

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

**FINANCIAL STATEMENTS
August 31, 2011 and 2010**

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Camino Real Regional Mobility Authority (CRRMA) as of and for the year ended August 31, 2011, 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 CRRMA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of CRRMA as of August 31, 2010 were audited by other auditors whose report dated February 21, 2011 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of CRRMA as of August 31, 2011, and the respective changes in financial position and cash flows thereof 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 March 28, 2012, on our consideration of CRRMA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 8 are not a required part of the basic financial statements 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of CRRMA as a whole. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 taken as a whole.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
March 28, 2012

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2011**

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, 2011. As you read the MD&A, "2011" refers to the fiscal year ended August 31, 2011 and "2010" refers to the fiscal year ended August 31, 2010. 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 assets decreased \$5,914,595 or 3% in 2011 as compared to 2010.
- As of August 31, 2011, liabilities exceeded assets by \$229,751,968.

Overview of CRRMA

The City of El Paso (City) created the CRRMA by Resolution dated March 13, 2007. The first meeting of CRRMA was held on June 22, 2007. As the sponsoring entity for CRRMA and pursuant to a Management Agreement between the City and CRRMA, the City provides various administrative and in-kind services to CRRMA, including those of fiscal agent. The fiscal year for CRRMA begins September 1. CRRMA had no financial activity in the short period of fiscal year 2007 that CRRMA was in existence. The financial statements issued after fiscal year 2008 were the first audited statements prepared for CRRMA and included the short period of fiscal year 2007 that CRRMA was in existence. A second audit was performed for CRRMA that included fiscal year 2009, a third audit was performed for CRRMA that included fiscal year 2010 and the financial statements for fiscal year 2011 provided herein are CRRMA's fourth audited statements. 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: statements of net assets; statements of revenues, expenses and changes in net assets; 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 assets depict CRRMA's financial position as of a point in time and include all assets and liabilities of CRRMA. The net assets represent 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 assets report the revenues and expenses of CRRMA, are used to measure the success of CRRMA's operations for a given period of time, and can be used to determine how CRRMA has funded its costs.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2011**

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 12 to 22 of this report.

Financial Analysis

Financial Position. Table 1 is a summarized version of the statement of net assets as of August 31, 2011 and 2010. 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 and intergovernmental receivables. Most liabilities represent accounts payable, accrued liabilities, and bonds and notes payable.

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

As of August 31,	<u>2011</u>	<u>2010</u>	<u>% Change</u>
ASSETS			
Current assets	\$ 58,402,612	\$ 26,848,472	118%
Noncurrent assets	<u>1,935,718</u>	<u>2,129,290</u>	-10%
TOTAL ASSETS	<u>\$ 60,338,330</u>	<u>\$ 28,977,762</u>	108%
LIABILITIES AND NET ASSETS			
Current liabilities	\$ 22,385,711	\$ 4,268,729	424%
Non-current liabilities:			
Long-term bonds and notes payable	<u>267,704,587</u>	<u>248,546,406</u>	8%
Total liabilities	<u>290,090,298</u>	<u>252,815,135</u>	15%
Net assets:			
Unrestricted	<u>(229,751,968)</u>	<u>(223,837,373)</u>	3%
Total net assets	<u>(229,751,968)</u>	<u>(223,837,373)</u>	3%
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 60,338,330</u>	<u>\$ 28,977,762</u>	108%

Current Assets. Current assets increased by \$31.5 million or 118% as compared to 2010. The increase in 2011 occurred because CRRMA's cash and cash equivalents increased by \$18.4 million at year end. The increase in cash and cash equivalents is primarily due to State Infrastructure Bank Loan proceeds. Intergovernmental receivables increased as a result of additional activity on the TxDOT Planning Project Development Agreement – Americas Project and final activity related to the Spur 601 Agreement (see Note 4).

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
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August 31, 2011**

Current Liabilities. Current liabilities increased by \$18.1 million or 424% in 2011 as compared to 2010. The majority of the increase is due to increases in project activity payables, which totaled \$10.1 million, and an increase in the current portion of bonds payable of \$9,115,000.

Noncurrent Liabilities. Noncurrent liabilities increased by \$19.2 million or 8% in 2011 as compared to 2010. The change is attributed to an increase in notes payable in the amount of \$30 million, with an offsetting reclassification of bonds payable to current liabilities of \$9,115,000. Details of bonds payable are included in Note 5 to the financial statements.

