



A Component Unit of Cameron County, TX

Financial Report 2018

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
TABLE OF CONTENTS
September 30, 2018

	Page
INDEPENDENT AUDITORS' REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-7
FINANCIAL STATEMENTS	
Statement of Net Position	8-9
Statements of Revenues, Expenses and Changes in Net Position	10
Statements of Cash Flows	11-12
Notes to Financial Statements	13-40
Required Supplementary Information – Pension Plan	41-47
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 <i>Government Auditing Standards</i>	48-49
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	50-52
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the State of Texas Uniform Grant Management Standard Chapter IV Texas State Single Audit Circular	53-54
Schedule of Expenditures of Federal and State Awards	55
Notes to Schedule of Expenditures of Federal and State Awards	56
Schedule of Findings and Questioned Costs – Federal and State Awards	57-59
Corrective Action Plan	60
Schedule of Prior Year Audit Findings	61-62

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cameron County Regional Mobility Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Cameron County Regional Mobility Authority (the "RMA"), a component unit of Cameron County, Texas, as of and for the year ended September 30, 2018, and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Cameron County Regional Mobility Authority, as of September 30, 2018,

and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the RMA recorded a prior period adjustment in the amount of \$1,883,806 related to redevelopment assets and liabilities for projects in which the RMA will not retain ownership when the work is completed. 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 through 7 and the Pension Plan information on pages 40 through 46 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 Cameron County Regional Mobility Authority's basic financial statements. The Schedule of Expenditures of Federal and State Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance and State of Texas Uniform Grant Management Standards Chapter IV *State of Texas Single Audit Circular*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal and 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 and State Awards are 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 7, 2019 on our consideration of Cameron County Regional Mobility Authority'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 Cameron County Regional Mobility Authority's internal control over financial reporting and compliance.

Burton, McCumber, & Longoria LLP.

Brownsville, Texas
March 7, 2019

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Management's Discussion and Analysis
September 30, 2018

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, 2018. This discussion and analysis has been prepared by management and should be used in conjunction with the basic financial statements and notes thereafter.

2018 Financial Highlights

- Toll revenue increased to \$3.1 million in 2018 from \$2.3 million in 2017 or a 35 percent increase. Toll operating expenses increased to \$954,843 in 2018 from \$713,760 in 2017 or a 34 percent increase.
- Construction in process decreased to \$21.5 million in 2018 from \$24.7 million in 2017 or a 13 percent decrease.
- The Transportation Reinvestment Zone (TRZ) revenue increased to \$574,508 in 2018 from \$268,848 in 2017 or a 114 percent increase.

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 Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These basic financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America as promulgated by the Governmental Accounting Standards Board also known as GASB.

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

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

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Management's Discussion and Analysis
September 30, 2018

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

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

FINANCIAL ANALYSIS

Summary of Net Position

The RMA's net position includes the total assets minus the total liabilities with the residual difference of net position. The RMA's net position for the years ending September 30, 2018, 2017, and 2016 were approximately \$45.3, \$43.4, and \$46.5 million, respectively. The largest component of total assets for all three years were the non-current assets. Non-current assets accounts for approximately 94%, 97%, and 97% for the years 2018, 2017 and 2016, respectively. These assets consist of fixed assets, restricted bond funds, construction in process, and redevelopment assets.

Summary of Net Position

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets:			
Current assets	\$ 5,057,809	\$ 5,502,751	\$ 4,591,638
Capital assets, net	105,623,167	100,882,240	101,796,560
Construction in process	21,555,444	24,737,056	22,230,768
Other non-current	8,173,801	50,774,002	53,816,698
Total assets	<u>140,410,221</u>	<u>181,896,049</u>	<u>182,435,664</u>
Deferred outflows of resources	114,664	104,696	92,323
Total assets and deferred outflows of resources	<u>\$ 140,524,885</u>	<u>\$ 182,000,745</u>	<u>\$ 182,527,987</u>
Liabilities:			
Current liabilities	\$ 2,808,911	\$ 3,508,080	\$ 2,874,651
Non-current liabilities	<u>91,967,639</u>	<u>134,247,596</u>	<u>133,109,520</u>
Total liabilities	<u>94,776,550</u>	<u>137,755,676</u>	<u>135,984,171</u>
Deferred inflows of resources	<u>431,771</u>	<u>775,771</u>	<u>31,341</u>
Total liabilities and deferred inflows of resources	<u>\$ 95,208,321</u>	<u>\$ 138,531,447</u>	<u>\$ 136,015,512</u>
Net position:			
Net investment in capital assets	\$ 33,477,290	\$ 29,483,264	\$ 34,046,338
Restricted	8,531,623	12,167,633	10,307,998
Unrestricted	<u>3,307,651</u>	<u>1,818,401</u>	<u>2,158,139</u>
Total net position	<u>\$ 45,316,564</u>	<u>\$ 43,469,298</u>	<u>\$ 46,512,475</u>

Total liabilities as of September 30, 2018, 2017 and 2016 were approximately \$94.7 million, \$137.7 million, and \$135.9 million, respectively. Non-current liabilities account for the majority of the total liabilities and consist of Financial Assistance Agreements with the Texas Department of Transportation (TxDOT), amounts due to other agencies, and long-term bond payables. A more detailed description is provided in the notes to the financial statements.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Management's Discussion and Analysis
September 30, 2018

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, 2018, the RMA had a total of five projects under construction in process for a total of \$21.5 million. The total for years ended September 30, 2017, and 2016 were \$24.7 and \$22.2 million respectively. The sharp decrease in Non-Current Assets in fiscal year 2018 is related to the project completion and deliverance of certain redevelopment assets.

Capital, Other Non-Current Assets and Deferred Outflows

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Capital Assets:			
Capital assets, net	\$ 105,623,167	\$ 100,882,240	\$ 101,796,560
Non-Current Assets			
Restricted assets	8,027,588	5,159,973	7,076,480
Construction and work in process	21,555,444	24,737,056	22,230,768
Prepaid bond insurance	109,318	114,104	118,890
Net pension asset and related deferred outflows	151,559	106,124	92,323
Totals	<u>\$ 135,467,076</u>	<u>\$ 130,999,497</u>	<u>\$ 131,315,021</u>

Non-Current Liabilities

Total Non-Current Liabilities, as of September 30, 2018, 2017, and 2016 were approximately \$92.3, \$93.5, and \$91.7 million, respectively. These amounts include financial assistance agreements with TxDOT. In the totals for long-term bonds payable, the RMA has both tax exempt and non-tax-exempt issuances. A more detailed description to these bond issuances can be found in the notes to the financial statements. The sharp decrease in Non-Current liabilities in fiscal year 2018 is related to the project completion and deliverance of certain redevelopment assets.

Non-Current Liabilities and Deferred Inflows

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Non-Current Liabilities:			
Due to other agencies and other noncurrent liabilities	\$ 16,187,699	\$ 16,333,036	\$ 14,348,904
Long term bond payable and related deferred inflows to bond refunding	76,195,872	77,229,896	77,393,071
Net pension liability and related deferred inflows to pension	15,839	3,826	3,116
Totals	<u>\$ 92,399,410</u>	<u>\$ 93,566,758</u>	<u>\$ 91,745,091</u>

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Management's Discussion and Analysis
September 30, 2018

Changes in Net Position

The RMA's total revenues for the year ending September 30, 2018, 2017, and 2016 were approximately \$17.4 million, \$7.4, and \$6.5 million, respectively. Total expenses for the year ending September 30, 2018, 2017, and 2016 were approximately \$15.5 million, \$8.5, and \$7.7 million, respectively. Change in net position has resulted in an increase in year 2018 and a decrease for the years ended 2017 and 2016. This loss is materially impacted by the annual depreciation expense recorded in operating expenses. The RMA capital assets in operating generate large depreciation expense recorded in operating expenses. The changes in net position, prior to the recording of depreciation expense for the years 2018, 2017 and 2016 were \$5,006,003, \$1,831,568, and 1,698,013, respectively.

Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues:			
Vehicle registration fees	\$ 3,213,630	\$ 3,019,910	\$ 3,156,486
Toll revenue	3,170,003	2,317,650	1,220,065
Transportation reinvestment zone	574,508	268,848	426,261
Other operating revenue	438,891	401,779	332,034
Non-operating revenue and capital contributions	<u>10,049,516</u>	<u>1,413,083</u>	<u>1,411,742</u>
Total Revenues	<u>17,446,548</u>	<u>7,421,270</u>	<u>6,546,588</u>
Expenses:			
Operating	5,607,838	5,120,094	4,307,109
Non-operating	<u>9,991,444</u>	<u>3,460,547</u>	<u>3,430,383</u>
Total Expenses	<u>15,599,282</u>	<u>8,580,641</u>	<u>7,737,492</u>
Change in Net Position	1,847,266	(1,159,371)	(1,190,904)
Net Position-Beginning of Year, as previously stated	<u>45,353,104</u>	<u>46,512,475</u>	<u>47,703,379</u>
Prior Period Adjustment	<u>(1,883,806)</u>	-	-
Net Position-Beginning of Year, as restated	<u>43,469,298</u>	-	-
Net Position End of Year,	<u>\$ 45,316,564</u>	<u>\$ 45,353,104</u>	<u>\$ 46,512,475</u>

Contacting the RMA's Financial Management

The financial report is designed to provide customers, investors, and creditors with a general overview of the RMA's finances and to demonstrate the RMA's accountability for all inflows and outflows of resources. If you have any questions about this report or need additional financial information, contact the Cameron County Regional Mobility Authority, 3461 Carmen Avenue, Rancho Viejo, Texas 78575 or visit www.ccrma.org for more information.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Statement of Net Position
September 30, 2018

ASSETS:

Current Assets:

Cash and cash equivalents	\$	1,892,864
Accounts receivable, net		1,628,589
Due from other agencies		1,536,356
Total Current Assets		5,057,809

Non-Current Assets:

Restricted Assets:

Cash-trustee funds		3,164,460
Cash-TRZ project funds		356,683
Cash-debt reserve		4,506,445
Total Restricted Assets		8,027,588

Capital assets, net		105,623,167
Construction in process		21,555,444
Prepaid bond insurance		109,318
Net pension asset		36,895
Total Non-Current Assets		127,324,824

Total Assets		140,410,221
--------------	--	-------------

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension		114,664
--------------------------------------	--	---------

Total Assets and Deferred Outflows of Resources	\$	140,524,885
---	----	-------------

See Accompanying Notes to the Financial Statements

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Statement of Net Position - Continued
September 30, 2018

LIABILITIES:

Current Liabilities:

Accounts payable	\$	587,749
Accrued interest payable		440,605
Line of credit		188,117
Current maturities of bonds		905,000
Total Current Liabilities		2,121,471

Non-Current Liabilities:

Other noncurrent liabilities		3,511
Deferred revenue		687,440
Due to other agencies		16,184,188
Long-term bonds payable		75,779,940
Total Non-Current Liabilities		92,655,079

Total Liabilities		94,776,550
-------------------	--	------------

DEFERRED INFLOW OF RESOURCES

Deferred inflows related to bond refunding		415,932
Deferred inflows related to pension		15,839
		431,771

Total Liabilities and Deferred Inflow of Resources		95,208,321
--	--	------------

NET POSITION:

Net investment in capital assets		33,477,290
Restricted		8,531,623
Unrestricted		3,307,651
Total Net Position		45,316,564

Total Liabilities, Deferred Inflows, and Net Position	\$	140,524,885
---	----	-------------

See Accompanying Notes to the Financial Statements

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
**Statement of Revenues, Expenses
and Changes in Net Position**
Year Ending September 30, 2018

Operating Revenues	
Vehicle registration fees	\$ 3,213,630
Toll revenue	3,170,003
Transportation reinvestment zone	574,508
Interlocal agreement revenues	91,787
Other operating revenues	347,104
Total Operating Revenues	<u>7,397,032</u>
Operating Expenses	
Advertising	54,772
Depreciation	3,158,737
Insurance	4,869
Office expenses	158,564
Professional services	309,643
Salaries and contractual services	876,265
Toll operating expenses	954,843
Travel	37,031
Utilities	53,114
Total Operating Expenses	<u>5,607,838</u>
Operating Income	<u>1,789,194</u>
Non-Operating Revenues (Expenses)	
Bond issuance costs	(150,253)
Interest expense	(3,330,383)
Interest income	46,755
Redevelopment project expense	(6,510,808)
Total Non-Operating Revenue (Expenses)	<u>(9,944,689)</u>
Income (Loss) before capital contributions and special item	(8,155,495)
Capital Contributions	<u>10,002,761</u>
Change in Net Position	1,847,266
Net Position-beginning of year, as previously stated	<u>45,353,104</u>
Prior period adjustment	<u>(1,883,806)</u>
Net Position-beginning of year, as restated	<u>43,469,298</u>
Net Position-end of year	<u>\$ 45,316,564</u>

See Accompanying Notes to the Financial Statements

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Statement of Cash Flows
Year Ending September 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from vehicle registration fees	\$ 3,120,140
Receipts from toll revenues	2,950,268
Receipts from other operating sources	630,308
Payments to vendors	(1,572,588)
Payments to employees	(923,262)
Net cash provided by operating activities	4,204,866

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisitions of property and equipment	(6,169,141)
Acquisitions of construction in progress and redevelopment projects	(2,855,914)
Payments on interest	(3,430,359)
Payments on bond principal (including advance refunding)	(5,365,000)
Bond proceeds	4,507,864
Proceeds related to redevelopment projects	103,532
Advances from TxDOT FAA and other project agreements	11,389,437
Net cash used in capital and related financing activities	(1,819,581)

CASH FLOWS FROM INVESTING ACTIVITIES:

Receipts from interest income	48,057
Net increase in cash and cash equivalents	2,433,342
Cash and cash equivalents at beginning of year	7,487,110
Cash and cash equivalents at end of year	\$ 9,920,452

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 1,789,194
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	3,158,737
Changes in assets and liabilities:	
(Increase) decrease in prepaid expenses	9,076
(Increase) decrease in due from other agencies	(691,975)
(Decrease) increase in accounts payable	(26,744)
(Increase) in deferred outflow of resources	(33,422)
Net cash flows provided by operating activities	\$ 4,204,866

See Accompanying Notes to the Financial Statements

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Statements of Cash Flows - Continued
Year Ending September 30, 2018

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

Ending cash - Statement of Cash Flows	\$ 9,920,452
Less: amount reported in restricted assets	<u>8,027,588</u>
Ending cash - Statement of Net Position	<u><u>\$ 1,892,864</u></u>

See Accompanying Notes to the Financial Statements

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 1 – Organization and Summary of Significant Accounting Policies

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

A. Reporting Entity

The Cameron County Regional Mobility Authority (RMA) was authorized for creation on 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 interlocal revenues, 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 group of local staff and contracts many of its services with local area professionals.

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

B. Basis of Accounting

The operations of the RMA are accounted for within a single proprietary (enterprise) fund through which all financial activities are recorded. The measurement focus for an enterprise fund is the flow of economic resources. An enterprise fund follows the accrual basis of accounting. Under the accrual basis of accounting, all assets, liabilities, deferred inflows and outflows of resources associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets and deferred outflows net of total liabilities and deferred inflows) is segregated into amounts of net investment in capital assets, amounts restricted for capital activity, debt service pursuant to the bond indenture, other contractual restrictions, and amounts which are unrestricted. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of capital assets is recognized in accordance with subsection F of this note.

C. Estimates

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

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

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

D. Cash & Cash Equivalents

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

E. Accounts Receivable

The net accounts receivable as of September 30, 2018 is \$1,628,589 which is comprised of \$8,192,784 of gross accounts receivable related to tolls and vehicle registration fees with an allowance of \$6,564,195. The Company does not require collateral. Accounts are considered overdue when payment has not been received within 30 days of payment due date.

F. Capital Assets

Capital assets which include: property, equipment and infrastructure assets, are reported on the basis of original 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 of, depreciation is removed from the respective accounts, and the resulting gain or loss, if any, is recorded in operations.

G. 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 Statement of Revenues, Expenses and Changes in Net Position. The funds are reimbursable contributions, whereas the RMA first pays for the project and is then reimbursed for all eligible expenses by the granting agency. The RMA considers all grants and contributions to be 100% collectible in accordance with contract terms.

H. 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.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

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

I. Classification of Operating and Non-Operating Revenues and Expenses

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

J. Net Position

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

- *Net investment in capital assets* – consists of capital assets net of accumulated depreciation, outstanding balances on borrowings attributable to the acquisition of capital assets, and deferred outflows and inflows of resources attributable to the acquisition of capital assets.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- *Unrestricted* – consists 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.

K. Deferred Outflows and Inflows of Resources

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

L. Reclassifications

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

M. Restricted Assets

Certain proceeds of the RMA's bonds and grants, as well as certain other resources are classified as restricted assets in the statements of net position because their use is limited by applicable bond covenants, contracts and grant agreements.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

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

M. Restricted Assets – Continued

It is the RMA’s policy to first apply restricted resources when an expense is incurred for purposes in which both restricted and unrestricted net assets are available.

