

**CAMINO REAL
REGIONAL MOBILITY AUTHORITY
El Paso, Texas**

**FINANCIAL STATEMENTS
August 31, 2013 and 2012**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
Statements of Net Position.....	11
Statements of Revenues, Expenditures and Changes in Net Position	12
Statements of Cash Flows.....	13
Notes to Financial Statements	14
SUPPLEMENTARY INFORMATION	27
Schedule of Expenditures of Federal and State Awards.....	28
Notes to Schedule of Expenditures of Federal and State Awards	29
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 <i>Government Auditing Standards</i>	30
Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and State of Texas Single Audit Circular	32
Schedule of Findings and Questioned Costs.....	34
Summary Schedule of Prior Year Audit Findings.....	37
Exit Conference.....	38

Independent Auditors' Report

To the Board of Directors of
Camino Real Regional Mobility Authority
El Paso, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Camino Real Regional Mobility Authority (CRRMA) as of and for the years ended August 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of CRRMA as of August 31, 2013 and 2012, and the respective changes in financial position and, cash flows thereof for the years 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 4 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 audits 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise CRRMA's basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal 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 audits 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 information is 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 reported dated March 5, 2014, on our consideration of CRRMA'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 result 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 CRRMA's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
March 5, 2014

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2013**

The following Management's Discussion and Analysis (MD&A) provides an overview of Camino Real Regional Mobility Authority's (CRRMA) financial performance for the fiscal year ended August 31, 2013. As you read the MD&A, "2013" refers to the fiscal year ended August 31, 2013 and "2012" refers to the fiscal year ended August 31, 2012. This narrative is intended to supplement the Authority's audited financial statements, which are comprised of the basic financial statements and the notes to the financial statements.

Financial Highlights

- Net position increased by \$9,473,767 as compared to a decrease of \$13,048,258 in 2012.
- As of August 31, 2013, liabilities exceeded assets by \$48,609,102.
- Net position decreased by \$13,048,258 in 2012 as compared to \$10,911,316 in 2011.

Overview of CRRMA

The City of El Paso (City) created the CRRMA by Resolution dated March 13, 2007. The first meeting of CRRMA was held on June 22, 2007. As the sponsoring entity for CRRMA and pursuant to a Management Agreement between the City and CRRMA, the City provides various administrative and in-kind services to CRRMA, including those of fiscal agent. The fiscal year for CRRMA begins September 1. CRRMA is accounted for as a proprietary-type enterprise fund using the accrual basis of accounting, similar to a private business entity.

Overview of the Financial Statements

The financial statements included in this report are the statements of net position; statements of revenues, expenses and changes in net position; and statements of cash flows. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

The statements of net position depict CRRMA's financial position as of a point in time and include all assets and liabilities of CRRMA. The net position represents the residual interest in CRRMA's assets after liabilities are deducted, and are displayed in the unrestricted category due to the CRRMA's deficit position.

The statements of revenues, expenses and changes in net position report the revenues and expenses of CRRMA, are used to measure the success of CRRMA's operations for a given period of time, and can be used to determine how CRRMA has funded its costs.

The statements of cash flows reconcile the changes in cash and cash equivalents with the activities of CRRMA for the periods presented. The activities are classified as operating, noncapital financing and investing.

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 14 to 26 of this report.

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2013**

Financial Analysis

Financial Position. Table 1 is a summarized version of the statement of net position as of August 31, 2013, 2012 and 2011. The table reflects CRRMA's overall change in financial resources and claims on those resources. The majority of CRRMA's assets consist of cash equivalents, intangible assets and intergovernmental receivables. Most liabilities represent accounts payable, accrued liabilities, and bonds and notes payable.

**Table 1
Assets, Liabilities and Net Position**

As of August 31,	<u>2013</u>	<u>2012</u>	<u>% Change</u>	<u>2011</u>	<u>% Change</u>
Assets					
Current assets	\$ 49,211,941	\$ 54,496,302	-10%	\$ 69,192,978	-21%
Noncurrent assets	<u>153,863,509</u>	<u>164,928,292</u>	-10%	<u>175,862,709</u>	-6%
Total assets	<u>\$ 203,075,450</u>	<u>\$ 219,424,594</u>	-7%	<u>\$ 245,055,687</u>	-10%
Liabilities and net assets					
Current liabilities	\$ 29,200,880	\$ 40,733,782	-28%	\$ 22,385,711	82%
Non-current liabilities:					
Long-term bonds and notes payable	<u>222,483,672</u>	<u>236,773,681</u>	-6%	<u>267,704,587</u>	-11.6%
Total liabilities	<u>251,684,552</u>	<u>277,507,463</u>	-9%	<u>290,090,298</u>	-4%
Net position:					
Unrestricted	<u>(48,609,102)</u>	<u>(58,082,869)</u>	-16%	<u>(45,034,611)</u>	29%
Total net position	<u>(48,609,102)</u>	<u>(58,082,869)</u>	-16%	<u>(45,034,611)</u>	29%
Total liabilities and net position	<u>\$ 203,075,450</u>	<u>\$ 219,424,594</u>	-7%	<u>\$ 245,055,687</u>	-10%

Current Assets. Current assets decreased by \$5.3 million or 10% as compared to 2012. The decrease in 2013 occurred because CRRMA's intergovernmental receivables decreased by \$7 million at year end, converted to cash and spent on non-operating expenses during the year. This decrease in intergovernmental receivables is offset by an increase in cash and cash equivalents of \$1.7 million at year end. Cash and cash equivalents increased primarily because of revenues received in advance of expenditures during 2013.

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2013**

Current assets decreased by \$14.7 million or 21% as compared to 2011. The decrease in 2012 occurred because CRRMA's cash and cash equivalents decreased by \$19.3 million at year end. The decrease in cash and cash equivalents is primarily due to paying down bonded debt in the current year of \$28.4 million. Intergovernmental receivables increased as a result of increased project activity, primarily related to the Americas Gateway project.

Current Liabilities. Current liabilities decreased by \$11.5 million or 28% in 2013 as compared to 2012. The majority of the decrease is due to a decrease in accounts payable and accrued liabilities of \$14.7 million due to decreased activity related to the America's Interchange Project. This decrease was offset by an increase in unearned revenue of \$2.5 million for federal revenue received in advance of expenditures.

Current liabilities increased by \$18.3 million or 82% in 2012 as compared to 2011. The majority of the increase is due to increases in accounts payable at year end related to increased project activity, which totaled \$8 million, and an increase in the current portion of bonds payable of \$9.8 million.

Noncurrent Liabilities. Noncurrent liabilities decreased by \$14.3 million or 6% in 2013 as compared to 2012. The change is attributed primarily to repayment of bonds and notes payable. Details of bonds payable are included in Note 7 to the financial statements.

