

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED AUGUST 31, 2014 AND 2013

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
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, 2014 and 2013, 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, 2014 and 2013, 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.

Restatement

As described in Note 12 to the financial statements, beginning net assets for the year ended August 31, 2013 were restated for the correction of beginning balances and the adoption of GASBS No. 65.

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 11 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 and state awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Texas Uniform Grants Management Standards, 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.

Board of Directors
Camino Real Regional Mobility Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2015, 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.

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

CliftonLarsonAllen LLP

Albuquerque, New
Mexico February 27, 2015

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2014**

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, 2014. As you read the MD&A, "2014" refers to the fiscal year ended August 31, 2014 and "2013" refers to the fiscal year ended August 31, 2013. 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 decreased by \$3,964,030 as compared to a restated decrease of \$11,068,691 in 2013.
- As of August 31, 2014, assets exceeded liabilities by \$6,170,728.

Overview of CRRMA

The City of El Paso (City) created 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, and 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 15 to 27 of this report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2014**

Financial Analysis

Financial Position. Table 1 is a summarized version of the statement of net position as of August 31, 2014, 2013 and 2012. 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, unearned revenue, accrued liabilities, and bonds and notes payable.

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

As of August 31,	2014	2013 As Restated	%	2012	%
			Change		Change
CURRENT ASSETS					
Current Assets	\$ 639,472,691	\$ 61,735,826	936%	\$ 54,496,302	13%
Noncurrent Assets	168,783,484	200,083,484	(16)	164,928,292	21
Total Assets	<u>\$ 808,256,175</u>	<u>\$ 261,819,310</u>	209	<u>\$ 219,424,594</u>	19
LIABILITIES AND NET ASSETS					
Current Liabilities	\$ 533,576,608	\$ 30,352,736	1658	\$ 40,733,782	(25)
Non-Current Liabilities:					
Long-Term Bonds and Notes Payable	<u>268,508,839</u>	<u>221,331,816</u>	21	<u>236,773,681</u>	(7)
Total Liabilities	802,085,447	251,684,552	219	277,507,463	(9)
Net Position:					
Unrestricted	<u>6,170,728</u>	<u>10,134,758</u>	(39)	<u>(58,082,869)</u>	(117)
Total Net Position	<u>6,170,728</u>	<u>10,134,758</u>	(39)	<u>(58,082,869)</u>	(117)
Total Liabilities and Net Position	<u>\$ 808,256,175</u>	<u>\$ 261,819,310</u>	209	<u>\$ 219,424,594</u>	19

Current Assets. Current assets increased by \$577 million or 936% as compared to 2013. The increase in 2014 occurred because CRRMA issued new debt during the year and received an advance payment for the Loop 375 extension project.

Restated FY2013 current assets decreased by \$7.2 million or 13% as compared to 2012. The decrease in 2013 occurred because CRRMA's intergovernmental receivables decreased by \$5 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.

Current Liabilities. Current liabilities increased by \$503 million or 1,658% in 2014 as compared to 2013. The majority of the increase is due to an advance payment for the Loop 375 extension project recorded as unearned revenue in the amount of \$500 million. The remainder of the increase is related to the timing of payables.

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Current liabilities decreased by \$10.3 million or 25% 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.

Noncurrent Liabilities. Noncurrent liabilities increased by \$47 million or 21% in 2014 as compared to 2013. The change is attributed primarily to issuance of new bonds. Details of bonds payable are included in Note 7 to the financial statements.

Noncurrent liabilities decreased by \$15.4 million or 7% 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.

As of August 31, 2014 and 2013, CRRMA had total bonded debt outstanding of \$234.3 million and \$185 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,	2014	2013 As Restated	2012
Series 2008 Bond, Including Premium of \$8,365,453 at 08/31/14	\$ 161,620,473	\$ 185,104,961	\$ 206,302,636
Series 2014 Bond, Including Premium of \$4,257,560 at 08/31/14	72,742,560	-	-
TxDOT Financial Assistance Agreement #1	756,406	1,430,000	1,344,541
TxDOT Financial Assistance Agreement #2	2,009,543	-	1,344,541
State Infrastructure Bank Loans	55,641,477	56,776,700	48,981,350
Total Debt	<u>\$ 292,770,459</u>	<u>\$ 243,311,661</u>	<u>\$ 257,973,068</u>

Total Net Position. Net position decreased by \$3.9 million or 35% in 2014 as compared to 2013 as restated.

