



Cameron County Regional Mobility Authority

(A Component Unit of Cameron County, Texas)

Financial Report
September 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cameron County Regional Mobility Authority
Brownsville, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Cameron County Regional Mobility Authority (the RMA), a component unit of Cameron County, Texas, as of and for the year ended September 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the RMA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the RMA as of September 30, 2014 and 2013, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of expenditures of federal/state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying

accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the schedule of expenditures of federal/state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2015, on our consideration of the RMA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RMA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Long Chilton LLP". The signature is written in a cursive, flowing style.

LONG CHILTON, LLP
Certified Public Accountants

Brownsville, Texas
March 24, 2015

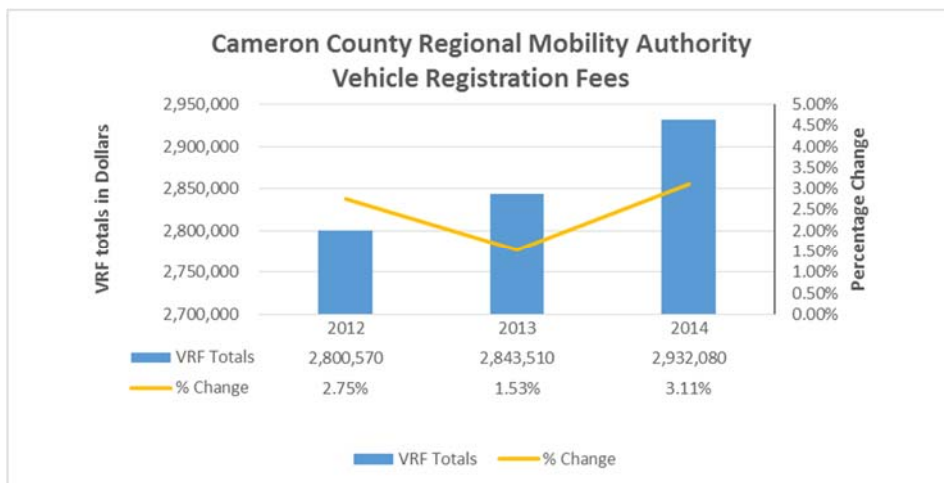
CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Management's Discussion and Analysis
September 30, 2014

The following is management's discussion and analysis of the financial performance and activity of the Cameron County Regional Mobility Authority (the RMA), and is designed to provide an overview that users may use to interpret the basic financial statements for the year ended September 30, 2014. This discussion and analysis has been prepared by management and should be used in conjunction with the basic financial statements and notes thereafter.

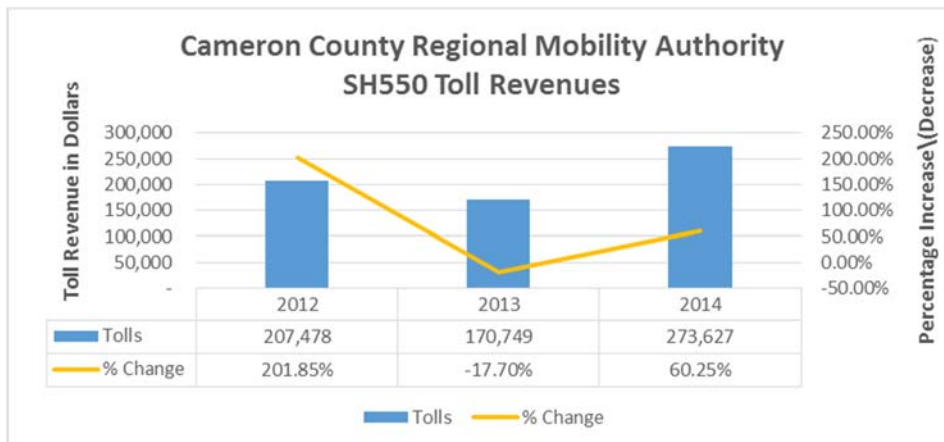
The RMA is governed by a board of directors consisting of seven members with operations overseen by an Executive Director. The RMA operates with a handful of staff members with many of its services contracted through local area professionals.

2014 Financial Highlights

- Vehicle registration fee revenue increased year over year in line with expectations

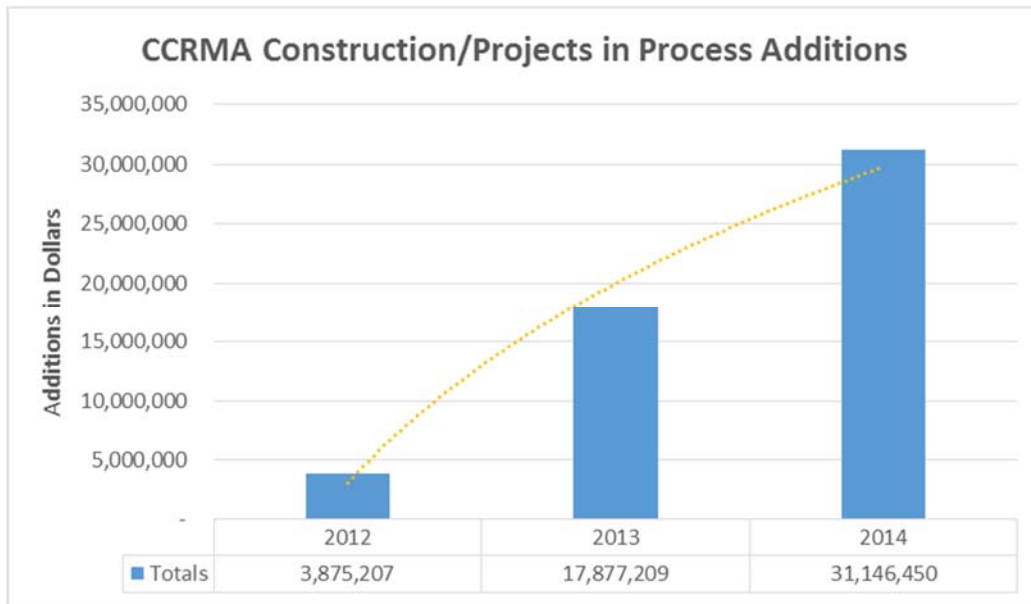


- Toll revenues experienced a significant increase due to the opening of the second toll gantry at the Port Spur location on SH550

