

AUDITED ANNUAL FINANCIAL REPORT



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FOR THE YEAR ENDED  
DECEMBER 31, 2017



**HCRMA**  
HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY





## **Hidalgo County Regional Mobility Authority**

### BOARD OF DIRECTORS

S. David Deanda Jr. - Chairman

Forrest Runnels  
Alonzo Cantu  
Paul S. Moxley

Ricardo Perez  
R. David Guerra  
Ezequiel Reyna, Jr.

### EXECUTIVE DIRECTOR

Pilar Rodriguez, P.E.

### CHIEF FINANCIAL OFFICER

Jose H. Castillo

# **Audited Annual Financial Report**

For the Year Ended  
December 31, 2017

# Hidalgo County Regional Mobility Authority

## AUDITED ANNUAL FINANCIAL REPORT YEAR ENDED DECEMBER 31, 2017

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## FINANCIAL SECTION

*The Right Choice.*

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## *Independent Auditors' Report*

To the Board of Directors  
Hidalgo County Regional Mobility Authority

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Hidalgo County Regional Mobility Authority, as of and for the year ended December 31, 2017, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Hidalgo County Regional Mobility Authority, as of December 31, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hidalgo County Regional Mobility Authority's basic financial statements. The Schedule of Expenditures of Federal and State Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of Texas Uniform Grant Management Standards Chapter IV *State of Texas Single Audit Circular*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal and State Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal and State Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2018 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.

*Burton McCall & Lopez, LLP.*

McAllen, Texas  
March 21, 2018

## **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, 2017.

### **FINANCIAL HIGHLIGHTS**

- The Authority's net position grew by nearly \$4.9 million or 11%. This growth was expected and was due to the continued growth of overweight permit fees and conservative administrative operational costs.
- Capital assets grew by more than \$28.3 million or 29.4%. The majority of this increase was an increase in construction in progress.
- Capital grants received from the federal and state were \$12.4 million and \$80K 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 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 \$46.1 million at the close of the year ended December 31, 2017.

## 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>		
	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current and other assets	\$ 7.4	\$ 27.3
Capital assets	<u>124.7</u>	<u>96.3</u>
Total assets	132.1	123.6
<b>Liabilities</b>		
Long-term liabilities	78.5	79.1
Other liabilities	<u>7.4</u>	<u>3.4</u>
	85.9	82.5
<b>Net Position</b>		
Net invested in capital assets, net of related debt	39.5	32.5
Restricted	2.2	1.1
Unrestricted	<u>4.4</u>	<u>7.6</u>
Total net position	<u>\$ 46.1</u>	<u>\$ 41.2</u>

By far the largest portion of the Authority's net position (\$46.1 million) is reflected in net invested in capital assets, mainly in construction in progress, less any related debt used to acquire those assets that is still outstanding. The Authority will use these capital assets to provide services to users; consequently, these assets are not available for future spending. Although the Authority's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position for debt service totaling \$2,183,711 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 \$4,391,222.

## 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 Change in Net Position</b>		
<b>Table 2 - Dollars in Millions</b>		
	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Program Revenues		
Charges for services	\$ 6.3	\$ 6.3
Capital grants, contributions and other	12.6	4.8
	<u>18.9</u>	<u>11.1</u>
<b>Expenses</b>		
Other	14.0	5.9
	<u>14.0</u>	<u>5.9</u>
Excess of revenues over expenses	4.9	5.2
Net position - beginning	41.2	36.0
	<u>41.2</u>	<u>36.0</u>
Net position - ending	\$ 46.1	\$ 41.2
	<u>\$ 46.1</u>	<u>\$ 41.2</u>

Authority's net position increased by nearly \$4.9 million, mainly due to an increase in overweight fees and capital grants and contributions.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

The Authority's investment in capital assets (net of accumulated depreciation) amounts to \$124.7 million. This investment in capital assets includes construction in progress as well as land and office equipment. The total increase in the Authority's investments in capital assets for the current year was \$28.3 million or 29.4%. 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>		
	<u>2017</u>	<u>2016</u>
Office equipment	\$ 9	\$ -
Land	441	-
Construction in progress	124,281	96,362
	<u>\$ 124,731</u>	<u>\$ 96,362</u>

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

### Long-Term Obligations

At the end of the current year, the Authority had a total of contractually obligated long-term debt of \$77.8 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>2017</u>	<u>2016</u>
Bonds	<u>\$ 77,839</u>	<u>\$ 78,275</u>
	<u>\$ 77,839</u>	<u>\$ 78,275</u>

The net decreased in long-term debt was \$436K, which is the principal retirement of the current existing debt. This year, principal accretion was added in the amount of \$704K as stipulated in loan documents.

