

BASIC FINANCIAL STATEMENTS AND AUDITORS' REPORTS IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
FOR THE YEARS ENDED SEPTEMBER 30, 2007 & 2006

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**Garza/Gonzalez & Associates**

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

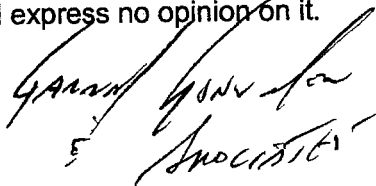
Board of Directors  
Alamo Regional Mobility Authority  
San Antonio, Texas

We have audited the accompanying basic financial statements of the Alamo Regional Mobility Authority (the Authority), as of and for the years ended September 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2007 and 2006, and the changes in net assets and cash flows for the years ended September 30, 2007 and 2006 in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 10, was not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.



December 7, 2007

**BASIC FINANCIAL STATEMENTS AND AUDITORS' REPORTS IN  
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**ALAMO REGIONAL MOBILITY AUTHORITY**  
San Antonio, Texas

Management's Discussion and Analysis  
Years Ended September 30, 2007 and  
September 30, 2006  
(Unaudited)

The discussion and analysis of the Alamo Regional Mobility Authority (the Authority) financial statements provides an overview of its financial position and activities for the years ended September 30, 2007 and September 30, 2006. The discussion and analysis provides summary level financial information; therefore, it should be read in conjunction with the accompanying financial statements.

**USING THIS ANNUAL REPORT**

Three basic financial statements are presented: the Statements of Net Assets; the Statements of Revenues, Expenses, and Changes in Net Assets; and the Statements of Cash Flows. These statements are prepared in accordance with Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis for State and Local Governments.

The statements are prepared under the accrual basis of accounting in which revenues and assets are recognized when earned or acquired, and expenses and liabilities are recognized when incurred regardless of when cash is received or paid.

**Financial Highlights**

These are the third audited financial statements prepared by the Authority. The Authority has not generated any operating revenues since the Authority is in the process of planning and start-up of projects that will generate operating revenues in future years. The Authority has financed its start-up costs with loans and contributions from Bexar County, City of San Antonio, and Texas Department of Transportation. The majority of expenses are related to professional services and personnel costs. As a result of the start-up costs and the lack of operating revenues in the current period, the Authority ended the period with a deficit net asset balance (difference between assets and liabilities) of \$6,671,621 and \$2,836,994 as of September 30, 2007 and 2006, respectively.

**Statement of Net Assets**

The Statement of Net Assets presents the Authority's assets, liabilities, and net assets as of the end of a fiscal period. The information presented is useful in determining the assets available for the Authority's operations as well as the amounts the Authority owes to vendors, debt holders, and other entities at the end of the period. The Authority's net assets - the difference between assets and liabilities - can be a factor in assessing its financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its' financial health is improving or deteriorating when considered with other factors such as overall population growth, economic development, income levels and vehicle miles traveled in Bexar County and surrounding communities.

Assets and liabilities are classified based on liquidity and longevity. Current liabilities are generally those liabilities which are due within one year and current assets are those assets which are available to satisfy current liabilities. Noncurrent assets are those assets not expected to be utilized within one year.

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Noncurrent liabilities include loans payable not expected to be settled within one year.

Net assets are normally presented in three major categories; Invested in Capital Assets Net of Related Debt, Restricted and Unrestricted. All three categories of net assets are described as follows; however, the Authority's net assets were all considered unrestricted. Amounts presented as "Invested in Capital Assets Net of Related Debt" represent the investment in property, plant and equipment net of accumulated depreciation on the assets and net of related outstanding debt used to construct, purchase, or renovate them. Restricted net assets are available for expenditure but must be spent in accordance with the restrictions of donors and other external entities. Unrestricted net assets are available for any lawful purpose. Unrestricted net assets are accumulated only as necessary to ensure sufficient reserve funds for future operations and capital improvements. Further detail concerning assets, liabilities, and net assets is presented in the Statement of Net Assets and notes to the financial statements.

Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets, as presented in the Statement of Net Assets, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. Operating revenues are expected to be generated from toll revenues in future years. Operating expenses were incurred in planning and operating the Authority. All other activity is classified as non-operating revenues and expenses. Total revenues, total expenses, operating income (loss), and increase (decrease) in net assets are all important factors when assessing the change in the Authority's financial position. Further detail is presented in the Statement of Revenues, Expenses, and Changes in Net Assets and notes to the financial statements.

Statement of Cash Flows

The Statement of Cash Flows provides information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also helps users assess (1) the entity's ability to meet its obligations as they come due and (2) the need for external financing.

This statement presents information related to cash inflows/outflows summarized by operating, non-capital financing, capital and related financing, and investing activities. For additional detail concerning these classifications see the Statement of Cash Flows.

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**CONDENSED FINANCIAL INFORMATION**

Statement of Net Assets

The following table is condensed financial information for the Statement of Net Assets:

Statement of Net Assets		
	9/30/2007	9/30/2006
Current Assets	\$137,144	\$260,993
Total Assets	137,144	260,993
Current Liabilities	736,624	1,157,025
Non-Current Liabilities	6,072,141	1,940,962
Total Liabilities	6,808,765	3,097,987
Unrestricted Net Assets	(6,671,621)	(2,836,994)
Total Net Assets	\$(6,671,621)	\$(2,836,994)

Total assets were \$137,144 and \$260,993 at September 30, 2007 and 2006, respectively and consisted mainly of cash and cash equivalents.

Total liabilities were \$6,808,765 and \$3,097,987 at September 30, 2007 and 2006, respectively and consisted mainly of accrued expense (\$0 and \$1,045,158), long-term liabilities and accrued interest to other governmental entities (\$6,072,141 and \$1,940,962), accounts payable (\$715,533 and \$103,316), accrued compensated absences (\$12,849 and \$8,551), and accrued wages (\$8,242 and \$0).

The Authority's net assets (assets less liabilities), was a deficit of \$6,671,621 and \$2,836,994 at September 30, 2007 and 2006, respectively. This is due to the start-up costs of the Authority.

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Statement of Revenues, Expenses and Changes in Net Assets

The following table is condensed financial information for the Statement of Revenues, Expenses and Changes in Net Assets:

