

**CAMERON COUNTY
REGIONAL MOBILITY AUTHORITY**

FINANCIAL REPORT

SEPTEMBER 30, 2011

**CAMERON COUNTY
REGIONAL MOBILITY AUTHORITY**

September 30, 2011

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business type activities of Cameron County Regional Mobility Authority (CCRMA) as of and for the year ended September 30, 2011 and 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CCRMA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of CCRMA, as of September 30, 2011 and 2010, and the respective changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2012, on our consideration of CCRMA'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* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of CCRMA as a whole. The management's discussion and analysis section is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal/state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and State of Texas Single Audit Circular*, and is also not a required part of the financial statements. The schedule of expenditures of federal/state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The management's discussion and analysis section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



LONG CHILTON, LLP
Certified Public Accountants

Brownsville, Texas
March 19, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Cameron County Regional Mobility Authority (CCRMA) financial report presents our discussion and analysis of the CCRMA's financial performance during the fiscal year that ended September 30, 2011. Please read it in conjunction with the CCRMA financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Assets exceeded total liabilities by \$3.8 million due to an increase in cash generated from the \$10 vehicle registration fee and vehicle tolls.
- CCRMA started the operation of the first Toll on SH550 on May 17, 2011. The book value of this asset net of accumulated depreciation as of 9/30/2011 is \$2,424,025.
- Construction in progress increased to \$23.1 million or 33% of total assets which is made up of various projects in which CCRMA will retain ownership. Other assets increased to \$28.1 million or 40% of total assets, which consists of construction in process projects in which ownership will be transferred to the Texas Department of Transportation (TXDOT) at completion.
- Total operating expenditures were approximately \$1.5 million, of which 64% consisted of preliminary feasibility studies with legal counsel and 36% for bond interest expense.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of two parts: management's discussion and analysis (this section), and the financial statements. The financial statements include the balance sheets, statements of revenues, expenses, and changes in net assets, statements of cash flows, and notes to the financial statements.

The CCRMA's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units on an accrual basis. The balance sheets in particular report the assets and liabilities as of year-end with the differences between the two reflected as net assets. The increase or decrease in net assets over time is one indicator of the improving or deteriorating financial position of CCRMA.

The statements of revenues, expenditures, and changes in net assets present the results of the business activities over the course of the fiscal years presented and how those results affected the change in net assets. Under accrual accounting principles, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. This matching principle allows these statements to display net effect of the transactions that occurred throughout the year, regardless of the timing of cash flows.

While the statements of revenues, expenditures, and changes in net assets do not reflect the timing of cash flows, the statements of cash flows do present the changes in cash caused by the receipts and disbursements by three major categories of operating, financing and investing activities.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in these financial statements. They disclose information about CCRMA's accounting policies, significant account balances and activities, material risks, obligations, commitments, and subsequent events. The notes to financial statements should be used in conjunction with the above mentioned financial statements.

FINANCIAL ANALYSIS OF CCRMA

Net Assets

CCRMA's total net assets were \$3.8 million of which \$3.3 million are restricted for various projects at September 30, 2011. The analysis below focuses on the changes in net assets for CCRMA's activities. The significant changes between the current year and the prior year are due to the implementation of several new road projects and the additional financing of revenue bonds. A significant increase in capital and other assets is due to the continuation of projects funded by the 2010 revenue bonds and TXDOT. A prior period adjustment occurred due to misclassified expenditures in 2010 that should have been capitalized. Our note disclosure covers the adjustment in more detail.

The increase in liabilities from 2010 to 2011 is primarily caused by the increase in capital projects associated with TXDOT funding. CCRMA and TXDOT have various funding agreements, in which TXDOT will provide funding either in the form of a loan or a grant. These amounts are to be repaid to TXDOT either in installment payments, or transfer of the completed project. The total due to TXDOT was \$29.5 million or 44% of total liabilities at September 30, 2011. The revenue bonds issued by CCRMA in 2010 originated as term bonds, with multiple maturing dates, and total \$28.3 million net of issue costs and bond premiums, or 42% of total liabilities at September 30, 2011.

