



**To:** Austin Transit Partnership Board  
**From:** Greg Canally, Chief Financial Officer/Chief Development Officer  
**Date:** March 21, 2022  
**Subject:** ATP Fiscal Year 2021 Audited Annual Financial Report

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Attached you will find Austin Transit Partnership's (ATP) Fiscal Year 2021 Audited Annual Financial Report. As noted on page 4 the Auditor, RSM US LLP, expressed the opinion that ATP's financial statements are presented fairly in all material aspects. As per our Financial Policy, the Auditor will present the results of the audit to the Finance and Risk Committee on May 10, 2022.

Completion of the first set of financial statements is a significant milestone for ATP. As you know, these statements let stakeholders, such as potential grantors and investors, better understand ATP's financial situation and are essential to their decision-making process. I want to acknowledge the effort of Bryan Rivera, ATP Treasurer, and Diane Siler, ATP Budget Director, to ensure this Audit was completed.

As required by the Proposition A Property Tax Interlocal-Agreement with the City of Austin, this report is also being shared with the City.

If you have any questions regarding the report, please feel free to reach out to myself, Diane, or Bryan.

xc: Randy Clarke, Executive Director



(A Component Unit of the City of Austin, Texas)

# ANNUAL FINANCIAL REPORT

September 30, 2021

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# BOARD OF DIRECTORS



**Veronica Castro  
de Barrera  
Board Chair**



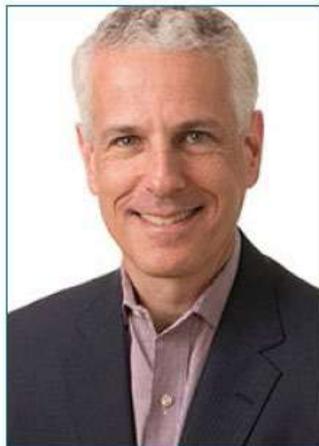
**Dr. Colette  
Pierce Burnette  
Vice Chair**



**Mayor  
Steve Adler  
Board Member**



**Eric Stratton  
Board Member**



**Tony Elkins  
Board Member**



**Gina Fiandaca  
Ex-Officio**

Board of Directors  
Austin Transit Partnership

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Austin Transit Partnership (ATP), a component unit of the City of Austin, as of and for the nine months ended September 30, 2021, and the related notes to the financial statements, which collectively comprise ATP's basic financial statements, as listed on the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of ATP as of September 30, 2021, and the respective changes in its financial position for the nine-month period then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in Note 1, effective January 1, 2021, ATP began operations and the financial statements reflect nine months of operations. Our opinions are not modified with respect to this matter.

**Other Matters*****Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget to Actual—General Fund and the Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget to Actual—Anti-Displacement Special Revenue Fund, as listed in the table of contents, as required supplementary information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

*RSM US LLP*

Austin, Texas  
February 25, 2022

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the financial statements of the Austin Transit Partnership (ATP) offers a narrative overview and analysis of the financial activities for the nine-month period ended September 30, 2021. The information contained within Management's Discussion and Analysis (MD&A) should be considered only part of a greater whole. The reader of these statements should take time to read and evaluate all sections of this report, including the footnotes and other supplementary information that is provided in addition to this MD&A.

## INTRODUCTION

On November 3, 2020, City of Austin (City) voters approved Proposition A, which provides a dedicated revenue stream through an increase in the City's property tax rate to fund Project Connect, a transformative transit expansion plan for Austin and its neighbors. Proposition A also authorized the creation of an independent board to oversee and finance the acquisitions, construction, equipment, and operations and maintenance of Project Connect. In anticipation of a successful election, the City and the Capital Metro Transportation Authority (Capital Metro) authorized the execution of an interlocal agreement creating the Austin Transit Partnership. ATP's Articles of Incorporation were signed by the Secretary of State on December 23, 2020, establishing ATP as an independent local government corporation, whose operations began on January 1, 2021.

The bylaws of ATP, as approved by the City and Capital Metro, established a five-member board jointly appointed by members of the City Council and the Capital Metro board. The Austin City Council and the Capital Metro board each appoint one representative, and the remaining three members will be community experts in the fields of finance, engineering and construction, and community planning or sustainability, appointed jointly by the City Council and the Capital Metro board. The ATP board will be responsible for oversight of the design, construction, financing and implementation of Project Connect, in partnership with the City and Capital Metro.