Statement of Revenues, Expenses  
 and Changes in Net Assets

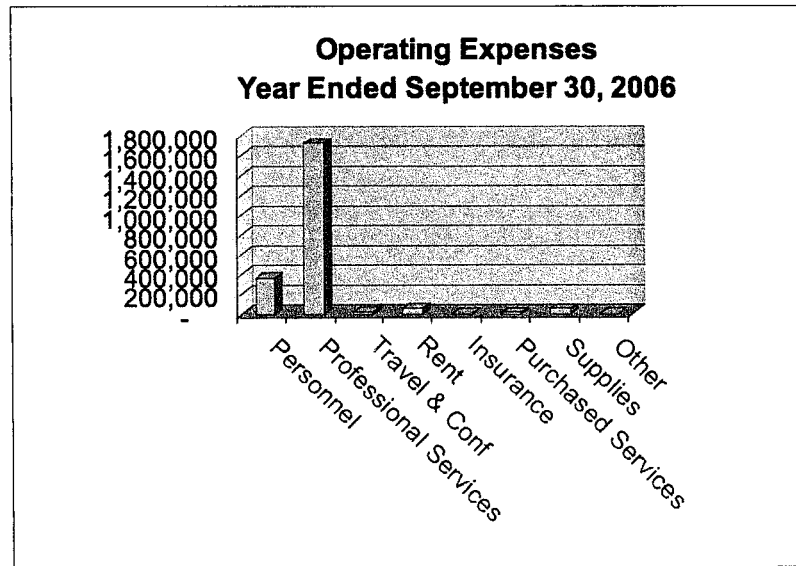
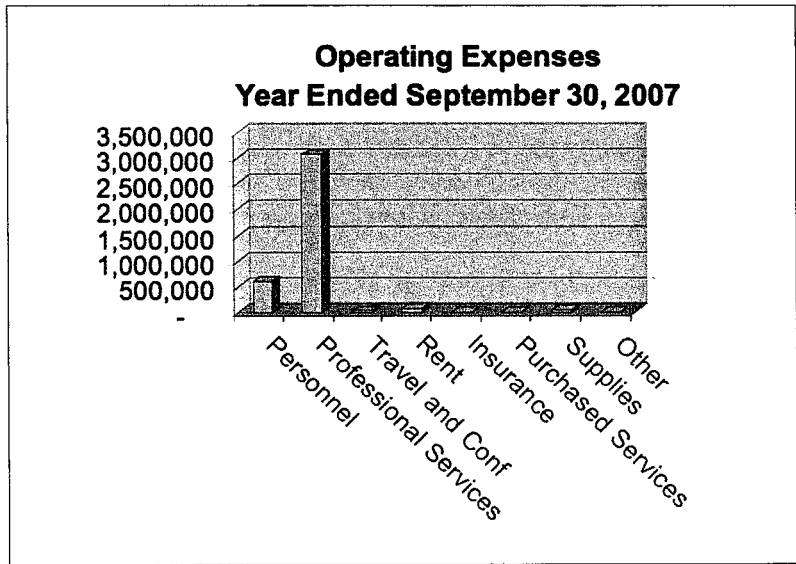
	Year Ended 9/30/2007	Year Ended 9/30/2006
Operating Expenses		
Personnel	\$ 598,471	\$ 356,946
Professional Services	3,056,867	1,716,858
Travel & Conferences	20,019	18,176
Rent	69,462	50,887
Insurance	8,198	4,968
Other Purchased Services	11,412	10,649
Supplies	32,922	45,513
Other	8,154	5,527
Total Operating Expenses	3,805,505	2,209,524
Operating Loss	(3,805,505)	(2,209,524)
Non-Operating Revenues (Expenses)		
Interest Income	8,928	14,591
Interest Expense	(38,050)	(37,524)
Total Non-Operating Revenues (Expenses)	(29,122)	(22,933)
Decrease in Net Assets	(3,834,627)	(2,232,457)
Beginning Net Assets	(2,836,994)	(604,537)
Ending Net Assets	\$ (6,671,621)	\$ (2,836,994)

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The following graphs summarize operating expenses for the years ended September 30, 2007 and September 30, 2006.



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The Authority did not generate any operating revenues for the years ended September 30, 2007 and September 30, 2006. However, the Authority is expected to generate operating revenues from grant and toll revenues in future years.

Approximately 96% of operating expenses for the year ended September 30, 2007 represents personnel and professional services, as compared to 94% for the year ended September 30, 2006. These expenses relate to the start-up and planning phase associated with the Authority's initial operations.

Non-operating revenues and expenses for the years ended September 30, 2007 and September 30, 2006 consisted solely of interest income received on cash and cash equivalents totaling \$8,928 and \$14,591 respectively and loans interest expense totaling \$38,050 and \$37,524 respectively.

Statement of Cash Flows

The following table is condensed financial information for the Statement of Cash Flows:

	Year Ended 9/30/2007	Year Ended 9/30/2006
Cash provided / (used) by:		
Operating activities	\$(4,226,025)	\$(1,216,179)
Non-capital financing activities	4,093,128	628,575
Investing activities	8,928	14,591
Net Increase / (decrease) in cash	(123,969)	(573,013)
Cash beginning of period	254,628	827,641
Cash end of period	\$130,659	\$254,628

Cash used by operating activities for the year ended September 30, 2007 includes payments to employees of \$585,931 and to suppliers of \$3,640,094. For the year ended September 30, 2006, cash used by operating activities included payments to employees of \$356,946 and to suppliers of \$859,233.

Cash provided by non-capital financing activities are loans from Texas Department of Transportation to finance start-up costs for the Authority.

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Debt

The Authority obtained loans from Texas Department of Transportation totaling \$4,093,128 and \$628,575 in the years ended September 30, 2007 and September 30, 2006. The Authority obtained three loans for a total amount of \$1,250,000 from Bexar County and the City of San Antonio in the fifteen months ended September 30, 2005. All loans are used to finance start-up costs of the Authority and are to be repaid in accordance with terms specified in the funding agreements with City of San Antonio, Bexar County, and Texas Department of Transportation.