As of August 31, 2011, CRRMA had total bonded debt outstanding of \$246.6 million, 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,	2011	2010
Series 2008 Bond, including premium of \$13,300,457	\$ 246,655,457	\$ 247,541,051
TxDOT Financial Assistance Agreements	1,103,976	1,005,355
State Infrastructure Bank Loan	<u>30,000,000</u>	<u>-</u>
Total debt	<u>\$ 277,759,433</u>	<u>\$ 248,546,406</u>

Total Net Assets. Net assets decreased by \$5.9 million or 3% in 2011 as compared to 2010.

Results of Operations. Table 3 is a summarized version of the statement of revenues, expenses and changes in net assets for the years ended 2011 and 2010.

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

As of August 31,	2011	2010	% Change
Operating revenues	\$ 49,041,916	\$ 6,076,797	707%
Operating expenses	<u>44,092,818</u>	<u>63,756,085</u>	-31%
Net operating income	<u>4,949,098</u>	<u>(57,679,288)</u>	109%
Non-operating revenues (expenses)	<u>(10,863,693)</u>	<u>(9,610,244)</u>	13%
Increase in net assets	<u>\$ (5,914,595)</u>	<u>\$ (67,289,532)</u>	91%

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August 31, 2011**

Operating Revenues. Operating revenues increased by \$43 million in 2011 as compared to 2010. The majority of the change is attributed to an increase in toll revenues of \$17 million and federal grant revenue of \$26 million related to the Americas Project.

Operating Expenses. Operating expenses decreased by \$19.6 million or 31% as compared to 2010. The majority of the decrease is attributed to winding down of the Inner Loop construction project, as most of the expenditures occurred in 2010.

Non-operating Revenues and Expenses. Non-operating revenues decreased by \$1.3 million or 81% in 2011 as compared to 2010, due to decreasing cash balances from bond proceeds used in construction. Non-operating expenses remained consistent with the prior year.

Fiscal Year 2011 Highlights

In fiscal year 2008, the CRRMA issued \$233,355,000 in Pass-Through Toll Transportation Revenue Bonds (State Spur 601), Series 2008. Wells Fargo Bank, National Association continued to serve through fiscal year 2011 as the trustee for the management of the revenue bond proceeds; the City does not manage any of these bond funds. 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 population increases in the area due to general population growth as well as the addition of a significant number of troops and their families to Ft. Bliss due to the Base Realignment and Closure Act.

The City continued to manage in trust, as fiscal agent, the remainder of CRRMA's original \$500,000 earned as conduit bond issuer fees from the Spur 601 issuance. The proceeds from the bonds continued to finance the design and construction of the State Spur 601 (Inner Loop) Project and will be repaid to CRRMA through the pass-through program of 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 CRRMA.

Construction of the Inner Loop Project was completed in fiscal year 2011 during which period CRRMA paid an additional \$7,877,712 to the Project's design-builder for work performed. This amount includes \$4,000,000 in retained funds that were released upon completion of Substantial Completion (January 28, 2011). In fiscal years 2008, 2009 and 2010, CRRMA had paid the construction company \$30,934,939, \$102,605,399 and \$70,581,950, respectively. Thus, through the end of fiscal year 2011, CRRMA had paid the construction company a total amount of \$212,000,000 for actual construction expenses. 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 CRRMA began in fiscal year 2010 as individual segments of the Inner Loop were opened. The second payment from fiscal year 2011 included a prorated portion of the minimum/maximum semi-annual payments, as Substantial Completion occurred within that payment period. Such minimum/maximum payments from TxDOT 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 per semi-annual payment based on the

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number of actual vehicle miles traveled. CRRMA will receive a maximum aggregate amount of \$312,450,000 from TxDOT to pay the outstanding bonds.

CRRMA continued throughout fiscal year 2011 to pursue the three projects identified within the Project Development Agreement with TxDOT referred to as the Planning PDA: (i) Loop 375 at I-10 (Americas Interchange); (ii) Zaragoza Direct Connectors; and (iii) Transmountain Northeast Mainlanes. Of the available Planning PDA funds (\$3,171,900), CRRMA has expended a total of \$2,287,863 through fiscal year 2011. Therefore, \$884,037 remains available to the CRRMA per the terms of the Planning PDA.

