

AUDITED ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015



HCRMA
HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY





Hidalgo County Regional Mobility Authority

BOARD OF DIRECTORS

Randy Sweeten - Chairman

Josue Reyes
Julian Ybarra, Jr.
Alonzo Cantu

Ricardo Perez
Forrest Runnels
David Guerra

EXECUTIVE DIRECTOR

Pilar Rodriguez, P.E.

CHIEF FINANCIAL OFFICER

Jose H. Castillo

Audited Annual Financial Report

For the Fiscal Year Ended
December 31, 2015

Hidalgo County Regional Mobility Authority

AUDITED ANNUAL FINANCIAL REPORT YEAR ENDED DECEMBER 31, 2015

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FINANCIAL SECTION



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Independent Auditor's 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, 2015, and the related notes to the financial statements, which collectively comprise 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hidalgo County Regional Mobility Authority, as of December 31, 2015, and the respective changes in financial position and cash flows 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 through 9 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 8, 2016 on our consideration of Hidalgo County Regional Mobility Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hidalgo County Regional Mobility Authority's internal control over financial reporting and compliance.

Banta Mc Lee & Co., LLP

McAllen, Texas
March 8, 2016

MANAGEMENT'S DISCUSSION & 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, 2015.

FINANCIAL HIGHLIGHTS

- The Authority's net position grew by nearly \$5.4 million or 15.7%. This growth was expected and was due to the continued growth of vehicle registration fees, overweight permit fees, and conservative administrative operational costs.
- Capital assets grew by more than \$18.6 million or 28.8%. The majority of this increase was an increase in construction in progress.

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 \$39.9 million at the close of the fiscal year ended December 31, 2015.

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

Authority's Net Position		
Table 1 - Dollars in Millions		
	2015	2014
Assets		
Current and other assets	\$ 19.1	\$ 34.8
Capital assets	83.0	64.4
Total assets	102.1	99.2
Liabilities		
Current liabilities	1.8	3.0
Long-term liabilities	60.3	61.7
Total liabilities	62.1	64.7
Net Position		
Net invested in capital assets, net of related debt	32.7	30.0
Restricted	0.3	0.3
Unrestricted	6.9	4.2
Total net position	\$ 39.9	\$ 34.5

MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

By far the largest portion of the Authority's net position (\$39.9 million) reflects its investment in capital assets (e.g., machinery, equipment, and capital projects), 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 is 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 of \$331,321 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 \$6,915,697.

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

Authority's Change in Net Position		
Table 2 - Dollars in Millions		
	2015	2014
Operating revenues		
Charges for sales and services	\$ 5.9	\$ 5.6
Capital grants and contributions	-	1.4
	<u>\$ 5.9</u>	<u>\$ 7.0</u>
Operating expenses	<u>0.5</u>	<u>0.6</u>
Excess of revenues over expenditures	5.4	6.4
Net position - beginning	34.5	29.3
Prior period adjustment	-	(1.2)
	<u>\$ 39.9</u>	<u>\$ 34.5</u>

Authority's net position increased by nearly \$5.4 million, mainly due to an increase in vehicle registration fees and overweight fees.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Authority's investment in capital assets (net of accumulated depreciation) amounts to \$83.0 million. This investment in capital assets only includes construction in progress. The total increase in the Authority's investments in capital assets for the current fiscal year was \$18.6 million or 28.9%. The details of the change in capital assets from last year are reflected in the following page.

Authority's Capital Assets		
(Net of Depreciation)		
Table 3- Dollars in thousands		
	2015	2014
Machinery and equipment	\$ -	\$ 25
Construction in progress	<u>83,016</u>	<u>64,347</u>
	<u>\$ 83,016</u>	<u>\$ 64,372</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 & ANALYSIS (MD&A)

Long-Term Obligations

At the end of the current year, the Authority had total contractually obligated long-term debt of \$59.3 million (not including unamortized premium activity). The details of the change in debt from last year are as indicated:

**Table 4 - Dollars in thousands
(not including unamortized activity)**

	<u>2015</u>	<u>2014</u>
Bonds	\$ 59,380	\$ 60,465
Notes	<u>-</u>	<u>162</u>
	<u>\$ 59,380</u>	<u>\$ 60,627</u>

Long-term debt decreased by \$1.25 million. This decrease was due to the standard retirement of debt.

