

**Financial Statements  
and  
Independent Auditor's  
Report**

**HIDALGO COUNTY REGIONAL MOBILITY  
AUTHORITY**

**December 31, 2013**



HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
Year Ended December 31, 2013

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# **FINANCIAL SECTION**

## Independent Auditor's Report

To the Board of Directors  
Hidalgo County Regional Mobility Authority  
Pharr, Texas

Members of the Board:

We have audited the accompanying financial statements of the Hidalgo County Regional Mobility Authority as of and for the year ended December 31, 2013, and the related notes to the financial statements which collectively comprise the 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 misstatements, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 financial position of Hidalgo County Regional Mobility Authority as of December 31, 2013, and the 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.

*Other Matters*

*New Accounting Principles*

As discussed in Note 1 to the financial statements, management has implemented GASB 65 *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to that matter.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



LONG CHILTON, LLP  
Certified Public Accountants

McAllen, Texas  
March 7, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Hidalgo County Regional Mobility Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended December 31, 2013. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

### FINANCIAL HIGHLIGHTS

- The Authority's net position increased by \$5.4 million as a result of vehicle registration fees received from Hidalgo County to fund the long-term transportation projects in Hidalgo County.
- Capital assets were \$31.3 million and \$38.6 million as of December 31, 2012 and 2013, respectively. All capital costs pertain to construction in progress relating to advance planning, schematic design, environmental clearance, and financial planning.
- Long-term liabilities increased from \$10.7 million in 2012 to \$62.9 million in 2013. This increase was the result of a bond issued by the Authority during the year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts - *management's discussion and analysis* (this section), and *the basic financial statements*.

The basic financial statements presented are: the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements are presented in accordance with Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis for State and Local Governments.

The statements are prepared under the accrual basis of accounting in which revenues and assets are recognized when earned or acquired, and expenses and liabilities are recognized when incurred regardless of when cash is received or paid.

### FINANCIAL ANALYSIS OF THE AUTHORITY

#### Statement of Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$29,313,114 at the close of this fiscal year.

A portion of the Authority's net position (88.7%) reflects its net investment in capital assets (capitalized planning costs related to Loop Project), less related debt used to acquire those assets that are still outstanding. Net position restricted for debt service (1.1%) represents resources that are subject to bond covenants. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$2,989,052. Following is a brief summary of the Authority's net position.

Table 1  
Net Position  
(in thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>Total % Change 2013-2012</u>	<u>2011</u>	<u>Total % Change 2012-2011</u>
Current and other assets	\$ 55,696	\$ 5,159	980%	\$ 6,784	-24%
Capitalized bond and other debt issuance costs	-	113	-100%	131	-14%
Capital assets	<u>38,658</u>	<u>31,297</u>	24%	<u>25,613</u>	22%
Total assets	94,354	36,569	158%	32,528	12%
Current Liabilities	2,083	1,966	6%	1,843	7%
Long-term obligations	<u>62,958</u>	<u>10,726</u>	487%	<u>12,048</u>	-11%
Total liabilities	65,041	12,692	412%	13,891	-9%
Net position:					
Net investment in capital assets	25,999	19,503	33%	12,505	56%
Restricted	325	4,326	-92%	6,075	-29%
Unrestricted (deficit)	<u>2,989</u>	<u>48</u>	6127%	<u>57</u>	-16%
Total net position	<u>\$ 29,313</u>	<u>\$ 23,877</u>	23%	<u>\$ 18,637</u>	28%

**Statement of Revenues, Expenses and Changes in Net Position**

Governmental activities increased the Authority's net position by \$5.4 million. This increase is largely due to the receipt of fees revenues from Hidalgo County from a \$10.00 surcharge on all County vehicle registrations. The total funds received from the County were \$5,440,240. These funds are for capital projects. Program expenses, which consist of administrative costs that could not be allocated to the Loop Project, totaled \$4,642 for 2013. Table 2 compares the 2013 change in net position to the 2012 and 2011 changes in net position.

Table 2  
Changes in Net Position  
(in thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>Total % Change 2013-2012</u>	<u>2011</u>	<u>Total % Change 2012-2011</u>
Revenues:					
Vehicle registration fees	\$ 5,440	\$ 5,243	4%	\$ 4,967	6%
Interest income	<u>-</u>	<u>-</u>	0%	<u>-</u>	0%
Total revenue	5,440	5,243	4%	4,967	6%
Expenses					
Administrative	<u>4</u>	<u>3</u>	33%	<u>2</u>	50%
Total expenses	4	3	33%	2	50%
Change in net position	5,436	5,240	4%	4,965	6%
Net position, beginning of the year	<u>23,877</u>	<u>18,637</u>	28%	<u>13,672</u>	36%
Total net position, end of the year	<u>\$ 29,313</u>	<u>\$ 23,877</u>	23%	<u>\$ 18,637</u>	28%

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As of December 31, 2013 the Authority had invested approximately \$38.6 million in construction in progress, including engineering fees and preliminary costs such as funding, consulting, environmental, legal and traffic analysis fees. No tangible property or equipment has been acquired to date. Depreciation and amortization on construction in progress will not begin until each project is complete. Additional information on the Authority's capital assets can be found in the notes to the financial statements.