Summary of Statement of Net Assets			
September 30, 2011			
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets:			
Current assets	\$16,555,597	\$ 30,539,817	\$ 1,568,721
Capital Assets, net	25,591,122	9,599,800	-
Other non-current	<u>28,685,936</u>	<u>5,322,744</u>	<u>3,055,158</u>
Total assets	70,832,655	45,462,361	4,623,879
Liabilities:			
Current liabilities	\$ 6,496,906	\$ 4,031,375	446,418
Non-Current liabilities	<u>60,444,518</u>	<u>39,003,318</u>	<u>2,620,237</u>
Total liabilities	66,941,424	43,034,693	3,066,655
Net assets:			
Restricted	3,372,851	-	-
Unrestricted	<u>518,380</u>	<u>2,427,668</u>	<u>1,557,224</u>
Prior period adjustment	-	215,975	-
Total net assets restated	<u>\$ 3,891,231</u>	<u>\$ 2,643,643</u>	<u>\$ 1,557,224</u>

Capital Assets, Other Assets and Non-Current liabilities

Capital & Other Non-Current Assets

At September 30, 2011, CCRMA had a total of \$ 54.3 million invested in a broad range of construction projects including, toll bridges, rail yards, and highways. This amount represents a net increase of \$39.3 million summarized below.

Capital and Other Assets September 30, 2011			
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Capital Assets:			
Construction in Process	\$ 23,167,097	\$ 9,599,800	\$ 3,055,158
Equipment, net	2,424,025	-	-
Other Assets:			
Unamortized bond costs	539,148	570,482	-
Other projects	<u>28,146,788</u>	<u>4,752,262</u>	-
Totals	<u>\$54,277,058</u>	<u>\$ 14,922,544</u>	<u>\$ 3,055,158</u>
This year's major additions included (in millions)			
Olmito Switch Yard, paid with TXDOT & ARRA funding,			\$ 7.7
Olmito RIP Facility, paid with TXDOT & ARRA funding,			.2
US 77, paid with TXDOT & ARRA funding,			3.0
SPI 2 nd causeway, paid with proceeds from TXDOT loan			1.0
West Rail, paid with TXDOT & ARRA funding,			15.5
Equipment			1.5
Various projects including West Pkwy, East Loop, Port Access, General Brant, SH550, Outer Parkway, Port Isabel Access, and the 281 Connector			<u>10.4</u>

Total additions for the year \$ 39.3

Non-Current Liabilities

At September 30, 2011 CCRMA had outstanding Non-Current liabilities of \$60.4 million, an increase of \$21.4 million from the prior year.

Non-Current Liabilities September 30, 2011			
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Non-Current Liabilities:			
Due to other Government	\$ 2,014,428	\$ 259,946	\$ -
Due to TXDOT	29,567,532	9,874,699	2,620,237
Long-term bond payable (vehicle registration fee)	<u>28,862,558</u>	<u>28,868,673</u>	-
Total	<u>\$ 60,444,518</u>	<u>\$ 39,003,318</u>	<u>\$ 2,620,237</u>

Changes in Net Assets

Net assets changed as of September 30, 2011 by \$1,247,588. CCRMA generated total revenues of \$2.8 million and total expenditures of \$1.5 million. Expenditures decreased by 8% due to several services for both legal and engineering for the expansion in capital & other projects were capitalized rather than expensed.

Change in Net Assets			
Year Ended September 30, 2011			
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues:			
Interlocal revenues	\$ -	\$ -	\$ 62,326
Vehicle registration fee	2,725,505	2,567,459	2,178,015
Other revenues	<u>90,040</u>	<u>6,821</u>	<u>2,532</u>
Total revenues	<u>2,815,545</u>	<u>2,574,280</u>	<u>2,242,873</u>
Expenses:			
Administrative	1,116,428	897,768	159,535
Professional services	<u>451,529</u>	<u>806,070</u>	<u>822,526</u>
Total expenses	<u>1,567,957</u>	<u>1,703,838</u>	<u>982,061</u>
Change in net assets	1,247,588	870,443	1,260,812
Net assets:			
Beginning of the year	2,643,643	1,557,224	296,412
End of the year	<u>3,891,231</u>	<u>2,427,668</u>	<u>1,557,224</u>
Prior period adjustment	-	215,975	-
End of year restated	<u>\$ 3,891,231</u>	<u>\$ 2,643,643</u>	<u>\$ -</u>

CONTACTING CCRMA'S FINANCIAL MANAGEMENT

The financial report is designed to provide to customers, investors, and creditors with a general overview of the CCRMA's finances and to demonstrate CCRMA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Cameron County Regional Mobility Authority, 1100 E. Monroe, Brownsville, Texas 78520.