Net position increased by \$68.2 million (including a restatement of \$79 million) or 117% in 2013 as compared to 2012.

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AUGUST 31, 2014**

Results of Operations. Table 3 is a summarized version of the statement of revenues, expenses and changes in net position for the years ended 2014, 2013 and 2012.

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

As of August 31,	2014	2013 As Restated	%	2012	%
<u>As of August 31,</u>	<u>2014</u>	<u>2013</u>	<u>%</u>	<u>2012</u>	<u>%</u>
Operating Revenues	\$ 17,887,819	\$ 21,026,687	-15%	\$ 89,923,438	-77%
Operating Expenses	1,414,018	785,431	80	564,150	39
Net Operating Income	16,473,801	20,241,256	(19)	89,359,288	(77)
Non-Operating Expenses and Transfers	<u>(20,437,831)</u>	<u>(31,309,947)</u>	(35)	<u>(102,407,546)</u>	(69)
Increase (Decrease) in Net Position	<u>\$ (3,964,030)</u>	<u>\$ (11,068,691)</u>	(64)	<u>\$ (13,048,258)</u>	(15)

Operating Revenues. Operating revenues decreased by \$3.1 million in 2014 as compared to 2013. The majority of the change is attributed to winding down of the America's project and decreased associated federal grant revenue.

Operating revenues decreased by \$68 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 and restated pass-through toll revenue.

Operating Expenses. Operating expenses increased by \$628 thousand or 80% in 2014 as compared to 2013. The majority of the increase is attributed to aesthetic improvements project costs that were unreimbursed from federal or other sources.

Operating expenses increased by \$250 thousand or 39% 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.

Non-operating Revenues, Expenses, and Transfers. Non-operating revenues, expenses and transfers decreased by \$11 million or 35% in 2014 as compared to 2013, due to winding down of capital projects and associated transfers out to TxDOT.

Non-operating revenues, expenses and transfers decreased by \$71 million or 69% in 2013 as compared to 2012, due to winding down of capital projects and associated transfers out to TxDOT.

Fiscal Year 2014 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 this fiscal year 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

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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 this fiscal year 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.

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 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,

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which began generating toll revenues this fiscal year. 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 this fiscal year. 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, with expenditures in fiscal year 2014 totaling \$4,462,510.

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 \$7,010,000 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 2014, the CRRMA earned \$2,257,425 and \$215,950 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 preliminary engineering and environmental services commenced in 2013, with total expenditures of \$205,166. Development of this project continued into 2014, with expenditures totaling \$460,739.

The CRRMA also partnered with various area agencies for new projects in this fiscal year, including the Tornillo-Guadalupe Port of Entry (Tornillo), Bike Share Phase I (Bike Share), Border Highway West (BHW) and El Paso Streetcar (Streetcar) Projects. The County of El Paso has been working with the federal government towards the opening of Tornillo, as the area's newest international port of entry, but requested assistance from the CRRMA to design and implement the associated toll collection system. The CRRMA entered into an agreement with the County to design and implement system this fiscal year, which should be operational in 2015. The Bike Share Project was also begun this year, which is a joint effort, whereby the City of El Paso, El Paso Metropolitan Planning Organization, University of Texas at El Paso and TxDOT collectively provided the CRRMA with \$420,000. The CRRMA agreed to design and implement the program, which should be operational in 2015. The BHW Project is a joint effort with TxDOT, whereby TxDOT granted the CRRMA \$500,000,000 towards the development of an

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approximately nine-mile toll facility. The funds were granted to the CRRMA in fiscal year 2014, construction began in fiscal year 2015 and will continue through 2018, at which point the CRRMA will operate the toll component of such facility. Finally, the Streetcar Project is also a jointly developed project between the City of El Paso, TxDOT and the CRRMA. The City originally developed the design and alignment for the project. TxDOT provided the CRRMA with a \$97,000,000 grant to complete the remaining procurement and construction activities of the project. Upon completion, the CRRMA will transfer the program back to the City of El Paso's Mass Transit Department (Sun Metro).

