

# AUDITED ANNUAL FINANCIAL REPORT



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FOR THE YEAR ENDED  
DECEMBER 31, 2021



**HCRMA**  
HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY





# **Hidalgo County Regional Mobility Authority**

## **BOARD OF DIRECTORS**

S. David Deanda Jr. - Chairman

Forrest Runnels

Alonzo Cantu

Francisco "Frank" Pardo

Ezequiel Reyna, Jr.

Paul S. Moxley

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## **EXECUTIVE DIRECTOR**

Pilar Rodriguez, P.E.

## **CHIEF FINANCIAL OFFICER**

Jose H. Castillo

# **Audited Annual Financial Report**

For the Year Ended  
December 31, 2021

# Hidalgo County Regional Mobility Authority

## AUDITED ANNUAL FINANCIAL REPORT YEAR ENDED DECEMBER 31, 2021

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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 Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the Hidalgo County Regional Mobility Authority (the Authority), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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, 2021, 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.

#### *Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 and 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 16, 2022 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.

*Burton McCall & Long, LLP*

McAllen, Texas  
March 16, 2022



## **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, 2021.

### **FINANCIAL HIGHLIGHTS**

- The Authority's net position grew by nearly \$2.0 million or 3.8%. This growth was expected and was due to the continued growth of vehicle registration fees, overweight permits, and conservative administrative operational costs.
- Capital assets (net of depreciation) increased by \$1.9M.
- No capital grants were received from the federal or state only \$90K in local funding.

### **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 position. 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 and deferred outflows of resources exceeded liabilities by roughly \$55.0 million at the close of the year ended December 31, 2021.



## 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:

<b>Authority's Net Position</b>		
<b>Table 1 - Dollars in Millions</b>		
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current and other assets	\$ 16.0	\$ 15.5
Capital assets	130.2	128.2
<b>Total assets</b>	<b>146.2</b>	<b>143.7</b>
 Deferred outflows of resources	 4.1	 6.1
<b>Liabilities</b>		
Long-term liabilities	92.4	94.3
Other liabilities	2.9	2.6
<b>Total liabilities</b>	<b>95.3</b>	<b>96.9</b>
 <b>Net Position</b>		
Net invested in capital assets, net of related debt	44.5	43.5
Restricted	11.3	11.4
Unrestricted	(0.8)	(1.9)
<b>Total net position</b>	<b>\$ 55.0</b>	<b>\$ 53.0</b>

By far the largest portion of the Authority's net position (\$55.0 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.

Restricted net position represents resources for debt service that are subject to bond covenants totaling \$6,368,977 and bond proceeds restricted to be used for projects totaling \$4,958,579. Unrestricted net position had a deficit of \$759,073.

## 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.

<b>Authority's Changes in Net Position</b>		
<b>Table 2 - Dollars in Millions</b>		
	<b>2021</b>	<b>2020</b>
Operating revenues		
Charges for services	\$ 8.0	\$ 7.4
	8.0	7.4
Operating expenses	1.4	1.3
Operating income	6.6	6.1
Non-operating revenues (expenses)	(4.6)	(3.8)
Change in net position	2.0	2.3
Net position - beginning	53.0	50.7
Net position - ending	\$ 55.0	\$ 53.0

Authority's net position increased by nearly \$2.0 million, mainly due to an increase in overweight fees and vehicle registration fees.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

The Authority's capital assets (net of accumulated depreciation) amount to \$130.2 million. This investment in capital assets includes construction in progress as well as land, leasehold improvements, infrastructure and office equipment. The total increase in the Authority's capital assets for the current year was \$1.9M or 1.5%. The details of the change in capital assets from last year are reflected in the table below.

