



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

# ANNUAL FINANCIAL REPORT

September 30, 2023

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# BOARD OF DIRECTORS

Veronica Castro de Barrera, Board  
Chair

Mayor Kirk Watson, Board  
Member

John Langmore, Board Member

Juan Garza, Board Member

Jeffrey Travillion, Board Member

Dottie Watkins, Ex-Officio

Robert Goode, Ex-Officio

## Independent Auditor's Report

Board of Directors  
Austin Transit Partnership

### Opinions

We have audited the financial statements of the governmental activities and each major fund of Austin Transit Partnership (ATP), a component unit of the City of Austin, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise ATP's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of ATP, as of September 30, 2023, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ATP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Emphasis of Matter

As discussed in Note 2, ATP presented its financial statements to reflect the effects of the adoption of Government Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, on October 1, 2022. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ATP's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ATP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ATP's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

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

*RSM US LLP*

Austin, Texas  
February 15, 2024

# MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2023 (UNAUDITED)

ATP Management's Discussion and Analysis ("MD&A") is designed to provide a narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2023. Since the MD&A is designed to focus on the current year's activities, resulting changes and currently known facts, we encourage readers to consider the information presented here in conjunction with additional information that we have furnished, as listed on the table of contents, financial statements, related footnotes and other supplementary information that is provided in addition to this MD&A.

## Financial Highlights

Fiscal Year 2023 was focused on community engagement and working with all of our stakeholders on defining the initial phase of the Austin Light Rail project. Following an interactive community engagement process, on June 6, 2023, the ATP Board, Austin City Council (City Council) and the Capital Metro Transportation Authority (CapMetro) Board approved an updated implementation plan for the Austin Light Rail Project of the Project Connect Program. In addition to the approval of the updated implementation plan, the Tri-Party also approved a Supplemental Agreement to the Joint Powers Agreement. The Supplemental Agreement to the Joint Powers Agreement clarified the Tri-Parties roles as it related to certain projects within the Project Connect program. More specifically, it clarified that ATP will serve as the Direct Grant Recipient for the Austin Light Rail project within Project Connect. ATP continued to advance the Austin Light Rail project through September 30, 2023, with the primary focus around preparing documentation necessary under the Federal Transit Administration's New Recipient Handbook, while continuing the advancement of design and engineering for the Austin Light Rail Project.

- Assets exceeded liabilities at the close of the most recent fiscal year by \$456.5 million as net position. \$258.6 million of this amount is unrestricted and may be used to meet ATP's ongoing obligations to citizens and creditors, in accordance with ATP's fund designation and fiscal policies (Table A-1).
- Total net position increased by \$105.2 million from fiscal year 2023 operations (Table A-2).

- Operating expenses were \$69.9 million for the year ended September 30, 2023 (Table A-2).
- Capital assets and construction in progress, net of depreciation, increased from \$93.0 million to \$126.3 million as of September 30, 2023 (Table A-1).
- Governmental funds reported combined ending fund balances of \$336.8 million.
- The operating fund unassigned fund balance was \$22.4 million, or 28% of the operating fund's expenditures.

## 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 government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements are designed to provide readers with a broad overview of ATP's financial status in a manner similar to a private-sector business. Both of these statements are prepared 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 the related cash flows.

The Statement of Net Position presents information on all of ATP's assets and liabilities, including capital assets and long-term obligations. The difference between the two is reported as net position. Over time, increases or decreases in net position could be one indicator of whether its financial health is improving or deteriorating. Other indicators of ATP's financial position should be taken into consideration, including the change in City of Austin's property tax base, as it directly affects ATP's Proposition A revenues, in order to more accurately assess ATP's overall financial condition.

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. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, like earned but unused compensated absences. The statement includes all current year revenues and expenses, and it focuses on both the gross

and net costs of the ATP's various activities and, thus, summarizes the cost of providing specific programs.

The Statement of Net Position and Statement of Activities are prepared using the accrual basis of accounting, as opposed to the modified accrual basis, and include capital assets, accounts receivable and payable and long-term liabilities activity, which should be considered to assess the financial health of ATP.

The government-wide financial statements distinguish functions that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. Interlocal Agreement revenues with the City of Austin (Proposition A funds) make up a majority of the local funding being used by ATP to fund the Austin Light Rail project.

Capital Metro funds are going to be utilized by Capital Metro to fund the Capital Metro Components, as described in the Supplemental to the Joint Powers agreement.

## Fund Financial Statements

A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. ATP, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements, such as state law or bond covenants.

