

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY

FINANCIAL STATEMENTS

WITH AUDITORS' REPORT THEREON

SEPTEMBER 30, 2013 and 2012

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
North East Texas Regional Mobility Authority

Report on the Financial Statements

We have audited the accompanying statements of financial position of the North East Texas Regional Mobility Authority (Authority), as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of September 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PROTHRO, WILHELM AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of state awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas Single Audit Circular, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of state awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.


PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
March 11, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013 AND 2012
(UNAUDITED)**

Management's discussion and analysis of the North East Texas Regional Mobility Authority's (Authority) financial performance provides an overview of the Authority's financial activities for the years ended September 30, 2013 and 2012. Please read it in conjunction with the Authority's financial statements which follow this section.

The Authority was created by the State of Texas in 2004. At September 30, 2013, the Authority consisted of the following counties: Bowie, Cass, Cherokee, Gregg, Harrison, Panola, Rusk, Smith, Titus, Upshur, Wood, and Van Zandt.

FINANCIAL HIGHLIGHTS

- Accounts receivable related to toll revenues increased \$1,165,711 in connection with the opening of Segment 3B of Toll 49.
- Construction in progress decreased by \$76,068,895 from 2012 to 2013 due to the completion of Segment 3B of Toll 49.
- Capital assets, Toll 49 Segment 3B increased by \$95,837,172 due to completion of construction.
- The State Infrastructure Bank Loan (SIB) and Toll Equity Loan (TEL) totaled \$96,092,084 at September 30, 2013, which includes accreted interest of \$6,859,484. Accrued interest payable, as of September 30, 2013, totaled \$669,442.
- The Authority adopted Governmental Accounting Standard Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities" during 2013. This statement established guidance for the treatment of debt issuance costs. Under GASB No. 65, debt issuance costs are required to be expensed when incurred. As a result, the Authority's assets and net position were reduced by \$705,592.
- Accounts payable increased by \$2,885,676 from 2012 as a result of the completion of Segment 3B of Toll 49.
- Toll revenues and fees totaling \$3,176,079, were received by the Authority in 2013.
- General and operating expenses increased by \$1,902,246 in 2013 related to the processing of tolls and maintenance of Toll 49.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013 AND 2012
(UNAUDITED)**

OVERVIEW OF FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements comprise the financial statements and notes to the financial statements.

The Authority is a special-purpose government that is engaged in business-type activities and accounted for as a proprietary fund in accordance with governmental accounting and financial reporting principles issued by the Governmental Accounting Standards Board (GASB). As a result, the operations of the Authority are accounted for on the accrual method of accounting. Under this method, revenues are recognized in the period in which they are earned and expenses are recognized in the period the liability is incurred.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position and Changes in Net Position

Current assets decreased by \$632,172. This was the result of less cash on hand at September 30, 2013, as a result of the completion of Segment 3B of Toll 49. Noncurrent assets increased by \$15,888,385 in 2013 and consisted of construction costs related to Segment 3B of Toll 49.

Total liabilities increased \$15,918,728 as a result of proceeds from the SIB and TEL loans in connection with the construction of Segment 3B. Total liabilities exceeded total assets by (\$2,202,412) for the year ended September 30, 2012 and (\$2,864,927) for the year ended September 30, 2013. The net position deficits are the result of the operations of the Authority being funded by debt until such time that revenues from Toll 49 will sustain operations. The Authority began collecting toll revenues from all segments of Toll 49 during 2013.

	Net Position	
	<u>2013</u>	<u>2012</u>
Current assets	\$ 6,870,206	\$ 7,502,378
Noncurrent assets	<u>103,215,603</u>	<u>87,327,218</u>
 Total assets	 <u>\$ 110,085,809</u>	 <u>\$ 94,829,596</u>
 Total liabilities	 <u>\$ 112,950,736</u>	 <u>\$ 97,032,008</u>
 Net position:		
Deficit	<u>(2,864,927)</u>	<u>(2,202,412)</u>
 Total net position	 <u>\$ (2,864,927)</u>	 <u>\$ (2,202,412)</u>