The financial statements included in this report are ATP's initial activities as a start-up organization that cover the first nine months of operations, from January 1, 2021 through September 30, 2021.

## Financial Highlights

ATP's initial activities during this nine-month period has focused on project development including engaging the community, establishing protocols for the construction of Project Connect, working with partners and contractors on the design of all elements of the plan, overseeing project management contracts, preparing documentation necessary to apply for Federal Transit Authority funding, refining cost estimates, and developing vehicle specifications in anticipation of solicitations.

- Net position was \$204.7 million as of September 30, 2021 (Table A-1)
- For the nine-month period ended September 30 2021, intergovernmental revenue was \$215.7 million. (Table A-2)
- Operating expenses were \$11.0 million for the nine-month period ended September 30, 2021 (Table A-2)
- Capital assets increased to \$35.8 million as of September 30, 2021 (Table A-2)

ATP's capital budget, as approved in the fiscal year 2021 budget, totaled \$59.7 million of which \$19.0 million will be spent in future years. As the design phase of light rail lines enters into the 30% design completion category, the cost for those lines will be published. As required per Section 4.4.1 of the Joint Power Agreement, executed by the City, Capital Metro and the ATP, a joint meeting shall be convened to review the implementation Sequence Plan based on the 30% design cost figures and it shall be discussed whether the implementation Sequence Plan requires adjustments.

## Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to ATP's basic financial statements. ATP's basic financial statements are comprised of 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

## **Government-Wide Financial Statements**

The Statement of Net Position and Statement of Activities provide a broad overview of ATP's overall financial status. The Statement of Net Position presents financial information on all ATP's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in an entity's net position could be one indicator of whether its financial health is improving or deteriorating.

The Statement of Activities presents information showing how ATP's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. These financial statements are prepared on the accrual basis of accounting and include capital assets, accounts receivable and payable, and long-term liabilities activity which should be considered to assess the financial health of ATP.

## **Fund Financial Statements**

The fund financial statements, the Balance Sheet and the Statement of Revenues, Expenditures, and Change in Fund Balance focus on how activities were financed in the short term, as well as what remains for future spending. Such information may be useful in assessing a government's near-term financing requirements. Capital assets and long-term liabilities are not reported in the governmental fund statements as they are not current resources and uses of funds, nor are unavailable general revenues.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the entity's near-term financing decisions. Both the fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

## Notes to Financial Statements

The notes to financial statements are an integral part of the government-wide and fund financial statements and provide essential information necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

### Required Supplementary Information

This Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget to Actual—General Fund represents financial information which provides users of this report with additional data that supplements the government-wide statements, fund financial statements and notes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Change in Net Position

Total net position may serve, over time, as a useful indicator of an entity's financial position. The total net position of ATP increased \$204.6 million for the nine-month period ended September 30, 2021.

Total asset balance is \$253.0 million as of September 30, 2021, due primarily to general revenue from interlocal agreements and the construction-related activity of Project Connect, which includes the design phase of the Blue and Orange light rail lines along with the related project management of the projects.

Total liabilities balance is \$48.4 million as of September 30, 2021, due primarily to accrued liabilities related to the ongoing construction in the amount of \$46.2 million.

**Statement of Net Position (Table A-1)**  
**September 30, 2021**

<b>Assets</b>	
Current assets:	
Current and other assets	\$ 217,195,135
Capital assets—nondepreciable	35,847,334
<b>Total assets</b>	<u><u>\$ 253,042,469</u></u>
<b>Liabilities</b>	
Liabilities:	
Accounts payable	\$ 2,103,560
Intergovernmental payable	46,252,317
<b>Total liabilities</b>	<u><u>\$ 48,355,877</u></u>
<b>Net position</b>	
Investment in capital assets	\$ 35,847,334
Restricted for anti-displacement activities	23,000,000
Unrestricted	145,839,258
<b>Total net position</b>	<u><u>\$ 204,686,592</u></u>

The following table represents the Statement of Activities and reflects the change in net position for the nine-month period ended September 30, 2021. The change in net position is primarily due to intergovernmental revenue. The intergovernmental revenue is made up of multiple interlocal agreements executed with the City of Austin and Capital Metro, which provided for combined interlocal agreement revenue of \$215.7 million. The total revenue was offset by expenses of \$11.0 million.