<b>Authority's Capital Assets</b>		
<b>(Net of Depreciation)</b>		
<b>Table 3- Dollars in thousands</b>		
	<b>2021</b>	<b>2020</b>
Leasehold improvements	\$ 205	\$ 217
Office equipment	29	26
Land	1,356	441
Infrastructure	2,909	-
Construction in progress	125,736	127,588
	\$ 130,235	\$ 128,272

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 \$93.2 million (not including unamortized premium activity). The details of the change in debt from last year are as indicated:

<b>Authority's Long-Term Obligations</b>		
<b>Table 4 - Dollars in thousands</b>		
<b>(not including unamortized activity)</b>		
	<b><u>2021</u></b>	<b><u>2020</u></b>
Bonds	<b><u>\$ 93,243</u></b>	<b><u>\$ 94,950</u></b>
	<b><u>\$ 93,243</u></b>	<b><u>\$ 94,950</u></b>

The net decrease in long-term debt was \$1,708M, which consisted of principal retirement of the current existing debt totaling \$2,110M and increase of additional principal accretion in the amount of \$402K 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.
- In February 2022, the Authority issued Senior Lien Toll and Vehicle Registration Fee Revenue Bonds, Series 2022A and 2020B in the amounts of \$151,650,345 and \$63,884,707, respectively. Proceeds from the issuance of these bonds will be utilized on the 365 Toll Road project and to retire the Texas Department of Transportation State Infrastructure Bank loan.

All these factors were considered in preparing the Authority's budget for the year 2022.

### **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, 2021

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 3,468,771
Cash with fiscal agent	122,300
Investments	27,545
Receivables (net of allowance for uncollectible):	
Vehicle registration fees receivable	525,140
Promiles- receivable	6,831
Prepaid expense	18,198
Restricted assets:	
Cash and cash equivalents	11,257,631
Investments	331,198
Total current assets	<u>15,757,614</u>
Noncurrent assets:	
Prepaid bond insurance	298,229
Capital assets:	
Land	1,356,039
Leasehold improvements	285,923
Office equipment	40,946
Infrastructure	3,010,637
Construction in progress (nondepreciable)	125,736,292
Accumulated depreciation	(193,927)
	<u>130,235,910</u>
Total noncurrent assets	<u>130,534,139</u>
Deferred Outflow of Resources:	
Deferred charges on refunding	<u>4,102,032</u>
Total deferred outflows	<u>4,102,032</u>
Total assets and deferred outflow of resources	<u><u>150,393,785</u></u>

**LIABILITIES**

Current liabilities payable not from restricted assets:	
Accounts payable	\$ 295,484
Current portion of long-term debt	2,268,299
Unearned revenue	122,300
Current liabilities payable from restricted assets:	
Accounts payable	43,122
Accrued interest payable	218,151
Total current liabilities payable	<u>2,947,356</u>
Noncurrent liabilities:	
Long-term debt (net of current portion)	<u>92,381,765</u>
Total noncurrent liabilities	<u>92,381,765</u>
Total liabilities	<u>95,329,121</u>

**NET POSITION**

Net invested in capital assets	44,496,180
Restricted for:	
Debt service	6,368,977
Capital projects	4,958,579
Unrestricted	(759,072)
Total net position	<u>55,064,664</u>
Total liabilities and net position	<u><u>\$ 150,393,785</u></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, 2021

Operating revenues:		
Charges for sales and services:		
Vehicle registration fees	\$	6,966,590
Overweight permit fees		<u>1,060,371</u>
Total operating revenues		<u>8,026,961</u>
Operating expenses:		
Personnel services		858,063
Supplies		5,721
Other services and charges		401,773
Depreciation expense		<u>137,070</u>
Total operating expenses		<u>1,402,627</u>
Operating income		<u>6,624,334</u>
Non-operating revenues (expenses):		
Investment earnings-unrestricted		1,752
Investment earnings-restricted		7,902
Intergovernmental		90,000
Interest expense and principal accretion - SIB loan		(879,360)
Interest expense/fees - bonds		(1,857,800)
Interest expense - amortization bond premiums/deferred charges on refunding		<u>(1,963,362)</u>
Total non-operating (expenses) revenues		<u>(4,600,868)</u>
Change in net position		2,023,466
Total net position - beginning		<u>53,041,198</u>
Total net position - ending	\$	<u><u>55,064,664</u></u>

