

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

**FINANCIAL STATEMENTS
August 31, 2012 and 2011**

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Camino Real Regional Mobility Authority (CRRMA) as of and for the years ended August 31, 2012 and 2011, and the related statements of net assets and the statements of revenue, expenses and changes in net assets and statements of cash flows for the years then ended. These financial statements are the responsibility of CRRMA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 audits provide 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 CRRMA as of August 31, 2012 and 2011, and the respective changes in financial position and cash flows thereof 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 March 4, 2013, on our consideration of CRRMA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements, such information although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied

certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and budgetary comparisons. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as other supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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.

CliftonLarsonAllen LLP

Albuquerque, New Mexico

March 4, 2013

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012**

The following Management's Discussion and Analysis (MD&A) provides an overview of Camino Real Regional Mobility Authority's (CRRMA) financial performance for the fiscal year ended August 31, 2012. As you read the MD&A, "2012" refers to the fiscal year ended August 31, 2012 and "2011" refers to the fiscal year ended August 31, 2011. This narrative is intended to supplement the Authority's audited financial statements, which are comprised of the basic financial statements and the notes to the financial statements.

Financial Highlights

- Net assets decreased by \$13,048,258 in 2012 as compared to \$10,911,316 in 2011.
- As of August 31, 2012, liabilities exceeded assets by \$58,082,869.
- Net assets decreased by \$10,911,316 in 2011 as compared to 2010.

Overview of CRRMA

The City of El Paso (City) created the CRRMA by Resolution dated March 13, 2007. The first meeting of CRRMA was held on June 22, 2007. As the sponsoring entity for CRRMA and pursuant to a Management Agreement between the City and CRRMA, the City provides various administrative and in-kind services to CRRMA, including those of fiscal agent. The fiscal year for CRRMA begins September 1. CRRMA is accounted for as a proprietary-type enterprise fund using the accrual basis of accounting, similar to a private business entity.

Overview of the Financial Statements

The financial statements included in this report are: statements of net assets; statements of revenues, expenses and changes in net assets; and statements of cash flows. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

The statements of net assets depict CRRMA's financial position as of a point in time and include all assets and liabilities of CRRMA. The net assets represent the residual interest in CRRMA's assets after liabilities are deducted, and are displayed in the unrestricted category due to the CRRMA's deficit position.

The statements of revenues, expenses and changes in net assets report the revenues and expenses of CRRMA, are used to measure the success of CRRMA's operations for a given period of time, and can be used to determine how CRRMA has funded its costs.

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

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 13 to 26 of this report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012**

Financial Analysis

Financial Position. Table 1 is a summarized version of the statement of net assets as of August 31, 2012, 2011 and 2010. The table reflects CRRMA's overall change in financial resources and claims on those resources. The majority of CRRMA's assets consist of cash equivalents and intergovernmental receivables. Most liabilities represent accounts payable, accrued liabilities, and bonds and notes payable.

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

As of August 31,	<u>2012</u>	<u>2011</u>	<u>% Change</u>	<u>2010</u>	<u>% Change</u>
ASSETS					
Current assets	\$ 54,496,302	\$ 69,192,978	-21%	\$ 37,254,121	86%
Noncurrent assets	<u>164,928,292</u>	<u>175,862,709</u>	-10%	<u>181,437,719</u>	-3%
TOTAL ASSETS	<u>\$ 219,424,594</u>	<u>\$ 245,055,687</u>	-10%	<u>\$ 218,691,840</u>	12%
LIABILITIES AND NET ASSETS					
Current liabilities	\$ 40,733,782	\$ 22,385,711	82%	\$ 4,268,729	424%
Non-current liabilities:					
Long-term bonds and notes payable	<u>236,773,681</u>	<u>267,704,587</u>	-12%	<u>248,546,406</u>	7.7%
Total liabilities	<u>277,507,463</u>	<u>290,090,298</u>	-4%	<u>252,815,135</u>	15%
Net assets:					
Unrestricted	<u>(58,082,869)</u>	<u>(45,034,611)</u>	29%	<u>(34,123,295)</u>	32%
Total net assets	<u>(58,082,869)</u>	<u>(45,034,611)</u>	29%	<u>(34,123,295)</u>	32%
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 219,424,594</u>	<u>\$ 245,055,687</u>	-10%	<u>\$ 218,691,840</u>	12%

Current Assets. Current assets decreased by \$14.7 million or 21% as compared to 2011. The decrease in 2012 occurred because CRRMA's cash and cash equivalents decreased by \$19.3 million at year end. The decrease in cash and cash equivalents is primarily due to paying down bonded debt in the current year of \$28.4 million. Intergovernmental receivables increased as a result of increased project activity, primarily related to the Americas Gateway project.