In fiscal year 2023, ATP had two governmental funds and no proprietary or fiduciary funds;

- **General Operating Fund:** ATP, as an entity, was created with a specific purpose: to oversee and finance the acquisition, construction, equipping, and operations and maintenance for the rapid transit system; and finance the transit-supporting anti-displacement strategies related to Project Connect. This fund is used to track ATP's operating costs, including general and administrative costs directly related to the corporate office, and costs associated with the management and overseeing of the Project Connect rapid transit projects. They include labor, rent, utilities, computer software and maintenance, supplies, equipment, staff development and professional services. Also included are reimbursements to Capital Metro for certain business functions provided and reimbursements to the City of Austin for services provided through the Project Connect Office.
- **Anti-Displacement Fund:** This fund is a special revenue fund used to track monies dedicated to Project Connect's anti-displacement efforts. ATP funding approved on November 3, 2020, via Proposition A, included \$300 million to prevent transportation investment-related displacement and ensure people of



different incomes can benefit from the transportation investment. Per an ILA between ATP and the City, funds will be provided to the City in the form of a Grant Agreement to provide funding on a reimbursement basis to administer and implement the Project Connect Anti-Displacement Programs. The City will use the funds:

- To acquire real property for transit supportive development that will preserve and/or increase the amount of affordable housing proximate to the transit corridors, or
- For financing tools and other anti-displacement strategies related to the implementation of Project Connect.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental 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. Such information may be useful in evaluating a government's near-term financial requirements.

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 government's near-term financial decisions.

Both the governmental funds balance sheet and the governmental funds 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 MD&A 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

As noted earlier, net position may serve, over time, as a useful indicator of an entity’s financial position. The total net position of ATP increased \$105.2 million for the year ended September 30, 2023.

Total asset balance is \$487.7 million as of September 30, 2023, due primarily to general revenue from interlocal agreements and the construction-related activity of Project Connect, which includes the design phase of the Austin Light Rail project, along with the related project management of the projects.

Total liabilities balance is \$31.1 million as of September 30, 2023, due primarily to accrued liabilities related to the ongoing construction in the amount of \$20.5 million.

**Statement of Net Position (Table A-1)**  
**September 30, 2023**

<b>Assets</b>	<b>2023</b>	<b>2022</b>
Current and other assets	\$ 361,373,352	\$ 291,588,943
Capital assets–nondepreciable	117,749,322	83,375,467
Capital assets–depreciable	8,582,864	9,665,180
<b>Total assets</b>	<b>487,705,538</b>	<b>384,629,590</b>
<b>Liabilities:</b>		
Accounts payable	20,543,656	3,193,123
Intergovernmental payable	5,704,573	24,441,437
Noncurrent liabilities	4,875,205	5,642,128
<b>Total liabilities</b>	<b>31,123,434</b>	<b>33,276,688</b>
<b>Net position</b>		
Net investment in capital assets	122,807,281	77,395,350
Restricted for anti-displacement activities	75,140,727	65,000,000
Unrestricted	258,634,096	208,957,552
<b>Total net position</b>	<b>\$ 456,582,104</b>	<b>\$ 351,352,902</b>

The following table represents the Statement of Activities, and reflects the change in net position for the year ended September 30, 2023. The change in net position is primarily due to intergovernmental revenue. The intergovernmental revenues is made up of an interlocal agreement with the City of Austin which governs the transfer of the Proposition A funds, which provided for \$125.1 million for the General Fund. The interlocal agreement revenue listed in the agreement is inclusive of interest income. The total revenue was offset by expenses of \$69.9 million.

**Statements of Activities (Table A-2)**  
**Year Ended September 30, 2023**

<b>Revenue</b>	<b>2023</b>	<b>2022</b>
Program revenues	\$ 35,000,000	\$ 42,000,000
General revenues		
Interlocal agreement revenue	125,095,493	136,816,152
Investment income	14,694,299	1,989,753.00
Other service income	340,538	843,238
Total operating revenue	<u>175,130,330</u>	<u>181,649,143</u>
 <b>Expenses</b>		
Austin Transit Partnership Services	28,659,020	22,646,082
Anti-displacement services	24,859,273	-
MetroRapid expansion	12,632,190	8,834,295
Redline improvements	3,750,645	3,478,710
MetroExpress	-	21,454
Neighborhood circulators	-	2,291
Total expenses	<u>69,901,128</u>	<u>34,982,832</u>
 <b>Change in net position</b>	 105,229,202	 146,666,311
 <b>Net position at the beginning of year</b>	 351,352,902	 204,686,591
<b>Net position at the end of year</b>	<u>\$ 456,582,104</u>	<u>\$ 351,352,902</u>

