**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY**

**FINANCIAL STATEMENTS**

**WITH AUDITOR'S REPORT THEREON**

**SEPTEMBER 30, 2024 AND 2023**

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY**
**FINANCIAL STATEMENTS**
**SEPTEMBER 30, 2024 AND 2023**

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# INDEPENDENT AUDITOR'S REPORT

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

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the accompanying statements of business-type activities of North East Texas Regional Mobility Authority (the Authority), as of and for the years ended September 30, 2024 and 2023, 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 business-type activities of the Authority as of September 30, 2024 and 2023, and the respective statements of net 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.

### *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, and for 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's 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.

PROTHRO, WILHELMI AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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### *Auditor's Responsibility 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 the 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's 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 (pages 4 through 10) be presented to supplement the basic financial statements. The Schedule of Changes in Net Pension Liability and Related Ratios (page 42), and Schedule of Employer Contributions (page 43) 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 ("GASB") who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards,* we have also issued our report dated March 13, 2025, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Prothro, Wilhelmi & Company, PLLC

PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
March 13, 2025

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2024 and 2023. This section is intended to be read in conjunction with the Authority's financial statements, which immediately follow this section.

## FINANCIAL HIGHLIGHTS

- Capital assets being depreciated, which includes toll roads and equipment, were $344,483,301 and $342,605,916 as of September 30, 2024 and 2023, respectively. Depreciable capital assets increased $1,877,385 from 2023 to 2024. This increase was due to 1) the completion of a mill and inlay project, 2) the completion and placed in service of the intersection at SH 110 and Toll 49, 3) purchases of maintenance equipment to replace items stolen and 4) enhancements at the maintenance yard including the building and installation of custom gates as well as an extension to the maintenance building.

- Construction in progress was $6,210,907 and $6,633,450 as of September 30, 2024 and 2023, respectively. Construction in progress decreased $422,543 from 2023 to 2024 due to the intersection at SH 110 and Toll 49 being completed and placed in service, with that reduction being offset by additions related to continued work on other potential road projects.

- Long-term liabilities decreased $3,937,515 from 2023 to 2024 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 $2,375,000 total principal payments on the Senior Lien and Subordinate Lien Bonds.

- Overall, toll revenues (net of expenses) decreased $302,647 from 2023 to 2024. Specifically, net electronic toll revenue increased $557,826 while net video toll revenue decreased $860,473. Transactions on the toll road were flat, with only a .35% increase from 2023 to 2024. Thus, the increase in net electronic toll revenue is more attributable to the toll integrator's continued goal of higher tag penetration as well as the back-office provider's continued customer service efforts/policies to convert pay by mail customers (video toll revenue) to tag use (electronic toll revenue). The decrease in net video toll revenue is due to the same reasons outlined for the increase in net electronic toll revenue, but with the opposite effect. The net video toll revenue also tends to be more impacted by the overall economic environment as the increased price of living results in reduced road usage and reduced collections. It is important to note that an increase in net electronic toll revenue and a decrease in the net video toll revenue was budgeted by the Authority for the fiscal year 2024 as compared to fiscal year 2023.

- Total operating expenses were $17,268,572 and $17,17,362,758 in 2024 and 2023, respectively. The overall net decrease was due to the offsetting of 1) an overall decrease in overall roadway maintenance expenses, due to budgeted increase in routine maintenance costs being offset by decrease in road striping projects costs from 2023 to 2024; 2) a decrease in marketing and advertising costs and 3) a budgeted increase in general engineering costs.

## 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 Changes in Net Position* present information showing how the Authority's net position changed during the fiscal years ended September 30, 2024 and 2023. 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 $159,027,460 and $159,533,734 as of September 30, 2024 and 2023, respectively.

### Net Position

| | 2024 | 2023 |
|---|---|---|
| Current assets | $ 49,145,018 | $ 44,222,662 |
| Noncurrent assets | 305,001,357 | 314,344,649 |
| Total assets | $ 354,146,375 | $ 358,567,311 |
| Deferred outflows of resources | 180,876 | 194,874 |
| Total assets and deferred outflows of resources | $ 354,327,251 | $ 358,762,185 |
| Current liabilities | $ 5,507,022 | $ 5,484,767 |
| Long-term liabilities | 189,653,023 | 193,590,538 |
| Total liabilities | 195,160,045 | 199,075,305 |
| Deferred inflows of resources | 139,746 | 153,146 |
| Total liabilities and deferred inflows of resources | $ 195,299,791 | $ 199,228,451 |
| Net position | | |
| Invested in capital assets | $ 109,700,201 | $ 116,033,953 |
| Restricted | 42,051,495 | 37,177,691 |
| Unrestricted | 7,275,764 | 6,322,090 |
| Total net position | $ 159,027,460 | $ 159,533,734 |
| Total liabilities, deferred inflows of resources and net position | $ 354,327,251 | $ 358,762,185 |

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, $42,051,495, represents resources that are subject to external restrictions on how they may be used. The remaining balance of $7,275,764 is unrestricted and may be used to meet the Authority's ongoing obligations.

**Changes in net position:** The Authority's operating revenues decreased $302,647 overall from 2023 to 2024. Net electronic toll revenue increased $557,826 from 2023 to 2024. Since transactions on the toll road only increased .35% from 2023 to 2024, the increase in net electronic toll revenue is more attributable to the toll integrator's continued goal of higher tag penetration as well as the back-office provider's continued customer service efforts/policies. While net electronic toll revenue increased, net video toll revenue decreased $860,473 from 2023 to 2024. This decrease is due to the same reasons outlined for the increase in net electronic toll revenue, with an opposite effect on the net video toll revenue. Net video toll revenue is also more impacted by the overall economic environment of increased price of living resulting in reduced toll road usage and reduced collections.

Total operating expenses decreased $94,186 from fiscal year 2023 to fiscal year 2024. The overall net decrease was due to the offsetting of 1) an overall decrease in overall roadway maintenance expenses, due to budgeted increase in routine maintenance costs being offset by decrease in road striping project costs from 2023 to 2024; 2) a decrease in marketing and advertising costs and 3) a budgeted increase in general engineering costs. Nonoperating expenses (net) decreased $1,094,163 from fiscal year 2023 to fiscal year 2024. This decrease is a result of an increase in interest income, which is due to continued higher interest rates, as well as a decrease in priority projects expense.

