

# Cameron County Regional Mobility Authority

*A Component Unit of Cameron County, TX*



**FINANCIAL REPORT**  
September 30, 2016

**CAMERON COUNTY REGIONAL MOBILITY AUTHORITY**  
**(A Component Unit of Cameron County, Texas)**

**FINANCIAL REPORT**

**SEPTEMBER 30, 2016**

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A Component Unit of Cameron County, Texas)  
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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, 2016 and 2015, 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, 2016 and 2015, 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 and the schedule of changes in net pension liability and related ratios and schedule of employer contributions on pages 4-9 and 37-41 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 January 20, 2017, 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.

*Carr, Riggs & Ingram, L.L.C.*

**CARR, RIGGS & INGRAM, LLC**  
*Certified Public Accountants*

Brownsville, Texas  
January 20, 2017

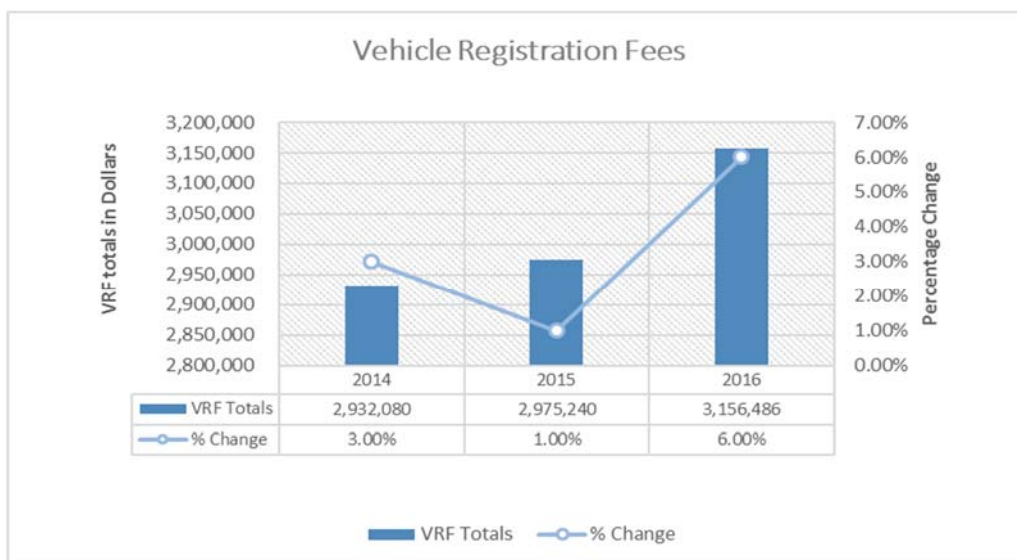
**CAMERON COUNTY REGIONAL MOBILITY AUTHORITY**  
**(A Component Unit of Cameron County, Texas)**  
**Management's Discussion and Analysis**  
**September 30, 2016**

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, 2016. This discussion and analysis has been prepared by management and should be used in conjunction with the basic financial statements and notes thereafter.

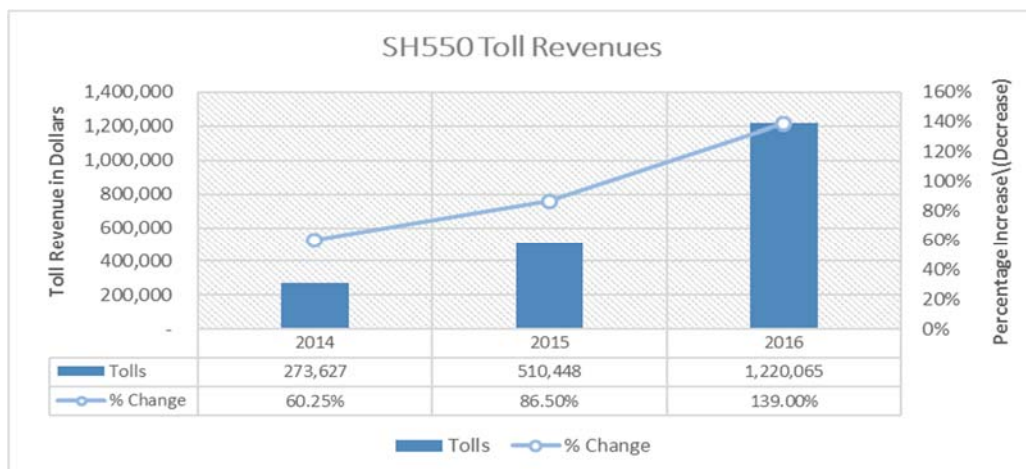
The RMA is governed by a board of directors consisting of seven members with operations overseen by an Executive Director. The RMA operates with a small group of local staff with many of its services contracted through local area professionals.

### 2016 Financial Highlights

- Vehicle registration fees revenue increased year over year in line with expectations.

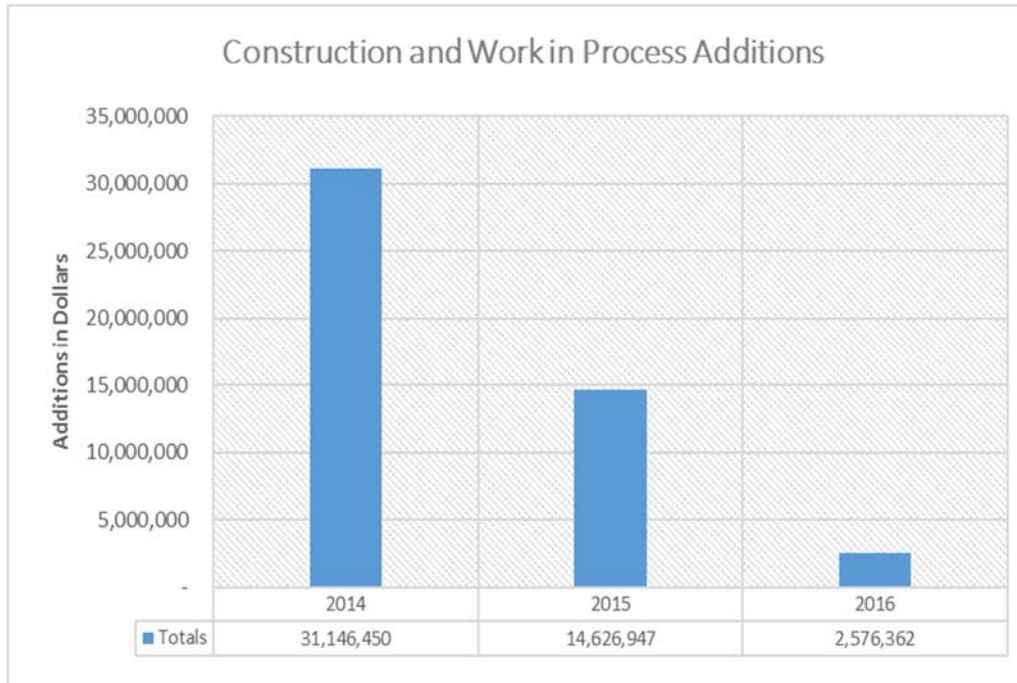


- Toll revenues experienced a significant increase in line with expectations.

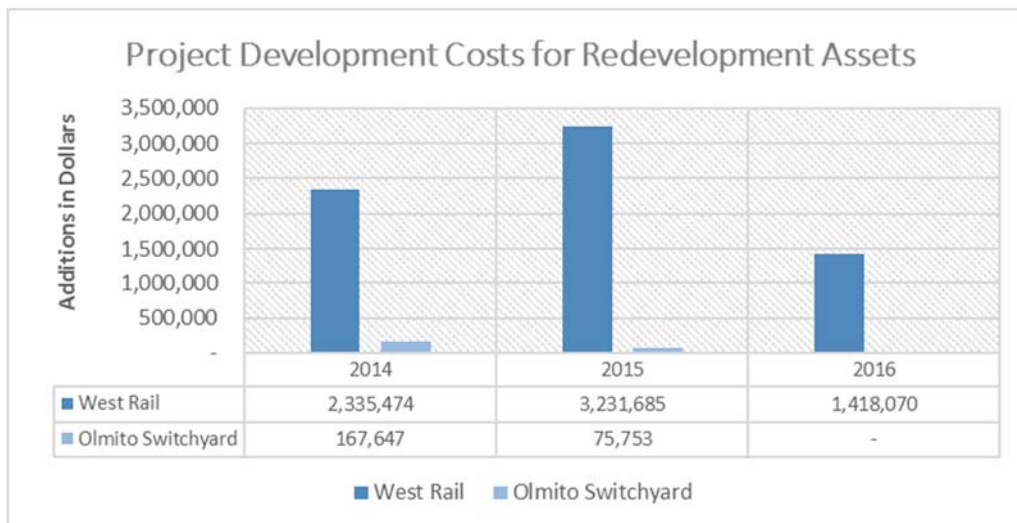


CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
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**Management's Discussion and Analysis**  
September 30, 2016

- The RMA continued to develop its system of projects with the majority of the FY2016 increase invested in the SPI 2<sup>nd</sup> access project.



- 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 was open to operations in August of 2015, the project has remaining items and expenses before it can be officially closed out.



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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 Generally Accepted Accounting Principles 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 and deferred outflows minus the total liabilities and deferred inflows with the residual difference reflected as net position. The RMA's net position for the years ending September 30, 2016, 2015, and 2014 were approximately \$12.9, \$13.2, and \$12.7 million, respectively. The largest component of total assets for all three years was the non-current assets. Non-current assets accounts for approximately 97%, 96%, and 94% for the years 2016, 2015 and 2014, respectively. These assets consist of unexpended bond funds, construction in process, and redevelopment assets.



CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
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**Summary of Net Position** – Continued

Total liabilities as of September 30, 2016, 2015, 2014 were approximately \$135.9 million, \$136.1 million, and \$129.4 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>2016</u>           | <u>2015</u>           | <u>2014</u>           |
|---|-----------------------|-----------------------|-----------------------|
| <b>Assets:</b>                                      |                       |                       |                       |
| Current assets                                      | \$ 4,591,638          | \$ 5,276,416          | \$ 8,385,030          |
| Capital assets, net                                 | 68,187,067            | 70,106,680            | 15,822,623            |
| Construction and work in process                    | 22,230,768            | 19,663,812            | 59,555,495            |
| Other non-current                                   | 53,816,698            | 54,225,627            | 58,388,710            |
| Total assets  | <u>148,826,171</u>    | <u>149,272,535</u>    | <u>142,151,858</u>    |
| Deferred outflows of resources                      | 92,323                | 29,870                | 5,654                 |
| Total assets and deferred outflows of resources     | <u>\$ 148,918,494</u> | <u>\$ 149,302,405</u> | <u>\$ 142,157,512</u> |
| <b>Liabilities:</b>                                 |                       |                       |                       |
| Current liabilities                                 | \$ 3,042,151          | \$ 2,648,534          | \$ 5,439,982          |
| Non-current liabilities                             | 132,942,020           | 133,408,934           | 123,980,559           |
| Total liabilities                                   | <u>135,984,171</u>    | <u>136,057,468</u>    | <u>129,420,541</u>    |
| Deferred inflows of resources                       | 31,341                | 37,456                | -                     |
| Total liabilities and deferred inflows of resources | <u>\$ 136,015,512</u> | <u>\$ 136,094,924</u> | <u>\$ 129,420,541</u> |
| <b>Net position:</b>                                |                       |                       |                       |
| Net investment in capital assets                    | \$ 436,845            | \$ 931,229            | \$ 6,075,314          |
| Restricted  | 10,307,998            | 9,274,689             | 4,513,260             |
| Unrestricted  | 2,158,139             | 3,001,563             | 2,148,397             |
| Total net position                                  | <u>\$ 12,902,982</u>  | <u>\$ 13,207,481</u>  | <u>\$ 12,736,971</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, 2016, 2015, and 2014 the RMA had approximately \$22.2, \$19.7, and \$59.6 million respectively, in construction in process.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A Component Unit of Cameron County, Texas)  
**Management's Discussion and Analysis**  
September 30, 2016

**Capital & Other Non-Current Assets** – Continued

**Capital & Other Non-Current Assets**

|  | <u>2016</u>           | <u>2015</u>           | <u>2014</u>           |
|--|-----------------------|-----------------------|-----------------------|
| <b>Capital Assets:</b>                     |                       |                       |                       |
| Capital assets, net                        | \$ 68,187,067         | \$ 70,106,680         | \$ 15,822,623         |
| <b>Non-Current Assets</b>                  |                       |                       |                       |
| Restricted assets                          | 7,076,480             | 8,898,693             | 16,364,428            |
| Construction and work in process           | 22,230,768            | 19,663,812            | 59,555,495            |
| Redevelopment and other non-current assets | 46,740,218            | 45,326,934            | 42,024,282            |
| Totals                                     | <u>\$ 144,234,533</u> | <u>\$ 143,996,119</u> | <u>\$ 133,766,828</u> |

**Non-Current Liabilities**

Due to other agencies, as of September 30, 2016, 2015, and 2014 were approximately \$14.1, \$13.3, and \$11.1 million, respectively. These amounts include financial assistance agreements with TxDOT. 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>2016</u>           | <u>2015</u>           | <u>2014</u>           |
|--|-----------------------|-----------------------|-----------------------|
| <b>Non-Current Liabilities:</b>                        |                       |                       |                       |
| Due to other agencies and other noncurrent liabilities | \$ 14,181,404         | \$ 13,305,416         | \$ 11,062,796         |
| Liabilities related to redevelopment assets            | 41,395,770            | 40,848,309            | 37,302,720            |
| Long term bond payable                                 | 77,361,730            | 79,250,062            | 75,615,043            |
| Net pension liability                                  | 3,116                 | 5,147                 | -                     |
| Totals   | <u>\$ 132,942,020</u> | <u>\$ 133,408,934</u> | <u>\$ 123,980,559</u> |

**Changes in Net Position**

The RMA's total revenues for the year ending September 30, 2016, 2015, and 2014 were approximately \$6.5 million, \$4.4, and \$7.7 million, respectively. Total expenses for the year ending September 30, 2016, 2015, and 2014 were approximately \$6.8, \$3.9, and \$2.7 million, respectively.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
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**Management's Discussion and Analysis**  
September 30, 2016

**Changes in Net Position** – Continued

**Changes in Net Position**

|   | <u>2016</u>         | <u>2015</u>       | <u>2014</u>         |
|---|---------------------|-------------------|---------------------|
| <b>Revenues:</b>                                |                     |                   |                     |
| Vehicle registration fees                       | \$ 3,156,486        | \$ 2,975,240      | \$ 2,932,080        |
| Toll revenue                                    | 1,220,065           | 510,448           | 273,627             |
| Transportation reinvestment zone                | 426,261             | 378,840           | 295,907             |
| Other operating revenue                         | 332,034             | 495,514           | 166,602             |
| Non-operating revenue and capital contributions | 1,411,742           | 8,106             | 4,019,461           |
| Total Revenues                                  | <u>6,546,588</u>    | <u>4,368,148</u>  | <u>7,687,677</u>    |
| <b>Expenses:</b>                                |                     |                   |                     |
| Operating                                       | 3,420,704           | 2,198,909         | 1,143,583           |
| Non-operating                                   | 3,430,383           | 1,698,729         | 1,625,299           |
| Total Expenses                                  | <u>6,851,087</u>    | <u>3,897,638</u>  | <u>2,768,882</u>    |
| Change in Net Position                          | <u>\$ (304,499)</u> | <u>\$ 470,510</u> | <u>\$ 4,918,795</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, 3461 Carmen Avenue, Rancho Viejo, Texas 78575 or visit [www.ccrma.org](http://www.ccrma.org) for more information.

**CAMERON COUNTY REGIONAL MOBILITY AUTHORITY**  
**(A Component Unit of Cameron County, Texas)**  
**Statements of Net Position**  
**September 30, 2016 and 2015**

|   | 2016                         | 2015                         |
|---|------------------------------|------------------------------|
| <b>ASSETS:</b>  |                              |                              |
| Current Assets:                                       |                              |                              |
| Cash and cash equivalents                             | \$ 2,008,726                 | \$ 2,958,483                 |
| Prepaid assets  | 7,616                        | -                            |
| Accounts receivable                                   | 556,409                      | 578,611                      |
| Due from other agencies                               | 2,018,887                    | 1,739,322                    |
| Total Current Assets                                  | <u>4,591,638</u>             | <u>5,276,416</u>             |
| Non-Current Assets:                                   |                              |                              |
| Restricted Assets:                                    |                              |                              |
| Cash-trustee funds                                    | 4,344,730                    | 5,492,899                    |
| Cash-debt reserve                                     | 2,268,628                    | 2,256,741                    |
| Cash-debt service                                     | 463,122                      | 1,149,053                    |
| Total Restricted Assets                               | <u>7,076,480</u>             | <u>8,898,693</u>             |
| Capital assets, net                                   | 68,187,067                   | 70,106,680                   |
| Construction and work in process                      | 22,230,768                   | 19,663,812                   |
| Redevelopment assets                                  | 46,621,328                   | 45,203,258                   |
| Prepaid bond insurance                                | 118,890                      | 123,676                      |
| Total Non-Current Assets                              | <u>144,234,533</u>           | <u>143,996,119</u>           |
| Total Assets  | <u>148,826,171</u>           | <u>149,272,535</u>           |
| Deferred outflows related to pension                  | <u>92,323</u>                | <u>29,870</u>                |
| Total Assets and Deferred Outflows                    | <u><u>\$ 148,918,494</u></u> | <u><u>\$ 149,302,405</u></u> |
| <b>LIABILITIES:</b>                                   |                              |                              |
| Current Liabilities:                                  |                              |                              |
| Accounts payable                                      | \$ 718,861                   | \$ 1,176,543                 |
| Accrued interest payable                              | 450,790                      | 454,491                      |
| Due to other governments                              | 167,500                      | 167,500                      |
| Current maturities of bonds                           | 1,705,000                    | 850,000                      |
| Total Current Liabilities                             | <u>3,042,151</u>             | <u>2,648,534</u>             |
| Non-Current Liabilities:                              |                              |                              |
| Other noncurrent liabilities                          | 89,758                       | -                            |
| Due to other agencies                                 | 14,091,646                   | 13,305,416                   |
| Liabilities related to redevelopment assets           | 41,395,770                   | 40,848,309                   |
| Long-term bond payable                                | 77,361,730                   | 79,250,062                   |
| Net pension liability                                 | 3,116                        | 5,147                        |
| Total Non-Current Liabilities                         | <u>132,942,020</u>           | <u>133,408,934</u>           |
| Total Liabilities                                     | <u>135,984,171</u>           | <u>136,057,468</u>           |
| Deferred inflows related to bond refunding            | 31,341                       | 37,456                       |
| Total Liabilities and Deferred Inflows                | <u>136,015,512</u>           | <u>136,094,924</u>           |
| <b>NET POSITION:</b>                                  |                              |                              |
| Net investment in capital assets                      | 436,845                      | 931,229                      |
| Restricted  | 10,307,998                   | 9,274,689                    |
| Unrestricted  | 2,158,139                    | 3,001,563                    |
| Total Net Position                                    | <u>12,902,982</u>            | <u>13,207,481</u>            |
| Total Liabilities, Deferred Inflows, and Net Position | <u><u>\$ 148,918,494</u></u> | <u><u>\$ 149,302,405</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, 2016 and 2015