Current assets increased by \$31.9 million or 86% in 2011 as compared to 2010. The increase in 2011 occurred because CRRMA's cash and cash equivalents increased by \$18.4 million at year end. The increase in cash and cash equivalents is primarily due to State Infrastructure

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August 31, 2012**

Bank Loan proceeds. Intergovernmental receivables increased as a result of additional activity on the TxDOT Planning Project Development Agreement – Americas Project and final activity related to the Spur 601 Agreement (see Note 4).

Current Liabilities. Current liabilities increased by \$18.3 million or 82% in 2012 as compared to 2011. The majority of the increase is due to increases in accounts payable at year end related to increased project activity, which totaled \$8 million, and an increase in the current portion of bonds payable of \$9.8 million.

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

Noncurrent Liabilities. Noncurrent liabilities decreased by \$30.9 million or 12% in 2012 as compared to 2011. The change is attributed to early bond repayment in the amount of \$28.4 million, with an offsetting reclassification of bonds payable to current liabilities of \$18.9 million and new State Infrastructure Loans of \$19 million. Details of bonds payable are included in Note 7 to the financial statements.

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

As of August 31, 2012 and 2011, CRRMA had total bonded debt outstanding of \$206.3 million and \$246.6 million, respectively, including bond premiums. The debt is comprised of revenue bonds. The revenue bonds are backed by pass-through toll revenues from the Texas Department of Transportation.

Table 2 is a summary of outstanding debt.

**Table 2
Outstanding Debt**

As of August 31,	2012	2011	2010
Series 2008 Bond, including premium of \$10,462,636	\$ 206,302,636	\$ 246,655,457	\$ 247,541,051
TxDOT Financial Assistance Agreements	1,344,541	1,103,976	1,005,355
State Infrastructure Bank Loans	<u>48,981,350</u>	<u>30,000,000</u>	<u>-</u>
Total debt	<u>\$ 256,628,527</u>	<u>\$ 277,759,433</u>	<u>\$ 248,546,406</u>

Total Net Assets. Net assets decreased by \$13 million or 29% in 2012 as compared to 2011.

Net assets decreased by \$10.9 million or 32% in 2011 as compared to 2010.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012**

Results of Operations. Table 3 is a summarized version of the statement of revenues, expenses and changes in net assets for the years ended 2012, 2011 and 2010.

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

As of August 31,	2012	2011	% Change	2010	% Change
Operating revenues	\$ 91,780,956	\$ 49,041,916	87%	\$ 5,067,972	868%
Operating expenses	<u>564,150</u>	<u>811,103</u>	-30%	<u>770,612</u>	5%
Net operating income	<u>91,216,806</u>	<u>48,230,813</u>	-89%	<u>4,297,360</u>	1022%
Non-operating expenses and transfers	<u>(104,265,064)</u>	<u>(59,142,129)</u>	76%	<u>(20,015,893)</u>	195%
Increase in net assets	<u>\$ (13,048,258)</u>	<u>\$ (10,911,316)</u>	-20%	<u>\$ (15,718,533)</u>	-31%

Operating Revenues. Operating revenues increased by \$42.7 million in 2012 as compared to 2011. The majority of the change is attributed to an increase in toll revenues of \$9.6 million, TxDOT project reimbursements of \$2.5 million and federal revenues of \$28.7 million.

Operating revenues increased by \$43.9 million in 2011 as compared to 2010. The majority of the change is attributed to an increase in toll revenues of \$17 million and federal revenues of \$26 million.

Operating Expenses. Operating expenses decreased by \$247 thousand or 30% in 2012 as compared to 2011. The majority of the decrease is attributed to decrease in financial services costs of \$375 thousand with an offsetting increase in legal fees of \$110 thousand.

Operating expenses decreased by \$40.5 thousand or 47% in 2011 as compared to 2010. The majority of the decrease is attributed to winding down of the Inner Loop construction project, as most of the expenditures occurred in 2010.

