

AUDITED ANNUAL FINANCIAL REPORT



FOR THE YEAR ENDED
DECEMBER 31, 2020



HCRMA
HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY





Hidalgo County Regional Mobility Authority

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Audited Annual Financial Report

For the Year Ended
December 31, 2020

Hidalgo County Regional Mobility Authority

AUDITED ANNUAL FINANCIAL REPORT YEAR ENDED DECEMBER 31, 2020

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hidalgo County Regional Mobility Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Hidalgo County Regional Mobility Authority, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Hidalgo County Regional Mobility Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-10 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2021, on our consideration of the 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 solely 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 the effectiveness of the Authority's 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 the Authority's internal control over financial reporting and compliance.

Brent McAllen & Longue, LLP

McAllen, Texas
March 15, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

As management of the Hidalgo County Regional Mobility Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2020.

FINANCIAL HIGHLIGHTS

- The Authority's net position grew by nearly \$2.3 million or 4.5%. This growth was expected and was due to the continued growth of vehicle registration fees and conservative administrative operational costs.
- Capital assets (net of depreciation) increased by \$882K.
- No capital grants were received from the federal or state only \$105K in local funding.
- An advanced refunding was issued for the defeasance of the Series 2013 bonds. Further discussion is disclosed in the notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and the notes to the financial statements.

The financial statements provide both long-term and short-term information about the Authority's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units on an accrual basis. Under this basis, 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 assets is recognized in the statements of revenues, expenses, and changes in net assets. All assets and liabilities associated with the operation of the Authority are included in the statement of net position.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by roughly \$53.0 million at the close of the year ended December 31, 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The Authority's condensed Statement of Net Position along with last year's balances are presented for comparison in the following table:

Authority's Net Position		
Table 1 - Dollars in Millions		
	2020	2019
Assets		
Current and other assets	\$ 15.5	\$ 7.9
Capital assets	128.2	127.3
Total assets	143.7	135.2
Deferred outflows of resources	6.1	-
Liabilities		
Long-term liabilities	94.3	77.4
Other liabilities	2.6	7.2
Total liabilities	96.9	84.6
Net Position		
Net invested in capital assets, net of related debt	43.5	43.1
Restricted	5.8	4.5
Unrestricted	3.7	3.1
Total net position	\$ 53.0	\$ 50.7

By far the largest portion of the Authority's net position (\$53.0 million) is reflected in its net investment in capital assets, mainly in construction in progress, less any related debt used to acquire those assets that is still outstanding. The Authority will use these capital assets to provide services to users; consequently, these assets are not available for future spending. Although the Authority's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position for debt service totaling \$5,710,580 represents resources that are subject to bond covenants. Unrestricted net position represents resources that can be used to finance day-to-day operations without constraints total \$3,750,465.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The Authority's condensed Changes in Net Position along with last year's numbers are presented for comparison in the table below.

Authority's Changes in Net Position		
Table 2 - Dollars in Millions		
	2020	2019
Revenues		
Program Revenues		
Charges for services	\$ 7.4	\$ 7.3
Capital grants, contributions and other	1.4	0.4
	<u>8.8</u>	<u>7.7</u>
Expenses		
Other	<u>6.5</u>	<u>6.4</u>
Excess of revenues over expenditures	2.3	1.3
Net position - beginning	<u>50.7</u>	<u>49.4</u>
Net position - ending	<u>\$ 53.0</u>	<u>\$ 50.7</u>

Authority's net position increased by nearly \$2.3 million, mainly due to an increase in overweight fees, vehicle registration fees, and other sources.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Authority's capital assets (net of accumulated depreciation) amounts to \$128.2 million. This investment in capital assets includes construction in progress as well as land, leasehold improvements, and office equipment. The total increase in the Authority's capital assets for the current year was \$880K or .006%. The details of the change in capital assets from last year are reflected in the table below.