Another major grouping of CRRMA financial activities in fiscal year 2014 included the agreement on and commencement of various projects known collectively as the 2013 El Paso County Comprehensive Mobility Plan (2013 CMP). This plan is a joint effort between the CRRMA, County of El Paso and TxDOT, whereby each entity agreed to pursue a slate of major transportation projects, which collectively total more than \$400,000,000. The CRRMA's role includes financing and construction of various projects. As part of the financing component, the CRRMA issued \$72,000,000 in 204 Series bonds this past fiscal year, which will be repaid through the County of El Paso's recently passed vehicle registration fee (VRF) revenues. The County assigned the VRF proceeds to the CRRMA, which allowed the CRRMA to issue this debt. The proceeds will be used by the CRRMA to begin developing the projects identified in the 2013 CMP, beginning in fiscal year 2015.

Aside from any financial activity related to the management of the referenced bond proceeds, the CRRMA's income during this fiscal year was limited to: (i) administrative fees from the Spur 601 and VRF Bonds; (ii) the Bike Share Program contributions; (iii) County of El Paso funds for the Tornillo-Guadalupe Port of Entry Toll Collection System Project (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 and Americas Managed Lanes Projects, as well as the toll revenues from the Chávez Express Toll Lanes; (vii) the TxDOT grant funds for the Border Highway West Project; (viii) the TxDOT grant funds for the El Paso Streetcar Project; (ix) the Aesthetic Project funds from the City of El Paso and TxDOT; (x) the agreements for design of the WBSB/EBSB and Spur 1966 projects; and (xi) interest generated from existing CRRMA funds, which includes interest generated through the Spur 601 Project and VRF Bonds. Total CRRMA operating expenses in fiscal year 2014 were \$1,335,792. The total revenues, expenses, contributions, assets and liabilities of the CRRMA in this fiscal year were limited to those identified above. The CRRMA's total net position on August 31, 2014 for those funds being managed by the City of El Paso as the CRRMA's fiscal agent were (\$35,260,657).

Financial Future of the CRRMA

Fiscal year 2015 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 its first full year of 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 construction of the Border Highway West Project will begin in earnest in 2015, with a scheduled opening in 2018. Additionally, the implementation of the 2013 El Paso County Comprehensive Mobility Plan will advance, with each entity commencing work on their respective projects. Construction on the aesthetic improvements project for the I-10 corridor will be completed. Various procurement activities for the El Paso Streetcar Project will be completed in 2015, allowing for the commencement of construction activities. Finally, as the CRRMA looks to parking and international ports of entry as potential areas of involvement in 2015, the CRRMA continues to aggressively seek out projects that would benefit the community that will also increase the agency's fiscal activity.

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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 located at 300 N. Campbell, 2nd Floor, El Paso, Texas 79901. The main telephone number is (915) 212-1072. Questions may be directed to Raymond L. Telles, Executive Director.

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STATEMENTS OF NET POSITION
AUGUST 31, 2014 AND 2013**

	2014	2013 (Restated)
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents (Note 3)	\$ 794,051	\$ 227,135
Restricted - Cash and Cash Equivalents (Note 3)	603,261,123	24,651,317
Intergovernmental Receivables (Note 4)	35,417,517	36,857,374
Total Current Assets	639,472,691	61,735,826
NON-CURRENT ASSETS		
Intergovernmental Receivables	168,783,484	200,083,484
Total Non-Current Assets (Note 4)	168,783,484	200,083,484
Total Assets	\$ 808,256,175	\$ 261,819,310
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities (Note 5)	\$ 3,935,892	\$ 3,938,365
Bonds Payable, Current Portion (Note 6)	21,940,000	19,875,000
Bond Premium, Current Portion (Note 6)	1,135,771	952,989
Accrued Interest	2,849,810	1,905,580
State Infrastructure Bank Loans	1,185,849	1,151,856
Unearned Revenue (Note 7)	502,529,286	2,528,946
Total Current Liabilities	533,576,608	30,352,736
NON-CURRENT LIABILITIES (Note 6)		
Bond Payable	199,800,000	155,755,000
Bond Premium	11,487,262	8,521,972
State Infrastructure Bank Loans	54,455,628	55,624,844
Notes Payable	2,765,949	1,430,000
Total Non-Current Liabilities	268,508,839	221,331,816
Total Liabilities	802,085,447	251,684,552
NET POSITION		
Restricted	6,170,728	10,134,758
Total Net Position	6,170,728	10,134,758
Total Liabilities and Net Position	\$ 808,256,175	\$ 261,819,310