### ECONOMIC FACTORS AND NEXT YEAR

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

All of these factors were considered in preparing the Authority's budget for the year 2018.

### 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, 2017**

**ASSETS**

Current assets:	
Cash	\$ 754,427
Cash with fiscal agent	10,450
Investments	2,807,179
Receivables (net of allowance for uncollectible)	
Vehicle registration fee receivable	380,930
Due from governmental agencies	1,062,109
Prepaid expense	12,383
Restricted assets:	
Cash trustee	2,327
Investments	2,417,204
Total current assets	7,447,009
Noncurrent assets:	
Capital assets (nondepreciable):	
Land	441,105
Office equipment	8,607
Construction in progress	124,281,133
Total noncurrent assets	124,730,845
Total assets	\$ 132,177,854

**LIABILITIES**

Current liabilities payable not from restricted assets	
Accounts payable	\$ 562,804
Other payable	5,377,193
Current portion of long-term debt	1,251,452
Unearned revenue	73,450
Current liabilities payable from restricted assets	
Accrued interest payable	233,493
Total current liabilities payable	7,498,392
Noncurrent liabilities:	
Long-term debt (net of current portion)	78,575,436
Total noncurrent liabilities	78,575,436
Total liabilities	86,073,828

**NET POSITION**

Net invested in capital assets	39,529,093
Restricted for:	
Debt service	2,183,711
Unrestricted	4,391,222
Total net position	46,104,026
Total liabilities and net position	\$ 132,177,854

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

**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Operating revenues:		
Charges for sales and services:		
	Vehicle registration fees	\$ 5,926,870
	Overweight permit fees	<u>393,309</u>
	Total operating revenues	<u>6,320,179</u>
Operating expenses:		
	Personnel services	475,732
	Supplies	7,820
	Other services and charges	<u>446,940</u>
	Total operating expenses	<u>930,492</u>
	Operating income	<u>5,389,687</u>
Non-operating (expenses) revenues:		
	Investment earnings-unrestricted	40,498
	Investment earnings-restricted	19,979
	Intergovernmental	12,519,445
	Interest expense (principal accretion)	(704,147)
	Non-capitalized construction cost	(12,439,445)
	Miscellaneous	<u>59,264</u>
	Total non-operating (expenses) revenues	<u>(504,406)</u>
	Change in net position	4,885,281
	Total net position - beginning	<u>41,218,745</u>
	Total net position - ending	<u>\$ 46,104,026</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, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from vehicle registrations and overweight permit fees	\$	6,384,099
Payments to suppliers		(7,820)
Payments to employees		(475,732)
Payments for contractual services		(457,106)
Change in accounts payable		12,268
Net cash provided by operating activities		5,455,709

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Receipts from other governmental entities		13,232,481
Payments from others		59,264
Net cash provided by noncapital and related financing activities		13,291,745

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

Acquisition and construction of capital assets		(21,509,551)
Non-capitalized construction cost		(12,439,445)
Principal paid on long-term debt		(1,140,000)
Interest paid on long-term debt		(2,871,353)
Amortization of premium		(76,452)
Net cash used by capital and related financing activities		(38,036,801)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Net sales of investments		19,843,066
Interest income received		60,477
Net cash provided by investing activities		19,903,543

Net increase in cash		614,196
Cash beginning of fiscal year		140,231
Cash end of fiscal year	\$	754,427

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

Operating income	\$	5,389,687
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Adjustments to reconcile operating income to net cash provided by operating activities:

Increase in unearned revenue		62,550
Increase in prepaid expense		(8,796)
Increase in accounts payable		12,268
Total adjustments		66,022

Net cash provided by operating activities	\$	5,455,709
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*The notes to the financial statements are an integral part of this statement.*

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**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 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 two 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 FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**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, expenses, 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 in government securities 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, 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 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). It also includes office equipment and land. Depreciation and amortization on construction in progress will not begin until the project is operational. Depreciation on office equipment will begin once the equipment is placed in service.

**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 bond covenants. These restricted assets are held and disbursed by Wilmington Trust, fiscal agent.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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

**F. Receivables**

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

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

The Authority defines operating revenues and expenses as those revenues and expenses generated by a specified program offering either a good or service. This definition is consistent with GASB Statement No. 9 which defines operating receipts as cash receipts from customers and other cash receipts that do not result from transactions defined as capital and related financing, non-capital financing or investing activities.