### **Long-Term Debt**

The Authority has one long-term note and one bond outstanding as of December 31, 2013. Note payable to Hidalgo County representing funds loaned by the County for general operations with a balance of \$200,000 was provided to the Authority for the purpose of assisting in its organization efforts and its general operations. The bond has a balance of \$63.8 million at December 31, 2013. These funds are restricted to paying transportation project costs. Additional information on the Authority's long-term debt can be found in the notes to the financial statements.

## **ECONOMIC FACTORS FOR NEXT YEAR**

The Authority's income from vehicle registration fees remains stable with a small increase year over year. The proceeds are sufficient for repayment of debt obligations and to continue with preliminary planning leading to construction. We anticipate Right of Way acquisition to be completed in mid 2015 and construction to begin soon thereafter. The Texas Department of Transportation has pledged financial assistance for the SH 365 Project in the amount of \$112 Million.

## **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our patrons and other interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hidalgo County Regional Mobility Authority, 118 S. Cage Blvd., 4th Floor, Pharr, Texas 78577.



**BASIC FINANCIAL STATEMENTS**

**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2013**

Assets

Current assets:		
Cash	\$	378,961
Investments		3,388,527
Vehicle registration fee receivable		357,250
Total current assets, not including restricted assets		\$ 4,124,738
Restricted assets:		
Investments		51,571,658
Total current assets, including restricted assets		55,696,396
Capital assets:		
Office equipment, net		12,359
Construction work in progress		38,645,949
Total capital assets, net		38,658,308
Total assets		\$ 94,354,704

Liabilities and Net Position

Current liabilities:		
Due to LRGVDC	\$	1,028
Accrued expenses		31,476
Interest payable		113,989
Current portion of long term debt		1,135,000
Total current liabilities, not including those from restricted assets		\$ 1,281,493
Payables from restricted assets:		
Accrued expenses		570,887
Interest payable		230,665
Total payables from restricted assets		801,552
Total current liabilities, including those from restricted assets		2,083,045
Noncurrent liabilities:		
Long-term debt (net of current portion)		62,958,545
Total liabilities		65,041,590
Net position:		
Net investment in capital assets		25,998,814
Restricted for:		
Debt service		325,248
Unrestricted		2,989,052
Total net position		29,313,114
Total liabilities and net position		\$ 94,354,704

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

**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**DECEMBER 31, 2013**

	<u>Non-GAAP</u>	<u>Capitalized Expenses</u>	<u>GAAP Basis</u>
<b>Revenues:</b>			
Vehicle registration fees	\$ 5,440,240	\$ -	\$ 5,440,240
Interest income	416	-	416
Total revenues	<u>\$ 5,440,656</u>	<u>\$ -</u>	<u>\$ 5,440,656</u>
<b>Expenses:</b>			
Administrative	465,984	(461,342)	4,642
Consulting and engineering	4,859,479	(4,859,479)	-
Financial consulting fees	9,500	(9,500)	-
Interest expense	611,159	(611,159)	-
Bond issuance cost	1,161,714	(1,161,714)	-
Legal and professional	111,867	(111,867)	-
Other loop project	29,714	(29,714)	-
Total expenses	<u>7,249,417</u>	<u>(7,244,775)</u>	<u>4,642</u>
Change in net position	<u>\$ (1,808,761)</u>	<u>\$ (7,244,775)</u>	5,436,014
Net position, January 1, 2013			<u>23,877,100</u>
Net position, December 31, 2013			<u>\$ 29,313,114</u>