|   | 2016                        | 2015                        |
|---|-----------------------------|-----------------------------|
| Operating Revenues  |                             |                             |
| Vehicle registration fee                                    | \$ 3,156,486                | \$ 2,975,240                |
| Toll revenue  | 1,220,065                   | 510,448                     |
| Transportation reinvestment zone                            | 426,261                     | 378,840                     |
| Other operating revenue                                     | 332,034                     | 495,514                     |
| Total Operating Revenues                                    | <u>5,134,846</u>            | <u>4,360,042</u>            |
| Operating Expenses  |                             |                             |
| Advertising   | 24,927                      | 61,610                      |
| Salaries and contractual services                           | 300,053                     | 895,350                     |
| Insurance   | 5,968                       | 41,587                      |
| Miscellaneous   | 22,486                      | 63,670                      |
| Office expenses   | 90,209                      | 31,130                      |
| Professional services                                       | 287,875                     | 41,238                      |
| Travel  | 26,830                      | 32,770                      |
| Toll operating expenses                                     | 645,224                     | 232,179                     |
| Utilities   | 14,620                      | 22,939                      |
| Depreciation  | 2,002,512                   | 776,436                     |
| Total Operating Expenses                                    | <u>3,420,704</u>            | <u>2,198,909</u>            |
| Operating Income (Loss)                                     | <u>1,714,142</u>            | <u>2,161,133</u>            |
| Non-Operating Revenues (Expenses)                           |                             |                             |
| Bond issuance costs   | -                           | (307,269)                   |
| Interest expense  | (3,430,383)                 | (1,391,460)                 |
| Interest income   | 17,330                      | 8,106                       |
| Other revenue   | 9,412                       | -                           |
| Total Non-Operating Revenue (Expenses)                      | <u>(3,403,641)</u>          | <u>(1,690,623)</u>          |
| Income (Loss) before capital contributions and special item | <u>(1,689,499)</u>          | <u>470,510</u>              |
| Capital Contributions                                       | <u>1,385,000</u>            | <u>-</u>                    |
| Change in Net Position                                      | <u>(304,499)</u>            | <u>470,510</u>              |
| Net Position-beginning of year                              | <u>13,207,481</u>           | <u>12,736,971</u>           |
| Net Position-end of year                                    | <u><u>\$ 12,902,982</u></u> | <u><u>\$ 13,207,481</u></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, 2016 and 2015

|  | 2016                | 2015                 |
|--|---------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                     |                      |
| Receipts from vehicle registration fees  | \$ 3,180,950        | \$ 2,933,830         |
| Receipts from toll revenues  | 1,217,803           | 475,297              |
| Receipts from other operating sources  | 989,357             | 735,124              |
| Payments to vendors  | (1,343,456)         | (782,957)            |
| Payments to employees  | (313,643)           | (614,540)            |
| Net cash provided by (used in) operating activities  | <u>3,731,011</u>    | <u>2,746,754</u>     |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>   |                     |                      |
| Acquisitions of property and equipment   | (82,898)            | (551,206)            |
| Acquisitions of construction in progress   | (4,303,206)         | (20,735,131)         |
| Payments on interest   | (3,429,818)         | (1,606,854)          |
| Payments on bond principal   | (850,000)           | (780,000)            |
| Bond proceeds  | -                   | 4,158,771            |
| Proceeds related to redevelopment assets   | 1,360,483           | 407,461              |
| Advances from TxDOT FAA and other project agreements   | 786,230             | 5,788,210            |
| Net cash provided by (used in) capital and related financing activities                                  | <u>(6,519,209)</u>  | <u>(13,318,749)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                     |                      |
| Receipts from interest income  | <u>16,228</u>       | <u>8,106</u>         |
| Net increase (decrease) in cash and cash equivalents   | (2,771,970)         | (10,563,888)         |
| Cash and cash equivalents at beginning of year   | 11,857,176          | 22,421,064           |
| Cash and cash equivalents at end of year   | <u>\$ 9,085,206</u> | <u>\$ 11,857,176</u> |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED) BY OPERATING ACTIVITIES:</b> |                     |                      |
| Operating income (Loss)  | \$ 1,714,142        | \$ 2,161,134         |
| Adjustments to reconcile operating income to net cash provided by operating activities:                  |                     |                      |
| Depreciation expense   | 2,002,512           | 776,436              |
| Changes in assets and liabilities:   |                     |                      |
| (Increase) decrease in prepaid expenses and other assets   | (7,616)             | -                    |
| (Increase) decrease in due from other agencies   | 315,717             | (215,791)            |
| (Decrease) increase in accounts payable  | (231,291)           | 24,976               |
| (Increase) in deferred outflow of resources  | <u>(62,453)</u>     | <u>-</u>             |
| Net cash flows provided by operating activities  | <u>\$ 3,731,011</u> | <u>\$ 2,746,754</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, 2016 and 2015

|   | <u>2016</u>                | <u>2015</u>                |
|---|----------------------------|----------------------------|
| RECONCILIATION OF ENDING CASH AND CASH EQUIVALENTS TO THE<br>STATEMENT OF NET POSITION: |                            |                            |
| Ending cash - Statement of Cash Flows   | \$ 9,085,206               | \$ 11,857,176              |
| Less: amount reported in restricted assets  | <u>7,076,480</u>           | <u>8,898,693</u>           |
| Ending cash - Statement of Net Position   | <u><u>\$ 2,008,726</u></u> | <u><u>\$ 2,958,483</u></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, 2016

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

The financial statements of the RMA have been prepared in conformity with Generally Accepted Accounting Principles 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 staff 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 within a single proprietary (enterprise) fund through which all financial activities are recorded. The measurement focus for an enterprise fund is the flow of economic resources. An enterprise fund follows the accrual basis of accounting. Under the accrual basis of accounting, all assets, liabilities and deferred inflows and outflows of resources associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets and deferred outflows net of total liabilities and deferred inflows) is segregated into amounts of net investment in capital assets, amounts restricted for capital activity and debt service pursuant to the bond indenture, and amounts which are unrestricted. 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, and depreciation of capital assets is recognized.

**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, 2016

**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.

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.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A Component Unit of Cameron County, Texas)  
**Notes to Financial Statements**  
September 30, 2016

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

I. Net Position

The RMA's policy on net position allows for the following three categories of net position:

- *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.

J. Deferred Outflows and Inflows of Resources

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

K. Reclassifications

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

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.



CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A Component Unit of Cameron County, Texas)  
**Notes to Financial Statements**  
September 30, 2016

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

**M. Long-Term Obligations, Bond Premiums, Discounts, and Issuance Costs**

Long term obligations are reported as liabilities in the statement of net position and consist of bond premiums and discounts. The RMA amortizes premiums and discounts over the estimated life of the bonds as an adjustment to interest expense. Bond issuance cost, other than prepaid insurance, is expensed as incurred, in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Deferred gains/losses on refunding (the difference between the reacquisition price and the carrying value of the existing debt) are recorded as deferred outflows/inflows of resources and amortized over the shorter of the life of the original bonds or the life of the refunding bonds.

**N. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the of the RMA's participation in the Texas County and District Retirement System (TCDRS), an agent plan, and additions to/deductions from TCERS's fiduciary net position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**O. Subsequent Events**

On December 29, 2016, Cameron County and the RMA issued its Revenue and Tax Refunding Bond, Series 2016 (State Highway 550 Project) in the amount of \$15.8 million. The RMA is obligated to repay the principal and interest amounts on the bonds as detailed in the third amendment of the SH550 Funding and Development Agreement. The Bond Series 2016 has maturities of February 2035 to 2039, and carry interest rates of 3.75% to 5% payable every February 15 and August 15 of each year. Management has evaluated subsequent events through January 20, 2017, which is the date the financial statements were available to be issued.

**P. Fair Value Measurement**

In February 2015, GASB issued its Statement No. 72, *Fair Value Measurement and Application*, which became effective for periods beginning after June 15, 2015, addresses accounting and financial reporting issues related to fair value measurements by providing guidance for determining fair value for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The RMA has no investments required to be reported under GASB Statement No. 72 as of September 30, 2016.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A Component Unit of Cameron County, Texas)  
**Notes to Financial Statements**  
September 30, 2016

**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, 2016, the carrying amount of the RMA's cash, cash equivalents, and restricted cash was \$9,085,206. Of this total, \$7,076,480 was restricted and held in various bond trustee accounts in the BNY Mellon in accordance with bond indenture agreements. The remainder \$2,008,726 was held in business interest checking accounts. 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, 2016.

**Note 3 – Capital Assets**

Depreciation expense for 2016 and 2015 was \$2,002,512 and \$776,436, respectively. The following schedule summarizes the Capital Assets and Construction in Process of the RMA as of September 30, 2016:

| <b>Capital Assets</b>           | <b>October ,<br/>2015</b> | <b>Additions</b> | <b>Deletions</b> | <b>Reclassifications</b> | <b>September 30,<br/>2016</b> |
|---------------------------------|---------------------------|------------------|------------------|--------------------------|-------------------------------|
| <b>Depreciable</b>              |                           |                  |                  |                          |                               |
| Buildings                       | \$ 202,803                | \$ -             | \$ -             | \$ -                     | \$ 202,803                    |
| Improvements                    | 7,791                     | 13,000           | -                | -                        | 20,791                        |
| Software                        | 19,792                    | -                | -                | -                        | 19,792                        |
| Infrastructure                  | 64,200,349                | -                | -                | -                        | 64,200,349                    |
| Equipment                       | 7,521,316                 | 69,898           | -                | -                        | 7,591,214                     |
| Total                           | \$ 71,952,051             | \$ 82,898        | \$ -             | \$ -                     | \$ 72,034,950                 |
| <b>Accumulated Depreciation</b> |                           |                  |                  |                          |                               |
| Buildings                       | \$ (5,070)                | \$ (10,140)      | \$ -             | \$ -                     | \$ (15,210)                   |
| Improvements                    | (87)                      | (682)            | -                | -                        | (769)                         |
| Software                        | (7,917)                   | (3,958)          | -                | -                        | (11,875)                      |
| Infrastructure                  | (1,185,377)               | (1,605,009)      | -                | -                        | (2,790,386)                   |
| Equipment                       | (745,670)                 | (382,723)        | -                | -                        | (1,128,393)                   |
| Total                           | \$ (1,944,121)            | \$ (2,002,512)   | \$ -             | \$ -                     | \$ (3,946,633)                |
| Net Depreciable Assets          | \$ 70,007,930             | \$ (1,919,615)   | \$ -             | \$ -                     | \$ 68,088,317                 |
| <b>Non-Depreciable</b>          |                           |                  |                  |                          |                               |
| Land                            | \$ 98,750                 | \$ -             | \$ -             | \$ -                     | \$ 98,750                     |
| Construction in process         | 19,431,293                | 1,969,272        | (11,689)         | -                        | 21,388,876                    |
| Work in process                 | 232,519                   | 609,374          | -                | -                        | 841,892                       |
| Total Capital Assets            | \$ 89,770,492             | \$ 659,031       | \$ (11,689)      | \$ -                     | \$ 90,417,835                 |