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

**Changes in Net Position**

| | 2024 | 2023 |
|---|---|---|
| Operating revenues: | | |
| Toll revenues – electronic, net | $ 16,811,267 | $ 16,253,441 |
| Toll revenues – video, net | 5,330,285 | 6,190,758 |
| Contributions – member counties | 40,000 | 40,000 |
| Total operating revenues | 22,181,552 | 22,484,199 |
| Operating expenses: | | |
| General expenses | 1,916,177 | 1,926,395 |
| Toll operating expenses | 15,352,395 | 15,436,363 |
| Total operating expenses | 17,268,572 | 17,362,758 |
| Nonoperating revenues (expenses) | (5,419,254) | (6,513,417) |
| Change in net position | (506,274) | (1,391,976) |
| Net position, beginning of year | 159,533,734 | 160,925,710 |
| Net position, end of year | $ 159,027,460 | $ 159,533,734 |

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

The Authority's capital assets, net of accumulated depreciation, decreased by $9,878,169, 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**

| | 2024 | 2023 |
|---|---|---|
| Property, toll roads, equipment, and right of use assets | $ 392,963,868 | $ 391,086,483 |
| Construction in progress | 6,210,907 | 6,633,450 |
| Accumulated depreciation and amortization | (94,851,973) | (83,518,962) |
| Total capital assets, net | $ 304,322,802 | $ 314,200,971 |

**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 assets, net of accumulated amortization, totaling $416,915 and $477,709 as of September 30, 2024 and 2023, 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, 2024, the current portion of leases payable is $55,623 and the noncurrent leases payable is $49,887.

**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, 2024 and 2023 was $1,527,125 and $1,540,750, respectively.

4. The next principal payment is due January 1, 2025.

Subordinate Lien Revenue Bonds, Series 2016B:
The terms of the Subordinate Lien Bonds are as follows:

1. The Authority issued bonds to fund the construction of Segment 4 and paying off the remaining balance of the interim loan.

2. The Subordinate Lien Bond was issued June 16, 2016 in the amount of $56,615,000 and has a stated maturity date of January 1, 2046.

3. Interest on the aggregate disbursed principal amount of the bond shall be accrued at an interest rate of 5.00 percent per annum, with such interest being payable on each January 1 and July 1, commencing January 1, 2017. Accrued interest payable on the Subordinate Lien Bond as of September 30, 2024 and 2023 was $649,125 and $665,188 respectively.

4. The next principal payment is due January 1, 2025.

As of September 30, 2024 and 2023, the Authority had the following long-term debt:

**Long-Term Debt**

| | September 30, 2024 | September 30, 2023 |
|---|---|---|
| Long-term liabilities: | | |
| Revenue bonds payable | $ 189,228,602 | $ 193,103,253 |
| Lease liability | 407,322 | 464,378 |
| Compensated absences | 17,099 | 22,907 |
| Total long-term liabilities | $ 189,653,023 | $ 193,590,538 |

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The gross operating revenue estimate for fiscal year 2025 of $26,970,400 is an approximate 3% increase over the fiscal year 2024 budget, reflective of anticipated marginal increase in toll road revenue. Operating expenses estimate for fiscal year 2025 of $11,127,255 is an approximate 4% increase over the fiscal year 2024 budget. While the Authority continues to be committed to conservative spending, the fiscal year 2025 operating expense budget reflects the continued impact of increased prices/inflation in the current economic environment

## 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, 2024 AND 2023**

| | 2024 | 2023 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 6,841,696 | $ 5,909,292 |
| Due from other agencies, net | 2,659,417 | 2,822,532 |
| Other assets | 270,128 | 328,551 |
| Restricted assets: | | |
| Cash and cash equivalents | 24,651,513 | 14,762,910 |
| Investments | 14,722,264 | 20,399,377 |
| Total current assets | 49,145,018 | 44,222,662 |
| Noncurrent assets: | | |
| Investments - restricted | 496,712 | - |
| Capital assets: | | |
| Nondepreciable | 54,115,311 | 54,537,854 |
| Depreciable, net of depreciation | 249,790,576 | 259,185,408 |
| Right of use assets, net of amortization | 416,915 | 477,709 |
| Net capital assets | 304,322,802 | 314,200,971 |
| Pension asset | 181,843 | 143,678 |
| Total noncurrent assets | 305,001,357 | 314,344,649 |
| Total assets | 354,146,375 | 358,567,311 |
| Deferred outflows of resources related to pension | 180,876 | 194,874 |
| **TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | $ 354,327,251 | $ 358,762,185 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Accounts payable | $ 308,584 | $ 517,980 |
| Accrued expenses | 282,651 | 307,597 |
| Accrued interest payable | 2,176,250 | 2,205,938 |
| Compensated absences, current portion | 33,914 | 28,365 |
| Retainage payable | 100,000 | - |
| Lease liability, current portion | 55,623 | 49,887 |
| Bonds payable, current portion | 2,550,000 | 2,375,000 |
| Total current liabilities | 5,507,022 | 5,484,767 |
| Long-term liabilities: | | |
| Compensated absences, net of current portion | 17,099 | 22,907 |
| Lease liability, net of current portion | 407,322 | 464,378 |
| Bonds payable, net of current portion | 189,228,602 | 193,103,253 |
| Total long-term liabilities | 189,653,023 | 193,590,538 |
| Total liabilities | 195,160,045 | 199,075,305 |
| Deferred inflows of resources related to pension | 139,746 | 153,146 |
| **TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES** | 195,299,791 | 199,228,451 |
| **NET POSITION** | | |
| Net investment in capital assets | 109,700,201 | 116,033,953 |
| Restricted | 42,051,495 | 37,177,691 |
| Unrestricted | 7,275,764 | 6,322,090 |
| Total net position | 159,027,460 | 159,533,734 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION** | $ 354,327,251 | $ 358,762,185 |

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, 2024 AND 2023**

| | 2024 | 2023 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Toll revenues - electronic, net | $ 16,811,267 | $ 16,253,441 |
| Toll revenues and fees - video, net | 5,330,285 | 6,190,758 |
| Contributions - member counties | 40,000 | 40,000 |
| Total operating revenues | 22,181,552 | 22,484,199 |
| **GENERAL EXPENSES** | | |
| Administrative | 225,885 | 273,805 |
| Salaries, benefits and payroll taxes | 1,279,222 | 1,125,016 |
| Legal and professional | 411,070 | 527,574 |
| Total general expenses | 1,916,177 | 1,926,395 |
| **TOLL OPERATING EXPENSES** | | |
| Depreciation and amortization expense | 11,367,454 | 11,362,895 |
| General engineering consultants | 491,068 | 254,333 |
| Project director | 35,191 | 60,926 |
| Roadway maintenance | 1,885,567 | 2,156,962 |
| Toll equipment maintenance | 585,655 | 523,487 |
| Transmission line charges | 71,525 | 76,256 |
| Legal fees | 36,909 | 49,418 |
| Toll operating system support | 75,873 | 91,204 |
| Utilities | 17,831 | 16,872 |
| Insurance | 146,878 | 142,943 |
| Marketing and advertising | 490,292 | 557,042 |
| Traffic and revenue study | 117,931 | 119,829 |
| Other operating expenses | 30,221 | 24,196 |
| Total toll operating expenses | 15,352,395 | 15,436,363 |
| Total expenses | 17,268,572 | 17,362,758 |
| Operating income | $ 4,912,980 | $ 5,121,441 |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| Interest income | 1,857,682 | 1,408,568 |
| Income on investments (net of fees) | 332,377 | 197,622 |
| Interest expense | (7,432,694) | (7,526,811) |
| Priority projects | - | (529,328) |
| Project development | (141,151) | (67,004) |
| Loss on disposal | (22,578) | - |
| Insurance proceeds | 70,982 | - |
| Undeveloped project loss | (88,991) | - |
| Other income | 5,119 | 3,536 |
| Total nonoperating revenues (expenses) | (5,419,254) | (6,513,417) |
| Change in net position | (506,274) | (1,391,976) |
| **NET POSITION,** beginning of year | 159,533,734 | 160,925,710 |
| **NET POSITION,** end of year | $ 159,027,460 | $ 159,533,734 |