**Statements of Activities (Table A-2)**  
**For the Nine Months From January 1, 2021 Through September 30, 2021**

<b>Revenue</b>	
Program revenues	\$ 23,000,000
General revenues	
Interlocal agreement revenue	192,726,586
Other income	6,690
Total operating revenue	<u><u>215,733,276</u></u>
<b>Expenses</b>	
Austin Transit Partnership Services	6,191,027
MetroRapid expansion	2,386,526
Redline improvements	2,296,129
Neighborhood circulators	173,002
Total expenses	<u><u>11,046,684</u></u>
<b>Change in net position</b>	204,686,592
<b>Net position at the beginning of period</b>	-
<b>Net position at the end of period</b>	<u><u>\$ 204,686,592</u></u>

ATP was created on December 18, 2020, and financial activity started as of January 1, 2021; accordingly, comparative amounts for the prior year have not been presented.

## GOVERNMENTAL FUND FINANCIAL ANALYSIS

The focus of the ATP's general fund is to provide information on near-term inflows, outflows, and balances of spendable resources.

As of the end of the current fiscal year, ATP's governmental fund reported ending fund balance of \$168.8 million. This change in fund balance increase is due to increased interlocal agreement revenue with the City and Capital Metro net of expenditures for ATP services and capital outlay. The fund balance includes \$23.0 million as restricted for anti-displacement program as required by the Interlocal Grant Agreement between the City and ATP related to Project Connect Anti-Displacement Program Expenditures.

## BUDGETARY HIGHLIGHTS

In the table below, budgeted revenues and expenditures are compared with actual figures (budgetary basis) for the current fiscal year. Revenue realized for fiscal year 2021 was \$6.0 million higher than budget largely due to higher-than-expected new property growth and a lower-than-expected delinquency rate. The majority of the variance between budget and actual for expenditures was due to spending on capital projects not occurring as quickly as anticipated.

**Schedule of Revenues, Expenditures and Changes in Fund Balances—  
Budget to Actual—General Fund  
For the Nine Months From January 1, 2021 Through September 30, 2021**

	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance</b>
Total revenue	\$ 186,700,746	\$ 192,733,276	\$ 6,032,530
Total expenditures	73,890,649	46,894,019	26,996,630
Change in fund balances	<u>\$ 112,810,097</u>	<u>\$ 145,839,257</u>	<u>\$ 33,029,160</u>

## CAPITAL ASSETS

At the end of 2021, the ATP reported \$35.8 million in invested in capital assets, see Note 4 for additional capital asset information. During nine-month period ended September 30, 2021, ATP started the design for the Orange and Blue light rail lines. Additionally, the capital budget also allows for specific enhancements to the Capital Metro transit system, as defined in the Project Connect System Plan.

## CONTACTING ATP'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of ATP's finances, comply with finance-related laws and regulations, and demonstrate ATP's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Austin Transit Partnership at 203 Colorado Street, Austin, Texas 78701.

# FINANCIAL STATEMENTS

**Austin Transit Partnership**  
**(A Component Unit of the City of Austin, Texas)**  
**Statement of Net Position**  
**September 30, 2021**

	<b>Governmental Activities</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 215,437,882
Other receivables	295,013
Prepaid expenses	1,349,760
Deposits held by others	112,480
Capital assets—nondepreciable	35,847,334
<b>Total assets</b>	<b>\$ 253,042,469</b>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 2,103,560
Intergovernmental payable	46,252,317
<b>Total liabilities</b>	<b>48,355,877</b>
<b>Net position</b>	
Investment in capital assets	\$ 35,847,334
Restricted for anti-displacement activities	23,000,000
Unrestricted	145,839,258
<b>Total net position</b>	<b>\$ 204,686,592</b>

The accompanying notes are an integral part of the financial statements.