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. The design-build developer completed design work in fiscal year 2011 and made significant progress in the construction aspects of the project as well. The CRRMA paid the developer \$24,241,500 for such services in fiscal year 2011. In addition, progress on the Zaragoza and Transmountain Northeast projects was made in fiscal year 2011 as well. The CRRMA and TxDOT will be executing the various agreements necessary for the CRRMA to provide a portion of the financing necessary for each; collectively, the CRRMA will issue debt of up to \$26,000,000 for the completion of these two important projects.

CRRMA also continued work under a \$1,100,000 loan from TxDOT related to the region's proposed toll projects. Through fiscal year 2011, CRRMA expended \$98,622 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. Within this fiscal year, CRRMA also completed the Market Valuation process for the Chávez Project. This process was statutorily required for this proposed toll project and was funded through a \$330,000 loan from TxDOT. CRRMA expended \$11,130 on market valuation services in fiscal year 2011, thereby cumulatively spending \$39,142 of the available loan funds to date. The Chávez Project was designed and let by TxDOT in fiscal year 2011. It is the intention that CRRMA operate and maintain the managed lanes portions of the Project once opened to the public. The managed lanes of the new facility are anticipated to be open to the public in fiscal year 2013.

CRRMA, City and TxDOT also began the I-10 Corridor Aesthetic Improvement Project within fiscal year 2011. 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 will become available to 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 shall be reimbursed by CRRMA upon the availability of the TxDOT funds. CRRMA spent \$170,839 in furtherance of this project in fiscal year 2011. Design and possibly construction will begin within fiscal year 2012.

Aside from any financial activity related to the management of the referenced bond proceeds, CRRMA's income during fiscal year 2010 was limited to: (i) administrative fees from the Spur 601 Project; (ii) the Americas Interchange Project funds from the ARRA, CBI and SIB programs; (iii) the Planning PDA funds from TxDOT; (iv) the TxDOT loan funds available for the area's proposed toll projects; (v) the TxDOT loan funds for the César Chávez Project market valuation process; (vi) the Aesthetic Project funds from the City of El Paso; and (vii) \$303,597 in interest generated from existing CRRMA funds, which includes interest generated through the

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August 31, 2011**

Spur 601 Project. Total CRRMA operating expenditures in fiscal year 2011 were \$44,092,818. The total revenues, expenses, contributions, assets and liabilities of the CRRMA in fiscal year 2011 were limited to those identified above.

Financial Future of CRRMA

CRRMA continues to develop as a major provider of local transportation solutions and anticipates additional significant growth in its financial activity in fiscal year 2012. The Americas Interchange Project will continue through the coming fiscal year, with a majority of its construction expenses occurring within the year. The Zaragoza and Transmountain Northeast Projects will also require various financial transactions of CRRMA in the coming year, including debt issuances of up to \$26,000,000. Continued work towards development of various toll projects insures additional significant fiscal activity for the agency as well. CRRMA's I-10 Corridor Aesthetic Improvement Project will also begin design and possibly construction in the coming fiscal year, which will increase the expenditure rate of the \$10,000,000 in total project funds. In addition to these projects, CRRMA continues to aggressively seek out projects that would benefit the community that will also increase the agency's fiscal activity.

Based on the growth pattern of CRRMA to date, the agency will have another year of significant growth as a provider of major transportation solutions to the region and the financial activity of the agency will surely follow that trend. Currently planned projects will add to the financial activities of the agency while continued pursuit of additional projects will only serve to escalate that trend as well. Fiscal year 2012, therefore, looks to be another year of increasing involvement in the transportation community, with the corresponding development of positive financial activity for CRRMA.

Contacting CRRMA's Financial Management

For additional information concerning CRRMA, please see CRRMA's website, www.crrma.org. CRRMA's executive offices are located at 2 Civic Plaza, 9th Floor, El Paso, Texas 79901, and the main telephone number is (915) 541-4986. Questions may be directed to Raymond L. Telles, Executive Director.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
STATEMENTS OF NET ASSETS
August 31, 2011 and 2010

ASSETS

	2011	2010
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	\$ 502,165	\$ 329,628
Restricted - cash and cash equivalents (Note 3)	41,930,457	23,955,528
Bond issuance costs, net	193,572	193,572
Intergovernmental receivable (Note 4)	15,776,418	2,369,744
Total current assets	58,402,612	26,848,472
NON-CURRENT ASSETS		
Bond issuance costs, net	1,935,718	2,129,290
Total non-current assets	1,935,718	2,129,290
TOTAL ASSETS	\$ 60,338,330	\$ 28,977,762

