

**CAMERON COUNTY  
REGIONAL MOBILITY AUTHORITY  
(A COMPONENT UNIT OF CAMERON COUNTY, TEXAS)**

**FINANCIAL STATEMENTS**

**YEARS ENDED SEPTEMBER 30, 2013 and 2012**

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A COMPONENT UNIT OF CAMERON COUNTY, TEXAS)

September 30, 2013

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Cameron County Regional Mobility Authority (RMA), a component unit of Cameron County, Texas, as of and for the year ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the RMA's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the RMA as of September 30, 2013 and 2012, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 1 to the financial statements, in 2013 the RMA adopted new accounting guidance, GASB statement Nos. 63 and 65. These include, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Items Previously Reported as Assets and Liabilities*. As a result of the implementation of Statement No. 65, the RMA reported a change in accounting principle to report the effect of no longer deferring and amortizing bond issuance costs. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

The schedule of expenditures of federal/state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2014, on our consideration of the RMA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RMA's internal control over financial reporting and compliance.

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

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

Brownsville, Texas  
March 27, 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is management's discussion and analysis of the financial performance and activity of the Cameron County Regional Mobility Authority (the RMA), and is designed to provide an overview that users may use to interpret the basic financial statements for the year ended September 30, 2013. This discussion and analysis has been prepared by management and should be used in conjunction with the basic financial statements and notes thereafter.

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

### **2013 Financial Highlights**

- Vehicle Registration Fees increased 1.5% from 2012 to 2013 increasing from \$2.80 million to \$2.84 million, respectively. Vehicle Registration Fees also increased 2.8% from 2011 to 2012, increasing from \$2.72 million in 2011 to \$2.80 million in 2012.
- Toll revenues experienced a decrease of 18% from 2012 to 2013 decreasing from \$207,478 to \$170,749, respectively. Toll revenues did experience a significant increase from 2011 to 2012 increasing from \$68,707 in 2011 to \$207,478 in 2012.
- Funding for the SH550 Direct Connector project provided grant funds in the amount of \$5,671,590 in 2013, and other ARRA funding in the amount of \$624,943, for a total of \$6.3 million in grant funds for 2013. No grant revenues were received in the years 2012 and 2011.
- Operating expenses in 2013 were approximately \$4.7 million, an increase from \$1.2 million in 2012. This increase was primarily caused by the expensing of project development work capitalized in prior years. Operating expenses decreased \$384,607 from 2011 to 2012, decreasing from \$1.6 million to \$1.1 million, respectively.
- Capital assets net of related depreciation increased a total of \$13.8 million from 2012 to 2013. This increase was attributed to the completion of construction on the second phase of the SH550 and additional toll equipment placed in service during the year. Construction in process increased a net total of \$1.4 million from the prior year largely due to the commencement of construction on the third and final phase of the SH550. This total was offset with the amounts transferred from Construction in Process to Capital Assets. For the years 2011 to 2012 Construction in process increased a net total of \$3.8 million.

### **Overview of Basic Financial Statements**

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

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

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

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

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

## FINANCIAL ANALYSIS OF CCRMA

### Summary of Net Position

The analysis of the RMA’s net position includes the total assets minus the total liabilities with the residual difference of net position. The RMA’s net position for the years ending September 30, 2013, 2012, and 2011 were approximately \$7.8 million, \$4.3 million, and \$4.0 million, respectively. The largest component of total assets for all three years was the non-current assets. Non-current assets accounts for approximately 82%, 94%, and 76% for the years 2013, 2012, and 2011, respectively. These assets consist of unexpended bond funds and development projects in which the RMA will not retain ownership at completion.

Total liabilities as of September 30, 2013, 2012, and 2011 were approximately \$120.3 million, \$111.9 million, and \$66.9 million, respectively. Non-current liabilities account for the majority of the total liabilities and consist of Financial Assistance Agreements with TxDot, amounts due to other agencies, and long term bond payables. A more detailed description is provided in the notes to the financial statements.