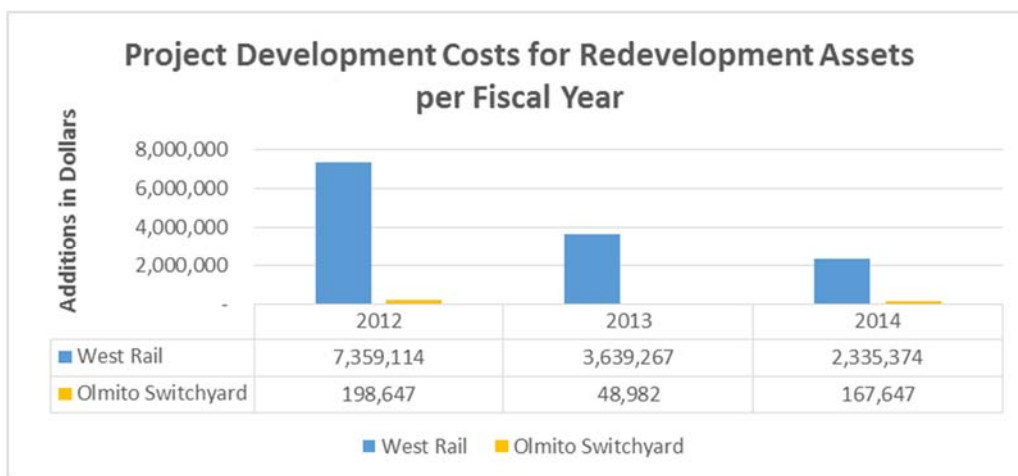


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- The RMA had a busy year in Construction/Projects in Process. The totals for 2014 increased substantially from the prior year.



- The Brownsville/Matamoros West Rail Relocation (West Rail) and Olmito Switchyard are projects in which the RMA leads in developing and will not retain ownership of them at completion. They are herein referred to as redevelopment assets. The RMA receives funds from Federal, State, and Local Government sources for the development of these projects. The West Rail project is scheduled to open for operations in April of 2015.



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Overview of Basic Financial Statements

The RMA reports its business-type activities in a single enterprise fund, in which its operations and activities are reported similar to a private-sector business. The financial statements include comparative Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows. These basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board also known as GASB.

The Statement of Net Position reports the net position of the RMA as of the end of each fiscal year presented. Net position represents the residual difference of all other elements of the statement of net position for all years presented in three component categories; net investment in capital assets, restricted, and unrestricted.

The Statement of Revenues, Expenses, and Changes in Net Position present the results of the business activities of the RMA over the course of the fiscal years presented and how ultimately those results affected the change in net position. As an enterprise fund, the RMA reports its operations using the economic resource measurement focus in which all revenues and expenses are recognized in the period which incurred with the difference reported as change in net position.

The Statement of Cash Flows unlike the Statement of Revenues, Expenses and Changes in Net Position, reflects only the results of business activities as they affect cash over the course of the fiscal years presented. The results are reported in three categories of operating, capital and related financing, and investing activities with the net change in cash as the residual.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of the data found in these financial statements, and should be read in conjunction with the MD&A and the basic financial statements.

FINANCIAL ANALYSIS

Summary of Net Position

The RMA's net position includes the total assets minus the total liabilities with the residual difference of net position. The RMA's net position for the years ending September 30, 2014, 2013, and 2012 were approximately \$12.7 million, \$7.8 million, and \$4.3 million, respectively. The largest component of total assets for all three years was the non-current assets. Non-current assets accounts for approximately 94%, 95%, and 96% for the years 2014, 2013, and 2012, respectively. These assets consist of unexpended bond funds, construction in process, and redevelopment assets.

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Summary of Net Position – Continued

Total liabilities as of September 30, 2014, 2013, 2012 were approximately \$129.4 million, \$120.4 million, and \$111.9 million, respectively. Non-current liabilities account for the majority of the total liabilities and consist of Financial Assistance Agreements with TxDot, amounts due to other agencies, and long term bond payables. A more detailed description is provided in the notes to the financial statements.

Summary of Net Position

| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|----------------------------------|-----------------------|-----------------------|-----------------------|
| Assets: | | | |
| Current assets | \$ 8,385,030 | \$ 6,409,117 | \$ 4,477,042 |
| Capital assets, net | 15,822,623 | 16,223,404 | 2,378,478 |
| Construction in Process | 59,555,495 | 28,409,045 | 26,973,755 |
| Other non-current | 58,388,710 | 77,164,353 | 82,379,179 |
| Total Assets | <u>\$ 142,151,858</u> | <u>\$ 128,205,919</u> | <u>\$ 116,208,454</u> |
| Liabilities: | | | |
| Current liabilities | \$ 5,439,982 | \$ 6,017,391 | \$ 2,260,395 |
| Non-Current liabilities | 123,980,559 | 114,376,006 | 109,628,518 |
| Total Liabilities | <u>\$ 129,420,541</u> | <u>\$ 120,393,397</u> | <u>\$ 111,888,913</u> |
| Net position: | | | |
| Net investment in capital assets | 6,075,314 | 8,761,616 | 547,674 |
| Restricted | 4,513,260 | 1,661,207 | 2,816,031 |
| Unrestricted | 2,142,743 | (2,610,301) | 955,836 |
| Total net position | <u>\$ 12,731,317</u> | <u>\$ 7,812,522</u> | <u>\$ 4,319,541</u> |

Capital & Other Non-Current Assets

Capital assets of the RMA include the infrastructure portion of the SH550 toll road placed in service along with toll equipment net of accumulated depreciation. The projects undergoing construction, traffic studies, environmental and preliminary engineering studies are recorded as construction in process. As of September 30, 2014, 2013, and 2012 the RMA had approximately \$59.6 million, \$28.4 million, and \$27 million in construction in process.

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September 30, 2014

Capital & Other Non-Current Assets – Continued

Capital & Other Non-Current Assets

| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--|-----------------------|-----------------------|-----------------------|
| Capital Assets: | | | |
| Capital Assets, net | \$ 15,822,623 | \$ 16,223,404 | \$ 2,378,478 |
| Non-Current Assets | | | |
| Restricted Assets | 16,364,428 | 37,651,010 | 46,549,902 |
| Construction in Process | 59,555,495 | 28,409,045 | 26,973,755 |
| Redevelopment and other non-current assets | 42,024,282 | 39,513,343 | 35,829,277 |
| Totals | <u>\$ 133,766,828</u> | <u>\$ 121,796,802</u> | <u>\$ 111,731,412</u> |

Non-Current Liabilities

Due to other agencies as of September 30, 2014, 2013, and 2012 were approximately \$48.4 million, \$43 million, and \$37.3 million, respectively. These amounts include financial assistance agreements with TxDot and funds provided to the RMA for redevelopment assets. In the totals for long-term bonds payable, the RMA has both tax exempt and non-tax exempt issuances. A more detailed description to these bond issuances can be found in the notes to the financial statements.

