

**CAMERON COUNTY  
REGIONAL MOBILITY AUTHORITY  
FINANCIAL REPORT  
SEPTEMBER 30, 2012**

CAMERON COUNTY  
REGIONAL MOBILITY AUTHORITY

September 30, 2012

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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, 2012 and 2011, 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 business type activities of CCRMA, as of September 30, 2012 and 2011, and the respective changes in financial position, 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 April 2, 2013, 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 should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements of CCRMA as a whole. The accompanying schedule of expenditures of federal/state awards, 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* is presented for purposes of additional analysis, and is not a required part of the 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 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.



**LONG CHILTON, LLP**  
*Certified Public Accountants*

Brownsville, Texas  
April 2, 2013

## 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, 2012. Please read it in conjunction with the CCRMA financial statements, which immediately follow this section.

### FINANCIAL HIGHLIGHTS

- Assets exceeded total liabilities by \$5.3 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 September 30, 2012 is \$2,377,385.
- Construction in progress increased to \$26.9 million or 23% of total assets which is made up of various projects in which CCRMA will retain ownership. Other assets increased to \$35.6 million or 31% 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 \$1.8 million, of which 53% consisted of professional and contractual services and 34% for bond interest expense.
- Cameron County issued \$40,000,000 Revenue and Tax bonds, Series 2012 for the State Highway 550 Project dated August 8, 2012 to provide funding for this project as per "Funding Agreement." As a condition of funding, the Authority is obligated to repay the funding together with interest the County will pay on the Bonds.

### 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 \$5.3 million of which \$3.7 million are restricted for various projects at September 30, 2012. 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.

The increase in liabilities from 2011 to 2012 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 \$35.2 million or 32% of total liabilities at September 30, 2012.

<b>Summary of Statement of Net Assets</b>			
<b>September 30, 2012</b>			
	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Assets:</b>			
Current assets	\$ 4,794,330	\$ 14,424,744	\$ 30,539,817
Capital Assets, net	29,351,139	25,591,121	9,815,775
Other non-current	<u>82,885,262</u>	<u>30,942,677</u>	<u>5,322,744</u>
Total assets	117,030,731	70,958,542	45,678,336
<b>Liabilities:</b>			
Current liabilities	\$ 2,206,407	\$ 6,496,906	\$ 4,031,375
Non-Current liabilities	<u>109,528,368</u>	<u>60,444,518</u>	<u>39,003,318</u>
Total liabilities	111,734,775	66,941,424	43,034,693
<b>Net assets:</b>			
Restricted	\$ 3,685,687	3,372,851	\$ -
Unrestricted	1,610,269	518,380	2,427,668
Prior period adjustment	<u>-</u>	<u>125,887</u>	<u>215,975</u>
Total net assets	<u>\$ 5,295,956</u>	<u>\$ 4,017,118</u>	<u>\$ 2,643,643</u>

## Capital Assets, Other Assets and Non-Current liabilities

### Capital & Other Non-Current Assets

At September 30, 2012, CCRMA had a total of \$ 66.3 million invested in a broad range of construction projects including toll bridges, rail yards, and highways.

<b>Capital and Other Assets</b>			
<b>September 30, 2012</b>			
	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Capital Assets:</b>			
Construction in Process	\$ 26,973,754	\$ 23,167,096	\$ 9,815,775
Equipment, net	2,377,385	2,424,025	-
<b>Other Assets:</b>			
Unamortized bond costs	1,379,715	539,148	570,482
Other projects	<u>35,612,650</u>	<u>28,146,788</u>	<u>4,752,262</u>
<b>Totals</b>	<u>\$ 66,343,504</u>	<u>\$54,277,057</u>	<u>\$ 15,138,519</u>

### Non-Current Liabilities

At September 30, 2012 CCRMA had outstanding Non-Current liabilities of \$109.5 million, an increase of \$49.1 million from the prior year.