## 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 \$336.8 in support of its overall mission on Project Connect. The General fund account for all financial resources for use by Project Connect, except for the dedicated funds for Anti-displacement. General Fund and the Special Revenue Fund total revenue exceeded total expenditures by \$61.2 million and \$10.1 million, respectively. The increase in both funds is attributable to lower-than-expected capital outlay and expenditures for its displacement program. The funding provided to the General Fund and Special Revenue Fund is due to the dedicated interlocal agreement revenue with the City. The fund balance includes \$75.1 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 2023 was \$53 million lower than budget, largely due to Capital Metro revenues being held by the agency to be utilized for the Capital Metro Component projects, as defined in the Supplemental Agreement to the Joint Powers Agreement. 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  
Year Ended September 30, 2023**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
Total revenue	\$ 192,894,802	\$ 139,884,910	\$ (53,009,892)
Total expenditures	(90,552,489)	(78,912,750)	11,639,739
Change in fund balances	<u>\$ 102,342,313</u>	<u>\$ 60,972,160</u>	<u>\$ (41,370,153)</u>

## CAPITAL ASSETS

At the end of 2023, the ATP reported \$117.7 million in construction in progress. See Note 4 for additional capital asset information. During the year ended September 30, 2023, ATP continued the design for the Austin Light Rail project. Additionally, the capital budget also allows for specific enhancements to the Capital Metro transit system, as defined in the Project Connect System Plan.

## LONG-TERM LIABILITIES

As of September 30, 2023, ATP's total outstanding liabilities of \$4.9 million, consisted of lease payable and compensated absences of \$3.5 million and \$1.4 million, respectively.

## FUTURE ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The FY2024 Budget reflects the continued effort of ATP's total commitment to advance the Austin Light Rail project, with a focus towards advancing design and engineering, collaborating with the community to ensure public input is incorporated into the design principles of the project and working with the Federal Transit Administration towards solidifying our partnership. The FY2024 Budget

included expected revenue received through the interlocal agreement with the City of \$187 million, of which 10.7%, or \$20 million, was appropriated for transit-supportive anti-displacement investments. The FY 2024 Budget included a capital spend plan of \$115 million, of which 40%, or \$46 million, was designated for administrative expenses associated with supporting the Austin Light Rail project and the other 60%, or \$69 million, was designated for design, engineering and project management expenses associated with the advancement of the Austin Light Rail project.

## 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.

# BASIC FINANCIAL STATEMENTS

**Austin Transit Partnership**  
**(A Component Unit of the City of Austin, Texas)**  
**Statement of Net Position**  
**September 30, 2023**

	<b>Governmental Activities</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 39,523
Intergovernmental and other receivables	968,530
Prepaid expenses	52,398
Noncurrent assets:	
Investments	360,312,901
Capital assets—nondepreciable	
Construction in Progress	117,749,322
Capital assets—depreciable, net	
Furniture and fixtures	582,042
Intangible right to use-building lease	5,050,195
Leasehold improvements	2,151,290
Right-of-use asset—software	799,337
<b>Total assets</b>	<b>\$ 487,705,538</b>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 20,543,656
Intergovernmental payable	5,704,573
Noncurrent liabilities	
Due within one year	1,864,021
Due more than one year	3,011,184
<b>Total liabilities</b>	<b>31,123,434</b>
<b>Net position</b>	
Net investment in capital assets	\$ 122,807,281
Restricted for anti-displacement activities	75,140,727
Unrestricted	258,634,096
<b>Total net position</b>	<b>\$ 456,582,104</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**  
**Year Ended September 30, 2023**

		Program Revenues				
	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	\$ 28,659,020	\$ -	\$ -	\$ -	\$ (28,659,020)	
Anti-displacement services	24,859,273	-	35,000,000	-	10,140,727	
MetroRapid expansion	12,632,190	-	-	-	(12,632,190)	
Redline improvements	3,750,645	-	-	-	(3,750,645)	
<b>Total</b>	\$ 69,901,128	\$ -	\$ 35,000,000	\$ -	(34,901,128)	
 <b>General revenues</b>						
Interlocal agreement revenue					125,095,493	
Investment income					14,694,299	
Other service income					340,538	
Total general revenues					140,130,330	
 <b>Change in net position</b>						
					105,229,202	
 <b>Net position at the beginning of year</b>						
					351,352,902	
 <b>Net position at the end of year</b>						
					\$ 456,582,104	

