

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED AUGUST 31, 2010 AND 2009**

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CAMINO REAL REGIONAL MOBILITY AUTHORITY
EL PASO, TEXAS

Management's Discussion and Analysis
Year Ended August 31, 2010
(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 by Resolution dated March 13, 2007. The first meeting of the CRRMA was held on June 22, 2007. As the sponsoring entity for the CRRMA and pursuant to a Management Agreement between the City and 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. The financial statements issued after fiscal year 2008 were the first audited statements prepared for the CRRMA and included the short period of fiscal year 2007 that the CRRMA was in existence. A second audit was performed for the CRRMA that included fiscal year 2009 and the financial statements for fiscal year 2010 provided herein are the CRRMA's third audited statements.

Fiscal Year 2010 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 2010 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 the 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 the 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 the CRRMA.



Construction of the Inner Loop Project continued in fiscal year 2010 during which period the CRRMA paid an additional \$70,581,950 to the construction company for work performed. In fiscal years 2008 and 2009, the CRRMA had paid the construction company \$30,934,939 and \$102,605,399, respectively. Thus, through the end of fiscal year 2010, the CRRMA had paid the construction company a total amount of \$204,122,288. The construction company will receive a maximum aggregate amount of \$213,000,000 from the CRRMA for actual construction expenses, with additional incentive payments available. Final Acceptance of the Project is expected to occur in early 2011. Semi-annual payments from TxDOT to the CRRMA began in fiscal year 2010 as individual segments of the Inner Loop were opened. However, upon Substantial Completion, TxDOT begins reimbursing 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 from TxDOT to pay the outstanding bonds.

The CRRMA continued throughout fiscal year 2010 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) Northeast Mainlanes. Of the available funds (\$3,171,900), through fiscal year 2010, the CRRMA expended a total of \$2,209,382. However, \$259,012 of those funds was later reimbursed in early fiscal year 2011 as federally eligible Coordinated Border Infrastructure expenses for the Americas Interchange Project. Therefore, \$1,221,529 remains available to the CRRMA per the terms of the Planning PDA.

The CRRMA made considerable progress with the Americas Interchange Project in fiscal year 2010. Of particular importance, the CRRMA completed a design-build procurement process, which resulted in the selection of a design-build developer for the \$146,000,000 project. Upon selection of a developer, the parties negotiated and executed a Design-Build Comprehensive Development Agreement and the CRRMA subsequently issued the Notice to Proceed. The design-build developer has begun work on the Americas Interchange Project, which significant milestones slated for fiscal year 2011. In addition, progress on the Zaragoza and Northeast projects was made in fiscal year 2010 as well. The CRRMA and TxDOT agreed that the projects would be pursued by TxDOT, with the CRRMA providing the necessary debt financing for each; collectively approximately \$112,000,000. The three referenced projects amount to cumulative project costs in excess of \$250 million.

The CRRMA also continued work under a \$1,100,000 loan from TxDOT related to the region's proposed toll projects. The loan was intended, among other goals, to provide the resources necessary for the CRRMA to determine the various stages of development for each of the proposed toll projects identified within the 2008 Comprehensive Mobility Plan and to develop an approach for pursuit of such projects. Through fiscal year 2010, the CRRMA expended \$675,356 of the available funds, which resulted in the completion of its Regional Toll Implementation Plan – the document identifying all proposed toll projects in the region, along with a development approach for the same. Also completed, was significant progress toward the development of the region's initial toll project: the César Chávez Managed Lanes Project, which is currently being pursued by TxDOT, with the CRRMA slated to become the owner/operator, upon completion.



The CRRMA continued work toward the Market Valuation process for the César Chávez Managed Lanes Project, which was funded through a \$330,000 loan from TxDOT. Through fiscal year 2010, the CRRMA expended \$28,011 for this project. This process is a statutorily required step in advance of the development of any toll project, and will likely be completed in fiscal year 2012.