Authority's Capital Assets		
(Net of Depreciation)		
Table 3 - Dollars in thousands		
	2020	2019
Leasehold improvements	\$ 216	\$ 216
Office equipment	26	24
Land	441	441
Construction in progress	<u>127,588</u>	<u>126,710</u>
	<u>\$ 128,271</u>	<u>\$ 127,391</u>

Additional information on the Authority's capital assets can be found in the Notes to the Financial Statements in this report under section II, subsection C-Capital Assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Long-Term Obligations

At the end of the current year, the Authority had total contractually obligated long-term debt of \$94.9 million (not including unamortized premium activity). The details of the change in debt from last year are as indicated:

Authority's Long-Term Obligations		
Table 4 - Dollars in thousands		
(not including unamortized activity)		
	<u>2020</u>	<u>2019</u>
Bonds	<u>\$ 94,950</u>	<u>\$ 76,932</u>
	<u><u>\$ 94,950</u></u>	<u><u>\$ 76,932</u></u>

The net increase in long-term debt was \$18,019M, which includes new bond issuance of \$67,885M and principal retirement of the current existing debt totaling \$1,255M and bond defeasance totaling \$49,395M and principal accretion in the amount of \$784K as stipulated in loan documents.

ECONOMIC FACTORS AND NEXT YEAR

- The continued growth of vehicle registration fees is expected.
- The continued growth of overweight permit fees usage is expected.
- Continued partnership with Texas Department of Transportation is expected.

All of these factors were considered in preparing the Authority's budget for the year 2021.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Hidalgo County Regional Mobility Authority, 203 W. Newcombe Ave., Pharr, TX 78577.

BASIC FINANCIAL STATEMENTS

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2020

ASSETS

Current assets:	
Cash	\$ 120,015
Cash with fiscal agent	112,582
Investments	2,870,811
Receivables (net of allowance for uncollectible):	
Vehicle registration fees receivable	523,520
Promiles- receivable	8,775
Prepaid expense	312,797
Restricted assets:	
Investments	11,525,092
Total current assets	<u>15,473,592</u>
Noncurrent assets:	
Capital assets:	
Land	441,105
Leasehold improvements	266,776
Office equipment	33,136
Construction in progress (nondepreciable)	127,588,194
Accumulated depreciation	<u>(56,858)</u>
Total noncurrent assets	<u>128,272,353</u>
Deferred Outflow of Resources:	
Deferred charges on refunding	<u>6,153,048</u>
Total deferred outflows	<u>6,153,048</u>
Total assets and deferred outflow of resources	<u><u>149,898,993</u></u>

LIABILITIES

Current liabilities payable not from restricted assets:	
Accounts payable	\$ 133,488
Current portion of long-term debt	2,208,479
Unearned revenue	112,582
Current liabilities payable from restricted assets:	
Accrued interest payable	<u>154,712</u>
Total current liabilities payable	<u>2,609,261</u>
Noncurrent liabilities:	
Long-term debt (net of current portion)	<u>94,248,534</u>
Total noncurrent liabilities	<u>94,248,534</u>
Total liabilities	<u>96,857,795</u>

NET POSITION

Net invested in capital assets	43,580,153
Restricted for:	
Debt service	5,710,580
Unrestricted	<u>3,750,465</u>
Total net position	<u>53,041,198</u>
Total liabilities and net position	<u>\$ 149,898,993</u>

The notes to the financial statements are an integral part of this financial statement.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

Operating revenues:

Charges for sales and services:

Vehicle registration fees	\$ 6,422,850
Overweight permit fees	<u>973,080</u>

Total operating revenues	<u>7,395,930</u>
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Operating expenses:

Personnel services	879,122
Supplies	6,915
Other services and charges	370,722
Depreciation expense	<u>32,269</u>

Total operating expenses	<u>1,289,028</u>
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Operating income	<u>6,106,902</u>
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Non-operating revenues (expenses):