Non-operating Revenues, Expenses, and transfers. Non-operating revenues, expenses and transfers decreased by \$45.1 million or 76% in 2012 as compared to 2011, due to lower interest earnings on cash balances held by the CRRMA and. Non-operating expenses increased as interest payments on debt commenced. Additionally, there were increased transfers out to TxDOT of capital projects and loan proceeds.

Non-operating revenues decreased by \$39.1 million or 195% in 2011 as compared to 2010, due to decreasing cash balances from bond proceeds used in construction. Non-operating expenses remained consistent with the prior year.

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Fiscal Year 2012 Highlights

In fiscal year 2008, the CRRMA issued \$233,355,000 in Pass-Through Toll Transportation Revenue Bonds (State Spur 601), Series 2008 for the development of the State Spur 601 Project. Wells Fargo Bank, National Association continued to serve through fiscal year 2012 as the trustee for the management of the revenue bond proceeds; the City does not manage any of these bond funds. The proceeds from the bonds were used to finance the design and construction of the Project and will be repaid by the CRRMA through the receipt of pass-through payments from the Texas Department of Transportation (TxDOT). The bond proceeds were also used to fund: (i) the capitalized interest on such bonds; (ii) a debt service reserve fund for the bonds; (iii) the issuance costs of the bonds; and (iv) working capital to the CRRMA.

Construction of the Spur 601 Project was completed in fiscal year 2011, resulting in CRRMA payments to the Project's design-builder of \$212,000,000 between fiscal years 2008 and 2011. In fiscal years 2008, 2009, 2010 and 2011, the CRRMA paid the design-builder \$30,934,939, \$102,605,399, \$70,581,950 and \$7,877,712, respectively. The final \$1,000,000 of construction payments was paid in fiscal year 2012 upon TxDOT's Final Acceptance of the Project (August 30, 2011). Additional incentive payments are available to the design-builder based on various factors, including the number of vehicles utilizing the facility between now and defeasance of the bonds. Semi-annual payments from TxDOT to the CRRMA began in fiscal year 2010 as individual segments of the Inner Loop were opened. Such payments are structured as minimum/maximum payments from TxDOT and will continue through the remaining life of the bonds and consist of no less than \$15,650,000 or no more than \$17,500,000, based on the number of actual vehicle miles traveled. The CRRMA will receive a maximum aggregate amount of \$312,450,000 from TxDOT to pay the outstanding bonds.

The CRRMA continued throughout fiscal year 2011 to pursue the three projects identified within the Project Development Agreement with TxDOT referred to as the Planning PDA: (i) Loop 375 at I-10 (Americas Interchange); (ii) Zaragoza Direct Connectors; and (iii) Transmountain Northeast Mainlanes. Of the available Planning PDA funds (\$3,171,900), the CRRMA has expended a total of \$2,412,493 through fiscal year 2012. However, the Project Development Agreement expired in fiscal year 2012; therefore, no additional funding from this agreement remain available to the CRRMA.

On the last day of fiscal year 2010, the CRRMA executed a \$108,888,888 Comprehensive Development Agreement with a design-build developer for the Americas Interchange Project. This project was developed as a design-build project and includes the design and construction of three direct connectors and related infrastructure improvements at the Americas Interchange in far east El Paso. The project is funded from two federal programs (American Recovery and Reinvestment Act and Coordinated Border Infrastructure) as well as \$30,000,000 in local contribution from a State Infrastructure Bank (SIB) loan to the CRRMA. The repayment source for the SIB loan is the City of El Paso's Transportation Reinvestment Zone No. 2, the proceeds of which were assigned by the City to the CRRMA. The design-build developer completed design work in fiscal year 2011 and made significant progress in the construction aspects of the project in fiscal year 2012. The project will achieve Substantial Completion and Final Acceptance within fiscal year 2013. The CRRMA paid the developer \$24,241,500 for such services in fiscal year 2011 and \$55,803,854 in fiscal year 2012.

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In 2012, the CRRMA received two new SIB loans in the amounts of \$20,000,000 for the Zaragoza Project and \$6,000,000 for the Transmountain Northeast Project. The CRRMA is partnering with TxDOT by providing partial funding necessary to complete these projects. Through these agreements with TxDOT, the CRRMA provided \$16,086,237 and \$2,895,113 to TxDOT in 2012 for the Zaragoza and Transmountain Northeast projects, respectively. The repayment sources for these loans are the City of El Paso's Transportation Reinvestment Zones 2 (for Zaragoza) and 3 (for Transmountain NE).