Non-Current Liabilities

| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---------------------------------|-----------------------|-----------------------|-----------------------|
| Non-Current Liabilities: | | | |
| Due to Other Agencies | \$ 48,365,516 | \$ 42,981,244 | \$ 37,305,362 |
| Long-Term Bond Payable | 75,615,043 | 71,394,762 | 72,323,156 |
| Totals | <u>\$ 123,980,559</u> | <u>\$ 114,376,006</u> | <u>\$ 109,628,518</u> |

Changes in Net Position

The RMA's total revenues for the year ending September 30, 2014, 2013, and 2012 were approximately \$7.7 million, \$9.8 million, and \$3.1 million, respectively. The RMA received in 2014 a settlement in the amount of \$4.0 million which is presented as a special item in the Statements of Revenues, Expenses, and Changes in Net Position. This settlement was related to the SH550 Direct Connector project. Total revenues experienced a significant increase in 2013 from 2012, largely due to grant funds received for the Construction of the SH550 Direct Connector. These revenues were used entirely in the construction of that project.

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September 30, 2014

Changes in Net Position – Continued

Total expenses for the year ending September 30, 2014, 2013, and 2012 were approximately \$2.8 million, \$6.3 million, and \$2.5 million, respectively. In 2013 a total of \$3.4 million of operating expense was attributed to the completion of work provided by the RMA for the US 77/I-69 Project which had been capitalized in the prior years as the services were provided and expensed in the current year.

Changes in Net Position

| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|----------------------------------|---------------------|---------------------|-------------------|
| Revenues: | | | |
| Vehicle registration fees | \$ 2,932,080 | \$ 2,843,510 | \$ 2,800,570 |
| Toll revenue | 273,627 | 170,749 | 207,478 |
| Transportation reinvestment zone | 295,907 | - | 46,148 |
| Other operating revenue | 166,602 | 120,000 | - |
| Non-operating revenue | 4,019,461 | 6,690,376 | 7,767 |
| Total Revenues | <u>7,687,677</u> | <u>9,824,635</u> | <u>3,061,963</u> |
| Expenses: | | | |
| Operating | 1,143,583 | 4,703,014 | 1,183,350 |
| Non-operating | 1,625,299 | 1,628,640 | 1,297,164 |
| Total Expenses | <u>2,768,882</u> | <u>6,331,654</u> | <u>2,480,514</u> |
| Change in Net Position | <u>\$ 4,918,795</u> | <u>\$ 3,492,981</u> | <u>\$ 581,449</u> |

Contacting the RMA's Financial Management

The financial report is designed to provide customers, investors, and creditors with a general overview of the RMA's finances and to demonstrate the RMA's accountability for all inflows and outflows of resources. If you have any questions about this report or need additional financial information, contact the Cameron County Regional Mobility Authority, 1100 E. Monroe, Ste. 256, Brownsville, Texas 78520 or visit www.ccrma.org for more information.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Statements of Net Position
September 30, 2014 and 2013

| | 2014 | 2013 |
|------------------------------------|------------------------------|------------------------------|
| ASSETS: | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 6,056,636 | \$ 2,111,181 |
| Accounts receivable | 757,670 | 549,424 |
| Due from other agencies | 1,570,724 | 3,740,092 |
| Prepaid expenses | - | 8,420 |
| Total Current Assets | <u>8,385,030</u> | <u>6,409,117</u> |
| Non-Current Assets: | | |
| Restricted Assets: | | |
| Cash-trustee funds | 10,885,656 | 34,634,832 |
| Cash-debt reserve | 2,256,741 | 2,256,740 |
| Cash-debt service | 3,222,031 | 759,438 |
| Total Restricted Assets | <u>16,364,428</u> | <u>37,651,010</u> |
| Capital assets, net | 15,822,623 | 16,223,404 |
| Construction in process | 59,555,495 | 28,409,045 |
| Redevelopment assets | 41,895,820 | 39,392,798 |
| Unamortized bond insurance | 128,462 | 120,545 |
| Total Non-Current Assets | <u>133,766,828</u> | <u>121,796,802</u> |
| Total Assets | <u><u>\$ 142,151,858</u></u> | <u><u>\$ 128,205,919</u></u> |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts payable | \$ 4,014,987 | \$ 4,577,306 |
| Accrued interest payable | 477,495 | 425,085 |
| Due to other governments | 167,500 | 250,000 |
| Current maturities of bonds | 780,000 | 765,000 |
| Total Current Liabilities: | <u>5,439,982</u> | <u>6,017,391</u> |
| Non-Current Liabilities: | | |
| Due to other agencies | 48,365,516 | 42,981,244 |
| Long-term bond payable | 75,615,043 | 71,394,762 |
| Total Non-Current Liabilities | <u>123,980,559</u> | <u>114,376,006</u> |
| Total Liabilities | <u>129,420,541</u> | <u>120,393,397</u> |
| NET POSITION | | |
| Net investment in capital assets | 6,075,314 | 8,761,616 |
| Restricted | 4,513,260 | 1,661,207 |
| Unrestricted | 2,142,743 | (2,610,301) |
| Total Net Position | <u>12,731,317</u> | <u>7,812,522</u> |
| Total Liabilities and Net Position | <u><u>\$ 142,151,858</u></u> | <u><u>\$ 128,205,919</u></u> |

See Accompanying Notes to the Financial Statements

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
**Statements of Revenues, Expenses
And Changes in Net Position**
Years Ended September 30, 2014 and 2013

| | 2014 | 2013 |
|---|----------------------|---------------------|
| Operating Revenues | | |
| Vehicle registration fee | \$ 2,932,080 | \$ 2,843,510 |
| Toll revenue | 273,627 | 170,749 |
| Transportation Reinvestment Zone | 295,907 | - |
| Other operating revenue | 166,602 | 120,000 |
| Total Operating Revenues | <u>3,668,216</u> | <u>3,134,259</u> |
| Operating Expenses | | |
| Advertising | 2,076 | 8,921 |
| Contractual services | 371,591 | 447,350 |
| Insurance | 22,283 | 4,039 |
| Miscellaneous | 18,504 | 53,403 |
| Office supplies | 7,103 | 7,882 |
| Professional services | 42,610 | 103,618 |
| Travel | 37,081 | 52,178 |
| Toll services | 107,904 | 103,468 |
| Utilities | 10,023 | 5,023 |
| Depreciation | 524,408 | 471,931 |
| Project expensed | - | 3,445,201 |
| Total Operating Expenses | <u>1,143,583</u> | <u>4,703,014</u> |
| Operating Income (Loss) | <u>2,524,633</u> | <u>(1,568,755)</u> |
| Non-Operating Revenues (Expenses) | | |
| Bond issuance costs | (159,265) | - |
| Interest expense | (1,466,034) | (1,628,640) |
| Interest income | 8,234 | 5,818 |
| Other revenue | 11,227 | 388,024 |
| Total Non-Operating Revenue (Expenses) | <u>(1,605,838)</u> | <u>(1,234,798)</u> |
| Income (Loss) before capital contributions and special item | 918,795 | (2,803,553) |
| Capital contributions | - | 6,296,534 |
| Special item-settlement proceeds | 4,000,000 | - |
| Change in Net Position | <u>4,918,795</u> | <u>3,492,981</u> |
| Net Position-beginning of year | <u>7,812,522</u> | <u>4,319,541</u> |
| Net Position-end of year | <u>\$ 12,731,317</u> | <u>\$ 7,812,522</u> |