Miscellaneous	150
Investment earnings-unrestricted	13,822
Investment earnings-restricted	44,367
Intergovernmental	105,000
Interest expense (principal accretion)	(783,514)
Interest expense/fees-bonds	(1,696,945)
Issuance cost	(1,041,663)
Interest on refunding	(512,754)
Premium amortization	<u>79,162</u>

Total non-operating (expenses) revenues	<u>(3,792,375)</u>
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Change in net position	2,314,527
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Total net position - beginning	<u>50,726,671</u>
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Total net position - ending	<u>\$ 53,041,198</u>
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The notes to the financial statements are an integral part of this financial statement.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from vehicle registrations, overweight permit fees, and other	\$ 7,329,085
Payments to employees	(871,974)
Payments to suppliers	(6,915)
Payments for contractual services	(403,928)
Net cash provided by operating activities	<u>6,046,268</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Receipts from other governmental entities	<u>105,000</u>
Net cash provided by noncapital financing activities	<u>105,000</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(983,373)
Bond proceeds	69,242,678
Escrow transfer	(57,664,740)
Principal paid on long-term debt	(1,255,000)
Amount paid on liability debt	(5,377,193)
Interest paid on long-term liability	(1,768,758)
Insurance premiums	(312,436)
Issuance cost and other	(1,041,663)
Net cash provided by capital and related financing activities	<u>839,515</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net purchase of investments	(6,991,667)
Interest income	58,188
Net cash used by investing activities	<u>(6,933,479)</u>

Net increase in cash	57,304
Cash beginning of fiscal year	<u>62,711</u>
Cash end of fiscal year	<u>\$ 120,015</u>

Reconciliation of operating income to net cash provided by operating activities:

Operating income	<u>\$ 6,106,902</u>
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Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation expense	32,269
Increase in prepaid expense	(32,314)
Increase in accounts receivable-Vehicle Registration Fees	(58,069)
Increase in accounts receivable-Other	(8,775)
Increase in accounts payable	6,255
Total adjustments	<u>(60,634)</u>

Net cash provided by operating activities	<u>\$ 6,046,268</u>
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The notes to the financial statements are an integral part of this financial statement.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE I - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Hidalgo County Regional Mobility Authority (Authority) is an independent governmental agency created in November 2005 pursuant with Chapter 370 of the Transportation Code. The Authority is governed by a seven-member Board of Directors (the Board) appointed by the Governor of the State of Texas and the Hidalgo County Commissioners' Court. The Board is responsible for setting policies, identifying priorities and ensuring the Authority is operated effectively. Board members, appointed to serve two-year terms, are volunteers and are not compensated for their service.

The Authority was created to be a proactive partner empowering the community to address congestion and mobility concerns through local means with local leadership. It was created to plan, develop, fund and maintain a transportation system to serve the estimated 1.5 million residents living in Hidalgo County by 2025. The Authority's mission is to develop a publicly owned transportation system that creates jobs through increased mobility and access, is locally funded for reliable delivery, pays for itself in terms of future maintenance and also funds new projects to meet the future transportation needs of Hidalgo County. In its petition to create the Hidalgo County Regional Mobility Authority, Hidalgo County identified the Hidalgo Loop System (the Loop System) as the initial set of projects to be developed under the guidance of the Authority. The planning for the Loop System was started in 2000 by Hidalgo County and the Hidalgo County Metropolitan Planning Organization. The Authority concluded its additional planning effort for the Loop System around the urban part of Hidalgo County in 2010. Based on this effort, the Authority identified 2 independent projects, the Trade Corridor Connector (TCC) and the International Bridge Trade Corridor (IBTC), that provide utility to County residents and together begin building the Loop System. Additional state aid through the Texas Department of Transportation and the addition of a potential third project, the La Joya Relief Route, has required the Authority to re-examine the initial projects. A five-year Strategic Plan approved in March 2012 emphasizes the Authority's efforts to begin development of the Loop System projects, which prioritize 365 Tollway (formerly TCC), the International Border Trade Corridor, and State Highway 68 (formerly Segment D).