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	\$ 10,671,219	\$ 3,747,441
Bonds payable, current portion (Note 6)	9,115,000	-
Bond premium, current portion (Note 6)	939,846	-
Accrued interest	521,288	521,288
Retainage payable	1,000,000	-
Intergovernmental payable	138,358	-
Total current liabilities	22,385,711	4,268,729
NON-CURRENT LIABILITIES (Note 6)		
Bond payable	224,240,000	233,355,000
Bond premium	12,360,611	14,186,051
State Infrastructure Bank Loan	30,000,000	-
Notes payable	1,103,976	1,005,355
Total non-current liabilities	267,704,587	248,546,406
Total liabilities	290,090,298	252,815,135
NET ASSETS (Note 8)		
Unrestricted	(229,751,968)	(223,837,373)
Total net assets	(229,751,968)	(223,837,373)
TOTAL LIABILITIES AND NET ASSETS	\$ 60,338,330	\$ 28,977,762

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

CAMINO REAL REGIONAL MOBILITY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended August 31, 2011 and 2010

	2011	2010
OPERATING REVENUES		
TxDOT - Planning Project Development Agreement	\$ 78,481	\$ 802,531
TxDOT - Federal Grants	27,259,594	1,008,825
Pass-Through Toll Agreement	21,673,441	4,235,041
In-kind	30,400	30,400
Total revenues	49,041,916	6,076,797
OPERATING EXPENSES		
Salary and benefits	203,625	203,173
In-kind	30,400	30,400
Professional:		
Financial	443,288	56,900
Construction	43,281,715	62,985,473
Legal	107,453	455,258
Promotional	17,818	16,038
Travel and conferences	5,898	5,323
Professional fees	2,621	3,520
Total operating expenses	44,092,818	63,756,085
Income (loss) from operations	4,949,098	(57,679,288)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	303,597	1,608,169
Amortization	(193,572)	(193,572)
Interest expense	(10,973,718)	(11,024,841)
Total non-operating expenses	(10,863,693)	(9,610,244)
INCREASE (DECREASE) IN NET ASSETS	(5,914,595)	(67,289,532)
BEGINNING NET ASSETS	(223,837,373)	(156,547,841)
ENDING NET ASSETS	\$ (229,751,968)	\$ (223,837,373)

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

CAMINO REAL REGIONAL MOBILITY AUTHORITY
STATEMENTS OF CASH FLOWS
Years Ended August 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from other agencies	\$ 35,604,842	\$ 5,328,415
Payment to employees	(239,028)	(169,662)
Payments to professionals	<u>(35,761,254)</u>	<u>(73,717,106)</u>
Net cash used in operating activities	<u>(395,440)</u>	<u>(68,558,353)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from non-capital loans	<u>30,098,621</u>	<u>631,404</u>
Net cash provided by financial activities	<u>30,098,621</u>	<u>631,404</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	303,597	1,608,169
Interest paid	<u>(11,859,312)</u>	<u>(11,858,379)</u>
Net cash used in investing activities	<u>(11,555,715)</u>	<u>(10,250,210)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,147,466	(78,177,159)
 CASH AND CASH EQUIVALENTS, BEGINNING	<u>24,285,156</u>	<u>102,462,315</u>
 CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 42,432,622</u>	<u>\$ 24,285,156</u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating income (loss)	\$ 4,949,098	\$ (57,679,288)
Adjustments to reconcile operating loss to net cash:		
(Increase) decrease in intergovernmental receivables	(13,406,674)	(717,982)
Increase (decrease) in accounts payable	<u>8,062,136</u>	<u>(10,161,083)</u>
 NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (395,440)</u>	<u>\$ (68,558,353)</u>

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

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2011 and 2010

NOTE 1 - NATURE OF ORGANIZATION

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

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 the Commission 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's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. CRRMA applies all 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. CRRMA has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by GASB.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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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 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.

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 assets. They are maintained in separate accounts, and their use is limited to applicable bond and loan purposes.

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.

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, 2011 and 2010, 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.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2011 and 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

Bond Premiums, Discounts and Issuance Costs

CRRMA amortizes the premiums over the estimated life of the bonds as an adjustment to capitalized interest. Bond issuance cost is amortized over a 15-year period. For each of the years ending August 31, 2011 and 2010, CRRMA amortized \$193,572 of issuance costs.

