

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED AUGUST 31, 2009 AND 2008**

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CAMINO REAL REGIONAL MOBILITY AUTHORITY
EL PASO, TEXAS

Management's Discussion and Analysis
Year Ended August 31, 2009
(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. The financial statements provided herein are the second audited statements prepared for the CRRMA and include information from fiscal year 2008.

Fiscal Year 2009 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 continues to serve as the trustee for the management of the revenue bond proceeds; the City does not manage any of these bond funds. The City continues to manage in trust as fiscal agent, the remainder of the CRRMA's original \$500,000 earned as conduit bond issuer fees. The proceeds from the bonds continue to be used to finance the design and construction of the State Spur 601 (Inner Loop) Project and will be repaid to the CRRMA through the pass-through program of 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, noted above as conduit bond issuer fees. The State Spur 601 Project consists of the construction of a 7.4 mile connection between Loop 375 and U.S. 54 and related area infrastructure improvements. This project facilitates movement to and from the area, including Ft. Bliss. The project became a priority for the region in order to accommodate the significant population increases in the area due to general population growth as well as the addition of troops to Ft. Bliss due to the Base Realignment and Closure Act. The increase to Ft. Bliss is in excess of 21,000 troops, not including their families.

Construction of the Inner Loop Project continued in fiscal year 2009, resulting in the opening to traffic of Segment A-2 by the developer on May 28, 2009. During fiscal year 2009, the CRRMA paid an additional



\$102,605,399 to the construction company for work performed. In fiscal year 2008, the CRRMA had paid \$30,934,939 to the construction company. Accordingly, through the end of fiscal year 2009, the CRRMA had paid the construction company a total amount of \$133,540,338. The construction company will receive a maximum aggregate amount of \$213,000,000 from the CRRMA. Completion of the Project is expected to occur in early 2011. Semi-annual payments from TxDOT to the CRRMA commence in fiscal year 2010 as individual segments of the Inner Loop open. However, once the Project is substantially complete, TxDOT will reimburse the CRRMA with semi-annual payments of no less than \$15,650,000 or no more than \$17,500,000 based on the number of actual vehicle miles traveled. The CRRMA will receive a maximum aggregate amount of \$312,450,000 from TxDOT.

In January of 2009, the CRRMA entered into a Project Development Agreement with TxDOT, referred to as the Planning PDA. This agreement initially provided the CRRMA with access to \$2,200,000 on a reimbursement basis to commence preliminary engineering and development work necessary for three proposed projects: (i) Loop 375 at I-10 (Americas Interchange); (ii) Zaragoza Direct Connectors; and (iii) Northeast Mainlanes. The Planning PDA was subsequently amended to increase the funds available to the CRRMA via reimbursement to a not to exceed amount of \$3,171,900. Through the end of fiscal year 2009, the CRRMA used legal, engineering and financial advisors to develop the referenced projects in the total amount of \$1,406,847. The Americas Interchange Project has progressed such that construction will begin in fiscal year 2010. Work pursuant to this Planning PDA will continue into fiscal year 2010 for the remaining two projects and will result in progressing the Zaragoza and Northeast projects to the procurement stage of development. The three referenced projects are estimated to have cumulative project costs in excess of \$250 million.

In March of 2009, the CRRMA was awarded a \$1,100,000 loan from TxDOT for the development of a Regional Toll Plan, referred to as the RTP. The related Financial Assistance Agreement provides access to the \$1,100,000 on a reimbursement basis. Among the goals of the RTP is to determine the various stages of development for each of the proposed toll projects identified within the 2008 Comprehensive Mobility Plan (2008 CMP) and to develop an approach for pursuit of such projects. Through the end of fiscal year 2009, the CRRMA used various consultants for the development of the RTP in the amount of \$242,228. Work for the RTP shall continue into fiscal year 2010 and will result in the development of an implementation plan for the pursuit of approximately \$761 million in construction costs, as estimated within the 2008 CMP.

Aside from any financial activity related to the management of the referenced bond proceeds, the CRRMA's income during fiscal year 2009 was limited to the following: (i) access to \$3,171,900 via reimbursement from the Planning Project Development Agreement with TxDOT; (ii) access to the \$1,100,000 in loan funds via reimbursement for development of the Regional Toll Plan; and (iii) \$4,520,871 in interest generated from existing CRRMA funds, which includes interest generated through the Spur 601 Project. Total CRRMA operating expenditures in fiscal year 2009 were \$107,608,829. Accordingly, and as a still relatively new entity, the total revenues, expenses, contributions, assets and liabilities of the CRRMA in fiscal year 2009 were limited to those identified above. The CRRMA's total net assets on August 31, 2009 for those funds being managed by the City of El Paso as the CRRMA's fiscal agent were \$511,531.