Noncurrent liabilities decreased by \$30.9 million or 12% in 2012 as compared to 2011. The change is attributed to early bond repayment in the amount of \$28.4 million, with an offsetting reclassification of bonds payable to current liabilities of \$18.9 million and new State Infrastructure Loans of \$19 million. Details of bonds payable are included in Note 7 to the financial statements.

As of August 31, 2013 and 2012, CRRMA had total bonded debt outstanding of \$185.1 million and \$206.3 million, respectively, including bond premiums. The debt is comprised of revenue bonds. The revenue bonds are backed by pass-through toll revenues from the Texas Department of Transportation.

Table 2 is a summary of outstanding debt.

**Table 2
Outstanding Debt**

As of August 31,	2013	2012	2011
Series 2008 Bond, including premium of \$9,474,961	\$ 185,104,961	\$ 206,302,636	\$ 246,655,457
TxDOT Financial Assistance Agreements	1,430,000	1,344,541	1,103,976
State Infrastructure Bank Loans	<u>56,776,700</u>	<u>48,981,350</u>	<u>30,000,000</u>
Total debt	<u>\$ 243,311,661</u>	<u>\$ 256,628,527</u>	<u>\$ 277,759,433</u>

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2013**

Total Net Position. Net position increased by \$9.5 million or 16% in 2013 as compared to 2012.

Net position decreased by \$13 million or 29% in 2012 as compared to 2011.

Results of Operations. Table 3 is a summarized version of the statement of revenues, expenses and changes in net position for the years ended 2013, 2012 and 2011.

**Table 3
Revenues, Expenses and Changes in Net Position**

As of August 31,	2013	2012	% Change	2011	% Change
Operating revenues	\$ 52,994,119	\$ 91,780,956	-42%	\$ 49,041,916	87%
Operating expenses	<u>815,831</u>	<u>564,150</u>	45%	<u>811,103</u>	-30%
Net operating income	<u>52,178,288</u>	<u>91,216,806</u>	43%	<u>48,230,813</u>	89%
Non-operating expenses and transfers	<u>(42,704,521)</u>	<u>(104,265,064)</u>	-59%	<u>(59,142,129)</u>	76%
Increase in net position	<u>\$ 9,473,767</u>	<u>\$ (13,048,258)</u>	173%	<u>\$ (10,911,316)</u>	20%

Operating Revenues. Operating revenues decreased by \$39 million in 2013 as compared to 2012. The majority of the *change* is attributed to winding down of the America's project and decreased associated federal grant revenue.

Operating revenues increased by \$42.7 million in 2012 as compared to 2011. The majority of the change is attributed to an increase in toll revenues of \$9.6 million, TxDOT project reimbursements of \$2.5 million and federal revenues of \$28.7 million.

Operating Expenses. Operating expenses increased by \$250 thousand or 45% in 2013 as compared to 2012. The majority of the increase is attributed to aesthetic improvements project costs that were unreimbursed from federal or other sources.

Operating expenses decreased by \$247 thousand or 30% in 2012 as compared to 2011. The majority of the decrease is attributed to decrease in financial services costs of \$375 thousand with an offsetting increase in legal fees of \$110 thousand.

Non-operating Revenues, Expenses, and transfers. Non-operating revenues, expenses and transfers decreased by \$62 million or 59% in 2013 as compared to 2012, due to winding down of capital projects and associated transfers out to TxDOT.

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2013**

Non-operating expenses and transfers increased by \$45.1 million or 76% in 2012 as compared to 2011, as interest payments on debt commenced. Additionally, there were increased transfers out to TxDOT of capital projects and loan proceeds.

Fiscal Year 2013 Highlights

In fiscal year 2008, the CRRMA issued \$233,355,000 in Pass-Through Toll Transportation Revenue Bonds (State Spur 601), Series 2008 for the development of the State Spur 601 Project. Wells Fargo Bank, National Association continued to serve through fiscal year 2013 as the trustee for the management of the revenue bond proceeds; the City does not manage any of these bond funds. The proceeds from the bonds were used to finance the design and construction of the Project and will be repaid by the CRRMA through the receipt of pass-through payments from the Texas Department of Transportation (TxDOT). The bond proceeds were also used to fund: (i) the capitalized interest on such bonds; (ii) a debt service reserve fund for the bonds; (iii) the issuance costs of the bonds; and (iv) working capital to the CRRMA.

Construction of the Spur 601 Project was completed in fiscal year 2011, resulting in CRRMA payments to the Project's design-builder of \$212,000,000 between fiscal years 2008 and 2011. In fiscal years 2008, 2009, 2010 and 2011, the CRRMA paid the design-builder \$30,934,939, \$102,605,399, \$70,581,950 and \$7,877,712, respectively. The final \$1,000,000 of construction payments was paid in fiscal year 2012 upon TxDOT's Final Acceptance of the Project (August 30, 2011). Additional incentive payments are available to the design-builder based on various factors, including the number of vehicles utilizing the facility between now and defeasance of the bonds. Semi-annual payments from TxDOT to the CRRMA began in fiscal year 2010 as individual segments of the Inner Loop were opened. Such payments are structured as minimum/maximum payments from TxDOT and will continue through the remaining life of the bonds and consist of no less than \$15,650,000 or no more than \$17,500,000, based on the number of actual vehicle miles traveled. The CRRMA will receive a maximum aggregate amount of \$312,450,000 from TxDOT to pay the outstanding bonds.

The CRRMA continued throughout fiscal year 2011 to pursue the three projects identified within the Project Development Agreement with TxDOT referred to as the Planning PDA: (i) Loop 375 at I-10 (Americas Interchange); (ii) Zaragoza Direct Connectors; and (iii) Transmountain Northeast Mainlanes. Of the available Planning PDA funds (\$3,171,900), the CRRMA has expended a total of \$2,412,493 through fiscal year 2012. However, the Project Development Agreement expired in fiscal year 2012; therefore, no additional funding from this agreement remain available to the CRRMA.

On the last day of fiscal year 2010, the CRRMA executed a \$108,888,888 Comprehensive Development Agreement with a design-build developer for the Americas Interchange Project. This project was developed as a design-build project and includes the design and construction of three direct connectors and related infrastructure improvements at the Americas Interchange in far east El Paso. The project is funded from two federal programs (American Recovery and Reinvestment Act and Coordinated Border Infrastructure) as well as \$30,000,000 in local contribution from a State Infrastructure Bank (SIB) loan to the CRRMA. The repayment source for the SIB loan is the City of El Paso's Transportation Reinvestment Zone No. 2, the proceeds of which were assigned by the City to the CRRMA. The design-build developer completed design work in fiscal year 2011, made significant progress in the construction aspects of the project in fiscal year 2012 and achieved Substantial Completion and Final Acceptance in fiscal

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2013**

year 2013. The CRRMA paid the developer \$24,241,500 for such services in fiscal year 2011, \$55,803,854 in fiscal year 2012 and \$15,896,005 in fiscal year 2013.