N. Long-Term Bonds Payable, Bond Premiums, Discounts, and Issuance Costs

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

O. Pensions

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

P. Subsequent Events

On December 14, 2018 the RMA Board of Directors passed a resolution authorizing the execution of an Advanced Funding Agreement with the Texas Department of Transportation for the development of the FM 509 project with use of Federal Funds in the amount of \$686,000.

On February 1, 2019 the RMA Board of Directors passed a resolution authorizing the execution of an Advanced Funding Agreement with the Texas Department of Transportation for the development of the Whipple Road project with use of Federal and State Funds in the amount of \$380,300.

On February 1, 2019 the RMA Board of Directors passed a resolution authorizing the issuance of Vehicle Registration Fee Revenue Refunding Bonds, Series 2019. The proposed Refunding Bonds would defease the existing 2010B Vehicle Registration Fee Revenue Bonds. As of March 1, 2019 the proposed Refunding Bonds were priced at a par amount of \$14,925,000 with an average life of 12.732 and coupon rate of 4.25%. The proposed net present value savings is approximately \$975,807.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

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

P. Subsequent Events - Continued

On February 15, 2019 the RMA received official notice from Cameron County regarding the ongoing resolution to a financial arrangement related to the West Rail Relocation Project. The CCRMA and the County concurrently agree to work towards a conclusion of the matter in the upcoming fiscal year.

Q. Fair Value Measurement

In February 2015, GASB issued its Statement No. 72, *Fair Value Measurement and Application*. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The RMA has no investments required to be reported under GASB Statement No. 72 as of September 30, 2018.

[This space intentionally left blank]

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 2 – Deposits and Investments

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the RMA will not be able to recover its deposits or its collateral securities that are in the possession of an outside party. The RMA complies with its investment policy for all its cash and cash equivalent accounts, which calls for safety of principal as the first priority in its deposit accounts. As of September 30, 2018, the carrying amount of the RMA’s cash, cash equivalents, and restricted cash was \$9,920,452, of this total, \$8,027,588 was restricted and held in various bond trustee accounts in the BNY Mellon and interest check accounts in accordance with bond indenture agreements. The remainder \$1,892,864 was held in business interest checking accounts. There is no limit on the amount the RMA may deposit in any one institution. However, the Federal Deposit Insurance Corporation only insures up to \$250,000 per institution. The RMA is fully collateralized with pledged securities for amounts in excess of the FDIC limit for the year ended September 30, 2018.

Note 3 – Capital Assets

Depreciation expense for 2018 was \$3,158,737. The following schedule summarizes the Capital Assets and Construction in Process of the RMA as of September 30, 2018:

Capital Assets	October 1, 2017	Additions	Deletions	Reclassifications	September 30, 2018
Depreciable					
Buildings	\$ 202,803	\$ -	\$ -	\$ -	\$ 202,803
Improvements	20,791	-	-	-	20,791
Software	1,781,244	-	-	23,500	1,804,744
Infrastructure	99,965,587	28,090	-	7,792,556	107,786,233
Equipment	7,597,314	-	-	-	7,597,314
Total	<u>\$ 109,567,739</u>	<u>\$ 28,090</u>	<u>\$ -</u>	<u>\$ 7,816,056</u>	<u>\$ 117,411,885</u>
Accumulated Depreciation					
Buildings	\$ (25,350)	\$ (10,140)	\$ -	\$ -	\$ (35,490)
Improvements	(1,938)	(1,169)	-	-	(3,107)
Software	(109,567)	(123,885)	-	-	(233,452)
Infrastructure	(7,132,339)	(2,636,882)	-	-	(9,769,221)
Equipment	(1,515,054)	(386,662)	-	-	(1,901,716)
Total	<u>\$ (8,784,248)</u>	<u>\$ (3,158,737)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,942,986)</u>
Net Depreciable Assets	<u>\$ 100,783,491</u>	<u>\$ (3,130,647)</u>	<u>\$ -</u>	<u>\$ 7,816,056</u>	<u>\$ 105,468,899</u>
Non-Depreciable					
Land	\$ 98,750	\$ 47,714	\$ -	\$ 7,804	\$ 154,268
Construction in process (CIP)	24,737,055	6,628,272	(1,986,023)	(7,823,860)	21,555,444
Total Capital Assets & CIP	<u>\$ 125,619,296</u>	<u>\$ 3,545,339</u>	<u>\$ (1,986,023)</u>	<u>\$ -</u>	<u>\$ 127,178,611</u>

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 3 – Disaggregation of Receivable and Payable Balances

Of the total in current account receivables, \$1,628,589, 48% are due from the Cameron County for Vehicle Registration Fees, with the remaining 52% related to toll revenues outstanding as of September 30, 2018. The Due from other agencies consists of amounts pending, reimbursement for construction project expenditures and grant revenue. Payable balances of \$587,749 are comprised of 17% from operations and the remaining 83% related to project expenditures at September 30, 2018. The accrued interest payable consists of interest accrued on long-term bond payable at September 30, 2018.

Note 4 – Line of Credit

The RMA uses a revolving line of credit to finance a variety of transportation projects, including financing construction projects prior to issuance of the related bonds and other project financing. The fixed rate is 4.25% for the first year, adjusting automatically thereafter on the first and second anniversaries to a Fixed Rate equal to then current Wall Street Journal Prime Rate. The loan will mature on the third anniversary date and is Unsecured. Line of credit activity for the year ended September 30, 2018 was as follows:

October 1, 2017	Draws	Repayments	September 30, 2018	Line of Credit Limit
\$ -	\$7,424,422	\$(7,236,305)	\$ 188,117	\$ 2,000,000

Note 5 – Non-Current Liabilities

Deferred revenue relates to funds received for projects developed in which the RMA will not retain ownership or maintenance of the project.

Amounts in Due to Other Agencies include the TxDOT Financial Assistance Agreements (FAA): which are obligations provided by TxDOT for the further study and development of the following associated projects.

The TxDOT FAA for the South Padre Island 2nd Access project consists of two separate agreements executed in 2006 and 2014 for the maximum credit limit of \$9.2 million and \$5.1 million respectively.

The TxDOT FAA for the West Parkway Project consists of the same agreement executed in 2006 for the SPI 2nd access however this project ultimately was not developed, and the RMA expects to confirm removal of the obligation in the upcoming fiscal year.

The TxDOT FAA for the Outer Parkway Project was executed in 2014 for a maximum credit limit of \$5.0 million. For each project development cost, in which an advancement is required from the above mentioned FAA's, the RMA must seek approval for the development cost, scope, and vendor from TxDOT prior to utilizing the funds.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 5 – Non-Current Liabilities – Continued

The following schedule summarizes the Non-Current Liabilities of the RMA as of September 30, 2018:

Deferred Revenue	October 1, 2017	Additions	Reductions	September 30, 2018	Credit Limit
Due to other agencies - South Port Connector	-	373,200	-	373,200	N/A
Due to other agencies - Pharr Reynosa Project	-	1,496,955	1,323,927	173,028	N/A
Due to other agencies - Cameron County POV Expansion	-	150,898	158,870	(7,972)	N/A
Due to other agencies - Cameron County International Bridge	-	314,754	165,570	149,184	N/A
Total	<u>\$ -</u>	<u>\$ 2,335,807</u>	<u>\$ 1,648,367</u>	<u>\$ 687,440</u>	<u>\$ -</u>
Due to Other Agencies					
TxDot FAA - South Padre Island 2nd Access	\$ 12,991,920	\$ -	\$ -	\$ 12,991,920	\$ 14,300,000
TxDot FAA - West Parkway	2,244,589	-	-	2,244,589	N/A
TxDot FAA - Outer Parkway	526,291	253,888	-	780,179	5,000,000
Cameron County	167,500	-	-	167,500	N/A
Total	<u>\$ 15,930,300</u>	<u>\$ 253,888</u>	<u>\$ -</u>	<u>\$ 16,184,188</u>	<u>\$ 19,300,000</u>

[This space intentionally left blank]

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 6 – Long-Term Bonds Payable

On April 1, 2010, the RMA issued \$28.7 million of special revenue bonds, consisting of two series of bonds, 2010A and 2010B both secured by Vehicle Registration Fees of Cameron County. The \$13.2 million and \$15.5 million of the 2010A and 2010B bonds were issued as term bonds. The 2010A bonds carry interest rates of 2.0% to 5.0% and mature between February 2012 and February 2026. The 2010B bonds carry an interest rate of 6.5%, maturing between February 2027 and February 2036. The 2010A bond was refunded in full on December 27, 2017. All term bonds are subject to mandatory redemption in prescribed amounts before the maturity dates. As of September 30, 2018, \$15.5 million remains outstanding.