Financial Future of the CRRMA

With fiscal year 2009 as an indicator, fiscal year 2010 will be another year of significant financial growth for the CRRMA. The CRRMA will conclude the procurement process and commence construction on the I-10 at Loop 375 (Americas Interchange) Project, with total project costs of \$146,000,000. Of note, this project includes \$96,000,000 of federal American Recovery and Reinvestment Act (ARRA) funds and \$50,000,000 of local funds. In addition, the CRRMA will continue the development of the Zaragoza and Northeast Projects in fiscal year 2010, expending the remaining portions of the \$3,171,000 Planning PDA. Conclusion of the Planning PDA tasks will result in the commencement of procurement processes for the Zaragoza and Northeast Projects. These projects include total estimated project costs of \$112,000,000. These non-toll projects will result in significant financial activity for the agency.

However, the implementation of the CRRMA toll projects identified within the 2008 CMP has also begun in earnest. In fiscal year 2010, the CRRMA will conclude the Regional Toll Plan and related toll policy work from the \$1,100,000 TxDOT loan. Conclusion of the RTP will result in an approach to begin work on the remaining toll projects of the 2008 CMP. Notwithstanding the RTP, the Market Valuation process for the César Chávez Project will take place in the coming year, resulting in the anticipated solicitation of developers for the project sometime in 2010. With preliminary cost estimates of \$79,000,000, this project consists of the rehabilitation of four existing lanes and the addition to two managed lanes on Loop 375 between US54 and Zaragoza. The CRRMA is also seeking funding to develop preliminary engineering and environmental work for the Border Highway West segments of the Loop 375 southern corridor. Lastly, as a recipient of federal American Recovery and Reinvestment Act (ARRA) funds, the CRRMA is anxious for the opportunity to again compete for any additional transportation funds that may become available in the coming year.

The CRRMA once again anticipates a significant increase in the agency's financial activity in fiscal year 2010 due to the number of projects currently underway and the additional opportunities becoming available. The anticipated financial activities for the coming year will include execution of funding agreements, the hiring of CRRMA staff, the execution of design and/or construction agreements with developers, the issuance of bonds and related financial activity for the ARRA project. Accordingly, the CRRMA's financial outlook for fiscal year 2010 again indicates significant and positive growth.

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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, 2009 and 2008, 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, 2009 and 2008, 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 8, 2010, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis information on pages 1 through 3 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Authority. The accompanying schedule of expenditures of 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 of the Authority. The schedule of expenditures of state awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peter Briones McDaniel & Co

February 8, 2010

CAMINO REAL REGIONAL MOBILITY AUTHORITY**STATEMENTS OF NET ASSETS
AUGUST 31, 2009 AND 2008**

| | <u>2009</u> | <u>2008</u> |
|--|-----------------------|-----------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents (Note 2) | \$ 181,531 | \$ 513,649 |
| Restricted -Cash and cash equivalents (Note 2) | 102,280,784 | 212,290,339 |
| Bond issuance costs, net | 2,516,434 | 2,710,006 |
| Due from other agencies (Note 3) | 1,850,973 | - |
| Total assets | \$ 106,829,722 | \$ 215,513,994 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 13,908,523 | \$ 9,514,462 |
| Accrued interest | 521,288 | 521,288 |
| Total current liabilities | 14,429,811 | 10,035,750 |
| NON-CURRENT LIABILITIES | | |
| Bond payable (Note 4) | 233,355,000 | 233,355,000 |
| Bond premium (Note 4) | 15,020,524 | 15,806,828 |
| Note payable (Note 4) | 572,228 | 330,000 |
| Total non-current liabilities | 248,947,752 | 249,491,828 |
| Total liabilities | 263,377,563 | 259,527,578 |
| Net Assets | | |
| Unrestricted (Note 6) | (156,547,841) | (44,013,584) |
| Total net assets | (156,547,841) | (44,013,584) |
| TOTAL | \$ 106,829,722 | \$ 215,513,994 |

See notes to financial statements.