### **Summary of Net Position**

	2013	2012	2011
<b>Assets:</b>			
Current assets	\$ 6,409,116	\$ 4,477,042	\$ 14,424,744
Capital assets, net	16,223,404	2,378,478	2,424,025
Construction in Process	28,409,045	26,973,755	23,167,096
Other non-current	77,164,353	82,379,179	30,942,677
Total Assets	<u>\$ 128,205,918</u>	<u>\$ 116,208,454</u>	<u>\$ 70,958,542</u>

**Liabilities:**

Current liabilities	\$ 6,017,391	\$ 2,260,395	\$ 6,496,906
Non-Current liabilities	114,376,005	109,628,518	60,444,518
Total liabilities	<u>\$ 120,393,396</u>	<u>\$ 111,888,913</u>	<u>\$ 66,941,424</u>

**Net position:**

Net investments in capital assets	8,761,616	547,674	2,084,156
Restricted	1,661,207	2,816,031	1,536,533
Unrestricted	(2,610,302)	955,836	396,429
Total net position	<u>\$ 7,812,521</u>	<u>\$ 4,319,541</u>	<u>\$ 4,017,118</u>

**Capital & Other Non-Current Assets**

Capital assets of the RMA include the infrastructure portion of the SH550 toll road placed in service along with toll equipment net of accumulated depreciation. The projects undergoing construction, traffic studies, environmental and preliminary engineering studies are recorded as construction in process. As of September 30, 2013, 2012, and 2011 the RMA had approximately \$28.4 million, \$26.9 million, and \$23.2 million in construction in process. The RMA will at times provide resources and develop transportation projects that meet the overall strategic goals of the RMA, however will not retain direct ownership at completion of the project. These projects are recorded as redevelopment assets on the Statements of Net Position.

**Capital & Other Non-Current Assets**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Capital Assets:</b>			
Capital Assets, net	\$ 16,223,404	\$ 2,378,478	\$ 2,424,025
<b>Non-Current Assets</b>			
Restricted Assets	37,651,010	46,549,902	2,256,741
Construction in Pcess	28,409,045	26,973,755	23,167,096
Redevelopment and other non-current assets	<u>39,513,343</u>	<u>35,829,277</u>	<u>28,685,936</u>
Totals	<u>\$ 121,796,802</u>	<u>\$ 111,731,412</u>	<u>\$ 56,533,798</u>

**Non-Current Liabilities**

Due to other agencies as of September 30, 2013, 2012, and 2011 were approximately \$42.9 million, \$37.3 million, and \$31.6 million, respectively. These amounts include funds provided to the RMA for the development of other projects mentioned above in which the RMA will not retain direct ownership of. In the totals for long term bonds payable, the RMA has both tax exempt and non-tax exempt issuances, a more detailed description to these bond issuances can be found in the notes to the financial statements.

**Non-Current Liabilities**

	2013	2012	2011
<b>Non-Current Liabilities:</b>			
Due to Other Agencies	\$ 42,981,244	\$ 37,305,362	\$ 31,581,960
Long Term Bond Payable	71,394,762	72,323,156	28,862,558
<b>Totals</b>	<b>\$ 114,376,006</b>	<b>\$ 109,628,518</b>	<b>\$ 60,444,518</b>

**Changes in Net Position**

The RMA's total revenues and capital contributions for the year ending September 30, 2013, 2012, and 2011 were approximately \$9.8 million, \$3.0 million, and \$2.8 million, respectively. Total revenues and capital contributions experienced a significant increase in 2013 from 2012, largely due to grant funds received for the Construction of the SH550 Direct Connector. These capital contributions were used entirely in the construction of that project. Total operating expenses for the year ending September 30, 2013, 2012, and 2011 were approximately \$4.7 million, \$1.2 million, and \$1.6 million, respectively. In 2013 a total of \$3.4 million of operating expense was attributed to the completion of work provided by the RMA for the US 77/I-69 Project which had been capitalized in the prior years as the services were provided.