In 2012, the CRRMA received two new SIB loans in the amounts of \$20,000,000 for the Zaragoza Project and \$6,000,000 for the Transmountain Northeast Project. The CRRMA partnered with TxDOT by providing partial funding necessary to complete these projects. Through these agreements with TxDOT, the CRRMA provided \$16,086,237 and \$2,895,113 to TxDOT in 2012 for the Zaragoza and Transmountain Northeast projects, respectively. The repayment sources for these loans are the City of El Paso's Transportation Reinvestment Zones 2 (for Zaragoza) and 3 (for Transmountain NE).

The CRRMA also continued work under a \$1,100,000 loan from TxDOT related to the region's proposed toll projects. Through fiscal year 2012, the CRRMA expended \$1,014,541 of the available funds for the furtherance of several proposed toll projects, including the César Chávez Managed Lanes Project, the region's initial toll project. The remaining \$85,459 was expended in fiscal year 2013. The Chávez Project was designed and let by TxDOT in fiscal year 2011 and was opened to the public in January of 2014. The CRRMA operates and maintains the express toll lane portions of the Project. The CRRMA and TxDOT also entered into a Financial Assistance Agreement in 2012 that provided funding up to \$9,900,000 to the CRRMA for the development and implementation of the toll systems and the planning necessary for the CRRMA to commence operating the facility upon its completion. The CRRMA spent \$757,025 on the planning efforts in 2012 and \$1,030,755 in 2013, which included the selection and engagement of a toll system integrator.

The CRRMA, City and TxDOT also continued work on the I-10 Corridor Aesthetic Improvement Project within fiscal year 2013. This project will utilize \$10,000,000 in two phases: (i) develop a conceptual design plan that will govern aesthetic improvements for a portion of the I-10 corridor within the City of El Paso; and (ii) begin to implement aesthetic improvements within the corridor in accordance with the conceptual design plan. The \$10,000,000 in total project funds became available to the CRRMA from TxDOT in fiscal year 2012. However, in order to commence the conceptual design phase, the City provided initial funding of up to \$500,000; all of which was to be reimbursed by the CRRMA upon the availability of the TxDOT funds. The CRRMA spent \$251,644 of City funds through 2012 as it completed phase 1 and \$76,789 of TxDOT funding as it began phase 2 in 2012. The \$251,644 was reimbursed in fiscal year 2013 and an additional \$810,164 was spent as part of phase 2. Design work continued into 2013 and construction began in January 2014.

The CRRMA entered into two additional agreements with TxDOT in 2012, whereby the CRRMA was tasked with providing design services for the development of two projects: (i) two additional direct connectors for the Americas Interchange (WBSB/EBSB); and (ii) the Spur 1966 project. The WBSB/EBSB agreement provides the CRRMA with up to \$2,750,000 while the Spur 1966 agreements provide up to \$3,450,000. In 2012, the CRRMA earned \$1,604,028 and \$90,130 for the WBSB/EBSB and Spur 1966 projects, respectively. In 2013, the CRRMA earned \$990,534 and \$1,900,963 for the WBSB/EBSB and Spur 1966 projects, respectively.

In fiscal year 2013, the CRRMA received a grant from TxDOT in the amount of \$1,300,000 for the development of the preliminary engineering and environmental services necessary for the Americas Managed Lanes Project. This Project is the region's second toll facility and will connect to the eastern terminus of the César Chávez Express Toll Lanes. The referenced

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2013**

preliminary engineering and environmental services commenced in 2013, with total expenditures of \$205,166 and will continue into fiscal year 2014.

Aside from any financial activity related to the management of the referenced bond proceeds, the CRRMA's income during fiscal year 2013 was limited to: (i) administrative fees from the Spur 601 Project; (ii) the Planning PDA funds from TxDOT; (iii) the Americas Interchange Project funds from the ARRA, CBI and SIB programs; (iv) the SIB loans for the Zaragoza and Transmountain Northeast projects; (v) the TxDOT loan funds available for the area's proposed toll projects; (vi) the TxDOT grant funds for the César Chávez Project; (vii) the Aesthetic Project funds from the City of El Paso and TxDOT; (viii) the agreements for design of the WBSB/EBSB and Spur 1966 projects; and (ix) interest generated from existing CRRMA funds, which includes interest generated through the Spur 601 Project. Total CRRMA operating expenditures in fiscal year 2013 were \$815,831. The total revenues, expenses, contributions, assets and liabilities of the CRRMA in fiscal year 2013 were limited to those identified above. The CRRMA's total net position on August 31, 2013 for those funds being managed by the City of El Paso as the CRRMA's fiscal agent were (\$48,609,102).

Financial Future of the CRRMA

Fiscal year 2014 will include additional major advancements of the CRRMA as a transportation provider for the El Paso region. The region's first toll facility (César Chávez) will begin generating revenues for the CRRMA, while the CRRMA will continue with the preliminary engineering and environmental work necessary for the region's second toll facility (Americas Managed Lanes). The CRRMA will also partner with TxDOT for the joint development of the third toll facility (Border Highway West Extension Project). Additionally, various agencies, including the CRRMA will begin implementation of the 2013 El Paso County Comprehensive Mobility Plan, which may include various debt issuances from the CRRMA, using vehicle registration fee and transportation reinvestment zone revenues as repayment sources. Construction on the aesthetic improvements project for the I-10 corridor will continue and likely be completed within 2014 as well. Finally, as the CRRMA looks to parking and international ports of entry as potential areas of involvement in 2014, the CRRMA continues to aggressively seek out projects that would benefit the community that will also increase the agency's fiscal activity.