The CRRMA also continued work under a \$1,100,000 loan from TxDOT related to the region's proposed toll projects. Through fiscal year 2012, the CRRMA expended \$1,014,541 of the available funds for the furtherance of several proposed toll projects, including the César Chávez Managed Lanes Project, the region's initial toll project. The Chávez Project was designed and let by TxDOT in fiscal year 2011. It is the intention that the CRRMA operate and maintain the managed lanes portions of the Project once opened to the public. The managed lanes of the new facility are anticipated to be open to the public in fiscal year 2013. The CRRMA and TxDOT also entered into a Financial Assistance Agreement in 2012 that provided funding up to \$9,900,000 to the CRRMA for the development and implementation of the toll systems and the planning necessary for the CRRMA to commence operating the facility upon its completion. The CRRMA spent \$757,025 on the planning efforts in 2012, which included the commencement of the selection process for a toll system integrator.

The CRRMA, City and TxDOT also continued work on the I-10 Corridor Aesthetic Improvement Project within fiscal year 2012. This project will utilize \$10,000,000 in two phases: (i) develop a conceptual design plan that will govern aesthetic improvements for a portion of the I-10 corridor within the City of El Paso; and (ii) begin to implement aesthetic improvements within the corridor in accordance with the conceptual design plan. The \$10,000,000 in total project funds became available to the CRRMA from TxDOT in fiscal year 2012. However, in order to commence the conceptual design phase, the City provided initial funding of up to \$500,000; all of which shall be reimbursed by the CRRMA upon the availability of the TxDOT funds. The CRRMA spent \$251,644 of City funds through 2012 as it completed phase 1 and \$76,789 of TxDOT funding as it began phase 2 in 2012. Design work will continue and construction is anticipated to begin in fiscal year 2013.

The CRRMA entered into two additional agreements with TxDOT in 2012, whereby the CRRMA was tasked with providing design services for the development of two projects: (i) two additional direct connectors for the Americas Interchange (WBSB/EBSB); and (ii) the Spur 1966 project. The WBSB/EBSB agreement provides the CRRMA with up to \$2,750,000 while the Spur 1966 agreements provide up to \$3,450,000. In 2012, the CRRMA earned \$1,604,028 and \$90,130 for the WBSB/EBSB and Spur 1966 projects, respectively.

Aside from any financial activity related to the management of the referenced bond proceeds, the CRRMA's income during fiscal year 2012 was limited to: (i) administrative fees from the Spur 601 Project; (ii) the Planning PDA funds from TxDOT; (iii) the Americas Interchange Project funds from the ARRA, CBI and SIB programs; (iv) the SIB loans for the Zaragoza and Transmountain Northeast projects; (v) the TxDOT loan funds available for the area's proposed toll projects; (vi) the TxDOT grant funds for the César Chávez Project; (vii) the Aesthetic Project funds from the City of El Paso and TxDOT; (viii) the agreements for design of the WBSB/EBSB and Spur 1966 projects; and (ix) \$23,906 in interest generated from existing CRRMA funds, which includes interest generated through the Spur 601 Project. Total CRRMA operating

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MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012**

expenditures in fiscal year 2012 were \$564,150. The total revenues, expenses, contributions, assets and liabilities of the CRRMA in fiscal year 2012 were limited to those identified above. The CRRMA's total net assets on August 31, 2012 for those funds being managed by the City of El Paso as the CRRMA's fiscal agent were (\$58,082,869).

Financial Future of the CRRMA

Fiscal year 2013 will include additional major advancements of the CRRMA as a transportation provider for the El Paso region. The Americas Interchange will be completed, as will the various design projects being developed by the CRRMA. The region's first toll facility (César Chávez) will likely open and begin generating revenues for the CRRMA. The CRRMA will engage the consultants for the preliminary engineering and environmental work necessary for the region's second toll facility (Americas Managed Lanes). Major progress will be made on the Zaragoza and Transmountain Northeast projects, while the CRRMA continues work with local partners on the use of additional transportation reinvestment zones as the funding source for new regional projects. Construction on the aesthetic improvements project for the I-10 corridor will likely commence in 2013 as well. Finally, as the CRRMA looks to parking and international ports of entry as potential areas of involvement in 2013, and as noted in the prior year's report, the CRRMA continues to aggressively seek out projects that would benefit the community that will also increase the agency's fiscal activity.