See accompanying notes to the financial statements.

**NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY**
**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

| | 2024 | 2023 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Receipts from toll revenues | $ 22,309,510 | $ 21,694,920 |
| Receipts from member counties | 46,000 | 44,000 |
| Receipts from other revenue sources | 5,119 | 1,549 |
| Payments to employees | (1,196,446) | (1,082,051) |
| Payments to vendors | (5,056,337) | (4,739,651) |
| Net cash flows provided by operating activities | 16,107,846 | 15,918,767 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | |
| Purchase of capital assets and construction in progress | (1,390,707) | (3,260,140) |
| Proceeds from insurance | 70,982 | 3,588 |
| Payments on grants | - | (532,989) |
| Payments on principal | (2,375,000) | (1,655,000) |
| Payments on interest | (8,764,375) | (8,865,125) |
| Net cash (used in) capital and related financing activities | (12,459,100) | (14,309,666) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Purchase of investments | (22,316,252) | (17,186,625) |
| Proceeds from sale or maturity of investments | 27,524,509 | 15,548,945 |
| Interest earned | 1,964,004 | 1,237,014 |
| Net cash flows provided by (used in) investing activities | 7,172,261 | (400,666) |
| Net increase in cash and cash equivalents | 10,821,007 | 1,208,435 |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 20,672,202 | 19,463,767 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 31,493,209 | $ 20,672,202 |
| **RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:** | | |
| Operating income | $ 4,912,980 | $ 5,121,441 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation and amortization | 11,367,454 | 11,362,895 |
| Loss on disposal | 22,578 | 2,541 |
| Change in assets and liabilities: | | |
| (Increase) decrease in due from other agencies | 163,115 | (684,749) |
| (Increase) decrease in other assets | 241 | 13,302 |
| (Increase) decrease in net pension asset | (38,165) | 53,517 |
| (Increase) decrease in deferred outflows of resources | 13,998 | (83,448) |
| Increase (decrease) in operating and other accounts payable | (295,481) | 233,705 |
| Increase (decrease) in accrued expenses | (25,215) | (78,533) |
| Increase (decrease) in compensated absences payable | (259) | (15,997) |
| Increase (decrease) in deferred inflows of resources | (13,400) | (5,907) |
| Net cash flows provided by operating activities | $ 16,107,846 | $ 15,918,767 |
| **RECONCILIATION OF CASH AND CASH EQUIVALENTS:** | | |
| Unrestricted cash and cash equivalents | $ 6,841,696 | $ 5,909,292 |
| Restricted cash and cash equivalents | 24,651,513 | 14,762,910 |
| Total | $ 31,493,209 | $ 20,672,202 |

See accompanying notes to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. SIGNIFICANT ACCOUNTING POLICIES

**General Statement**

The financial statements of 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 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, 2024 and 2023, 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, 2024 and 2023. 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 2024 or 2023.

### 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

**Leases - continued**

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

**Long-term Obligations**

Long-term obligations are reported as liabilities in the statement of net position and consist of bonds payable and related premiums and discounts as applicable. The Authority amortizes premiums and discounts over the estimated life of the bonds as an adjustment to interest expense using the effective interest method.

**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 $51,013 and $51,272 as of September 30, 2024 and 2023, 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.

## 1. SIGNIFICANT ACCOUNTING POLICIES - continued

### Pensions

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

### Deferred Outflows and Inflows of Resources

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

### Toll Revenues and Related Costs

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

### Classification of Operating and Nonoperating Revenue and Expenses

The Authority defines operating revenues and expenses as those revenues and expenses generated by the Authority's Tolling System. It also includes all revenues and expenses not related to capital and related financing, noncapital financing or investing activities. This definition is consistent with the Codification of Governmental Accounting and Financial Reporting Standards, which defines operating receipts as cash receipts from customers and other cash receipts that do not result from transactions defined as capital and related financing, noncapital financing or investing activities. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

### Noncash disclosures for Statement of Cash Flows

The Authority added a right to use asset for a long-term lease in the amount of $15,128 as of September 30, 2023. There were no leases added as of September 30, 2024

### Reclassification

Certain reclassifications have been made to the prior year's amounts reflected within the statement of 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 right of use assets, net of amortization, was moved to a line under capital assets and is now included in the total net capital assets.

## 1. SIGNIFICANT ACCOUNTING POLICIES - continued

**Issued but not yet effective pronouncements**

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.

In December 2023, the GASB issued Statement No. 102, "Certain Risk Disclosures". The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting unites that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires the government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Management has not determined the impact of this Statement.

In April 2024, the GASB issued Statement No. 103, "Financial Reporting Model Improvements". The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement continues the requirement of the following: (1) the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI); (2) the Statement also addresses the reporting of unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence; (3) the Statement also requires that the proprietary fund statement of revenues, expenses and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses; (4) requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements and (5) also requires governments to present budgetary comparison information using a single method of communication – RSI. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Management has not determined the impact of this Statement.

## 1. SIGNIFICANT ACCOUNTING POLICIES - continued

**Recently effective and/or implemented 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 were effective for reporting periods beginning after June 15, 2022. The Authority does not have statutory authority to execute these agreements.

Effective October 1, 2022, the Authority implemented GASB Statement No. 96, "Subscription-Based Information Technology Arrangements". The implementation of the standard did not have an impact on the financial statements for the period ending September 30, 2023.

Effective October 1, 2023, the Authority implemented GASB issued Statement No. 100, "Accounting Changes and Error Corrections – Amendment of GASB 62". The implementation of the standard did not have an impact on the financial statements for the period ending September 30, 2024.