Contacting CRRMA's Financial Management

For additional information concerning the CRRMA, please see the CRRMA's website: www.crrma.org. The CRRMA's executive offices are currently located at 300 N. Campbell, 2nd Floor, El Paso, Texas 79901. The main telephone number is and will remain (915) 212-1072. Questions may be directed to Raymond L. Telles, Executive Director.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
STATEMENTS OF NET POSITION
August 31, 2013 and 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	\$ 227,135	\$ 332,377
Restricted - cash and cash equivalents (Note 3)	24,651,317	22,815,414
Bond issuance costs, net	193,572	193,572
Intangible asset, net (Note 5)	10,757,543	10,806,374
Intergovernmental receivables (Note 4)	13,382,374	20,348,565
Total current assets	49,211,941	54,496,302
NON-CURRENT ASSETS		
Bond issuance costs, net	1,548,574	1,742,146
Intangible asset, net	152,314,935	163,186,146
Total non-current assets	153,863,509	164,928,292
TOTAL ASSETS	\$ 203,075,450	\$ 219,424,594

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	\$ 3,938,365	\$ 18,654,600
Bonds payable, current portion (Note 7)	19,875,000	18,915,000
Bond premium, current portion (Note 7)	952,989	939,846
Accrued interest	1,905,580	1,972,692
Unearned Revenue	2,528,946	-
Intergovernmental payable	-	251,644
Total current liabilities	29,200,880	40,733,782
NON-CURRENT LIABILITIES (Note 7)		
Bond payable	155,755,000	176,925,000
Bond premium	8,521,972	9,522,790
State Infrastructure Bank Loans	56,776,700	48,981,350
Notes payable	1,430,000	1,344,541
Total non-current liabilities	222,483,672	236,773,681
Total liabilities	251,684,552	277,507,463
NET POSITION (Note 9)		
Unrestricted	(48,609,102)	(58,082,869)
Total net position	(48,609,102)	(58,082,869)
TOTAL LIABILITIES AND NET POSITION	\$ 203,075,450	\$ 219,424,594

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

CAMINO REAL REGIONAL MOBILITY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended August 31, 2013 and 2012

	2013	2012
OPERATING REVENUES		
TxDOT - Planning Project Development Agreement	\$ 205,166	\$ 124,671
TxDOT - Federal Grants	16,219,878	55,954,094
Pass-Through Toll Agreement	31,300,000	31,300,000
TxDOT Project Agreements	2,808,452	2,514,273
In-kind	30,400	30,400
Total revenues	50,563,896	89,923,438
OPERATING EXPENSES		
Salary and benefits	248,489	212,068
In-kind	30,400	30,400
Professional:		
Legal	246,154	217,186
Other contracts	162,482	-
Promotional	13,679	11,317
Financial	98,070	68,639
Other operating costs	13,281	16,260
Travel and conferences	1,113	5,630
Professional fees	2,163	2,650
Total operating expenses	815,831	564,150
Income from operations	49,748,065	89,359,288
NON-OPERATING REVENUES (EXPENSES)		
Interest income	313	23,906
Amortization	(9,963,439)	(8,160,625)
Intergovernmental transfer of capital assets	(20,122,746)	(82,310,224)
Interest Subsidies	2,430,223	1,857,518
Interest expense	(12,618,649)	(13,818,121)
Total non-operating expenses	(40,274,298)	(102,407,546)
INCREASE (DECREASE) IN NET POSITION	9,473,767	(13,048,258)
BEGINNING NET DEFICIT (Note 9)	(58,082,869)	(45,034,611)
ENDING NET DEFICIT	\$ (48,609,102)	\$ (58,082,869)

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

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
STATEMENTS OF CASH FLOWS
Years Ended August 31, 2013 and 2012**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from other agencies	\$ 62,621,356	\$ 87,208,809
Payment to employees	(248,489)	(218,066)
Payments to professionals	(35,627,567)	(75,639,678)
Net cash provided by operating activities	26,745,300	11,351,065
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of debt	(20,210,000)	(37,515,000)
Proceeds from non-capital loans	7,880,809	19,221,915
Net cash used in financial activities	(12,329,191)	(18,293,085)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	313	23,906
Interest paid	(12,685,761)	(12,366,717)
Net cash used in investing activities	(12,685,448)	(12,342,811)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,730,661	(19,284,831)
CASH AND CASH EQUIVALENTS, BEGINNING	23,147,791	42,432,622
CASH AND CASH EQUIVALENTS, ENDING	\$ 24,878,452	\$ 23,147,791
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating income	\$ 49,748,065	\$ 89,359,288
Adjustments to reconcile operating loss to net cash:		
Decrease in intergovernmental receivables	6,966,191	(4,572,147)
Increase in accounts and other payables	(14,967,879)	7,096,667
Capital expenditures and loan proceeds transferred out to TxDOT	(20,122,746)	(82,310,224)
Increase in unearned revenue	2,528,946	-
Decrease in intangible asset	162,500	-
Disbursements capitalized - intangible asset (Note 5)	-	(80,037)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 24,315,077	\$ 9,493,547
NONCASH ACTIVITY		
In-Kind Revenue and Expense	\$ 30,400	\$ 30,400

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

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 1 - NATURE OF ORGANIZATION

The Texas Transportation Commission of the Texas Department of Transportation authorized the creation of the Camino Real Regional Mobility Authority (CRRMA) on June 29, 2006 as a political subdivision under the Texas Transportation Code, Chapter 370. City of El Paso formally created CRRMA pursuant to the conditions of the Texas Department of Transportation on March 13, 2007. CRRMA was created to provide the El Paso region with a local entity to make mobility decisions for the community and to accelerate needed transportation projects.

CRRMA's powers and duties are enumerated under Texas Transportation Code Chapter 370 and 43 Texas Administrative Code Chapter 26 and include authority to borrow monies and issue bonds to finance transportation projects. CRRMA is governed by a seven member Board of Directors; six are appointed by the City of El Paso and the Chairman of the Board is appointed by the Governor of the State of Texas. CRRMA is included in the financial statements of the City of El Paso as an "Agency" fund, as the City of El Paso acts as the fiscal agent for the CRRMA.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Financial Reporting Entity

The financial statements for CRRMA have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. For financial reporting purposes, CRRMA is considered a special purpose government engaged only in business-type activities.

Basis of Accounting

CRRMA is accounted for as a proprietary fund engaged in business-type activities. In accordance with Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and with accounting principles generally accepted in the United States of America, the financial statements are prepared on the accrual basis of accounting, which requires recognition of revenue when earned and expenses when incurred.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All of CRRMA's activities are accounted for within a single proprietary (enterprise) fund. The accounting and financial reporting treatment applied is determined by measurement focus. The transactions of CRRMA are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) are segregated into amounts for net investment in capital assets; amounts restricted for capital activity and debt service; and amounts which are unrestricted. CRRMA only had unrestricted amounts in net position at year end.

Cash and Cash Equivalents

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

Restricted Assets

Proceeds from CRRMA's bonds and State Infrastructure Bank loan are classified as restricted assets in the statement of net position. They are maintained in separate accounts, and their use is limited to applicable bond and loan purposes.

Rebatable Arbitrage

Current federal income tax law and the bond indentures require that certain arbitrage profits earned outside of the purpose of the investments attributable to outstanding tax-exempt bonds must be rebatable arbitrage. As of August 31, 2013 and 2012, there was no rebatable arbitrage.