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

**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**DECEMBER 31, 2013**

Cash flows from operating activities:		
Receipts from Department of Transportation	\$ 5,421,240	
Receipts from interest income	416	
Payments to suppliers of goods or services	<u>(3,661)</u>	
Net cash flows provided by operating activities		\$ 5,417,995
Cash flows from capital and related financing activities:		
Acquisitions for construction in progress	(6,893,379)	
Proceeds from bond issuance	63,899,934	
Principal paid on capital debt	<u>(11,906,326)</u>	
Net cash flows provided by capital and related financing activities		45,100,229
Cash flows from investing activities:		
Purchase of investments	(55,665,645)	
Proceeds from sale of investments	<u>705,460</u>	
Net cash flows used by investing activities		<u>(54,960,185)</u>
Net decrease in cash		(4,441,961)
Cash at beginning of year		<u>4,820,922</u>
Cash at end of year		<u>\$ 378,961</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net position	\$ 5,436,014	
Depreciation	981	
Changes in assets and liabilities:		
(Increase) Decrease in accounts receivables	<u>(19,000)</u>	
Net cash flows provided by operating activities		<u>\$ 5,417,995</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest expense		<u>\$ 363,494</u>

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

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Hidalgo County Regional Mobility Authority (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 more significant of the Authority's accounting policies are described below:

**A. Reporting Entity**

The 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 the 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 State Highway 365 (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.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting**

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.

During the year the Authority implemented the requirements of GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. This Statement addresses important practice issued for state and local governments. Statement 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Also, this statement addresses that most issuance costs for debt are no longer capitalized and amortized but rather expensed as incurred.

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

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 Equivalents, and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Public Funds Investment Act for the state of Texas allows the Authority to invest in the following:

Obligations of, or guaranteed by governmental entities, including:

- a) Obligations of the United States or its agencies and instrumentalities
- b) Direct obligations of the State of Texas or its agencies and instrumentalities
- c) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities
- d) Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent
- e) Certificates of deposits or share certificates
- f) Fully collateralized repurchase agreement
- g) Banker's Acceptance
- h) Commercial paper
- i) No-load money market mutual funds
- j) Investments pools
- k) Guaranteed investment contracts

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**D. Capital Assets**

All capital assets at year end represent capitalized costs for legal, consulting and engineering relating to advance planning on the Loop Project. Depreciation and amortization on construction in progress will not begin until the project is operational. During the year, the total interest expense of \$611,159 incurred was capitalized as part of the construction in progress.

**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.

**F. 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.

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.

**G. 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.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The Authority's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the Authority's agent bank approved pledged securities in an amount sufficient to protect Authority funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At December 31, 2013, 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 First National Bank. During the year, the FDIC took control over First National Bank and its assets were assumed by Plains Capital Bank with no interruption in bank operations.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2013

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

Investments at fair value as of December 31, 2013 are presented in the following table:

	Investment Maturities (in Years) at the end of December 31, 2013				
	Fair Value	Less Than 1	1-2	2-3	3-4
TexStar	\$ 54,960,185	\$ 54,960,185	\$ -	\$ -	\$ -
	<u>\$ 54,960,185</u>	<u>\$ 54,960,185</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Public Funds Investment Pools*

Public funds investment pools in Texas (“Pools”) are established under the authority of the interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Investment Act (the “Act”), Chapter 2256 of the Texas Government Code.

In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating services; and (3) maintain the fair value of its underlying investment portfolio within one half of one percent of the values of its shares.

The Authority’s investment pools are reported at an amount determined by the fair value per share of the pool’s underlying portfolio, unless the pool is 2a7-like, in which case they are reported at amortized cost. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

TexSTAR is a public fund investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Act.

The Authority’s investment officers believe that the Authority has complied in all material respects with the requirements of the Act and the Authority’s investment policies.

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.

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, 2013, the investments in the State’s investment pool was rated AAAM by Standards and Poor’s.



HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

Concentration of Credit Risk

The Authority investment holdings at December 31, 2013 were strictly confined to TexSTAR. The investment policy is silent in the concentration of holdings in the various types of securities and investments.

**NOTE 3 – DISAGGREGATION OF PAYABLES**

Payables as of December 31, 2013 for the Authority are as follows:

Engineering Services	\$ 557,431
Legal Services	13,456
Administration Expenses	<u>32,504</u>
	<u>\$ 603,391</u>

**NOTE 4 - CAPITAL ASSETS**

Capital assets at year end totaled \$38,658,308 and represented capitalized costs relating to advance planning for the Loop Project. Capital asset activity for the year ended December 31, 2013, was as follows:

	Balance 1/1/2013	Increases	Decreases	Balance 12/31/2013
Capital Assets, not being depreciated:				
Construction in Progress	<u>\$ 31,288,753</u>	<u>\$ 7,357,196</u>	<u>\$ -</u>	<u>\$ 38,645,949</u>
Capital Assets, being depreciated:				
Office Equipment	<u>10,007</u>	<u>4,710</u>	<u>-</u>	<u>14,717</u>
Less accumulated depreciation for:				
Office Equipment	<u>(1,377)</u>	<u>(981)</u>	<u>-</u>	<u>(2,358)</u>
Total Capital Assets being depreciated (Net)	<u>8,630</u>	<u>3,729</u>	<u>-</u>	<u>12,359</u>
Total Capital Assets (Net)	<u>\$ 31,297,383</u>	<u>\$ 7,360,925</u>	<u>\$ -</u>	<u>\$ 38,658,308</u>

