# CAMINO REAL REGIONAL MOBILITY AUTHORITY

## FINANCIAL STATEMENTS
## AND SUPPLEMENTARY INFORMATION
## YEAR ENDED AUGUST 31, 2008

## TABLE OF CONTENTS

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

**We have audited the accompanying financial statements of the Camino Real Regional Mobility Authority (Authority) as of and for the year ended August 31, 2008 and the related statements of revenue, expenses and changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.**

**We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.**

**In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of August 31, 2008, and the respective changes in its financial positions, and cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.**

**In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2009, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.**

**The management's discussion and analysis information on pages 2 through 3 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.**

Peña Briones McDaniel & Co

**January 30, 2009**

CAMINO REAL
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CAMINO REAL REGIONAL MOBILITY AUTHORITY
EL PASO, TEXAS

Management's Discussion and Analysis
Year Ended August 31, 2008
(Unaudited)

The discussion and analysis provided within this section of the financial report of the Camino Real Regional Mobility Authority (CRRMA) is intended to provide general financial information and should be read in conjunction with the CRRMA's financial statements immediately following this discussion and analysis.

**CRRMA Financial Background**

The City of El Paso (City) created the CRRMA in March of 2007. The first meeting of the CRRMA was held on June 22, 2007. As the sponsoring entity for the CRRMA, the City provides various administrative and in-kind services to the CRRMA, including those of fiscal agent. The fiscal year for the CRRMA begins September 1. The CRRMA had no financial activity in the short period of fiscal year 2007 that the CRRMA was in existence. Therefore, these financial statements are the first audited statements to be prepared for the CRRMA.

**Fiscal Year 2008 Highlights**

In November of 2007, the CRRMA was awarded a $330,000 loan from the Texas Department of Transportation (TxDOT) relative to the possible development of several potential toll projects within the El Paso region. These funds are restricted for use only in the market valuation process for such potential toll projects and are being held in trust by the City for the CRRMA, per the referenced fiscal agent relationship.

In February of 2008, the CRRMA issued $233,355,000 in Pass-Through Toll Transportation Revenue Bonds (State Spur 601), Series 2008. Wells Fargo Bank, National Association was engaged as the trustee for the management of these revenue bond proceeds. Accordingly, despite the fact that the City acts as the fiscal agent of the CRRMA, the City does not manage any of these bond funds. However, by issuing these bonds, the CRRMA earned $500,000 in conduit bond issuer fees, which is being held in trust by the City as the CRRMA's fiscal agent. The proceeds from these bonds are being used to finance the design and construction of the State Spur 601 (Inner Loop) Project and will be repaid to the CRRMA through the pass-through program of 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, noted above as conduit bond issuer fees. The State Spur 601 Project consists of the construction of a 7.4 mile connection between Loop 375 and U.S. 54 and related area infrastructure improvements. This project facilitates movement to and from the area, including Ft. Bliss. The project became a priority for the region in order to accommodate the significant population increases in the area due to general population growth as well as the addition of troops to Ft. Bliss due to the Base Realignment and Closure Act. The increase to Ft. Bliss is in excess of 21,000 troops, not including their families.

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Construction of the Inner Loop Project began in fiscal year 2008, during which period the CRRMA paid a total of $30,934,939 to the construction company for work performed. Completion of the project is expected to be in 2011. Once the Project is substantially completed, TxDOT will reimburse the CRRMA with semi-annual payments 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.

Aside from any financial activity related to the management of the referenced bond proceeds, the CRRMA's income during fiscal year 2008 is limited to the following: (i) $330,000 TxDOT loan; (ii) $500,000 conduit bond issuer fee; and (iii) $15,323.05 in interest generated from the loan funds and bond issuer fees. Total CRRMA expenditures in fiscal year 2008 were $1,674.51 for travel reimbursements related to CRRMA Board member business travel. Accordingly, and as a new entity, the total revenues, expenses, contributions, assets and liabilities of the CRRMA in fiscal year 2008 were limited to those identified above. The CRRMA's total net assets on August 31, 2008 for those finds being managed by the City of El Paso as the CRRMA's fiscal agent were $548,915.