Income Taxes

CRRMA is a political subdivision of the State of Texas and income earned in the exercise of its essential government functions is exempt from state or federal income taxes.

Classification of Revenues

CRRMA classifies its revenues as either operating or non-operating according to the following criteria:

Operating Revenues – Operating revenues are generated by activities that have the characteristics of exchange transactions. Exchange transactions are those in which a service or product is exchanged for revenue. Operating revenues for CRRMA are derived from TxDOT Project Development Agreements, federal grants related to the Americas Interchange Project and a reimbursable commitment under the Spur 601 Pass-Through Toll Agreement, and interest reimbursement on loans from the City of El Paso (see Note 7). Federal grants received in advance of expenditures are recorded as unearned revenue.

Non-operating Revenues – Non-operating revenues include activities that do not have the characteristics of exchange transactions, such as interest income earned on cash and investments.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Bond Premiums, Discounts and Issuance Costs

CRRMA amortizes the premiums over the estimated life of the bonds as an adjustment to capitalized interest. Bond issuance cost is amortized over a 15-year period. For each of the years ending August 31, 2013 and 2012, CRRMA amortized \$193,572 and \$193,572, respectively, of issuance costs.

Reclassification

Certain amounts reported in prior periods have been reclassified to conform to the current year presentation.

New Accounting Pronouncements

The CRRMA has implemented the following GASB issued Statements:

GASB Statement No. 60, *“Accounting and Financial Reporting for Service Concession Arrangements”*, see Note 5 for more information.

Statement No. 62, *“Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”*. This statement incorporates into GASB, accounting and financial reporting that is included in the FASB Statements and interpretations, APB Opinions and Research Bulletins, which do not conflict with or contradict GASB Statements, which were issued on or before November 30, 1989.

GASB Issued Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position”*. This Statement requires governments to account for deferred outflows of resources and deferred inflows of resources and net position elements in Concepts Statements No 4 as it relates to derivatives (GASB No 53) and SCAs (GASB No 60). This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The CRRMA did not have any items that met the criteria for deferred outflows or inflows. The implementation of this Statement is reflected in the format of the CRRMA's Statement of Net Position.

CRRMA will implement the following statements as of their effective dates. CRRMA is still in the process of determining the effect of implementing these GASB statements. They are not expected to have a material effect on the financial position of CRRMA.

GASB Statement No. 61, *The Financial Reporting Entity Omnibus - an amendment of GASB Statements No. 14 and No. 34*.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement Number 65, *Items previously reported as Assets and Liabilities*, and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. These statements will be effective for CRRMA for fiscal year ended August 31, 2014.

GASB issued Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. These statements will be effective for CRRMA for fiscal years ended August 31, 2014 and August 31, 2015, respectively.

NOTE 3 – CASH AND CASH EQUIVALENTS

CRRMA's cash and cash equivalents at August 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Cash in bank – unrestricted (held by City of El Paso)	\$ 227,135	\$ 332,377
Cash in bank - restricted	-	-
Cash equivalents – restricted:		
Hypo Public Bank	-	-
Citigroup Global Market	-	-
Wells Fargo Money Market	2,614,698	1,568,100
Wells Fargo Repurchase Agreement (held by City of El Paso)	<u>22,036,619</u>	<u>21,247,314</u>
Total	<u>\$ 24,878,452</u>	<u>\$ 23,147,791</u>

Cash and equivalents of \$22,263,754 and \$21,579,691 at August 31, 2013 and 2012, respectively, is held in trust by the City of El Paso, as the City is CRRMA's fiscal agent.

The Board of Directors of CRRMA has adopted a written investment policy to invest funds in a manner which will provide maximum safety of principal and liquidity, provide the highest possible investment return, meet the daily cash flow demands of CRRMA, and comply with the Texas Public Funds Investments Act of 1995, as may be amended. CRRMA can invest in obligations of, or guaranteed by, government entities, certificates of deposits, repurchase agreements, mutual funds and investment pools.

Repurchase agreements and flexible repurchase agreements shall be limited to a maximum maturity of one (1) year, qualifying as cash equivalents, although any underlying U.S. government obligations pledged as collateral may have maturities extending beyond the term of such repurchase agreements. The repurchase agreement is priced at .02%.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to CRRMA. To help mitigate credit risk, credit quality guidelines are incorporated into the investment policy, as follows:

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

- Limiting investments to certain types of securities;
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which CRRMA will do business;
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

The Wells Fargo money market investments are rated AA by Standards & Poor's and Aa by Moody's.

Interest Rate Risk

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. To help mitigate interest rate risk, the structure of the investment portfolio should be in securities maturing in a manner that cash requirements for ongoing operations will be met, thereby avoiding the need to sell securities on the open market prior to maturity. Operation funds are invested primarily in short-term securities, money market mutual funds, or similar investment pools and limit in the average maturity of the portfolio not to exceed three years and the maximum dollar-weighted average maturity for pooled investments shall not exceed two years.

Custodial Credit Risk

For deposits or investments, custodial risk is the risk that, in the event of the failure of the counterparty, CRRMA will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. CRRMA's policy requires repurchase agreements to be fully collateralized at 100%. As of August 31, 2013 and 2012, the repurchase agreement had \$23,051,322 and \$21,489,630, respectively, of underlying securities held by the pledging financial institutions' trust departments or agents in CRRMA's name.

Foreign Currency Risk

Foreign risk is the risk that changes in exchange rates will adversely affect the fair value investment of a deposit. CRRMA had no foreign currency transactions during fiscal years 2013 and 2012.

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012**

NOTE 4 – INTERGOVERNMENTAL RECEIVABLES

Due from other agencies is comprised of the following amounts as of August 31:

	2013	2012
TxDOT:		
Planning Project Development Agreement		
Project Development Agreement –		
Americas Project	\$ 1,352,924	\$ 11,399,491
Spur 601 Agreement	7,825,000	7,825,000
Various Projects	2,218,785	867,273
Regional Toll Plan Agreement	-	180,051
City of El Paso – Interest Subsidy	1,955,692	-
City of El Paso – Aesthetics Project	29,973	76,750
Total due from other agencies	\$ 13,382,374	\$ 20,348,565

CRRMA considers all amounts to be 100% collectible.

NOTE 5 – SERVICE CONCESSION ARRANGEMENTS

The CRRMA entered into multiple Service Concession Arrangements (SCAs) with the Texas Department of Transportation (TXDOT), as noted below, to accelerate needed transportation projects in the El Paso region. Under these SCAs, the CRRMA is facilitating construction and financing of new infrastructure and TXDOT retains the rights to the infrastructure asset. As a result of this arrangement, consistent with Government Accounting Standard No. 60 (Note 9), the CRRMA reports an intangible asset for the right to access the infrastructure and collect fees for CRRMA's cost of construction, and amortizes over the repayment period of the associated debt, calculated at 20 years. As of August 31, 2013, the CRRMA has \$163,072,478 of remaining intangible asset, net of \$52,078,383 of amortization. During fiscal years 2013 and 2012, the CRRMA increased its intangible asset for current year construction costs in the amounts of \$0 and \$80,037, respectively, and amortized \$10,757,543 and \$10,806,374, respectively.