See Accompanying Notes to the Financial Statements

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Statements of Cash Flows
Years Ended September 30, 2014 and 2013

| | 2014 | 2013 |
|---|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from vehicle registration fees | \$ 2,899,320 | \$ 3,026,130 |
| Receipts from toll revenues | 265,121 | 156,778 |
| Receipts from other operating sources | 298,529 | 361,877 |
| Payments to vendors | (208,087) | (1,132,063) |
| Payments to employees | (243,286) | - |
| Net cash provided by (used in) operating activities | <u>3,011,597</u> | <u>2,412,722</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Acquisitions of property and equipment | (579,013) | (774,815) |
| Payments on interest | (1,456,589) | (1,628,640) |
| Acquisitions of construction in progress | (34,115,960) | (13,491,609) |
| Payments on bond principal | (765,000) | (600,000) |
| Bond and grant proceeds | 6,832,449 | 6,296,534 |
| Advances from TxDot FAA and other project agreements | 9,723,157 | (2,027,690) |
| Net cash provided by (used in) capital and related financing activities | <u>(20,360,956)</u> | <u>(12,226,220)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Receipts from interest income | <u>8,232</u> | <u>5,818</u> |
| Net increase (decrease) in cash and cash equivalents | (17,341,127) | (9,807,680) |
| Cash and cash equivalents at beginning of year | 39,762,191 | 50,217,689 |
| Prior period adjustment affecting cash | - | (647,818) |
| Cash and cash equivalents at end of year | <u>\$ 22,421,064</u> | <u>\$ 39,762,191</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED) BY OPERATING ACTIVITIES | | |
| Operating income (Loss) | \$ 2,524,633 | \$ (1,568,756) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Net prior period adjustment affecting operations | - | 290,444 |
| Depreciation expense | 524,408 | 471,931 |
| Amortization of premium/discount | - | 155,143 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in prepaid expenses and other assets | 8,420 | (8,419) |
| (Increase) decrease in due from other agencies | (306,728) | (3,480,261) |
| (Decrease) increase in accounts payable | 260,712 | 3,583,746 |
| (Decrease) increase in due to other agencies | - | 3,080,644 |
| (Decrease) increase in accrued interest payable | - | 8,250 |
| (Decrease) increase in other liabilities | 152 | (120,000) |
| Net cash flows provided by operating activities | <u>\$ 3,011,597</u> | <u>\$ 2,412,722</u> |

See Accompanying Notes to the Financial Statements

(continued)

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Statements of Cash Flows - Continued
Years Ended September 30, 2014 and 2013

| | 2014 | 2013 |
|--|---------------------|---------------------|
| RECONCILIATION OF ENDING CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION | | |
| Ending cash - Statement of Cash Flows | \$ 22,421,064 | \$ 39,762,191 |
| Less: amount reported in restricted assets | 16,364,428 | 37,651,010 |
| Ending cash - Statement of Net Position | <u>\$ 6,056,636</u> | <u>\$ 2,111,181</u> |

See Accompanying Notes to the Financial Statements

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2014

Note 1 – Organization and Summary of Significant Accounting Policies

The financial statements of the RMA have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the RMA's accounting policies are described below:

A. Reporting Entity

The Cameron County Regional Mobility Authority (RMA) was authorized for creation in September 30, 2004 by the Texas Transportation Commission to promote and improve regional mobility within Cameron County. Since its creation, the RMA has committed itself to an ambitious series of economically sustainable projects to improve the quality of life for area residents and enable quality economic development. The RMA receives funds from Vehicle Registration Fees in Cameron County as well as toll revenues and grant funds for projects. The RMA is governed by a board of directors consisting of seven members with operations overseen by an Executive Director. The RMA operates with a small handful of staff members and contracts many of its services with local area professionals.

In evaluating how to define the RMA, for financial reporting purposes, management has determined that there are no entities over which the RMA exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the RMA. Since the RMA does not exercise significant influence or accountability over other entities, it has no component units.

B. Basis of Accounting

The operations of the RMA are accounted for as an enterprise fund on an accrual basis in order to recognize the flow of economic resources. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized and all assets and liabilities associated with the operation of the RMA are included in the Statement of Net Position.

C. Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2014

Note 1 – Organization and Summary of Significant Accounting Policies – Continued

D. Cash & Cash Equivalents

Cash and cash equivalents include cash on hand, and demand deposits. These deposits are fully collateralized or covered by federal deposit insurance.

E. Capital Assets

Capital assets, which include property, equipment and infrastructure assets, are reported at cost. Depreciation is computed on the straight-line method over the following estimated useful lives:

Road and bridges, 40 years
Improvements, 5-20 years
Buildings, 20-30 years
Equipment, 3-20 years

A full month's depreciation is taken in the month an asset is placed in service. When property and equipment are disposed, depreciation is removed from the respective accounts, and the resulting gain or loss, if any, is recorded in operations.

F. Capital Contributions

Capital Contributions are comprised of federal, state, and local grants. The portion of the grants and reimbursements used for capital purposes are reflected as capital contributions in the Statements of Revenues, Expenses and Changes in Net Position. The funds are reimbursable contributions, whereas the RMA first pays for the project and then the granting agency reimburses the RMA for its eligible expenses. The RMA considers all grants and contributions to be 100% collectible in accordance with contract terms.

G. Income Taxes

The RMA is a political subdivision of the State of Texas. As such, income earned in the exercise of its essential government functions is exempt from state or federal income taxes. Bond obligations issued by state and local governments are tax-exempt only if the issuers pay rebate to the federal government of the earnings on the investment of the proceeds of a tax-exempt issue in excess of the yield on such obligations and any income earned on such excess.

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(A Component Unit of Cameron County, Texas)
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Note 1 – Organization and Summary of Significant Accounting Policies – Continued

H. Classification of Operating and Non-operating Revenues and Expenses

The RMA defines operating revenues and expenses as those revenues and expenses generated by a specified program offering either a good or service. This definition is consistent with GASB Statement No. 9 which defines operating receipts as cash receipts from customers and other cash receipts that do not result from transactions defined as capital and related financing, non-capital financing or investing activities. Operating expenses for the RMA include the costs of administrative expenses, indirect administrative costs and costs for contractual services associated with operations or project studies. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

I. Net Position

In June 2011, GASB issued its Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which became effective for periods beginning after December 15, 2011, consequently implemented with these basic financial statements and retroactively applied to all reporting periods. This statement provides guidance to financial reporting of deferred outflows and inflows of resources, and identifies net position as the residual of all other elements presented in a statement of financial position. Based on the implementation of GASB Statement No. 63, the RMA's net position comprises the following components:

- *Net investment in capital assets* – consists of capital assets net of accumulated depreciation, outstanding balances on borrowings attributable to the acquisition of capital assets, and deferred outflows and inflows of resources attributable to the acquisition of capital assets.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- *Unrestricted* – net amount of assets, deferred outflows, liabilities, and deferred inflows not included in the determination of net investment in capital assets, or the restricted component of net position.