**Financial Future of the CRRMA**

Fiscal year 2009 will be a year of significant financial growth for the CRRMA. In August of 2008, the CRRMA became a partner with the City, TxDOT and the El Paso Metropolitan Planning Organization in implementing the 2008 Comprehensive Mobility Plan (2008 CMP), which anticipates approximately $1 billion worth of transportation projects in the El Paso region. From the 2008 CMP, the CRRMA is charged with the development of approximately $912 million of toll and non-toll projects, including three expedited pass-through toll projects. TxDOT will provide $2.2 million in project development funds to further develop an approach for completing the referenced expedited pass-through projects. The CRRMA will seek $1.1 million from TxDOT for the development of a regional toll plan in order to further evaluate and create an approach for the region's proposed toll projects. The CRRMA is also reviewing its options with regard to the Cesar Chavez Project, which if pursued would result in the CRRMA receiving access to approximately $74 million in toll equity funding from TxDOT to rehabilitate four existing lanes of Loop 375 and create two new express toll lanes from Zaragoza to US 54. Lastly, the potential infusion of additional transportation funds to the region pursuant to the federal economic stimulus bill may also result in funds made available to the CRRMA for additional project development.

With the number of project opportunities becoming available in fiscal year 2009, the CRRMA anticipates significant financial activity to occur. Among the anticipated financial activities will be the execution of various funding agreements with TxDOT, the hiring of CRRMA staff, the execution of design and/or construction agreements with developers, the possibility of issuing bonds to develop projects identified within the 2008 CMP and financial activity related to the federal economic stimulus program. With the preceding in mind, it is clear that the CRRMA's financial outlook for fiscal year 2009 indicates significant and positive growth.

# CAMINO REAL REGIONAL MOBILITY AUTHORITY

## STATEMENT OF NET ASSETS
## AUGUST 31, 2008

| | 2008 |
|---|---|
| **ASSETS** | |
| **CURRENT ASSETS** | |
| Restricted cash and cash equivalents | $ 212,803,988 |
| Bond issuance costs, net | 2,710,006 |
| Total current assets | $ 215,513,994 |
| **LIABILITIES AND NET ASSETS** | |
| **CURRENT LIABILITIES** | |
| Accounts payable | $ 9,514,462 |
| Accrued interest | 521,288 |
| Total current liabilities | 10,035,750 |
| **NON-CURRENT LIABILITIES** | |
| Bond payable | 233,355,000 |
| Bond premium | 15,806,828 |
| Note payable | 330,000 |
| Total non-current liabilities | 249,491,828 |
| Total liabilities | 259,527,578 |
| Net Assets | |
| Unrestricted | (44,013,584) |
| Total net assets | (44,013,584) |
| TOTAL | $ 215,513,994 |

See notes to financial statements.

## CAMINO REAL REGIONAL MOBILITY AUTHORITY

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
### FOR THE YEAR ENDED AUGUST 31, 2008

| | 2008 |
|---|---|
| **REVENUE** | |
| Inkind | $ 33,592 |
| **OPERATING EXPENSES** | |
| Professional, | |
| In-kind | 33,592 |
| Financial | 4,000 |
| Construction | 40,458,900 |
| Travel and conferences | 1,674 |
| Total Operating Expenses | 40,498,166 |
| **OPERATING LOSS** | (40,464,574) |
| **NONOPERATING REVENUES (EXPENSES)** | |
| Interest income | 2,983,082 |
| Amortization | (193,572) |
| Interest expense | (6,338,520) |
| Total Nonoperating Revenues (Expenses) | (3,549,010) |
| **DECREASE IN NET ASSETS** | (44,013,584) |
| **BEGINNING NET ASSETS** | - |
| **ENDING NET ASSETS** | $ (44,013,584) |

See notes to financial statements.