More detailed information about the Authority's loans payable is presented in Note 3 to the basic financial statements.

**ECONOMIC FACTORS AFFECTING THE FUTURE**

Every year Texans are spending more and more time sitting in traffic due to increased congestion. In the next 25 years, the region is expected to experience significant growth in population, in number of vehicle miles traveled, in number of jobs, and in economic development opportunities. If this growth occurs, travel times in many parts of the region will increase dramatically. The number of people living in Texas has increased by 8 million between the year 1980 and the year 2003. The number of vehicles driven on Texas roadways has also gone up, from 11.7 million to 18.9 million. The number of roadways to drive on however, has only increased by less than 8%.

Transportation networks are the backbone of our economy. It is critical that goods and services are delivered on time, every time. When delivery is delayed consumers are affected through increased product costs. Increased traffic congestion will cost more than just time.

Currently road construction and maintenance costs are being funded by the Federal/State Gasoline Tax of 38.4 cents per gallon – State Tax is 20 cents per gallon. Of the revenue generated from the 20 cents, less than approximately half is used towards actual transportation projects. Although this amount of revenue was sufficient for most past transportation needs, it is now falling short in meeting the demands of today. Maintenance costs alone are more than the funds brought in by the state fuel tax, so we can't stay even, let alone build more roads to help alleviate the mounting congestion problems.

Only about \$1.7 billion of traditional state/federal funding is available for the San Antonio metropolitan area for the next 25 years, leaving a funding gap of nearly \$8 billion (\$4.7 billion of the \$8 billion gap is related to the expressway system). One solution to consider is raising the state's gasoline sales tax, which has not been raised since 1991. Additionally, decreasing diversions away from the state gasoline tax, which is projected to be \$1.6 billion over the biennium, could potentially provide for additional funding for prior roadway investment. Neither of these items were successfully addressed during the last legislative session.



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Beyond the state gasoline tax, with rescissions of federal funding for transportation projects, the ability to engage in long range planning based on traditional funding sources is becoming increasingly limited. Locally, it is estimated that approximately \$200 million in programmed federal funding will not be available to build added capacity projects due to these recessions.

Realistically, revenue generated from one source is insufficient to meet road construction requirements. A number of resources are needed to help with planning and design funding, acquiring rights of way, constructing projects, and the ongoing maintenance for those projects.

If the problem is not solved soon, motorists will spend more time sitting in traffic, resulting in more time away from home, meanwhile future maintenance and construction costs will increase. We will be subject to these increased frustrations and costs unless Texans pull together to implement a safe, reliable and efficient transportation system with innovative funding solutions.

The Texas Legislature adopted legislation providing governmental entities with new and innovative transportation tools to form local partnerships, provide financing, accelerate projects, and create new revenue streams for transportation systems through the operation of regional mobility authorities (RMAs). RMAs will allow communities to decide priority projects and take the initiative to seek funding alternatives to complete those projects sooner. RMAs can also construct, operate and maintain tolled lanes and other transportation projects in their areas. They can accelerate project delivery by financing construction with bond sales and pledging revenue from toll fees to retire the bond debt.

During the 80th Legislative Session, the Texas Legislature expanded the authority of RMAs and other local toll project entities to include primacy for local toll projects, in the form of rights of first refusal for the development of toll projects within the region of operation for the RMA or local toll project entity. The Legislature also included a moratorium on the private concession development of US 281 and enabled the Alamo RMA to exercise the right of first refusal to develop this project.

TxDOT is providing \$1 million in financial assistance to the Alamo RMA that will fund both direct and indirect costs associated with the review and evaluation of the possible Comprehensive Development Agreement proposals to design, construct, operate, maintain and finance the 45 mile toll lane system on US 281 from Loop 1604 to Bexar/Comal County Line and Loop 1604 from SH 151 to IH 10 East.

TxDOT is also providing \$7.5 million in financial assistance to support the AlamoRMA's development of toll revenue bond funded projects in Bexar County. The projects include express toll lanes on IH 35 from the Bexar/Guadalupe County Line to the Central Business District, express toll lanes on SH 16 (Bandera Road) from IH 410 to Loop 1604 and the completion of the Wurzbach Parkway as a toll road from Jones Maltsberger Road to West Avenue.