The Authority is not included in any other governmental "reporting entity" as defined by GASB Statement No. 14, *The Reporting Entity*. There are no component units included within the reporting entity.

B. Basis of Accounting

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

The operations of the Authority are accounted for within a single proprietary (enterprise) fund on an accrual basis. The accounting and financial reporting treatment applied is determined by measurement focus. The transactions of the Authority are accounted on a flow of economic resources measurement focus.

The financial statements of the Authority measure and report all assets, liabilities, revenues, expenditures, and gains and losses using the economic resources measurement focus and accrual basis of accounting.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE I - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
(Continued)

B. Basis of Accounting – (Continued)

Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized and all assets and liabilities associated with the operation of the Authority are included in the Statement of Net Position. Operating expenses include the cost of administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Cash, Cash with Fiscal Agent, and Investments

Cash and cash with fiscal agent include cash on hand, demand deposits, and cash held by a third party for prepaid overweight permit fees (ProMiles Software Development Corp.). These deposits are fully collateralized or covered by federal deposit insurance.

Investments are reported at fair value. The net change in fair value of investments is recorded on the statements of revenues, expenses and changes in net position and includes the unrealized and realized gains and losses on investments. The Authority's major investments are held by a third party, Wilmington Trust, per bond covenants. The Authority's local government investment pools are recorded at amortized cost as permitted by GASB Statement No. 79, "*Certain Investment Pools and Pool Participants*."

D. Capital Assets

Capital assets are defined by the Authority as assets with an individual cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets at year-end represent capitalized costs for legal, consulting and engineering relating to advance planning on the Loop projects, which prioritize 365 Tollway (formerly TCC), the International Border Trade Corridor, and State Highway 68 (formerly Segment D). It also includes office equipment and land. Depreciation and amortization on construction in progress will not begin until the project is operational.

E. Restricted Assets

Proceeds of the Authority's bonds and certain resources set aside for their repayment are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bonds covenants. These restricted assets are held and disbursed by Wilmington Trust, fiscal agent.

F. Receivables

All receivables are shown net of allowance for uncollectible balances. The allowance is based on historical activity and there is currently no amount identified as uncollectible.

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

The Authority 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.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE I - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
(Continued)

G. Classification of Operating and Non-operating Revenues and Expenses – (Continued)

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Authority's policy is to first apply the expense toward restricted resources, and then towards unrestricted resources available for use.

H. Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (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.

I. Personnel Liabilities

The Authority does not have any employees nor any personnel liabilities; the employees who perform operating activities for the Authority are loaned to the Authority by the City of Pharr, TX. All personnel reside with the City of Pharr. Actual costs incurred by the City of Pharr are reimbursed by the Authority.

J. Income Taxes

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

K. Bond Premiums, Discounts, Issuance Costs, and Deferred Outflows

The Authority amortizes premiums and discounts over the estimated useful life of the bonds as an adjustment to capitalized interest using the straight-line method. Bond issuance cost is expensed as incurred, in accordance with Governmental Accounting Standards Board ("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 existing (debt) are recorded as deferred outflows of resources and amortized over the shorter of the life of the original bonds or the life of the refunding bonds.

L. Rounding Adjustments

Throughout this annual financial report, dollar amounts are rounded, thereby creating differences between the details and the totals.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE II - DETAILED NOTES ON THE AUTHORITY'S ACTIVITY

A. Cash and Investments

Plains Capital Bank maintains the Authority's deposits for safekeeping and secures the funds with pledged securities in an amount sufficient to protect the Authority's funds, currently at 105% of unsecured deposits. The pledge of securities is provided in excess of the deposits above the Federal Deposit Insurance Corporation ("FDIC") insurance. At December 31, 2020, the Authority's deposits were entirely covered by federal deposit insurance or were secured by collateral held by the Authority's agent in the Authority pursuant to the Authority's Depository Agreement with Plains Capital Bank. At December 31, 2020, the bank balance of the Authority's deposit was \$120,015.