# CAMINO REAL REGIONAL MOBILITY AUTHORITY

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED AUGUST 31, 2008

| | 2008 |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Payments to professionals | $ (31,749,818) |
| Payments to underwriter | (2,100,191) |
| Reimbursement to employees | (3,676) |
| Net cash used in operating activities | (33,853,685) |
| **CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES** | |
| Proceeds from issuance of bonds | 249,537,792 |
| Proceeds from noncapital loans | 330,000 |
| Net cash provided by financial activities | 249,867,792 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Interest received | 2,983,082 |
| Interest paid | (5,817,232) |
| Net cash used in investing activities | (2,834,150) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 213,179,957 |
| **CASH AND CASH EQUIVALENTS, Beginning** | - |
| **CASH AND CASH EQUIVALENTS, Ending** | $ 213,179,957 |
| **RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES** | |
| Operating Loss | $ (40,464,574) |
| Adjustments to Reconcile Operating Loss to Net Cash | |
| (Increase) decrease in prepaid expenses | (2,903,573) |
| Increase (decrease) in accounts payable | 9,514,462 |
| Net cash used for Operating Activities | $ (33,853,685) |

See notes to financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Camino Real Regional Mobility Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) for governmental entities. The Governmental Accounting Standard Board (GASB) is the governing body for establishing governmental accounting and financial reporting standards. For financial reporting purposes, the Authority is considered a special purpose government engaged only in business-type activities. The following is a summary of significant accounting policies of the Authority.

### A. Reporting Entity

The Texas Department of Transportation authorized the creation of the Authority on June 29, 2006 as a political subdivision under the Texas Transportation Code, Chapter 370. City of El Paso formally created the Authority pursuant to the conditions of the Texas Department of Transportation on March 13, 2007. The Camino Real Regional Mobility Authority 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.

The Authority's powers and duties are enumerated under Texas Transportation Code Chapter 370 and include authority to borrow monies and issue bonds to finance transportation projects, The Authority 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. The Authority is not included in any other governmental "reporting entity" as defined by GASB Statement No. 14, "The Reporting Entity". There are no component units included within the reporting entity.

### B. Basis of Accounting

The Authority's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Authority applies all Governmental Accounting Standard Board (GASB) pronouncements as well as Financial Accounting Standard Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) Opinions of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by GASB.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting (Continued)**

All of the Authority'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 the Authority 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 assets. Net assets (i.e., total assets net of total liabilities) are segregated into amounts invested in capital assets, net of related debt; amounts restricted for capital activity and debt service; and amounts which are unrestricted.

**C. Cash and Cash Equivalents**

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

**D. Investments**

In accordance with GASB Statement No 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, investments are reported at fair value. Fair values are based on published market rates.

**E. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**F. Classification of Revenues**

The Authority 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.

Non-operating Revenues: Non-operating revenues include activities that do not have the characteristics of exchange transactions.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### F. Classification of Revenues (Continued)

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

### G. Bond Premiums, Discounts, and Issuance Costs

The Authority 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. In the year ended June 30, 2008, the Authority amortized $193,572 of issuance costs.

## 2. DEPOSITS AND INVESTMENTS

The Authority's cash and cash equivalents at August 31, 2008 are as follows:

| | | 2008 |
|---|---|---|
| Cash in Bank | $ | 1,109,843 |
| Cash Equivalents | | |
| Hypo Public Bank | | 177,697,613 |
| Citigroup Global Market | | 33,996,532 |
| Total Cash and Cash Equivalents | $ | 212,803,988 |

Of the cash in bank balance $843,649 is held in trust by the City of El Paso, as the City is the Authority fiscal agent.

The Board of Directors of the Authority 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 the Authority, and comply with the Texas Public Funds Investments Act of 1995, as may be amended. The Authority can invest in obligations of, or guaranteed by, government entities, certificate of deposits, repurchase agreements, mutual funds, and investment pools.

## 2. DEPOSITS AND INVESTMENTS (Continued)

The Hypo Public Bank repurchase funds have a final repurchase date of the earlier of February 2011, date of termination by either the Authority or the Bank, qualifying as cash equivalents. The repurchase agreement is priced at 2.625%.

The Citigroup Global Market repurchase funds have a final repurchase date of the earlier of August 2011, date of termination by either the Authority or the Bank, qualifying as cash equivalents. The repurchase agreement is priced at 2.630%.