In June 2012, the RMA and Cameron County entered into the SH550 Funding and Development Agreement for a project titled “SH550 Direct Connector Transportation Project”. Cameron County issued \$40,000,000 Revenue and Tax bonds, Series 2012 (State Highway 550 Project) dated August 8, 2012 providing the construction funding for this project. As a condition, the RMA is obligated to repay the bonds together with interest at the same stated rates the County will pay on the Series 2012 bonds in addition to, if applicable, an administrative fee also known as a “CAF Fee. The bonds carry interest rates of 2.125% to 5.0% and mature between February 2017 and February 2038. In December 2016 through an advanced refunding, a total of \$14.3 million in bonds were advance refunded. As September 30, 2018 \$25.6 million remains outstanding.

In January 2014, Cameron County issued \$5,000,000 Revenue and Tax Bonds, Series 2014 (State Highway 550 Project) dated March 1, 2014. As a condition of such funding, the RMA is obligated to repay the funding together with interest on the unpaid principal balance at the same stated rates of interest the County will pay on the Series 2014 bonds. Similar, to the Series 2012 Bonds, the RMA is obligated to continue payment of the annual CAF Fee as calculated on the original issuance of the Series 2012 bonds. Series 2014 bonds carry interest rates of 2.0% to 5% and mature between February 2018 and February 2034. In December 2016 through an advanced refunding, a total of \$695,000 in bonds were advance refunded. The amount that remains outstanding as of September 30, 2018 is \$4.3 million.

In March 2015, the RMA issued \$4,500,000 Revenue and Tax Bonds, Series 2015 (State Highway 550 Project) to further provide funds for the “SH550 Direct Connector Transportation Project.” The RMA is responsible for repaying the principal and interest amounts as well as the annual CAF Fee on the bonds. The bonds have maturities between February 2020 and February 2040, and they carry interest rates of 2.75% to 3.75%. In December 2016 through an advanced refunding, a total of \$245,000 in bonds were advance refunded. As of September 30, 2018, \$4.2 million remain outstanding.

Bond Refunding

In October 2014, the RMA issued \$6.3 million Vehicle Registration Fee Revenue Refunding Bonds, Series 2014. The Net proceeds of \$6.3 million (net of underwriters, financial advisor, and other costs of issuance) were used to advance refund \$6.2 million of the series 2010A Vehicle Registration Fee Revenue Bonds. Bond proceeds were used to purchase U.S. Government Securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 6 – Long-Term Bonds Payable – Continued

As a result, the refunded bonds from the series 2010A Vehicle Registration Fee Revenue were considered to be defeased, and the liability for those bonds has been removed from the long-term debt of the RMA financials. The bonds carry interest rates of 2.0% to 2.25% and mature between February 2016 and February 2022. As of September 30, 2018, \$3.7 million remain outstanding.

On December 29, 2016 Cameron County issued \$15.8 Revenue and Tax Refunding Bonds Series 2016 for the SH550 project. The net proceeds of \$15.6 million (net of underwriters, financial advisor, and other costs of issuance) were used to advance refund \$15.3 of the series 2012, 2014, and 2015 SH550 Revenue bonds. The RMA is obligated to repay the funding together with interest on the unpaid principal balance at the same stated rates of interest the County will pay on the series 2016 bond issuance. Bond proceeds were used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. As a result, the refunded bonds from series 2012, 2014, and 2015 SH550 Revenue and Tax bonds were considered to be defeased, and the liability for those bonds has been removed from the long-term debt of the RMA financials. The bonds have maturity between February 2035 and February 2042 and they carry interest rates of 3.75% to 5.0%. As of September 30, 2018, \$15.8 million remain outstanding.

On December 27, 2017, Cameron County and the RMA issued Vehicle Registration Fee Revenue Refunding Bonds, Series 2017 in the amount of \$4.4 million. The net proceeds of \$4.8 million (net of underwriters, financial advisor, and other cost of issuance) were used to advance refund \$4.4 million of Series 2010A Revenue bond. The RMA is obligated to repay the principal and interest amounts on the bonds as detailed in the official statement of the bonds. The Bond Series 2017 has maturities of February 2023 to 2026 and carry interest rates of 5% payable every February 15 and August 15 of each year. The bonds have maturity between February 2023 and February 2026 and they carry interest rates of 4.0%. As of September 30, 2018, \$4.4 million remain outstanding.

See summary below for additional details of the refunding.

Bond Refunding Series	Amount of Issuance	Cost of Issuance	Bond Premium	Net Proceeds	Average Coupon	Bonds Refunded Series	Principal Amount	Average Coupon of Refunded Bonds	Escrow Defeased
2014 Series Refunding	\$ 6,325,000	\$(164,406)	\$137,092	\$ 6,297,686	2.12%	2010A	\$ 6,220,000	3.77%	Yes
2016 Series Refunding	15,805,000	(306,052)	100,180	15,599,128	4.09%	2012 2014 2015	14,340,000 695,000 245,000	4.92%	Yes
2017 Series Refunding	4,470,000	\$(150,253)	\$456,100	4,775,847	4.00%	2010A	4,480,000	5.00%	Yes
	<u>\$26,600,000</u>	<u>\$(620,711)</u>	<u>\$693,372</u>	<u>\$26,672,661</u>			<u>\$ 25,980,000</u>		

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 6 – Long-Term Bonds Payable - Continued

The following schedule summarizes the Long-Term bond payable of the RMA as of September 30, 2018:

Vehicle Registration Fee Bonds	October 1, 2017	Additions	Reductions	September 30, 2018	Due within one year
2010A / 2010B Revenue Bonds	\$ 20,015,000	\$ -	\$(4,480,000)	\$ 15,535,000	\$ -
Plus: Premium on Refunding	12,232	-	(12,232)	-	-
2014 Refunding Revenue Bonds	4,610,000	-	(885,000)	3,725,000	-
Plus: Premium on Refunding	78,336	-	(19,585)	58,751	-
2017 Refunding Revenue Bonds	-	4,470,000	-	4,470,000	-
Plus: Premium on Refunding	-	456,100	(57,011)	399,089	-
Total Vehicle Registration Fee Bonds	24,715,568	4,926,100	(5,453,828)	24,187,840	-
Revenue & Tax Bonds (SH 550)					
2012 Revenue & Tax Bonds	25,660,000	-	-	25,660,000	-
Plus: Premium on Refunding	2,436,060	-	(121,803)	2,314,257	-
2014 Revenue & Tax Bonds	4,305,000	-	-	4,305,000	-
Plus: Premium on Refunding	102,753	-	(6,044)	96,709	-
2015 Revenue & Tax Bonds	4,255,000	-	-	4,255,000	905,000
Plus: Discount on Refunding	(32,603)	-	1,417	(31,186)	-
2016 Refunding Revenue & Tax	15,805,000	-	-	15,805,000	-
Plus: Premium on Refunding	96,173	-	(3,853)	92,320	-
Total Revenue & Tax Bonds (SH 550)	52,627,384	-	(130,283)	52,497,101	905,000
Total Bonded Debt Payable	\$ 77,342,951	\$ 4,926,100	\$(5,584,111)	\$ 76,684,940	\$ 905,000

[This space intentionally left blank]

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 6 – Long-Term Bonds Payable – Continued

The annual requirements to retire the revenue bonds outstanding at September 30, 2018 are as follows:

	2010B Bonds Vehicle Registration Fee Revenue			2014 Refunding Bonds Vehicle Registration Fee		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ -	\$ 1,017,853	\$ 1,017,853	\$ 905,000	\$ 70,200	\$ 975,200
2020	-	1,017,853	1,017,853	920,000	51,950	971,950
2021	-	1,017,853	1,017,853	940,000	32,175	972,175
2022	-	1,017,853	1,017,853	960,000	10,800	970,800
2023	-	1,017,583	1,017,583	-	-	-
2024-2028	2,600,000	4,920,879	7,520,879	-	-	-
2029-2033	7,560,000	3,041,766	10,601,766	-	-	-
2034-2038	5,375,000	538,411	5,913,411	-	-	-
	<u>\$ 15,535,000</u>	<u>\$ 13,590,051</u>	<u>\$ 29,125,051</u>	<u>\$ 3,725,000</u>	<u>\$ 165,125</u>	<u>\$ 3,890,125</u>