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013 AND 2012
(UNAUDITED)**

FINANCIAL ANALYSIS OF THE AUTHORITY - continued

Changes in Net Position

	2013	2012
Revenues:		
Toll revenues	\$ 2,580,146	\$ -
Processing and violation fees	595,933	-
Contributions	66,000	34,000
Other	42,101	126,072
Total revenues	3,284,180	160,072
Expenses:		
General expenses	800,316	669,415
Operating expenses	1,771,345	-
Nonoperating expenses	669,442	-
Total expenses	3,241,103	669,415
Change in net position	43,077	(509,343)
Net position, beginning of year	(2,202,412)	(1,693,069)
Prior period adjustment	(705,592)	-
Net position, beginning of year as restated	(2,908,004)	-
Net position, end of year	\$ (2,864,927)	\$ (2,202,412)

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013 AND 2012
(UNAUDITED)**

Capital Assets and Long-Term Debt

The Authority's capital assets, net of accumulated depreciation, increased by \$16,593,977 as a result of the construction and completion of Segment 3B of Toll 49.

Capital Assets		
	2013	2012
Toll 49 Segment 3B	\$95,837,172	\$ -
Development and construction in progress	7,831,725	83,900,620
Land – right of way	-	2,721,006
Other	30,000	30,000
Accumulated depreciation	(483,294)	(30,000)
 Total capital assets, net	 \$103,215,603	 \$ 86,621,626

Long-Term Debt

Financial Assistance Agreement

On March 7, 2006, the Authority entered into an agreement with the Texas Department of Transportation (TxDOT) for the purpose of providing financial assistance up to \$12,250,000 in connection with the study and development of four segments (#1, 2, 3A and 5) of Toll 49 in Smith County. Costs related to the financial assistance agreement included design, engineering, and traffic and revenue studies. All funding related to the agreement was received during fiscal year end 2012 and all four segments were in operation at September 30, 2013. In addition, the Authority began receiving toll revenues from these segments on April 1, 2013.

Interlocal Agreement

On May 20, 2009, the Authority entered into an agreement with Rusk County for the purpose of expediting the development of the extension of Loop 571.

As of September 30, 2013, the Authority had received the total interlocal agreement amount of \$411,600. This amount will be used for performing or supervising the completion of property acquisitions, environmental studies, reports, permits, and related legal and project director services in connection with the Loop 571 project. Costs of \$26,747 and \$19,073 were incurred by the Authority as of September 30, 2013 and 2012, respectively.

State Infrastructure Bank and Toll Equity Loan Agreements

On March 1, 2011, the Authority entered into two agreements with TxDOT. The State Infrastructure Bank and Toll Equity Loans provided financial assistance in connection with the construction and further development of Segment 3B of Toll 49.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013 AND 2012
(UNAUDITED)**

Long-Term Debt - continued

As of September 30, 2013 the Authority had the following long-term debt:

Long-Term Debt

	September 30, 2013	September 30, 2012
Long-term liabilities:		
FAA payable	\$12,250,000	\$12,250,000
SIB loan payable	39,200,000	35,183,104
TEL payable	50,032,600	44,905,668
Subtotal	101,482,600	92,338,772
SIB accreted interest	3,013,381	1,336,644
TEL accreted interest	3,846,105	1,706,016
Current year interest payable:		
SIB accrued interest payable	294,085	254,419
TEL accrued interest payable	375,355	324,728
Total long-term liabilities	\$109,011,526	\$95,960,579

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide taxpayers, 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, 909 ESE Loop 323, Suite 360, Tyler, Texas 75701.