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Note 1 – Organization and Summary of Significant Accounting Policies – Continued

J. Reclassifications

Certain amounts reported in previous periods have been reclassified to conform to the current year presentation.

K. Subsequent Events

Management has evaluated subsequent events through March 24, 2015, which is the date the financial statements were available to be issued.

L. Restricted Assets

Certain proceeds of the RMA's bonds and grants, as well as certain other resources are classified as restricted assets in the statements of net position because their use is limited by applicable bond covenants and grant agreements. It is the RMA's policy to first apply restricted resources when an expense is incurred for purposes in which both restricted and unrestricted net assets are available.

M. Bond Premiums, Discounts, and Issuance Costs

The RMA amortizes premiums and discounts over the estimated life of the bonds as an adjustment to capitalized interest. Bond issuance costs are expensed as incurred, in accordance with GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities". The RMA early implemented GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities" in their Fiscal Year ending September 30, 2013.

Note 2 – Deposits and Investments

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the RMA will not be able to recover its deposits or will not be able to recover its collateral securities that are in the possession of an outside party. The RMA complies with its investment policy for all its cash and cash equivalent accounts, which calls for safety of principal as the first priority in its deposit accounts. As of September 30, 2014, the carrying amount of the RMA's cash, cash equivalents, and restricted cash was \$22,421,064. Of this total, \$16,364,428 was restricted and held in various bond trustee accounts in the BNY Mellon in accordance with bond indenture agreements. The remainder \$6,056,636 was held in business interest checking accounts.

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Note 2 – Deposits and Investments - Continued

There is no limit on the amount the RMA may deposit in any one institution. However, the Federal Deposit Insurance Corporation only insures up to \$250,000 per institution. The RMA is fully collateralized with pledged securities for amounts in excess of the FDIC limit for the year ended September 30, 2014.

Note 3 – Capital Assets

Depreciation expense for 2014 and 2013 was \$524,408 and \$471,931, respectively. The following schedule summarizes the capital assets and Construction in Process of the RMA as of September 30, 2014:

| Capital Assets | October 1, 2013 | Additions | Deletions | September 30, 2014 |
|--------------------------|----------------------------|----------------------|------------------|-------------------------------|
| Depreciable | | | | |
| Software | \$ 19,792 | \$ - | \$ - | \$ 19,792 |
| Infrastructure | 12,958,232 | - | - | 12,958,232 |
| Equipment | 3,888,658 | 123,626 | - | 4,012,284 |
| Total | <u>\$ 16,866,682</u> | <u>\$ 123,626</u> | <u>\$ -</u> | <u>\$ 16,990,308</u> |
| Accumulated Depreciation | | | | |
| Software | \$ - | \$ (3,958) | \$ - | \$ (3,958) |
| Infrastructure | (323,956) | (323,956) | - | (647,912) |
| Equipment | (319,322) | (196,493) | - | (515,816) |
| Total | <u>\$ (643,278)</u> | <u>\$ (524,408)</u> | <u>\$ -</u> | <u>\$ (1,167,686)</u> |
| Net Capital Assets | <u>16,223,404</u> | <u>(400,781)</u> | <u>\$ -</u> | <u>15,822,623</u> |
| Non-Depreciable | | | | |
| Construction in process | <u>\$ 28,409,045</u> | <u>\$ 31,146,450</u> | <u>\$ -</u> | <u>\$ 59,555,495</u> |

The additions related to construction in process for 2014 are as follows:

The additions related to construction in process are as follows:

| <u>Project</u> | <u>Additions</u> |
|---------------------------|----------------------|
| SH 550 (Direct Connector) | \$ 26,682,405 |
| SPI 2nd Access | 3,797,541 |
| SH 32 (East Outer Parkway | 337,029 |
| Port Isabel | 127,444 |
| General Brant | 48,686 |
| West Parkway | 27,819 |
| FM803 | 13,036 |
| | <u>112,489</u> |
| Total | <u>\$ 31,146,450</u> |

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
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Note 3 – Capital Assets – Continued

The following schedule summarizes the capital assets and Construction in Process of the RMA as of September 30, 2013:

| Capital Assets | October 1, 2012 | Additions | Deletions | September 30, 2013 |
|--------------------------|----------------------|----------------------|------------------------|-----------------------|
| Depreciable | | | | |
| Software | \$ 1,093 | \$ 18,699 | \$ - | \$ 19,792 |
| Infrastructure | - | 12,958,232 | - | 12,958,232 |
| Equipment | 2,548,732 | 1,393,727 | (53,801) | 3,888,658 |
| Total | <u>\$ 2,549,825</u> | <u>\$ 14,370,658</u> | <u>\$ (53,801)</u> | <u>\$ 16,866,682</u> |
| Accumulated Depreciation | | | | |
| Software | \$ - | \$ - | \$ - | \$ - |
| Infrastructure | - | (323,956) | - | (323,956) |
| Equipment | (171,347) | (147,975) | - | (319,322) |
| Total | <u>\$ (171,347)</u> | <u>\$ (471,931)</u> | <u>\$ -</u> | <u>\$ (643,278)</u> |
| Net Capital Assets | <u>2,378,478</u> | <u>13,898,727</u> | <u>(53,801)</u> | <u>16,223,404</u> |
| Non-Depreciable | | | | |
| Construction in process | <u>\$ 26,973,755</u> | <u>\$ 17,877,209</u> | <u>\$ (16,441,919)</u> | <u>\$ 28,409,045</u> |

The additions related to construction in process for 2013 are as follows:

| Construction in process additions | |
|-----------------------------------|----------------------|
| Project | Additions |
| SH 550 (Direct Connector) | \$ 16,119,122 |
| East Loop | 810,124 |
| SPI 2nd Access | 685,483 |
| General Brant | 96,796 |
| 281 Connector | 79,567 |
| West Pkwy | 31,212 |
| FM 803 | 24,459 |
| Outer Pkwy | 17,216 |
| Port Isabel | <u>13,230</u> |
| Total | <u>\$ 17,877,209</u> |

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
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Note 4 – Redevelopment Assets