Increase in construction in progress consists of the following:

Administrative	\$ 461,343
Consulting and engineering	4,859,479
Financial consulting fees	9,500
Interest expense	611,159
Bond issuance cost	1,274,134
Legal and professional	111,867
Other loop project	<u>29,714</u>
	<u>\$ 7,357,196</u>

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE 5 - LONG-TERM OBLIGATIONS**

**Revenue bonds**

The Authority issue a bond, for which it pledges revenues, derived from the vehicle registration fee revenues, to pay debt service.

\$61,600,000 refunding bond, series 2013 due in various installments through 2043 with interest of 2% to 5.2%. \$ 61,600,000

Bond premium 2,293,545  
Total bonds payable \$ 63,893,545

Debt service requirements on long-term debt at December 31, 2013 are as follows:

Year Ended December 31	Principal	Interest	Total
2014	\$ 1,135,000	\$ 2,840,820	\$ 3,975,820
2015	1,085,000	2,890,963	3,975,963
2016	1,105,000	2,869,263	3,974,263
2017	1,140,000	2,836,113	3,976,113
2018	1,175,000	2,801,913	3,976,913
2019-2023	6,565,000	13,305,163	19,870,163
2024-2028	8,280,000	11,595,313	19,875,313
2029-2033	10,515,000	9,356,174	19,871,174
2034-2038	13,390,000	6,483,350	19,873,350
2039-2043	17,210,000	2,665,250	19,875,250
	<u>\$ 61,600,000</u>	<u>\$ 57,644,321</u>	<u>\$ 119,244,321</u>

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 \$325,248 sinking fund amount for the fiscal year ended December 31, 2013 is recorded as restricted assets. These funds are required by ordinance to be set aside to pay the bond debt. These funds are managed by a Trustee and are currently invested in the TexSTAR.

**Notes payable**

The note payable to Hidalgo County was funded as a result of an Interlocal Agreement between Hidalgo County and the Authority to loan funds to the Authority for the purpose of providing initial operating funds for the Loop Project. The Agreement allows for additional funding for operations if needed. The terms of the loan call for 8.25% annual interest with repayment from the proceeds of the first available revenues received by the Authority from the Project.

The note payable to First National Bank (now Plains Capital Bank) was paid off in the year using the 2013 Refunding Bond series.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2013

**NOTE 5 - LONG-TERM OBLIGATIONS (Continued)**

Long-term obligations outstanding at December 31, 2013 were as follows:

	Beginning			Ending	
	Balance 1/1/2013	Increases	Decreases	Balance 12/31/2013	Due Within One Year
<b>Bonds Payable:</b>					
Refunding Bond Series 2013	\$ -	\$61,600,000	\$ -	\$61,600,000	\$1,135,000
Premium on Bonds	-	2,299,934	6,389	2,293,545	-
Sub-Total Bonds Payable	-	63,899,934	6,389	63,893,545	1,135,000
<b>Notes Payable:</b>					
First National Bank	\$11,906,325	\$ -	\$11,906,325	\$ -	\$ -
Hidalgo County	200,000	-	-	200,000	-
Sub-Total Notes Payable	12,106,325	-	11,906,325	200,000	-
<b>Total Governmental Activities</b>	<b>\$12,106,325</b>	<b>\$63,899,934</b>	<b>\$11,912,714</b>	<b>\$64,093,545</b>	<b>\$1,135,000</b>

**NOTE 6 – CONSTRUCTION COMMITMENTS**

At December 31, 2013, the Authority had remaining construction commitments:

Project	Authorization	Expended	Remaining
Program Management	\$ 5,252,808	\$ 5,130,331	\$ 122,476
Traffic Studies	11,883,906	2,732,196	9,151,710
Engineering/Surveying	1,460,605	834,343	626,262
Environmental	752,076	534,579	217,496
			<u>\$ 10,117,945</u>

**NOTE 7 – ADJUSTMENT TO CONSTRUCTION WORK IN PROGRESS**

Due to the implementation of GASB 65, as discussed in Note 1, most issuance costs for debt are no longer capitalized and amortized but rather expensed as incurred. This statement, then, requires the removal of deferred charges for issuance costs and reclassifies it as part of the Construction work in progress in the amount of \$112,421.