**Changes in Net Position**

	2013	2012	2011
<b>Revenues:</b>			
Vehicle Registration Fees	\$ 2,843,510	\$ 2,800,570	\$ 2,725,505
Toll Revenue	170,749	207,478	68,787
Other Operating Revenue	120,000	-	-
Non Operating Revenue	393,842	53,915	21,253
<b>Total Revenues</b>	<b>3,528,101</b>	<b>3,061,963</b>	<b>2,815,545</b>
<b>Expenses:</b>			
Operating	4,703,015	1,183,350	1,567,957
Non Operating	1,628,640	1,297,164	-
<b>Total Expenses</b>	<b>6,331,655</b>	<b>2,480,514</b>	<b>1,567,957</b>
<b>Capital Contributions:</b>	<b>6,296,534</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>\$ 3,492,980</b>	<b>\$ 581,449</b>	<b>\$ 1,247,588</b>

**Contacting the RMA's Financial Management**

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

**CAMERON COUNTY REGIONAL MOBILITY AUTHORITY**  
**(A COMPONENT UNIT OF CAMERON COUNTY, TEXAS)**

**Statements of Net Position**  
September 30, 2013 and 2012

	2013	2012
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 2,111,181	\$ 3,667,787
Accounts Receivable	549,424	809,255
Due from other agencies	3,740,092	-
Prepaid Expenses	8,419	-
Total Current Assets	6,409,116	4,477,042
<b>Non-current Assets:</b>		
<b>Restricted Assets:</b>		
Cash - Trustee Funds	34,634,832	43,641,724
Cash - Debt reserve	2,256,740	2,256,740
Cash - Debt service	759,438	651,438
Total Restricted Assets	37,651,010	46,549,902
Capital assets, net	16,223,404	2,378,478
Redevelopment assets	39,392,798	35,704,549
Construction in process	28,409,045	26,973,755
Unamortized bond insurance	120,545	124,728
<b>Total Assets</b>	<b>\$ 128,205,918</b>	<b>\$ 116,208,454</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 4,577,306	\$ 993,560
Accrued interest payable	425,085	416,835
Due to other governments	250,000	250,000
Current maturities of bonds	765,000	600,000
Total current liabilities:	6,017,391	2,260,395
<b>Non-current Liabilities:</b>		
Due to other agencies	42,981,244	37,305,362
Long-term bond payable	71,394,762	72,323,156
Total non-current liabilities	114,376,006	109,628,518
<b>Total Liabilities</b>	<b>120,393,397</b>	<b>111,888,913</b>
<b>NET POSITION</b>		
Net investment in capital assets	8,761,616	547,674
Restricted	1,661,207	2,816,031
Unrestricted	(2,610,302)	955,836
Total net position	7,812,521	4,319,541
<b>Total Liabilities and Net Position</b>	<b>\$ 128,205,918</b>	<b>\$ 116,208,454</b>

The accompanying notes are an integral part of these statements.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A COMPONENT UNIT OF CAMERON COUNTY, TEXAS)