CAMINO REAL REGIONAL MOBILITY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED AUGUST 31, 2014 AND 2013

	2014	2013 (Restated)
OPERATING REVENUES		
TxDOT - Planning Project Development Agreement	\$ 460,739	\$ 205,166
TxDOT - Federal Grants	6,671,526	16,219,878
Chavez Toll Revenue	81,644	-
TxDOT Project Agreements	2,292,175	2,645,952
Local Governments	8,381,735	1,955,691
Total Revenues	17,887,819	21,026,687
OPERATING EXPENSES		
Salary and Benefits	250,495	248,489
Professional:		
Legal	378,834	246,154
Other Contracts	-	162,482
Promotional	97,285	13,679
Financial	669,221	98,070
Other Operating Costs	-	13,281
Travel and Conferences	5,761	1,113
Professional Fees	12,422	2,163
Total Operating Expenses	1,414,018	785,431
INCOME FROM OPERATIONS	16,473,801	20,241,256
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	65,754	313
Amortization of Premium and Gains on Bond Retirement	1,109,621	987,676
Intergovernmental Transfer of Capital Assets (Note 11)	(9,782,903)	(20,122,746)
Interest Subsidies	472,842	474,532
Interest Expense	(12,303,145)	(12,649,722)
Total Non-Operating Expenses	(20,437,831)	(31,309,947)
DECREASE IN NET POSITION	(3,964,030)	(11,068,691)
Net Position (Deficit) - Beginning of Year (Note 12)	10,134,758	(58,082,869)
Restatement (Note 12)	-	79,286,318
Net Position - Beginning of Year after Restatement	10,134,758	21,203,449
NET POSITION - END OF YEAR	\$ 6,170,728	\$ 10,134,758

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2014 AND 2013**

	2014	2013 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Other Agencies	\$ 550,628,016	\$ 62,146,824
Payment to Employees	(251,122)	(248,489)
Payments to Professionals	(10,948,272)	(35,627,567)
Net Cash Provided by Operating Activities	539,428,622	26,270,768
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of Debt	(24,949,710)	(20,210,000)
Cash Received for Interest Subsidy	472,842	474,532
Interest Paid	(10,249,294)	(12,685,761)
Proceeds from Noncapital Loans	74,408,508	7,880,809
Net Cash Provided (Used) by Financial Activities	39,682,346	(24,540,420)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	65,754	313
Net Cash Provided by Investing Activities	65,754	313
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	579,176,722	1,730,661
Cash and Cash Equivalents - Beginning of Year	24,878,452	23,147,791
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 604,055,174	\$ 24,878,452
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income	\$ 16,473,801	\$ 20,241,256
Adjustments to Reconcile Operating Income to Net Cash:		
Decrease in Intergovernmental Receivables	1,439,857	6,966,191
Increase in Accounts and Other Payables	(2,473)	(14,967,879)
Cash Received for Pass-Through Toll Agreement	31,300,000	31,300,000
Capital Expenditures and Loan Proceeds		
Transferred Out to TxDOT	(9,782,903)	(19,960,246)
Increase in Unearned Revenue	500,000,340	2,528,946
Cash Received as Reimbursement for Prior Expenses	-	162,500
Net Cash Provided by Operating Activities	\$ 539,428,622	\$ 26,270,768

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014**

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 (TxDOT) 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, 2014**

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, 2014 and 2013, 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, and interest subsidies from Build America Bonds.