Aside from any financial activity related to the management of the referenced bond proceeds, the CRRMA's income during fiscal year 2010 was limited to: (i) the Planning PDA funds from TxDOT; (ii) the TxDOT loan funds available for the area's proposed toll projects; (iii) the TxDOT loan funds for the César Chávez Project market valuation process; and (iv) \$1,608,169 in interest generated from existing CRRMA funds, which includes interest generated through the Spur 601 Project. Total CRRMA operating expenditures in fiscal year 2010 were \$63,756,085. The total revenues, expenses, contributions, assets and liabilities of the CRRMA in fiscal year 2010 were limited to those identified above. The CRRMA's total net assets on August 31, 2010 for those funds being managed by the City of El Paso as the CRRMA's fiscal agent were \$526,074.

Financial Future of the CRRMA

A continued increase in the CRRMA's financial activity is expected for fiscal year 2011. By way of example, the Americas Interchange Project has begun, which will in itself result in significant financial activity related to the expenditure of the \$146,000,000 in total project funds over the life of the project. Of particular note, the project includes federal American Recovery and Reinvestment Act funds, federal Coordinated Border Infrastructure funds, State Infrastructure Bank Loan proceeds (Build America Bond) and Pass-Through Toll Finance bonds. In addition, and as noted, TxDOT is currently developing the Zaragoza and Northeast projects, with anticipated letting in April, 2011. Accordingly, in fiscal year 2011, the CRRMA will seek Pass-Through Toll Financing for both. The CRRMA will also seek State Infrastructure Bank loans for each, which will be repaid through the revenues generated by the City of El Paso's Transportation Reinvestment Zones. Completion of the Regional Toll Implementation Plan will allow the CRRMA to begin work necessary for the possible development of potential toll projects in the region, which could result in additional financial activity. Lastly, expenditures related to pursuit of the CRRMA's I-10 Corridor Aesthetic Improvement Project will also begin in fiscal year 2011, which will ultimately expend \$10,000,000 in total project funds.

With the preceding as a backdrop, the CRRMA believes fiscal year 2011 will result in another significant increase in financial activity for the agency. The CRRMA continues its growth and development as a major provider of transportation solutions to the region and its financial activity will continue to reflect that growth. The agency's ongoing projects, coupled with the new projects coming online and the continued pursuit of additional projects assure that the CRRMA and its financial activities will continue to grow throughout fiscal year 2011 and beyond.

Peña Briones McDaniel & Co.

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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 years ended August 31, 2010 and 2009, and the related statements of revenue, expenses and changes in net assets and cash flow for the years 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 and the standards applicable to the financial audit 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of August 31, 2010 and 2009, and the respective changes in its financial positions, and cash flow for the years 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 February 21, 2011, 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considered it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational economic or historical context. We have applied certain limited



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procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basis financial statements, and other knowledge we obtained during our audit of the basis financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Authority 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, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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. The 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.

Peña Brown McDaniel & Co

February 21, 2011

CAMINO REAL REGIONAL MOBILITY AUTHORITYSTATEMENTS OF NET ASSETS
AUGUST 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 329,628	\$ 181,531
Restricted -Cash and cash equivalents (Note 2)	23,955,528	102,280,784
Bond issuance costs, net	2,322,862	2,516,434
Due from other agencies (Note 3)	2,369,744	1,850,973
Total assets	<u>\$ 28,977,762</u>	<u>\$ 106,829,722</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 3,747,440	\$ 13,908,523
Accrued interest	521,288	521,288
Total current liabilities	<u>4,268,728</u>	<u>14,429,811</u>
NON-CURRENT LIABILITIES		
Bond payable (Note 4)	233,355,000	233,355,000
Bond premium (Note 4)	14,186,051	15,020,524
Note payable (Note 4)	1,005,355	572,228
Total non-current liabilities	<u>248,546,406</u>	<u>248,947,752</u>
Total liabilities	<u>252,815,134</u>	<u>263,377,563</u>
Net Assets		
Unrestricted (Note 6)	<u>(223,837,372)</u>	<u>(156,547,841)</u>
Total net assets	<u>(223,837,372)</u>	<u>(156,547,841)</u>
TOTAL	<u>\$ 28,977,762</u>	<u>\$ 106,829,722</u>