**Statements of Revenues, Expenditures  
And Changes in Net Position**  
Years Ended September 30, 2013 and 2012

	2013	2012
<b>Operating Revenues</b>		
Vehicle registration fee	\$ 2,843,510	\$ 2,800,570
Toll revenue	170,749	207,478
Other operating revenue	120,000	-
<b>Total operating revenues</b>	<b>3,134,259</b>	<b>3,008,048</b>
<b>Operating Expenses</b>		
Advertising	8,921	23,971
Contractual services	447,350	794,164
Insurance	4,039	-
Miscellaneous	53,403	12,691
Office supplies	7,882	14,040
Professional services	103,618	146,311
Travel	52,178	35,095
Toll services	103,468	32,093
Utilities	5,024	-
Depreciation	471,931	124,985
Project expensed	3,445,201	-
<b>Total operating expenses</b>	<b>4,703,015</b>	<b>1,183,350</b>
<b>Operating income (loss)</b>	<b>(1,568,756)</b>	<b>1,824,698</b>
<b>Non-Operating Revenues (Expenses)</b>		
Bond issuance costs	-	(722,209)
Debt interest	(1,628,640)	(574,955)
Interest income	5,818	7,767
Other revenue	388,024	46,148
<b>Total non-operating revenue (expenses)</b>	<b>(1,234,798)</b>	<b>(1,243,249)</b>
<b>Income (loss) before capital contributions</b>	<b>(2,803,554)</b>	<b>581,449</b>
<b>Capital Contributions</b>	<b>6,296,534</b>	<b>-</b>
Change in net position	<b>3,492,980</b>	<b>581,449</b>
<b>Net Position - beginning of year</b>	<b>4,319,541</b>	<b>4,017,116</b>
<b>Prior period adjustment</b>	<b>-</b>	<b>(279,024)</b>
<b>Net Position - beginning of year restated</b>	<b>4,319,541</b>	<b>3,738,092</b>
<b>Net Position - end of year</b>	<b>\$ 7,812,521</b>	<b>\$ 4,319,541</b>

The accompanying notes are an integral part of these statements.

**CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A COMPONENT UNIT OF CAMERON COUNTY, TEXAS)**

**Statements of Cash Flows**

Years Ended September 30, 2013 and 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from vehicle registration fees	\$ 3,026,130	\$ 2,800,570
Receipts from toll revenues	156,778	207,478
Receipts from other income	361,877	233,128
Payments to Vendors	<u>(1,132,063)</u>	<u>(2,918,932)</u>
Net cash provided by (used in) operating activities	<u>2,412,722</u>	<u>322,244</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisitions of property and equipment	(774,815)	(3,760,018)
Payments on interest	(1,628,640)	(599,772)
Acquisitions of construction in progress	(13,491,609)	(7,465,862)
Payments on bond principal	(600,000)	(600,000)
Bond proceeds	-	45,070,882
Capital contributions	6,296,534	-
Other financing sources	<u>(2,027,690)</u>	<u>4,973,074</u>
Net cash (used) by capital and related financing activities	<u>(12,226,220)</u>	<u>37,618,304</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Receipts from interest income	<u>5,818</u>	<u>7,767</u>
Net increase in cash and cash equivalents	(9,807,680)	37,948,315
Cash and Cash equivalents at beginning of year	50,217,689	11,621,556
Prior period adjustment affecting cash	<u>(647,818)</u>	<u>647,818</u>
Cash and cash equivalents at end of year	<u>\$ 39,762,191</u>	<u>\$ 50,217,689</u>
<b>RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (1,568,756)	\$ 1,824,698
Adjustments to reconcile operating income to net cash provided by operating activities:		
Net prior period adjustment affecting operations	290,444	(290,444)
Depreciation expense	471,931	124,985
Amortization of premium/discount	155,143	-
Issuance cost expense	-	(722,209)
Changes in assets and liabilities:		
(Increase) decrease in prepaid expenses and other assets	(8,419)	266,667
(Increase) decrease in due from other agencies	(3,480,261)	4,009,046
(Increase) decrease in accounts payable	3,583,746	(5,112,586)
(Increase) decrease in Due to other agencies	3,080,644	-
(Decrease) increase in accrued interest payable	8,250	416,835
(Decrease) increase in deferred revenue	<u>(120,000)</u>	<u>(194,748)</u>
Net cash flows provided by operating activities	<u>\$ 2,412,722</u>	<u>\$ 322,244</u>

(continued)

**CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
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**Statements of Cash Flows - Continued**  
Years Ended September 30, 2013 and 2012

**RECONCILIATION OF ENDING CASH AND CASH EQUIVALENTS TO THE  
STATEMENT OF NET POSITION**

Ending cash - Statement of Cash Flows	\$ 39,762,191	\$ 50,217,689
Less: amount reported in		
Restricted Assets	<u>37,651,010</u>	<u>46,549,902</u>
Ending cash - Statement of Net Position	<u>\$ 2,111,181</u>	<u>\$ 3,667,787</u>