Cameron County
Regional Mobility Authority

Balance Sheets
September 30, 2011 and 2010

	2011	2010
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 11,747,442	\$ 25,114,807
Due from other agencies	92,587	349,723
Due from other governments	4,574,788	5,012,094
Prepaid Expenses	140,780	63,193
Total current assets	16,555,597	30,539,817
Non-current Assets:		
Capital assets, net	25,591,122	9,599,800
Other assets	28,146,788	4,752,262
Unamortized bond issue costs	539,148	570,482
Total Assets	\$ 70,832,655	\$ 45,462,361
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 5,931,509	\$ 3,781,375
Due to other governments	250,000	250,000
Deferred revenue	315,397	-
Total current liabilities:	6,496,906	4,031,375
Non-current Liabilities:		
Due to other governments	2,014,428	259,946
Due to Texas Department of Transportation	29,567,532	9,874,699
Long-term bond payable	28,862,558	28,868,673
Total non-current liabilities	60,444,518	39,003,318
Total Liabilities	66,941,424	43,034,693
NET ASSETS		
Restricted	3,372,851	-
Unrestricted	518,380	2,427,668
Total net assets	3,891,231	2,427,668
Prior period adjustment	-	215,975
Total net assets - restated	3,891,231	2,643,643
Total Liabilities and Net Assets	\$ 70,832,655	\$ 45,462,361

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

Cameron County
Regional Mobility Authority

**Statements of Revenues, Expenditures
And Changes in Net Assets**

Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Vehicle registration fee	2,725,505	2,567,459
Toll revenue	68,787	-
Total operating revenue	<u>2,794,292</u>	<u>2,567,459</u>
Operating Expenses		
Professional services	451,525	577,380
Engineering expense	-	228,690
Contractual services	364,813	439,740
Advertising	14,669	12,715
Miscellaneous	61,218	83
Land acquisition	-	25,506
Office supplies	5,330	788
Travel	62,166	39,646
Toll services	38,602	
Debt interest	569,634	379,289
Total operating expense	<u>1,567,957</u>	<u>1,703,837</u>
Non-Operating Revenues		
Interest income	21,253	6,821
 Change in net assets	 <u>1,247,588</u>	 <u>870,443</u>
Net Assets - beginning of year	2,643,643	1,557,225
Net Assets - end of year	<u>3,891,231</u>	<u>2,427,668</u>
Prior period adjustment		215,975
Net Assets - end of year - restated	<u>\$ 3,891,231</u>	<u>\$ 2,643,643</u>

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

Cameron County
Regional Mobility Authority

Statements of Cash Flows
Years Ended September 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 2,794,292	\$ 2,215,370
Other receipts	315,397	-
Payments to vendors	(998,323)	(1,760,210)
Net cash provided by (used in) operating activities	2,111,366	455,160
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(15,991,323)	(7,256,923)
Acquisition of other assets	(23,394,526)	
Interest paid on capital debt	(569,634)	
Loan proceeds	24,476,752	31,020,726
Net cash (used) by capital and related financing activities	(15,478,731)	23,763,803
Net increase in cash and cash equivalents	(13,367,365)	24,218,963
Cash and Cash equivalents at beginning of year	25,114,807	895,844
Cash and Cash equivalents at end of year	\$ 11,747,442	\$ 25,114,807
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 1,247,588	\$ 870,442
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	46,362	
Change in assets and liabilities:		
(Increase) Decrease in due from other governments	437,306	(4,457,765)
(Increase) Decrease in due from other agencies	257,136	(231,175)
(Increase) Decrease in prepaid expenses	(77,588)	4,013,712
(Decrease) Increase in accounts payable	(114,835)	259,946
(Decrease) Increase in deferred revenue	315,397	-
Net cash flows provided by operating activities	\$ 2,111,366	\$ 455,160
Supplemental Disclosures of Cash Flow Information		
Cash payments for:		
Interest	\$ 569,634	442,482
Taxes	-	-