TxDOT has combined these two financial assistance agreements into a new agreement to allow for the development of the 281 North Toll Corridor.

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The Alamo RMA has an opportunity to help address the funding gap by using a variety of tools provided by the legislature. The Alamo RMA was created to give the region the authority to:

- Provide local leadership and control over transportation projects to keep our economy moving
- Accelerate the construction of needed multi-modal transportation projects to address quality of life issues
- Leverage federal, state, regional and local funds through the use of all available funding tools
- Ensure that motorists will always have a choice between tolled and non-tolled lanes, and work to develop other multi-modal projects to help keep our region moving
- Increase travel safety for our community by decreasing congestion

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**Basic Financial Statements**

BASIC FINANCIAL STATEMENTS AND AUDITORS' REPORTS IN  
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ALAMO REGIONAL MOBILITY AUTHORITY  
 San Antonio, Texas

STATEMENT OF NET ASSETS

September 30, 2007 and 2006

ASSETS	2007	2006
Current Assets		
Cash and Cash Equivalents	\$130,659	\$254,628
Prepaid Expenses	6,485	6,365
Total Assets	\$137,144	\$260,993
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$715,533	\$103,316
Accrued Wages	8,242	-
Accrued Expenses	-	1,045,158
Current Portion of Long-Term Liabilities	12,849	8,551
Total Current Liabilities	736,624	1,157,025
Non-Current Liabilities		
Accrued Interest Payable	100,438	62,387
Long-Term Liabilities	5,971,703	1,878,575
Total Non-Current Liabilities	6,072,141	1,940,962
Total Liabilities	6,808,765	3,097,987
Net Assets		
Unrestricted	(6,671,621)	(2,836,994)
Total Net Assets	(6,671,621)	(2,836,994)
Total Liabilities and Net Assets	\$137,144	\$260,993

The accompanying notes form an integral part of this statement.

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ALAMO REGIONAL MOBILITY AUTHORITY  
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STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

September 30, 2007 and 2006

	2007	2006
Operating Expenses		
Personnel	\$598,471	\$356,946
Professional Services	3,056,867	1,716,858
Travel and Conferences	20,019	18,176
Rent	69,462	50,887
Insurance	8,198	4,968
Other Purchased Services	11,412	10,649
Supplies	32,922	45,513
Other	8,154	5,527
Total Operating Expenses	3,805,505	2,209,524
Operating Loss	(3,805,505)	(2,209,524)
Nonoperating Revenues (Expenses)		
Interest Income	8,928	14,591
Interest Expense	(38,050)	(37,524)
Total Nonoperating Revenues (Expenses)	(29,122)	(22,933)
Decrease in Net Assets	(3,834,627)	(2,232,457)
Beginning Net Assets	(2,836,994)	(604,537)
Ending Net Assets	\$(6,671,621)	\$(2,836,994)

The accompanying notes form an integral part of this statement.

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ALAMO REGIONAL MOBILITY AUTHORITY  
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STATEMENT OF CASH FLOWS

September 30, 2007 and 2006

	2007	2006
<b>CASH FLOWS FOR OPERATING ACTIVITIES</b>		
Payments to Employees	\$(585,931)	\$(356,946)
Payments to Suppliers	(3,640,094)	(859,233)
Net Cash Used for Operating Activities	(4,226,025)	(1,216,179)
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from Noncapital Loans	4,093,128	628,575
Net Cash Provided by Noncapital Financing Activities	4,093,128	628,575
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	8,928	14,591
Net Cash Provided by Investing Activities	8,928	14,591
 Net (Decrease) Increase in Cash and Cash Equivalents	(123,969)	(573,013)
 Cash and Cash Equivalents, Beginning	254,628	827,641
Cash and Cash Equivalents, Ending	\$130,659	\$254,628
 <b>Reconciliation of Operating Loss to Net Cash Used For</b>		
Operating Activities		
Operating Loss	\$(3,805,505)	\$ (2,209,524)
Adjustments to Reconcile Operating Loss to Net Cash		
(Increase) Decrease in Prepaid Expenses	(119)	(5,658)
Increase (Decrease) in Accounts Payable	612,217	(44,889)
Increase (Decrease) in Accrued Wages	8,242	-
Increase (Decrease) in Accrued Expenses	(1,045,158)	1,045,158
Increase (Decrease) in Compensated Absences	4,298	(1,266)
Net Cash Used for Operating Activities	\$(4,226,025)	\$(1,216,179)

The accompanying notes form an integral part of this statement.