FINANCIAL STATEMENTS

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2013 AND 2012

ASSETS	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 97,641	\$ 100,561
Accounts receivable, net	1,165,711	-
Grant receivable	-	27,194
Restricted assets:		
Cash and cash equivalents	<u>5,606,854</u>	<u>7,374,623</u>
Total current assets	<u>6,870,206</u>	<u>7,502,378</u>
Noncurrent assets:		
Capital assets:		
Toll 49 Segment 3B	95,837,172	-
Development and Construction in progress	7,831,725	83,900,620
Land - right of way	-	2,721,006
Other	30,000	30,000
Accumulated depreciation	<u>(483,294)</u>	<u>(30,000)</u>
Total capital assets, net	103,215,603	86,621,626
Loan issuance costs, net	<u>-</u>	<u>705,592</u>
Total noncurrent assets	<u>103,215,603</u>	<u>87,327,218</u>
TOTAL ASSETS	<u><u>\$ 110,085,809</u></u>	<u><u>\$ 94,829,596</u></u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 3,688,455	\$ 802,779
Unearned revenue	<u>250,755</u>	<u>268,650</u>
Total current liabilities	<u>3,939,210</u>	<u>1,071,429</u>
Long-term liabilities:		
Financial assistance agreement payable	12,250,000	12,250,000
Loans payable - SIB/TEL	96,092,084	83,131,430
Accrued interest payable - SIB/TEL	<u>669,442</u>	<u>579,149</u>
Total long-term liabilities	<u>109,011,526</u>	<u>95,960,579</u>
Total liabilities	<u>112,950,736</u>	<u>97,032,008</u>
NET POSITION		
Deficit	<u>(2,864,927)</u>	<u>(2,202,412)</u>
Total net position	<u>(2,864,927)</u>	<u>(2,202,412)</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 110,085,809</u></u>	<u><u>\$ 94,829,596</u></u>

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
OPERATING REVENUES		
Toll revenues	\$ 2,580,146	\$ -
Processing and violation fees	595,933	-
Contributions - member counties	34,000	34,000
Smith County multi-modal grant	14,604	104,921
Rusk County - interlocal agreement	26,747	19,073
Public donations	32,000	-
	<u>3,283,430</u>	<u>157,994</u>
GENERAL EXPENSES		
Administrative	159,848	105,491
Amortization expense	-	27,138
Legal and professional	519,831	395,187
Marketing	78,831	17,605
Rusk County - interlocal agreement	26,747	19,073
Smith County multi-modal	15,059	104,921
OPERATING EXPENSES		
Depreciation expense	453,294	-
Electronic and video processing costs	479,937	-
General engineering consultants	221,849	-
Project director	39,670	-
Roadway maintenance	120,680	-
Toll equipment maintenance	260,959	-
Transmission line charges	14,253	-
Video violation fees	180,703	-
	<u>2,571,661</u>	<u>669,415</u>
Total expenses	<u>2,571,661</u>	<u>669,415</u>
Operating income (loss)	<u>711,769</u>	<u>(511,421)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	750	2,078
Interest expense	(669,442)	-
	<u>(668,692)</u>	<u>2,078</u>
Total nonoperating revenues (expenses)	<u>(668,692)</u>	<u>2,078</u>
Change in net position	<u>43,077</u>	<u>(509,343)</u>
NET POSITION , beginning of year	(2,202,412)	(1,693,069)
Prior period adjustment	<u>(705,592)</u>	<u>-</u>
NET POSITION , beginning of year as restated	(2,908,004)	-
NET POSITION , end of year	<u>\$ (2,864,927)</u>	<u>\$ (2,202,412)</u>

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Toll revenues	\$ 2,580,146	\$ -
Processing and violation fees	595,933	-
Receipts from member counties	34,000	34,000
Receipts from Smith County - multimodal grant	14,604	104,921
Receipts Rusk County - interlocal agreement	26,747	19,073
Public donations	32,000	-
Payments to vendors	<u>(1,057,795)</u>	<u>(1,252,544)</u>
Net cash flows provided by (used in) operating activities	<u>2,225,635</u>	<u>(1,094,550)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from SIB and TEL agreements	13,050,947	44,564,734
Construction costs	(17,047,271)	(50,550,804)
Purchase of land - right of way	<u>-</u>	<u>(115,614)</u>
Net cash used in capital and related financing activities	<u>(3,996,324)</u>	<u>(6,101,684)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	(1,770,689)	(7,196,234)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,475,184</u>	<u>14,671,418</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,704,495</u>	<u>\$ 7,475,184</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Change in net position	\$ 43,077	\$ (509,343)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization	-	27,138
Depreciation	453,294	-
Change in assets and liabilities:		
(Increase) decrease in grants receivable	27,194	(27,194)
Increase in accounts receivable	(1,165,711)	-
Increase (decrease) in accounts payable	2,885,676	(566,078)
Decrease in deferred revenue	<u>(17,895)</u>	<u>(19,073)</u>
Net cash flows provided by (used in) operating activities	<u>\$ 2,225,635</u>	<u>\$ (1,094,550)</u>