Contacting CRRMA's Financial Management

For additional information concerning the CRRMA, please see the CRRMA's website: www.crrma.org. The CRRMA's executive offices are currently located at 2 Civic Center Plaza, 9th Floor, El Paso, Texas 79901, but are scheduled to be relocated in 2013 to 300 N. Campbell, El Paso, Texas 79901. The main telephone number is and will remain (915) 541-4986. Questions may be directed to Raymond L. Telles, Executive Director.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
STATEMENTS OF NET ASSETS
August 31, 2012 and 2011

ASSETS

	2012	2011
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	\$ 332,377	\$ 502,165
Restricted - cash and cash equivalents (Note 3)	22,815,414	41,930,457
Bond issuance costs, net	193,572	193,572
Intangible asset, net (Note 5)	10,806,374	10,790,366
Intergovernmental receivable (Note 4)	20,348,565	15,776,418
Total current assets	54,496,302	69,192,978
NON-CURRENT ASSETS		
Bond issuance costs, net	1,742,146	1,935,718
Intangible asset, net	163,186,146	173,926,991
Total non-current assets	164,928,292	175,862,709
TOTAL ASSETS	\$ 219,424,594	\$ 245,055,687

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	\$ 18,654,600	\$ 10,671,219
Bonds payable, current portion (Note 7)	18,915,000	9,115,000
Bond premium, current portion (Note 7)	939,846	939,846
Accrued interest	1,972,692	521,288
Retainage payable	-	1,000,000
Intergovernmental payable	251,644	138,358
Total current liabilities	40,733,782	22,385,711
NON-CURRENT LIABILITIES (Note 7)		
Bond payable	176,925,000	224,240,000
Bond premium	9,522,790	12,360,611
State Infrastructure Bank Loan	48,981,350	30,000,000
Notes payable	1,344,541	1,103,976
Total non-current liabilities	236,773,681	267,704,587
Total liabilities	277,507,463	290,090,298
NET ASSETS (Note 10)		
Unrestricted	(58,082,869)	(45,034,611)
Total net assets	(58,082,869)	(45,034,611)
TOTAL LIABILITIES AND NET ASSETS	\$ 219,424,594	\$ 245,055,687

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

CAMINO REAL REGIONAL MOBILITY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
TxDOT - Planning Project Development Agreement	\$ 124,671	\$ 78,481
TxDOT - Federal Grants	55,954,094	27,259,594
Pass-Through Toll Agreement	31,300,000	21,673,441
Interest Subsidies	1,857,518	-
TxDOT Project Agreements	2,514,273	-
In-kind	<u>30,400</u>	<u>30,400</u>
Total revenues	<u>91,780,956</u>	<u>49,041,916</u>
OPERATING EXPENSES		
Salary and benefits	212,068	203,625
In-kind	30,400	30,400
Professional:		
Legal	217,186	107,453
Promotional	11,317	17,818
Financial	68,639	443,288
Other operating costs	16,260	-
Travel and conferences	5,630	5,898
Professional fees	<u>2,650</u>	<u>2,621</u>
Total operating expenses	<u>564,150</u>	<u>811,103</u>
Income from operations	<u>91,216,806</u>	<u>48,230,813</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	23,906	303,597
Amortization	(8,160,625)	(10,985,437)
Interest expense	<u>(13,818,121)</u>	<u>(10,973,718)</u>
Total non-operating expenses	(21,954,840)	(21,655,558)
TRANSFERS		
Transfers out	<u>(82,310,224)</u>	<u>(37,486,571)</u>
(DECREASE) IN NET ASSETS	(13,048,258)	(10,911,316)
BEGINNING NET DEFICIT (Note 9)	<u>(45,034,611)</u>	<u>(34,123,295)</u>
ENDING NET DEFICIT	<u>\$ (58,082,869)</u>	<u>\$ (45,034,611)</u>