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, 2023**

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	
<b>Assets</b>			
Cash and cash equivalents	\$ 39,523	\$ -	\$ 39,523
Investments	279,098,950	81,213,951	360,312,901
Intergovernmental and other receivables	968,530	-	968,530
Prepaid expenses	1,854,681	-	1,854,681
Deposits held by others	112,480	-	112,480
Total assets	<u>282,074,164</u>	<u>81,213,951</u>	<u>363,288,115</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	14,470,432	6,073,224	20,543,656
Intergovernmental payable	5,704,573	-	5,704,573
Total current liabilities	<u>20,175,005</u>	<u>6,073,224</u>	<u>26,248,229</u>
<b>Deferred Inflows of Resources</b>			
Unavailable—other revenue	245,420	-	245,420
<b>Fund Balances</b>			
Nonspendable:			
Prepays	1,854,681	-	1,854,681
Restricted for anti-displacement activities	-	75,140,727	75,140,727
Committed for Project Connect	237,438,007	-	237,438,007
Unassigned	22,361,051	-	22,361,051
Total fund balances	<u>261,653,739</u>	<u>75,140,727</u>	<u>336,794,466</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 282,074,164</u>	<u>\$ 81,213,951</u>	<u>\$ 363,288,115</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, 2023**

Total fund balances—total governmental funds		\$ 336,794,466
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Construction in Progress	117,749,322	
Furniture and fixtures	700,918	
Intangible right to use-building lease	7,383,746	
Leasehold improvements	3,741,440	
Right-of-use asset-software	1,598,674	
Accumulated depreciation/amortization	<u>(4,841,914)</u>	
		126,332,186
Prepaid rent made to lessor capitalized as right-of-use asset		(1,914,763)
Certain revenues not available as current period resources and are not reported in the funds.		245,420
Long term liabilities are not due and payable in the current period and, therefore, are not reported in the funds		
Lease payable		(3,524,905)
Compensated absences		<u>(1,350,300)</u>
Total net position—governmental activities		<u><u>\$ 456,582,104</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**  
**Year Ended September 30, 2023**

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>2023</u>
<b>Revenue</b>			
City of Austin interlocal agreement	\$ 124,850,073	\$ 35,000,000	\$ 159,850,073
Capital Metropolitan Transit Authority interlocal agreement	-	-	-
Investment income	14,694,299	-	14,694,299
Other services	340,538	-	340,538
Total revenue	<u>139,884,910</u>	<u>35,000,000</u>	<u>174,884,910</u>
<b>Expenditures</b>			
ATP services			
Professional services	11,079,383	-	11,079,383
Salary and benefits	10,058,617	-	10,058,617
Facilities	743,344	-	743,344
Materials and supplies	1,866,791	-	1,866,791
Other operating	1,095,618	-	1,095,618
Casualty and liability	42,464	-	42,464
Debt services			
Principal	1,764,801	-	1,764,801
Interest	47,293	-	47,293
Anti-displacement services	-	24,859,273	24,859,273
MetroRapid expansion	12,632,190	-	12,632,190
Redline improvements	3,750,645	-	3,750,645
Capital outlay	35,831,604	-	35,831,604
Total expenditures	<u>78,912,750</u>	<u>24,859,273</u>	<u>103,772,023</u>
<b>Excess of revenues over expenditures</b>	60,972,160	10,140,727	71,112,887
<b>Other financing sources</b>			
Issuance of lease	251,738	-	251,738
<b>Excess of revenues and other sources over expenditures</b>	61,223,898	10,140,727	71,364,625
<b>Fund balances at the beginning of the year</b>	200,429,841	65,000,000	265,429,841
<b>Fund balances at the end of year</b>	<u>\$ 261,653,739</u>	<u>\$ 75,140,727</u>	<u>\$ 336,794,466</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  
Year Ended September 30, 2023**

Net change in fund balances—governmental funds \$ 71,364,625

Governmental fund report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expenses in the current period.

Capital outlay—Project Connect	34,373,855	
Capital outlay—Property and Equipment	1,457,748	
Depreciation expense	(104,647)	
Amortization expenses—leases	(848,770)	
Amortization expense leasehold improvements	(1,455,984)	
Amortization expense right to use—software	<u>(799,337)</u>	
		32,622,865

Leases provide current financial resources to governmental funds while the repayments of the principal consumes the current financial resources of the governmental funds. The amounts of the net effect of these differences in the treatment of leases and related items.

Principal payments on lease	1,764,801
Prepaid lease payments for right to use asset used at the fund level	134,753
Lease proceeds	(251,738)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

The effect of long term obligations including compensated absences (406,104)

Change in net position—governmental activities \$ 105,229,202

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.

Throughout fiscal year 2023, ATP advanced several initiatives to establish independent business functions that have been previously provided by Capital Metro. For the services that were provided by Capital Metro through September 30, 2023, ATP reimbursed Capital Metro for the 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.

These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB).