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014**

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 and Discounts

CRRMA amortizes the premiums over the estimated life of the bonds as an adjustment to capitalized interest.

Reclassification

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

NOTE 3 CASH AND CASH EQUIVALENTS

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

	<u>2014</u>	<u>2013</u>
Cash in Bank - Unrestricted: (Held by City of El Paso)	\$ 794,051	\$ 227,135
Cash Equivalents - Restricted		
Bank of Texas	500,000,000	-
BNY Mellon	75,110,769	-
Wells Fargo SIB Subsidy Account	472,842	-
Wells Fargo Money Market	2,841,910	2,614,698
Wells Fargo Repurchase Agreement (Held by City of El Paso)	<u>24,835,602</u>	<u>22,036,619</u>
Total	<u>\$ 604,055,174</u>	<u>\$ 24,878,452</u>

Cash and equivalents of \$25,629,653 and \$22,263,754 at August 31, 2014 and 2013, 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%.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

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:

- 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, 2014 and 2013, the repurchase agreement had \$21,990,595 and \$23,051,322, 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 2014 and 2013.

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014**

NOTE 4 INTERGOVERNMENTAL RECEIVABLES

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

	<u>2014</u>	<u>2013 (Restated)</u>
TxDOT:		
Planning Project Development Agreement:		
Project Development Agreement - Americas Project	\$ 1,772,346	\$ 1,352,924
Spur 601 Agreement	200,083,484	231,383,484
Various Projects	761,849	2,218,785
City of El Paso - SIB loan payments	1,498,930	1,955,692
City of El Paso - Aesthetics Project	84,392	29,973
Total Due from Other Agencies	<u>\$ 204,201,001</u>	<u>\$ 236,940,858</u>

CRRMA considers all amounts to be 100% collectible.

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	<u>2014</u>	<u>2013</u>
Accounts Payable	\$ 3,879,525	\$ 3,888,379
Accrued Payroll and Related Liabilities	56,367	49,986
Total	<u>\$ 3,935,892</u>	<u>\$ 3,938,365</u>

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014**

NOTE 6 LONG-TERM DEBT

The following is a summary of changes in long-term debt as of August 31:

Description and Purpose	2014				
	Balance, August 31, 2013	Issued	Retired	Balance, August 31, 2014	Due Within One Year
Bonds:					
Series 2014 Bond	\$ -	\$ 68,485,000	\$ -	\$ 68,485,000	\$ 1,060,000
Series 2014 Bond Premium	-	4,257,560	-	4,257,560	142,977
Series 2008 Bond	175,630,000	-	22,375,000	153,255,000	20,880,000
Series 2008 Bond Premium	9,474,961	-	1,109,488	8,365,473	992,794
Notes:					
TxDOT Financial					
Assist. Agreement #1	1,430,000	-	673,594	756,406	-
TxDOT Financial					
Assist. Agreement #2	-	2,009,543	-	2,009,543	-
State Infrastructure					
Bank Loan, #1	30,000,000	-	590,000	29,410,000	615,000
State Infrastructure					
Bank Loan, #2	6,099,528	-	217,562	5,881,966	226,556
State Infrastructure					
Bank Loan, #3	20,677,172	-	327,661	20,349,511	344,293
Total	<u>\$ 243,311,661</u>	<u>\$ 74,752,103</u>	<u>\$ 25,293,305</u>	<u>\$ 292,770,459</u>	<u>\$ 24,261,620</u>
2013					
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. Agreement #1	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	<u>\$ 256,628,527</u>	<u>\$ 7,880,809</u>	<u>\$ 21,197,675</u>	<u>\$ 243,311,661</u>	<u>\$ 21,979,845</u>

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

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014**

NOTE 6 LONG-TERM DEBT (CONTINUED)

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. CRRMA has pledged the payments received from the Department pursuant to the Pass-Through Toll Agreement to secure payment of 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, 2014 and 2013, CRRMA redeemed principal of \$2,500,000 and \$1,295,000 in advance of the original amortization schedule. The amortization as of August 31, 2014 and 2013 was \$935,486 and \$897,979, respectively, which was recorded as interest expense.