**Supplemental Disclosures of Cash Flow Information**

**Cash Payments for:**

Interest	\$ 1,620,390	\$ 158,120
Taxes	\$ -	\$ -

The accompanying notes are an integral part of these statements.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A COMPONENT UNIT OF CAMERON COUNTY, TEXAS)

**Notes to Financial Statements**  
September 30, 2013

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

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

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

A. Reporting Entity

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

B. Basis of Accounting

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

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
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**Notes to Financial Statements**  
September 30, 2013

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

**B. Basis of Accounting – Continued**

services associated with operations or project studies. 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. 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 Position 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 2013 and 2012 was \$471,931 and \$124,985, respectively.

**E. Capital Contributions**

Capital Contributions are comprised of federal, state, and local grants. The portion of the grants and reimbursements used for capital purposes are reflected as capital contributions in the Statements of Revenue, Expenses and Changes in Net Position. The funds are reimbursable contributions, whereas the RMA first pays for the project and then the granting agency reimburses the RMA for its eligible expenditures.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A COMPONENT UNIT OF CAMERON COUNTY, TEXAS)

**Notes to Financial Statements**  
September 30, 2013

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

F. Income Taxes

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

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

The RMA defines operating revenues and expenses as those revenues and expenses generated by a specified program offering either a good or service. This definition is consistent with GASB Statement No. 9 which defines operating receipts as cash receipts from customers and other cash receipts that do not result from transactions defined as capital and related financing, non-capital financing or investing activities.

H. Net Position

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

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

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A COMPONENT UNIT OF CAMERON COUNTY, TEXAS)

Notes to Financial Statements  
September 30, 2013

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

H. Net Position – Continued

Net Position as of September 30, 2013

Net investment in capital assets	\$ 8,761,616
Restricted	1,661,207
Unrestricted	<u>(2,610,302)</u>
Net Position	<u>\$ 7,812,521</u>

Net Position as of September 30, 2012 (Restated)

Net investment in capital assets	\$ 547,674
Restricted	2,816,031
Unrestricted	<u>955,836</u>
Net Position	<u>\$ 4,319,541</u>

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 March 27, 2014 which is the date the financial statements were available to be issued.

K. Early Implementation of Accounting Standards

In March 2012, GASB issued its statement No. 65 *Items Previously Reported as Assets and Liabilities*, which becomes effective for periods beginning after December 15, 2012; however early implementation is encouraged. The RMA adopted and implemented in these financial statements GASB 65. The statement establishes accounting and financial reporting standards to reclassify, as deferred outflows or inflows of resources, certain items that were previously reported as assets or liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. The changes adopted were applied retroactively to all periods presented. This statement impacted the RMA's financial statements by reclassifying certain debt issuance costs from an asset, to an outflow of resources in the

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
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**Notes to Financial Statements**  
September 30, 2013

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

period incurred causing a restatement in the total assets as well as the change in net position. A summary of the net effect of early implementation of GASB 65 on the RMA's financial statements follows:

	September 30, 2012 As previously reported	September 30, 2012 Restated
	<u>                    </u>	<u>                    </u>
Total Assets	\$ 117,030,731	\$ 116,208,454
Beginning Net Position	<u>\$ 4,017,116</u>	<u>\$ 3,738,092</u>
Ending Net Position	<u>\$ 5,295,956</u>	<u>\$ 4,319,541</u>

**Note 2 – Deposits and Investments**

***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 RMA will not be able to recover its deposits or will not be able to recover its collateral securities that are in the possession of an outside party. The RMA complies with its investment policy for all its cash and cash equivalent accounts which calls for safety of principal as the first priority in its deposit accounts.

At September 30, 2013, the carrying amount of the RMA's cash, cash equivalents and restricted cash was \$39,762,191 of which \$3,016,178 was held in debt reserve at BNY Mellon for the 2010 bond series, \$34,634,832 was held in trust accounts at BNY Mellon for the 2012 bond series, and the remainder was in business interest checking accounts.