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

CAMINO REAL REGIONAL MOBILITY AUTHORITY
STATEMENTS OF CASH FLOWS
Years Ended August 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from other agencies	\$ 87,208,809	\$ 35,604,842
Payment to employees	(218,066)	(239,028)
Payments to professionals	(75,639,678)	(35,761,254)
Net cash provided (used) in operating activities	11,351,065	(395,440)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of debt	(37,515,000)	-
Proceeds from non-capital loans	19,221,915	30,098,621
Net cash (used) provided by financial activities	(18,293,085)	30,098,621
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	23,906	303,597
Interest paid	(12,366,717)	(11,859,312)
Net cash used in investing activities	(12,342,811)	(11,555,715)
NET DECREASE (INCREASE) IN CASH AND CASH EQUIVALENTS	(19,284,831)	18,147,466
CASH AND CASH EQUIVALENTS, BEGINNING	42,432,622	24,285,156
CASH AND CASH EQUIVALENTS, ENDING	\$ 23,147,791	\$ 42,432,622
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating income	\$ 91,216,806	\$ 48,230,813
Adjustments to reconcile operating loss to net cash:		
Decrease in intergovernmental receivables	(4,572,147)	(13,406,674)
Increase in accounts and other payables	7,096,667	8,062,136
Capital expenditures and loan proceeds transferred out to TxDOT	(82,310,224)	(37,486,571)
Disbursements capitalized - intangible asset (Note 5)	(80,037)	(5,795,144)
NET CASH USED FOR OPERATING ACTIVITIES	\$ 11,351,065	\$ (395,440)
NONCASH ACTIVITY		
In-Kind Revenue and Expense	\$ 30,400	\$ 30,400

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

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2012 and 2011

NOTE 1 - NATURE OF ORGANIZATION

The Texas Transportation Commission of the Texas Department of Transportation authorized the creation of the Camino Real Regional Mobility Authority (CRRMA) on June 29, 2006 as a political subdivision under the Texas Transportation Code, Chapter 370. City of El Paso formally created CRRMA pursuant to the conditions of the Texas Department of Transportation on March 13, 2007. CRRMA was created to provide the El Paso region with a local entity to make mobility decisions for the community and to accelerate needed transportation projects.

CRRMA's powers and duties are enumerated under Texas Transportation Code Chapter 370 and 43 Texas Administrative Code Chapter 26 and include authority to borrow monies and issue bonds to finance transportation projects. CRRMA is governed by a seven member Board of Directors; six are appointed by the City of El Paso and the Chairman of the Board is appointed by the Governor of the State of Texas. CRRMA is included in the financial statements of the City of El Paso as an "Agency" fund, as the City of El Paso acts as the fiscal agent for the CRRMA.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Reporting Entity

The financial statements for the Commission have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. For financial reporting purposes, CRRMA is considered a special purpose government engaged only in business-type activities.

Basis of Accounting

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

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2012 and 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All of CRRMA's activities are accounted for within a single proprietary (enterprise) fund. The accounting and financial reporting treatment applied is determined by measurement focus. The transactions of CRRMA are accounted for on a flow of economic resources measurement focus. With this measurement-focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net assets (i.e., total assets net of total liabilities) are segregated into amounts invested in capital assets, net of related debt; amounts restricted for capital activity and debt service; and amounts which are unrestricted.

Cash and Cash Equivalents

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

Restricted Assets

Proceeds from CRRMA's bonds and State Infrastructure Bank loan are classified as restricted assets in the statement of net assets. They are maintained in separate accounts, and their use is limited to applicable bond and loan purposes.

Investments

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

Rebatable Arbitrage

Current federal income tax law and the bond indentures require that certain arbitrage profits earned outside of the purpose of the investments attributable to outstanding tax-exempt bonds must be rebatable arbitrage. As of August 31, 2012 and 2011, there was no rebatable arbitrage.

Income Taxes

CRRMA is a political subdivision of the State of Texas and income earned in the exercise of its essential government functions is exempt from state or federal income taxes.

Classification of Revenues

CRRMA classifies its revenues as either operating or non-operating according to the following criteria:

Operating Revenues – Operating revenues are generated by activities that have the characteristics of exchange transactions. Exchange transactions are those in which a service or product is exchanged for revenue. Operating revenues for CRRMA are derived from TxDOT Project Development Agreements, federal grants related to the Americas Interchange Project and a reimbursable commitment under the Spur 601 Pass-Through Toll Agreement, and interest reimbursement on loans from the City of El Paso (see Note 7).

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2012 and 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-operating Revenues – Non-operating revenues include activities that do not have the characteristics of exchange transactions, such as interest income earned on cash and investments.

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

Bond Premiums, Discounts and Issuance Costs

CRRMA amortizes the premiums over the estimated life of the bonds as an adjustment to capitalized interest. Bond issuance cost is amortized over a 15-year period. For each of the years ending August 31, 2012 and 2011, CRRMA amortized \$193,572 and \$193,572 of issuance costs.