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.

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	25,520,000	3,148,119	28,668,119
2020 - 2022	37,640,000	2,169,481	39,809,481
Total	<u>\$ 153,255,000</u>	<u>\$ 29,888,527</u>	<u>\$ 183,143,527</u>

In 2014, CRRMA issued Senior Lien Vehicle Registration Fee Revenue Bonds, Series 2014 on May 1, 2014. The proceeds from the 2015 bonds will be used for six infrastructure projects.

As of August 31, 2014, the bond proceeds were \$72,742,560, including a premium of \$4,257,560. The premium is amortized through the life of the bond calculated with the

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014**

NOTE 6 LONG-TERM DEBT (CONTINUED)

interest method. The amortization as of August 31, 2014 and 2013 was \$-0- and \$-0-, respectively, since bonds were issued in 2014 and no interest payment was required during the year.

The bonds will begin thirty annual principal payments beginning in June 2015 at 4.00% in with final payment due in 2044. The terms of the bonds were thirty annual principal payments totaling \$68,485,000 and interest payments totaling \$55,715,949. The term period and interest rate remained consistent after current year redemption.

Year Ending August 31,	Principal	Interest	Total
2015	\$ 1,060,000	\$ 3,079,349	\$ 4,139,349
2016	1,140,000	3,000,900	4,140,900
2017	1,175,000	2,966,700	4,141,700
2018	1,220,000	2,919,700	4,139,700
2019	1,280,000	2,858,700	4,138,700
2020 - 2044	62,610,000	40,890,600	103,500,600
Total	<u>\$ 68,485,000</u>	<u>\$ 55,715,949</u>	<u>\$ 124,200,949</u>

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, 2014, CRRMA requested funds of \$-0-, 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 2014 \$343,595 of the balance was rolled into a new agreement. The Balance as August 31, 2014 was \$756,406

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 was 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, 2014, this agreement was rolled into a new financial assistance agreement with Texas Department of Transportation.

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014**

NOTE 6 LONG-TERM DEBT (CONTINUED)

During the year ended August 31, 2014, CRRMA entered into a Regional Toll Plan Agreement (financial assistance agreement) with Texas Department of Transportation of up to \$9.4M to be used for the operation and maintenance costs of the Managed Lanes until toll revenues are sufficient to cover those costs. The amount due under the terms of the Pre-Development Loans as of the Effective Date is a total of \$2,009,543 at year end. Balance corresponds to the first payment of \$1,335,950 plus \$673,594 rollover amount from the other prior agreements.

CRRMA has pledged the funds collected by the El Paso County and the State of Texas from the levy and collection of the Special Vehicle Registration Fee (pledged revenues) to repay \$68.4 million in special limited obligation bonds issued in May 2014. Proceeds from the bonds provided financing for CRRMA activities related to fund long-term transportation projects. The bonds are payable solely from the pledged revenues and are payable through 2044. On August 30, 2013, the County authorized the imposition of this Special Vehicle Registration Fee in the amount of \$10.00 per vehicle registered in the County, effective January 1, 2014. The funds collected from the levy of the Special Vehicle Registration Fee constitute Pledged Vehicle Fee Revenues, and the County has covenanted and agreed in the Pledge Agreement to continue to impose and collect the Special Vehicle Registration Fee as long as any Bonds remain outstanding. This registration fee revenue will not be available for other purposes. The total principal and interest remaining to be paid on the bonds is \$124.2 million. First Principal and interest payments are due June 1, 2015. There were no payments made or due during the current year.

The loan will be funded as follows:

<u>Years Ending August 31,</u>	<u>Amount</u>
2015	\$ 1,208,087
2016	1,070,384
2017	879,295
2018	871,381
2019	885,772
2020	859,602
2021	635,742
2022	560,207
2023	463,307
2024	393,380
2025	236,893
Total	<u>\$ 8,064,050</u>

Interest on the loan will be in the form of a flat fee of \$6 million. To the extent the maximum loan amount of \$9.4 million has not been drawn in full by the end of the first Fiscal Year in which Net Revenues are greater than zero, the Interest Fee shall be reduced to an amount equal to (a) \$6 million multiplied by (b) the percentage equal to (i) the amount of the loan disbursed to the Authority divided by (ii) the maximum principal amount of the loan.