NOTES TO THE FINANCIAL STATEMENTS

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

1. SIGNIFICANT ACCOUNTING POLICIES

General Statement

The financial statements of the North East Texas Regional Mobility Authority (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 Authority applies Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails, and all of the GASB pronouncements issued subsequently apply. The more significant Authority's accounting policies are described below:

Reporting Entity

The Authority was formed through the joint efforts of Smith and Gregg counties and approved by the State of Texas in 2004. At September 30 2013, the member counties included: Bowie, Cass, Cherokee, Gregg, Harrison, Panola, Rusk, Smith, Titus, Upshur, Wood and Van Zandt.

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.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

1. SIGNIFICANT ACCOUNTING POLICIES – continued

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.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and demand deposits as of September 30, 2013 and 2012. These deposits are fully collateralized or covered by federal deposit insurance.

Restricted Assets

Certain proceeds from the State Infrastructure Bank Loan Agreement (SIB) and Toll Equity Loan Agreement (TEL) with the Texas, Department of Transportation (TxDOT) and interlocal agreement with Rusk County, Texas are classified as restricted assets because their use is restricted by applicable contract covenants. In addition, the SIB and TEL loan agreements specify that toll revenues collected be held in two bank accounts: the revenue account, and the administrative and operating account for the purposes of maintenance and operations of the Authority.

Accounts Receivable

Accounts receivable includes amounts collected from third party agencies as a result of the use of the toll road by the public. All receivables are current and therefore due within one year. Accounts receivable are reported net of an allowance for uncollectible accounts.

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
- Equipment – 7 years

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

1. SIGNIFICANT ACCOUNTING POLICIES – continued

Net Position

Net position represents the difference between assets and liabilities. 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.

Recent Accounting Pronouncements

During the year, the Authority implemented Governmental Accounting Standards Board (GASB) No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," which changes the Statement of Net Assets to the Statement of Net Position.

During the year, the Authority also early implemented GASB No. 65 "*Items Previously Reported as Assets and Liabilities*." This statement establishes guidance for debt issuance costs and requires these costs to be expensed in the period incurred. Please see Note 5 for the effect of the implementation of this statement.

Toll Revenues and Related Fees

Toll revenues and related fees associated with the collection of toll revenues are reported on the financials at their gross amounts. The related fees payable to third party agencies are expensed to the respective expenditure category.

Reclassification

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 financial statement presentation.

2. 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, 2013 and 2012.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

3. RESTRICTED ASSETS

Restricted assets of the Authority consist primarily of cash and cash equivalents at September 30, 2013 and 2012 and are restricted for the following purposes:

	<u>September 30, 2013</u>	<u>September 30, 2012</u>
Rusk County Interlocal agreement	\$ 250,755	\$ 268,650
SIB and TEL agreements	4,391,355	7,105,973
Toll Revenue Account	489,665	-
Administrative and Operating Account	475,079	-
	<u> </u>	<u> </u>
Total	<u>\$ 5,606,854</u>	<u>\$ 7,374,623</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due from other tolling authorities for toll tag transactions and other agencies for video transactions and late fees from Toll 49.

	<u>September 30, 2013</u>	<u>September 30, 2012</u>
Tolls receivable	\$ 955,230	\$ -
Fees receivable	230,812	-
Other	1,952	-
Allowance for doubtful accounts	(22,283)	-
	<u> </u>	<u> </u>
Accounts receivable, net	<u>\$ 1,165,711</u>	<u>\$ -</u>

5. LOAN ISSUANCE COSTS

In accordance with the adoption of GASB No. 65, loan issuance costs previously reported as assets in the Statement of Net Position and amortized over the life of the related debt are now recognized as an expense in the year in which the expense is incurred. The effect of this change in accounting principle is as follows:

	<u>September 30, 2013</u>
Net Position – September 30, 2012	\$ (2,202,412)
Prior period adjustment	<u>(705,592)</u>
Net Position – September 30, 2012 as restated	<u>\$ (2,908,004)</u>

NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

6. CAPITAL ASSETS

As described in Note 8, the Authority entered into a financial assistance agreement, SIB, and TEL agreements with TxDOT for design, engineering, and construction services related to four segments of the Toll 49 Project in Smith County. Capital assets consisted of the following for the periods ended September 30, 2013 and 2012:

	September 30, 2012	Additions	Transfers / Retirements	September 30, 2013
Development and Construction in progress:				
Toll 49 program implementation	\$ 325,947	\$ -	\$ -	\$ 325,947
Toll 49 segment 5 - engineering	1,937,460	-	-	1,937,460
Toll 49 segment 3A design	2,787,831	-	-	2,787,831
Toll 49 segment 3B design	1,494,850	-	1,494,850	-
Toll 49 GEC activities	2,795,701	214,564	1,446,768	1,563,497
Toll 49 project manager	683,695	174,132	448,284	409,543
Toll 49 procurement	1,836,501	-	1,836,501	-
Toll 49 segment 3B construction	68,267,997	12,847,552	81,115,549	-
Toll 49 segment 3B interest	3,621,807	-	3,621,807	-
East Texas Hourglass environmental studies	148,831	573,029	-	721,860
East Texas Hourglass construction	-	27,978	-	27,978
East Texas Hourglass interest	-	57,609	-	57,609
Total development and construction in progress	83,900,620	13,894,864	89,963,759	7,831,725
Toll 49 Segment 3B	-	95,837,172	-	95,837,172
Other	30,000	-	-	30,000
Land – right-of-way	2,721,006	-	2,721,006	-
Total capital assets	86,651,626	109,732,036	92,684,765	103,698,897
Less: accumulated depreciation	(30,000)	(453,294)	-	(483,294)
Total capital assets, net	<u>\$ 86,621,626</u>	<u>\$109,278,742</u>	<u>\$ 92,684,765</u>	<u>\$ 103,215,603</u>

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

6. CAPITAL ASSETS - continued

Segment 3B consisted of the following as of September 30, 2013:

Bridges	\$ 18,836,635
Highway	70,837,561
Right of way	3,043,976
Gantries	597,996
Signs, guard rails, and lighting	1,342,278
Cameras and electronic equipment	<u>1,178,726</u>
 Total Segment 3B	 <u>\$ 95,837,172</u>

	<u>September 30, 2011</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>September 30, 2012</u>
Development and Construction in progress:				
Toll 49 program implementation	\$ 325,947	\$ -	\$ -	\$ 325,947
Toll 49 segment 5 - engineering	1,937,460	-	-	1,937,460
Toll 49 segment 3A design	2,787,831	-	-	2,787,831
Toll 49 segment 3B design	1,494,850	-	-	1,494,850
Toll 49 GEC activities	2,484,679	311,022	-	2,795,701
Toll 49 project manager	517,115	166,580	-	683,695
Toll 49 procurement	1,836,501	-	-	1,836,501
Toll 49 segment 3B construction	21,289,475	46,978,522	-	68,267,997
Toll 49 segment 3B interest	675,958	2,945,849	-	3,621,807
Toll 49 environmental studies	-	148,831	-	148,831
	<hr/>	<hr/>	<hr/>	<hr/>
Total development and construction in progress	33,349,816	50,550,804	-	83,900,620
Other	30,000	-	-	30,000
Land – right-of-way	2,605,392	115,614	-	2,721,006
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets	35,985,208	50,666,418	-	86,651,626
Less: accumulated depreciation	(30,000)	-	-	(30,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, net	<u>\$ 35,955,208</u>	<u>\$ 50,666,418</u>	<u>\$ -</u>	<u>\$ 86,621,626</u>

Depreciation expense as of September 30, 2013 was \$453,294. There was no depreciation expense for the year ending September 30, 2012.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

7. ACCOUNTS PAYABLE

Accounts payable consisted of the following at September 30, 2013 and 2012:

	<u>September 30, 2013</u>	<u>September 30, 2012</u>
Accounts payable – construction	\$ 3,149,921	\$ 711,206
Accounts payable – operations	489,107	-
Accounts payable – other	49,427	91,573
	<u> </u>	<u> </u>
Total	<u>\$ 3,688,455</u>	<u>\$ 802,779</u>