*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, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from vehicle registrations, overweight permit fees, and other	\$ 8,027,285
Payments to employees	(800,727)
Payments to suppliers	(5,720)
Payments for contractual services	(425,344)
Net cash provided by operating activities	<u>6,795,494</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Receipts from other governmental entities	90,000
Net cash provided by noncapital financing activities	<u>90,000</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(1,944,273)
Principal paid on long-term debt	(2,110,000)
Interest paid on long-term liability	(2,271,651)
Net cash used by capital and related financing activities	<u>(6,325,924)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Net purchase of investments	(10,151)
Interest income	9,658
Net cash used by investing activities	<u>(493)</u>

Net increase in cash and cash equivalents	559,077
Cash and cash equivalents, beginning of fiscal year as previously reported	120,015
Add: LOGIC account balances - reclassified from investments to cash and cash equivalents	14,047,310
Cash and cash equivalents beginning of fiscal year, restated	<u>14,167,325</u>

Cash and cash equivalents, end of fiscal year	<u>\$ 14,726,402</u>
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**Reconciliation of operating income to net cash provided by operating activities:**

Operating income	<u>\$ 6,624,334</u>
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**Adjustments to reconcile operating income to net cash provided by operating activities:**

Depreciation expense	137,070
Increase in prepaid expense	(14,996)
Increase in accounts receivable-Vehicle Registration Fees	(1,620)
Increase in accounts receivable-Promiles	1,942
Increase in accounts payable	48,764
Total adjustments	<u>171,160</u>

Net cash provided by operating activities	<u>\$ 6,795,494</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, 2021

**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 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. 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.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2021

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

**C. Cash and Cash Equivalents, Cash with Fiscal Agent, and Investments**

Cash and cash equivalents include demand deposits held with financial entities and short-term highly liquid investments that are readily convertible and have original maturities of three months or less. Cash with fiscal agent include 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 initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. As the Authority constructs or acquires capital assets each year, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life.

Land and construction in progress, which include capitalized costs for legal, consulting and engineering relating to the planning on the loop projects, are not depreciated. Depreciation on construction in progress will not begin until the projects are operational. Leasehold improvements, equipment and infrastructure assets are depreciated using the straight-line method over the following estimated useful lives:

Capital asset classes	Lives
Leasehold improvements	10
Office equipment	5
Infrastructure - roads	30

**E. Restricted Assets**

Proceeds from the Authority's bonds are restricted for projects. Certain resources are set aside for debt service 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, which are estimated based on historical activity. At December 31, 2021, all receivables are expected to be collected, therefore, no allowance for uncollectible balances was deemed necessary.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2021

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

**G. Net Position**

The difference between assets and deferred outflows of resources less liabilities is reported as net position. Net position is comprised of the following components:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources that are attributable to the acquisition, construction and improvement of those assets or related debt are included in this component of net position.
- *Restricted* net position consists of restricted assets reduced by liabilities related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources and liabilities that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available, a flow assumption must be made about the order in which the resources are considered to be applied. The Authority's policy is to consider restricted net position as having been used first before unrestricted net position is applied.

**H. 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.

As previously noted, 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.

**I. 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.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2021

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

**J. 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 are employees of the City of Pharr. Actual costs incurred by the City of Pharr are reimbursed by the Authority.

**K. 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 more than the yield on such obligations and any income earned on such excess.

**L. 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 interest expense 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.

**M. Reclassifications**

Certain amounts in prior year's presentation have been reclassified to conform to the current year's presentation. These reclassifications have no effect on previously reported changes in net position.

**N. 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, 2021

**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, 2021, 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, 2021, the carrying amount of the Authority's deposits was \$90,420 and bank balance was \$94,316.