**Austin Transit Partnership**  
**(A Component Unit of the City of Austin, Texas)**  
**Statement of Activities**

For the Nine Months From January 1, 2021 Through September 30, 2021

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue and Change in Net Position
<b>Functions/Programs</b>					
Austin Transit Partnership Services	\$ 6,191,027	\$ -	\$ -	\$ -	\$ (6,191,027)
Anti-displacement services	-	-	23,000,000	-	23,000,000
MetroRapid expansion	2,386,526	-	-	-	(2,386,526)
Redline improvements	2,296,129	-	-	-	(2,296,129)
Neighborhood circulators	173,002	-	-	-	(173,002)
<b>Total</b>	\$ 11,046,684	\$ -	\$ 23,000,000	\$ -	11,953,316
<b>General revenues</b>					
Interlocal agreement revenue					192,726,586
Other income					6,690
Total general revenues					192,733,276
<b>Change in net position</b>					204,686,592
<b>Net position at the beginning of period</b>					-
<b>Net position at the end of period</b>					\$ 204,686,592

The accompanying notes are an integral part of the financial statements.

**Austin Transit Partnership**  
**(A Component Unit of the City of Austin, Texas)**  
**Governmental Funds Balance Sheet**  
**September 30, 2021**

	<b>Major Funds</b>		<b>2021</b>
	<b>General Fund</b>	<b>Special Revenue Fund</b>	
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 192,437,882	\$ 23,000,000	\$ 215,437,882
Other receivables	295,013	-	295,013
Prepaid expenses	1,349,760	-	1,349,760
Deposits held by others	112,480	-	112,480
Total current assets	<u>194,195,135</u>	<u>23,000,000</u>	<u>217,195,135</u>
Total assets	<u>194,195,135</u>	<u>23,000,000</u>	<u>217,195,135</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	2,103,560	-	2,103,560
Intergovernmental payable	46,252,317	-	46,252,317
Total current liabilities	<u>48,355,877</u>	<u>-</u>	<u>48,355,877</u>
Total liabilities	<u>48,355,877</u>	<u>-</u>	<u>48,355,877</u>
<b>Fund Balances</b>			
Nonspendable:			
Prepays	1,349,760	-	1,349,760
Restricted for anti-displacement activities	-	23,000,000	23,000,000
Unrestricted	144,489,498	-	144,489,498
Total fund balances	<u>145,839,258</u>	<u>23,000,000</u>	<u>168,839,258</u>
Total liabilities and fund balances	<u>\$ 194,195,135</u>	<u>\$ 23,000,000</u>	<u>\$ 217,195,135</u>

The accompanying notes are an integral part of the financial statements.

**Austin Transit Partnership**  
**(A Component Unit of the City of Austin, Texas)**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**September 30, 2021**

Total fund balances—total governmental funds	\$ 168,839,258
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	<u>35,847,334</u>
Total net position—governmental activities	<u><u>\$ 204,686,592</u></u>

The accompanying notes are an integral part of the financial statements.

**Austin Transit Partnership**  
**(A Component Unit of the City of Austin, Texas)**  
**Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances**  
**For the Nine Months From January 1, 2021 Through September 30, 2021**

	<b>Major Funds</b>		<b>2021</b>
	<b>General Fund</b>	<b>Special Revenue Fund</b>	
<b>Revenue</b>			
City of Austin interlocal agreement	\$ 125,976,837	\$ 23,000,000	\$ 148,976,837
Capital Metropolitan Transit Authority interlocal agreement	66,749,749	-	66,749,749
Other income	6,690	-	6,690
Total revenue	<u>192,733,276</u>	<u>23,000,000</u>	<u>215,733,276</u>
<b>Expenditures</b>			
ATP services			
Professional services	3,152,425	-	3,152,425
Salary and wages	2,260,602	-	2,260,602
Leases and other	334,559	-	334,559
Employee benefits	281,595	-	281,595
Materials and supplies	99,985	-	99,985
Other operating	32,188	-	32,188
Casualty and liability	29,673	-	29,673
MetroRapid expansion	2,386,526	-	2,386,526
Redline improvements	2,296,129	-	2,296,129
Neighborhood circulators	173,002	-	173,002
Capital outlay	35,847,334	-	35,847,334
Total expenditures	<u>46,894,018</u>	<u>-</u>	<u>46,894,018</u>
<b>Change in fund balances</b>	145,839,258	23,000,000	168,839,258
<b>Fund balances at the beginning of the period</b>	-	-	-
<b>Fund balances at the end of period</b>	<u>\$ 145,839,258</u>	<u>\$ 23,000,000</u>	<u>\$ 168,839,258</u>

The accompanying notes are an integral part of the financial statements.