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014**

NOTE 6 LONG-TERM DEBT (CONTINUED)

The Consolidated Loan and the Interest Fee (collectively, a maximum amount due of \$16,073,595, shall be repaid by the Authority to TxDOT in annual installments. The first annual installment shall occur no later than December 1, 2027, and payments shall continue annually on each December 1 thereafter until the full amount of the Consolidated Loan is repaid, together with the Interest Fee; provided, however, that the Consolidated Loan and the Interest Fee must be repaid no later than December 1, 2050. Each annual installment shall be paid from Net Revenues, and shall be in an amount that is at least equal to 10% of the Net Revenues received in the previous Fiscal Year until the total amount due hereunder is paid in full.

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 TxDOT, 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.

The annual requirements for this loan will be as follows:

Year Ending August 31,	Principal	Interest	Total
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	725,000	1,326,105	2,051,105
2020 - 2041	<u>26,065,000</u>	<u>16,888,912</u>	<u>42,953,912</u>
Total	<u>\$ 29,410,000</u>	<u>\$ 23,850,346</u>	<u>\$ 53,260,346</u>

On January 24 2012, CRRMA entered into a State Infrastructure Bank Loan with the State of Texas, acting by and through the TxDOT, 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 began 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. This amount will be paid to TxDOT during fiscal year 2015. At August 31, 2014 the amount is held in restricted cash. 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.

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014**

NOTE 6 LONG-TERM DEBT (CONTINUED)

The annual requirements for this loan are as follows:

Year Ending August 31,	Principal	Interest	Total
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	266,404	193,783	460,187
2020 - 2032	4,651,581	1,766,221	6,417,802
Total	<u>\$ 5,881,966</u>	<u>\$ 2,836,776</u>	<u>\$ 8,718,742</u>

On January 24, 2012, CRRMA entered into a State Infrastructure Bank Loan with the State of Texas, acting by and through TxDOT, 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 TxDOT. Principal payments began 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. This amount will be paid to TxDOT during fiscal year 2015. At 08/31/14 the amount is held in restricted cash. 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 annual requirements for this loan are as follows:

	Principal	Interest	Total
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	419,697	923,375	1,343,072
2020 - 2042	18,444,199	13,712,173	32,156,372
Total	<u>\$ 20,349,511</u>	<u>\$ 18,522,223</u>	<u>\$ 38,871,734</u>

Interest Subsidy. The interest related to State Infrastructure Bank Loan #1 is refunded to CRRMA at a rate of 35% through a direct payment from a Build America Bond. The amount refunded to CRRMA during fiscal years 2014 and 2013 totaled \$472,842 and \$474,532, respectively. 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 CRRMA.

Additionally, the City of El Paso reimburses CRRMA the payment of the SIB loans. During fiscal year 2014 and 2013, the City of El Paso reimbursed CRRMA \$3,717,759 and \$1,955,690, respectively.

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014**

NOTE 7 UNEARNED REVENUE

Unearned revenue represents revenues collected but not earned as of August 31, 2014. This is composed primarily of 2 grants: \$2,528,946 corresponding to the last drawdown on the ARRA fund grant and \$500,000,000 for the Border Highway West Extension Project and the remaining difference correspond to the toll overpayments. At August 31, 2013 amount is comprised of ARRA fund grant drawdown amount of \$2,528,946.

NOTE 8 REIMBURSABLE COMMITMENT

The Spur 601 Pass-Through Toll agreement contains a commitment which states, "After the Project is substantially completed, TxDOT 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 TxDOT payments to CRRMA reach the maximum aggregate amount of \$312,450,000."

During fiscal years 2014 and 2013, \$168,783,484 and \$200,083,484, respectively, were recorded as a receivable related to the Spur 601 Pass-Through Toll Agreement.