## 2. CASH AND INVESTMENTS

Cash and investments are reflected on the statement of net position at September 30, 2024 and 2023 as follows:

| | September 30, 2024 | September 30, 2023 |
|---|---|---|
| Cash and cash equivalents | $ 6,841,696 | $ 5,909,292 |
| Restricted cash and cash equivalents | 24,651,513 | 14,762,910 |
| Restricted investments | | |
| Current | 14,722,264 | 20,399,377 |
| Noncurrent | 496,712 | - |
| Total | $ 46,712,185 | $ 41,071,579 |

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, 2024 and 2023 was 100% of budgeted operating and maintenance expenses and totaled $6,606,512 and $5,629,825, respectively.

## 2. CASH AND INVESTMENTS- continued

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:

**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.

**2. CASH AND INVESTMENTS- continued**

The following table summarizes the inputs used as of September 30, 2024 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 | $ - | $ 4,661,558 | $ - | $ 4,661,558 |
| Federal National Mortgage Assn. | - | - | - | - |
| United States Treasury | - | 7,470,504 | - | 7,470,504 |
| Federal Home Loan Bank | - | 3,086,914 | - | 3,086,914 |
| Total | $ - | $ 15,218,976 | $ - | $ 15,218,976 |

The following table summarizes the inputs used as of September 30, 2023 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 | $ - | $ 4,438,897 | $ - | $ 4,438,897 |
| Federal National Mortgage Assn. | - | 2,315,225 | - | 2,315,225 |
| United States Treasury | - | 1,190,497 | - | 1,190,497 |
| Federal Home Loan Bank | - | 12,454,758 | - | 12,454,758 |
| Total | $ - | $ 20,399,377 | $ - | $ 20,399,377 |

As of September 30, 2024, 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 | $ 2,388,024 | $ - | $ 2,273,534 | $ - |
| Federal National Mortgage Assn. | - | - | - | - |
| United States Treasury | 3,630,560 | 2,620,063 | 1,219,881 | - |
| Federal Home Loan Bank | - | 1,281,495 | 1,308,707 | 496,712 |
| Total | $ 6,018,584 | $ 3,901,558 | $ 4,802,122 | $ 496,712 |

**2. CASH AND INVESTMENTS- continued**

As of September 30, 2023, 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 | $ 1,194,617 | $ - | $ 3,593,523 | $ - |
| Federal National Mortgage Assn. | 998,736 | - | 1,316,489 | - |
| United States Treasury | 1,190,497 | - | - | - |
| Federal Home Loan Bank | 2,821,889 | 8,086,323 | 1,197,303 | - |
| Total | $ 6,205,739 | $ 8,086,323 | $ 6,107,315 | $ - |

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 (Board). 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, 2024 and 2023, 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, 2024 and 2023.

**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.

**2. CASH AND INVESTMENTS- continued**

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

**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, 2024 and 2023, are as follows:

| | September 30, 2024 | September 30, 2023 |
|---|---|---|
| Cash and Investments: | | |
| Bond debt service accounts | $ 22,233,073 | $ 20,984,567 |
| Revenue fund | 1,168,192 | 1,028,384 |
| Operating and maintenance fund | 1,766,450 | 1,591,774 |
| Renewal and replacement fund | 4,681,118 | 3,131,904 |
| General fund | 10,021,656 | 8,425,658 |
| Total restricted cash and investments | 39,870,489 | 35,162,287 |
| Other restrictions: | | |
| Restricted receivables | 2,659,417 | 2,822,532 |
| Amounts payable out of restricted assets | (478,411) | (807,128) |
| Total other restrictions | 2,181,006 | 2,015,404 |
| Restricted net position | $ 42,051,495 | $ 37,177,691 |

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/decrease to video toll revenue and violation fees or as bad debt expense. For the year ended September 30, 2024, the adjustment to reflect the amount due for video tolls and fees resulted in a net decrease of $196,353, which is reflected in the Statements of Revenues, Expenses and Changes in Net Position. The net overall decrease to revenue was the result of 1) adjusting the video tolls and fees receivable to actual at year end and 2) adjusting the video toll and fees allowance accounts to the amount estimated to be collectible at year end based on collection rate data from NTTA. For the year ended September 30, 2023, the adjustment to reflect the amount due for video tolls and fees resulted in a net increase of $592,696, which is reflected in the Statements of Revenues, Expenses and Changes in Net Position. The net overall increase to revenue was the result of 1) writing off the remaining net receivable from the old service provider, Cofiroute, due to the age of the receivable and significant decline in collections and 2) increasing the video toll and fees receivable from NTTA deemed collectible at year end.

| | September 30, 2024 | September 30, 2023 |
|---|---|---|
| Tolls receivable - electronic | $ 269,420 | $ 176,339 |
| Tolls receivable - video and fees | 11,949,985 | 7,985,580 |
| Allowance for uncollectible video tolls and fees | (9,559,988) | (5,339,387) |
| | 2,389,997 | 2,646,193 |
| Due From Other Agencies | $ 2,659,417 | $ 2,822,532 |

## 5. CAPITAL ASSETS

Capital assets of the Authority consisted of the following as of September 30, 2024:

| | September 30, 2023 | Additions | Transfers/ Retirements | September 30, 2024 |
|---|---|---|---|---|
| Capital Assets not being depreciated: | | | | |
| Toll 49 Right of Way | $ 47,904,404 | $ - | $ - | $ 47,904,404 |
| Construction in progress | 6,633,450 | 1,440,295 | (1,862,838) | 6,210,907 |
| **Total Capital Assets not being depreciated** | 54,537,854 | 1,440,295 | (1,862,838) | 54,115,311 |
| Capital Assets being depreciated: | | | | |
| Toll 49 Bridges | 84,286,695 | - | - | 84,286,695 |
| Toll 49 Highway | 234,241,023 | 851,444 | - | 235,092,467 |
| Toll 49 Gantries and toll equipment | 20,240,480 | - | - | 20,240,480 |
| Toll 49 Improvements | 1,770,635 | 874,665 | - | 2,645,300 |
| NTTA Backoffice System | 1,134,995 | - | - | 1,134,995 |
| Office equipment and other | 607,912 | 183,400 | (23,381) | 767,931 |
| Pruitt Place - Furniture, Signs, Etc. | 186,920 | 24,346 | - | 211,266 |
| Trucks and Auto | 137,256 | - | (33,089) | 104,167 |
| **Total Capital Assets being depreciated** | 342,605,916 | 1,933,855 | (56,470) | 344,483,301 |
| **Less Accumulated Depreciation** | (83,420,508) | (11,306,660) | 34,443 | (94,692,725) |
| **Total Capital Assets being depreciated, net** | 259,185,408 | (9,372,805) | (22,027) | 249,790,576 |
| Right of Use Assets | | | | |
| Lease - Office Space | 561,035 | - | - | 561,035 |
| Lease - Copy Machine | 15,128 | - | - | 15,128 |
| **Total Right of Use Assets** | 576,163 | - | - | 576,163 |
| Less Accumulated Amortization for: | | | | |
| Lease - Office Space | (98,180) | (56,104) | - | (154,284) |
| Lease - Copy Machine | (274) | (4,690) | - | (4,964) |
| **Total Accumulated Amortization** | (98,454) | (60,794) | - | (159,248) |
| **Total Right of Use Assets, net** | 477,709 | (60,794) | - | 416,915 |
| **Total Capital Assets, net** | $ 314,200,971 | $ (7,993,304) | $ (1,884,865) | $ 304,322,802 |