**Austin Transit Partnership**  
**(A Component Unit of the City of Austin, Texas)**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**to the Statement of Activities**  
**For the Nine Months From January 1, 2021 Through September 30, 2021**

Net change in fund balances—governmental funds	\$ 168,839,258
Governmental fund report capital outlays as expenditures	<u>35,847,334</u>
Change in net position—governmental activities	<u><u>\$ 204,686,592</u></u>

The accompanying notes are an integral part of the financial statements.

# NOTES TO FINANCIAL STATEMENTS

## Note 1. Organization

**Reporting entity:** Austin Transit Partnership (ATP), a component unit of the City of Austin, Texas (the City), was created on December 18, 2020, pursuant to action taken by the City and the Capital Metropolitan Transportation Authority (Capital Metro). ATP was incorporated under the provisions of Subchapter D, Chapter 431, of the Texas Transportation Code, Chapter 394, of the Texas Local Government Code and Chapter 22, of the Business Organizations Code. ATP was established to complete Project Connect, a high-capacity transit system that ATP will design, construct, and implement in a manner independent of the City of Austin and Capital Metro. ATP will contract with the Capital Metro to operate and maintain assets funded by ATP. As reflected in Article IV (1-8) of the Articles of Incorporation, ATP has broad authority to accomplish the functions discussed above. Further, as provided by Resolution 20201218-002 approved by the City Council and Resolution AI-2020-1399 as approved by the Capital Metro board of directors, ATP and its corporate existence shall continue until the ATP board has determined by resolution that all its liabilities and bonds have been paid in full or such liabilities and bonds have otherwise been discharged and the purpose for which ATP was formed has been substantially met.

ATP is governed by a five-member board of directors consisting of one representative each from the City Council and Capital Metro board of directors and three community expert members appointed jointly by the City and Capital Metro.

To perform the function for which it was established, throughout fiscal year 2021, ATP utilized Capital Metro services and employees for certain functions. ATP reimbursed Capital Metro for these incurred costs.

ATP is presented as a discretely presented component unit of the City (legally separate from the City).

## Note 2. Summary of Significant Accounting Policies

This summary of significant accounting policies of ATP is presented to assist in understanding ATP's financial statements. The financial statements and notes are representations of ATP's management who is responsible for its integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Basis of presentation:** The government-wide financial statements (Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of ATP. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include (1) revenue generated by the ad valorem taxes levied by the City for ATP purposes and provided to ATP through an interlocal agreement with the City and funds contributed by Capital Metro through an interlocal agreement for the purposes of advancing Project Connect, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Measurement focus/basis of accounting:** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, ATP considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds.

Intergovernmental revenue/property taxes associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, except to the extent amounts are not collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by ATP. Charges for services consist of rental revenue and security services revenue which are recognized when earned.

**Intergovernmental Revenue**—As part of an Interlocal Agreement between the City and ATP, and pursuant to the Ballot Proposition put forth before the voters on November 3, 2020, \$0.0875 of the fiscal year 2021 voter approved tax rate of \$0.5335, per \$100 value, has been assigned to ATP to be used as a dedicated funding source for the ATP (such revenue is hereinafter referred to as the “Project Connect Tax Revenue”). Future year Project Connect Tax Revenue allocations will be determined pursuant to the Interlocal Agreement entered into with the City. The Project Connect Tax Revenue is for the development and implementation of Project Connect, including funding for transit-supportive anti-displacement strategies, and for the purpose of providing funding for a fixed rail system. The amount of intergovernmental revenue from the City totaled \$148,976,837 for 2021.

As part of the Interlocal Agreement, Capital Metro will support and provide certain funds to support Project Connect. The amount of intergovernmental revenue from Capital Metro totaled \$66,749,749 for 2021.

**Interlocal Agreement Expenditures**—As part of the Interlocal Agreement, the City agreed to provide ATP with the professional technical services necessary to assist with execution and implementation of Project Connect. Additionally, Capital Metro will also provide professional services including support functions in connection with the operation, implementation and maintenance of the assets funded by ATP and to perform certain other project-related services. At September 30, 2021, ATP Interlocal Agreement expenditures with the City and Capital Metro totaled \$115,943 and \$46,778,076 respectively.

**Fund accounting:** The accounts of ATP are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and other debits, liabilities, fund balances and other credits, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the proceeds of revenue sources, those proceeds' restrictions or commitments for which they are to be spent and the means by which spending activities are controlled.