<b>Non-Current Liabilities</b>			
<b>September 30, 2012</b>			
	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Non-Current Liabilities:</b>			
Due to other Government	\$ 2,014,428	\$ 2,014,428	\$ 259,946
Due to TXDOT	35,199,035	29,567,532	9,874,699
Long-term bond payable (vehicle registration fee)	<u>72,314,905</u>	<u>28,862,558</u>	<u>28,868,673</u>
<b>Total</b>	<u>\$ 109,528,368</u>	<u>\$ 60,444,518</u>	<u>\$ 39,003,318</u>

### Changes in Net Assets

Net assets changed as of September 30, 2012 by \$1,278,838. CCRMA generated total revenues of \$3.1 million and total expenditures of \$1.8 million. Expenditures increased by 14% due to several services for both legal and engineering related to the expansion in capital & other projects as well as an increase in debt interest payments.

<b>Change in Net Assets</b>			
<b>Year Ended September 30, 2012</b>			
	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Revenues:</b>			
Vehicle registration fee	\$ 2,800,570	\$ 2,725,505	\$ 2,567,459
Other revenues	<u>261,392</u>	<u>90,040</u>	<u>6,821</u>
Total revenues	<u>3,061,962</u>	<u>2,815,545</u>	<u>2,574,280</u>
<b>Expenses:</b>			
Administrative	1,640,417	1,116,432	897,766
Professional services	<u>142,707</u>	<u>451,525</u>	<u>806,070</u>
Total expenses	<u>1,783,124</u>	<u>1,567,957</u>	<u>1,703,836</u>
Change in net assets	1,278,838	1,247,588	870,444
<b>Net assets:</b>			
Beginning of the year	4,017,118	2,643,643	1,557,224
Prior period adjustment	<u>-</u>	<u>125,887</u>	<u>215,975</u>
Beginning of the year – restated	<u>4,017,118</u>	<u>2,769,530</u>	<u>1,773,199</u>
End of year	<u>\$ 5,295,956</u>	<u>\$ 4,017,118</u>	<u>\$ 2,643,643</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, 2012 and 2011**

	2012	2011
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 3,676,974	\$ 9,490,702
Due from other agencies	717,344	92,587
Due from other governments	12	4,574,788
Prepaid Expenses	400,000	266,667
Total Current Assets	4,794,330	14,424,744
<b>Non-current Assets:</b>		
<b>Restricted Assets:</b>		
Cash - SH550 bond revenue	38,552,258	-
Cash - Debt reserve	7,340,639	2,256,741
Total Restricted Assets	45,892,897	2,256,741
Capital assets, net	29,351,139	25,591,121
Other assets	35,612,650	28,146,788
Unamortized bond issue costs	1,379,715	539,148
Total Assets	\$ 117,030,731	\$ 70,958,542
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 818,923	\$ 5,931,509
Accrued interest payable	416,835	-
Due to other governments	250,000	250,000
Deferred revenue	120,649	315,397
Current maturities of bonds	600,000	-
Total current liabilities:	2,206,407	6,496,906
<b>Non-current Liabilities:</b>		
Due to other governments	2,014,428	2,014,428
Due to Texas Department of Transportation	35,199,035	29,567,532
Long-term bond payable	72,314,905	28,862,558
Total non-current liabilities	109,528,368	60,444,518
Total Liabilities	111,734,775	66,941,424
<b>NET ASSETS</b>		
Restricted	3,685,687	3,372,851
Unrestricted	1,610,269	518,380
Total net assets	5,295,956	3,891,231
Prior period adjustment	-	125,887
Total net assets - restated	5,295,956	4,017,118
Total Liabilities and Net Assets	\$ 117,030,731	\$ 70,958,542

See accompanying notes to the financial statements.