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

**H. Estimates**

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

**I. Personnel Liabilities**

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

**J. Income Taxes**

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

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**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 expensed as incurred, in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 65, “*Items Previously Reported as Assets and Liabilities.*”

**L. Rounding Adjustments**

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

**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 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, 2017, 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, 2017, the carrying amount of all of the Authority’s deposits was \$754,427.

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

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

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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

**A. Cash and Investments – (Continued)**

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 an asset or liability.

The Authority has the following fair value measurements as of December 31, 2017:

	Fair Value Measurement Using			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Government Securities-Unrestricted	\$ 1,474,330	\$ 1,474,330	\$ -	\$ -
Government Securities-Restricted	336,351	336,351	-	-
	<u>\$ 1,810,681</u>	<u>\$ 1,810,681</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, 2017				
	Fair Value	Less Than 1	1-2	2-3	3-4
LOGIC	\$ 1,332,849	\$ 1,332,849	\$ -	\$ -	\$ -
Government Securities-Unrestricted	1,474,330	1,474,330	-	-	-
LOGIC-Restricted	2,080,853	2,080,853	-	-	-
Government Securities-Restricted	336,351	336,351	-	-	-
	<u>\$ 5,224,383</u>	<u>\$ 5,224,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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

**A. Cash and Investments – (Continued)**

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, 2017, 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, 2017, 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, 2017 were strictly confined to LOGIC and government securities. The investment policy is silent in the concentration of holdings in the various types of securities and investments.

**B. Unearned Revenue**

The Authority reports unearned revenue in connection with resources that have been received, but not yet earned. As of December 31, 2017, the Authority's unearned revenues totaled \$73,450. Unearned revenues totaling \$10,450 were due to prepayments by customers who purchased 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.

Additionally, the Authority received \$63,000 from the City of Donna for a future proposed drainage outfall project that will be undertaken by the Authority.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance 12/31/2016	Increases	Decreases	Balance 12/31/2017
Capital Assets, not being depreciated:				
Land	\$ -	\$ 441,105	\$ -	\$ 441,105
Office equipment	-	8,607	-	8,607
Construction in Progress	96,362,312	27,918,821	-	124,281,133
 Total Capital Assets not being depreciated	 \$ 96,362,312	\$ 28,368,533	\$ -	\$ 124,730,845

As of December 31, 2017, office equipment was not being depreciated as the equipment had not been placed in service. Depreciation on office equipment will begin once the equipment is placed in service.

Increase in construction in progress consists of the following:

Consulting and engineering	\$ 1,083,435
Interest expense	2,827,307
Legal and professional	1,332,799
Loop project: SH 365/IBTC	1,666,972
US 281/BSIF	525,291
SIB and local acquisitions	20,483,017
	\$ 27,918,821

**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. Total non-capitalized construction costs totaled \$12,439,445 for the year ended December 31, 2017.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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

**E. Long-Term Obligations**

**1. Revenue bonds**

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

\$61,600,000 refunding bonds, Series 2013 due in various installments through 2043 with interest of 2.0% to 5.2%.		\$57,135,000
\$20,000,000 Junior Lien Bond, Series 2016A due in various installments through 2049 with interest of 3.5%	\$20,000,000	
Principal accretion on Junior Lien Bond, Series 2016A.	<u>704,147</u>	
Total outstanding balance on Junior Lien Bond, Series 2016A		<u>20,704,147</u>
Total principal outstanding		77,839,147
Bond premium		<u>1,987,739</u>
Total bonds payable		<u><u>\$ 79,826,886</u></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, 2017, accretion to date totaled \$704,147. Total accretion of interest totaling \$2,673,363 will be recognized in future periods until the final accretion date.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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

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

**1. Revenue bonds - (Continued)**

Debt service requirements on long-term obligations at December 31, 2017 including principal accretion are as follows:

Year Ended December 31	Principal	Interest	Total
2018	\$ 1,175,000	\$ 2,801,912	\$ 3,976,912
2019	1,220,000	2,754,912	3,974,912
2020	1,255,000	2,718,318	3,973,318
2021	1,305,000	3,077,218	4,382,218
2022	1,360,000	3,434,125	4,794,125
2023-2027	8,307,000	16,073,275	24,380,275
2028-2032	11,421,000	13,680,041	25,101,041
2033-2037	14,825,000	10,791,892	25,616,892
2038-2042	21,328,000	6,597,330	27,925,330
2043-2047	10,937,000	2,254,585	13,191,585
2048-2051	7,379,510	658,628	8,038,138
	<u>\$ 80,512,510</u>	<u>\$ 64,842,236</u>	<u>\$ 145,354,746</u>
Less: principal accretion*	<u>(2,673,363)</u>		
	<u>\$ 77,839,147</u>		