Reclassification

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

New Accounting Pronouncements

In November 2010, GASB issued Statement Number 61, *The Financial Reporting Entity Omnibus an amendment of GASB Statements No. 14 and No. 34*. This statement will be effective for CRRMA for fiscal year ended August 31, 2014. In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement will be effective for CRRMA for fiscal year ended August 31, 2013. In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This statement will be effective for CRRMA for fiscal year ended August 31, 2013. CRRMA will implement these statements as of their effective dates. CRRMA is still in the process of determining the effect of implementing these GASB statements. They are not expected to have a material effect on the financial position of CRRMA.

Subsequent Events

Management evaluated subsequent events through March 28, 2012, the date the financial statements were available to be issued. Events or transactions occurring after August 31, 2011, but prior to March 28, 2012, that provided additional evidence about conditions that existed at August 31, 2011 have been recognized in the financial statements for the year ended August 31, 2011. Events or transactions that provided evidence about conditions that did not exist at August 31, 2011, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended August 31, 2011.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2011 and 2010

NOTE 3 – CASH AND CASH EQUIVALENTS

CRRMA's cash and cash equivalents at August 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Cash in bank - unrestricted	\$ 502,165	\$ 329,628
Cash in bank - restricted	-	3,058,779
Cash equivalents – restricted:		
Hypo Public Bank	-	9,265,341
Citigroup Global Market	-	11,631,408
Wells Fargo Money Market	19,855,763	-
Wells Fargo Repurchase Agreement (held by City of El Paso)	<u>22,074,694</u>	<u>-</u>
Total	<u>\$ 42,432,622</u>	<u>\$ 24,285,156</u>

The cash and equivalents of \$22,576,859 and \$526,074 at August 31, 2011 and 2010, 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.

As of August 31, 2010, the Hypo Public Bank repurchase funds had a final repurchase date of the earlier of February 2011 or date of termination by either CRRMA or the bank, qualifying as cash equivalents. The repurchase agreement was priced at 2.625%.

As of August 31, 2010, the Citigroup Global Market repurchase funds had a final repurchase date of the earlier of August 2011 or date of termination by either CRRMA or the bank, qualifying as cash equivalents. The repurchase agreement was priced at 2.630%.

The Wells Fargo repurchase funds have a final repurchase date of earlier than August 2012 or date of termination by either CRRMA or the Bank, qualifying as cash equivalents. The repurchase agreement is priced at .05%.

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.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2011 and 2010

NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

The Citigroup Global Market Inc. investments are rated AA by Standards & Poor's and Aa3 by Moody's. The Hypo Public Finance Bank investments were 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. As of August 31, 2011 and 2010, the repurchase agreement had \$20,949,478 and \$11,631,408, 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 2011 and 2010.

NOTE 4 – INTERGOVERNMENTAL RECEIVABLES

Due from other agencies is comprised of the following amounts as of August 31, 2011 and 2010:

	2011	2010
TxDOT		
Planning Project Development Agreement	\$ 8,055	\$ 76,176
Planning Project Development Agreement – Americas Project	7,921,297	372,386
Spur 601 Agreement	7,825,000	1,877,231
Regional Toll Plan Agreement	21,079	43,951
City of El Paso – Aesthetics Project	987	-
Total due from other agencies	\$ 15,776,418	\$ 2,369,744

CRRMA considers all amounts to be 100% collectible.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2011 and 2010

NOTE 5 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2011	2010
Accounts payable	\$ 10,628,934	\$ 3,712,037
Accrued payroll and related liabilities	42,285	35,404
Total	\$ 10,671,219	\$ 3,747,441

NOTE 6 – LONG-TERM DEBT

The following is a summary of changes in long-term debt for the years ended August 31, 2011 and 2010:

Description and Purpose	Balance, August 31, 2010	Issued	Retired	Balance, August 31, 2011	Due Within One Year
Bonds:					
Series 2008 Bond	\$ 233,355,000	\$ -	\$ -	\$ 233,355,000	\$ 9,115,000
Series 2008 Bond Premium	14,186,051	-	885,594	13,300,457	939,846
Notes:					
TxDOT Financial Assist. Agreements	1,005,355	98,621	-	1,103,976	-
State Infrastructure Bank Loan	-	30,000,000	-	30,000,000	-
Total	\$ 248,546,406	\$ 30,098,621	\$ 885,594	\$ 277,759,433	\$ 10,054,846