The Authority invests in Local Government Investment Cooperative ("LOGIC"). LOGIC is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "PFIA"). These two acts provide for the creation of public funds investment pools (including LOGIC) and authorize eligible government entities to invest their public funds under their control through the investment pools. As permitted by GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*," the Authority's investments in LOGIC are stated at cost, which approximates fair value.

The Authority has investments that are unrestricted and restricted. The unrestricted investment are the funds not legally restricted for a specific purpose and are invested in LOGIC Investment Pools, TexStar investment pools and government securities, which are held by Wilmington Trust. The Authority's restricted investments are from funds received from the issuance of debt and restricted by bond covenants for a specific purpose. Wilmington Trust is the fiscal agent for the Authority who is authorized to invest the restricted funds; they are currently investing in government securities.

The Authority categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The three levels of fair value hierarchy are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability either directly or indirectly.
- Level 3: Unobservable inputs—market data are not available and are developed using the best information available about the assumptions that market participants would use when pricing asset or liability.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE II - DETAILED NOTES ON AUTHORITY'S ACTIVITY - (Continued)

A. Cash and Investments – (Continued)

The Authority has the following fair value measurement as of December 31, 2020:

	Fair Value Measurement Using			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
LOGIC - Unrestricted	\$ 2,852,775	\$ 2,852,775	\$ -	\$ -
Government Securities - Unrestricted	18,036	18,036	-	-
LOGIC - Restricted	5,534,413	5,534,413	-	-
TexStar - Restricted	5,624,489	5,624,489	-	-
Government Securities - Restricted	366,190	366,190	-	-
	<u>\$ 14,395,903</u>	<u>\$ 14,395,903</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk

Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. Interest rate risk may be mitigated by investing operating funds primarily in shorter term securities, money market funds or similar investment pools and limiting the average maturity of the portfolio. At year end, the Authority was not exposed to interest rate risk. All investments held by the Authority are short term in nature as follows:

	Investment Maturities (in Years) at the end of December 31, 2020			
	Fair Value	Less Than 1	1-2	2-3
LOGIC - Unrestricted	\$ 2,852,775	\$ 2,852,775	\$ -	\$ -
Government Securities-Unrestricted	18,036	18,036	-	-
LOGIC - Restricted	5,534,413	5,534,413	-	-
TexStar - Restricted	5,624,489	5,624,489	-	-
Government Securities-Restricted	366,190	366,190	-	-
	<u>\$ 14,395,903</u>	<u>\$ 14,395,903</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation. As of December 31, 2020, the investments in the State's investment pools were rated AAAM by Standards and Poor's.

Custodial Credit Risk

Deposits and investments are exposed to custodial credit risk if they are not covered by depository insurance and the deposits and investments are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Authority's name.

The Authority has a process of maintaining contact with the trust department of its depository bank to eliminate all custodial credit risk once a need for an increase in collateral is identified the trust department adjusts the collateral amount accordingly. As of December 31, 2020, the Authority's bank balance was not exposed to custodial credit risk and was over-insured and over-collateralized via Plains Capital's investment in federal securities held by a third party in the name of the Authority to cover the amount of deposits over the FDIC collateral.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE II - DETAILED NOTES ON AUTHORITY'S ACTIVITY - (Continued)

A. Cash and Investments – (Continued)

Concentration of Credit Risk

The Authority's investment holdings at December 31, 2020 were strictly confined to LOGIC, TexStar, and government securities. The investment policy is silent in the concentration of holdings in the various types of securities and investments.

B. Unearned Revenue

The Authority reports unearned revenue in connection with resources that have been received, but not yet earned. As of December 31, 2020, the Authority's unearned revenues totaled \$112,582. Unearned revenues totaling \$112,582 were due to prepayments by customers who purchase commercial truck overweight permits. The third party who is acting as the Authority's Fiscal Agent is Promiles, the company that owns the software that is used for online overweight permit purchases.

C. Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

	Balance 12/31/2019	Increases	Disposals/ Transfers	Balance 12/31/2020
Capital Assets, not being depreciated:				
Land	\$ 441,105	\$ -	\$ -	\$ 441,105
Construction in progress	126,709,798	878,396	-	127,588,194
Total Capital Assets not being depreciated	127,150,903	878,396	-	128,029,299
Capital Assets, being depreciated:				
Leasehold improvements	237,660	29,116		266,776
Office equipment	26,732	6,404	-	33,136
Total Capital Assets being depreciated	264,392	35,520	-	299,912
Less accumulated depreciation for:				
Leasehold improvements	(21,945)	(28,208)	-	(50,153)
Office equipment	(2,643)	(4,062)	-	(6,705)
Total accumulated depreciation	(24,588)	(32,270)	-	(56,858)
Total Capital Assets being depreciated (Net)	239,804	3,250	-	243,054
Net Total Capital Assets	\$ 127,390,707	\$ 881,646	\$ -	\$ 128,272,353

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE II - DETAILED NOTES ON AUTHORITY'S ACTIVITY - (Continued)

C. Capital Assets— (Continued)

Increase in construction in progress consists of the following:

Consulting and engineering	\$ 2,063
Legal and professional	47,113
Loop project: 365 Tollway/IBTC	723,060
Capitalized wages	106,160
	<u>\$ 878,396</u>

D. Non-capitalized Construction Costs

Non-capitalized construction costs include costs associated with projects which will not be owned or maintained by the Authority once the project is completed. Costs associated with these projects are expensed as incurred. This year the Authority had no non-capitalized construction costs.

E. Long-Term Obligations

1. Revenue Bonds

The Authority originally issued a Series 2013 bond for which it pledged revenues derived from vehicle registration fees to pay the debt. Due to favorable market interest rates, the Authority authorized the issuance of Series 2020 bonds in the amount of \$67,885,000. It consisted of tax-exempt Series 2020A in the amount of \$9,870,000 and taxable Series 2020B in the amount of \$58,015,000. The taxable 2020B Series was a partial advance refunding of the Series 2013 bonds, which resulted in \$6,540,415 in present value savings. At the time of sale, \$57,664,740 was placed in an irrevocable trust for future payment when Series 2013 bonds are callable in 2023.

\$61,600,000 refunding bonds, Series 2013 due in various installments through 2023 with interest of 4.0% to 5.0%.	\$4,090,000
\$9,870,000 refunding bonds, Series 2020A due in various installments through 2050 with interest of 3.0% to 4.0%.	9,870,000
\$58,015,000 refunding bonds, Series 2020B due in various installments through 2043 with interest of 2.91% to 2.97%.	58,015,000
\$20,000,000 Junior Lien Bond, Series 2016A due in various installments through 2051 with interest of 3.5%.	\$20,000,000
Principal accretion on Junior Lien Bond, Series 2016A.	<u>2,975,440</u>
Total outstanding balance on Junior Lien Bond, Series 2016A	<u>22,975,440</u>
Total principal outstanding	94,950,440
Bond premium	<u>1,506,575</u>
Total bonds payable	<u>\$96,457,015</u>

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE II - DETAILED NOTES ON AUTHORITY'S ACTIVITY - (Continued)

E. Long-Term Obligations - (Continued)

1. Revenue bonds - (Continued)

The Junior Lien Bond, Series 2016A was executed December 1, 2016 in the amount of \$20,000,000. The first principal installment in the amount of \$210,000 is due December 1, 2026 and the first interest payment is due December 1, 2021. Interest will accrete at a rate of 3.5% per annum, compounding semi-annually on June 1 and December 1 of each year until June 1, 2021. As of December 31, 2020, accretion to date totaled \$2,975,440. Total accretion of interest totaling \$402,070 will be recognized in future periods until the final accretion date.