## 5. CAPITAL ASSETS - continued

Capital assets of the Authority consisted of the following as of September 30, 2023:

| | September 30, 2022 | Additions | Transfers/ Retirements | September 30, 2023 |
|---|---|---|---|---|
| Capital Assets not being depreciated: | | | | |
| Toll 49 Right of Way | $ 47,904,404 | $ - | $ - | $ 47,904,404 |
| Construction in progress | 5,626,781 | 1,639,498 | (632,829) | 6,633,450 |
| **Total Capital Assets not being depreciated** | 53,531,185 | 1,639,498 | (632,829) | 54,537,854 |
| Capital Assets being depreciated: | | | | |
| Toll 49 Bridges | 84,286,695 | - | - | 84,286,695 |
| Toll 49 Highway | 233,556,161 | 684,862 | - | 234,241,023 |
| Toll 49 Gantries and toll equipment | 19,658,646 | 581,834 | - | 20,240,480 |
| Toll 49 Improvements | 1,742,940 | 27,695 | - | 1,770,635 |
| NTTA Backoffice System | 610,870 | 524,125 | - | 1,134,995 |
| Office equipment and other | 608,108 | 6,200 | (6,396) | 607,912 |
| Pruitt Place - Furniture, Signs, Etc. | 179,995 | 6,925 | - | 186,920 |
| Trucks and Auto | 137,256 | - | - | 137,256 |
| **Total Capital Assets being depreciated** | 340,780,671 | 1,831,641 | (6,396) | 342,605,916 |
| **Less Accumulated Depreciation** | (72,120,884) | (11,303,479) | 3,855 | (83,420,508) |
| **Total Capital Assets being depreciated, net** | 268,659,787 | (9,471,838) | (2,541) | 259,185,408 |
| Right of Use Assets | | | | |
| Lease - Office Space | 561,035 | - | - | 561,035 |
| Lease - Copy Machine | 9,623 | 15,128 | (9,623) | 15,128 |
| **Total Right of Use Assets** | 570,658 | 15,128 | (9,623) | 576,163 |
| Less Accumulated Amortization for: | | | | |
| Lease - Office Space | (42,077) | (56,103) | - | (98,180) |
| Lease - Copy Machine | (3,292) | (3,313) | 6,331 | (274) |
| **Total Accumulated Amortization** | (45,369) | (59,416) | 6,331 | (98,454) |
| **Total Right of Use Assets, net** | 525,289 | (44,288) | (3,292) | 477,709 |
| **Total Capital Assets, net** | $ 322,716,261 | $ (7,876,628) | $ (638,662) | $ 314,200,971 |

Including amortization expense, depreciation expense for the years ended September 30, 2024 and 2023 was $11,367,454 and $11,362,895, respectively.

## 6. ACCOUNTS PAYABLE

Accounts payable consisted of the following at September 30, 2024 and 2023:

| | September 30, 2024 | September 30, 2023 |
|---|---|---|
| Accounts payable – capital | $ 104,804 | $ 18,449 |
| Accounts payable – operations | 192,239 | 488,218 |
| Accounts payable – other | 11,541 | 11,313 |
| Total | $ 308,584 | $ 517,980 |

## 7. BONDS PAYABLE

The following summarizes long-term debt activity of the Authority for the years ended September 30, 2024 and 2023:

| | September 30, 2023 | Additions/ Amortization | Reductions | September 30, 2024 |
|---|---|---|---|---|
| **Long-term debt:** | | | | |
| Bonds - Senior lien | $ 123,260,000 | $ - | $ (1,090,000) | $ 122,170,000 |
| Bonds - Subordinate lien | 53,215,000 | - | (1,285,000) | 51,930,000 |
| Subtotal | 176,475,000 | - | (2,375,000) | 174,100,000 |
| Bond premium payable: | | | | |
| Bond premiums | 28,956,440 | - | - | 28,956,440 |
| Bond premiums amortization | (9,953,187) | (1,324,651) | - | (11,277,838) |
| Subtotal | 19,003,253 | (1,324,651) | - | 17,678,602 |
| Total long-term debt | 195,478,253 | (1,324,651) | (2,375,000) | 191,778,602 |
| Less: Bonds payable, current portion | (2,375,000) | (2,550,000) | 2,375,000 | (2,550,000) |
| Bonds payable, net of current portion | $ 193,103,253 | $ (3,874,651) | $ - | $ 189,228,602 |
| Current year interest payable: | | | | |
| Bond accrued interest | $ 2,205,938 | $ 8,734,687 | $ (8,764,375) | $ 2,176,250 |

## 7. BONDS PAYABLE – continued

| | September 30, 2022 | Additions/ Amortization | Reductions | September 30, 2023 |
|---|---|---|---|---|
| **Long-term debt:** | | | | |
| Bonds - Senior lien | $ 124,015,000 | $ - | $ (755,000) | $ 123,260,000 |
| Bonds - Subordinate lien | 54,115,000 | - | (900,000) | 53,215,000 |
| Subtotal | 178,130,000 | - | (1,655,000) | 176,475,000 |
| Bond premium payable: | | | | |
| Bond premiums | 28,956,440 | - | - | 28,956,440 |
| Bond premiums amortization | (8,611,701) | (1,341,486) | - | (9,953,187) |
| Subtotal | 20,344,739 | (1,341,486) | - | 19,003,253 |
| Total long-term debt | 198,474,739 | (1,341,486) | (1,655,000) | 195,478,253 |
| Less: Bonds payable, current portion | (1,655,000) | (2,375,000) | 1,655,000 | (2,375,000) |
| Bonds payable, net of current portion | $ 196,819,739 | $ (3,716,486) | $ - | $ 193,103,253 |
| Current year interest payable: | | | | |
| Bond accrued interest | $ 2,226,625 | $ 8,844,438 | $ (8,865,125) | $ 2,205,938 |

**<u>Additions to long-term liabilities</u>**

| | September 30, 2024 | September 30, 2023 |
|---|---|---|
| Bond interest expense | $ 7,410,036 | $ 7,502,952 |
| Bond premium amortization | 1,324,651 | 1,341,486 |
| Additions to long-term liabilities | $ 8,734,687 | $ 8,844,438 |

**<u>Senior and Subordinate Lien Revenue Bonds:</u>**
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

**7. BONDS PAYABLE – continued**

July 1, commencing January 1, 2017. Accrued interest payable on the Senior Lien Bond was $1,527,125 and $1,540,750 for years ended September 30, 2024, and 2023, 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 $649,125 and $665,188 for years ended September 30, 2024 and 2023, respectively.