Description and Purpose	Balance, August 31, 2009	Issued	Retired	Balance, August 31, 2010	Due Within One Year
Bonds:					
Series 2008 Bond	\$ 233,355,000	\$ -	\$ -	\$ 233,355,000	\$ -
Series 2008 Bond Premium	15,020,524	-	834,473	14,186,051	-
Notes:					
TxDOT Financial Assist. Agreements	572,228	433,127	-	1,005,355	-
Total	\$ 248,947,752	\$ 433,127	\$ 834,473	\$ 248,546,406	\$ -

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2011 and 2010

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Bonds

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

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. The amortization as of August 31, 2011 and 2010 was \$885,594 and \$834,473, respectively, which 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 bonders are twenty annual principal payments totaling \$233,355,000 and interest payments totaling \$115,208,222.

Years ended August 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 9,115,000	\$ 11,859,312	\$ 20,974,312
2013	18,915,000	11,170,062	30,085,062
2014	19,875,000	10,212,437	30,087,437
2015	20,880,000	9,206,312	30,086,312
2016	21,940,000	8,149,187	30,089,187
2017 - 2021	127,960,000	22,473,025	150,433,025
2022	<u>14,670,000</u>	<u>366,750</u>	<u>15,036,750</u>
Total	<u>\$ 233,355,000</u>	<u>\$ 73,437,085</u>	<u>\$ 306,792,085</u>

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.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2011 and 2010

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Note Payable

TxDOT Financial Assistance Agreements

During the year ended August 31, 2009, CRRMA entered into a Regional Toll Plan Agreement (financial assistance agreement) with Texas Department of Transportation on March 15, 2009 for \$1,100,000. The funds are to be used for project management, data collection, and evaluation and preparation of a regional toll plan for development of the Toll Projects, to include engineering, environmental, legal, financial and public outreach services, including the costs of necessary or incidental administrative, legal and other related expenses. On a monthly basis, CRRMA requests a drawdown of the funds based on the expenditures incurred. As of August 31, 2011, CRRMA had requested funds of \$773,976, which is included in the statement of net assets, with \$326,023 available for future use. The repayment is limited to no more than 10% of any revenues generated for CRRMA on the particular projects. In the unlikely event that the projects are not completed, the note will be forgiven.

During the year ended August 31, 2008, CRRMA entered into a financial assistance agreement with Texas Department of Transportation on August 15, 2007 for \$330,000. The funds are to be used for independent financial, engineering and other advisor services necessary for the evaluation of and negotiation with Texas Department of Transportation for 12 candidate toll projects, as it relates to the market valuation process. The note becomes due when revenue is generated from any toll project that is constructed and under operations for which part of the \$330,000 was used to develop it. The repayment is limited to no more than 10% of any revenues generated for CRRMA on that particular project. In the unlikely event that the projects are not completed, the note will be forgiven. As of the year ended August 31, 2011 \$39,142 has been used.

State Infrastructure Bank Loan

On June 29, 2010, CRRMA entered into a State Infrastructure Bank Loan with the State of Texas, acting by and through the Texas Department of Transportation, in the amount of \$30,000,000, to augment funding for I-10 at Loop 375 construction project, along with other Interchange improvements. The funds were received in December 2010. Principal and interest payments will begin in September 2011 and 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.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2011 and 2010

NOTE 6 – LONG-TERM DEBT (CONTINUED)

The annual requirements for this loan will be as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 1,138,500	\$ 1,138,500
2013	-	1,485,000	1,485,000
2014	590,000	1,485,000	2,075,000
2015	615,000	1,455,795	2,070,795
2016	640,000	1,425,353	2,065,353
2017 - 2021	3,630,000	6,623,349	10,253,349
2022 - 2026	4,430,000	5,649,189	10,079,189
2027 - 2031	5,410,000	4,459,456	9,869,456
2032 - 2036	6,610,000	3,006,384	9,616,384
2037 - 2041	<u>8,075,000</u>	<u>1,230,820</u>	<u>9,305,820</u>
Total	<u>\$ 30,000,000</u>	<u>\$ 27,958,846</u>	<u>\$ 57,958,846</u>

NOTE 7 – REIMBURSABLE COMMITMENT

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

During fiscal years 2011 and 2010, \$21,673,441 and \$4,235,041, respectively, was recorded as revenue in the Statement of Revenue, Expenses, and Changes in Net Assets as part of the Spur 601 Pass-Through Toll Agreement.