Inner Loop Project

On January 29, 2009, CRRMA entered into an agreement with TXDOT for the planning and development (design and build) of a 7.4 mile road construction and improvement project from U.S. Highway 54 on the west to Loop 375 on the east, located in El Paso, TX. The project was primarily funded by Pass-Through Toll Transportation Revenue Bonds, Series 2008, in the amount of \$233,355,000 (Note 7). The bonds are to be repaid with Pass-Through Toll Revenues (Note 8). These revenues are passed through TXDOT and consist of semi-annual payments based on actual vehicle miles traveled on the project during the previous six months; but regardless of the number of actual vehicle miles traveled on the Project, each semi-annual payment will not be less than \$15,650,000 or more than \$17,500,000 until the payments to CRRMA reach the maximum aggregate amount of \$312,450,000. During fiscal years 2013 and 2012, \$31,300,000 and \$31,300,000, respectively, was recorded as pass-through toll revenue by the CRRMA. Construction of the Inner Loop Project was completed in fiscal year 2011.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following amounts as of August 31:

	2013	2012
Accounts payable	\$ 3,888,379	\$ 18,618,313
Accrued payroll and related liabilities	49,986	36,287
Total	\$ 3,938,365	\$ 18,654,600

NOTE 7 – LONG-TERM DEBT

The following is a summary of changes in long-term debt for the years ended August 31, 2013 and 2012:

Description and Purpose	Balance, August 31, 2012	Issued	Retired	Balance, August 31, 2013	Due Within One Year
Bonds:					
Series 2008 Bond	\$ 195,840,000	\$ -	\$ 20,210,000	\$ 175,630,000	\$ 19,875,000
Series 2008 Bond Premium	10,462,636	-	987,675	9,474,961	952,989
Notes:					
TxDOT Financial Assist. Agreements	1,344,541	85,459	-	1,430,000	-
State Infrastructure Bank Loan, #1	30,000,000	-	-	30,000,000	590,000
State Infrastructure Bank Loan, #2	2,895,113	3,204,415	-	6,099,528	217,563
State Infrastructure Bank Loan, #3	16,086,237	4,590,935	-	20,677,172	344,293
Total	\$ 256,628,527	\$ 7,880,809	\$ 21,197,675	\$ 243,311,661	\$ 21,979,845

Description and Purpose	Balance, August 31, 2011	Issued	Retired	Balance, August 31, 2012	Due Within One Year
Bonds:					
Series 2008 Bond	\$ 233,355,000	\$ -	\$ 37,515,000	\$ 195,840,000	\$ 18,915,000
Series 2008 Bond Premium	13,300,457	-	2,837,821	10,462,636	939,846
Notes:					
TxDOT Financial Assist. Agreements	1,103,976	240,565	-	1,344,541	-
State Infrastructure Bank Loan, #1	30,000,000	-	-	30,000,000	-
State Infrastructure Bank Loan, #2	-	2,895,113	-	2,895,113	-
State Infrastructure Bank Loan, #3	-	16,086,237	-	16,086,237	-
Total	\$ 277,759,433	\$ 19,221,915	\$ 40,352,821	\$ 256,628,527	\$ 19,854,846

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Bonds

CRRMA issued Pass-Through Toll Transportation Revenue Bonds (State Spur 601), Series 2008 on January 15, 2008. The proceeds from the Series 2008 Bonds were used for (i) a portion of the costs of designing, developing and constructing a 7.4-mile road construction and improvement project (“State Spur 601”) from U.S. Highway 54 on the west to Loop 375 on the east, located in El Paso, Texas, within the jurisdiction of CRRMA; (ii) paying interest on the Bonds and administrative and other costs while the Project is constructed; and (iii) paying the costs of issuing the Bonds.

The bonds maturing on August 15, 2018 through August 15, 2020 are subject to redemption at the option of CRRMA on February 15, 2018, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest, but without premium.

Bonds maturing on and after February 15, 2021 are subject to redemption at the option of CRRMA on February 15, 2011, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest, but without premium.

As of August 31, 2008, the bond proceeds were \$249,537,792, including a premium of \$16,182,792. The premium is amortized through the life of the bond calculated with the interest method. During fiscal years ending August 31, 2013 and 2012, the CRRMA redeemed principal of \$1,295,000 and \$28,400,000 and in advance of the original amortization schedule, along with a proportionate share of the premium of \$89,697 and \$1,941,435. The amortization as of August 31, 2013 and 2012 was \$897,979 and \$893,686, respectively, which was recorded as amortization.

The bonds began payment in 2008 with semi-annual interest payments at 4.31% in February and August and twenty semi-annual principal payments beginning August 2012, with final payment due in 2022. The original terms of the bonds were twenty annual principal payments totaling \$233,355,000 and interest payments totaling \$115,208,222. The term period and interest rate remained consistent after current year redemption.

Years ended August 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 19,875,000	\$ 8,792,438	\$ 28,667,438
2015	20,880,000	7,786,313	28,666,313
2016	21,940,000	6,729,188	28,669,188
2017	23,045,000	5,618,563	28,663,563
2018	24,230,000	4,436,863	28,666,863
2019 - 2022	<u>65,660,000</u>	<u>517,600</u>	<u>66,177,600</u>
Total	<u>\$ 175,630,000</u>	<u>\$ 33,880,965</u>	<u>\$ 209,510,965</u>

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Note Payable

TxDOT Financial Assistance Agreements

During the year ended August 31, 2009, CRRMA entered into a Regional Toll Plan Agreement (financial assistance agreement) with Texas Department of Transportation on March 15, 2009 for \$1,100,000. The funds are to be used for project management, data collection, and evaluation and preparation of a regional toll plan for development of the Toll Projects, to include engineering, environmental, legal, financial and public outreach services, including the costs of necessary or incidental administrative, legal and other related expenses. On a monthly basis, CRRMA requests a drawdown of the funds based on the expenditures incurred. During fiscal year ending August 31, 2013, CRRMA requested funds of \$85,459, which is included in the statement of net position, with \$0 available for future use. The repayment is limited to no more than 10% of any revenues generated for CRRMA on the particular projects. In the unlikely event that the projects are not completed, the note will be forgiven.