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ALAMO REGIONAL MOBILITY AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

September 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Alamo Regional Mobility Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) for governmental entities. The Governmental Accounting Standards Board (GASB) is the governing body for establishing governmental accounting and financial reporting standards. For financial reporting purposes, the Authority is considered a special purpose government engaged only in business-type activities. The following is a summary of significant accounting policies of the Authority.

A. Reporting Entity

The Bexar County Regional Mobility Authority was approved by the Texas Department of Transportation on December 18, 2003 as a political subdivision of the State of Texas under the Texas Transportation Code, Chapter 370. Bexar County formally approved the conditions of the Texas Department of Transportation on January 14, 2004. The Bexar County Regional Mobility Authority held its first meeting on April 13, 2004. On October 14, 2004, the Bexar County Regional Mobility Authority formally changed its name to Alamo Regional Mobility Authority (the Authority). The Authority was created to provide the Bexar County area with a local entity to make mobility decisions for the community and to accelerate needed transportation projects.

The Authority's powers and duties are enumerated under Texas Transportation Code Chapter 370 and include authority to borrow monies and issue bonds to finance transportation projects. The Authority is governed by a seven member Board of Directors, six are appointed by Bexar County Commissioners Court and the Chairman of the Board is appointed by the Governor of the State of Texas. The Authority is not included in any other governmental "reporting entity" as defined by GASB Statement No. 14, "The Reporting Entity". There are no component units included within the reporting entity.

B. Basis of Accounting

The Authority's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) Opinions of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by GASB.

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NOTES TO FINANCIAL STATEMENTS

September 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All of the Authority's activities are accounted for within a single proprietary (enterprise) fund. The accounting and financial reporting treatment applied is determined by measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net assets (i.e., total assets net of total liabilities) are segregated into amounts invested in capital assets, net of related debt; amounts restricted for capital activity and debt service; and amounts which are unrestricted.

C. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

D. Investments

In accordance with GASB Statement No 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, investments are reported at fair value. Fair values are based on published market rates.

E. 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.

F. Capital Assets

Capital assets are stated at historical cost. Donated capital assets are valued at their estimated fair market value on the date received. For equipment, the Authority's capitalization policy includes all items with a unit cost of \$20,000 or more and an estimated useful life in excess of one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following estimated useful lives are used:

Furniture, Machinery and Other Equipment	3 - 7 years
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September 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Classification of Revenues

The Authority has classified its revenues as either operating or nonoperating according to the following criteria:

**Operating Revenues:** Operating revenues are generated by activities that have the characteristics of exchange transactions. Exchange transactions are those in which a service or product is exchanged for revenue.

**Nonoperating Revenues:** Nonoperating revenues include activities that do not have the characteristics of exchange transactions.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Authority's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources available for use.

H. Compensated Absences

The Authority employees are entitled up to four weeks of paid vacation leave per calendar year which is accrued by pay period. No more than 240 hours of unused vacation leave is carried forward to the next year and unused leave is paid to employees upon termination, resignation or retirement up to 240 hours. The liability recorded for compensated absences was \$12,849 at September 30, 2007 and \$8,551 at September 30, 2006.

I. Comparative Data

Comparative data for the prior fiscal year has been presented to provide an understanding of the changes in the financial position and operations.

2. INTERLOCAL AGREEMENTS

The Authority entered into interlocal agreements with Bexar County and the City of San Antonio to fund the start-up costs of the Authority. The interlocal agreements require repayment of the loans when the Authority issues bonds or from the proceeds of the first available revenues received.