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 D-Long-Term Obligations.

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 2016 fiscal year.

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, 118 South Cage Blvd. 4th Floor, Pharr, TX 78577.

BASIC FINANCIAL STATEMENTS

**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2015**

ASSETS

Current assets:					
Cash		\$		3,413,676	
Cash with fiscal agent				5,680	
Investment				3,362,646	
Receivables (net of allowance for uncollectible):					
Vehicle registration fee receivable				438,910	
Restricted assets:					
Investments				11,887,668	
Total current assets				<u>19,108,580</u>	
Non-current assets:					
Capital assets:					
Construction in progress (nondepreciable)				83,015,975	
Total noncurrent assets				<u>83,015,975</u>	
Total assets		\$		<u><u>102,124,555</u></u>	

LIABILITIES

Current liabilities payable not from restricted assets:					
Accounts payable		\$		60,430	
Current portion of long-term debt				1,181,452	
Current liabilities payable from restricted assets:					
Accounts payable				385,614	
Accrued interest payable				239,105	
Unearned revenue				5,680	
Total current liabilities payable				<u>1,872,281</u>	
Noncurrent liabilities:					
Long-term debt (net of current portion)				60,339,191	
Total noncurrent liabilities				<u>60,339,191</u>	
Total liabilities				<u><u>62,211,472</u></u>	

NET POSITION

Net invested in capital assets					
Restricted for:					
Debt service				331,321	
Unrestricted				6,915,697	
Total net position				<u>39,913,083</u>	
Total liabilities and net position		\$		<u><u>102,124,555</u></u>	

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

**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015**

Operating revenues:		
Charges for sales and services:		
	Vehicle registration fees	\$ 5,747,737
	Overweight permit fees	125,505
	Total operating revenues	<u>5,873,242</u>
Operating expenses:		
	Personnel services	261,675
	Supplies and materials	95,569
	Contractual services	134,606
	Total operating expenses	<u>491,850</u>
	Operating income	<u>5,381,392</u>
Non-operating revenues (expenses):		
	Investment earnings	2,787
	Interest expense	(2,624)
	Intergovernmental	40,000
	Total non-operating revenues (expenses)	<u>40,163</u>
	Change in net position	5,421,555
	Total net position - beginning	<u>34,491,528</u>
	Total net position - ending	<u>\$ 39,913,083</u>

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

**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from vehicle registrations and overweight permit fees	\$	5,857,853
Payments to suppliers		(95,569)
Payments to employees		(261,675)
Payments for contractual services		(134,606)
Change in accounts payable		(1,177,631)
Net cash flow provided by operating activities		4,188,372

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Receipts from other governmental entities		40,000
Net cash provided by noncapital financing activities		40,000

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets		(15,762,725)
Principal paid on long-term debt		(1,247,024)
Interest paid on long-term debt		(2,896,311)
Amortization of premium		(76,452)
Net cash used by capital and related financing activities		(19,982,512)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investments		16,669,848
Interest income received		2,787
Net cash provided by investing activities		16,672,635

Net increase in cash		918,495
Cash beginning of fiscal year		2,495,181
Cash end of fiscal year	\$	3,413,676

Reconciliation of operating income to net cash provided (used) by operating activities:

Operating income	\$	5,381,392
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Adjustments to reconcile operating income to net cash provided (used) by operating activities:

Increase in accounts receivables		(21,069)
Increase in unearned revenue		5,680
Decrease in accounts payable		(1,177,631)
Total adjustments		(1,193,020)

Net cash provided by operating activities	\$	4,188,372
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The notes to the financial statements are an integral part of this statement.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 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.