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A Component Unit of Cameron County, Texas)  
**Notes to Financial Statements**  
September 30, 2016

**Note 3 – Capital Assets – Continued**

The additions related to construction in process are as follows:

| Project           | Additions           |
|-------------------|---------------------|
| SPI 2nd Access    | \$ 1,400,641        |
| SH 550            | 331,393             |
| SH 32 (East Loop) | 106,429             |
| Outer Parkway     | 57,541              |
| FM1925            | 35,853              |
| Spur 54           | 20,663              |
| Other projects    | 10,146              |
| FM803             | 6,606               |
|                   | <u>          </u>   |
| Total             | <u>\$ 1,969,272</u> |

The following schedule summarizes the capital assets and Construction in Process of the RMA as of September 30, 2015:

| Capital Assets                  | October ,<br>2014     | Additions            | Deletions   | Reclassifications    | September 30,<br>2015 |
|---------------------------------|-----------------------|----------------------|-------------|----------------------|-----------------------|
| <b>Depreciable</b>              |                       |                      |             |                      |                       |
| Buildings                       | \$ -                  | \$ 202,803           | \$ -        | \$ -                 | \$ 202,803            |
| Improvements                    | -                     | 7,791                | -           | -                    | 7,791                 |
| Software                        | 19,792                | -                    | -           | -                    | 19,792                |
| Infrastructure                  | 12,958,232            | -                    | -           | 51,242,117           | 64,200,349            |
| Equipment                       | 4,012,284             | -                    | -           | 3,509,032            | 7,521,316             |
| Total                           | <u>\$ 16,990,308</u>  | <u>\$ 210,594</u>    | <u>\$ -</u> | <u>\$ 54,751,149</u> | <u>\$ 71,952,051</u>  |
| <b>Accumulated Depreciation</b> |                       |                      |             |                      |                       |
| Buildings                       | \$ -                  | \$ (5,070)           | \$ -        | \$ -                 | \$ (5,070)            |
| Improvements                    | -                     | (87)                 | -           | -                    | (87)                  |
| Software                        | (3,958)               | (3,959)              | -           | -                    | (7,917)               |
| Infrastructure                  | (647,912)             | (537,465)            | -           | -                    | (1,185,377)           |
| Equipment                       | (515,816)             | (229,856)            | -           | -                    | (745,670)             |
| Total                           | <u>\$ (1,167,686)</u> | <u>\$ (776,437)</u>  | <u>\$ -</u> | <u>\$ -</u>          | <u>\$ (1,944,121)</u> |
| Net Depreciable Assets          | <u>\$ 15,822,622</u>  | <u>\$ (565,843)</u>  | <u>\$ -</u> | <u>\$ 54,751,149</u> | <u>\$ 70,007,930</u>  |
| <b>Non-Depreciable</b>          |                       |                      |             |                      |                       |
| Land                            | \$ -                  | \$ 98,750            | \$ -        | \$ -                 | \$ 98,750             |
| Construction in process         | 59,555,495            | 14,626,947           | -           | (54,751,149)         | 19,431,293            |
| Work in process                 | -                     | 232,519              | -           | -                    | 232,519               |
| Total Capital Assets            | <u>\$ 75,378,117</u>  | <u>\$ 14,392,373</u> | <u>\$ -</u> | <u>\$ -</u>          | <u>\$ 89,770,492</u>  |

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A Component Unit of Cameron County, Texas)  
**Notes to Financial Statements**  
September 30, 2016

**Note 3 – Capital Assets – Continued**

The additions related to construction in process are as follows:

| Project           | Additions            |
|-------------------|----------------------|
| SH 550            | \$ 12,117,249        |
| SPI 2nd Access    | 1,899,777            |
| SH 32 (East Loop) | 304,330              |
| Outer Parkway     | 62,710               |
| FM1925            | 70,170               |
| FM803             | 89,042               |
| West Parkway      | 72,795               |
| General Brant     | 10,874               |
| Total             | <u>\$ 14,626,947</u> |

**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, 2016, and 2015:

| Redevelopment Assets                       | October 1,<br>2015   | Additions           | Deletions   | Reclassifications | September 30,<br>2016 |
|--|----------------------|---------------------|-------------|-------------------|-----------------------|
| Brownsville/Matamoros West Rail Relocation | \$ 32,497,498        | \$ 1,418,070        | \$ -        | \$ -              | \$ 33,915,568         |
| Olmito Switchyard                          | 12,705,760           | -                   | -           | -                 | 12,705,760            |
| Total Redevelopment Assets                 | <u>\$ 45,203,258</u> | <u>\$ 1,418,070</u> | <u>\$ -</u> | <u>\$ -</u>       | <u>\$ 46,621,328</u>  |

| Redevelopment Assets                       | October 1,<br>2014   | Additions           | Deletions          | Reclassifications | September 30,<br>2015 |
|--|----------------------|---------------------|--------------------|-------------------|-----------------------|
| Brownsville/Matamoros West Rail Relocation | \$ 29,265,813        | \$ 3,243,951        | \$ (12,266)        | \$ -              | \$ 32,497,498         |
| Olmito Switchyard                          | 12,630,007           | 75,753              | -                  | -                 | 12,705,760            |
| Total Redevelopment Assets                 | <u>\$ 41,895,820</u> | <u>\$ 3,319,704</u> | <u>\$ (12,266)</u> | <u>\$ -</u>       | <u>\$ 45,203,258</u>  |

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A Component Unit of Cameron County, Texas)  
**Notes to Financial Statements**  
September 30, 2016

**Note 5 – Disaggregation of Receivable and Payable Balances**

Of the current receivables, 92% are due from the Cameron County for Vehicle Registration Fees outstanding as of September 30, 2016. The Due from other agencies consists of amounts pending reimbursement for construction project expenditures. Payable balances are comprised 23% from operations, contractors, and professional services at September 30, 2016. The remaining 77% of accounts payable represents the construction obligations for Construction and Work in Process outstanding at September 30, 2016.

**Note 6 – Short-Term Debt-Revolving Line of Credit**

The Authority uses a revolving line of credit to finance a variety of transportation projects, including financing construction projects prior to issuance of the related bonds and other project financing.

Short-term debt activity for the year ended September 30, 2016, was as follows:

| <u>Beginning Balance</u> | <u>Draws</u> | <u>Repayments</u> | <u>Ending Balance</u> | <u>Line of Credit</u> |
|--------------------------|--------------|-------------------|-----------------------|-----------------------|
| \$ -                     | \$ -         | \$ -              | \$ -                  | \$ 1,000,000          |

**Note 7 – Non-Current Liabilities**

Liabilities related to redevelopment assets and due to other agencies are comprised of contributions received by Federal, State, and Local entities for the development of redevelopment assets. These liabilities are held until the asset is complete and will offset when asset is removed from financials. For more information on these assets see Note 4.

| <b>Liabilities related to<br/>redevelopment assets</b> | <u>October 1,<br/>2015</u> | <u>Additions</u>  | <u>Reductions</u> | <u>September 30,<br/>2016</u> |
|--|----------------------------|-------------------|-------------------|-------------------------------|
| Due to other agencies - West Rail<br>Project           | \$ 28,914,069              | \$ 547,462        | \$ -              | \$ 29,461,531                 |
| Due to other agencies - Olmito<br>Switch Yard Project  | 11,934,239                 | -                 | -                 | 11,934,239                    |
| Total  | <u>\$ 40,848,308</u>       | <u>\$ 547,462</u> | <u>\$ -</u>       | <u>\$ 41,395,770</u>          |

**Due to Other Agencies**

|  |                      |                   |             |                      |
|--|----------------------|-------------------|-------------|----------------------|
| TxDot FAA - South Padre Island<br>2nd Access | \$ 11,060,827        | \$ 786,230        | \$ -        | \$ 11,847,057        |
| TxDot FAA - West Parkway                     | 2,244,589            | -                 | -           | 2,244,589            |
| Total  | <u>\$ 13,305,416</u> | <u>\$ 786,230</u> | <u>\$ -</u> | <u>\$ 14,091,646</u> |



CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A Component Unit of Cameron County, Texas)  
**Notes to Financial Statements**  
September 30, 2016

**Note 7 – Non-Current Liabilities - Continued**

| Liabilities related to<br>redevelopment assets        | October 1,<br>2014 | Additions    | Reductions | September 30,<br>2015 |
|---|--------------------|--------------|------------|-----------------------|
| Due to other agencies - West Rail<br>Project          | \$ 25,444,234      | \$ 3,469,836 | \$ -       | \$ 28,914,070         |
| Due to other agencies - Olmito<br>Switch Yard Project | 11,858,486         | 75,753       | -          | 11,934,239            |
| Total   | \$ 37,302,720      | \$ 3,545,589 | \$ -       | \$ 40,848,309         |

|  |               |              |      |               |
|--|---------------|--------------|------|---------------|
| <b>Due to Other Agencies</b>                 |               |              |      |               |
| TxDot FAA - South Padre Island<br>2nd Access | \$ 8,818,207  | \$ 2,242,620 | \$ - | \$ 11,060,827 |
| TxDot FAA - West Parkway                     | 2,244,589     | -            | -    | 2,244,589     |
| Total  | \$ 11,062,796 | \$ 2,242,620 | \$ - | \$ 13,305,416 |

**Note 8 – 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, 2016, \$20 million 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, 2016 \$40 million remains outstanding.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
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**Notes to Financial Statements**  
September 30, 2016

**Note 8 – Long-Term Bonds Payable - Continued**

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 January 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 5% and mature between February 2018 and February 2034. The amount that remains outstanding at September 30, 2016 is \$5 million.