Cameron County  
Regional Mobility Authority

**Statements of Revenues, Expenditures  
And Changes in Net Assets**  
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>		
Vehicle registration fee	2,800,570	2,725,505
Toll revenue	207,478	68,787
Other revenue	46,147	-
<b>Total operating revenue</b>	<u>3,054,195</u>	<u>2,794,292</u>
<b>Operating Expenses</b>		
Professional services	142,707	451,525
Contractual services	794,164	364,813
Advertising	23,971	14,669
Miscellaneous	16,350	61,218
Depreciation	124,985	-
Office supplies	13,987	5,330
Travel	35,095	62,166
Toll services	32,093	38,602
Debt interest	599,772	569,634
<b>Total operating expense</b>	<u>1,783,124</u>	<u>1,567,957</u>
<b>Non-Operating Revenues</b>		
Interest income	<u>7,767</u>	<u>21,253</u>
<b>Change in net assets</b>	<u>1,278,838</u>	<u>1,247,588</u>
<b>Net Assets - beginning of year</b>	4,017,118	2,643,643
<b>Prior period adjustment</b>	-	125,887
<b>Net Assets - beginning of year restated</b>	<u>4,017,118</u>	<u>2,769,530</u>
<b>Net Assets - end of year</b>	<u>\$ 5,295,956</u>	<u>\$ 4,017,118</u>

See accompanying notes to the financial statements.

Cameron County  
Regional Mobility Authority

**Statements of Cash Flows**  
Years Ended September 30, 2012 and 2011

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 3,008,048	\$ 2,794,292
Other receipts	240,895	315,397
Payments to vendors	<u>(2,918,932)</u>	<u>(1,124,209)</u>
Net cash provided by (used in) operating activities	<u>330,011</u>	<u>1,985,480</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(3,760,018)	(15,991,323)
Acquisition of other assets	(7,465,862)	(23,394,526)
Interest paid on capital debt	(599,772)	(569,634)
Bond proceeds	44,470,882	-
Loan proceeds	<u>4,973,074</u>	<u>24,476,752</u>
Net cash (used) by capital and related financing activities	<u>37,618,304</u>	<u>(15,478,731)</u>
Net increase in cash and cash equivalents	37,948,315	(13,493,251)
Cash and Cash equivalents at beginning of year	11,621,556	25,114,807
Cash and Cash equivalents at end of year	<u>\$ 49,569,871</u>	<u>\$ 11,621,556</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 1,278,838	\$ 1,247,588
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	124,985	46,362
Change in assets and liabilities:		
(Increase)Decrease in due from other governments	4,574,776	437,306
(Increase) Decrease in due from other agencies	(624,757)	257,136
(Increase) Decrease in prepaid expenses	(133,332)	(203,474)
(Decrease) Increase in accounts payable	(5,112,586)	(114,835)
(Decrease) Increase in accrued interest payable	416,835	-
(Decrease) Increase in deferred revenue	<u>(194,748)</u>	<u>315,397</u>
Net cash flows provided by operating activities	<u>\$ 330,011</u>	<u>\$ 1,985,480</u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash payments for:		
Interest	\$ 599,772	569,634
Taxes	-	-

See accompanying notes to the financial statements.

CAMERON COUNTY  
REGIONAL MOBILITY AUTHORITY

**Notes to Financial Statements**  
September 30, 2012

**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, 2012

**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 2012 and 2011 was \$124,985 and \$46,362, 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, 2012

**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 \$3,685,687 in restricted assets which was composed of CCRMA's investment in capital projects that will transfer to TXDOT upon completion.

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. **Comparative Data/Reclassifications**

Certain amounts presented in prior year data have been reclassified in order to be consistent with the current year's presentation.

J. **Subsequent Events** – Management has evaluated subsequent events through April 2, 2013 which is the date the financial statements were available to be issued.

**Note 2 – Cash and Cash Equivalents**

***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.

At September 30, 2012, the carrying amount of the CCRMA's cash and cash equivalents was \$49,569,871 of which \$7,340,639 was held in debt reserve at BNY Mellon, \$38,552,258 was held in a trust account at BNY Mellon, and the remainder was in business interest checking accounts as of September 30, 2012.

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, 2012.