	2017 Refunding Bonds Vehicle Registration Fee			2012 Revenue & Tax Bonds (SH550)		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ -	\$ 178,800	\$ 178,800	\$ -	\$ 1,283,000	\$ 1,283,000
2020	-	178,800	178,800	-	1,283,000	1,283,000
2021	-	178,800	178,800	-	1,283,000	1,283,000
2022	-	178,800	178,800	980,000	1,258,500	2,238,500
2023	1,055,000	157,700	1,212,700	1,035,000	1,208,125	2,243,125
2024-2028	3,415,000	208,500	3,623,500	-	5,911,250	5,911,250
2029-2033	-	-	-	12,030,000	4,045,000	16,075,000
2034-2038	-	-	-	11,615,000	2,613,375	14,228,375
	<u>\$ 4,470,000</u>	<u>\$ 1,081,400</u>	<u>\$ 5,551,400</u>	<u>\$ 25,660,000</u>	<u>\$ 18,885,250</u>	<u>\$ 44,545,250</u>

	2014 Revenue & Tax Bonds (SH550)			2015 Revenue & Tax Bonds (SH550)		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ -	\$ 169,550	\$ 169,550	\$ -	\$ 146,688	\$ 146,688
2020	-	169,550	169,550	-	146,688	146,688
2021	-	169,550	169,550	-	146,688	146,688
2022	265,000	165,244	430,244	155,000	144,556	299,556
2023	270,000	156,212	426,212	170,000	139,981	309,981
2024-2028	1,510,000	632,519	2,142,519	730,000	628,288	1,358,288
2029-2033	1,840,000	300,438	2,140,438	1,295,000	471,003	1,766,003
2034-2038	420,000	9,450	429,450	495,000	291,291	786,291
2039-2043	-	-	-	1,410,000	79,313	-
	<u>\$ 4,305,000</u>	<u>\$ 1,772,513</u>	<u>\$ 6,077,513</u>	<u>\$ 4,255,000</u>	<u>\$ 2,194,496</u>	<u>\$ 4,960,183</u>

[This space intentionally left blank]

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 6 – Long-Term Bonds Payable – Continued

2016 Refunding Revenue & Tax Bonds (SH550)			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 649,700	\$ 649,700
2020	-	649,700	649,700
2021	-	649,700	649,700
2022	-	649,700	649,700
2023	-	649,700	649,700
2024-2028	-	3,248,500	3,248,500
2029-2033	-	3,248,500	3,248,500
2034-2038	2,495,000	3,006,625	5,501,625
2039-2043	13,310,000	1,502,075	14,812,075
	<u>\$ 15,805,000</u>	<u>\$ 14,254,200</u>	<u>\$ 30,059,200</u>

Note 7- Current-Year Defeasance of Debt

In prior years, the RMA defeased certain revenue and tax bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the RMA financial statements.

Assumptions

On December 27, 2017 the RMA refunded and defeased in substance \$4.4 million of its outstanding series 2010A revenue project bonds carrying an average interest rate of 5.0%, with new debt of \$4.4 million, issued at a weighted average rate of 4.09%. The new debt was dated December 27, 2017. No sinking funds were proved to the escrow agent from the funding. All issuance costs of the transactions were paid from bond proceeds and a cash contribution from the RMA. Issuance costs were as follows:

Underwriter’s Discount	\$ 30,859
Cost of Issuance	113,744
<u>Trustee and Escrow Agent Fees</u>	<u>5,650</u>
	\$150,253

[This space intentionally left blank]

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 7- Current-Year Defeasance of Debt – Continued

2017 Vehicle Registration				
Refunding Revenue Refunding Bond				
	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
2019-2022	\$ -	4.00%	\$ 828,440	\$ 828,440
2023	1,055,000	4.00%	157,700	1,212,700
2024	1,095,000	4.00%	114,700	1,209,700
2025	1,135,000	4.00%	70,100	1,205,100
2026	1,185,000	4.00%	23,700	1,208,700
	<u>\$ 4,470,000</u>		<u>\$ 1,194,640</u>	<u>\$ 5,664,640</u>
Bond Par Value				\$ 4,470,000
Premium			456,100	
Cost of Issuance including Underwriters Discount			(150,253)	
Net Finance Costs				<u>305,847</u>
Target Value				\$ 4,775,847
Effective Interest Rate				2.86521%

[This space intentionally left blank]

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 7- Current-Year Defeasance of Debt – Continued

Prior Bond Debt Service

	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
2018	-	5.00%	224,000	224,000
2019	-	5.00%	224,000	224,000
2020	-	5.00%	224,000	224,000
2021	-	5.00%	224,000	224,000
2022	-	5.00%	224,000	224,000
2023-2027	4,480,000	5.00%	461,750	4,941,750
2028-2032	-	5.00%	-	-
2033-2036	-	5.00%	-	-
	<u>\$ 4,480,000</u>		<u>\$ 1,581,750</u>	<u>\$ 6,061,750</u>

Cash Flow Difference

Old Debt Service		\$ 6,061,750
Cash Flows		
 New Debt Service		
Cash Flows	<u>5,664,640</u>	
 RMA Cash		
Contribution	<u>82,133</u>	<u>5,746,773</u>
		 \$ 314,977

Economic Gain

Present Value of		
Old Debt Cash Flow		
(including RMA Cash Contribution)		<u>\$ 5,295,449</u>
 Present Value of		
New Debt Cash Flow		<u>5,008,233</u>
		 <u>\$ 287,216</u>

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 8 – Interlocal and Grant 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, 2018, there was a payment of \$82,500 on this loan, leaving an outstanding balance of \$167,500. There were no payments made during FY2018.

Pass Through Agreement for Payment of Pass Through Tolls by the Department

On February 22, 2012, the RMA and the TxDOT entered into an agreement for the pass through of toll payments for the development and operation of the SH550 Direct Connector toll project. This agreement provides for an annual payment of grant revenue for each vehicle mile traveled on the Direct Connector project for each project anniversary year. The minimum and maximum amount of annual payment are \$1,385,000 and \$2,770,000 respectively. The total maximum amount allowed to be paid through this agreement is \$30,470,000 with funds strictly used for repayment of the associated project bond debt. The revenues from this agreement are included in the pledged revenues for the 2012, 2014, 2015, and 2016 Revenue and Tax Bonds for the SH550 project issued by Cameron County. Revenues are recorded as capital contributions with any receivables included in the restricted portion of net assets.

Transportation Reinvestment Zone No.6

On December 29, 2015, the County and the RMA entered into an agreement to participate in Transportation Reinvestment Zone (TRZ) No.6 in the County of Cameron. A TRZ is a transportation funding tool authorized by Senate Bill 1266 passed in the 80th Texas Legislature in 2007 that utilizes incremental property tax of a geographical area to support the funding of transportation infrastructure needs within the area. The RMA and County have existing TRZ's No. 1-5 that date back to 2010. The purpose of TRZ No. 6 is to expand the geographical area to cover the entire County and increase the number of eligible projects. The interlocal agreement is a long-term agreement with various requirements embedded. Total revenue recognized since inception as of fiscal year 2018 is \$843,356.

Advance the Port Connector Project to a Construction Phase

On April 19, 2017, the RMA and the Brownsville Navigation District entered into an agreement for the further advancement of the Port Connector Project to a construction phase. The scope of work is to assist the port in developing an environmental document and ultimately a record of decision to prepare the project for construction. The RMA would be in charge of all coordination and development of the work and the Brownsville Navigation District will contribute \$100,000 to the RMA for its services.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 8 – Interlocal and Grant Agreements - Continued

Toll System Implementation Services, Support and Maintenance, and Toll Collection Processing

On June 5, 2017, the RMA and the City of Pharr entered into an agreement for the RMA to provide services for a toll system implementation, maintenance support and toll collection processing for the Pharr International Bridge. The City of Pharr will acquire the services of the RMA and its vendors for the design, testing, implementation, and maintenance of the toll collection system including a full service back office system. The City of Pharr will also allow for the interoperability of the toll collection system of the Pharr International Bridge and that of the SH 550 toll road to improve the electronic toll collection of commercial traffic traveling into Mexico through the Pharr International Bridge. The RMA began the project in FY2017 and completed in fiscal year 2018.

CCRMA to Develop Projects On Behalf of Cameron County

On August 15, 2017, the RMA and Cameron County entered into an agreement to allow the RMA to develop projects on behalf of Cameron County. The RMA will provide all the necessary coordination with TxDOT and other necessary agencies for the development of transportation projects through environmental, design and construction phases. Projects include international bridges owned and operated by Cameron County, Interstate development and projects identified within the Transportation Reinvestment Zone No. 6 agreement. Prior to work commencing on either project, the RMA will provide a scope, cost, and overview of work to the Cameron County Commissioners Court for approval.