On October 9, 2014, the RMA issued \$6.3 million in special revenue bonds with an average interest rate of 2.1% to advance refund \$6.2 million of outstanding 2010A Series bonds with an average interest rate of 3.7%. The bonds have maturity dates between February 2017 and February 2022. The ending balance as of September 30, 2016 was \$5.5 million.

In March 2015, the RMA issued \$4,500,000 Revenue and Tax Bonds, Series 2015 (State Highway 550 Project) to further provide funds for the “SH550 Direct Connector Transportation Project.” The RMA is responsible for repaying the principal and interest amounts as well as the annual CAF Fee on the bonds. The bonds have maturities between February 2020 and February 2025, and they carry interest rates of 2.5% to 3.75%. As of September 30, 2016, \$4.5 million remain outstanding.

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CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A Component Unit of Cameron County, Texas)  
**Notes to Financial Statements**  
September 30, 2016

**Note 8 – Long-Term Bonds Payable - Continued**

Long-Term Bonds Payable for 2016 and 2015 is summarized as follows:

| <b>Bonds Payable</b>         | Balance as of<br>October 1, 2015 | Additions   | Reductions            | Balance as of<br>September 30, 2016 | Due within one year   |
|------------------------------|----------------------------------|-------------|-----------------------|-------------------------------------|-----------------------|
| 2010 Revenue Bonds           | \$ 20,015,000                    | \$ -        | \$ -                  | \$ 20,015,000                       | \$ -                  |
| Plus: Premium on Refunding   | 15,290                           | -           | (1,529)               | 13,761                              | -                     |
| 2012 Revenue & Tax Bonds     | 40,000,000                       | -           | -                     | 40,000,000                          | (840,000)             |
| Plus: Premium on Refunding   | 4,011,379                        | -           | (149,028)             | 3,862,351                           | -                     |
| 2014 Revenue & Tax Bonds     | 5,000,000                        | -           | -                     | 5,000,000                           | -                     |
| Plus: Premium on Refunding   | 154,654                          | -           | (14,772)              | 139,882                             | -                     |
| 2014 Refunding Revenue Bonds | 6,325,000                        | -           | (850,000)             | 5,475,000                           | (865,000)             |
| Plus: Premium on Refunding   | 117,507                          | -           | (19,585)              | 97,922                              | -                     |
| 2015 Revenue & Tax Bonds     | 4,500,000                        | -           | -                     | 4,500,000                           | -                     |
| Plus: Discount on Refunding  | (38,768)                         | -           | 1,582                 | (37,186)                            | -                     |
|                              | <u>\$ 80,100,062</u>             | <u>\$ -</u> | <u>\$ (1,033,332)</u> | <u>\$ 79,066,730</u>                | <u>\$ (1,705,000)</u> |

| <b>Bonds Payable</b>         | Balance as of<br>October 1, 2014 | Additions            | Reductions            | Balance as of<br>September 30, 2015 | Due within one year |
|------------------------------|----------------------------------|----------------------|-----------------------|-------------------------------------|---------------------|
| 2010 Revenue Bonds           | \$ 27,015,000                    | \$ -                 | \$ (7,000,000)        | \$ 20,015,000                       | \$ -                |
| Plus: Premium on Refunding   | 64,212                           | -                    | (48,922)              | 15,290                              | -                   |
| 2012 Revenue & Tax Bonds     | 40,000,000                       | -                    | -                     | 40,000,000                          | -                   |
| Plus: Premium on Refunding   | 4,160,407                        | -                    | (149,028)             | 4,011,379                           | -                   |
| 2014 Revenue & Tax Bonds     | 5,000,000                        | -                    | -                     | 5,000,000                           | -                   |
| Plus: Premium on Refunding   | 155,424                          | -                    | (770)                 | 154,654                             | -                   |
| 2014 Refunding Revenue Bonds | -                                | 6,325,000            | -                     | 6,325,000                           | (850,000)           |
| Plus: Premium on Refunding   | -                                | 137,092              | (19,585)              | 117,507                             | -                   |
| 2015 Revenue & Tax Bonds     | -                                | 4,500,000            | -                     | 4,500,000                           | -                   |
| Plus: Discount on Refunding  | -                                | (39,559)             | 791                   | (38,768)                            | -                   |
|                              | <u>\$ 76,395,043</u>             | <u>\$ 10,922,533</u> | <u>\$ (7,217,514)</u> | <u>\$ 80,100,062</u>                | <u>\$ (850,000)</u> |

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**Note 8 – Long-Term Bonds Payable – Continued**

The annual requirements to retire the revenue bonds outstanding at September 30, 2016 are as follows:

|           | <b>2010A Bonds</b>  |                     |                     | <b>2010B Bonds</b>   |                      |                      |
|-----------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
|           | Principal           | Interest            | Total               | Principal            | Interest             | Total                |
| 2017      | -                   | 224,000             | 224,000             | -                    | 1,017,853            | 1,017,853            |
| 2018      | -                   | 224,000             | 224,000             | -                    | 1,017,853            | 1,017,853            |
| 2019      | -                   | 224,000             | 224,000             | -                    | 1,017,853            | 1,017,853            |
| 2020      | -                   | 224,000             | 224,000             | -                    | 1,017,853            | 1,017,853            |
| 2021      | -                   | 224,000             | 224,000             | -                    | 1,017,853            | 1,017,853            |
| 2022-2026 | 4,480,000           | 685,750             | 5,165,750           | -                    | 5,089,265            | 5,089,265            |
| 2027-2031 | -                   | -                   | -                   | 6,940,000            | 3,991,478            | 10,931,478           |
| 2032-2036 | -                   | -                   | -                   | 8,595,000            | 1,456,018            | 10,051,018           |
|           | <u>\$ 4,480,000</u> | <u>\$ 1,805,750</u> | <u>\$ 6,285,750</u> | <u>\$ 15,535,000</u> | <u>\$ 15,626,026</u> | <u>\$ 31,161,026</u> |

|           | <b>2012 Revenue &amp; Tax Bonds</b> |                      |                      | <b>2014 Revenue &amp; Tax Bonds</b> |                     |                     |
|-----------|-------------------------------------|----------------------|----------------------|-------------------------------------|---------------------|---------------------|
|           | Principal                           | Interest             | Total                | Principal                           | Interest            | Total               |
| 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      | 900,000                             | 1,836,688            | 2,736,688            | 240,000                             | 188,300             | 428,300             |
| 2021      | 935,000                             | 1,802,625            | 2,737,625            | 255,000                             | 175,925             | 430,925             |
| 2022-2026 | 5,440,000                           | 8,243,500            | 13,683,500           | 1,405,000                           | 735,325             | 2,140,325           |
| 2027-2031 | 6,985,000                           | 6,698,125            | 13,683,125           | 1,695,000                           | 445,625             | 2,140,625           |
| 2032-2036 | 8,970,000                           | 4,713,750            | 13,683,750           | 1,205,000                           | 82,913              | 1,287,913           |
| 2037-2042 | 14,190,000                          | 2,231,750            | 16,421,750           | -                                   | -                   | -                   |
|           | <u>\$ 40,000,000</u>                | <u>\$ 31,158,551</u> | <u>\$ 71,158,551</u> | <u>\$ 5,000,000</u>                 | <u>\$ 2,219,988</u> | <u>\$ 7,219,988</u> |

|           | <b>2015 Revenue &amp; Tax Bonds</b> |                     |                     | <b>2014 Refunding Bonds Vehicle Registration Fees</b> |                   |                     |
|-----------|-------------------------------------|---------------------|---------------------|---|-------------------|---------------------|
|           | Principal                           | Interest            | Total               | Principal   | Interest          | Total               |
| 2017      | -                                   | 152,813             | 152,813             | 865,000   | 105,600           | 970,600             |
| 2018      | -                                   | 152,813             | 152,813             | 885,000   | 88,100            | 973,100             |
| 2019      | -                                   | 152,813             | 152,813             | 905,000   | 70,200            | 975,200             |
| 2020      | 100,000                             | 151,563             | 251,563             | 920,000   | 51,950            | 971,950             |
| 2021      | 145,000                             | 148,500             | 293,500             | 940,000   | 32,175            | 972,175             |
| 2022-2026 | 865,000                             | 673,150             | 1,538,150           | 960,000   | 10,800            | 970,800             |
| 2027-2031 | 1,025,000                           | 525,241             | 1,550,241           | -   | -                 | -                   |
| 2032-2036 | 1,215,000                           | 328,697             | 1,543,697           | -   | -                 | -                   |
| 2037-2040 | 1,150,000                           | 88,500              | 1,238,500           | -   | -                 | -                   |
|           | <u>\$ 4,500,000</u>                 | <u>\$ 2,374,090</u> | <u>\$ 6,874,090</u> | <u>\$ 5,475,000</u>                                   | <u>\$ 358,825</u> | <u>\$ 5,833,825</u> |

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**Note 9- Interest Capitalization/Expense**

The RMA capitalized a total of \$8,671 of debt interest to construction in process projects. The interest capitalized is from the 2010 Bond Series. The detailed capitalization is outlined in the schedule below. The remaining interest was expensed in the total amount of \$3,430,383 for the year ending September 30, 2016.

| Projects                   | 2010 Bonds      | 2012 Bonds  | 2014 Bonds  | 2015 Bonds  |
|----------------------------|-----------------|-------------|-------------|-------------|
| West Parkway Project       | \$ 55           | \$ -        | \$ -        | \$ -        |
| Outer Parkway Project      | 2,644           | -           | -           | -           |
| SH 32 (East Loop)          | 5,196           | -           | -           | -           |
| FM 803                     | 331             | -           | -           | -           |
| General Brant              | 437             | -           | -           | -           |
| Port Isabel Access         | 9               | -           | -           | -           |
| Total Interest Capitalized | <u>\$ 8,671</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Capitalized interest as of September 30, 2015, is shown in the following schedule.

| Projects                   | 2010 Bonds       | 2012 Bonds          | 2014 Bonds        | 2015 Bonds       |
|----------------------------|------------------|---------------------|-------------------|------------------|
| West Parkway Project       | \$ 2,818         | \$ -                | \$ -              | \$ -             |
| Outer Parkway Project      | 4,964            | -                   | -                 | -                |
| SH 32 (East Loop)          | 13,461           | -                   | -                 | -                |
| FM 803                     | 4,146            | -                   | -                 | -                |
| General Brant              | 1,324            | -                   | -                 | -                |
| State Highway 550 Project  | -                | 1,766,853           | 270,844           | 46,210           |
| Total Interest Capitalized | <u>\$ 26,713</u> | <u>\$ 1,766,853</u> | <u>\$ 270,844</u> | <u>\$ 46,210</u> |

**Note 10 – Employee Retirement System**

**A. Plan description**

The Authority participates as one of 677 nontraditional defined benefit pension plans administered by the Texas County and District Retirement System (TCDRS). The TCDRS is an agency created by the Texas Legislature and administrated in accordance with the TCDRS Act, as an agent multiple-employer retirement system for county and district employees in the State of Texas. The TCDRS Act places the general administration and management of the TCDRS with an independent nine-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TCDRS is not fiscally dependent on the State of Texas. TCDRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tcdrs.org](http://www.tcdrs.org).