### Credit Risk

Credit risk is the risk than an issuer or other counterparty to an investment will not fulfill its obligations to the Authority. 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 the Authority will do business; and
- 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 Citigroup Global Market Inc. investments are rated AA by Standards & Poor's and Aa3 by Moody's. The Hypo Public Finance Bank 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 3 years and the maximum dollar-weighted average maturity for pooled investments shall not exceed 2 years.

## 2. DEPOSITS AND INVESTMENTS (Continued)

### Custodial Credit Risk

For deposits or investments, custodial risk is the risk that, in the event of the failure of the counterparty, the Authority will not able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority's policy requires repurchase agreements to be fully collateralized. As of August 31, 2008, the Hypo Public Bank repurchase agreement and the Citigroup Global Market repurchase agreements had $177,910,064 and $34,699,605, respectively of underlying securities held by the pledging financial institutions' trust departments or agent in the Authority's name.

### Foreign Currency Risk

Foreign risk is the risk that changes in exchange rates will adversely affect the fair value investment or a deposit. The Authority had no foreign currency transactions during fiscal 2008.

## 3. LONG TERM DEBT

The following is a summary of changes in long-term debt for the year ended August 31, 2008:

| Description and Purpose | Balance September 1, 2007 | Issued | Retired | Balance August 31, 2008 | Due Within One Year |
|---|---|---|---|---|---|
| Series 2008 Bond | $ - | $ 233,355,000 | $ - | $ 233,355,000 | $ - |
| Note Payable | - | 330,000 | - | 330,000 | - |
| | $ - | $ 233,685,000 | $ - | $ 233,685,000 | $ - |

### Bonds

The Authority issued Pass-Through Toll Transportation Revenue Bonds (State Spur 601), Series 2008 on January 15, 2008. The proceeds from the Series 2008 Bonds will be 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 the Authority, (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.

## 3. LONG TERM DEBT (Continued)

**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. The amortization as of August 31, 2008 was $375,964 that was recorded as a reduction of 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 terms of the bonds are twenty annual principal payments totaling $233,355,000 and interest payments totaling $115,208,222.**

**The annual requirements for Series 2008 bonds will be as follows:**

| Year ended August 31, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $ - | $ 11,859,312 | $ 11,859,312 |
| 2010 | | 11,859,312 | 11,859,312 |
| 2011 | | 11,859,312 | 11,859,312 |
| 2012 | 9,115,000 | 11,859,312 | 20,974,312 |
| 2013 | 18,915,000 | 11,170,062 | 30,085,062 |
| 2014-2018 | 109,970,000 | 40,463,360 | 150,433,360 |
| 2019-2022 | 95,355,000 | 9,944,351 | 105,299,351 |
| Total | $ 233,355,000 | $ 109,015,021 | $ 342,370,021 |

**The bonds maturing on August 15, 2018 through August 15, 2020, are subject to redemption at the option of the Authority 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 the Authority 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.**

4. REIMBURSABLE COMMITMENT

The Pass-Through Toll agreement contains a commitment which states, "After the Project is substantially completed, Texas Department of Transportation will reimburse the Authority 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 the Authority reach the maximum aggregate amount of $312,450,000." This commitment has not been recorded on the statement of net assets. It is anticipated that this asset and related revenue will be recorded when the project is substantially complete.

5. NOTE PAYABLE

The Authority 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. The note becomes due when revenue are 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 the Authority on that particular project. In the unlikely event that the projects are not completed the note will be forgiven.

6. DEFICIT NET ASSETS

At August 31, 2008, the Authority had a deficit net asset balance, associated with construction cost of the Authority, of $44,013,584. Management intends to eliminate the deficit through future pass-through toll payments from the Texas Department of Transportation. See note 4.

7. 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, 2008.

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# 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 the financial statements of the Camino Real Regional Mobility Authority (the Authority), as of and for the year ended August 31, 2008, and have issued our report thereon dated January 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**<u>Compliance and Other Matters</u>**

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

**We noted certain matters that we reported to management of Authority, in a separate letter dated January 30, 2009.**

**This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.**

Peña Browne McDaniel & Co

**January 30, 2009**