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 "PFLA"). 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 classifies its investments with LOGIC as cash and cash equivalents for financial reporting purposes as balances may be withdrawn at any time without penalty. At December 31, 2021, investments in LOGIC totaled \$14,635,982 of which \$11,257,631 was restricted by bond covenants and \$3,378,351 was unrestricted.

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 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, 2021

**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, 2021:

		Fair Value Measurement Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Government Securities - Unrestricted	\$ 27,544	\$ 27,544	\$ -	\$ -
Government Securities - Restricted	331,199	331,199	-	-
	<u>\$ 358,743</u>	<u>\$ 358,743</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, 2021		
	Fair Value	Less Than 1	1-2	2-3
Government Securities-Unrestricted	\$ 27,544	\$ 27,544	\$ -	\$ -
Government Securities-Restricted	331,199	331,199	-	-
	<u>\$ 358,743</u>	<u>\$ 358,743</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, 2021, 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, 2021, 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, 2021

**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, 2021 were strictly confined in 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, 2021, the Authority's unearned revenues totaled \$122,300. Unearned revenues totaling \$122,300 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, 2021, was as follows:

	Balance 12/31/2020	Increases	Disposals/ Transfers	Balance 12/31/2021
Capital Assets, not being depreciated:				
Land	\$ 441,105	\$ -	\$ 914,934	\$ 1,356,039
Construction in progress	127,588,194	2,073,670	(3,925,571)	125,736,293
Total Capital Assets not being depreciated	128,029,299	2,073,670	(3,010,637)	127,092,332
Capital Assets, being depreciated:				
Leasehold improvements	266,776	19,147	-	285,923
Office equipment	33,136	7,810	-	40,946
Infrastructure-roads	-	-	3,010,637	3,010,637
Total Capital Assets being depreciated	299,912	26,957	3,010,637	3,337,506
Less accumulated depreciation for:				
Lease hold improvements	(50,153)	(30,776)	-	(80,929)
Office equipment	(6,705)	(4,939)	-	(11,644)
Infrastructure-roads	-	(101,354)	-	(101,354)
Total accumulated depreciation	(56,858)	(137,069)	-	(193,927)
Total Capital Assets being depreciated (Net)	243,054	(110,112)	3,010,637	3,143,579
Net Total Capital Assets	\$ 128,272,353	\$ 1,963,558	\$ -	\$ 130,235,911



HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2021

**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	\$ 816,570
Legal and professional	171,448
Loop project: 365 Tollway/IBTC	874,305
Capitalized wages	211,347
	<u>\$ 2,073,670</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. For the year ended December 31, 2021, the Authority did not have any 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.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2021

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

**E. Long-Term Obligations (Continued)**

**1. Revenue bonds (Continued)**

At December 31, 2021, the Authority had the following long-term debt outstanding:

\$61,600,000 refunding bonds, Series 2013 due in various installments through 2023 with interest of 4.0% to 5.0%.	\$2,785,000
\$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%.	57,210,000
\$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>3,377,510</u>
Total outstanding balance on Junior Lien Bond, Series 2016A	<u>23,377,510</u>
Total principal outstanding	93,242,510
Bond premium	<u>1,407,554</u>
Total bonds payable	<u>\$ 94,650,064</u>

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, 2021, accretion to date totaled \$3,377,510.

Debt service requirements on long-term obligations at December 31, 2021 including principal accretion are as follows:

Year Ended December 31	Principal	Interest	Total
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	2,575,000	2,419,167	4,994,167
2027-2031	13,688,000	11,416,910	25,104,910
2032-2036	15,370,000	9,891,086	25,261,086
2037-2041	19,984,000	7,525,862	27,509,862
2042-2046	16,286,000	4,342,037	20,628,037
2047-2051	16,259,510	1,578,761	17,838,271
	<u>\$ 93,242,510</u>	<u>\$ 47,246,604</u>	<u>\$ 140,489,114</u>

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2021

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

**E. Long-Term Obligations (Continued)**

**1. Revenue bonds (Continued)**

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 \$6,368,977 for the year ended December 31, 2021. 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 and government securities.