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

NOTE 8 – DEFICIT NET ASSETS

At August 31, 2011 and 2010, CRRMA had a deficit net asset balance, associated with construction cost of CRRMA, of \$229,751,968 and \$223,837,373, respectively. Management intends to eliminate the deficit through future pass-through toll payments from the Texas Department of Transportation (see Note 7).

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2011 and 2010

NOTE 9 – TXDOT AGREEMENTS

Planning Project Development Agreements

On February 2, 2009, CRRMA entered into an agreement with Texas Department of Transportation for the planning and development of different projects in the area. The estimated cost of work is \$2,200,000 and the contract was amended in December 2009 to increase the cost to \$3,171,900. TxDot will be responsible for all costs incurred for the planning and development of the projects and will reimburse CRRMA for the expenditures. As of August 31, 2011 and 2010, CRRMA has incurred costs of \$78,481 and \$802,531, respectively, relating to the contract recorded in the statements of revenues, expenses and changes in net assets.

Americas Interchange Project

On November 2, 2009, CRRMA entered into an agreement with Texas Department of Transportation for the planning and development of the Loop 375 Interchange. The majority of the funding for the project will be from obligated funds of \$96,000,000 from the U.S Department of Transportation, Federal Highway Administration. As of August 31, 2011, \$28,173,078 of the funds had been expensed and \$21,673,441 is included in the schedule of expenditures of federal awards for current year expenditures.

Aesthetic Project

On November 11, 2010, City of El Paso and CRRMA entered into an Interlocal Agreement to jointly develop and implement various aesthetic improvements along the I-10 corridor (the "Aesthetic Project"). Under this agreement, the City is providing the initial funds for the development of the conceptual design in an amount not to exceed \$500,000. All of the City's initial expenditures will be reimbursed by CRRMA from projected TxDOT Category 2 allocations for the El Paso region. Total amount of project funds available for the Aesthetic Project from Category 2 allocations is \$10,000,000. TxDOT has represented that these funds will become available pursuant to the following timeline: September 2011 (\$5,000,000); June 2012 (\$2,000,000); June 2013 (\$2,000,000); and June 2014, (\$1,000,000). As of March 28, 2012, the funds have not been made available to CRRMA. As of August 31, 2011, the City of El Paso has made payments in the amount of \$138,358 related to the Aesthetic Project. This amount is recorded as an intergovernmental payable to the City of El Paso on the books of CRRMA.

NOTE 10 – IN-KIND

On August 19, 2008, CRRMA entered into a five-year management contract with the City of El Paso. The City will provide management services consisting of, but not limited to, engineering, legal, print shop, accounting, office space and computers. The services will be provided as in-kind to CRRMA. For the years ended August 31, 2011 and 2010, the value of the services provided was estimated at a value of \$30,400 each year.

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2011 and 2010**

NOTE 11 – RELATED PARTIES

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

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

SUPPLEMENTAL INFORMATION

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended August 31, 2011**

Name of Agency, Department and Program	CFDA Number	Disbursements/ Expenditures
FEDERAL AWARDS		
U.S. Department of Transportation		
Pass-through from Texas Department of Transportation		
ARRA Highway Planning and Construction		
(Federal-Aid Highway Program) *	20.205	\$ 24,850,026
Highway Planning and Construction		
(Federal-Aid Highway Program) *	20.205	<u>2,409,568</u>
Total federal awards		<u>27,259,594</u>
STATE AWARDS		
Pass-through from Texas Department of Transportation		
Planning Project Development Agreement *	None	<u>78,481</u>
Total state awards		<u>78,481</u>
TOTAL FEDERAL AND STATE AWARDS		<u><u>\$ 27,338,075</u></u>

* Major Programs

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended August 31, 2011

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 Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited the financial statements of the Camino Real Regional Mobility Authority (CRRMA) as of and for the year ended August 31, 2011 and have issued our report thereon dated March 28, 2012. 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 CRRMA's internal control over financial reporting as a basis for designing our audit 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 CRRMA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CRRMA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 CRRMA's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 12-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CRRMA'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*.

CRRMA's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit CRRMA's responses and, accordingly, we express no opinion on them.