CCRMA to Provide IT Staff for Maintenance to the International Bridge and Park Systems of Electronic Toll Collection

On October 17, 2017, the RMA and Cameron County entered into an agreement for the provision of IT staff to be used for County Toll Collection Facilities. The IT staff would be a full time RMA employee that specializes in the maintenance and operation of electronic toll collection systems to provide routine maintenance, troubleshooting and support to the County staff. The County will pay the RMA a fixed monthly amount of \$3,333 for the life of the agreement and will provide reimbursement to staff expenses such as mileage and other pre-approved expenses.

CCRMA to Develop Projects On Behalf of Cameron County for the Old Alice Road Project

On February 6, 2018, the RMA and Cameron County entered into an agreement to coordinate with Texas Department of Transportation the necessary environmental document as well as coordinating with any state and federal agencies any issues arising during the environmental phase studies. The value of the service to be provide by the RMA is \$100,000.

[This space intentionally left blank]

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 8 – Interlocal and Grant Agreements - Continued

Advancement of the Port Connector Project to a Construction Phase

On April 3, 2018, the RMA, Cameron County and the Brownsville Navigation District entered into an agreement for the further advancement of the Port Connector Project to a construction phase. The RMA agreed to coordinate with proper agencies to advance the project through the design and engineering phases and assist the Port through the Advance Funding Agreement Process. The County and the Port will provide funding in the amount of not to exceed \$350,000 for a combined total of \$700,000, for the design and engineering of this project.

CCRMA to Provide Services to the City of Brownsville to Develop Highway and Airport Projects

On April 3, 2018 the RMA and the City of Brownsville entered into an agreement to coordinate with proper agencies to advance the project through the design and environmental phases on behalf of the City.

CCRMA to Develop Whipple Road On Behalf of City of Los Fresnos

On April 10, 2018 the RMA and the City of Los Fresnos entered into an agreement to coordinate with proper agencies to advance the project through the design and environmental phases on behalf of the City.

CCRMA to Assist and Developing Projects in Starr County, Texas

On April 12, 2018 the RMA and the Starr County Industrial Foundation, (SCIF) entered into an agreement to coordinate and assist in identifying projects with SCIF and to assist in advancing the projects through the Advanced Project Development, Design and Construction Phases.

CCRMA to Provide Coordination Regarding International Issues associated with the County's International Bridge System, the Flor de Mayo Bridge

On August 21, 2018 the RMA and Cameron County entered into an agreement to provide coordination regarding International Issues associated with the County's International Bridge System, the future Flor de Mayo Bridge and projects located within the zone covering Cameron County. The cost of services and the annual amount of the agreement is \$96,000. The agreement shall be for one year, beginning August 21, 2018 and terminating on August 20, 2019.

[This space intentionally left blank]

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 9 – Advertising

The RMA incurs advertising expenditures to promote community awareness of existing and ongoing projects. These expenditures include public relation events, website, social media marketing of toll operations, and other general advertising-related activities. These expenditures are expensed in the year occurred. As of September 30, 2018, the RMA expended \$54,772 in advertising.

Note 10 – Risk Management

In conjunction with its normal operations, the RMA is exposed to various risks related to the damage or destruction of its assets from both natural and man-made occurrences; tort/liability claims; error and omission claims, and professional liability claims. As a result of these exposures, the RMA carries insurance with a governmental risk pool under an “all risks” policy. All categories of insurance coverage in place were either maintained at current levels or increased as to overall limits of coverage and reduction of self-retained risk as to reduce the overall exposure of risk to the RMA. There were no settlements in excess of insurance coverage during fiscal year 2018.

Note 11 – Litigation

As of September 30, 2018, the RMA is involved in various contract disputes related to litigations, claims and assessments of the West Rail Relocation Project. RMA management believes it has substantial defenses against the claims, and the resolution of the matters will not have a material adverse effect on the financial statements. Based on the status of claims and the information available, the RMA believes that a liability has not been incurred as of the date of the financial statements.

Note 12 – Toll Violations Debt Portfolio and Management Practices

Since the inception of tolling operations on the SH550 through December 2016, the RMA used a third-party collection agency (GILA Group) to provide toll collection processing and portfolio management services. The GILA Group provided all back-office operations and customer service for the RMA including the billing of its invoices for Pay-By-Mail customers. In December 2016, the RMA began processing all toll operations and customer service center operations internally through local staff. In March 2018 the RMA engaged Duncan Solutions as a third-party collection agency to provide toll collection processing and portfolio management services. The RMA has recorded an asset net of allowance for bad debt of \$1,628,589 as of September 30, 2018.

Note 13 – Prior Period Adjustment

A prior period adjustment to beginning net position in the amount of \$1,883,806 was recorded to remove redevelopment assets and related liabilities from the statement of net position for projects in which the RMA will not retain ownership when the work is completed. These redevelopment assets and liabilities transactions had been capitalized and accrued in prior year financial statements. Costs associated with projects that will not be owned or maintained by the RMA should be expensed as incurred.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 14 – Employee Retirement System

A. Plan Description

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

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

B. Benefits Provided

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

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

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

Employees Covered by Benefit Terms

At December 31, 2017 valuation and measurement date, the following amount of employees were covered by the benefit terms:

	2017
Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	-
Active employees	15
	17

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 14 – Employee Retirement System - Continued

C. Contributions

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

Employees for the Authority are required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Authority were 9.79%, 9.67% and 9.71% in calendar years 2016, 2017, and 2018 respectively. The Authority’s contributions for the year ended September 30, 2018 was \$94,034.

D. Net Pension Liability

The Authority’s net pension liability (NPL) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

	<u>2017</u>
Inflation	2.75%
Salary increases (including inflation and average)	4.9%
Investment rate of return	8.0%

[This space intentionally left blank]

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 13 – Employee Retirement System - Continued

Mortality rates were based on the following:

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Tables for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Tables for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016 except where required to be different by GASB 68.

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is 8.10%. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 – December 31, 2016 for more details.

[This space intentionally left blank]

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 14 – Employee Retirement System - Continued

The numbers shown below are based on December 2017 information for a 7-10 year time horizon.

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities - Developed	MSCI World Ex USA (net) Index	11.00%	4.55%
International Equities - Emerging	MSCI World EM Standard (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond	3.00%	0.75%
Strategic Credit	FTSE High Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index +	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of	18.00%	4.10%

⁽¹⁾ Target asset allocation adopted at the April 2018 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 1.95% per Cliffwater's 2018 capital market assumptions.

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

⁽⁴⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

[This space intentionally left blank]

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 14 – Employee Retirement System - Continued

Discount Rate

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

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

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

[This space intentionally left blank]

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 14 – Employee Retirement System - Continued

Changes in the Net Pension Liability/(Asset)

The Authority’s changes in net pension liability/(asset) as of December 31, 2017 were as follows:
Note: Rounding differences may exist below or in other tables in this report.

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2016	\$ 211,483	\$ 212,911	\$ (1,428)
Changes for the year:			
Service Cost	110,207	-	110,207
Interest on total pension liability ⁽¹⁾	26,057	-	26,057
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	(9,238)	-	(9,238)
Effect of assumptions changes or inputs	(228)	-	-
Refund of contributions	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	(250)	250
Member contributions	-	53,613	(53,613)
Net investment income	-	33,131	(33,131)
Employer contributions	-	74,062	(74,062)
Other ⁽³⁾	-	1,709	(1,709)
Balances as of December 31, 2017	<u>\$ 338,281</u>	<u>\$ 375,176</u>	<u>\$ (36,895)</u>

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

⁽²⁾ No plan changes valued.

⁽³⁾ Relates to allocation of system-wide items.

[This space intentionally left blank]

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 14 – Employee Retirement System - Continued

Sensitivity Analysis

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

	As of December 31, 2017		
	1% Decrease	Current	1% Increase
	7.10%	8.10%	9.10%
	<u> </u>	<u> </u>	<u> </u>
Total pension liability	\$ 397,012	\$ 338,281	\$ 289,787
Fiduciary net position	<u>375,176</u>	<u>375,176</u>	<u>375,176</u>
Net pension liability/(asset)	<u>\$ 21,836</u>	<u>\$ (36,895)</u>	<u>\$ (85,389)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued TCDRS financial report. That report may be obtained on the internet at www.tcdrs.org

[This space intentionally left blank]

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 14 – Employee Retirement System – Continued

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

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

Pension Expense/(Income)	January 1, 2017 to December 31, 2017
Service cost	\$ 110,207
Interest on total pension liability ⁽¹⁾	26,057
Effect of plan changes	-
Administrative expenses	250
Member contributions	(53,613)
Expected investment return net of investment expenses	(22,374)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	1,587
Recognition of assumption changes or inputs	40
Recognition of investment gains or losses	169
Other ⁽²⁾	(1,710)
Pension expense/(income)	\$ 60,614

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

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

[This space intentionally left blank]

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Notes to Financial Statements
September 30, 2018

Note 14 – Employee Retirement System – Continued

At September 30, 2018, the Authority reported deferred inflows and outflows of resources related to pensions from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 45,001	\$ 12,400
Changes of assumptions	1,035	217
Net difference between projected and actual earnings	-	3,222
Contributions made subsequent to measurement date ⁽¹⁾	68,627	-
Total deferred outflow/inflow of resources related to pension	\$ 114,664	\$ 15,839

⁽¹⁾ Reflects employer contributions made subsequent to the measurement date through the employer's fiscal year end. This amount be be recognized as a reduction in Net Pension liability for the year ending September 30, 2018.