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

The Authority and Hidalgo County authorized the pledge of the vehicle registration fee revenues to secure payment of the Hidalgo County Regional Mobility Authority Debt in a term not exceeding 40 years. The \$2,417,204 sinking fund amount for the fiscal year ended December 31, 2017 is recorded as restricted assets, exclusive of \$233,493 in accrued interest payable. 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.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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

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

Long-term obligations outstanding at December 31, 2017 are as follows:

	Balance 12/31/2016	Increases	Decreases	Balance 12/31/2017	Due Within One Year
Bond Payable					
Revenue Bond Series 2013	\$ 58,275,000	\$ -	\$ 1,140,000	\$ 57,135,000	\$ 1,175,000
Premium on Bonds	2,064,190	-	76,452	1,987,738	76,452
<b>Total Bonds Payable</b>	<b>60,339,190</b>	<b>-</b>	<b>1,216,452</b>	<b>59,122,738</b>	<b>1,251,452</b>
Jr. Lien Bonds Series 2016A (1)	20,000,000	704,147	-	20,704,147	-
<b>Total Long-Term Obligations</b>	<b>\$ 80,339,190</b>	<b>\$ 704,147</b>	<b>\$ 1,216,452</b>	<b>\$ 79,826,885</b>	<b>\$ 1,251,452</b>

(1) Future principal accretion--\$2,673,363 not included.

**2. Other Payable**

During the year, the Authority went through a condemnation process to acquire land. The Authority has paid a total of \$7,407,616 and still owes \$5,377,193. Currently, the Authority is paying 5% interest on the outstanding amount. As soon as funding is available, the Authority plans to pay-off the outstanding amount.

**3. Arbitrage**

In 2013, the Authority issued long-term debt for capital construction projects. These bonds are subject to arbitrage regulations. Arbitrage regulations call for the return of the difference in interest revenue against interest expense. At December 31, 2017, there was no liability of arbitrage that would have been owed to the federal government.

**F. Finance-Related Legal and Contractual Provisions**

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

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

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2017

**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’s are reflected 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
		\$ 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, 2017, actual collections from city contributions totaled \$80,000.

**B. Litigation**

The Authority is currently a defendant in a lawsuit. The lawsuit has recently been filed 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.

**C. Construction Commitments**

At December 31, 2017, the Authority had remaining construction commitments:

Project	Authorization	Expended	Remaining
Program management	\$ 149,720	\$ 107,739	\$ 41,981
Engineering/surveying	23,400,562	20,309,197	3,091,365
Construction	19,979,022	19,278,990	700,032
	\$ 43,529,304	\$ 39,695,926	\$ 3,833,378

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 FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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

**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, 2017.

**E. Letter of Credit**

As of December 31, 2017, 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**

One vendor accounted for 39% of vendor payments for the year ended December 31, 2017.

**G. Subsequent Events**

The Authority has evaluated subsequent events through March 21, 2018, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of March 21, 2018, have been incorporated into these financial statements herein.

SINGLE AUDIT

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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 Hidalgo County Regional Mobility Authority, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Hidalgo County Regional Mobility Authority's basic financial statements, and have issued our report thereon dated March 21, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hidalgo County Regional Mobility Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hidalgo County Regional Mobility Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Hidalgo County Regional Mobility Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hidalgo County Regional Mobility Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Burton Meluh & Hoyer, LLP*

McAllen, Texas  
March 21, 2018

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

To the Board of Directors  
Hidalgo County Regional Mobility Authority

**Report on Compliance for Each Major Federal Program**

We have audited Hidalgo County Regional Mobility Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hidalgo County Regional Mobility Authority's major federal programs for the year ended December 31, 2017. Hidalgo County Regional Mobility Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Hidalgo County Regional Mobility Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hidalgo County Regional Mobility Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hidalgo County Regional Mobility Authority's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Hidalgo County Regional Mobility Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

## Report on Internal Control over Compliance

Management of Hidalgo County Regional Mobility Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hidalgo County Regional Mobility Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hidalgo County Regional Mobility Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Brenton McArthur & Hoyos, LLP*

McAllen, Texas  
March 21, 2018

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

To the Board of Directors  
Hidalgo County Regional Mobility Authority

**Report on Compliance for Each Major State Program**

We have audited Hidalgo County Regional Mobility Authority's compliance with the types of compliance requirements described in the State of Texas Uniform Grant Management Standards Chapter IV *Texas State Single Audit Circular* that could have a direct and material effect on each of Hidalgo County Regional Mobility Authority's major state programs for the year ended December 31, 2017. Hidalgo County Regional Mobility Authority's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Hidalgo County Regional Mobility Authority's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of Texas Uniform Grant Management Standards Chapter IV *Texas State Single Audit Circular*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Hidalgo County Regional Mobility Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Hidalgo County Regional Mobility Authority's compliance.