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.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

B. Basis of Accounting – (Continued)

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.

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 assets and includes the unrealized and realized gains and losses on investments. The Authority's major investments are held by a third party per bond covenants (Wilmington Trust).

D. Capital Assets

All capital assets at year end represent capitalized costs for legal, consulting and engineering relating to advance planning on the Loop projects, which prioritize State Highway 365 (formerly TCC), the International Border Trade Corridor, and State Highway 68 (formerly Segment D). 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, our fiscal agent.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

F. Receivables and Payables

All receivables are shown net of allowance for uncollectible. 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.

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 operating activities for the Authority are loaned to the Authority by the City of McAllen, TX for the period of January to September 2015. Effective October 1, 2015 all personnel reside with the City of Pharr. Actual costs incurred by City of McAllen and 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.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

K. Bond Premiums, Discounts, and Issuance Costs

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 expenses as incurred, in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 65 "Items Previously Reported as Assets and Liabilities".

NOTE II - DETAILED NOTES ON THE AUTHORITY 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 103% 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, 2015, 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, 2015, the carrying amount of all of the Authority's deposits was \$3,413,676.

The Authority has investments that are unrestricted and restricted. The unrestricted investment are the funds not legally restricted for a specific purpose. The Authority's restricted investment is 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 TexSTAR Investment Pool.

Investments at fair value as of December 31, 2015 are presented in the following table:

	Investment Maturities (in Years) at the end of December 31, 2015				
	Fair Value	Less Than 1	1-2	2-3	3-4
TexStar	\$ 3,362,646	\$ 3,362,646	\$ -	\$ -	\$ -
TexStar-Restricted	11,887,668	11,887,668	-	-	-
	<u>\$ 15,250,314</u>	<u>\$ 15,250,314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

A. Cash and Investments – (Continued)

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.

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, 2015, the investments in the State's investment pool was 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, 2015, 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.

Concentration of Credit Risk

The Authority's investment holdings at December 31, 2015 were strictly confined to TexSTAR. The investment policy is silent in the concentration of holdings in the various types of securities and investments.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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

B. Unearned Revenue

The Authority reports unearned revenue in connection with resources that have been received, but not yet earned. As of December 31, 2015, the Authority's unearned revenues were \$5,680. These unearned revenues are 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, 2015, is as follows:

	<u>Balance</u> <u>12/31/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2015</u>
Capital Assets, not being depreciated:				
Construction in Progress	\$64,347,242	\$ 18,668,733	\$ -	\$83,015,975
Total Capital Assets not being depreciated	<u>64,347,242</u>	<u>18,668,733</u>	<u>-</u>	<u>83,015,975</u>
Capital Assets, being depreciated:				
Office Equipment	30,573	-	30,573	-
Less accumulated depreciation for:				
Office Equipment	<u>(5,415)</u>	<u>-</u>	<u>(5,415)</u>	<u>-</u>
Total Capital Assets being depreciated, net	<u>25,158</u>	<u>-</u>	<u>25,158</u>	<u>-</u>
Total Capital Assets, net	<u>\$64,372,400</u>	<u>\$ 18,668,733</u>	<u>\$ 25,158</u>	<u>\$83,015,975</u>

Following Government Finance Officers Association (GFOA) recommended practice, management decided to remove all previous capitalized items not exceeding the threshold of \$5,000 per item. Consequently, prior year amount of \$30,573 and associated depreciation of \$5,415 were eliminated this year.

Increase in construction in progress consists of the following:

Consulting and engineering	\$ 2,296,702
Interest expense	2,889,026
Legal and professional	175,510
Loop project: SH 365	7,323,729
Loop project: IBTC	<u>5,983,766</u>
	<u>\$ 18,668,733</u>

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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

D. Long-Term Obligations

1. Revenue Bonds

The Authority issued a bond for which it pledged revenues derived from vehicle registration fees to pay the debt.