See notes to financial statements.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED AUGUST 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
REVENUE		
TxDot - Planning Project Development Agreement	\$ 802,531	\$ 1,406,847
TxDot - Grant	1,008,825	
Spur 601 Project	4,235,041	383,034
Inkind	<u>30,400</u>	<u>30,400</u>
Total Revenue	<u>6,076,797</u>	<u>1,820,281</u>
 OPERATING EXPENSES		
Salary and benefits	203,173	170,132
In-kind	30,400	30,400
Professional,		
Financial	56,900	52,650
Construction	62,985,473	107,084,284
Legal	455,258	241,798
Promotional	16,038	19,629
Travel and conferences	5,323	7,464
Professional fees	<u>3,520</u>	<u>2,472</u>
Total Operating Expenses	<u>63,756,085</u>	<u>107,608,829</u>
 OPERATING LOSS	<u>(57,679,288)</u>	<u>(105,788,548)</u>
 NONOPERATING REVENUES (EXPENSES)		
Interest income	1,608,169	4,520,871
Amortization	(193,572)	(193,572)
Interest expense	<u>(11,024,840)</u>	<u>(11,073,008)</u>
Total Nonoperating Revenues (Expenses)	<u>(9,610,243)</u>	<u>(6,745,709)</u>
 DECREASE IN NET ASSETS	<u>(67,289,531)</u>	<u>(112,534,257)</u>
 BEGINNING NET ASSETS	<u>(156,547,841)</u>	<u>(44,013,584)</u>
 ENDING NET ASSETS	<u>\$ (223,837,372)</u>	<u>\$ (156,547,841)</u>

See notes to financial statements.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from other agencies	\$ 5,328,415	\$ 182,070
Payment to employees	(169,662)	(170,132)
Payments to professionals	<u>(73,717,106)</u>	<u>(103,014,236)</u>
Net cash used in operating activities	<u>(68,558,353)</u>	<u>(103,002,298)</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from noncapital loans	<u>631,404</u>	<u>-</u>
Net cash provided by financial activities	<u>631,404</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,608,169	4,520,871
Interest paid	<u>(11,858,379)</u>	<u>(11,860,246)</u>
Net cash used in investing activities	<u>(10,250,210)</u>	<u>(7,339,375)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(78,177,159)	(110,341,673)
CASH AND CASH EQUIVALENTS, Beginning	<u>102,462,315</u>	<u>212,803,988</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 24,285,156</u>	<u>\$ 102,462,315</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating Loss	\$ (57,679,288)	\$ (105,788,548)
Adjustments to Reconcile Operating Loss to Net Cash		
(Increase) decrease in due from other agencies	(717,982)	(1,607,811)
(Increase) decrease in prepaid expenses		
Increase in accounts payable	<u>(10,161,083)</u>	<u>4,394,061</u>
Net cash used for Operating Activities	<u>\$ (68,558,353)</u>	<u>\$ (103,002,298)</u>

See notes to financial statements.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009**

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 Transportation Commission of 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 43 Texas Administrative Code Chapter 26 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.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2010 AND 2009

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 months or less from the date of acquisition.

D. Restricted Assets

Proceeds of the Authority's bonds are classified as restricted assets in the statement of net asset. They are maintained in separate investment accounts, and their use is limited to applicable bond covenants.

E. 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.

F. Income Taxes

The Authority 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.

G. 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.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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.

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.

I. 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. For each of the years ending August 31, 2010 and 2009, the Authority amortized \$193,572 of issuance costs.

J. Reclassification

Certain amounts reported in prior periods have been re-classed to conform to current year presentation.

2. CASH AND CASH EQUIVALENTS

The Authority's cash and cash equivalents at August 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Cash in Bank- Unrestricted	\$ 329,628	\$ 181,531
Cash in Bank - Restricted	3,058,779	549,033
Cash Equivalents- Restricted		
Hypo Public Bank	9,265,341	78,769,240
Citigroup Global Market	11,631,408	22,962,511
Total Cash and Cash Equivalents	<u>\$ 24,285,156</u>	<u>\$ 102,462,315</u>

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2010 AND 2009

2. CASH AND CASH EQUIVALENTS (Continued)

The cash in bank balance \$526,074 and \$511,531, at August 31, 2010 and 2009, respectively, 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.

The Hypo Public Bank repurchase funds have a final repurchase date of the earlier of February 2011 or 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 or 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 were rated AA by Standards & Poor's and Aa by Moody's.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009**

2. CASH AND CASH EQUIVALENTS (Continued)

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.