The RMA has authorization by the State to participate, develop, and construct projects on behalf of other entities. The RMA has begun work on several projects in which the RMA will not retain ownership when work is completed. These projects are recorded as Redevelopment assets on the Statement of Net Position. At completion these redevelopment assets will be removed along with any associated liabilities and any difference will be adjusted through current operations. The following schedules summarize the redevelopment assets shown on the Statement of Net Position as of September 30, 2014 and 2013:

| Redevelopment Assets | October 1, 2013 | Additions | Deletions | September 30, 2014 |
|-----------------------------------|----------------------------|---------------------|------------------|-------------------------------|
| Brownsville/Matamoros West | | | | |
| Rail Relocation | \$ 26,930,439 | \$ 2,335,374 | - | \$ 29,265,813 |
| Olmito Switchyard | 12,462,359 | 167,647 | - | 12,630,007 |
| Total Redevelopment Assets | \$ 39,392,798 | \$ 2,503,021 | - | \$ 41,895,820 |

| Redevelopment Assets | October 1, 2012 | Additions | Deletions | September 30, 2013 |
|-----------------------------------|----------------------------|---------------------|------------------|-------------------------------|
| Brownsville/Matamoros West | | | | |
| Rail Relocation | \$ 23,291,172 | \$ 3,639,267 | - | \$ 26,930,439 |
| Olmito Switchyard | 12,413,377 | 48,982 | - | 12,462,359 |
| Total Redevelopment Assets | \$ 35,704,549 | \$ 3,688,249 | - | \$ 39,392,798 |

Note 5 – Disaggregation of Receivable and Payable Balances

Of the current receivables, 98% are due from the Cameron County for Vehicle Registration Fees and Transportation Reinvestment Zone revenue outstanding as of September 30, 2014. The Due from other agencies consists of amounts pending reimbursement for construction project expenditures. Payable balances are comprised 9% from operations, contractors, and professional services at September 30, 2014. The remaining 91% of accounts payable represents the construction obligations for construction in process outstanding at September 30, 2014.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
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Note 6 – Non-Current Liabilities

Due to other agencies is comprised of the following projects:

| Due to Other Agencies | October 1, 2013 | Additions | Reductions | September 30, 2014 |
|--|----------------------------|---------------------|-------------------|-------------------------------|
| Due to other agencies - West Rail Project | \$ 26,067,010 | \$ 1,391,651 | - | \$ 27,458,661 |
| Due to other agencies - Olmito Switch Yard Project | 9,028,321 | 815,737 | - | 9,844,058 |
| TxDot FAA - South Padre Island 2nd Access | 5,641,324 | 3,176,883 | - | 8,818,207 |
| TxDot FAA - West Parkway | 2,244,589 | - | - | 2,244,589 |
| Total | \$ 42,981,244 | \$ 5,384,271 | - | \$ 48,365,516 |

| Due to Other Agencies | October 1, 2012 | Additions | Reductions | September 30, 2013 |
|--|----------------------------|---------------------|-------------------|-------------------------------|
| Due to other agencies - West Rail Project | \$ 20,817,005 | \$ 5,250,005 | - | \$ 26,067,010 |
| Due to other agencies - Olmito Switch Yard Project | 9,028,321 | - | - | 9,028,321 |
| TxDot FAA - South Padre Island 2nd Access | 5,215,447 | 425,877 | - | 5,641,324 |
| TxDot FAA - West Parkway | 2,244,589 | - | - | 2,244,589 |
| Total | \$ 37,305,362 | \$ 5,675,882 | - | \$ 42,981,244 |

(Funds provided for the Brownsville/Matamoros West Rail and the Olmito Switchyard projects vary between Federal, State, and Local funds.)

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Note 7 – Long-Term Bonds Payable

On April 1, 2010, the RMA issued \$28.7 million of special revenue bonds, consisting of two series of bonds, 2010A and 2010B both secured by vehicle registration fees of Cameron County. The \$13.2 million and \$15.5 million of the 2010A and 2010B bonds were issued as term bonds. The 2010A bonds carry interest rates of 2.0% to 5.0% and mature between February 2012 and February 2026. The 2010B bonds carry an interest rate of 6.5%, maturing on February 2036. All term bonds are subject to mandatory redemption in prescribed amounts before the maturity dates. At September 30, 2014, \$27,015,000 remains outstanding.

In June 2012 the RMA and Cameron County entered into the SH550 Funding and Development Agreement, for a project titled “SH550 Direct Connector Transportation Project”. Cameron County issued Revenue and Tax bonds, Series 2012 (State Highway 550 Project) \$40,000,000 dated August 8, 2012 providing funding for this project. As a condition of funding, the Authority is obligated to repay the funding together with interest on the unpaid principal balance at the same stated rates the County will pay on the Series 2012 bonds in addition to an administrative fee also known as a “CAF Fee”. The bonds carry interest rates of 2.125% to 5.0% and mature between February 2017 and February 2032. At September 30, 2014 \$40,000,000 remain outstanding.

With the purpose of continuing the funding for the “SH550 Direct Connector Transportation Project” and in accordance with the SH550 Funding and Development agreement entered into on June 2012 and amended on Jan 29, 2014, Cameron County issued \$5,000,000 Revenue and Tax Bonds, Series 2014 (State Highway 550 Project) dated March 1, 2014. As a condition of such funding, the RMA is obligated to repay the funding together with interest on the unpaid principal balance at the same stated rates of interest the County will pay on the Series 2014 bonds. Similarly to the Series 2012 Bonds, the RMA is obligated to continue payment of the annual CAF Fee as calculated on the original issuance of the Series 2012 bonds. Series 2014 bonds carry interest rates of 2.0% to 4.5% and mature between February 2018 and February 2034. The amount that remains outstanding at September 30, 2014 is \$5,000,000.

Long-Term Bonds Payable is summarized as follows:

| Bonds Payable | Balance as of October 1, 2013 | Additions | Reductions | Balance as of September 30, 2014 | Due within one year |
|----------------------------|----------------------------------|---------------------|---------------------|--|------------------------|
| 2010 Revenue Bonds | \$ 27,780,000 | - | \$ (765,000) | \$ 27,015,000 | \$ (780,000) |
| Plus: Premium on Refunding | 70,327 | - | (6,115) | 64,212 | - |
| 2012 Revenue & Tax Bonds | 40,000,000 | - | - | 40,000,000 | - |
| Plus: Premium on Refunding | 4,309,435 | - | (149,028) | 4,160,407 | - |
| 2014 Revenue & Tax Bonds | - | 5,000,000 | - | 5,000,000 | - |
| Plus: Premium on Refunding | - | 155,424 | - | 155,424 | - |
| | <u>\$ 72,159,762</u> | <u>\$ 5,155,424</u> | <u>\$ (920,143)</u> | <u>\$ 76,395,043</u> | <u>\$ (780,000)</u> |

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
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Note 7 – Long-Term Bonds Payable - Continued

| Bonds Payable | Balance as of October 1, 2012 | Additions | Reductions | Balance as of September 30, 2013 | Due within one year |
|----------------------------|----------------------------------|-------------|---------------------|--|------------------------|
| 2010 Revenue Bonds | \$ 28,380,000 | - | \$ (600,000) | \$ 27,780,000 | \$ (765,000) |
| Plus: Premium on Refunding | 76,442 | - | (6,115) | 70,327 | - |
| 2012 Revenue & Tax Bonds | 40,000,000 | - | - | 40,000,000 | - |
| Plus: Premium on Refunding | 4,458,463 | - | (149,028) | 4,309,435 | - |
| | <u>\$ 72,914,905</u> | <u>\$ -</u> | <u>\$ (755,143)</u> | <u>\$ 72,159,762</u> | <u>\$ (765,000)</u> |