All eligible employees of the Authority are required to participate in TCDRS.

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**Note 10 – Employee Retirement System - Continued**

**B. Benefits provided**

TCDRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act).

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

Members can retire at ages 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or greater. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

*Employees covered by benefit terms*

At December 31, 2015 and 2014, respectively, valuation and measurement date, the following amount of employees were covered by the benefit terms:

|  | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|
| Inactive employees or beneficiaries currently receiving benefits | 0           | 0           |
| Inactive employees entitled to but no yet receiving benefits     | 0           | 0           |
| Active employees   | 6           | 3           |
|  | <hr/> 6     | <hr/> 3     |

**C. Contributions**

The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, as adopted by the employer's governing body. The employee contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act. Under the TCDRS Act, the contributions rate of the employer is actuarially determined annually using the Entry Age Normal (EAN) actuarial cost method.

Employees for the Authority are required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Authority were 10.13% and 9.79% in calendar years 2015 and 2016, respectively. The Authority's contributions for the year ended September 30, 2016 and 2015, were \$55,072 and \$33,736, respectively.

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**Note 10 – Employee Retirement System - Continued**

**D. Net Pension Liability**

The Authority's net pension liability (NPL) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

**Actuarial assumptions**

The total pension liability in the December 31, 2015 and 2014, respectively, actuarial valuation was determined using the following actuarial assumptions:

|  | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|
| Inflation  | 3%          | 3%          |
| Salary increases (including inflation and average) | 4.9%        | 4.9%        |
| Investment rate of return                          | 8.1%        | 8.1%        |

Mortality rates were based on the following:

|  |  |
|--|--|
| Depositing members   | The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-years setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that. |
| Service retirees, beneficiaries and non-depositing members | The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.   |
| Disabled retirees  | RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two-year set-forward for females.   |

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012 except where required to be different by GASB 68.

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**Note 10 – Employee Retirement System - Continued**

Long-term expected rate of return

The long-term expected rate of return on TCDRS assets is 8.10%. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2016 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 – December 31, 2013 for more details.

The numbers shown below are based on December 2015 information for a 7-10 year time horizon.

| Asset Class                        | Benchmark  | Target Allocation (*1) | Geometric Real Rate of Return (Expected minus inflation) (*2) |
|------------------------------------|--|------------------------|---|
| US Equities                        | Dow Jones U.S. Total Stock Market Index  | 14.5%                  | 5.45%   |
| Private Equity                     | Cambridge Associates Global Private Equity & Venture Capital Index (*3)            | 14.00%                 | 8.45%   |
| Global Equities                    | MSCI World (net) Index   | 1.50%                  | 5.75%   |
| International Equities - Developed | 50% MSCI World Ex USA (net) + 50% MSCI World ex USA 100% Hedged to USD (net) Index | 10.00%                 | 5.45%   |
| International Equities – Emerging  | 50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index      | 8.00%                  | 6.45%   |
| Investment –Grade Bonds            | Barclays Capital Aggregate Bond Index  | 3.00%                  | 1.00%   |
| High-Yield Bonds                   | Citigroup High-Yield Cash-Pay Capped Index   | 3.00%                  | 5.10%   |
| Opportunistic Credit               | Citigroup High-Yield Cash-Pay Capped Index   | 2.00%                  | 5.09%   |
| Direct Lending                     | Citigroup High-Yield Cash-Pay Capped Index   | 5.00%                  | 6.40%   |
| Distressed Debt                    | Citigroup High-Yield Cash-Pay Capped Index   | 3.00%                  | 8.10%   |
| REIT Equities                      | 67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index | 3.00%                  | 4.00%   |
| Master Limited Partnerships (MLPS) | Alerian MLP Index  | 3.00%                  | 6.80%   |
| Private Real Estate Partnerships   | Cambridge Associates Real Estate Index (*4)  | 5.00%                  | 6.90%   |
| Hedge Funds                        | Hedge Fund Research, Inc. (HFRI) Fund of Funds Composit Index                      | 25.00%                 | 5.25%   |

(\*1) Target asset allocation adopted at the April 2016 TCDRS Board meeting.

(\*2) Geometric real rates of return in addition to assumed inflation of 1.6%, per Cliffwater's 2016 capital market assumptions.

(\*3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(\*4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.



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**Note 10 – Employee Retirement System - Continued**

The numbers shown below are based on December 2014 information for a 7-10 year time horizon.

| Asset Class                        | Benchmark  | Target Allocation<br>(*1) | Geometric Real Rate of Return (Expected minus inflation) (*2) |
|------------------------------------|--|---------------------------|---|
| US Equities                        | Dow Jones U.S. Total Stock Market Index  | 16.5%                     | 5.35%   |
| Private Equity                     | Cambridge Associates Global Private Equity & Venture Capital Index (*3)            | 12.00%                    | 8.35%   |
| Global Equities                    | MSCI World (net) Index   | 1.50%                     | 5.65%   |
| International Equities – Developed | 50% MSCI World Ex USA (net) + 50% MSCI World Ex USA 100% Hedged to USD (net) Index | 11.00%                    | 5.35%   |
| International Equities –Emerging   | 50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index      | 9.00%                     | 6.35%   |
| Investment – Grade Bonds           | Barclays Capital Aggregate Bond Index  | 3.00%                     | 0.55%   |
| High –Yield Bonds                  | Citigroup High-Yield Cash-Pay Capped Index   | 3.00%                     | 3.75%   |
| Opportunistic Credit               | Citigroup High-Yield Cash-Pay Capped Index   | 5.00%                     | 5.54%   |
| Direct Lending                     | Citigroup High-Yield Cash-Pay Capped Index   | 2.00%                     | 5.80%   |
| Distressed Debt                    | Citigroup High-Yield Cash-Pay Capped Index   | 3.00%                     | 6.75%   |
| REIT Equities                      | 67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index | 2.00%                     | 4.00%   |
| Commodities                        | Bloomberg Commodities Index  | 2.00%                     | -0.20%  |
| Master Limited Partnerships (MLPS) | Alerian MLP Index  | 2.00%                     | 5.30%   |
| Private Real Estate Partnerships   | Cambridge Associates Real Estate Index (*4)  | 3.00%                     | 7.20%   |
| Hedge Funds                        | Hedge Fund Research, Inc. (HFRI) Fund of Funds Composit Index                      | 25.00%                    | 5.15%   |

(\*1) Target asset allocation adopted at the April 2015 TCDRS Board meeting.

(\*2) Geometric real rates of return in addition to assumed inflation of 1.7%, per Cliffwater's 2015 capital market assumptions.

(\*3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(\*4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

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**Note 10 – Employee Retirement System - Continued**

*Discount rate*

The discount rate used to measure the total pension liability was 8.10%. The rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus a 0.10% adjustment to be gross of administrative expenses as required by GASB 68. The method used to determine the discount rate reflects the following funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act:

- TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UALL) shall be amortized as a level percent of pay over 20-year closed layer periods.
- Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
- The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
- Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and the net pension liability of the employer is equal to the long-term assumed rate of return on investments.

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**Note 10 – Employee Retirement System - Continued**

*Changes in the Net Pension Liability*

The Authority's changes in net pension liability as of December 31, 2015 were as follows:

|   | <b>Pension Expense/(Income)</b> |                               |   |
|---|---------------------------------|-------------------------------|---|
|   | Total Pension<br>Liability (a)  | Fiduciary Net<br>Position (b) | Net Pension<br>Liability/(Asset)<br>(a) - (b) |
| Balances as of December 31, 2014                  | \$ 27,870                       | \$ 22,723                     | \$ 5,147                                      |
| Changes for the year:                             |                                 |                               |   |
| Service Cost                                      | 29,965                          | -                             | 29,965  |
| Interest on total pension liability (*1)          | 3,177                           | -                             | 3,177   |
| Effect of plan changes                            | (7,993)                         | -                             | (7,993)                                       |
| Effect of economic/demographic gains<br>or losses | 51,726                          | -                             | 51,726  |
| Effect of assumptions changes or inputs           | 1,190                           | -                             | 1,190   |
| Refund of contributions                           | -                               | -                             | -   |
| Benefit payments                                  | -                               | -                             | -   |
| Administrative expense                            | -                               | (47)                          | 47  |
| Member contributions                              | -                               | 33,217                        | (33,217)                                      |
| Net investment income                             | -                               | (1,137)                       | 1,137   |
| Employer contributions                            | -                               | 48,069                        | (48,069)                                      |
| Other (*2)  | -                               | (6)                           | 6   |
| Balances as of December 31, 2015                  | \$ 105,936                      | \$ 102,819                    | \$ 3,116                                      |

(\*1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(\*2) Relates to allocation of system-wide items.