There is no limit on the amount the RMA may deposit in any one institution. However, the Federal Deposit Insurance Corporation only insures up to \$250,000 per institution. The RMA is fully collateralized with pledged securities for amounts in excess of the FDIC limit for the year ended September 30, 2013.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A COMPONENT UNIT OF CAMERON COUNTY, TEXAS)

**Notes to Financial Statements**  
September 30, 2013

**Note 3 – Capital Assets**

The following schedules summarize the capital assets and Construction in Process of the RMA as of September 30, 2013 and 2012:

Capital Assets	October 1, 2012	Additions	Deletions	September 30, 2013
Depreciable	\$ 2,549,825	\$ 14,370,658	\$ (53,801)	\$ 16,866,682
Accumulated Depreciation	(171,347)	(471,931)		(643,278)
Net Capital Assets	<u>2,378,478</u>	<u>13,898,727</u>	<u>(53,801)</u>	<u>16,223,404</u>
Non-Depreciable CIP	<u>\$ 26,973,755</u>	<u>\$ 17,877,209</u>	<u>\$ (16,441,919)</u>	<u>\$ 28,409,045</u>

The additions related to construction in process are as follows:

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

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A COMPONENT UNIT OF CAMERON COUNTY, TEXAS)

**Notes to Financial Statements**  
September 30, 2013

**Note 3 – Capital Assets – Continued**

	October 1, 2011	Additions	Deletions	September 30, 2012
Depreciable	\$ 2,470,387	\$ 79,438	\$ -	\$ 2,549,825
Accumulated Depreciation	(46,362)	(124,985)	-	(171,347)
Net Capital Assets	<u>2,424,025</u>	<u>(45,547)</u>	<u>-</u>	<u>2,378,478</u>
Non-Depreciable CIP	<u>\$ 23,167,096</u>	<u>\$ 3,875,207</u>	<u>\$ (68,548)</u>	<u>\$ 26,973,755</u>

**Note 4 – Redevelopment Assets**

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

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

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
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**Notes to Financial Statements**  
September 30, 2013

**Note 4 – Redevelopment Assets – Continued**

Redevelopment Assets	October 1, 2011	Additions	Deletions	September 30, 2012
Brownsville/Matamoros	\$ 15,932,058	\$ 7,359,114	\$ -	\$ 23,291,172
Olmito Switchyard	12,214,730	198,647	-	12,413,377
<b>Total Redevelopment Assets</b>	<b>\$ 28,146,788</b>	<b>\$ 7,557,761</b>	<b>\$ -</b>	<b>\$ 35,704,549</b>

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

Of the current receivables, 89% are due from the Cameron County Tax Assessor’s Office for Vehicle Registration Fees outstanding at September 30, 2013. The Due from other agencies consists of amounts pending reimbursement for construction project expenditures. Accounts payable balances are comprised 32% from operations, contractors, and professional services at September 30, 2013. The remaining 68% of accounts payable represents the construction obligations for construction in process outstanding at September 30, 2013.

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CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A COMPONENT UNIT OF CAMERON COUNTY, TEXAS)

**Notes to Financial Statements**  
September 30, 2013

**Note 6 – Non-Current Liabilities**

Due to other agencies is comprised of the following projects:

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

<b>Due to Other Agencies</b>	<u>October 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2012</u>
Due to other governments - West Rail Project	\$ 15,745,615	\$ 5,383,675	\$ (312,285)	\$ 20,817,005
Due to other governments - Olmito Switch Yard Project	9,028,321	-	-	9,028,321
TxDot FAA - South Padre Island 2nd Access	4,768,809	446,638	-	5,215,447
TxDot FAA - West Parkway	<u>2,234,612</u>	<u>9,977</u>	<u>-</u>	<u>2,244,589</u>
<b>Total</b>	<u><u>\$ 31,777,357</u></u>	<u><u>\$ 5,840,290</u></u>	<u><u>\$ (312,285)</u></u>	<u><u>\$ 37,305,362</u></u>

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

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A COMPONENT UNIT OF CAMERON COUNTY, TEXAS)