Future payments of principal and interest on the Authority's Revenue Bonds as of September 30, 2024 are as follows:

| Fiscal Year Ended September 30 | Principal | Interest | Total Amount |
|---|---|---|---|
| 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 | 4,270,000 | 8,134,000 | 12,404,000 |
| 2029 | 4,535,000 | 7,913,875 | 12,448,875 |
| 2030-2034 | 29,430,000 | 35,608,750 | 65,038,750 |
| 2035-2039 | 43,765,000 | 26,415,375 | 70,180,375 |
| 2040-2044 | 56,200,000 | 13,953,000 | 70,153,000 |
| 2045-2046 | 26,615,000 | 1,347,125 | 27,962,125 |
| Total obligations | $ 174,100,000 | $ 118,835,750 | $ 292,935,750 |

## 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.

**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 | Expired 2022 |
| | | (248,752) | Paid November 12, 2021 |
| | | (101,248) | Restriction released |
| | Harrison County | 150,000 | Extended without timeline |
| | | 150,000 | |
| 2019 | Titus County | 320,000 | Extended without timeline |
| | Upshur County | 280,000 | Extended without timeline |
| | | 40,000 | Carryover from 2017 |
| | | (215,077) | Various payments to Atkins |
| | | (104,923) | Restriction released |
| | | 320,000 | |
| 2020 | Gregg County | 270,000 | Expired 2022 |
| | | (270,000) | Paid January 20, 2022 |
| | Rusk County | 240,000 | Expired 2022 |
| | | (240,000) | Paid January 20, 2022 |
| | Wood County | 125,000 | Expired 2022 |
| | | (125,000) | Paid May 25, 2023 |
| | | - | |
| 2021 | Gregg County | 200,000 | Expired 2023 |
| | | (200,000) | Paid December 15, 2022 |
| | Cherokee County | 125,000 | Extended without timeline |
| | | 125,000 | |
| 2022 | Harrison County | 105,392 | Expires 2024 |
| | | (105,392) | Paid October 5, 2023 |
| | | - | |
| 2023 | Titus County | 297,000 | Expires 2025 |
| | Harrison County | 300,000 | Expires 2025 |
| | | 597,000 | |
| | Total | $ 1,192,000 | |

## 8. INTERLOCAL AND OTHER AGREEMENTS – continued

**Priority Project Commitments- continued**

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

**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 North Texas Tollway Authority (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. Amendment No. 2 to the agreement clarifying NTTA's compensation for V-Toll transactions was executed October 11, 2022.

**North Texas Tollway Authority Tolling Services Agreement - continued**

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 8th 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.

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, 2024 and 2023:

| | September 30, 2024 | September 30, 2023 |
|---|---|---|
| Toll revenues – electronic | $ 17,941,229 | $ 17,331,530 |
| Less: electronic processing costs | (1,129,962) | (1,078,089) |
| Toll revenues – electronic, net | $ 16,811,267 | $ 16,253,441 |
| Toll revenues – video | $ 5,214,197 | $ 7,060,929 |
| Video violation fees | 3,010,054 | 2,244,788 |
| Less: video processing costs | (2,893,966) | (3,114,959) |
| Toll revenues and fees – video, net | $ 5,330,285 | $ 6,190,758 |

## 9. TOLL REVENUES AND RELATED COSTS - continued

For the years ended September 30, 2024 and 2023, video toll revenue and violation fees were recorded internally at their gross amounts to provide more useful information to management and the Board. Likewise, video processing fees were also recorded internally at their gross amounts.

The net video toll revenue and fees of $5,330,285 and $6,190,758 presented in the Statement of Revenues, Expenses, and Changes in Net Position for the years ended September 30, 2024 and 2023, 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 into a 39-month lease agreement, effective August 5, 2021, for the use of a copier. The monthly payment amount was $270, with total rent expense of $2,970 incurred for the year ended September 30, 2023.

The Authority entered into a 39-month lease agreement, effective September 10, 2023, for the use of an upgraded copier to replace the one mentioned in the previous paragraph. The monthly payment amount is $455, with the first month of rent pro-rated. Rent expense for the years ended September 30, 2024 and 2023 was $5,416 and $185 respectively.

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 $90,698 and $93,519 for the years ended September 30, 2024 and 2023 respectively.

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 old copier to recognize the respective lease asset and lease liability on September 30, 2024 and 2023. With regards to the Pruitt Place office space lease, the Authority anticipates exercising the first lease extension upon completion of the initial lease term. The Authority used an estimated borrowing rate of 8.75%, which was provided by the Authority's local bank president, to discount the annual lease payments for the new copier to recognize the respective lease asset and lease liability on September 30, 2023.

## 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 |
| 2025 | $ 50,917 | $ 19,315 | $ 4,706 | $ 754 | $ 55,623 | $ 20,069 |
| 2026 | 55,060 | 16,939 | 5,135 | 325 | 60,195 | 17,264 |
| 2027 | 59,437 | 14,372 | 900 | 10 | 60,337 | 14,382 |
| 2028 | 62,640 | 11,624 | - | - | 62,640 | 11,624 |
| 2029 | 65,518 | 8,746 | - | - | 65,518 | 8,746 |
| 2030-2032 | 158,632 | 8,463 | - | - | 158,632 | 8,463 |
| | $ 452,204 | $ 79,459 | $ 10,741 | $ 1,089 | $ 462,945 | $ 80,548 |

## 11. PENSION PLAN

**Plan description:** The Authority participates in the 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 cost of living adjustments (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:

| | 2023 | 2022 |
|---|---|---|
| Inactive employees entitled to, but not yet receiving benefits | 3 | 4 |
| Active employees | 8 | 7 |
| Total | 11 | 11 |

**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 actuarial rate of 8.77% for the months of the accounting year 2024 and 9.34% for the months of the accounting year 2023. The Authority's contributions to the plan were $90,498 and $87,287 for the years ended September 30, 2024 and 2023, respectively.