ATP has the following major governmental funds:

General Fund – the general fund is the general operating fund of ATP. The fund is used to account for all financial resources that have been restricted for use by Project Connect except those required to be accounted for in another fund.

Special Revenue Fund – the special revenue fund is used to account for financial resources restricted for transit supportive anti-displacement activities.

**Cash, cash equivalents and investments:** For financial statement purposes, all highly liquid investments with original maturities of three months or less are considered cash equivalents. Investment income is allocated by specifically identifying amounts attributable to ATP.

**Intergovernmental receivable:** Funds generated as part of an Interlocal Agreement between the City and ATP, and pursuant to the Ballot Proposition put forth before the voters on November 3, 2020, are restricted for use by ATP are all considered collectible by management. The City must remit designated interlocal revenue, as defined in the Agreement, to ATP by November 20 and the Agreement encompasses the designated ad valorem taxes collected through September 30 for the current fiscal year.

**Prepaid expenses:** Prepaid expenses include prepaid rent and other miscellaneous prepaid expenses under operating agreements.

**Construction in progress:** ATP's mission is to implement the Project Connect System Plan, as more particularly described in the City's Resolution No. 20200610-02 and Capital Metro's Resolution No. AI-2020-1273. To accomplish its mission, ATP may apply for grants and issue bonds to finance various activities related to the construction and renovation projects for Project Connect to which ATP will construct. All Project Connect construction projects are recorded and reflected on the Statement of Net Position.

Other capital assets purchased or acquired by ATP (equipment and vehicles) with a value over \$5,000 are recorded at historical cost. Contributed assets are recorded at estimated acquisition value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred including improvements, renovations, and personal property included in lease agreements.

Depreciation on capital assets will be calculated on the straight-line basis over the estimated useful lives. As of September 30, 2021, ATP did not have any depreciable capital assets.

**Deferred outflows/inflows of resources:** In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. ATP does not have any qualified items that should be reported in this category in the government-wide Statement of Net Position for fiscal year 2021.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. ATP does not have any qualified items that should be reported in this category in the government-wide Statement of Net Position for fiscal year 2021.

**Long-term obligations:** In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. As of fiscal year 2021, ATP did not have any outstanding long-term obligations to report. As stipulated in ATP's Articles of Incorporation, ATP will be issuing bonds to finance the various cost with implementing Project Connect.

**Compensated leave:** Substantially all employees of ATP are eligible to receive compensation for vacations, holidays, illness and certain other qualifying leave. For certain kinds of leave, the number of days compensated is generally based on length of service. Vacation leave, which has been earned and vested, but not paid, has been accrued in the accompanying financial statements. Earned and vested sick leave for ATP administrative employees has been accrued at a maximum of 240 hours for those employees with five (5) continuous years of service.

**Income taxes:** ATP is an instrumentality of the state of Texas. As such, income earned in the exercise of its essential government functions is exempt from federal income taxes.

**Net position:** In the government-wide financial statements, net position represents the difference between total assets and total deferred outflows of resources, and total liabilities.

**Restricted net position:** Restricted net position consists of net position with constraints placed on their use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**Fund balance:** As prescribed by Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance classifications are based primarily on the extent to which ATP is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances are classified as follows:

*Nonspendable:* Assets that are legally or contractually required to be maintained or are not in spendable form, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).

*Restricted:* Assets with externally imposed constraints, such as those mandated by creditors, grantors, contributors, or laws and regulations. Restricted fund balance as of September 30, 2021, includes the funds for transit supportive anti-displacement strategies to be implemented by the City's Housing and Planning Department, as required per the ballot language approved by voters and the funds to be used for construction of Project Connect capital projects.

*Committed:* Amounts that can be used only for the specific purposes determined by a formal action, by way of board resolution, of ATP board of directors (ATP's highest level of decision-making authority).

*Assigned:* Comprises amounts that are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as restricted or committed. The Board of Directors have the authority to assign specific amounts for specific purposes.

*Unassigned:* This is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

ATP's policy is to fund outlays for a particular purpose from unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. ATP considers committed fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Use of estimates:** Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates employed.

### Note 3. Cash and Cash Equivalents

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes ATP to invest its funds under a written investment policy (the "Investment Policy") that primarily emphasizes safety of principal and liquidity; addresses investment diversification, yield, and maturity; and addresses the quality and capability of investment personnel. The Investment Policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under Chapter 2256 of the Texas Government Code.