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**Note 10 – Employee Retirement System - Continued**

*Changes in the Net Pension Liability*

The Authority's changes in net pension liability as of December 31, 2014 were as follows:

|   | <b>Pension Expense/(Income)</b> |                               |   |
|---|---------------------------------|-------------------------------|---|
|   | Total Pension<br>Liability (a)  | Fiduciary Net<br>Position (b) | Net Pension<br>Liability/(Asset)<br>(a) - (b) |
| Balances as of December 31, 2013                  | \$ -                            | \$ -                          | \$ -  |
| Changes for the year:                             |                                 |                               |   |
| Service Cost                                      | 26,781                          | -                             | 26,781  |
| Interest on total pension liability (*1)          | 1,063                           | -                             | 1,063   |
| Effect of plan changes                            | -                               | -                             | -   |
| Effect of economic/demographic gains<br>or losses | 26                              | -                             | 26  |
| Effect of assumptions changes or inputs           | -                               | -                             | -   |
| Refund of contributions                           | -                               | -                             | -   |
| Benefit payments                                  | -                               | -                             | -   |
| Administrative expense                            | -                               | (9)                           | 9   |
| Member contributions                              | -                               | 9,253                         | (9,253)                                       |
| Net investment income                             | -                               | 89                            | (89)  |
| Employer contributions                            | -                               | 13,390                        | (13,390)                                      |
| Other (*2)  | -                               | -                             | -   |
| Balances as of December 31, 2014                  | \$ 27,870                       | \$ 22,723                     | \$ 5,147                                      |

(\*1) Reflects the change in the liability due to the time value of money. TCERS does not charge fees or interest.

(\*2) Relates to allocation of system-wide items.

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**Note 10 – Employee Retirement System - Continued**

*Sensitivity Analysis*

The following presents the net pension liability/(asset) of the Authority, calculated using the discount rate of 8.10%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate:

| As of December 31, 2015       |             |                       |             |
|-------------------------------|-------------|-----------------------|-------------|
|                               | 1% Decrease | Current Discount Rate | 1% Increase |
|                               | 7.10%       | 8.10%                 | 9.10%       |
| Total pension liability       | \$ 126,541  | \$ 105,936            | \$ 89,037   |
| Fiduciary net position        | 102,819     | 102,819               | 102,819     |
| Net pension liability/(asset) | 23,722      | 3,116                 | (13,782)    |

| As of December 31, 2014       |             |                       |             |
|-------------------------------|-------------|-----------------------|-------------|
|                               | 1% Decrease | Current Discount Rate | 1% Increase |
|                               | 7.10%       | 8.10%                 | 9.10%       |
| Total pension liability       | \$ 29,838   | \$ 27,870             | \$ 25,145   |
| Fiduciary net position        | 22,723      | 22,723                | 22,723      |
| Net pension liability/(asset) | 7,115       | 5,147                 | 2,422       |

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued TCDRS financial report. That report may be obtained on the internet at [www.tcdrs.org](http://www.tcdrs.org)

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A Component Unit of Cameron County, Texas)  
**Notes to Financial Statements**  
September 30, 2016

**Note 10 – Employee Retirement System – Continued**

**E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The RMA recognized the following pension expense/(income):

| <u>Pension Expense/(Income)</u>                       | <u>January 1, 2015 to<br/>December 31, 2015</u> | <u>January 1, 2014 to<br/>December 31, 2014</u> |
|---|---|---|
| Service cost  | \$ 29,965                                       | \$ 26,781                                       |
| Interest on total pension liability (1)               | 3,177   | 1,063   |
| Effect of plan changes                                | (7,993)   | -   |
| Administrative expenses                               | 47  | 9   |
| Member contributions                                  | (33,217)  | (9,253)   |
| Expected investment return net of investment expenses | (5,113)   | (908)   |
| Recognition of deferred inflows/outflows of resources |   |   |
| Recognition of economic/demographic gains or losses   | 2,250   | 1   |
| Recognition of assumption changes or inputs           | 52  | -   |
| Recognition of investment gains or losses             | 1,414   | 164   |
| Other (2)   | 6   | 1   |
| Pension expens/(income)                               | <u>\$ (9,412)</u>                               | <u>\$ 17,858</u>                                |

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) Relates to allocation of system-wide items.

At September 30, 2016, the Authority reported deferred inflows and outflows of resources related to pensions from the following sources:

|   | <u>2016</u>                      |                                   | <u>2015</u>                      |                                   |
|---|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
|   | Deferred Inflows<br>of Resources | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources | Deferred Outflows<br>of Resources |
| Differences between expected and actual experience              | \$ -                             | \$ 49,501                         | \$ -                             | \$ 25                             |
| Changes of assumptions  | -                                | 1,138                             | -                                | -                                 |
| Net difference between projected and actual earnings            | -                                | 5,491                             | -                                | 655                               |
| Contributions made subsequent to measurement date (*1)          | N/A                              | 36,193                            | N/A                              | 29,190                            |
| Total deferred inflows/outflows of resources related to pension | <u>\$ -</u>                      | <u>\$ 92,323</u>                  | <u>\$ -</u>                      | <u>\$ 29,870</u>                  |

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A Component Unit of Cameron County, Texas)  
**Notes to Financial Statements**  
September 30, 2016

**Note 10 – Employee Retirement System – Continued**

The total of \$36,193 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date, will be recognized as a reduction of net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

|                 |          |
|-----------------|----------|
| 2017            | \$ 3,715 |
| 2018            | 3,715    |
| 2019            | 3,552    |
| 2020            | 2,302    |
| Thereafter (*1) | 39,131   |

*(\*1) Total remaining balance to be recognized in future years. Note that additional future deferred inflows and outflows of resources may impact these numbers.*

**Note 11 – Interlocal Agreement Cameron County**

*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, 2016, there has been a payment of \$82,500 on this loan, leaving an outstanding balance of \$167,500.

*Transportation Reinvestment Zone No.6*

On December 29, 2015, the County and the RMA entered into an agreement to participate in Transportation Reinvestment Zone (TRZ) No.6 in the County of Cameron. A TRZ is a transportation funding tool authorized by Senate Bill 1266 passed in the 80<sup>th</sup> Texas Legislature in 2007 that utilizes incremental property tax of a geographical area to support the funding of transportation infrastructure needs within the area. The RMA and County have existing TRZ's No. 1-5 that date back to 2010. The purpose of TRZ No. 6 is to expand the geographical area to cover the entire County and increase the number of eligible projects. The interlocal agreement is a long-term agreement with various requirements embedded. The first round of funds from TRZ No. 6 is scheduled to be paid in FY2017.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A Component Unit of Cameron County, Texas)  
**Notes to Financial Statements**  
September 30, 2016

**Note 12 – 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 expensed in the year occurred.

**Note 13 – Risk Management**

In conjunction with its normal operations, the RMA is exposed to various risks related to the damage or destruction of its assets from both natural and man-made occurrences; tort/liability claims; errors and omissions claims, and professional liability claims. As a result of these exposures, the RMA carries insurance with a governmental risk pool under an “all risks” policy. All categories of insurance coverage in place were either maintained at current levels or increased as to overall limits of coverage and reduction of self-retained risk as to reduce the overall exposure of risk to the RMA. There were no settlements in excess of insurance coverage during fiscal years 2016 and 2015.

**Note 14 – Litigation**

As of September 30, 2016, and 2015, the RMA is involved in various contract disputes related to litigations, claims and assessments of the West Rail Relocation Project. RMA management believes it has substantial defenses against the claims and the resolution of the matters will not have a material adverse effect on the financial statements. Based on the status of claims and the information available, the RMA believes that a liability has not been incurred as of the date of the financial statements.



CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A Component Unit of Cameron County, Texas)  
**Required Supplementary Information – Pension Plan**  
September 30, 2016

**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Year Ended December 31, 2015**

| <b>Total Pension Liability</b>                           | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|
| Service cost   | \$ 29,965   | \$ 26,781   |
| Interest on total pension liability                      | 3,177       | 1,063       |
| Effect of plan changes                                   | (7,993)     | -           |
| Effect of assumption changes or inputs                   | 1,190       | -           |
| Effect of economic/demographic (gains) or losses         | 51,726      | 26          |
| Benefit payments/refunds of contributions                | -           | -           |
| Net change in total pension liability                    | 78,065      | 27,870      |
| Total pension liability, beginning                       | 27,870      | -           |
| Total pension liability, ending (a)                      | \$ 105,935  | \$ 27,870   |
| <b>Fiduciary Net Position</b>                            |             |             |
| Employer contributions                                   | \$ 48,069   | \$ 13,390   |
| Member contributions                                     | 33,217      | 9,253       |
| Investment income net of investment expenses             | (1,137)     | 89          |
| Benefit payments/refunds of contributions                | -           | -           |
| Administrative expenses                                  | (47)        | (9)         |
| Other  | (5)         | -           |
| Net change in fiduciary net position                     | 80,097      | 22,723      |
| Fiduciary net position, beginning                        | 22,722      | -           |
| Fiduciary net position, ending (b)                       | \$ 102,819  | \$ 22,723   |
| Net pension liability/(asset), ending = (a) - (b)        | \$ 3,116    | \$ 5,147    |
| Fiduciary net position as a % of total pension liability | 97.06%      | 81.53%      |
| Pensionable covered payroll                              | \$ 474,522  | \$ 198,278  |
| Net pension liability as a % of covered payroll          | 0.66%       | 2.60%       |

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A Component Unit of Cameron County, Texas)  
**Required Supplementary Information – Pension Plan**  
September 30, 2016

**Schedule of Employer Contributions**

| <b>Year Ending<br/>December 31,</b> | <b>Actuarially<br/>Determined<br/>Contribution</b> | <b>Actual<br/>Employer<br/>Contribution</b> | <b>Contribution<br/>Deficiency<br/>(Excess)</b> | <b>Pensionable<br/>Covered<br/>Payroll <sup>(1)</sup></b> | <b>Actual<br/>Contribution<br/>as a % of<br/>Covered Payroll</b> |
|-------------------------------------|--|---|---|---|--|
| 2005                                | Not Available                                      | Not Available                               | Not Available                                   | Not Available   | Not Available  |
| 2006                                | **   | **  | **  | **  | **   |
| 2007                                | **   | **  | **  | **  | **   |
| 2008                                | **   | **  | **  | **  | **   |
| 2009                                | **   | **  | **  | **  | **   |
| 2010                                | **   | **  | **  | **  | **   |
| 2011                                | **   | **  | **  | **  | **   |
| 2012                                | **   | **  | **  | **  | **   |
| 2013                                | **   | **  | **  | **  | **   |
| 2014                                | 13,390   | 13,390                                      | 0   | 132,185   | 10.1%  |
| 2015                                | 48,069   | 48,069                                      | 0   | 474,522   | 10.1%  |

<sup>(1)</sup> Payroll is calculated based on contributions as reported to TCDRS.