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 be 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, 2010 and 2009, the Hypo Public Bank repurchase agreement and the Citigroup Global Market repurchase agreements had \$11,631,409 and \$103,204,598, 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 2010 and 2009.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009**

3. DUE FROM OTHER AGENCIES

Due from other agencies is comprised of the following amount as of August 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
TxDot		
Planning Project Development Agreement	\$ 76,176	\$ 1,224,777
Planning Project Development Agreement-Americas	372,386	
Spur 601 Agreement	1,877,231	383,968
Regional Toll Plan Agreement	<u>43,951</u>	<u>242,228</u>
Total due from other agencies	<u><u>\$ 2,369,744</u></u>	<u><u>\$ 1,850,973</u></u>

The Authority considered all amounts to be 100% collectible.

4. LONG TERM DEBT

The following is a summary of changes in long-term debt for the years ended August 31, 2010 and 2009:

	<u>Balance August 31, 2009</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance August 31, 2010</u>	<u>Due Within One Year</u>
<u>Description and Purpose</u>					
Series 2008 Bond	\$ 233,355,000		\$ -	\$ 233,355,000	\$ -
Notes Payable	<u>572,228</u>	<u>433,127</u>	<u>-</u>	<u>1,005,355</u>	<u>-</u>
	<u><u>\$ 233,927,228</u></u>	<u><u>\$ 433,127</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 234,360,355</u></u>	<u><u>\$ -</u></u>

	<u>Balance August 31, 2008</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance August 31, 2009</u>	<u>Due Within One Year</u>
<u>Description and Purpose</u>					
Series 2008 Bond	\$ 233,355,000		\$ -	\$ 233,355,000	\$ -
Notes Payable	<u>330,000</u>	<u>242,228</u>	<u>-</u>	<u>572,228</u>	<u>-</u>
	<u><u>\$ 233,685,000</u></u>	<u><u>\$ 242,228</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 233,927,228</u></u>	<u><u>\$ -</u></u>

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009**

4. LONG TERM DEBT (Continue)

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.

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, 2010 and 2009 was \$834,473 and \$786,304, respectively, 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:

<u>Year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	19,875,000	10,212,437	30,087,437
2015	20,880,000	9,206,312	30,086,312
2016-2020	121,610,000	28,823,462	150,433,462
2021-2022	<u>42,960,000</u>	<u>2,165,500</u>	<u>45,125,500</u>
Total	<u>\$ 233,355,000</u>	<u>\$ 85,296,397</u>	<u>\$ 318,651,397</u>

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2010 AND 2009

4. LONG TERM DEBT (Continue)

Bonds (continued)

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.

Note payable

During the year ended August 31, 2009, the Authority 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 the Authority requests a drawdown of the funds based on the expenditures incurred. As of August 31, 2010, the Authority had requested funds of \$675,355 included in statement of net assets with \$424,645 available for future use. The repayment is limited to no more than 10% of any revenues generated for the Authority 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, 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 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 the Authority 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, 2010, \$28,011 has been used.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009**

5. 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." During the year ended a segment of the (Segment A-2) Global Reach to LP 375 opened to traffic on May 28, 2009.

During August 31, 2010, \$4,235,041 were recorded as revenue in the Statement of Revenue, Expenses, and Changes in Net Assets as part of the Spur 601 Pass Through Toll Agreement with a receivable of \$1,877,231 in the Statement of Financial Activity.

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

6. DEFICIT NET ASSETS

At August 31, 2010 and 2009, the Authority had a deficit net asset balance, associated with construction cost of the Authority, of \$223,837,372 and \$156,547,841, respectively. Management intends to eliminate the deficit through future pass-through toll payments from the Texas Department of Transportation. See Note 5.

7. TXDOT PLANNING PROJECT DEVELOPMENT AGREEMENTS

General

On February 2, 2009, the Authority 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 the Authority for the expenditures. As of August 31, 2010 and 2009, the Authority had incurred costs of \$802,531 and \$1,406,847, respectively, relating to the contract recorded in the statements of revenues, expenses, and changes in net assets.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2010 AND 2009

7. TXDOT PLANNING PROJECT DEVELOPMENT AGREEMENTS

Americas Interchange Project

On November 2, 2009, the Authority 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, 2010, \$1,008,825 of the funds had been expensed and recorded in the statement of revenue, expenses, and changes in net assets.