CAMERON COUNTY  
REGIONAL MOBILITY AUTHORITY

**Notes to Financial Statements**  
September 30, 2012

**Note 3 – Capital Assets**

The following schedule summarizes the capital assets of the CCRMA as of September 30, 2012:

	<u>2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>2012</u>
Depreciable	\$ 2,470,387	\$ 78,345	\$ -	\$ 2,548,732
Non-Depreciable-CIP	23,167,096	3,875,207	(68,549)	26,973,754
Accumulated depreciation	<u>(46,362)</u>	<u>(124,985)</u>		<u>(171,347)</u>
Net capital assets	<u>\$ 25,591,121</u>	<u>\$ 3,828,567</u>	<u>\$ (68,549)</u>	<u>\$ 29,351,139</u>

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

<u>Project</u>	<u>Additions</u>
SPI Second Causeway	\$ 599,150
West Loop/West Pkwy	121,411
State Highway 550	464,877
East Loop	2,123,678
Port Access Rd	163,512
General Brant Rd	17,708
Outer Parkway	22,046
281 Connector	20,551
US 77	<u>342,274</u>
Total	<u>\$ 3,875,207</u>

**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: \$23,199,273 for the West Rail project, \$12,109,978 for the Olmito Switch Yard, and \$303,399 for a cross project of the Switchyard, called Olmito RIP facility leaving a combined total of \$35,612,650.

**CAMERON COUNTY  
REGIONAL MOBILITY AUTHORITY**

**Notes to Financial Statements  
September 30, 2012**

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

Of the current receivables, 91% are due from the Cameron County Tax Assessor’s Office at September 30, 2012. Payable balances are comprised of 3% from contractors and vendors at September 30, 2012. The remaining 97% 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, 2012 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Due to Texas Department of Transportation	<u>\$ 29,567,532</u>	<u>\$ 5,943,788</u>	<u>\$ (312,285)</u>	<u>\$ 35,199,035</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, 2012, \$28,380,000 remains outstanding.

In June 2012 the Authority and Cameron County entered into SH550 Funding and Development Agreement, a project titled “SH5500 Director Connector Transportation Project.” This project will be a component of a tolled facility and upon completion, traffic using SH550 will have a route free of at-grade intersections from U.S. 77/83 to SH48 at the Port of Brownsville. 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 per “Funding Agreement.” As a condition of funding, the Authority is obligated to repay the funding together with interest the County will pay on the Bonds. The bonds carry interest rates of 2.125% to 5.0% and mature between February 2017 and February 2032. At September 30, 2012 \$40,000,000 remain outstanding.



CAMERON COUNTY  
REGIONAL MOBILITY AUTHORITY

**Notes to Financial Statements**  
September 30, 2012

**Note 6 – Non-Current Liabilities - Continued**

The bond issues are summarized as follows:

	Balance Outstanding October 1, 2011	Additions	Deletions	Balance Outstanding September 30, 2012	Due Within One Year
<b>Bonds Payable:</b>					
Revenue Bonds Payable	\$ 28,780,000	\$ 40,000,000	\$ (400,000)	\$ 68,380,000	\$ 600,000
Plus: Premium on Refunding	<u>82,558</u>	<u>4,470,882</u>	<u>(18,535)</u>	<u>4,534,905</u>	<u>-</u>
<b>Total Bonds Payable</b>	<u>\$ 28,862,558</u>	<u>\$ 44,470,882</u>	<u>\$ (418,535)</u>	<u>\$ 72,914,905</u>	<u>\$ 600,000</u>

The annual requirements to retire revenue bonds outstanding at September 30, 2012 are as follows:

	2010A Bonds			2010B Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	825,000	411,500	1,236,500	-	1,017,853	1,017,853
2018-2027	9,075,000	2,046,488	11,121,488	1,270,000	10,136,925	11,406,925
2028-2036	-	-	-	<u>14,265,000</u>	<u>4,471,249</u>	<u>18,736,249</u>
<b>Total</b>	<u>\$ 12,845,000</u>	<u>\$ 4,305,438</u>	<u>\$ 17,150,438</u>	<u>\$ 15,535,000</u>	<u>\$ 19,697,439</u>	<u>\$ 35,232,439</u>

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**CAMERON COUNTY  
REGIONAL MOBILITY AUTHORITY**

**Notes to Financial Statements  
September 30, 2012**

**Note 6 – Non-Current Liabilities - Continued**

	2012 Bonds		
	Principal	Interest	Total
2013	\$ -	\$ 1,832,046	\$ 1,832,046
2014	-	1,911,700	1,911,700
2015	-	1,911,700	1,911,700
2016	-	1,911,700	1,911,700
2017	840,000	1,899,100	2,739,100
2018-2027	10,275,000	17,091,575	27,366,575
2028-2037	16,775,000	10,593,625	27,368,625
2038-2042	12,110,000	1,574,250	13,684,250
	<u>\$ 40,000,000</u>	<u>\$ 38,725,696</u>	<u>\$ 78,725,696</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 \$987,337 in accordance with Financial Accounting Standards Codification 820-20-30; the remaining interest was expended for a total of \$599,772.