CAMINO REAL REGIONAL MOBILITY AUTHORITYSTATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2009 AND 2008

| | <u>2009</u> | <u>2008</u> |
|--|-------------------------|------------------------|
| REVENUE | | |
| TxDot - Planning Project Development Agreement | \$ 1,406,847 | \$ - |
| Spur 601 Project | 383,034 | |
| Inkind | <u>30,400</u> | <u>33,592</u> |
| Total Revenue | <u>1,820,281</u> | <u>33,592</u> |
| OPERATING EXPENSES | | |
| Salary and benefits | \$ 170,132 | \$ - |
| In-kind | 30,400 | 33,592 |
| Professional, | | |
| Financial | 52,650 | 4,000 |
| Construction | 107,084,284 | 40,458,900 |
| Legal | 241,798 | |
| Promotional | 19,629 | |
| Travel and conferences | 7,464 | 1,674 |
| Professional fees | <u>2,472</u> | <u>-</u> |
| Total Operating Expenses | <u>107,608,829</u> | <u>40,498,166</u> |
| OPERATING LOSS | <u>(105,788,548)</u> | <u>(40,464,574)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest income | 4,520,871 | 2,983,082 |
| Amortization | (193,572) | (193,572) |
| Interest expense | <u>(11,073,008)</u> | <u>(6,338,520)</u> |
| Total Nonoperating Revenues (Expenses) | <u>(6,745,709)</u> | <u>(3,549,010)</u> |
| DECREASE IN NET ASSETS | <u>(112,534,257)</u> | <u>(44,013,584)</u> |
| BEGINNING NET ASSETS | <u>(44,013,584)</u> | <u>-</u> |
| ENDING NET ASSETS | <u>\$ (156,547,841)</u> | <u>\$ (44,013,584)</u> |

See notes to financial statements.

CAMINO REAL REGIONAL MOBILITY AUTHORITYSTATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2009 AND 2008

| | <u>2009</u> | <u>2008</u> |
|---|---------------------------------------|--------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from other agencies | \$ 182,070 | \$ - |
| Payment to employees | (170,132) | - |
| Payments to professionals | (103,014,236) | (31,749,818) |
| Payments to underwriter | - | (2,100,191) |
| Reimbursement to employees | - | (3,676) |
| Net cash used in operating activities | <u>(103,002,298)</u> | <u>(33,853,685)</u> |
| CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Proceeds from issuance of bonds | - | 249,161,823 |
| Proceeds from noncapital loans | - | 330,000 |
| Net cash provided by financial activities | <u>-</u> | <u>249,491,823</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 4,520,871 | 2,983,082 |
| Interest paid | (11,860,246) | (5,817,232) |
| Net cash used in investing activities | <u>(7,339,375)</u> | <u>(2,834,150)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (110,341,673) | 212,803,988 |
| CASH AND CASH EQUIVALENTS, Beginning | <u>212,803,988</u> | <u>-</u> |
| CASH AND CASH EQUIVALENTS, Ending | <u><u>\$ 102,462,315</u></u> | <u><u>\$ 212,803,988</u></u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES | | |
| Operating Loss | \$ (105,788,548) | \$ (40,464,574) |
| Adjustments to Reconcile Operating Loss to Net Cash | | |
| (Increase) decrease in due from other agencies | (1,607,811) | |
| (Increase) decrease in prepaid expenses | | (2,903,573) |
| Increase in accounts payable | 4,394,061 | 9,514,462 |
| Net cash used for Operating Activities | <u><u>\$ (103,002,298)</u></u> | <u><u>\$ (33,853,685)</u></u> |

See notes to financial statements.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2009 AND 2008**

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, 2009 AND 2008**

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, 2009 AND 2008**

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, 2009 and 2008, 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, 2009 and 2008 are as follows:

| | <u>2009</u> | <u>2008</u> |
|---------------------------------|-----------------------|-----------------------|
| Cash in Bank- Unrestricted | \$ 181,531 | \$ 513,649 |
| Cash in Bank - Restricted | 549,033 | 596,194 |
| Cash Equivalents- Restricted | | |
| Hypo Public Bank | 78,769,240 | 177,697,613 |
| Citigroup Global Market | 22,962,511 | 33,996,532 |
| Total Cash and Cash Equivalents | <u>\$ 102,462,315</u> | <u>\$ 212,803,988</u> |

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2009 AND 2008**

2. CASH AND CASH EQUIVALENTS (Continued)

The cash in bank balance \$511,531 and \$843,649, at August 31, 2009 and 2008, 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 are rated AA by Standards & Poor's and Aa by Moody's.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2009 AND 2008**

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, 2009 and 2008, the Hypo Public Bank repurchase agreement and the Citigroup Global Market repurchase agreements had \$103,204,598 and \$177,910,064, 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 2009 and 2008.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2009 AND 2008**

3. DUE FROM OTHER AGENCIES

Due from other agencies is comprised of the following amount as of August 31, 2009 and 2008:

| | <u>2009</u> | <u>2008</u> |
|--|----------------------------|--------------------|
| TxDot | | |
| Planning Project Development Agreement | \$ 1,224,777 | \$ - |
| Spur 601 Agreement | 383,968 | |
| Regional Toll Plan Agreement | <u>242,228</u> | <u>-</u> |
| Total due from other agencies | <u><u>\$ 1,850,973</u></u> | <u><u>\$ -</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, 2009 and 2008:

| <u>Description and Purpose</u> | <u>Balance September 1, 2008</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance August 31, 2009</u> | <u>Due Within One Year</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> |