Long-term obligations outstanding at December 31, 2021 are as follows:

	Balance 12/31/2020	Increases	Decreases	Balance 12/31/2021	Due Within One Year
Bonds Payable:					
Revenue Bond Series 2013	\$ 4,090,000	\$ -	\$ 1,305,000	\$ 2,785,000	\$ 1,360,000
Revenue Bond Series 2020A	9,870,000	-	-	9,870,000	-
Revenue Bond Series 2020B	58,015,000	-	805,000	57,210,000	810,000
Jr. Lien Bond Series 2016A	22,975,440	402,070	-	23,377,510	-
Premium on Bonds-2013	160,211	-	54,124	106,087	53,043
Premium on Bonds-2020A	1,346,364	-	45,256	1,301,108	45,256
Total Long-Term Obligations	<u>\$ 96,457,015</u>	<u>\$ 402,070</u>	<u>\$ 2,209,380</u>	<u>\$ 94,649,705</u>	<u>\$ 2,268,299</u>

**2. 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, 2021, 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:

Violation  
None

Action Taken  
Not applicable

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2021

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

**G. Operating Lease Commitments**

Effective March 1, 2018, the Authority entered into a building 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 \$63,466 for the year ended December 31, 2021. The future minimum lease payments for these leases are as follows:

<u>December 31,</u>	
2022	\$ 62,024
2023	16,059
2024	<u>5,324</u>
	<u>\$ 83,407</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, 2021, actual collections from city contributions totaled \$90,000.

**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, 2021

**NOTE III - OTHER INFORMATION - (Continued)**

**C. Project Commitments**

At December 31, 2021, the Authority had the following remaining project commitments:

Project	Authorization	Expended	Remaining
Program management	\$ 1,018,119	\$ 651,298	\$ 366,821
Engineering/surveying	13,845,532	10,681,623	3,163,909
Environmental	978,022	898,248	79,774
Material testing	8,273,105	-	8,273,105
	<u>\$ 24,114,778</u>	<u>\$ 12,231,169</u>	<u>\$ 11,883,609</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.

**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, 2021.

**E. Letter of Credit**

As of December 31, 2021, 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**

Two vendors accounted for 31% and 21% of vendor payments for the year ended December 31, 2021.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2021

**NOTE III - OTHER INFORMATION - (Continued)**

**G. New Accounting Pronouncements**

No new accounting pronouncements were implemented during 2021. Management will implement upcoming GASB Statements as they become effective. The following is a summary of accounting pronouncements that management anticipates will be applicable to the Authority:

GASB Statement No. 87, *Leases*, increases the usefulness of governmental financial statements by requiring recognition of certain lease asset and liabilities for all leases, including those that previously were classified as operating leases and recognized as expenditures by lessees. This statement replaces the previous lease accounting methodology and establishes a single model for lease accounting based on the foundational principle that leases are a financing of the right to use an underlying asset. The requirements of this statement are effective for fiscal years beginning after June 15, 2021, which would be effective for the Authority for the year ended December 31, 2022.

**H. Subsequent Events**

In February 10, 2022, the Authority issued and received proceeds from the issuance of two revenue bonds. A Senior Lien Toll and Vehicle Registration Fee Revenue Bonds, Series 2022A in the amount of \$151,650,345 and a Junior Lien Toll and Vehicle Registration Fee Revenue Bonds, Series 2022B in the amount of \$63,884,707. The purpose of these two bond issues is to begin construction of the 365 Toll Road and to retire the Texas Department of Transportation State Infrastructure Bank Bond in the amount of \$23,377,510.

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, 2021, and the related notes to the financial statements, which collectively comprise of the Authority's basic financial statements, and have issued our report thereon dated March 16, 2022.

**Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

**Report on 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 financial statements. 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*.

**BML y Fragoso, S.C.**

Matamoros, Mx

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### **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 McCall & Associates, LLP*

McAllen, Texas  
March 16, 2022