In fiscal year 2023, ATP implemented the following GASB Statement No. 96 Subscription-Based Information Technology Arrangements (SBITA). Statement No. 96 requires the recognition of a SBITA as defined by the Statement. A SBITA is a subscription contract that results in a right-of-use (ROU) subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. The impact as a result of the implementation was the recognition of a ROU asset-software to beginning balances of depreciable capital asset with offsetting amount to the ROU software payable of approximately \$668,000.

**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 (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, such as compensated absences, 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 \$159.8 million for 2023.

**Interlocal agreement expenditures**—As part of an Interlocal Agreement executed with the City of Austin, the City has agreed to provide ATP with professional technical services, as necessary, to assist with the execution and implementation of Project Connect through their Project Connect Office. Throughout Fiscal Year 2023, Capital Metro continued to provide certain support function through an executed Interlocal Agreement. ATP has advanced several initiatives to establish independent business functions that have been previously provided by Capital Metro. At September 30, 2023, ATP Interlocal Agreement expenditures with the City and Capital Metro totaled \$2.6 million and \$0.47 million, 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 and its mission is to execution and implementation of Project Connect. The fund is used to account for all financial resources that have been committed to 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. The City began requesting reimbursement pursuant to the executed Grant Agreement in Fiscal Year 2023, which totaled \$24.9 million.

**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.



**Investments:** ATP reports its investments at either fair value or amortized cost. Investments in local government investment pools are carried at fair value using net asset value (NAV). ATP carries all of its investments in U.S. government and agency debt securities at fair value unless the securities mature within 12 months of the date of purchase (short term securities). The short term securities are reported at amortized cost.

ATP participates in TexPool and the Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS). Texas CLASS was created as a local government investment pool (LGIP), pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code (PFIA). Per state code, entities may pool any of their funds, or funds under their control, to preserve principal, maintain the liquidity of the funds and maximize yield. The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the Participants), Public Trust Advisors, LLC (Public Trust), as Program Administrator, and UMB Bank, N.A., as Custodian.

The Texas Legislature authorized the State Treasurer to incorporate a special-purpose trust corporation in 1986 called the Texas Treasury Safekeeping Trust Company (Texas Trust). The Texas Trust created the Texas Local Government Investment Pool Prime (TexPool Prime) as a public funds investment pool. The operations of the State Treasury, including the Texas Trust, were merged with the State Comptroller of Public Accounts (State Comptroller). The administrative and investment services to TexPool Prime are provided by Federated Hermes, Inc. (Federated Hermes) under an agreement with the Texas Trust

In accordance with the Governmental Accounting Standard Board (GASB) Statement No. 79 *Accounting Standards Codification on Accounting and Financial Reporting for Certain Investments for External Investment Pools*, pool participants have the option to measure these investment pools at amortized cost rather than fair value if certain criteria are met. TexPool opted to report at amortized cost and Texas CLASS measure their investments at fair value using NAV.

**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, and 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, Capital Metro's Resolution No. AI-2020-1273 and further clarified as part of the Supplemental Agreement to the Joint Powers Agreement. 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.

**Subscription Based Information Technology Arrangements (SBITAs):** SBITAs are defined as a contractual agreement that conveys control of the ROU another entity's IT software (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription for a SBITA is defined as the period during which a government has a noncancelable ROU an underlying asset, plus any applicable periods covered by any renewal options that are reasonably certain to be exercised, or options to terminate that are not reasonably certain to be exercised.

SBITAs that have a maximum term of less than 12 months are considered short-term SBITAs. Short-term SBITA payments are recognized in the period of payment.

For long term SBITA, ATP recognizes a SBITA payable and an intangible ROU asset. At the commencement of the subscription term of a SBITA, the payable is recorded at the net present value of the future fixed payments, discounted at either the explicit interest rate in the agreement or ATP's incremental borrowing rate at contract inception. The ROU asset is initially recorded at the amount of the SBITA liability plus any prepayments less incentives received prior to contract/subscription commencement. The ROU asset is amortized on a straight-line basis over the term of the subscription term.

**Leases:** In accordance with GASB Statement No. 87, *Leases*, which defines ATP's criteria for the reporting of leasing arrangement as the ROU an underlying asset as a Lessor or Lessee.

As lessee, ATP recognizes a lease liability and an intangible ROU lease asset at the beginning of a lease unless the lease is considered a short-term lease or transfers ownership of the underlying asset as defined by the Standard. The right-of-use lease assets are measured based on the net present value of the future lease payments at inception, using the incremental borrowing rate. Remeasurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability. ATP calculates the amortization of the discount on the lease liability and report that amount as outflows of resources.