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

CAMERON COUNTY
REGIONAL MOBILITY AUTHORITY

Notes to Financial Statements
September 30, 2011

Note 1 – Organization and Summary of Significant Accounting Policies

The Cameron County Regional Mobility Authority (CCRMA) was created by the State of Texas on September 30, 2004. The CCRMA is authorized to construct, maintain, repair and operate turnpike projects at locations authorized by the State Department of Transportation. The CCRMA receives its revenues from tolls, fees and rents from the operation of turnpike projects. The CCRMA may issue revenue bonds for the purpose of paying the cost of turnpike projects. The CCRMA was formed through the efforts of Cameron County, Texas.

The financial statements of the Cameron County Regional Mobility Authority (CCRMA) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The CCRMA applies Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails, and all of the GASB pronouncements issued subsequently. The more significant of the CCRMA's accounting policies are described below:

- A. **Reporting Entity** – In evaluating how to define the CCRMA, for financial reporting purposes, management has determined that there are no entities over which the CCRMA exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the CCRMA. Since the CCRMA does not exercise significant influence or accountability over other entities, it has no component units.
- B. **Basis of Accounting** – The operations of the CCRMA are accounted for as an enterprise fund on an accrual basis in order to recognize the flow of economic resources. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized and all assets and liabilities associated with the operation of the CCRMA are included in the Statement of Net Assets. Operating expenses for the CCRMA include the costs of administrative expenses and the costs of engineering studies. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.
- C. **Cash & Cash Equivalents** – Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. These deposits are fully collateralized or covered by federal deposit insurance.

CAMERON COUNTY
REGIONAL MOBILITY AUTHORITY

Notes to Financial Statements
September 30, 2011

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

Investments are reported at fair value. The net change in fair value of investments is recorded on the Statements of Revenue, Expenses and Changes in Net Assets and includes the unrealized and realized gains and losses on investments.

D. 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. Depreciation expense for 2011 and 2010 was \$46,362 and zero, respectively.

E. Grants and Contracts – Revenues include charges paid by the recipients of the goods or services offered by the programs, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. The CCRMA considers all grant and contributions to be 100% collectible.

F. Income Taxes – The CCRMA is an instrumentality 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.

G. Classification of Operating and Non-operating Revenues and Expenses – The CCRMA 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.

CAMERON COUNTY
REGIONAL MOBILITY AUTHORITY

Notes to Financial Statements
September 30, 2011

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

H. Net Assets are classified as follows:

Restricted – Are amounts that can only be expended for specific purposes due to externally imposed conditions by grantors or creditors. CCRMA had a total of \$3,372,851 in restricted assets which was composed of CCRMA's investment in capital projects that will transfer to TXDOT upon completion. The allocation per project was \$989,665 Olmito Switchyard, and \$2,383,186 West Rail project.

Unrestricted – Are those net assets in which are available for any lawful purpose, and are accumulated as necessary to ensure the availability of sufficient funds for future operations.

- I. **Subsequent Events** – Management has evaluated subsequent events through March 19, 2012 which is the date the financial statements were available to be issued.

Note 2 – Cash and Cash Equivalent's

Deposit and investment resources are exposed to risks that have the potential to result in losses that could impact the delivery of CCRMA's services. In March, 2003, the Governmental Accounting Standards Board (GASB) issued Statement No. 40, *Deposit and Investment Risk Disclosures*. Statement No. 40 updates the disclosure and reporting of custodial credit risk under GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, and also addresses other common risks, including credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The provisions of Statement No. 40 require the additional disclosures presented in these notes but have no impact on the CCRMA's net assets.

Custodial Credit Risk

Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the CCRMA 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. While the Board has no formal policy specific to custodial credit risk, operating bank accounts are fully collateralized with pledged securities.