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

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

Albuquerque, New Mexico
March 28, 2012

Independent Auditor's 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 Audit Circular

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

Compliance

We have audited the compliance of Camino Real Regional Mobility Authority (CRRMA) with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2011. CRRMA's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of CRRMA's management. Our responsibility is to express an opinion on CRRMA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Not-For-Profit Organizations*. Those standards, OMB Circular A-133 and 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. Our audit does not provide a legal determination on CRRMA's compliance with those requirements.

In our opinion, CRRMA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended August 31, 2011.

Internal Control over Compliance

The management of CRRMA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered CRRMA's internal control over compliance with the requirements that could have a direct and

material effect on a major federal or state program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

CliftonLarsonAllen LLP

Albuquerque, New Mexico
March 28, 2012

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
August 31, 2011**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: unqualified

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 auditor’s report issued on compliance for major program: Unqualified.

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	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs \$820,142

Auditee qualified as low-risk auditee? yes no

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
August 31, 2011**

Section I – Summary of Auditor’s 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 auditor’s report issued on compliance for major program: Unqualified.

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

Identification of major program:

CFDA Number(s)	Name of State Program or Cluster
None	None

Dollar threshold used to distinguish between type A and type B programs \$820,142

Auditee qualified as low-risk auditee? yes no

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
August 31, 2011**

Section II – Financial Statement Findings

Finding 2012-01 Unrecorded Financial Activity (Material Weakness)

Condition: During the course of our audit test work, we noted that the general ledger of the CRRMA did not include the following financial activity, resulting in material audit adjustments:

- Prior auditor adjustments, with a total effect on net assets (reduction) of \$223.9 million
- In-kind salary and expenditures of \$30K
- Cash (held in trust at Wells Fargo Bank) and associated activity related to bonded debt:
 - Net cash adjustments - \$3.9 million
 - Increase in construction related expenditures - \$7.9 million
 - Increase in debt service expenditures - \$11.9 million
 - Increase in other expenditures - \$49K
 - Increase in revenue - \$15.7 million
 - Increase in interest revenue - \$273K
 - Amortization of bond issuance costs - \$194K
 - Amortization of bond premium - \$886K
- Aesthetic Improvements Project Activity, with a total effect on current year income (loss) on operations (decrease) of \$170K

The CRRMA does maintain various subsidiary schedules for project activity; however, this activity is not recorded on the general ledger.

Criteria: Best practices dictate that financial activity should be accumulated in the general ledger, the central accounting record of the organization, summarizing changes in financial position as transactions are posted during an accounting period.

Cause: As fiscal agent, the City of El Paso maintains the general ledger of the CRRMA for funds held in trust at the City. However, the City does not manage the funds related to bonded debt (funds held in trust at Wells Fargo Bank). The CRRMA does not have other procedures in place to accumulate financial activity on the official books (general ledger).

Effect: Although the CRRMA maintains subsidiary schedules by project, the CRRMA's general ledger, as the agency's central accounting record, is incomplete during the course of the year (prior to posting year end audit adjustments) when viewed against the best practices noted above.

Recommendation: We recommend that the CRRMA establish procedures and incorporate all prior audit adjustments and transactions onto the general ledger.

Management's Response: The CRRMA recognizes the importance of the provision of timely, accurate and complete reporting of financial information. The CRRMA also recognizes that the agency's continued growth that is anticipated for the coming year will result in an associated increase in financial activity. Accordingly, the CRRMA will seek to employ an accounting firm that can provide an interface between the CRRMA and the City of El Paso, as CRRMA Fiscal Agent, in order to ensure that all CRRMA financial activities, including the prior audit adjustments and other transactions noted above, are incorporated into the CRRMA's central accounting record on an ongoing basis.

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
August 31, 2011**

Section III – Federal Award Findings and Questioned Costs

There were no findings for the year ended August 31, 2011.

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
August 31, 2011**

Section I—Financial Statement Findings

There were no findings for the year ended August 31, 2010.

Section II – Federal Award Findings and Questioned Costs

There were no findings for the year ended August 31, 2010.

Section III – State Award Findings and Questioned Costs

There were no findings for the year ended August 31, 2010.

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
EXIT CONFERENCE
August 31, 2011**

An exit conference was held with CRRMA on March 13, 2012. The conference was held at Camino Real Mobility Authority. In attendance were:

CAMINO REAL REGIONAL MOBILITY AUTHORITY

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

CLIFTONLARSONALLEN LLP

Janet Pacheco-Morton, CPA, CGFM, Partner

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