Debt service requirements on long-term obligations at December 31, 2020 including principal accretion are as follows:

Year Ended December 31	Principal	Interest	Total
2021	\$ 2,110,000	\$ 2,265,651	\$ 4,375,651
2022	2,170,000	2,617,817	4,787,817
2023	2,240,000	2,544,317	4,784,317
2024	2,325,000	2,466,530	4,791,530
2025	2,345,000	2,444,117	4,789,117
2026-2030	13,388,000	11,658,548	25,046,548
2031-2035	14,990,000	10,235,433	25,225,433
2036-2040	18,859,000	8,096,904	26,955,904
2041-2045	19,201,000	4,947,369	24,148,369
2046-2050	15,745,000	2,166,290	17,911,290
2051	1,979,510	69,279	2,048,789
	<u>\$ 95,352,510</u>	<u>\$ 49,512,255</u>	<u>\$ 144,864,765</u>
Less: principal accretion*	<u>(402,070)</u>		
	<u>\$ 94,950,440</u>		

*Principal accretion will increase principal outstanding balance in future periods.

The Authority and Hidalgo County authorized the pledge of the vehicle registration fee revenues to secure payment of the Hidalgo County Regional Mobility Authority debt in a term not exceeding 40 years. The current net debt service position was \$5,710,580 for the year ended December 31, 2020. These funds are required by the bond ordinance to be set aside to pay the bond debt. These funds are managed by a Trustee, Wilmington Trust, and are currently held in the Logic Investment Pool, TexStar Pool and government securities.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE II - DETAILED NOTES ON AUTHORITY'S ACTIVITY - (Continued)

E. Long-Term Obligations - (Continued)

1. Revenue bonds - (Continued)

Long-term obligations outstanding at December 31, 2020 are as follows:

	Balance 12/31/2019	Increases	Decreases	Balance 12/31/2020	Due Within One Year
Bonds Payable:					
Revenue Bond Series 2013	\$ 54,740,000	\$ -	\$ 50,650,000	\$ 4,090,000	\$ 1,305,000
Revenue Bond Series 2020A	-	9,870,000	-	9,870,000	-
Revenue Bond Series 2020B	-	58,015,000	-	58,015,000	805,000
Jr. Lien Bond Series 2016A (1)	22,191,926	783,514	-	22,975,440	-
Premium on Bonds-2013	1,834,837	-	1,674,626	160,211	53,223
Premium on Bonds-2020A	-	1,357,678	11,314	1,346,364	45,256
Total Long-Term Obligations	<u>\$ 78,766,763</u>	<u>\$ 70,026,192</u>	<u>\$ 52,335,940</u>	<u>\$ 96,457,015</u>	<u>\$ 2,208,479</u>

(1) Future principal accretion--\$402,070 not included.

2. Other Payable

The Authority went through a condemnation process to acquire land during the year ended December 31, 2017. At the time the land was acquired, the Authority paid a total of \$7,407,616 and the remaining balance totaling \$5,377,193 was recognized as a liability. This liability was fully paid during the current year.

3. Arbitrage

In 2013, the Authority issued long-term debt for capital construction projects. These bonds are subject to arbitrage regulations. Arbitrage regulations call for the return of the difference in interest revenue against interest expense. At December 31, 2020, there was no liability of arbitrage that would have been owed to the federal government.

F. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None	Not applicable

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE II - DETAILED NOTES ON AUTHORITY'S ACTIVITY - (Continued)

G. Operating Lease Commitments

Effective March 1, 2018, the Authority entered into a lease agreement with a 60 month term and monthly installments of \$4,480. The agreement includes a renewal option for an additional 60 months. Additionally, the Authority leases certain office equipment. All the Authority's leases are accounted for as operating leases. The total costs of the Authority's leases were \$64,287 for the year ended December 31, 2020. The future minimum lease payments for these leases are as follows:

<u>December 31,</u>	
2021	\$ 60,871
2022	55,312
2023	<u>8,960</u>
	<u>\$ 125,143</u>

NOTE III - OTHER INFORMATION

A. City Contributions

In 2018, the Authority adopted the 2019-2023 Strategic Plan Update – Program Manager Strategy No. 8, which included the International Bridge Trade Corridor and State Highway 68 projects. The Authority requested partnership with several cities in the form of Interlocal agreements to assist in paying for the preparation of the projects. The cities and the terms of the Interlocal agreements are reflected as follows:

<u>City</u>	<u>Years</u>	<u>Amount/Yr</u>
Alamo	10	\$ 15,000
Donna	10	25,000
Edinburg	10	25,000
Pharr	10	25,000
San Juan	10	<u>15,000</u>
		<u>\$ 105,000</u>

This agreement is subject to an annual budget appropriation by the City. In the event the funds are not appropriated, the City is under no obligation to provide funds. For the year ended December 31, 2020, actual collections from city contributions totaled \$105,000.

B. Litigation

The Authority is currently a defendant in a lawsuit. The lawsuit remains in its early stages and it is the opinion of management and its outside attorneys that the possible outcome of the lawsuit and an estimate of the loss, if any, cannot presently be determined.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE III - OTHER INFORMATION - (Continued)

C. Project Commitments

At December 31, 2020, the Authority had the following remaining project commitments:

<u>Project</u>	<u>Authorization</u>	<u>Expended</u>	<u>Remaining</u>
Program management	\$ 820,373	\$ 160,439	\$ 659,934
Engineering/surveying	18,107,649	14,946,121	3,161,528
Environmental	911,853	811,465	100,388
Material testing	291,390	142,579	148,811
	<u>\$ 20,131,265</u>	<u>\$ 16,060,604</u>	<u>\$ 4,070,661</u>

This table is not meant to reconcile to the balance of construction in progress. This table consists of current project commitments authorized by the board. Construction in progress is currently not depreciated.

D. Impairment of Assets

The Authority reviews the carrying values of assets for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use the eventual disposition. In cases where undiscounted expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying values exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and other economic factors. The authority recorded no impairments for the year ended December 31, 2020.

E. Letter of Credit

As of December 31, 2020, the authority has not drawn upon the letter of credit, which has been issued in the maximum amount of \$50,000 with interest of 1% with Plains Capital Bank.

F. Major Vendors

Four vendors accounted for 26%, 15%, 10% and 9% of vendor payments for the year ended December 31, 2020.

G. New Accounting Pronouncements

No new accounting pronouncements were implemented during 2020. GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. This Statement provides temporary relief to governments in light of the COVID-19 pandemic by posting the effective dates of Statements set to become effective in 2020 and 2021. Management will implement upcoming GASB Statements, where applicable based on the new effective dates.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE III - OTHER INFORMATION - (*Continued*)

H. COVID-19 and Operations

In March 1, 2020, the President of the United States declared a National Emergency and the Governor of the State of Texas declared a State of Disaster as a result of the COVID-19 pandemic. Local disaster orders were put in place within Hidalgo County. These declarations did not have a significant impact on the Authority's operations. As part of the Governor's declaration, certain vehicle registration requirements were temporarily waived until April 14, 2021. This temporary waiver did not significantly affect vehicle registration fees collected during the year.

I. Subsequent Events

The Authority has evaluated subsequent events through March 15, 2021, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of March 15, 2021, have been incorporated into these financial statements herein.

REPORTS REQUIRED UNDER
GOVERNMENT AUDITING STANDARDS

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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
Hidalgo 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 the Hidalgo County Regional Mobility Authority ("the Authority"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 15, 2021.

Internal Control over Financial Reporting

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

McAllen, Texas
March 15, 2021