8. LONG-TERM LIABILITIES

The Authority entered into a financial assistance agreement, SIB and TEL agreements with the TxDOT for design, engineering and construction services related to four segments of the Toll 49 Project in Smith County. The following summarizes long-term debt activity of the Authority for the year ended September 30, 2013 and 2012:

	<u>September 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2013</u>
Long-term liabilities:				
FAA payable	\$ 12,250,000	\$ -	\$ -	\$ 12,250,000
SIB loan payable	35,183,104	4,016,896	-	39,200,000
TEL payable	44,905,668	5,126,932	-	50,032,600
Subtotal	<u>92,338,772</u>	<u>9,143,828</u>	<u>-</u>	<u>101,482,600</u>
SIB accreted interest	1,336,644	1,676,737	-	3,013,381
TEL accreted interest	1,706,016	2,140,089	-	3,846,105
Current year interest payable:				
SIB accrued interest payable	254,419	39,666	-	294,085
TEL accrued interest payable	324,728	50,627	-	375,355
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total long-term liabilities	<u>\$ 95,960,579</u>	<u>\$ 13,050,947</u>	<u>\$ -</u>	<u>\$ 109,011,526</u>

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

8. LONG-TERM LIABILITIES - continued

	September 30, 2011	Additions	Reductions	September 30, 2012
Long-term liabilities:				
FAA payable	\$ 12,250,000	\$ -	\$ 749	\$ 12,250,000
SIB loan payable	16,899,543	18,283,561	-	35,183,104
TEL payable	21,569,594	23,336,073	-	44,905,668
Subtotal	<u>50,719,887</u>	<u>41,619,634</u>	<u>749</u>	<u>92,338,772</u>
SIB accreted interest	177,976	1,088,359	-	1,336,644
TEL accreted interest	227,158	1,549,167	-	1,706 016
Current year interest payable:				
SIB accrued interest payable	118,973	135,446	-	254,419
TEL accrued interest payable	<u>151,851</u>	<u>172,877</u>	<u>-</u>	<u>324,728</u>
Total long-term liabilities	<u>\$ 51,395,845</u>	<u>\$ 44,565,483</u>	<u>\$ 749</u>	<u>\$ 95,960,579</u>

Financial Assistance Agreement

On March 7, 2006, the Authority entered into an agreement with TxDOT for the purpose of providing financial assistance up to \$12,250,000 in connection with the study and development of four segments (1, 2, 3A, and 5) of Toll 49. Costs related to the financial assistance agreement included design, engineering, and traffic and revenue studies.

All funding related to the agreement was received during fiscal year end 2012 and all four segments were in operation at September 30, 2013. In addition, the Authority began receiving toll revenues on these segments on April 1, 2013.

Under the terms of the agreement, the obligation to begin making repayments shall accrue upon the occurrence of any of the following:

- (a) The Authority can issue bonds secured by revenue of the Toll 49 Project that, when combined with other funding sources, is sufficient to complete the project and repay the financial assistance, in which case the total amount of funds advanced shall be repaid from bond proceeds; or
- (b) The Toll 49 Project is opened for normal and continuous operations and used by the traveling public, provided that the Authority shall not be obligated to pay TxDOT more than ten percent (10%) of the project revenues it receives in any single calendar year, such obligation to continue until the full amount disbursed by TxDOT under the agreement is repaid.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

8. LONG-TERM LIABILITIES - continued

Financial Assistance Agreement - continued

On February 28, 2013, the Texas Transportation Commission approved the transfer of Segments 1, 2, 3A, and 5 upon substantial completion of Segment 3B which occurred on March 28, 2013. However, the transfer of deed and title of Segments 1, 2, 3A, and 5 had not occurred at September 30, 2013.

Rusk County Interlocal Agreement

On May 20, 2009, the Authority entered into an agreement with Rusk County, Texas, for the purpose of expediting the development of the extension of Loop 571.

The terms of the interlocal agreement are as follows:

1. The Authority shall perform, or supervise the performance of, services related to the development of the Project, including completing of property acquisition; preparation of environmental studies, reports, and permits; and related legal and project director services.
2. Rusk County shall provide funds to the Authority in the amount of \$411,600 to be used for the development of the project.