As a lessee or lessor, ATP does not consider variable lease payments in the lease liability and lease receivable calculations, but are recognized as outflows of resources in the period in which the obligation was incurred. For lease contracts that are short-term, ATP recognizes short-term lease payments as outflows of resources (expenses) based on the payment provisions of the lease contract. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

Depreciation and amortization on capital assets and ROU asset will be calculated on the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Governmental Activities</u>
Furniture, fixtures and equipment	5-7
Leases and improvements	4-5
Right-of-use assets	2-3

**Intergovernmental payable:** ATP is designated as a joint local government corporation tasked with the responsibility to finance, design, build and implement the Austin Light Rail project of 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.

**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 assets 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 2023.

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 assets 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 2023, but included amounts at the fund level, which are reported as deferred inflows due to the availability of the revenue.

**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 2023, outstanding long-term liabilities consist of lease payable and compensated absences. As stipulated in ATP's Articles of Incorporation, ATP will be issuing bonds to finance the various cost with implementing the Austin Light Rail project of 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 government-wide 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. The liabilities and expenditures are reported on the modified accrual basis in the governmental fund financial statements.

**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. However, ATP has been established as public charity under the Internal Revenue Code (IRC) Section 501(c) (3), and is required to annually file with the Internal Revenue Service.

**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. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.

**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. Unrestricted net position is a balance that is not restricted or part of net investment in capital assets.

**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, 2023, 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, 2023, the cash, cash equivalents and investments held consisted of cash deposits of \$39.5 thousand.

### Note 4. Investments

ATP categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are other observable inputs; Level 3 inputs are unobservable inputs.

For U.S. Government and agency securities, ATP valued the securities using quoted prices in active markets for identical financial assets which ATP can access at September 30, 2023, or using other observable inputs provided by an independent third-party pricing service which utilizes evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information. For the fixed income securities that do not trade on a daily basis, pricing applications apply available information as applicable through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing, to prepare evaluations. Certain external investment pools measure their investment at amortized cost which allows ATP to measure its investments in the pools at NAV per share provided by the Pool rather than fair value if certain

criteria are met. Investment measured at NAV are excluded from fair value hierarchy reporting.

Investments at FV	Carrying Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt securities:				
United States government agencies	\$ 34,592,440	\$ -	\$ 34,592,440	\$ -
United States government treasuries	4,817,188	-	4,817,188	-
Total at FV	39,409,628	-	39,409,628	-

  

Investments measured at NAV	Carrying Value
TexPool	\$ 42,194,068
TexPool Prime	76,557,027
TexasClass	38,930,478
TexasClass Government	44,236,667
Investment measured at amortized cost:	
United States government agencies	75,594,870
United States government treasuries	43,390,163
Total investments at amortized cost	320,903,273
	<u>\$ 360,312,901</u>

**Custodial credit risk and Concentration of credit risk:** The custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its deposits, investment or collateral securities that are in the possession of an outside party. Concentration of credit risk is the loss attributed to the magnitude of a government's investment in a single issuer. ATP's Investment Policy requires diversification of its portfolio by investment types and 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, 2023, ATP's deposits are collateralized, and investments are held in trust and registered in the name of ATP. The Investment Pools are not subject to custodial credit risk. As of September 30, 2023, ATP held investments with more than 5% of the total portfolio in securities of the following issuers: Federal Home Loan Bank and Freddie MAC, which totaled 15.2% and 6.8%, respectively, of the investment portfolio.

**Credit risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. ATP's policy indicates that a public funds investment pool must be continuously rated no lower than AAA, AAA-m or at an equivalent rating by at least one nationally recognized rating service. At September 30, 2023, ATP balances held in TexPool, TexPool Prime and Texas CLASS are rated AAAM by Standard & Poor's. ATP investments in Federal Home



Loan; Freddie MAC, Fannie Mae and Federal Farm Credit Bank are rated A-1+ and AAA.

**Interest rate risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. ATP's policy is to maintain its investment in external investment pools to allow for its liquidity needs. At September 30, 2023, TexPool Prime, TexPool; Texas CLASS; Texas CLASS Government have a dollar weighted average maturity of 46, 28, 49 and 23 days, respectively. The weighted average maturity of Treasury Obligations and Agency Securities is 273 days.