**Notes to Financial Statements**  
September 30, 2013

**Note 7 – Long-Term Bonds Payable**

On April 1, 2010, RMA issued \$28.7 million of special revenue bonds, consisting of two series of bonds, 2010A and 2010B both secured by vehicle registration fees of Cameron County. The \$13.2 million and \$15.5 million of the 2010A and 2010B bonds were issued as term bonds. The 2010A bonds carry interest rates of 2.0% to 5.0% and mature between February 2012 and February 2026. The 2010B bonds carry an interest rate of 6.5%, maturing on February 2036. All term bonds are subject to mandatory redemption in prescribed amounts before the maturity dates. At September 30, 2013, \$27,780,000 remains outstanding.

In June 2012 the RMA and Cameron County entered into SH550 Funding and Development Agreement, a project titled “SH550 Director Connector Transportation Project.” This project will be a component of the total configuration of the SH 550 tolled facility and upon completion, traffic using SH550 will have a route free of at-grade intersections from I-69E (formally known as US77) 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 as well as an administrative fee also known as a “CAF Fee” annually. The bonds carry interest rates of 2.125% to 5.0% and mature between February 2017 and February 2032. At September 30, 2013 \$40,000,000 remain outstanding.

The bond issues are summarized as follows:

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

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
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**Notes to Financial Statements**  
September 30, 2013

**Note 7 – Long-Term Bonds Payable – Continued**

The bond issues are summarized as follows: Continued

Bonds Payable	Balance as of October 1, 2011	Additions	Reductions	Balance as of September 30, 2012	Due within one year
2010 Revenue Bonds	\$ 28,780,000	\$ -	\$ (400,000)	\$ 28,380,000	\$ (600,000)
Plus: Premium	82,558	-	(6,115)	76,443	-
				-	
2012 Revenue & Tax Bonds	-	40,000,000	-	40,000,000	-
Plus: Premium	-	4,470,882	(12,420)	4,458,462	-
	<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, 2013 are as follows:

	2010A Bonds			2010B Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	850,000	384,250	1,234,250	-	1,017,853	1,017,853
2019-2028	8,225,000	1,662,238	9,887,238	1,270,000	976,248	2,246,248
2029-2036	-	-	-	14,265,000	4,471,249	18,736,249
	<u>\$ 12,245,000</u>	<u>\$ 3,820,663</u>	<u>\$ 16,065,663</u>	<u>\$ 15,535,000</u>	<u>\$ 10,536,762</u>	<u>\$ 26,071,762</u>

	2012 Revenue & Tax Bonds		
	Principal	Interest	Total
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	860,000	1,876,288	2,736,288
2019-2028	10,740,000	16,626,413	27,366,413
2029-2038	17,635,000	9,733,375	27,368,375
2039-2048	9,925,000	1,023,375	10,948,375
	<u>\$ 40,000,000</u>	<u>\$ 36,893,651</u>	<u>\$ 76,893,651</u>

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A COMPONENT UNIT OF CAMERON COUNTY, TEXAS)

**Notes to Financial Statements**  
September 30, 2013

**Note 8- Interest Capitalization/Expenditure**

The RMA had capitalized interest regarding projects funded by the 2010A & 2010B revenue and 2012 Revenue and Tax bonds in the total amount of \$151,452 and \$1,403,620, respectively. The remaining interest was expensed in the amount of \$1,628,640 for the year ending September 30, 2013.

**Note 9 – Interlocal Agreements**

**Cameron County**

On April 11, 2006 Cameron County (County) entered into an agreement with the RMA whereby the County would provide a loan of \$250,000 for the purpose of assisting the RMA in its organizational efforts. As of September 30, 2013, there have been no payments on this loan and both parties have agreed that payments will be made in the subsequent year. The RMA and Cameron County entered into an administrative agreement executed on September 21, 2011. The agreement stipulated that Cameron County would provide administrative services for RMA, and the County would be reimbursed \$70,000 per year by RMA. This agreement was terminated as of September 30, 2013. The RMA had also utilized several County employees on a contractual basis for administrative and accounting services. Effective September 30, 2013 many of these contracted services ceased and did not continue into the subsequent year. The RMA has hired its own staff to fulfill these duties.