The annual requirements to retire the revenue bonds outstanding at September 30, 2014 and 2013 are as follows:

| | 2010A Bonds | | | 2010B Bonds | | |
|-----------|----------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2015 | \$ 780,000 | \$ 455,675 | \$ 1,235,675 | \$ - | \$ 1,017,853 | \$ 1,017,853 |
| 2016 | 800,000 | 435,875 | 1,235,875 | - | 1,017,853 | 1,017,853 |
| 2017 | 825,000 | 411,500 | 1,236,500 | - | 1,017,853 | 1,017,853 |
| 2018 | 850,000 | 384,250 | 1,234,250 | - | 1,017,853 | 1,017,853 |
| 2019 | 885,000 | 353,888 | 1,238,888 | - | 1,017,853 | 1,017,853 |
| 2020-2024 | 4,990,000 | 1,189,350 | 6,179,350 | - | 5,089,265 | 5,089,265 |
| 2025-2029 | 2,350,000 | 119,000 | 2,469,000 | 3,985,000 | 4,705,155 | 8,690,155 |
| 2030-2034 | - | - | - | 7,890,000 | 2,535,624 | 10,425,624 |
| 2035-2036 | - | - | - | 3,660,000 | 242,424 | 3,902,424 |
| | <u>\$ 11,480,000</u> | <u>\$ 3,349,538</u> | <u>\$ 14,829,538</u> | <u>\$ 15,535,000</u> | <u>\$ 17,661,733</u> | <u>\$ 33,196,733</u> |

| | 2012 Revenue & Tax Bonds | | | 2014 Revenue & Tax Bonds | | |
|-----------|-------------------------------------|----------------------|----------------------|-------------------------------------|---------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2015 | \$ - | \$ 1,911,700 | \$ 1,911,700 | - | \$ 271,010 | \$ 271,010 |
| 2016 | - | 1,911,700 | 1,911,700 | - | 198,300 | 198,300 |
| 2017 | 840,000 | 1,899,100 | 2,739,100 | - | 198,300 | 198,300 |
| 2018 | 860,000 | 1,876,288 | 2,736,288 | 50,000 | 197,800 | 247,800 |
| 2019 | 880,000 | 1,856,725 | 2,736,725 | 150,000 | 195,800 | 345,800 |
| 2020-2024 | 4,935,000 | 8,749,813 | 13,684,813 | 1,310,000 | 832,970 | 2,142,970 |
| 2025-2029 | 6,320,000 | 7,363,000 | 13,683,000 | 1,570,000 | 574,856 | 2,144,856 |
| 2030-2034 | 8,115,000 | 5,567,375 | 13,682,375 | 1,920,000 | 220,263 | 2,140,263 |
| 2035-2039 | 10,425,000 | 3,261,625 | 13,686,625 | <u>\$ 5,000,000</u> | <u>\$ 2,689,299</u> | <u>\$ 7,689,299</u> |
| 2040-2042 | 7,625,000 | 584,625 | 8,209,625 | | | |
| | <u>\$ 40,000,000</u> | <u>\$ 34,981,951</u> | <u>\$ 74,981,951</u> | | | |

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Note 8- Interest Capitalization/Expense

The RMA capitalized a total of \$1,836,093 of debt interest to construction in process projects. The interest capitalized is from the 2010, 2012, and 2014 Bond Series. The detailed capitalization is outlined in the schedule below. The remaining interest was expensed in the total amount of \$1,466,034 for the year ending September 30, 2014.

| Projects with capitalized interest | |
|---|---------------------|
| 2010 Bonds | |
| West Parkway Project | \$ 514 |
| Outer Parkway | 5,024 |
| SH 32 (East Loop) | 13,286 |
| FM 803 | 4,434 |
| General Brant | 1,097 |
| Port Isabel Access Rd | 1,919 |
| Total | 26,274 |
| 2012 Bonds | |
| State Highway 550 Project | 1,766,854 |
| 2014 Bonds | |
| State Highway 550 Project | 42,965 |
| Total | <u>\$ 1,836,093</u> |

Capitalized interest as of September 30, in 2013 is shown in the following schedule.

| Projects with capitalized interest | |
|---|---------------------|
| 2010 Bonds | |
| SH 32 (East Loop) | \$ 151,452 |
| 2012 Bonds | |
| State Highway 550 Project | 1,403,620 |
| Total | <u>\$ 1,555,072</u> |

Note 9 – Retirement Plan

Plan Description

The RMA initiated a retirement plan for its employees in May of 2014. The plan provides only retirement and disability benefits and not death benefits as of fiscal year end. The RMA does plan to include death benefits in the plan at a future date.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
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Note 9 – Retirement Plan – Continued

The plan is a nontraditional defined benefit pension plan offered through the Texas County and District Retirement System (TCDRS). TCDRS was established by the Texas Legislature under section 67 of Article XVI of the Texas Constitution. TCDRS is a statewide multiple-employer public employee retirement system overseen by a Board of Trustees which issues an aggregate comprehensive annual financial report (CAFR) on a calendar year basis. As of calendar year 2013, TCDRS consisted of 641 total nontraditional defined benefit pension plans.

The provisions of the retirement plan are adopted by the governing body of the employer in accordance with Subtitle F of Title 8 of the Texas Government Code also known as the TCDRS Act. RMA members are eligible to retire at age 60 with 8 or more years of service, when age plus years of service equal 75, or with 20 years of service regardless of age. Vesting requirements are 8 years of service and members are required to leave their accumulated contributions within the plan in order to receive any employer financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the employer. The plan retirement benefits are determined by the sum of employee contributions, interest accumulation, and employer-financed monetary credits with accumulated interest. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be adequately financed by the employer's contribution commitment. At retirement, death, or disability the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed contributions and monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer's actuarially determined contributions. The employer contributed using the actuarially determined rate of 10.13% from inception to the close of the fiscal year. The contribution rate payable by the employee members is 7.00% as adopted by the governing body of the employer. The employee contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

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Note 9 – Retirement Plan – Continued

Annual Pension Cost

For the employer's accounting year ended September 30, 2014, the annual pension cost for the TCDRS plan for its employees was \$6,112 and the actual employer contributions were \$8,845. Employer contribution represents the amount the RMA is required to contribute to responsibly fund future benefits for current and future retired employees. The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with GASB statement No. 27 parameters based on the actuarial valuations as of May 1, 2014, the basis for determining the contribution rates for calendar year 2014. The required contribution was determined as of May 1, 2014 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at May 1, 2014 included (a) 8.00% investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9%. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at May 1, 2014 was 20 years.