During the year ended August 31, 2008, CRRMA entered into a financial assistance agreement with Texas Department of Transportation on August 15, 2007 for \$330,000. The funds are to be used for independent financial, engineering and other advisor services necessary for the evaluation of and negotiation with Texas Department of Transportation for 12 candidate toll projects, as it relates to the market valuation process. The note becomes due when revenue is generated from any toll project that is constructed and under operations for which part of the \$330,000 was used to develop it. The repayment is limited to no more than 10% of any revenues generated for CRRMA on that particular project. In the unlikely event that the projects are not completed, the note will be forgiven. As of the year ended August 31, 2013, \$39,142 has been used.

State Infrastructure Bank Loans

On June 29, 2010, CRRMA entered into a State Infrastructure Bank Loan with the State of Texas, acting by and through the Texas Department of Transportation, in the amount of \$30,000,000, to augment funding for I-10 at Loop 375 construction project, along with other Interchange improvements. The funds were received in December 2010. Principal and interest payments began in September 2011 and will be made annually thereafter until the maturity date of September 15, 2040. Interest rate on the loan is 4.95%. The term of the loan is thirty years. Interest payments totaling \$27,958,846 will be paid over this term. The City of El Paso will reimburse the CRRMA for payments on this loan.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 7 – LONG-TERM DEBT (CONTINUED)

The annual requirements for this loan will be as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 590,000	\$ 1,485,000	\$ 2,075,000
2015	615,000	1,455,795	2,070,795
2016	640,000	1,425,353	2,065,353
2017	670,000	1,393,673	2,063,673
2018	695,000	1,360,508	2,055,508
2019 - 2023	3,930,000	6,256,801	10,186,801
2024 - 2028	4,800,000	5,201,709	10,001,709
2029 - 2033	5,860,000	3,912,729	9,772,729
2034 - 2038	7,165,000	2,338,629	9,503,629
2039 - 2041	<u>5,035,000</u>	<u>505,149</u>	<u>5,540,149</u>
Total	<u>\$ 30,000,000</u>	<u>\$ 25,335,346</u>	<u>\$ 55,335,346</u>

On January 24, 2012, CRRMA entered into a State Infrastructure Bank Loan with the State of Texas, acting by and through the Texas Department of Transportation, in the amount of \$6,000,000, to augment funding for Loop 375 (Transmountain NE) construction project. A portion of the funds, \$2,895,113, were disbursed in March 2012 and transferred into an account held by TxDOT. Principal payments are scheduled to begin February 2014 and interest payments in February 2013 and made annually thereafter until the maturity date of February 1, 2024. The remaining funds of \$3,104,887 were disbursed on January 4, 2013 in the same manner. Interest rate on the loan is 4.05%. The term of the loan is twenty years. Interest payments totaling \$2,885,618 will be paid over this term. The interest payment scheduled for February 2013 in the amount of \$99,528 was subsequently rolled into the principal balance.

The annual requirements for this loan are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 217,563	\$ 242,625	\$ 460,188
2015	226,556	233,632	460,188
2016	235,922	224,267	460,189
2017	245,674	214,514	460,188
2018	255,829	204,359	460,188
2019 - 2022	<u>4,917,984</u>	<u>1,766,221</u>	<u>6,684,205</u>
Total	<u>\$ 6,099,528</u>	<u>\$ 2,885,618</u>	<u>\$ 8,985,146</u>

On January 24, 2012, CRRMA entered into a State Infrastructure Bank Loan with the State of Texas, acting by and through the Texas Department of Transportation, in the amount of \$20,000,000, to augment funding for Loop 375 (Zaragoza) construction project. A portion of the funds, \$16,086,237, were disbursed in March 2012 and transferred into an account held by

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 7 – LONG-TERM DEBT (CONTINUED)

TxDOT. Principal payments will begin in February 2014 and interest payments in February 2013 and made annually thereafter until the maturity date of February 1, 2037. The remaining funds of \$3,913,763 were disbursed on January 4, 2013. Interest rate on the loan is 4.95%. The term of the loan is thirty years. Interest payments totaling \$19,537,633 will be paid over this term. The interest payment scheduled for February 2013 in the amount of \$677,572 was subsequently rolled into the principle balance.

The annual requirements for this loan are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 327,662	\$ 1,015,410	\$ 1,343,072
2015	344,293	998,779	1,343,072
2016	361,768	981,304	1,343,072
2017	380,130	962,943	1,343,073
2018	399,424	943,649	1,343,073
2019 - 2022	<u>18,864,295</u>	<u>14,635,548</u>	<u>33,499,843</u>
Total	<u>\$ 20,677,572</u>	<u>\$ 19,537,633</u>	<u>\$ 40,215,205</u>

Interest Subsidy

The interest related to State Infrastructure Bank Loan #1 is refunded to the CRRMA at a rate of 35% through a direct payment from a Build America Bond. The amount refunded to the CRRMA during fiscal year 2013 totaled \$474,531. Per the agreement with the City of El Paso, of the amount refunded, 50% of the funds are utilized to pay interest on the loan. The remaining 50% can be used for operational costs of the CRRMA.

Additionally, the City of El Paso reimburses the CRRMA a portion of the interest. During fiscal year 2013, the City of El Paso reimbursed CRRMA \$1,955,692.

The amounts refunded, totaling \$2,430,223, are recognized as interest subsidy revenue by CRRMA.

NOTE 8 – REIMBURSABLE COMMITMENT

The Spur 601 Pass-Through Toll agreement contains a commitment which states, "After the Project is substantially completed, Texas Department of Transportation will reimburse CRRMA with semi-annual payments of no less than \$15,650,000 or no more than \$17,500,000. Each semiannual payment amount will be based on actual vehicle miles traveled on the Project during the previous six months, but regardless of the number of actual vehicle miles traveled on the Project, each semiannual payment will not be less than \$15,650,000 or more than \$17,500,000 until the Texas Department of Transportation payments to CRRMA reach the maximum aggregate amount of \$312,450,000."

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 8 – REIMBURSABLE COMMITMENT (CONTINUED)

During fiscal years 2013 and 2012, \$31,300,000 and \$31,300,000, respectively, was recorded as revenue in the Statement of Revenue, Expenses, and Changes in Net Position as part of the Spur 601 Pass-Through Toll Agreement.

The commitment for the revenue on the road has not been recorded on the statement of net position.

NOTE 9 – DEFICIT NET POSITION

At August 31, 2013 and 2012, CRRMA had a deficit net position, associated with construction cost of CRRMA, of \$48,609,102 and \$58,082,869, respectively. Management intends to eliminate the deficit through future pass-through toll payments from the Texas Department of Transportation (see Note 8).