**Net pension asset:** The Authority's net pension asset was measured as of December 31, 2023 and 2022, 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, 2023 was 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, 2023 and 2021 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | 2023 | 2022 |
|---|---|---|
| Inflation | 2.50% | 2.50% |
| Salary increases (including inflation-varies by age and service - average over career) | 4.70% | 4.70% |
| Investment rate of return | 7.50% | 7.50% |

Mortality rates were based on the following:

**Depositing members:** For the December 31, 2023 and 2022 valuations, 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.

**11. PENSION PLAN - continued**

**Service retirees, beneficiaries, and non-depositing members:** For the December 31, 2023 and 2022 valuations, 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.

**Disabled retirees:** For the December 31, 2023 and 2022 valuations, 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.

**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 2024 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% | 4.75% |
| Global Equities | MSCI World (net) Index | 2.50% | 4.75% |
| International Equities - Developed | MSCI World Ex USA (net) Index | 5.00% | 4.75% |
| International Equities - Emerging | MSCI Emerging Markets (net) Index | 6.00% | 4.75% |
| Investment - Grade Bonds | Bloomberg U.S. Aggregate Bond Index | 3.00% | 2.35% |
| Strategic Credit | FTSE High-Yield Cash-Pay Index | 9.00% | 3.65% |
| Direct Lending | Morningstar LSTA US Leveraged Loan TR USD Index | 16.00% | 7.25% |
| Distressed Debt | Cambridge Associates Distressed Index (3) | 4.00% | 6.90% |
| REIT Equities | 67% FTSE NAREIT Equity REITs Index plus 33% S&P Global REIT (net) Index | 2.00% | 4.10% |
| Master Limited Partnerships (MLPs) | Alerian MLP Index | 2.00% | 5.20% |
| Private Real Estate Partnerships | Cambridge Associates Real Estate Index (4) | 6.00% | 5.70% |
| Private Equity | Cambridge Associates Global Private Equity and Venture Capital Index (5) | 25.00% | 7.75% |
| Hedge Funds | Hedge Fund Research, Inc. Fund of Funds Composite Index | 6.00% | 3.25% |
| Cash Equivalents | 90-Day U. S. Treasury | 2.00% | 60.00% |

(1) Target asset allocation adopted at the March 2024 TCDRS Board of Trustees meeting.

**11. PENSION PLAN - continued**

(2) Geometric real rates of return equal the expected return for the asset class minus the assumed inflation of 2.2%, per investment consultant's 2024 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 January 2023 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% | 4.95% |
| Global Equities | MSCI World (net) Index | 2.50% | 4.95% |
| International Equities - Developed | MSCI World Ex USA (net) Index | 5.00% | 4.95% |
| International Equities - Emerging | MSCI Emerging Markets (net) Index | 6.00% | 4.95% |
| Investment - Grade Bonds | Bloomberg U.S. Aggregate Bond Index | 3.00% | 2.40% |
| Strategic Credit | FTSE High-Yield Cash-Pay Index | 9.00% | 3.39% |
| Direct Lending | Morningstar LSTA US Leveraged Loan TR USD Index | 16.00% | 6.95% |
| Distressed Debt | Cambridge Associates Distressed Index (3) | 4.00% | 7.60% |
| REIT Equities | 67% FTSE NAREIT Equity REITs Index plus 33% S&P Global REIT (net) Index | 2.00% | 4.15% |
| Master Limited Partnerships (MLPs) | Alerian MLP Index | 2.00% | 5.30% |
| Private Real Estate Partnerships | Cambridge Associates Real Estate Index (4) | 6.00% | 5.70% |
| Private Equity | Cambridge Associates Global Private Equity and Venture Capital Index (5) | 25.00% | 7.95% |
| Hedge Funds | Hedge Fund Research, Inc. Fund of Funds Composite Index | 6.00% | 2.90% |
| Cash Equivalents | 90-Day U. S. Treasury | 2.00% | 0.20% |

(1) Target asset allocation adopted at the March 2023 TCDRS Board of Trustees meeting.

(2) Geometric real rates of return equal the expected return for the asset class minus the assumed inflation of 2.3%, per investment consultant's 2023 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.

**11. PENSION PLAN - continued**

**Discount rate:** The discount rate used to measure the total pension liability was 7.60% for December 31, 2023 and 2022, 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) 2023**

| | Total Pension Liability (a) | Increase (Decrease) Fiduciary Net Position (b) | Net Pension Liability/(Asset) (a) - (b) |
|---|---|---|---|
| Balances as of December 31, 2022 | $ 692,338 | $ 836,016 | $ (143,678) |
| Changes for the year: | | | |
| Service cost | 131,716 | - | 131,716 |
| Interest on total pension liability (1) | 62,581 | - | 62,581 |
| Effect of plan changes (2) | - | - | - |
| Effect of economic/demographic (gains) or losses | 12,820 | - | 12,820 |
| Effect of assumptions changes or inputs | - | - | - |
| Refund of contributions | (1,252) | (1,252) | - |
| Benefit payments | - | - | - |
| Administrative expenses | - | (564) | 564 |
| Member contributions | - | 56,720 | (56,720) |
| Net investment income | - | 93,302 | (93,302) |
| Employer contributions | - | 88,294 | (88,294) |
| Other (3) | - | 7,532 | (7,532) |
| Balances as of December 31, 2023 | $ 898,203 | $ 1,080,046 | $ (181,843) |

**Changes in Net Pension Liability (Asset) 2022**

| | Total Pension Liability (a) | Increase (Decrease) Fiduciary Net Position (b) | Net Pension Liability/(Asset) (a) - (b) |
|---|---|---|---|
| Balances as of December 31, 2021 | $ 530,173 | $ 727,368 | $ (197,195) |
| Changes for the year: | | | |
| Service cost | 141,958 | - | 141,958 |
| Interest on total pension liability (1) | 50,936 | - | 50,936 |
| Effect of plan changes (2) | - | - | - |
| Effect of economic/demographic (gains) or losses | (26,807) | - | (26,807) |
| Effect of assumptions changes or inputs | - | - | - |
| Refund of contributions | (3,921) | (3,921) | - |
| Benefit payments | - | - | - |
| Administrative expenses | - | (490) | 490 |
| Member contributions | - | 58,120 | (58,120) |
| Net investment income | - | (54,853) | 54,853 |
| Employer contributions | - | 89,020 | (89,020) |
| Other (3) | - | 20,772 | (20,772) |
| Balances as of December 31, 2022 | $ 692,338 | $ 836,016 | $ (143,678) |

(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.