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3. DEPOSITS AND INVESTMENTS

The Authority's cash and cash equivalents at September 30, 2007 and 2006 are as follows:

	2007	2006
Cash in Bank	\$297	\$15,128
AIM Investment	130,362	239,500
<b>Total Cash and Cash Equivalents</b>	<b>\$130,659</b>	<b>\$254,628</b>

The Authority does not have any of its funds invested in derivatives.

4. OPERATING LEASE

The Authority leases office facilities under an operating lease. The term of the lease is 37 months, which commenced on December 1, 2005 and terminates on January 1, 2009. The lease carries a base cost of \$5,514 and is adjusted annually according to the lease agreement's basic cost formula. The lease has two one year options to renew for an additional year. Payments totaling \$69,462 were made in the current year.

5. LONG-TERM LIABILITIES

On July 12, 2004, the Authority entered into an initial interlocal agreement with Bexar County. The agreement provided initial operating funds (Bexar County Loan # 1) in the amount of \$250,000 at an annual interest rate of 3.34%. The loan is to be reimbursed in total from the proceeds of the first available revenues received. If bonds are issued, the proceeds shall be used to retire the loan and any accrued interest in full. At September 30, 2007, the total amount remains outstanding.

On January 18, 2005, the Authority entered into a second interlocal agreement with Bexar County. The agreement provided additional operating funds (Bexar County Loan # 2) in the amount of \$500,000 at an annual interest rate of 2.97%. The loan is to be reimbursed in total from the proceeds of the first available revenues received. If bonds are issued, the proceeds shall be used to retire the loan and any accrued interest in full. At September 30, 2007, the entire amount remains outstanding.

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5. LONG-TERM LIABILITIES (continued)

On June 29, 2005, the Authority entered into an interlocal agreement with the City of San Antonio. The agreement provided additional initial operating funds (City of San Antonio Loan # 1) in the amount of \$500,000 at an annual interest rate of 2.97%. The loan is to be reimbursed in total from the proceeds of the first available revenues received. If bonds are issued, the proceeds shall be used to retire the loan and any accrued interest in full. At September 30, 2007, the entire amount remains outstanding.

Interest on the above notes is accrued from the date the loan is funded; however, no interest payments are due until the loan is retired. The accrued interest payable amounts to \$100,438 and \$62,387 at September 30, 2007 and 2006, respectively.

On December 16, 2005, the Authority entered into a financial assistance agreement (FAA 1) with the Texas Department of Transportation (TxDOT) to provide funding for the Authority's participation in the procurement process for a proposed comprehensive development agreement. This agreement is not to exceed \$1,000,000 and is noninterest bearing. Funds are drawn down as authorized expenses are incurred.

On January 23, 2006, the Authority entered into a financial assistance agreement (FAA 2) with the TxDOT to provide funding for the development costs of certain toll projects. This agreement is not to exceed \$7,500,000 and is noninterest bearing. Funds are drawn down as authorized expenses are incurred.

On September 11, 2007, the Authority entered into a financial assistance agreement (FAA 3) with the TxDOT to provide funding for the development costs of certain toll projects. This FAA is being funded with remaining unused funds on the previous FAA's. Funds are drawn down as authorized expenses are incurred. This agreement is not to exceed \$3,965,167 (the amount of unused funds from the previous FAA's) and is noninterest bearing.

Funds will be repaid for FAA1, FAA2, and FAA 3 from bond proceeds and/or toll revenues subject to the provisions and limitations set forth in the financial assistance agreements.

If revenues are used to repay the financial assistance agreements, that amount shall not exceed 10% of the revenues received in any single calendar year.

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5. LONG-TERM LIABILITIES (continued)

The Authority recognizes the long-term liability from TxDOT for the financial assistance agreements once the draw-down request is approved by TxDOT and the cash is received by the Authority. As of September 30, 2007 there were no reimbursements received by the Authority for FAA 3.