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CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A Component Unit of Cameron County, Texas)  
**Required Supplementary Information – Pension Plan**  
September 30, 2016

**Notes to Schedule of Employer Contributions and Net Pension Liability**

*Actuarial Methods and Assumptions Used*

Following are the key assumptions and methods used in this GASB analysis.

|  |   |
|--|---|
| <b>Valuation Timing</b>  | Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.  |
| <b>Actuarial Cost Method</b>   | Individual entry age normal cost method, as required by GASB Statement No. 68, used for GASB calculations. A slightly different version of the entry age normal cost method is used for the funding actuarial valuation.  |
| <b>Asset Valuation Method</b><br>Smoothing period<br>Recognition method<br>Corridor                            | 5 years<br>Non-asymptotic<br>None   |
| <b>Economic Assumptions</b><br>Inflation<br>Salary Increases<br><br><br><br>Investment Rate of Return<br>COLAs | 3.0%<br>3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee<br><br><br>8.10%<br>COLAs for the Cameron County Regional Mobility Authority are not considered to be substantively automatic under GASB Statement No. 68. Therefore, no assumption for the future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation. |

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A Component Unit of Cameron County, Texas)  
**Required Supplementary Information – Pension Plan**  
September 30, 2016

**Retirement Age**

**Annual Rates of Service Retirement\***

| Age   | Male  | Female | Age  | Male  | Female |
|-------|-------|--------|------|-------|--------|
| 40-44 | 4.50% | 4.50%  | 62   | 25.0% | 25.0%  |
| 45-49 | 9.0   | 9.0    | 63   | 16.0  | 16.0   |
| 50    | 10.0  | 10.0   | 64   | 16.0  | 16.0   |
| 51    | 10.0  | 10.0   | 65   | 30.0  | 30.0   |
| 52    | 10.5  | 10.5   | 66   | 25.0  | 25.0   |
| 53    | 10.5  | 10.5   | 67   | 24.0  | 24.0   |
| 54    | 10.5  | 10.5   | 68   | 22.0  | 22.0   |
| 55    | 11.0  | 11.0   | 69   | 22.0  | 22.0   |
| 56    | 11.0  | 11.0   | 70   | 22.0  | 22.0   |
| 57    | 11.0  | 11.0   | 71   | 22.0  | 22.0   |
| 58    | 12.0  | 12.0   | 72   | 22.0  | 22.0   |
| 59    | 12.0  | 12.0   | 73   | 22.0  | 22.0   |
| 60    | 14.0  | 14.0   | 74** | 22.0  | 22.0   |
| 61    | 12.0  | 12.0   |      |       |        |

\* *Deferred Members are assumed to retire (100% probability) at the later of:*

*(a) age 60*

*(b) earliest retirement eligibility*

\*\* *For all eligible members ages 75 and later, retirement is assumed to occur immediately.*

**Other Terminations of Employment** – The rate of assumed future termination from active participation on the plan for reasons other than death, disability or retirement are all set at 0% and the rates vary by length of service, entry-age group (age at hire) and sex. No termination after eligibility for retirement is assumed.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A Component Unit of Cameron County, Texas)  
**Required Supplementary Information – Pension Plan**  
September 30, 2016

**Withdrawals** – Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting schedule. Rates applied to you plan are shown in the table below. For non-depositing members who are not vested, 100% are assumed to elect a withdrawal.

| <b>Probability of Withdrawal</b> |                    |                         |                    |
|----------------------------------|--------------------|-------------------------|--------------------|
| <b>Years of Service</b>          | <b>Probability</b> | <b>Years of Service</b> | <b>Probability</b> |
| 0                                | 100%               | 15                      | 40%                |
| 1                                | 100                | 16                      | 38                 |
| 2                                | 100                | 17                      | 36                 |
| 3                                | 100                | 18                      | 34                 |
| 4                                | 100                | 19                      | 32                 |
| 5                                | 100                | 20                      | 30                 |
| 6                                | 100                | 21                      | 28                 |
| 7                                | 100                | 22                      | 26                 |
| 8                                | 50                 | 23                      | 24                 |
| 9                                | 49                 | 24                      | 22                 |
| 10                               | 48                 | 25                      | 20                 |
| 11                               | 47                 | 26                      | 15                 |
| 12                               | 46                 | 27                      | 10                 |
| 13                               | 44                 | 28*                     | 5                  |
| 14                               | 42                 |                         |                    |

*\* Members with more than 28 years of service are not assumed to refund.*

**Mortality**

|  |  |
|--|--|
| Depositing members   | The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-years setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that. |
| Service retirees, beneficiaries and non-depositing members | The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.   |
| Disabled retirees  | RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two-year set-forward for females.   |

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 the Cameron County Regional Mobility Authority (the RMA), a component unit of Cameron County, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the RMA's basic financial statements, and have issued our report thereon dated January 20, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the RMA's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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.

*Carr, Riggs & Ingram, L.L.C.*

**CARR, RIGGS & INGRAM, LLC**

Brownsville, Texas  
January 20, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE AND THE 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 the Cameron County Regional Mobility Authority's (the RMA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement and the State of Texas Single Audit Circular* that could have a direct and material effect on each of the RMA's major federal/state programs for the year ended September 30, 2016. The 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 federal/state statutes, regulations, and the terms and conditions of its federal/state awards applicable to its federal/state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of Texas Single Audit Circular. Those standards, the Uniform Guidance, 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 the 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 the 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, 2016.

### **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 the 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 Uniform Guidance and the 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 the 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 the Uniform Guidance and State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

**CARR, RIGGS & INGRAM, LLC**

Brownsville, Texas

January 20, 2017

**Cameron County Regional Mobility Authority**  
(A Component Unit of Cameron County, Texas)  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended September 30, 2016**

| <i>Federal/State Grantor &amp; Program or Cluster Title</i>       | <i>Federal CFDA Number</i> | <i>Pass-through Grantor and Number</i> | <i>Name of Grant - Grant ID No.</i>   | <i>Federal/State Expenditures(\$)</i> |
|---|----------------------------|--|---|---------------------------------------|
| <b><i>Federal Awards</i></b>                                      |                            |  |   |                                       |
| Department of Transportation<br>Highway Planning and Construction |                            |  | Advance Funding<br>Agreement - West Rail<br>Project -- CSJ 0921-06-<br>073 & 23                         |                                       |
|   | 20.205                     | Texas Department of<br>Transportation  |   | 1,322,461                             |
| <b><i>Total Expenditures of Federal Awards</i></b>                |                            |  |   | <u><u>\$ 1,322,461</u></u>            |
| <b><i>State Awards</i></b>  |                            |  |   |                                       |
|   |                            |  | South Padre Island<br>Second Causeway<br>Interim Project<br>Development Agreement<br>-- CSJ 0921-06-163 |                                       |
| Texas Department of Transportation                                |                            | Direct                                 |   | 1,337,558                             |
|   |                            |  | Outer Parkway Toll<br>Interim Project<br>Development Agreement<br>-- CSJ 0921-06-283                    |                                       |
| Texas Department of Transportation                                |                            | Direct                                 |   | 54,897                                |
| <b><i>Total Expenditures of State Awards</i></b>                  |                            |  |   | <u><u>\$ 1,392,455</u></u>            |

The accompanying notes are an integral part of this schedule

**CAMERON COUNTY REGIONAL MOBILITY AUTHORITY**  
**(A COMPONENT UNIT OF CAMERON COUNTY, TEXAS)**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS**  
Year Ended September 30, 2016

**NOTE 1 - GENERAL**

The accompanying Schedule of Expenditures of Federal/State Awards presents the activity of federal/state expenditures of programs of the Cameron County Regional Mobility Authority (the RMA). The RMA reporting entity is defined in Note 1 to the RMA's basic financial statements.

**NOTE 2 - BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal/state awards is presented using the accrual basis of accounting.

**NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS**

Federal/state award expenditures as reported in the accompanying schedule of expenditures of federal/state awards are reflected in the RMA's financial statements as expenses or capital asset additions.

**NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying schedule may not agree with the amounts reported in the related Federal and state financial reports filed with the grantor agencies because of the effect of accruals made in the schedule.

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, 2016

**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 2 CFR Section 200.516 (a) and *State of Texas Single Audit Circular*? \_\_\_\_\_ 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                                  |
| State –             |  |
| CSJ 0921-06-163     | SPI 2 <sup>ND</sup> Causeway Interim Project Development Agreement |
| CSJ 0921-06-163     | Outer Parkway Toll Project Development Agreement                   |

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, 2016

**I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS - CONTINUED**

|  |                  |                  |
|--|------------------|------------------|
| Dollar threshold used to distinguish between<br>Type A and Type B Federal programs | <u>\$750,000</u> |                  |
| Auditee qualified as low-risk auditee?   | <u>  X  </u> Yes | <u>      </u> No |
|  |                  |                  |
| Dollar threshold used to distinguish between<br>Type A and Type B State programs   | <u>\$750,000</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, 2016

**II. FINANCIAL STATEMENT FINDINGS**

None noted which required reporting.

**III. FINDINGS AND QUESTIONED COSTS OF FEDERAL/STATE AWARDS**

None noted which required reporting.