## Note 5. 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. Capital Assets and work-in-progress are as follows as of September 30, 2023:

<b>Capital Assets</b>	<b>October 1, 2022- as restated</b>	<b>Additions</b>	<b>Transfers</b>	<b>September 30, 2023</b>
			<b>Retirements</b>	
Capital assets not being depreciated:				
Land and Improvement	\$ -	\$ -	\$ -	\$ -
Construction in progress	83,375,467	34,373,855	-	117,749,322
Total capital assets not being depreciated	83,375,467	34,373,855	-	117,749,322
Depreciable Capital Assets:				
Furniture, fixtures and equipment	597,597	103,321	-	700,918
Intangible right-of-use-building lease	7,145,355	238,391	-	7,383,746
Leasehold improvements	3,555,404	186,036	-	3,741,440
Right-of-use asset–software	668,674	930,000	-	1,598,674
Total depreciable capital assets	11,967,030	1,457,748	-	13,424,778
Less: accumulated depreciation and amortization				
Accumulated depreciation furniture and fixtures	(14,229)	(104,647)	-	(118,876)
Accumulated amortization intangible leases	(1,484,781)	(848,770)	-	(2,333,551)
Accumulated amortization leasehold improvements	(134,166)	(1,455,984)	-	(1,590,150)
Accumulated amortization right-of-use–software	-	(799,337)	-	(799,337)
Total accumulated depreciation and amortization	(1,633,176)	(3,208,738)	-	(4,841,914)
Total depreciable capital assets, net	10,333,854	(1,750,990)	-	8,582,864
<b>Total capital assets</b>	<b>\$ 93,709,321</b>	<b>\$ 32,622,865</b>	<b>\$ -</b>	<b>\$ 126,332,186</b>

As part of providing the Austin Transit Partnership services function, the total depreciation and amortization for the year ended September 30, 2023, is \$3.2 million.

## Note 6. Long-Term Liabilities

The following schedule summarizes total long-term liabilities for the year ended September 30, 2023:

Description	October 1, 2022- as restated	Additions	Retirements	September 30, 2023	Due Within One Year
Governmental Activities					
Lease payable	\$ 4,697,931	\$ 238,391	\$ (1,411,417)	\$ 3,524,905	\$ 1,472,434
Right-of-use–software payable	668,674	-	(668,674)	-	-
Compensated absences	944,196	406,104	-	1,350,300	391,587
<b>Total long term liabilities</b>	<b>\$ 6,310,801</b>	<b>\$ 644,495</b>	<b>\$ (2,080,091)</b>	<b>\$ 4,875,205</b>	<b>\$ 1,864,021</b>

## Note 7. Leases

ATP entered into a sublease agreements for administrative space that have term dates through December 2026. As of September 30, 2023, the future minimum payment on these lease agreements with related interest payments are as follows:

Fiscal year	Principal	Interest
2024	\$ 1,472,434	\$ 18,634
2025	1,442,255	8,839
2026	610,216	721
	<b>\$ 3,524,905</b>	<b>\$ 28,194</b>

As disclosed in the capital asset footnote, the total amount of intangible ROU lease assets on September 30, 2023, is \$7,383,746 with the related accumulated amortization of \$2,333,551. As of September 30, 2023, ATP did not report outflows attributable to variable payments, residual value guarantees, or termination penalties payments not previously included in the measurement of the lease liability.

## Note 8. 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 9. Pending Governmental Accounting Standards

*GASB Statement No. 100*, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62, issued June 2022, will be effective for ATP beginning with its fiscal year ending September 30, 2024, with earlier adoption encouraged. Statement No. 100 defines accounting changes as changes in accounting principles, changes in accounting estimates and changes to or within the financial reporting entity, and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

*GASB Statement No. 101*, Compensated Absences, issued June 2022, will be effective for ATP beginning with its fiscal year ending September 30, 2025, with earlier adoption encouraged. Statement No. 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant

factors, such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave and jury duty leave—not be recognized until the leave commences.

GASB Statement No. 102 *Certain Risk Disclosures*, issued December 2023, requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Based on the criteria outlined within the statement, a government should disclose the information as required, which includes concentration or constraints or event associated with concentration of constraints that could have a substantial impact within 12 months of the date of issuance of the financial statements. The requirements are effective for fiscal years beginning after June 15, 2024.

ATP is currently evaluating the impact these pronouncements will have on the financial statements.

## Note 10. 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 ILAs:**

**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 period ended September 30, 2023, Capital Metro provided professional services which included corporate support functions in the amount of \$472 thousand. Throughout fiscal year 2023, ATP advanced several initiatives to establish independent

business functions that have been previously provided by Capital Metro. ATP successfully onboarded the Project Manager Owner Representative (PMOR) and design firm contracts for the Austin Light Rail project.

