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.

Report on 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.

Prothro, Wilhelmi & Company, PLLC

PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
May 9, 2023