Long-term debt activity for the year ended September 30, 2007 was as follows:

	Balance 10/1/06	Additions	Deductions	Balance 9/30/07	Current Portion
Bexar County Loan # 1	\$250,000	\$ -	\$ -	\$250,000	\$ -
Bexar County Loan # 2	500,000	-	-	500,000	-
City of San Antonio Loan # 1	500,000	-	-	500,000	-
TxDOT - FAA 1	207,402	505,829	-	713,231	-
TxDOT - FAA 2	421,173	3,587,299	-	4,008,472	-
Total	1,878,575	4,093,128	-	5,971,703	-
Compensated Absences	8,551	17,842	(13,544)	12,849	12,849
Total Long-Term Liabilities	\$1,887,126	\$4,110,970	\$(13,544)	\$5,984,552	\$12,849

Long-term debt activity for the year ended September 30, 2006 was as follows:

	Balance 10/1/05	Additions	Deductions	Balance 9/30/06	Current Portion
Bexar County Loan # 1	\$250,000	\$ -	\$ -	\$250,000	\$ -
Bexar County Loan # 2	500,000	-	-	500,000	-
City of San Antonio Loan # 1	500,000	-	-	500,000	-
TxDOT - FAA 1	-	207,402	-	207,402	-
TxDOT - FAA 2	-	421,173	-	421,173	-
Total	1,250,000	628,575	-	1,878,575	-
Compensated Absences	9,816	6,581	(7,846)	8,551	8,551
Total Long-Term Liabilities	\$1,259,816	\$635,156	\$(7,846)	\$1,887,126	\$8,551

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6. RETIREMENT PLAN

Plan Description

The Authority provides retirement, disability, and death benefits for all its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system which consists of 573 nontraditional defined benefit pension plans. The Comprehensive Annual Financial Report is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted and may be amended by the governing body of the Authority within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with eight 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. Members are vested after eight years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdrew their personal deposits in a lump sum and who are not eligible to retire are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employees' deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act, so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchased rates prescribed by the TCDRS Act.

Funding Policy

The Authority has elected the Annually Determined Contribution Rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The Authority contributed the actuarially determined rate of 10.79% from October 1, 2006 to December 31, 2006 and 12.29% from January 1, 2007 to September 30, 2007.

The deposit rate payable by all employee members for the calendar year 2007 is the rate of 7% as adopted by the governing body of the Authority. The employee deposit rate and the employer contribution rate may be changed by the governing body or the employer within the options available in the TCDRS Act.

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6. RETIREMENT PLAN (Continued)

Annual Pension Cost

The annual employees pension cost and the actual contributions for the TCDRS plan was \$58,580 and \$32,456, respectively for the year ended September 30, 2007 and September 30, 2006.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of the plan's inception.

Actuarial Valuation Information\*

	2005	2006	2007
Actuarial valuation date	As of December 31, 2004	As of December 31, 2005	As of December 31, 2006
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, closed
Amortization Period in years	20	20	15
Asset valuation method	Long-term appreciation with adjustment	Long-term appreciation with adjustment	**SAF: 10-year smoothed value ***ESF: Fund value
Actuarial assumptions:			
Investment return*	8.0%	8.0%	8.0%
Projected salary increases*	5.5%	5.3%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

\* Includes inflation at the stated rate.

\*\* Subdivision Accumulation Fund

\*\*\* Employer's Saving Fund

Trend Information of the Retirement Plan  
 for Employees of the Authority

Year/Period	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Year Ended 9/30/2007	\$58,580	100%	\$-
Year Ended 9/30/2006	\$32,456	100%	\$-
Fifteen Months Ended 11/30/05	\$18,118	100%	\$-

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7. COMMITMENTS AND CONTINGENCIES

Pending Lawsuits and Claims

The Authority has not been named as a defendant in any lawsuits or claims filed against it; therefore, no provision for contingency losses has been recorded on the accompanying financial statements.

8. INSURANCE

As of September 30, 2007 and 2006, the Authority has insurance coverage for workers compensation and general liability. This policy provides coverage for errors and omissions and commercial crime. The Authority utilizes third party administrators for the handling of administration, investigation, and adjustment of liability claims.

9. DEFICIT NET ASSETS

At September 30, 2007 and 2006, the Authority had a deficit net asset balance, associated with development cost of the Authority, of \$6,671,621 and \$2,826,994, respectively. Management intends to eliminate the deficit through future toll operations.