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Notes to Financial Statements
September 30, 2011

Note 2 – Cash and Cash Equivalent’s - Continued

At September 30, 2011, the carrying amount of the CCRMA’s cash and cash equivalents was \$11,747,442 of which \$2,256,741 was held in debt reserve at BNY Mellon, and the remainder was in business interest checking accounts as of September 30, 2011.

There is no limit on the amount the CCRMA may deposit in any one institution. However, the Federal Deposit Insurance Corporation only insures up to \$250,000 per institution. CCRMA is fully collateralized with pledged securities for amounts in excess of the FDIC limit for the year ended September 30, 2011.

Note 3 – Capital Assets

The following schedule summarizes the capital assets of the CCRMA as of September 30, 2011:

	<u>2010</u>	<u>Additions</u>	<u>Reclass</u>	<u>2011</u>
Depreciable	\$ -	1,570,847	899,540	\$ 2,470,387
Non-Depreciable-CIP	<u>9,599,800</u>	<u>14,466,837</u>	<u>(899,540)</u>	<u>23,167,097</u>
Accumulated depreciation		(46,362)		(46,362)
Net capital assets	<u>\$ 9,599,800</u>	<u>\$ 15,991,322</u>	<u>\$ -</u>	<u>\$ 25,591,122</u>

CCRMA construction in progress accounts had the following additions by project:

<u>Project</u>	<u>Additions</u>
SPI Second Causeway	\$ 1,068,280
West Loop/West Pkwy	392,625
State Highway 550	6,497,771
East Loop	405,170
Port Access Rd	2,749,496
General Brant Rd	79,627
Outer Parkway	187,498
Port Isabel Access	22,351
281 Connector	59,016
US 77	<u>3,005,003</u>
Total	<u>\$ 14,466,837</u>

CAMERON COUNTY
REGIONAL MOBILITY AUTHORITY

Notes to Financial Statements
September 30, 2011

Note 4 – Other Assets

CCRMA began two construction projects in FY2010 and one in FY2011 in which the Texas Department of Transportation & Union Pacific Rail Road retain ownership and titles during and at project completion. The three projects are summarized as follows: \$15,932,058 for the West Rail project, \$12,025,688 for the Olmito Switch Yard, and \$189,042 for a cross project of the Switchyard, called Olmito RIP facility leaving a combined total of \$28,146,788.

Note 5 – Disaggregation of Receivable and Payable Balances

Of the current receivables 83% are due from the Texas Department of Transportation at September 30, 2011. Payable balances are comprised of 16% of current payables to contractors and vendors at September 30, 2011. The remaining 84% of accounts payable represents the construction obligations in process due to the Texas Department of Transportation in the form of non-current liabilities.

Note 6 – Non-Current Liabilities

Changes in non-current liability Due to the Texas Department of Transportation for the fiscal year ended September 30, 2011 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Due to Texas Department of Transportation	<u>\$ 9,874,699</u>	<u>\$ 19,692,833</u>	<u>\$ -</u>	<u>\$ 29,567,532</u>

On April 1, 2010, CCRMA 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, 2011 \$28.7 million remain outstanding.

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Notes to Financial Statements
September 30, 2011

Note 6 – Non-Current Liabilities - Continued

The bond issues are summarized as follows:

	Balance Outstanding October 1, 2010	Additions	Deletions	Balance Outstanding September 30, 2011	Due Within One Year
Bonds Payable:					
Revenue Bonds Payable	\$ 28,780,000	\$ -	\$ -	\$ 28,780,000	\$ -
Plus: Premium on Refunding	<u>88,673</u>	<u>-</u>	<u>(6,115)</u>	<u>82,558</u>	<u>-</u>
Total Bonds Payable	<u>\$ 28,868,673</u>	<u>\$ -</u>	<u>\$ (6,115)</u>	<u>\$ 28,862,558</u>	<u>\$ -</u>

The annual requirements to retire revenue bonds outstanding at September 30, 2011 are as follows:

	2010A Bonds			2010B Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	400,000	494,775	894,775	-	1,017,853	1,017,853
2013	600,000	484,775	1,084,775	-	1,017,853	1,017,853
2014	765,000	471,125	1,236,125	-	1,017,853	1,017,853
2015	780,000	455,675	1,235,675	-	1,017,853	1,017,853
2016	800,000	435,875	1,235,875	-	1,017,853	1,017,853
2017-2026	9,900,000	2,457,988	12,357,988	-	10,178,530	10,178,530
2027-2036	-	-	-	<u>15,535,000</u>	<u>5,447,497</u>	<u>20,982,497</u>
Total	<u>\$ 13,245,000</u>	<u>\$ 5,298,988</u>	<u>\$ 18,543,988</u>	<u>\$ 15,535,000</u>	<u>\$ 21,733,145</u>	<u>\$ 37,268,145</u>

Note 7- Interest Capitalization/Expenditure

CCRMA had capitalized interest regarding projects funded by the 2010A & 2010B revenue bonds. The total amount of interest capitalized was \$805,045 in accordance with Financial accounting standards codification 820-20-30, the remaining interest was expended for a total of \$569,631.

CAMERON COUNTY
REGIONAL MOBILITY AUTHORITY

Notes to Financial Statements
September 30, 2011

Note 8 – Interlocal Agreements

Cameron County

On April 11, 2006 Cameron County (County) entered into an agreement with the Cameron County Regional Mobility Authority (CCRMA) whereby the County would provide a loan of \$250,000 for the purpose of assisting the CCRMA in its organizational efforts. As of September 30, 2011 there has been no payments to this loan, both parties have agreed that payments will be made in the subsequent year. In addition, Cameron County's Auditors office would process payroll for CCRMA. On May 23, 2006 County and CCRMA entered into an agreement to prepare route analysis, schematic design, and environmental assessments to include a finding of no significant impact for the North Rail Relocation Project and the FM 509 extension between its current termination point and Expressway 77. The total funds required were \$688,268.

CCRMA and Cameron County entered into an administrative agreement executed on September 18, 2007. The agreement stipulates that Cameron County would provide administrative services for CCRMA, and the County would be reimbursed \$68,000 by CCRMA.

Note 9 – Advertising

CCRMA incurs advertising expenditures for the promotion of itself and its projects, these expenditures are not capitalized to the individual projects and are expensed in the period occurred.

Note 10 – Prior Period Adjustment

In the prior year CCRMA had expensed 215,975 of engineering expenses that should have been capitalized for two projects. The adjustment was made to capitalize the expenditures for \$31,467 to the East Loop Project, and \$184,508 to the Port Access Project.

**INDEPENDENT AUDITORS' 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 the financial statements of the business type activities of the Cameron County Regional Mobility Authority (CCRMA) as of and for the year ended September 30, 2011, and have issued our report thereon dated March 19, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CCRMA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CCRMA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CCRMA's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as IC2011-1 that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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*.

CCRMA's response to the findings in our audit is described in the accompanying statement of corrective action of audit findings and questioned costs. We did not audit CCRMA's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management, and others within the entity, and federal/state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



LONG CHILTON, LLP
Certified Public Accountants

Brownsville, Texas
March 19, 2012

**INDEPENDENT AUDITORS REPORT ON COMPLIANCE THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133 AND STATE OF TEXAS SINGLE AUDIT CIRCULAR**

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

Compliance

We have audited the Cameron County Regional Mobility Authority (CCRMA) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement and State of Texas Single Audit Circular* that could have a direct and material effect on each of the Authority's major federal/state programs for the year ended September 30, 2011. CCRMA's major federal/state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal/state programs is the responsibility of CCRMA management. Our responsibility is to express an opinion on CCRMA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and State of Texas Single Audit Circular*. Those standards, *OMB Circular A-133* and *State of Texas Single Audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal/state program occurred. An audit includes examining, on a test basis, evidence about CCRMA'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. Our audit does not provide a legal determination of CCRMA's compliance with those requirements.