NOTE 10 – TXDOT AGREEMENTS

Planning Project Development Agreements/State Grants

On February 2, 2009, CRRMA entered into an agreement with Texas Department of Transportation for the planning and development of different projects in the area. The estimated cost of work is \$2,200,000 and the contract was amended in December 2009 to increase the cost to \$3,171,900. TxDot will be responsible for all costs incurred for the planning and development of the projects and will reimburse CRRMA for the expenditures. As of August 31, 2013 and 2012, CRRMA has incurred costs of \$0 and \$124,671, respectively, relating to the contract recorded in the statements of revenues, expenses and changes in net position.

In fiscal year 2013, the CRRMA received a grant from TxDOT in the amount of \$1,300,000 for the development of the preliminary engineering and environmental services necessary for the Americas Managed Lanes Project. This Project is the region's second toll facility and will connect to the eastern terminus of the César Chávez Express Toll Lanes. The referenced preliminary engineering and environmental services commenced in 2013, with total expenditures of \$205,166 and will continue into fiscal year 2014.

NOTE 11 – IN-KIND

On August 19, 2008, CRRMA entered into a five-year management contract with the City of El Paso. The City will provide management services consisting of, but not limited to, engineering, legal, print shop, accounting, office space and computers. The services will be provided as in-kind to CRRMA. For the years ended August 31, 2013 and 2012, the value of the services provided was estimated at a value of \$30,400 each year.

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012**

NOTE 12 – RELATED PARTIES

The City of El Paso is the sponsoring entity and fiscal agent of CRRMA.

NOTE 13 – INTERGOVERNMENTAL TRANSFERS

Transfers out to TxDOT consist of the following as of August 31:

	<u>2013</u>	<u>2012</u>
Construction in Process (owned and capitalized by TxDOT)	\$ 20,122,746	\$ 63,328,874
State Infrastructure Bank Loan Proceeds (see Note 7)	<u>-</u>	<u>18,981,350</u>
Total	<u>\$ 20,122,746</u>	<u>\$ 82,310,224</u>

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended August 31, 2013**

Name of Agency, Department and Program	CFDA Number	Disbursements/ Expenditures
FEDERAL AWARDS		
U.S. Department of Transportation		
Pass-through from Texas Department of Transportation		
ARRA Highway Planning and Construction (Federal-Aid Highway Program) *	20.205	\$ 15,896,005
Highway Planning and Construction (Federal-Aid Highway Program) *	20.205	<u>323,872</u>
Total federal awards		<u>16,219,877</u>
STATE AWARDS		
Pass-through from Texas Department of Transportation		
Planning Project Development Agreement	None	<u>205,166</u>
Total state awards		<u>205,166</u>
TOTAL FEDERAL AND STATE AWARDS		<u>\$ 16,425,043</u>

* Major Programs

See notes to schedule of expenditures of federal awards.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended August 31, 2013

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of CRRMA and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas Single Audit Circular. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 2 – NON-CASH ASSISTANCE

CRRMA did not receive any federal awards in the form of non-cash assistance during the year.

NOTE 3 – SUBRECIPIENTS

CRRMA did not provide any federal awards to subrecipients during the year.

**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 of
Camino Real Regional Mobility Authority
El Paso, Texas

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 business-type activities of Camino Real Regional Mobility Authority (CRRMA) as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise CRRMA's basic financial statements, and have issued our report thereon dated March 5, 2014.

Internal Control over Financial Reporting

In planning and performing our audit, we considered CRRMA'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CRRMA's internal control. Accordingly, we do not express an opinion on the effectiveness of CRRMA'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 CRRMA'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 reporting 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 result 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.

CliftonLarsonAllen LLP

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

Albuquerque, New Mexico
March 5, 2014

**Independent Auditors' Report on Compliance with Requirements that
Could Have a Direct and Material Effect on Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133
and State of Texas Single Audit Circular**

To the Board of Directors of
Camino Real Regional Mobility Authority
El Paso, Texas

Report on Compliance for Each Major Federal Program

We have audited the compliance of Camino Real Regional Mobility Authority (CRRMA) with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* and the State of Texas Single Audit Circular that could have a direct and material effect on each of CRRMA's major federal programs for the year ended August 31, 2013. CRRMA's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of CRRMA'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; OMB Circular A-133, *Audits of States, Local Governments, and Not-For-Profit Organizations*, and the State of Texas Single Audit Circular. Those standards, OMB Circular A-133 and the State of Texas Single Audit Circular 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 or state program occurred. An audit includes examining, on a test basis, evidence about CRRMA'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 CRRMA's compliance.

Opinion on Each Major Federal Program

In our opinion, CRRMA 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 and state programs for the year ended August 31, 2013.

Report on Internal Control over Compliance

The management of CRRMA 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 CRRMA'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 OMB Circular A-133, 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 CRRMA's internal control over compliance.

A deficiency in internal control over compliance 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, 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 result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP



Albuquerque, New Mexico
March 5, 2014

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
August 31, 2013**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? yes none reported

Type of auditors’ report issued on compliance for major program: Unmodified.

Any audit findings, disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

Identification of major program:

CFDA Number(s)	Name of Federal Program or Cluster
20.205	ARRA and Non-ARRA, Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs \$492,751

Auditee qualified as low-risk auditee? yes no

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
August 31, 2013**

Section I – Summary of Auditors’ Results (continued)

State Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? yes none reported

Type of auditors’ report issued on compliance for major program: Unmodified.

Any audit findings, disclosed that are required to be reported in accordance with Texas Single Audit Circular? yes no

Identification of major program:

CFDA Number(s)	Name of State Program or Cluster
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None	None
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Dollar threshold used to distinguish between type A and type B programs \$492,751

Auditee qualified as low-risk auditee? yes no

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
August 31, 2013**

Section II – Financial Statement Findings

No financial statement findings are reported for fiscal year ending August 31, 2013

Section III – Federal Award Findings and Questioned Costs

No federal award findings are reported for fiscal year ending August 31, 2013.

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
August 31, 2013**

Section I – Financial Statement Findings

There were no findings for the year ended August 31, 2012.

Section II – Federal Award Findings and Questioned Costs

There were no findings for the year ended August 31, 2012.

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
EXIT CONFERENCE
August 31, 2013**

An exit conference was held with CRRMA on February 12, 2014. The conference was held at Camino Real Mobility Authority. In attendance were:

CAMINO REAL REGIONAL MOBILITY AUTHORITY

Raymond Telles, Executive Director
Susan Melendez, Finance Committee Member
David Marcus, Finance Committee Member
Jim Volk, Board Member

CLIFTONLARSONALLEN LLP

Janet Pacheco-Morton, CPA, CGFM, Partner

The financial statements presented in this report have been prepared by the independent auditor. However, they are the responsibility of management, as addressed in the Independent Auditor's Report. Management reviewed and approved the financial statements.