**Note 10 – Advertising**

The RMA 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 11 – Prior Period Adjustment**

Below is a summary of the accumulated adjustments affecting the prior period.

<u>Summary of Prior Period Adjustment to Net Position</u>	<u>Amount</u>
Net amount of capital expenditures misclassified in prior year	\$ 92,993
Net affect of adjustment to accounts payable in the prior year	(229,707)
Net affect of adjustment for misclassified debt reserve balances	427,157
Net affect of GASB 65 adjustment for years not presented	<u>(569,467)</u>
Total Prior Period adjustment to net position	<u>\$ (279,024)</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Cameron County Regional Mobility Authority (RMA), a component unit of Cameron County, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise RMA's basic financial statements, and have issued our report thereon dated March 27, 2014.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

**LONG CHILTON, LLP**

Brownsville, Texas  
March 27, 2014

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

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

**Report on Compliance for Each Major Federal/State Program**

We have audited Cameron County Regional Mobility Authority's (RMA) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement and State of Texas Single Audit Circular* that could have a direct and material effect on each of RMA's major federal/state programs for the year ended September 30, 2013. RMA's major federal/state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

## ***Opinion on Each Major Federal/State Program***

In our opinion, the RMA, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal/state programs for the year ended September 30, 2013.

## **Report on Internal Control Over Compliance**

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

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

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

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



**LONG CHILTON, LLP**

Brownsville, Texas  
March 27, 2014

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A COMPONENT UNIT OF CAMERON COUNTY, TEXAS)

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
Year Ended September 30, 2013

<u>Federal Grantor/Pass Through Grantor Program</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>2013 Expenditures</u>
<b>US Department of Transportation</b>			
Passed through the Texas Department of Transportation			
<b>Federal</b>			
Advance Funding Agreement - West Rail Project	20.205	CSJ 0921-06-073, CSJ 0921-06-233	\$ 1,728,896
Federal Rail Administration	20.314	FR-LRI-0023-11-01- 00	\$ 1,300,710
SH550	20.205	PT-2011-013-01, CSJ 3622-01-003	\$ 13,410,496
SH550 - ARRA Funds	20.205	CSJ 3622-01-003	\$ 626,739
			<u>\$ 17,066,841</u>
<b>State</b>			
South Padre Island Pkwy		CSJ 0921-06-163	<u>\$ 698,991</u>

**Notes to Schedule**

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

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A COMPONENT UNIT OF CAMERON COUNTY, TEXAS)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
FEDERAL AND STATE AWARDS**  
For Year Ended September 30, 2013

**I. SUMMARY OF INDEPENDENT AUDITOR’S RESULTS**

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Federal/State Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal/State Program or Cluster</u>
Federal –	
20.205	Highway Planning and Construction 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  
(A COMPONENT UNIT OF CAMERON COUNTY, TEXAS)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
FEDERAL AND STATE AWARDS - CONTINUED**  
For Year Ended September 30, 2013

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

Dollar threshold used to distinguish between Type A and Type B Federal programs                      Type A \$512,005    Type B \$100,00

Auditee qualified as low-risk auditee?                        X   Yes                           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**

None noted which were required to be reported.

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

None noted which were required to be reported.

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CAMERON COUNTY REGIONAL MOBILITY AUTHORITY  
(A COMPONENT UNIT OF CAMERON COUNTY, TEXAS)

**SCHEDULE OF PRIOR AUDIT YEAR FINDINGS –  
FEDERAL AND STATE AWARDS**  
For Year Ended September 30, 2013

**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 (RMA) financial reporting control structure. It appears that the controls governing RMA'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 RMA'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 RMA'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 appropriate controls that properly identify the costs per contract, identify local matching costs, and reimbursable expenses.

*Status:*

Issue resolved

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

None noted which required reporting.