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.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2009 AND 2008**

4. LONG TERM DEBT (Continue)

Bonds (Continued)

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, 2009 and 2008 was \$786,304 and \$375,964, 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</u> <u>August 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|-----------------------|----------------------|-----------------------|
| 2010 | \$ - | \$ 11,859,312 | \$ 11,859,312 |
| 2011 | | 11,859,312 | 11,859,312 |
| 2012 | 9,115,000 | 11,859,312 | 20,974,312 |
| 2013 | 18,915,000 | 11,170,062 | 30,085,062 |
| 2014 | 19,875,000 | 10,212,437 | 30,087,437 |
| 2015-2019 | 115,615,000 | 34,819,042 | 150,434,042 |
| 2020-2022 | <u>69,835,000</u> | <u>5,376,232</u> | <u>75,211,232</u> |
| Total | <u>\$ 233,355,000</u> | <u>\$ 97,155,709</u> | <u>\$ 330,510,709</u> |

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.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2009 AND 2008**

4. LONG TERM DEBT (Continue)

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, 2009, the Authority had requested funds of \$242,228 included in statement of net assets with \$857,772 available for future use. 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.

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, 2009, no funds have been used and the projects it relates to had not been started.

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.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2009 AND 2008**

5. REIMBURSABLE COMMITMENT (Continued)

The first invoice for the Spur 601 Pass Through Toll Agreement was submitted to TxDot in December 2009. As of August 31, 2009, the portion of the payment that belongs in this fiscal year of \$383,034 is recorded in the Statements of Revenue, Expenses, and Changes in Net Assets with a receivable for the same amount in the Statement of Financial Activity.

The commitment for the road that is in construction has not been recorded on the statement of net assets. It is anticipated that this asset and related revenue will be recorded when the project is substantially complete.

6. DEFICIT NET ASSETS

At August 31, 2009 and 2008, the Authority had a deficit net asset balance, associated with construction cost of the Authority, of \$156,547,841 and \$44,013,584, 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 AGREEMENT

On February 2, 2009, the Authority entered into an agreement with Texas Department of Transportation for the planning and development of the Loop 375 projects. 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, 2009, the Authority had incurred costs of \$1,406,847 relating to the contract recorded in the statements of revenues, 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 inkind to the Authority. For the years ended August 31, 2009 and 2008, the value of the services provided were estimated at a value of \$30,400 and \$33,592, respectively.

9. RELATED PARTIES

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

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2009 AND 2008**

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, 2009 and 2008, there was no rebatable arbitrage.

11. SUBSEQUENT EVENTS

As of January 2010, the Authority received obligation of funds of \$107,991,870 from the U.S. Department of Transportation, Federal Highway Administration for the construction of the I-10 at Loop 375 (Americans Interchange) Project.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2009**

| <u>Name of Agency/Department and Program</u> | <u>Disbursements/ Expenditures</u> |
|---|---|
| <u>STATE AWARDS</u> | |
| Texas Department of Transportation | |
| Planning Project Development Agreement * | \$ <u>1,406,847</u> |
| TOTAL STATE AWARDS | \$ <u>1,406,847</u> |

***Major Programs**

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF EXPENDITURES
OF STATE AWARDS
AUGUST 31, 2009**

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Awards includes the 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.

Rene D. Peña, CPA
Mary Carmen Briones, CPA
James R. McDaniel, CPA

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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, 2009, and have issued our report thereon dated February 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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

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

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 8, 2010.

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.

Pena Breones McDaniel & Co

February 8, 2010

Rene D. Peña, CPA
Mary Carmen Briones, CPA
James R. McDaniel, CPA

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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH STATE OF TEXAS SINGLE AUDIT
CIRCULAR INCLUDING OMB CIRCULAR A-133**

**Board of Directors
Camino Real Regional Mobility Authority**

Compliance

We have audited the compliance of the Camino Real Regional Mobility Authority (the Authority), 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 are applicable to each of its major federal programs for the year ended August 31, 2009. The Authority's major 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 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 programs for the year ended August 31, 2009.

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 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 program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the Authority's internal control over compliance.

A *control deficiency* in an entity's 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 *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over 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.

Peter Briones McDowell & Co

February 8, 2010

CAMINO REAL REGIONAL MOBILITY AUTHORITY

**SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDING AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2009**

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 State of 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

Section II - Financial Statement Findings

None reported.

Section III - Major State Award Findings and Questioned Costs

| <u>Program</u> | <u>Findings/Noncompliance</u> | <u>Questioned Costs</u> |
|----------------|-------------------------------|-------------------------|
|----------------|-------------------------------|-------------------------|

Current Year Findings

None

Prior Year Findings

N/A