ATP's Investment Policy was approved by the board of directors on December 15, 2021. As of September 30, 2021, ATP did not hold any investments.

Cash and cash equivalents held consisted of the following as of September 30, 2021:

- Cash deposits—\$215.4 million

**Custodial credit risk, deposits:** In the case of deposits, this is the risk that in the event of a bank failure, ATP's deposits may not be returned to it. Pursuant to the Investment Policy approved by the ATP board of directors on December 15, 2021, the policy requires any institution serving as a depository and/or safekeeping agent to enter into an agreement with ATP documenting the rights to the collateral in the event of default, bankruptcy, or closure. As of September 30, 2021, ATP's pooled deposits were not exposed to custodial credit risk since all were either covered by federal depository insurance or the collateral was held by ATP's agent in ATP's name.

#### Note 4. Capital Assets

ATP did not have any depreciable capital assets. The non-depreciable capital assets reported on the Statement of Net Position reflects work-in-progress for the Orange and Blue light rail lines, as defined in the Project Connect System Plan. As of September 30, 2021, the projects incurred \$35,847,334 in expenses related to preliminary design.

#### Note 5. Leases

ATP entered into a sublease agreement for administrative space on July 26, 2021, for a 66-month term. Additionally, a separate sublease agreement was entered into for furnished administrative space on August 8, 2021, for a 24-month term. This lease was entered into to allow for ATP to move into the space immediately while longer-term administrative space was being readied for occupancy. Future minimum payments on these operating leases are as follows:

Fiscal Years Ending September 30:

2022	\$	1,158,086
2023		1,527,175
2024		1,419,093
2025		1,451,093
2026		1,847,200
2027		369,440

## Note 6. Risk Management

ATP is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; and natural disasters. ATP maintains separate policies for directors and officers, employment practice liability, crime and property.

ATP is listed as an additional covered party under Capital Metro's General Liability and Workers' Compensation policies. Any coverage/claim expenses will apply to Capital Metro as the named covered party. The policy is provided by a commercial insurer purchased from independent third parties and through the Texas Municipal League ("TML") Intergovernmental Risk Pool, a public entity risk pool for the benefit of governmental units located within the state. TML Intergovernmental Risk Pool (the "Pool") is considered a self-sustaining risk pool that provides coverage for its members. The self-insurance retention levels provide up to \$25,000 per occurrence for workers' compensation risks and up to \$3,000,000 per occurrence for general liability risks.

## Note 7. Pending Governmental Accounting Standards

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments.

This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Provisions of this statement are effective for financial statements for ATP fiscal year ending September 30, 2022. ATP is currently evaluating the impact this pronouncement will have on the financial statements

## Note 8. Commitments and Contingent Liabilities

**Capital Metro and City of Austin Interlocal Agreement (ILA):** ATP is designated as a joint local government corporation tasked with the responsibility to finance, design, build and implement the Project Connect System (Project Connect). To allow for the execution of Project Connect, ATP has executed various Interlocal Agreements with the City of Austin and Capital Metro.

**Capital Metro Shared Services ILA:** The agreement requires Capital Metro to provide support functions in connection with the operation, implementation, and maintenance of the assets funded by ATP and further to perform certain projects described in the agreement which may be periodically updated. For the nine-months ended September 30, 2021, Capital Metro provided professional services which included corporate support functions in the amount of \$6.2 million. Capital Metro has been tasked with implementing the MetroRapid, Red Line and Neighborhood Circulators projects as related to the Project Connect System Plan and has executed various contracts to fulfill this task. As related to the light rail lines, the Project Manager Owner Representative (PMOR) and design firm contracts for the Orange and Blue lines have been executed and entered into by Capital Metro. ATP provides reimbursement to Capital Metro for any charges incurred as it relates to these particular contracts. ATP has an associated intergovernmental payable to Capital Metro of \$46.2 million as of September 30, 2021.

**City of Austin Anti-Displacement ILA:** As listed in the Ballot measure approved by the voters, a major task of the project was to "...finance transit-supportive anti-displacement strategies related to Project Connect." An ILA was entered into with the City of Austin which requires for ATP to provide the City with \$300 million for Project Connect Anti-displacement programs. The IAL allows for funds to be used on projects consistent with the Ballot measure approved by the voters, which include, but are not limited to, implementing a displacement mitigation strategy, creating an Equity Assessment Tool, and acquiring land in gentrifying areas to preserve and expand affordable housing. The funding is to be provided the next 13 years as follows in increments of \$100 million in years 1-3, years 4-8, and years 9-13. ATP has a restricted fund balance of \$23 million for its commitment to the Anti Displacement Program as of September 30, 2021.