The total of \$68,627 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date, will be recognized as a reduction of net pension liability(asset) for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2018	\$ 1,796
2019	1,632
2020	382
2021	(524)
2022	1,627
Thereafter ⁽¹⁾	25,284

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

[This space intentionally left blank]

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Required Supplementary Information – Pension Plan
September 30, 2018

Total Pension Liability	2017
Service cost	\$ 110,207
Interest on total pension liability	26,057
Effect of plan changes	-
Effect of assumption changes or inputs	(228)
Effect of economic/demographic (gains) or losses	(9,238)
Benefit payments/refunds of contributions	-
Net change in total pension liability	<u>126,798</u>
Total pension liability, beginning	211,483
Total pension liability, ending (a)	<u>\$ 338,281</u>
Fiduciary Net Position	
Employer contributions	\$ 74,062
Member contributions	53,613
Investment income net of investment expenses	33,131
Benefit payments/refunds of contributions	-
Administrative expenses	(250)
Other	1,709
Net change in fiduciary net position	<u>162,265</u>
Fiduciary net position, beginning	212,911
Fiduciary net position, ending (b)	<u>\$ 375,176</u>
Net pension liability/(asset), ending = (a) - (b)	<u>\$ (36,895)</u>
Fiduciary net position as a % of total pension liability	110.91%
Pensionable covered payroll	\$ 765,897
Net pension liability as a % of covered payroll	-4.82%

Note: Rounding errors may exist above or in other tables of this report

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Required Supplementary Information – Pension Plan
September 30, 2018

Schedule of Employer Contributions

Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽¹⁾	Actual Contribution as a % of Covered Payroll
2015	\$ 33,376	\$ 33,376	\$ -	\$ 333,027	10.1%
2016	55,072	55,072	-	481,394	11.4%
2017	69,348	69,348	-	714,520	9.7%
2018	94,034	94,034	-	969,510	9.7%

⁽¹⁾TCDRS Calculates actuarially determined contributions on a calendar year basis. GASB Statement No.68 indicated the employer should report employer contributions amounts on a fiscal year basis.

⁽²⁾Payroll is calculated based on contributions as reported to TCDRS.

[This space intentionally left blank]

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Required Supplementary Information – Pension Plan
September 30, 2018

Notes to Schedule of Employer Contributions and Net Pension Liability

Actuarial Methods and Assumptions Used

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

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Individual entry age normal cost method, as required by GASB Statement No. 68, used for GASB calculations. A slightly different version of the entry age normal cost method is used for the funding actuarial valuation.
Amortization Method Recognition of economic/demographic gains or Recognition of assumptions, changes or inputs	Straight-Line amortization over Expected Working Life Straight-Line amortization over Expected Working Life
Asset Valuation Method Smoothing Period Recognition Method Corridor	5 Years Non-asymptotic None
Economic Assumptions Inflation Salary Increases Investment Rate of Return Cost of Living Adjustments	2.75% 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee. See table 1 below for merit salary increases. 8.10% COLAs for the Cameron County Regional Mobility Authority are not considered to be substantively automatic under GASB Statement No. 68. Therefore, no assumption for the future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Required Supplementary Information – Pension Plan
September 30, 2018

Table 1
Merit Salary Increases

Years of Service	Before 30	Ages 30-39	Ages 40-49	50 and later
0	5.00%	4.50%	4.00%	3.50%
1	4.25	3.75	3.25	2.75
2	3.85	3.35	2.85	2.35
3	3.50	3.00	2.50	2.00
4	3.15	2.65	2.25	1.85
5	2.90	2.55	2.15	1.70
6	2.65	2.30	1.95	1.55
7	2.45	2.10	1.75	1.40
8	2.30	1.95	1.60	1.25
9	2.15	1.80	1.45	1.10
10	2.00	1.70	1.40	1.05
11	1.90	1.60	1.25	1.00
12	1.80	1.50	1.15	0.95
13	1.70	1.40	1.05	0.90
14	1.60	1.30	0.95	0.85
15	1.50	1.23	0.90	0.80
16	1.40	1.15	0.85	0.75
17	1.30	1.05	0.80	0.70
18	1.23	0.97	0.75	0.65
19	1.15	0.90	0.70	0.60
20	1.10	0.85	0.65	0.55
21	1.05	0.80	0.60	0.50
22	1.00	0.75	0.55	0.50
23	0.95	0.70	0.50	0.50
24	0.90	0.65	0.50	0.50
25	0.85	0.60	0.50	0.50
26	0.80	0.60	0.50	0.50
27	0.75	0.60	0.50	0.50
28	0.70	0.60	0.50	0.50
29	0.65	0.60	0.50	0.50
30 & Up	0.60	0.60	0.50	0.50

*These rates do not include the wage inflation rate of 3.25% per year. For example, a member who entered the system at age 20 and is in the first year of service is assumed to receive an 8.41% total annual increase in his salary. The 8.41% is a combination of the 5.0% merit increase and the 3.25% wage inflation. Note that the two components are compounded, so it is a slightly different result than just adding the two percentages.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Required Supplementary Information – Pension Plan
September 30, 2018

Retirement Age

Annual Rates of Service Retirement*

Age	Male	Female	Age	Male	Female
40-44	4.50%	4.50%	62	20.0%	20.0%
45-40	9.0	9.0	63	15.0	15.0
50	10.0	10.0	64	15.0	15.0
51	9.0	9.0	65	25.0	25.0
52	9.0	9.0	66	25.0	25.0
53	9.0	9.0	67	22.0	22.0
54	10.0	10.0	68	20.0	20.0
55	10.0	10.0	69	20.0	20.0
56	10.0	10.0	70	22.0	22.0
57	10.0	10.0	71	22.0	22.0
58	12.0	12.0	72	22.0	22.0
59	12.0	12.0	73	22.0	22.0
60	12.0	12.0	74**	22.0	22.0
61	12.0	12.0			

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

(a) *age 60*

(b) *earliest retirement eligibility*

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

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

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Required Supplementary Information – Pension Plan
September 30, 2018

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

Probability of Withdrawal			
Years of Service	Probability	Years of Service	Probability
0	100%	15	40%
1	100	16	38
2	100	17	36
3	100	18	33
4	100	19	30
5	100	20	28
6	100	21	26
7	100	22	24
8	47	23	22
9	46	24	20
10	45	25	18
11	44	26	16
12	43	27	14
13	42	28	12
14	41	29*	10

** Members with more than 29 years of service are not assumed to refund.*

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County, Texas)
Required Supplementary Information – Pension Plan
September 30, 2018

Mortality

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014

[This space intentionally left blank]

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

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 Cameron County Regional Mobility Authority, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Cameron County Regional Mobility Authority's basic financial statements, and have issued our report thereon dated March 7, 2019.

Internal Control over Financial Reporting

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

Burton, McCumber, & Longoria LLP.

Brownsville, Texas
March 7, 2019

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

To the Board of Directors
Cameron County Regional Mobility Authority

Report on Compliance for Each Major Federal Program

We have audited Cameron County Regional Mobility Authority’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Cameron County Regional Mobility Authority’s major federal programs for the year ended September 30, 2018. Cameron County Regional Mobility Authority’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors’ Responsibility

Our responsibility is to express an opinion on compliance for each of Cameron County Regional Mobility Authority’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 program occurred. An audit includes examining, on a test basis, evidence about Cameron County Regional Mobility Authority’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 program. However, our audit does not provide a legal determination of Cameron County Regional Mobility Authority’s compliance.

Opinion on Each Major Federal Program

In our opinion, Cameron County Regional Mobility Authority 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 programs for the year ended September 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

Cameron County Regional Mobility Authority's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. Cameron County Regional Mobility Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

Report on Internal Control over Compliance

Management of Cameron County Regional Mobility Authority 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 Cameron County Regional Mobility Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal 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 program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Cameron County Regional Mobility Authority'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 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 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be a material weakness.

Cameron County Regional Mobility Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Cameron County Regional Mobility Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Burton, McCumber, & Longoria LLP.