\$61,600,000 refunding bond, series 2013 due in various installments through 2043 with interest of 2.0% to 5.2%.	\$ 59,380,000
Bond premium	<u>2,140,642</u>
Total bonds payable	<u>\$ 61,520,642</u>

Debt service requirements on long-term obligations at December 31, 2015 are as follows:

Year Ended December 31	Principal	Interest	Total
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	1,220,000	2,754,913	3,974,913
2020	1,255,000	2,718,313	3,973,313
2021-2025	7,165,000	12,710,263	19,875,263
2026-2030	9,120,000	10,746,813	19,866,813
2031-2035	11,550,000	8,326,775	19,876,775
2036-2040	14,825,000	5,048,175	19,873,175
2041-2043	10,825,000	1,100,000	11,925,000
	<u>\$ 59,380,000</u>	<u>\$ 51,912,541</u>	<u>\$ 111,292,541</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 \$331,321 sinking fund amount for the fiscal year ended December 31, 2015 is recorded as restricted assets. 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 TexSTAR Investment Pool.

2. Note payable

A 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. During the year, the outstanding note payable was retired.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

3. Long-Term Obligations

Long-term obligations outstanding at December 31, 2015 were as follows:

	<u>Balance</u> <u>12/31/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2015</u>	<u>Due Within</u> <u>One Year</u>
Bond Payable:					
Revenue Bond Series 2013	\$ 60,465,000	\$ -	\$ 1,085,000	\$ 59,380,000	\$ 1,105,000
Premium on Bonds	2,217,094		76,452	2,140,642	76,452
Total Bond Payable	<u>62,682,094</u>	<u>-</u>	<u>1,161,452</u>	<u>61,520,642</u>	<u>1,181,452</u>
Note Payable:					
Hidalgo County	162,024	-	162,024	-	-
Total Note Payable	<u>162,024</u>	<u>-</u>	<u>162,024</u>	<u>-</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 62,844,118</u>	<u>\$ -</u>	<u>\$ 1,323,476</u>	<u>\$ 61,520,642</u>	<u>\$ 1,181,452</u>

4. 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, 2015, there was no liability of arbitrage that would have been owed to the federal government.

E. 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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE III - OTHER INFORMATION

A. City Contributions

In 2012, the Authority adopted the 2012-2017 Strategic Plan – 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 as follows:

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

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, 2015, actual collections from city contributions totaled \$40,000.

B. Litigation

The Authority is not a defendant in any lawsuits at December 31, 2015.

C. Construction Commitments

At December 31, 2015, the Authority had remaining construction commitments:

Project	Authorization	Expended	Remaining
Program management	\$ 18,204,751	\$ 9,421,802	\$ 8,782,949
Engineering/surveying	22,528,516	18,311,196	4,217,320
Environmental	4,683,631	4,089,050	594,581
	\$ 45,416,898	\$ 31,822,048	\$ 13,594,850

This table is not meant to reconcile to the balance of construction in progress. This table consists of current construction commitments pending, prior construction commitments have already been completed yet have not resulted in a fully operational asset, therefore no depreciation of construction commitments previously paid is recognized.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE III - OTHER INFORMATION - (Continued)

D. Impairment of Assets

The Authority reviews the carrying value 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 value 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, 2015.

E. Letter of Credit

As of December 31, 2015 the Authority has not drawn upon the letter of credit, which has been issued in the maximum amount of \$500,000 with interest of 1% with Plains Capital Bank.

F. Major Vendors

Dannenbaum accounted for 13% of vendor payments for the year ended December 31, 2015.

G. Subsequent Events

The Authority has evaluated subsequent events through March 8, 2016, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of March 8, 2016, have been incorporated into these financial statements herein.



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

To the Board of Directors
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, 2015, 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 8, 2016.

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.

Brenton McCall & Co., LLP

McAllen, Texas
March 8, 2016