For the years ended September 30, 2013 and 2012, the Authority incurred expenses of \$26,747 and \$19,073 respectively, in connection with the extension of Loop 571.

In connection with the interlocal agreement, the Authority defers revenue related to funds received in advance for the development of the extension of Loop 571. These amounts are reported as revenues when expended in order to present a proper matching of revenues and expenses. As of September 30, 2013 and 2012, the amount of unearned revenue totaled \$250,755 and \$268,650, respectively.

SIB Loan and TEL Loan

On March 1, 2011, the Authority entered into two agreements with TxDOT totaling approximately \$89 million for the purpose of providing financial assistance in connection with the design, development, financing, right-of-way acquisition and construction of Segment 3B of the Toll 49.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

8. LONG-TERM LIABILITIES – continued

SIB Loan Agreement:

The terms of the SIB agreement are as follows:

1. TxDOT will lend the Authority thirty-nine million two hundred thousand dollars (\$39,200,000) for the purpose of paying a portion of Segment 3B Project Costs incurred by or on behalf of the Authority.

SIB Loan Agreement:

2. The SIB Loan is dated March 15, 2011, and has a stated maturity date of February 1, 2039. Interest on the aggregate disbursed principal amount of the SIB Loan shall accrete at an interest rate of 4.18 percent per annum from the closing date to February 1, 2016, with such interest being compounded on each February 1 and August 1, commencing August 1, 2011, and ending on the final accretion date. Semi-annual interest payments begin on August 1, 2016, and the initial principal payment is due February 1, 2020. Accrued interest payable on the SIB loan at September 30, 2013 was \$294,085.

TEL Loan Agreement:

The terms of the TEL agreement are as follows:

1. TxDOT will lend the Authority fifty million thirty-two thousand six hundred dollars (\$50,032,600) for the purpose of paying a portion of Segment 3B Project Costs incurred by or on behalf of the Authority.
2. The TEL Loan is dated March 15, 2011, and will mature and be due and payable on February 1, 2039. Interest on the aggregate disbursed principal amount of the TEL Loan shall accrete at an interest rate of 4.18 percent per annum from the closing date to February 1, 2016, with such interest being compounded on each February 1 and August 1, commencing August 1, 2011, and ending on the final accretion date. Semi-annual interest payments begin on August 1, 2016, and the principal is due in one lump sum on February 1, 2039. Accrued interest payable on the TEL loan at September 30, 2013 was \$375,355

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

8. LONG-TERM LIABILITIES – continued

SIB Loan Agreement and TEL Loan Agreement - continued

The following terms are identical for both the SIB and TEL agreements:

1. Interest will be calculated on a 360-day year composed of twelve 30-day months.
2. The Authority is responsible for contracting for and funding all project costs with respect to Segment 3B, in compliance with all applicable federal, TxDOT, and local laws, regulations, policies, and ordinances. TxDOT has certain review and approval rights and responsibilities related to Segment 3B as prescribed in the Agreement, including ensuring that the completion of the Project is performed in compliance with all applicable laws, regulations, and policies and in accordance with the time frames and other requirements of construction contracts.
3. The Authority shall ensure that, on or prior to the date of substantial completion of Segment 3B, all electronic tolling system hardware necessary to operate Segment 3B in compliance with the requirements set forth by TxDOT will be installed and operational.
4. In accordance with Section IV of the agreement between TxDOT and the Authority and upon completion of Segment 3B, it is anticipated that all toll revenues will be the property of the Authority in order to secure financing necessary to repay the SIB and TEL loans and that the Authority will pledge such revenues in connection with that financing.

On February 28, 2013, the Texas Transportation Commission approved the transfer of the right of way underlying Segment 3B of Toll 49. On April 1, 2013, the Authority began collecting toll revenues on Toll 49.