| | 2023 | | |
|---|---|---|---|
| | **1% Decrease 6.60%** | **Current Discount Rate 7.60%** | **1% Increase 8.60%** |
| Total pension liability | $ 1,022,227 | $ 898,204 | $ 792,541 |
| Fiduciary net position | 1,080,046 | 1,080,046 | 1,080,046 |
| Net pension liability/(asset) | $ (57,819) | $ (181,843) | $ (287,505) |

| | 2022 | | |
|---|---|---|---|
| | **1% Decrease 6.60%** | **Current Discount Rate 7.60%** | **1% Increase 8.60%** |
| Total pension liability | $ 790,375 | $ 692,338 | $ 609,032 |
| Fiduciary net position | 836,016 | 836,016 | 836,016 |
| Net pension liability/(asset) | $ (45,641) | $ (143,678) | $ (226,984) |

**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, 2024 and 2023, the Authority recognized pension expense of $52,932 and $51,449, respectively. At September 30, 2024 and 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | September 30, 2024 | | September 30, 2023 | |
|---|---|---|---|---|
| | **Deferred Inflows of Resources** | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** | **Deferred Outflows of Resources** |
| Differences between expected and actual experience | $ 87,273 | $ 30,198 | $ 100,219 | $ 20,854 |
| Changes of assumptions | 712 | 16,135 | 831 | 18,435 |
| Net difference between projected and actual earnings | 51,761 | 69,740 | 52,096 | 92,986 |
| Contributions made subsequent to measurement date | - | 64,803 | - | 62,599 |
| | $ 139,746 | $ 180,876 | $ 153,146 | $ 194,874 |

## 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 | | |
|---|---|---|
| 2024 | $ | (5,640) |
| 2025 | | (4,551) |
| 2026 | | 11,131 |
| 2027 | | (12,119) |
| 2028 | | (7,286) |
| Thereafter | | (5,208) |
| | $ | (23,673) |

## 12. COMMITMENTS AND CONTINGENT LIABILITIES

**Commitments:**
As of September 30, 2024, the Authority has committed to paying granted funds of $1,192,000 for Priority Projects of various counties in the Authority, 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, 2024, the Authority has no contingent liabilities.

## 13. RISK MANAGEMENT

The Texas Municipal League (TML) Intergovernmental Risk Pool insures the Authority for workers' compensation, auto physical damage, errors and omissions liability, automobile liability, general liability, mobile equipment, real and personal property, crime coverage and cyber liability. Bonds are purchased for each member of the Board. Separate policies are also purchased for cyber liability, inland marine and business owners coverage.

## 14. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through March 13, 2025 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, 2024**

| | Measurement Year 2023 | Measurement Year 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 | $ 131,716 | $ 141,958 | $ 131,142 | $ 117,372 | $ 99,708 | $ 78,796 | $ 51,054 | $ 24,580 | $ 16,561 |
| Interest on total pension liability | 62,581 | 50,936 | 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 | 12,820 | (26,807) | (1,069) | (80,927) | (9,753) | (18,531) | 19,377 | 10,839 | 600 |
| Benefits payments /refunds of contributions | (1,252) | (3,921) | - | (51,251) | (9,954) | - | - | - | - |
| Net change in total pension liability | 205,865 | 162,166 | 170,122 | 42,806 | 104,883 | 77,566 | 79,772 | 37,791 | 17,233 |
| Total pension liability, beginning | 692,338 | 530,173 | 360,051 | 317,245 | 212,363 | 134,796 | 55,024 | 17,233 | - |
| Total pension liability, ending (a) | $ 898,203 | $ 692,338 | $ 530,173 | $ 360,051 | $ 317,245 | $ 212,363 | $ 134,796 | $ 55,024 | $ 17,233 |
| **Fiduciary Net Position** | | | | | | | | | |
| Employer contributions | $ 88,294 | $ 89,020 | $ 73,469 | $ 71,995 | $ 67,605 | $ 49,291 | $ 46,562 | $ 22,661 | $ 10,275 |
| Member contributions | 56,720 | 58,120 | 52,478 | 50,346 | 44,979 | 33,327 | 29,060 | 14,123 | 6,489 |
| Investment income net of investment expenses | 93,302 | (54,853) | 119,586 | 38,114 | 36,814 | (1,715) | 9,350 | 1,268 | (142) |
| Benefit payments/refunds of contributions | (1,252) | (3,921) | - | (51,251) | (9,954) | - | - | - | - |
| Administrative expenses | (564) | (490) | (394) | (350) | (280) | (181) | (94) | (14) | (6) |
| Other | 7,530 | 20,772 | 3,700 | 2,140 | 3,565 | 2,476 | 1,013 | 1,068 | (1) |
| Net change in fiduciary net position | 244,030 | 108,648 | 248,839 | 110,994 | 142,728 | 83,198 | 85,890 | 39,106 | 16,615 |
| Fiduciary net position, beginning | 836,016 | 727,368 | 478,529 | 367,536 | 224,807 | 141,610 | 55,720 | 16,615 | - |
| Fiduciary net position, ending (b) | $ 1,080,046 | $ 836,016 | $ 727,368 | $ 478,529 | $ 367,536 | $ 224,807 | $ 141,610 | $ 55,720 | $ 16,615 |
| Net pension liability/(asset), ending = (a) - (b) | $ (181,843) | $ (143,678) | $ (197,195) | $ (118,479) | $ (50,290) | $ (12,445) | $ (6,813) | $ (696) | $ 619 |
| Fiduciary net position as a % of total pension liability | 120.25% | 120.75% | 137.19% | 132.91% | 115.85% | 105.86% | 105.05% | 101.26% | 96.41% |
| Pensionable covered payroll | $ 945,326 | $ 968,665 | $ 874,625 | $ 839,098 | $ 749,644 | $ 555,454 | $ 484,326 | $ 235,380 | $ 144,206 |
| Net pension liability as a % of covered payroll | -19.24% | -14.83% | -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, 2024**

| 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% |
| 2022 | 89,020 | 89,020 | - | 968,665 | 9.20% |
| 2023 | 88,294 | 88,294 | - | 945,326 | 9.30% |

**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 12/31/2023 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.<br>2017: New mortality assumptions were reflected.<br>2019: New inflation, mortality and other assumptions were reflected.<br>2022: New investment return and inflation 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.<br>2016: No changes in plan provisions were reflected in the Schedule.<br>2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.<br>2018: No changes in plan provisions were reflected in the Schedule.<br>2019: No changes in plan provisions were reflected in the Schedule.<br>2020: No changes in plan provisions were reflected in the Schedule.<br>2021: No changes in plan provisions were reflected in the Schedule.<br>2022: No changes in plan provisions were reflected in the Schedule.<br>2023: No changes in plan provisions were reflected in the Schedule. |

See accompanying notes to the financial statements

# COMPLIANCE AND INTERNAL CONTROL

# INDEPENDENT AUDITOR'S 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
Tyler, Texas

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, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 13, 2025.

## 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 or significant deficiencies may exist that have not been identified.

PROTHRO, WILHELMI AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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**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 statements. 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
March 13, 2025