8. INKIND

On August 19, 2008, the Authority 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 the Authority. For the years ended August 31, 2010 and 2009, the value of the services provided was estimated at a value of \$30,400 each year.

9. RELATED PARTIES

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

10. 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, 2010 and 2009, there was no rebatable arbitrage.

11. SUBSEQUENT EVENTS

The Authority entered into a State Infrastructure Bank Loan for \$30,000,000 on June 29, 2010 however the liability is not reflected on the Statement of Net Assets as the funds were not received until December 2010. Principal and interest payments will start September 2011 and made every September thereafter until the maturity date of September 15, 2040. The interest on the loan is 4.95%.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED AUGUST 31, 2010**

<u>Name of Agency/Department and Program</u>		<u>Disbursements/ Expenditures</u>
<u>FEDERAL AWARDS</u>	<u>CFDA No.</u>	
U.S. Department of Transportation		
Pass through Texas Department of Transportation		
Highway Planning and Construction (ARRA)		
(Federal-Aid Highway Program) *	20.205	\$ <u>1,008,825</u>
TOTAL FEDERAL AWARDS		<u>1,008,825</u>
<u>STATE AWARDS</u>		
Texas Department of Transportation		
Planning Project Development Agreement *		<u>802,531</u>
TOTAL STATE AWARDS		<u>802,531</u>
TOTAL FEDERAL AND STATE AWARDS		<u>\$ 1,811,356</u>

*Major Programs

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
AUGUST 31, 2010**

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the Camino Real Regional Authority Mobility (the Authority) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget 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.

PEÑA BRIONES MCDANIEL & CO.

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

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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, 2010, and have issued our report thereon dated February 21, 2011. 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 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.



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Compliance and Other Matters

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 February 21, 2011.

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 Brown McDaniel & Co

February 21, 2011

Peña Briones McDaniel & Co.

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A PROFESSIONAL CORPORATION

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND STATE OF TEXAS SINGLE AUDIT CIRCULAR

Board of Directors
Camino Real Regional Mobility Authority

Compliance

We have audited Camino Real Regional Mobility Authority (the Authority)'s compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and State of Texas Single Audit Circular that could have a direct and material effect on each of the Authority's major federal and state programs for the year ended August 31, 2010. The Authority'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 the Authority's management. Our responsibility is to express an opinion on the Authority'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, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas Single Audit Circular. 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 state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority, 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, 2010.

Internal Control Over Compliance

The management of the Authority 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 the Authority'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



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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 the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. 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 of management, Board of Directors, others within the entity, 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.

Peña Brown McDaniel & Co

February 21, 2011

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDING AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2010**

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u>	yes	<u> X </u>	no
Significant deficiencies identified that are not not considered to be material weakness (es)?	<u> </u>	yes	<u> X </u>	none

Noncompliance material to financial statements noted?	<u> </u>	yes	<u> X </u>	no
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Federal Awards

Internal Control over major programs:

Material weakness (es) identified?	<u> </u>	yes	<u> X </u>	no
Significant deficiencies identified that are not not considered to be material weakness (es)?	<u> </u>	yes	<u> X </u>	none

Type of auditor's report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u> </u>	yes	<u> X </u>	no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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20.205	Highway Planning and Construction
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Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Camino Real Regional Mobility Authority qualified as a low-risk auditee?	<u> </u>	yes	<u> X </u>	no
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CAMINO REAL REGIONAL MOBILITY AUTHORITY

**SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDING AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2010**

Section II - Financial Statement Findings

CURRENT YEAR

None

Section III - Major Federal Award Findings and Questioned Costs

CURRENT YEAR

None

State Awards

Internal Control over major programs:

Material weakness (es) identified? _____ yes X no

Significant deficiency (es) identified not considered to be
material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in
Accordance with Texas Single Audit Circular? _____ yes X no

Identification of major programs:

State Program

Texas Department of Transportation –
Planning Project Development Agreement

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

Camino Real Regional Mobility Authority qualified
as a low-risk auditee _____ yes X no

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDING AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2010**

Section II - Financial Statement Findings

CURRENT YEAR

None

PRIOR YEAR

None

Section III - Major State Award Findings and Questioned Costs

CURRENT YEAR

None

PRIOR YEAR

None