Actuarial Valuation Information

| Actuarial valuation date | 5/1/2014 | 12/31/2013 |
|--------------------------------|-------------------------------------|------------|
| Actuarial cost method | entry age | N/A |
| Amortization method | level percentage of payroll, closed | N/A |
| Amortization period (in years) | 20 | N/A |
| Asset valuation method: | | |
| Subdivision Accumulation Fund | 5-yr smoothed value | N/A |
| Employees Saving Fund | Fund value | N/A |
| Actuarial Assumptions: | | |
| Investment return | 8.00 | N/A |
| Projected salary increases | 4.90 | N/A |
| Inflation | 3.00 | N/A |
| Cost of living adjustments | 0.00 | N/A |

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
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Note 9 – Retirement Plan – Continued

Funded Status & Funding Progress

As of May 1, 2014 the plan was zero percent funded. The actuarial accrued liability for benefits was \$13,558, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$13,558. The covered payroll (annual covered payroll for active employees covered by the plan) was \$181,200, and the ratio of the UAAL to the covered payroll was 7.48%.

Schedule of Funding Progress for the Retirement Plan for the employees of Cameron County Regional Mobility Authority

| Actuarial Valuation | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Annual Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---------------------|---------------------------|-----------------------------------|---------------------|--------------|------------------------|---|
| Date | [a] | [b] | [b-a] | [a/b] | [c] | [UAAL/c] |
| 5/14/2014 | \$ 0.00 | \$ 13,558 | \$ 13,558 | \$ 0.00 | \$ 181,200 | 7.48% |
| 12/31/2013 | N/A | N/A | N/A | N/A | N/A | N/A |

Note 10 – Due to other Governments

Cameron County

On April 11, 2006 Cameron County (County) entered into an agreement with the RMA whereby the County would provide a loan of \$250,000 for the purpose of assisting the RMA in its organizational efforts. As of September 30, 2014, there has been a payment of \$82,500 on this loan, leaving an outstanding balance of \$167,500.

Note 11 – Advertising

The RMA incurs advertising expenditures to promote community awareness of existing and ongoing projects. These expenditures include public relation events, website and social media marketing of toll operations, and other general advertising-related activities. These expenditures are capitalized as an indirect cost using the RMA indirect cost allocation plan in accordance with OMB Circular A-87.

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Note 12 – Special Item – Settlement Proceeds

The RMA received a settlement in 2014 in relation to litigation on the SH550 project. The total proceeds from the settlement were \$4.0 million. This revenue is a component of other non-operating revenue and has been reported on a separate line item as special item.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

To the Board of Directors
Cameron County Regional Mobility Authority
Brownsville, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Cameron County Regional Mobility Authority (RMA), a component unit of Cameron County, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise RMA's basic financial statements, and have issued our report thereon dated March 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered RMA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RMA's internal control. Accordingly, we do not express an opinion on the effectiveness of RMA's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Long Chilton LLP". The signature is written in a cursive, flowing style.

LONG CHILTON, LLP

Brownsville, Texas
March 24, 2015

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

To the Board of Directors
Cameron County Regional Mobility Authority
Brownsville, Texas

Report on Compliance for Each Major Federal/State Program

We have audited Cameron County Regional Mobility Authority's (RMA) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement and State of Texas Single Audit Circular* that could have a direct and material effect on each of RMA's major federal/state programs for the year ended September 30, 2014. RMA's major federal/state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal/State Program

In our opinion, the RMA, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal/state programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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



LONG CHILTON, LLP

Brownsville, Texas
March 24, 2015

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A COMPONENT UNIT OF CAMERON COUNTY, TEXAS)
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended September 30, 2014

| Federal/State Grantor | CFDA Number | Contract Number | 2014 Expenditures |
|--|------------------------|--------------------------------------|--------------------------|
| Federal | | | |
| US Department of Transportation | | | |
| Passed through the Texas Department of Transportation | | | |
| Advance Funding Agreement - West Rail Relocation Project | 20.205 | CSJ 0921-06-073 & CSJ 0921-06-233 | \$ 1,552,481 |
| SH550 Direct Connector Project | 20.205 | PT-2011-013-01 & CSJ 3622- 01-003 | 22,732,096 |
| Olmito Switchyard Project | 20.205 | CSJ 0921-06-230 | 144,773 |
| US Department of Transportation | | | |
| Passed through the Federal Rail Administration | | | |
| West Rail Relocation Project | 20.314 | FR-LRI-0023-11-01-00 | 555,344 |
| | | | <u>\$ 24,984,694</u> |
| State | | | |
| Texas Department of Transportation | | | |
| South Padre Island 2nd Access Project | | CSJ 0921-06-163 | <u>\$ 3,793,999</u> |

Notes to Schedule

1. This schedule includes the federal/state awards activity of the Cameron County Regional Mobility Authority, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations and State of Texas Single Audit Circular*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A COMPONENT UNIT OF CAMERON COUNTY, TEXAS)
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AND STATE AWARDS**
For Year Ended September 30, 2014

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal/State Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal/State Program or Cluster</u> |
|---------------------|---|
| Federal – | |
| 20.205 | Highway Planning and Construction - TX Department of Transportation |
| 20.314 | Federal Railroad Administration |
| State – | |
| CSJ 0921-06-163 | SPI 2 ND Causeway Project |

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A COMPONENT UNIT OF CAMERON COUNTY, TEXAS)
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AND STATE AWARDS - CONTINUED**
For Year Ended September 30, 2014

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS - CONTINUED

| | | |
|---|-------------------------|------------------------|
| Dollar threshold used to distinguish between Type A and Type B Federal programs | <u>Type A \$749,541</u> | <u>Type B \$100,00</u> |
|---|-------------------------|------------------------|

| | | |
|--|------------------|------------------|
| Auditee qualified as low-risk auditee? | <u> X </u> Yes | <u> </u> No |
|--|------------------|------------------|

| | | |
|---|---------------------------|-------------------------|
| Dollar threshold used to distinguish between Type A and Type B State programs | <u>Type A \$ 300, 000</u> | <u>Type B \$100,000</u> |
|---|---------------------------|-------------------------|

| | | |
|--|------------------|------------------|
| Auditee qualified as low-risk auditee? | <u> X </u> Yes | <u> </u> No |
|--|------------------|------------------|

II. FINANCIAL STATEMENT FINDINGS

None noted which were required to be reported.

III. FINDINGS AND QUESTIONED COSTS OF FEDERAL/STATE AWARDS

None noted which were required to be reported.

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CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A COMPONENT UNIT OF CAMERON COUNTY, TEXAS)
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AND STATE AWARDS – PRIOR YEAR**
For Year Ended September 30, 2014

II. FINANCIAL STATEMENT FINDINGS

None noted which required reporting.

III. FINDINGS AND QUESTIONED COSTS OF FEDERAL/STATE AWARDS

None noted which required reporting.