**City of Austin Project Connect Office ILA:** In addition to the Anti-Displacement ILA that was entered into with the City, an additional IAL was entered with the City to provide support functions to ATP. The City agreed to provide ATP with the professional technical services necessary to assist with the design review and permitting for the Project Connect System Plan as part of the National Environmental Policy Act ("NEPA") environmental review process. The professional services covered the following areas: permitting, utility coordination, design, equity, real estate, and environmental in lieu of standard City permitting procedure. The agreement established the initial amount not to exceed for \$400,000 for fiscal year 2021. Throughout fiscal year 2021, a total of \$115,943 in expenses were incurred.

### Note 9. Contingency

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the U.S., the State, and the City. Following the widespread release and distribution of various COVID-19 vaccines beginning in December 2020 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment except possibly in counties with an "area with high hospitalizations," where a county judge may impose COVID-19 related mitigation strategies.

Travis, Williamson, and Hays Counties are not currently “area[s] with high hospitalizations.” The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this document.

With the decrease in the number of active COVID-19 cases and the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that economic activity will continue or increase at the same rate, especially if there are future outbreaks of COVID-19. The COVID-19 pandemic may result in lasting changes in some businesses and social practices, which could affect business activity and revenues collected by the City and paid from ad valorem taxes. ATP cannot predict the long-term economic effect of COVID-19 or the effect of any future outbreak of COVID-19 or a similar virus on ATP’s operations or financial condition.

# REQUIRED SUPPLEMENTARY INFORMATION

**Austin Transit Partnership**  
**(A Component Unit of the City of Austin, Texas)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance—**  
**Budget to Actual—General Fund**  
**For the Nine Months From January 1, 2021 Through September 30, 2021**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
<b>Revenue</b>			
City of Austin interlocal agreement	\$ 121,700,746	\$ 125,976,837	\$ 4,276,091
Capital Metropolitan Transit Authority interlocal agreement	65,000,000	66,749,749	1,749,749
Other income	-	6,690	6,690
Total revenue	<u>186,700,746</u>	<u>192,733,276</u>	<u>6,032,530</u>
<b>Expenditures</b>			
ATP services			
Professional services	5,986,267	3,152,425	2,833,842
Salary and wages	4,153,989	2,260,602	1,893,387
Leases and other	1,186,909	334,559	852,350
Employee benefits	931,150	281,595	649,555
Materials and supplies	96,201	99,985	(3,784)
Other operating	1,689,667	32,188	1,657,479
Casualty and liability	100,000	29,673	70,327
Capital outlay	59,746,466	40,702,991	19,043,475
Total expenditures	<u>73,890,649</u>	<u>46,894,018</u>	<u>26,996,631</u>
<b>Change in fund balance</b>	112,810,097	145,839,258	33,029,161
<b>Fund balance at the beginning of the period</b>	-	-	-
<b>Fund balance at the end of period</b>	<u>\$ 112,810,097</u>	<u>\$ 145,839,258</u>	<u>\$ 33,029,161</u>

**Austin Transit Partnership**  
**(A Component Unit of the City of Austin, Texas)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance—**  
**Budget to Actual—Anti-Displacement Special Revenue Fund**  
**For the Nine Months From January 1, 2021 Through September 30, 2021**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
<b>Revenue</b>			
City of Austin interlocal agreement	\$ 23,000,000	\$ 23,000,000	\$ -
Total revenue	<u>23,000,000</u>	<u>23,000,000</u>	<u>-</u>
<b>Expenditures</b>			
Anti-displacement initiatives	23,000,000	-	23,000,000
Total expenditures	<u>23,000,000</u>	<u>-</u>	<u>23,000,000</u>
<b>Change in fund balance</b>	-	23,000,000	23,000,000
<b>Fund balance at the beginning of the period</b>	-	-	-
<b>Fund balance at the end of period</b>	<u>\$ -</u>	<u>\$ 23,000,000</u>	<u>\$ 23,000,000</u>