**Capital ILA:** In addition to the Pleasant Valley and Expo Center MetroRapid Line Interlocal Agreements previously entered into, in Fiscal Year 2023, ATP entered into a separate Interlocal Agreement with Capital Metro for the Red Line Improvements included in the Project Connect program, more specifically the Mckalla Station project. ATP has an associated intergovernmental payable to Capital Metro of \$6.2 million as of September 30, 2023.

**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 over 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 \$75.1 million for its commitment to the Anti Displacement Program as of September 30, 2023. The City and ATP finalized the Project Connect Anti-Displacement Program Grant Reimbursement Procedures in FY23, and reimbursements totaled \$24.8 million in FY2023.

**City of Austin Project Connect Office ILA:** In addition to the Anti-Displacement ILA that was entered into with the City, an additional ILA 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. Throughout fiscal year 2023, a total of \$2.4 million in expenses were incurred.

# 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**  
**Year Ended September 30, 2023**

	Budget		Actual Amounts	Variance
	Original	Final		
<b>Revenue</b>				
City of Austin interlocal agreement	\$ 123,970,567	\$ 123,970,567	\$ 124,850,073	\$ 879,506
Capital Metropolitan Transit Authority interlocal agreement	30,000,000	30,000,000	-	(30,000,000)
Other income	3,924,235.00	3,924,235	15,034,837	11,110,602
Total revenue	<u>157,894,802</u>	<u>157,894,802</u>	<u>139,884,910</u>	<u>(18,009,892)</u>
<b>Expenditures</b>				
ATP services				
Professional services	16,223,689	16,223,689	11,079,383	5,144,306
Salary and benefits	11,784,018	11,784,018	10,058,617	1,725,401
Facilities	4,293,507	4,293,507	743,344	3,550,163
Materials and supplies	703,142	703,142	1,866,791	(1,163,649)
Other operating	1,227,540	1,227,540	1,095,618	131,922
Casualty and liability	-	-	42,464	(42,464)
Debt service				
Principal	1,292,566	1,292,566	1,764,801	(472,235)
Interest	28,027	28,027	47,293	(19,266)
MetroRapid expansion	48,565,589	48,565,589	12,632,190	35,933,399
Redline improvements	14,296,129	25,000,000	3,750,645	21,249,355
MetroExpress	3,178,545	3,178,545	-	3,178,545
Neighborhood circulators	-	-	-	-
Capital outlay	117,526,547	117,526,547	35,831,604	81,694,943
Total expenditures	<u>219,119,299</u>	<u>229,823,170</u>	<u>78,912,750</u>	<u>150,910,420</u>
<b>Change in fund balance</b>	(61,224,497)	(71,928,368)	60,972,160	132,900,528
<b>Fund balance at the beginning of the year</b>	<u>200,429,841</u>	<u>200,429,841</u>	<u>200,429,841</u>	<u>-</u>
<b>Fund balance at the end of year</b>	<u>\$ 139,205,344</u>	<u>\$ 128,501,473</u>	<u>\$ 261,402,001</u>	<u>\$ 132,900,528</u>

Budgetary Information

ATP's annual budget is prepared on a modified accrual basis and adopted by the Board of Directors each fiscal year. For the operating budget of the General Fund and the Antidisplacement Special Revenue Fund, budgetary control is set at the total annual appropriated budget. Operationally, the annual budget is segmented into smaller cost pools with individual appropriation controls in place to provide a greater level of budgetary checks. With respect to capital budgets, budgetary control is set at the total aggregate appropriation by project. In addition, project contingency accounting is used to control expenditures within available project funding limits. Prior to adoption, the proposed budget is presented to the Board of Directors, the Finance and Risk Advisory Committee, and posted on ATP's website. Adoption of the budget must be on or before September 30 of each year.

**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**  
**Year Ended September 30, 2023**

	<b>Budget</b>		<b>Actual Amounts</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenue</b>				
City of Austin interlocal agreement	\$ 35,000,000	\$ 35,000,000	\$ 35,000,000	\$ -
Total revenue	<u>35,000,000</u>	<u>35,000,000</u>	<u>35,000,000</u>	<u>-</u>
<b>Expenditures</b>				
Anti-displacement initiatives	41,000,000	41,000,000	24,859,273	16,140,727
Total expenditures	<u>41,000,000</u>	<u>41,000,000</u>	<u>24,859,273</u>	<u>16,140,727</u>
<b>Change in fund balance</b>	(6,000,000)	(6,000,000)	10,140,727	(16,140,727)
<b>Fund balance at the beginning of the year</b>	54,000,000	54,000,000	65,000,000	(11,000,000)
<b>Fund balance at the end of year</b>	<u>\$ 48,000,000</u>	<u>\$ 48,000,000</u>	<u>\$ 75,140,727</u>	<u>\$ (27,140,727)</u>