NOTE 9 TXDOT AGREEMENTS

Planning Project Development Agreements/State Grants

As August 31, 2014, CRRMA has entered in several agreements with the Texas Department of Transportation (TxDOT). TxDOT will be responsible for all costs incurred for the planning and development of the projects and reimburses CRRMA for the expenditures. As of August 31, 2014 and 2013, CRRMA has incurred costs of \$9,424,440 and \$-0-, respectively, relating to the contract recorded in the statements of revenues, expenses and changes in net position.

NOTE 10 RELATED PARTIES

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

NOTE 11 INTERGOVERNMENTAL TRANSFERS

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

	2014	2013
Construction in Process (Owned and Capitalized by TxDOT)	\$ 9,782,903	\$ 20,122,746
Total	<u>\$ 9,782,903</u>	<u>\$ 20,122,746</u>

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014**

NOTE 12 RESTATEMENT

CRRMA recorded the following restatement in the current year to adjust August 31, 2013 beginning balances:

Net Position:

Net Deficit - Beginning of Year Ended August 31, 2013	\$ (58,082,869)
Restatement - Due to reinterpretation of GASB 60 - it was found that the contract did not meet GASB 60 requirements	(173,830,020)
Restatement - To record receivable and revenue for multi year pass-through toll agreement	254,858,484
Restatement - Per new accounting pronouncement GASB 65, bond issuance costs are written off rather than amortized	<u>(1,742,146)</u>
 Net Position - Beginning of Year Ended August 31, 2013 - Restated	 <u><u>\$ 21,203,449</u></u>

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED AUGUST 31, 2014**

Name of Agency, Department and Program	CFDA Number	Disbursements/ Expenditures
FEDERAL AWARDS		
U.S. Department of Transportation		
Pass-Through from Texas Department of Transportation		
Highway Planning and Construction:		
(Federal-Aid Highway Program) *	20.205	\$ 6,671,526
Total Federal Awards		<u>6,671,526</u>
STATE AWARDS		
Pass-through from Texas Department of Transportation:		
Cesar Chavez*	None	2,057,841
Planning Project Development Agreement*	None	460,739
Spur 1966 (Schuster)	None	215,950
Zaragoza	None	18,384
Total State Awards		<u>2,752,914</u>
TOTAL FEDERAL AND STATE AWARDS		<u>\$ 9,424,440</u>

* Major Programs

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED AUGUST 31, 2014**

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**

Board of Directors
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, 2014, and the related notes to the financial statements, which collectively comprise CRRMA's basic financial statements, and have issued our report thereon dated February 27, 2015.

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

Albuquerque, New Mexico

February 27, 2015



CliftonLarsonAllen

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

Board of Directors
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, 2014. 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 that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2014.

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

February 27, 2015

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2014**

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 \$300,000

Auditee qualified as low-risk auditee? yes no

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2014**

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 programs:

CFDA Number(s)	Name of State Program or Cluster
None	Cesar Chavez Planning Project Development Agreement

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee? yes no

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2014**

SECTION II – FINANCIAL STATEMENT FINDINGS

No financial statement findings are reported for fiscal year ending August 31, 2014.

SECTION III – FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

No federal or state award findings are reported for fiscal year ending August 31, 2014.

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AUGUST 31, 2014**

SECTION I – FINANCIAL STATEMENT FINDINGS

There were no findings for the year ended August 31, 2013.

SECTION II – FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no federal or state award findings for the year ended August 31, 2013.

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
EXIT CONFERENCE
AUGUST 31, 2014**

An exit conference was held with CRRMA on February 11, 2015. The conference was held at Camino Real Mobility Authority. In attendance were:

CAMINO REAL REGIONAL MOBILITY AUTHORITY

Raymond Telles, Executive Director
Scott McLaughlin, Chair
Joe D. Wardy, Vice Chair
Les Parker, Treasurer
Susan Melendez, Secretary
Dori Fenenbock, Alternate Secretary
John Karlsruhe, Member

CLIFTONLARSONALLEN LLP

Janet Pacheco-Morton, CPA, CGFM, Principal

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.