***Opinion on Each Major State Program***

In our opinion, Hidalgo County Regional Mobility Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2017.

## Report on Internal Control over Compliance

Management of Hidalgo County Regional Mobility Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hidalgo County Regional Mobility Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State of Texas Uniform Grant Management Standards Chapter IV *Texas State Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hidalgo County Regional Mobility Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Burtin McAllen & Loyaer, LLP*

McAllen, Texas  
March 21, 2018

**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

Federal Grantor/ Pass-Through Grantor/ State Grantor/ Program Title	Federal CFDA Number	Grant/Contract Identifying Award Number	Expenditures
FEDERAL AWARDS			
<u>HIGHWAY PLANNING AND CONSTRUCTION CLUSTER</u>			
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<u>Passed through from Texas Department of Transportation:</u>			
Highway Planning and Construction	20.205	CSJ # 0220-01-023	\$ 9,951,556 <u>9,951,556</u>
Total passed through Texas Department of Transportation			<u>9,951,556</u>
Total U.S. Department of Transportation			<u>\$ 9,951,556</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 9,951,556</u>
STATE AWARDS			
<u>TEXAS DEPARTMENT OF TRANSPORTATION</u>			
<u>Direct Programs</u>			
Highway Planning and Construction	N/A	CSJ # 0220-01-023	\$ 2,487,889 <u>2,487,889</u>
Total Texas Department of Transportation			<u>2,487,889</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>\$ 2,487,889</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ 12,439,445</u>

*The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.*

**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**General**

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) present the federal and state grant activity for the Hidalgo County Regional Mobility Authority (the Authority) for the year ended December 31, 2017. The reporting entity is defined in Note I.A to the Authority's financial statements. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Texas Single Audit Circular*. Because the SEFSA presents only a selected portion of the operations of the Authority, it is not intended and does not present the financial position, changes in net assets, or cash flows of the Authority.

**Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting, which is described in Note I.B of the Authority's notes to the financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and State of Texas Single Audit Circular, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Federal grant funds are generally considered earned to the extent expenditures made under the provisions of the grant are made. The Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Relationship to Federal and State Financial Reports**

Amounts reported in the accompanying schedule may not agree with the amounts reported in the related Federal and State financial reports filed with the grantor agencies because of accruals made in the schedule which will be included in future reports filed with agencies.

**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>Section I - Summary of Auditors' Results</b>	<b>Description</b>
<b>Financial Statements</b>	
Type of auditors' report issued:	Unmodified
Internal control over financial reporting: <ul style="list-style-type: none"> <li>• Material weakness(es) identified?</li> <li>• Significant deficiencies identified</li> <li>• not considered to be material weaknesses?</li> </ul>	No  None reported
Noncompliance material to the financial statements?	No
<b>Federal Awards</b>	
Internal control of major programs: <ul style="list-style-type: none"> <li>• Material weakness(es) identified?</li> <li>• Significant deficiencies identified not considered to be material weaknesses?</li> </ul>	No  None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes
Identification of Major Federal Programs:	Highway Planning and Construction <span style="float: right;">20.205</span>

**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>Section I - Summary of Auditors' Results</b>	<b>Description</b>
<b>State Awards</b>	
Internal control of major programs: <ul style="list-style-type: none"> <li>• Material weakness(es) identified?</li> <li>• Significant deficiencies identified not considered to be material weaknesses?</li> </ul>	No  None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the <i>State of Texas Single Audit Circular</i> ?	No
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Identification of Major State Programs:	Texas Department of Transportation Highway Planning and Construction

**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>Section II – Findings and Questioned Costs</b>  <b>Financial Statements</b>	<b>Description</b>
<b>NONE NOTED</b>	
<b>Section III – Findings and Questioned Costs</b>  <b>Federal Awards</b>	<b>Description</b>
<b>NONE NOTED</b>	
<b>Section III – Findings and Questioned Costs</b>  <b>State Awards</b>	<b>Description</b>
<b>NONE NOTED</b>	

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “At the completion of the audit, the auditee must prepare, in a document separate from the auditor’s findings described in §200.516, Audit Findings, a corrective action plan to address each audit finding included in the current year auditor’s reports.”

**1. Corrective Action Plan**

Not applicable

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings.” The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit’s schedule of findings and questioned costs and
- All audit findings reported in the prior audit’s summary schedule of prior audit findings except audit findings listed as corrected.

**1. Prior Audit Findings**

None reported