**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, 2012, there have been no payments on this loan and both parties have agreed that payments will be made in the subsequent year. 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 per year by CCRMA.

CAMERON COUNTY  
REGIONAL MOBILITY AUTHORITY

**Notes to Financial Statements**  
September 30, 2012

**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 prior years CCRMA had recorded accounts receivables for reimbursable expenses of \$182,315 related to the Olmito RIP Facility Project and \$129,970 related to the West Rail Project. An adjustment was made to remove these from total receivables and the due to Texas Department of Transportation. These adjustments have no effect on the fund balance. An adjustment of \$125,887 was also made to eliminate prior period expenses related to debt and interest payments on the bonds. This adjustment increased unrestricted fund balance by \$125,887.

**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, 2012, and have issued our report thereon dated April 2, 2013. 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**

Management of CCRMA is responsible for establishing and maintaining effective 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 IC2012-1 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 CCRMA'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  
April 2, 2013

**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's (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, 2012. 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, 2012.

## 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.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of CCRMA's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on CCRMA's compliance but not to provide an opinion on the effectiveness of CCRMA's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCRMA's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purposes.



**LONG CHILTON, LLP**  
*Certified Public Accountants*

Brownsville, Texas  
April 2, 2013

CAMERON COUNTY  
REGIONAL MOBILITY AUTHORITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
Year Ended September 30, 2012

<u>Federal/State Grantor/Pass Through Grantor Program</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Federal/State Expenditures</u>
<b>Federal:</b>			
<b>US Department of Transportation</b>			
Passed through the Texas Department of Transportation			
West Rail	ARRA Funds	20.205	\$ 2,366,325
West Rail		20.205	1,216,064
<b>US Federal Railroad Administration</b>			
West Rail		20.314	1,709,386
			<u>\$ 5,291,775</u>
<b>State:</b>			
<b>Texas Department of Transportation</b>			
SPI 2nd Causeway		CSJ# 0921-06-163	\$ 599,150
West Loop Project		CSJ# 0921-06-184	121,411
			<u>\$ 720,561</u>

**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, 2012**

**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? \_\_\_\_\_   X   Yes      \_\_\_\_\_ 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
20.314	Federal Railroad Administration
State –	
CSJ 0921-06-163	SPI 2 <sup>ND</sup> 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, 2012

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

Dollar threshold used to distinguish between Type A and Type B Federal programs                      Type A \$ 300,000    Type B \$100,000

Auditee qualified as low-risk auditee?    \_\_\_\_\_ Yes                        X   No

Dollar threshold used to distinguish between Type A and Type B State programs                      Type A \$ 300,000    Type B \$100,000

Auditee qualified as low-risk auditee?      X   Yes                      \_\_\_\_\_ No

**II. FINANCIAL STATEMENT FINDINGS**

***Finding IC2012-1:***

***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, 2012

**II. FINANCIAL STATEMENT FINDINGS - CONTINUED**

*Finding IC2012-1 – Continued*

*Perspective Information:*

Management anticipates project costs to increase which will require an effective cost financial reporting system to track the project costs.

*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, 2012

**II. FINANCIAL STATEMENT FINDINGS**

***Finding IC2012-1:***

***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.

***Perspective Information:***

Management anticipates project costs to increase which will require an effective cost financial reporting system to track the project costs.

***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, 2012

**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 costs 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.

***Perspective Information:***

Management anticipates project costs to increase which will require an effective cost financial reporting system to track the project costs.

***Recommendation:***

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

***Status:***

Current year financial statement finding.

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

None noted which required reporting.