Brownsville, Texas
March 7, 2018

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE STATE OF
TEXAS UNIFORM GRANT MANAGEMENT STANDARDS CHAPTER IV *TEXAS STATE
SINGLE AUDIT CIRCULAR***

To the Board of Directors
Cameron County Regional Mobility Authority

Report on Compliance for Each Major State Program

We have audited Cameron County Regional Mobility Authority’s compliance with the types of compliance requirements described in the State of Texas Uniform Grant Management Standards Chapter IV *Texas State Single Audit Circular* that could have a direct and material effect on each of Cameron County Regional Mobility Authority’s major state programs for the year ended September 30, 2018. Cameron County Regional Mobility Authority’s major 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 state and federal statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditors’ Responsibility

Our responsibility is to express an opinion on compliance for each of Cameron County Regional Mobility Authority’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of Texas Uniform Grant Management Standards Chapter IV *Texas State Single Audit Circular*. Those standards and the Uniform Guidance 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 state program occurred. An audit includes examining, on a test basis, evidence about Cameron County Regional Mobility Authority’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 state program. However, our audit does not provide a legal determination of Cameron County Regional Mobility Authority’s compliance.

Opinion on Each Major State Program

In our opinion, Cameron County Regional Mobility Authority 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 state programs for the year ended September 30, 2018.

Report on Internal Control over Compliance

Management of Cameron County Regional Mobility Authority 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 Cameron County Regional Mobility Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 state program and to test and report on internal control over compliance in accordance with the State of Texas Uniform Grant Management Standards Chapter IV *Texas State 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 Cameron County Regional Mobility Authority'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 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 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 state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State of Texas Uniform Grant Management Standards Chapter IV *Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

Burton, McCumber, & Longoria LLP.

Brownsville, Texas
March 7, 2019

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County)
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2018

<u>Federal and State Grantor/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal/State Expenditures</u>
U.S. Department of Transportation Highway Planning and Construction			
<i>Pass Through the Texas Department of Transportation:</i>			
Highway Planning and Construction (SH 550)	20.205	CSJ 0864-01-067	\$ <u>4,289,522</u>
Total U.S. Department of Transportation Highway Planning and Construction			<u>4,289,522</u>
Total Federal Awards			<u>\$ 4,289,522</u>
State of Texas			
<i>Texas Department of Transportation:</i>			
<i>Direct Programs:</i>			
SH 550 Gap I Project	-	CSJ 0864-01-067	\$ <u>1,072,381</u>
Outer Parkway Toll Interim Project Development Agreement	-	CSJ 0921-06-283	<u>166,276</u>
Total Texas Department of Transportation			<u>1,238,657</u>
Total State Awards			<u>\$ 1,238,657</u>
Total Federal and State Awards			<u>\$ 5,528,179</u>

During the year ended September 30, 2018, Cameron County Regional Mobility Authority had no subrecipients.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County)
Notes to Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2018

NOTE 1 - GENERAL

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

NOTE 2 - BASIS OF ACCOUNTING

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

NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS

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

NOTE 4 - RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5- SUBRECIPIENTS

During the year ended September 30, 2018, Cameron County Regional Mobility Authority had no subrecipients.

NOTE 6 – NON-CASH ASSISTANCE, FEDERAL LOANS AND GUARANTEES, and FEDERALY FUNDED INSURANCE

During the year ended September 30, 2018, Cameron County Regional Mobility Authority did not receive any Non-cash Assistance, Federal Loans and Loan Guarantees, and Federally Funded Insurance.

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County)
Schedule of Findings and Questioned Costs – Federal and State Awards
For Year Ended September 30, 2018

I. Summary of Auditor’s Results

Financial Statements

Type of auditors’ 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 No
- Noncompliance material to financial statements? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness identified? X Yes _____ No
- Significant deficiencies identified that are not considered to material weaknesses? _____ Yes X No

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of Uniform Guidance? X Yes _____ No

Identification of Major Program:

<u>CFDA Number</u>	<u>Name of Federal /State Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to determine between type A and type B federal programs \$750,000

Auditee qualified as low-risk auditee: No
Uniform Guidance

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County)
Schedule of Findings and Questioned Costs – Federal and State Awards
For Year Ended September 30, 2018

I. Summary of Auditor’s Results – Continued

State Awards

Internal control over major programs:

- Material weakness identified? _____ Yes X No
- Significant deficiencies identified that are not considered to material weaknesses? _____ Yes X No

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

Any audit findings disclosed that are required to be reported in accordance with section Texas Uniform Grant Management Standards? _____ Yes X No

Identification of Major State Program:

	Grant Name
CSJ-0684-01-067	SH 550 Gap 1 Project

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

Auditee qualified as low-risk auditee: Texas Uniform Grant Management Standards No

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County)
Schedule of Findings and Questioned Costs – Federal and State Awards
For Year Ended September 30, 2018

II. Financial Statement Findings

None.

III. Federal and State Award Findings

Finding No. 2018-001

CFDA#: 20.205

Department of Transportation

Highway Planning and Construction

Compliance - Reporting Federal Awards as State Awards

Criteria and Condition

The Authority reported the funds received for grant CSJ 0684-01-067 as state sourced funds in their 2017 Schedule of Expenditures of State Awards although 80% of those funds were federally funded under CFDA# 20.205. Further, the reporting requirement in accordance with 2 CFR 200.512 to the Federal Audit Clearinghouse for was not met. The grant was audited as a major state program in 2017.

Cause/Effect

Although the grant agreement with Texas Department of Transportation mentioned compliance requirements with OMB-Circular A-133, the agreement did not expressly indicate a CFDA# nor the amounts funded with federal funds. The only indication that the funds were federally sourced were observed from draw down wire transfers that indicated CFDA# 20.205 in the memo field.

Recommendation

We recommend the Authority to verify the funding sources with their grantors in order to report state versus federal expenditures correctly.

Management's Response:

The Authority concurs with the Auditors' recommendation.

Contact Person Responsible

For Corrective Action:

Jesus Adrian Rincones, CPA, Chief Financial Officer



IMPROVING MORE THAN JUST ROADS

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County)
Corrective Action Plan
For Year Ended September 30, 2018

Findings Related to Federal and State Awards

Finding No. 2018-001

**Individual responsible for
Corrective action:**

Jesus Adrian Rincones, CPA
Chief Financial Officer

**Date corrective Action will
be implemented:**

February 22, 2019

Corrective Action Planned:

The Authority has implemented controls to improve coordination with Metropolitan Planning Organization, TxDOT, Pharr District and TxDOT Finance Division to identify Federal and State funding sources.



IMPROVING MORE THAN JUST ROADS

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County)
Schedule of Prior Audit Findings
For Year Ended September 30, 2018

Finding No. 2017-01

Condition

During the current year, the Authority adjusted its financial statements to reflect a material prior period adjustment regarding the capitalization of an infrastructure asset (toll road) that it had maintained and controlled since fiscal year 2014. The events and reasons why this omission existed prior to the current fiscal year was due in part to the Authority's practice and understanding of recording the asset transferred by the State of Texas TxDot to the RMA when the TxDot officially considered the project completed. This did not happen until the current fiscal year. However, the RMA did have authorization to collect tolls and was responsible for maintenance of the toll road before that time.

Criteria:

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. The Authority's financial records should be complete, timely, and maintained in accordance with Generally Accepted Accounting Principles.

Cause of Condition:

Although management and those charged with governance were fully aware of the existence of the infrastructure asset (toll road) and were aware that tolls were being collected on its use by the Authority as well as maintenance expenses being incurred, lack of understanding of the principals of accounting dealing with the proper reporting of the asset caused the omission on the financial statements.

Potential Effect on Condition:

The financial statements prepared by management would be incorrect and misleading. Inaccurate accounting distorts the financial statements used by the Board, the public, state agencies and other interested parties.



IMPROVING MORE THAN JUST ROADS

CAMERON COUNTY REGIONAL MOBILITY AUTHORITY
(A Component Unit of Cameron County)
Schedule of Prior Audit Findings - Continued
For Year Ended September 30, 2018

Finding No. 2017-01- Continued

Recommendation

The Authority should strengthen its financial reporting system by obtaining additional and advanced training in governmental financing reporting. Unusual transactions will arise in the course of business and management should be well prepared to handle any unusual situation that may arise. In addition, management should also reach out to their external auditors for help in cases where additional consultation is needed.

View of Responsible Officials and Corrective Action Plan:

Management is in agreement with the finding. Additional and advanced training related to generally accepted accounting principles and governmental accounting will be provided to all those responsible for the preparation of the Authority's financial statements.

Current Year Status:

The Authority has resolved this matter.