9. SMITH COUNTY MULTI-MODAL FACILITY FEASIBILITY STUDY

On September 1, 2011, the Authority was awarded a \$130,000 grant from TxDOT to assist in providing a conceptual feasibility study for the Smith County Multi-modal Facility. As of September 30, 2013 and 2012, the amount of receipts and disbursements totaled \$14,604 and \$104,921 respectively.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

10. COMMITMENTS AND CONTINGENCIES

In connection with the Financial Assistance Agreement, Interlocal Agreement, SIB and TEL agreements, the Authority has entered into engineering contracts for the development of certain segments of the Toll 49 Project and Rusk County Loop 571. Commitments related to work authorizations are as follows at September 30, 2013:

Work Authorization #1	\$ 349,996
Work Authorization #2	1,945,000
Work Authorization #3	2,831,490
Work Authorization #4	693,673
Work Authorization #6	415,313
Work Authorization #7	561,200
Work Authorization #8	1,986,777
Work Authorization #9	1,916,205
Work Authorization #10	311,600
Work Authorization #11	360,018
Work Authorization #12	281,330
Work Authorization #13	1,607,441
Work Authorization #14	3,495,503
Work Authorization #15	2,108,330
Work Authorization #16	20,599
Work Authorization #17	1,500,000
Work Authorization #18	315,849
Work Authorization #19	90,386
Work Authorization #20	350,000
Work Authorization #21	51,937
Work Authorization #22	100,003
Work Authorization #24	140,000
Work Authorization #25	267,000
Work Authorization #26	31,500
Work Authorization #27	<u>375,000</u>
 Total	 22,106,150
 Amounts expended at September 30, 2013	 <u>(19,481,050)</u>
 Total remaining commitments	 <u>\$ 2,625,100</u>

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

10. COMMITMENTS AND CONTINGENCIES - continued

In connection with the SIB and TEL agreements, the Authority has entered into a design/build construction contract for the development and construction of Segment 3B of the Toll 49 Project. The commitment related to this contract is as follows at September 30, 2013:

Design/Build Developer	\$ 70,068,399
Approved Change Orders 1-10	<u>915,022</u>
Total at September 30, 2013	70,983,421
Amounts expended at September 30, 2013	<u>(70,983,421)</u>
Total remaining commitments	<u>\$ -</u>

11. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through March 11, 2014, which is the date the financial statements were made available to management.

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 the North East Texas Regional Mobility Authority (Authority), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basis financial statements, and have issued our report thereon dated March 11, 2014.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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 AND COMPANY, PLLC

Tyler, Texas
March 11, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

The Board of Directors
North East Texas Regional Mobility Authority

Report On Compliance for Each Major State Program

We have audited North East Texas Regional Mobility Authority's (Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the State of Texas Single Audit Circular that could have a direct and material effect on each of the Authority's major state programs for the year ended September 30, 2013. The Authority's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas Single Audit Circular. Those standards, OMB Circular A-133, and the State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major State Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2013.

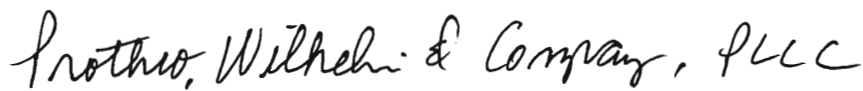
Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.



PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
March 11, 2014

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	<i>Unmodified</i>
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

State Awards

Internal Control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(s) identified that are not considered to be material weaknesses?	None reported
Type of auditors’ report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 and State of Texas Single Audit Circular?	No

Identification of major programs:

STATE

<u>State Number</u>	<u>Name of State Program</u>
-	State Infrastructure Bank Loan Agreement
-	Toll Equity Loan Agreement

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
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The North East Texas Regional Mobility was classified as a low-risk auditee in accordance with OMB Circular A-133 and State of Texas Single Audit Circular.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section II – Financial Statement Findings

None

Section III – Federal and State Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Audit Findings

None

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

STATE GRANTOR	STATE NUMBER	STATE EXPENDITURES
TEXAS DEPARTMENT OF TRANSPORTATION		
State Infrastructure Bank Loan Agreement (SIB) and Toll Equity Loan Agreement (TEL) Expenditures	-	17,047,271
Total State Expenditures		<u>\$ 17,047,271</u>

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDING SEPTEMBER 30, 2013**

NOTE – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of state awards includes state grant and loan activity of the North East Texas Regional Mobility Authority and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with OMB Circular A-133 and the State of Texas Uniform Grant Management Standards Chapter IV “Texas State Single Audit Circular”. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.