In our opinion, CCRMA has complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, federal/state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



LONG CHILTON, LLP
Certified Public Accountants

Brownsville, Texas
March 19, 2012

CAMERON COUNTY
REGIONAL MOBILITY AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended September 30, 2011

Federal

UPRR Olmito Switch Yard Expansion	ARRA Funds	20.205	2009C11403	\$ 7,882,298
US 77	ARRA Funds	20.205		3,005,003
West Rail	ARRA Funds	20.205		15,512,228
				\$ 26,399,529

State

SPI 2nd Causeway			CSJ# 0921-06-163	\$ 1,068,280
West Loop Project			CSJ# 0921-06-184	392,625
				\$ 1,460,905

Note to Schedule

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

CAMERON COUNTY
REGIONAL MOBILITY AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AND STATE AWARDS
For Year Ended September 30, 2011**

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

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: Unqualified

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal/State Program or Cluster</u>
Federal –	
20.205	Highway Planning and Construction ARRA - TX Department of Transportation
State –	
CSJ 0921-06-163	SPI 2 ND Causeway Project
CSJ 0921-06-184	West Loop/Parkway Project

CAMERON COUNTY
REGIONAL MOBILITY AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS --
FEDERAL AND STATE AWARDS - CONTINUED
For Year Ended September 30, 2011

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS - CONTINUED

Dollar threshold used to distinguish between Type A and Type B Federal programs	<u>Type A \$ 791,986</u>	<u>Type B \$100,000</u>
Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> X </u> No
Dollar threshold used to distinguish between Type A and Type B State programs	<u>Type A \$ 300,000</u>	<u>Type B \$100,000</u>
Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No

II. FINANCIAL STATEMENT FINDINGS

Finding IC2011-1:

Condition and Criteria:

During our testing of internal controls, we identified a significant deficiency within the Cameron County Regional Mobility Authority (CCRMA) financial reporting control structure. It appears that the controls governing CCRMA's financial reporting process lack the procedures to properly identify costs per construction contract, local matching costs, and federal grant reimbursable expenses. Our testing indicates that the CCRMA's cost accounting procedures fail to produce detail cost reports to accurately identify allowable reimbursable expenses as required by the federal grant guidelines.

Effect:

The lack of controls limits the CCRMA's ability to accurately report and identify grant costs as required by federal guidelines.

Cause:

The implemented controls governing the financial reporting process are not effective.

CAMERON COUNTY
REGIONAL MOBILITY AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AND STATE AWARDS - CONTINUED**
For Year Ended September 30, 2011

II. FINANCIAL STATEMENT FINDINGS - CONTINUED

Recommendation:

Develop the appropriate controls that properly identify the costs per contract, identify local matching costs, and reimbursable expenses.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL/STATE AWARDS

None noted which were required to be reported.

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CAMERON COUNTY
REGIONAL MOBILITY AUTHORITY

**CORRECTIVE ACTION FOR AUDIT FINDINGS AND
QUESTIONED COSTS –FEDERAL AND STATE AWARDS**
For Year Ended September 30, 2011

II. FINANCIAL STATEMENT FINDINGS

Finding IC2011-1:

Condition and Criteria:

During our testing of internal controls, we identified a significant deficiency within the Cameron County Regional Mobility Authority (CCRMA) financial reporting control structure. It appears that the controls governing CCRMA's financial reporting process lack the procedures to properly identify costs per construction contract, local matching costs, and federal grant reimbursable expenses. Our testing indicates that the CCRMA's cost accounting procedures fail to produce detail cost reports to accurately identify allowable reimbursable expenses as required by the federal grant guidelines.

Effect:

The lack of controls limits the CCRMA's ability to accurately report and identify grant costs as required by federal guidelines.

Cause:

The implemented controls governing the financial reporting process are not effective.

Recommendation:

Develop the appropriate controls that properly identify the costs per contract, identify local matching costs, and reimbursable expenses.

Response:

CCRMA has multiple projects that are under construction concurrently that require a significant amount of time to ensure the proper financial reporting. Most of these projects involve the use of state and federal funds. The CCRMA is committed to providing proper financial reporting, thus, we will develop the appropriate controls to ensure that we improve our financial reporting and that it is effective.

CAMERON COUNTY
REGIONAL MOBILITY AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AND STATE AWARDS - PRIOR YEAR**
For Year Ended September 30, 2011

II. FINANCIAL STATEMENT FINDINGS

None noted which required reporting.

III. FINDINGS AND QUESTIONED COSTS OF FEDERAL/STATE AWARDS

None noted which required reporting.