Reclassification

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

New Accounting Pronouncements

In November 2010, GASB issued GASB Statement No. 61, *The Financial Reporting Entity Omnibus-an amendment of GASB Statements No. 14 and No. 34*. This statement will be effective for CRRMA for fiscal year ended August 31, 2014. In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement will be effective for CRRMA for fiscal year ended August 31, 2013. In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This statement will be effective for CRRMA for fiscal year ended August 31, 2013. In March 2012, GASB issued Statement Number 65, *Items previously reported as Assets and Liabilities*, and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. These statements will be effective for CRRMA for fiscal year ended August 31, 2014. In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. These statements will be effective for CRRMA for fiscal years ended June 30, 2014 and June 30, 2015, respectively. CRRMA will implement these statements as of their effective dates. CRRMA is still in the process of determining the effect of implementing these GASB statements. They are not expected to have a material effect on the financial position of CRRMA.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2012 and 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management evaluated subsequent events through March 3, 2013, the date the financial statements were available to be issued. Events or transactions occurring after August 31, 2012, but prior to March 3, 2013, that provided additional evidence about conditions that existed at August 31, 2012 have been recognized in the financial statements for the year ended August 31, 2012. Events or transactions that provided evidence about conditions that did not exist at August 31, 2012, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended August 31, 2012.

NOTE 3 – CASH AND CASH EQUIVALENTS

CRRMA's cash and cash equivalents at August 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Cash in bank – unrestricted (held by City of El Paso)	\$ 332,377	\$ 502,165
Cash in bank - restricted		-
Cash equivalents – restricted:		
Hypo Public Bank	-	-
Citigroup Global Market	-	-
Wells Fargo Money Market	1,568,100	19,855,763
Wells Fargo Repurchase Agreement (held by City of El Paso)	<u>21,247,314</u>	<u>22,074,694</u>
Total	<u>\$ 23,147,791</u>	<u>\$ 42,432,622</u>

Cash and equivalents of \$21,579,691 and \$22,576,859 at August 31, 2012 and 2011, respectively, is held in trust by the City of El Paso, as the City is CRRMA's fiscal agent.

The Board of Directors of CRRMA has adopted a written investment policy to invest funds in a manner which will provide maximum safety of principal and liquidity, provide the highest possible investment return, meet the daily cash flow demands of CRRMA, and comply with the Texas Public Funds Investments Act of 1995, as may be amended. CRRMA can invest in obligations of, or guaranteed by, government entities, certificates of deposits, repurchase agreements, mutual funds and investment pools.

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

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

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

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2012 and 2011

NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to CRRMA. To help mitigate credit risk, credit quality guidelines are incorporated into the investment policy, as follows:

- Limiting investments to certain types of securities;
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which CRRMA will do business;
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

The Wells Fargo investments are rated AA by Standards & Poor's and Aa by Moody's.

Interest Rate Risk

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. To help mitigate interest rate risk, the structure of the investment portfolio should be in securities maturing in a manner that cash requirements for ongoing operations will be met, thereby avoiding the need to sell securities on the open market prior to maturity. Operation funds are invested primarily in short-term securities, money market mutual funds, or similar investment pools and limit in the average maturity of the portfolio not to exceed three years and the maximum dollar-weighted average maturity for pooled investments shall not exceed two years.

Custodial Credit Risk

For deposits or investments, custodial risk is the risk that, in the event of the failure of the counterparty, CRRMA will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. CRRMA's policy requires repurchase agreements to be fully collateralized. As of August 31, 2012 and 2011, the repurchase agreement had \$21,489,630 and \$20,949,478, respectively, of underlying securities held by the pledging financial institutions' trust departments or agents in CRRMA's name.

Foreign Currency Risk

Foreign risk is the risk that changes in exchange rates will adversely affect the fair value investment of a deposit. CRRMA had no foreign currency transactions during fiscal years 2012 and 2011.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2012 and 2011

NOTE 4 – INTERGOVERNMENTAL RECEIVABLES

Due from other agencies is comprised of the following amounts as of August 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
TxDOT:		
Planning Project Development Agreement	\$ -	\$ 8,055
Project Development Agreement – Americas Project	11,399,491	7,921,297
Spur 601 Agreement	7,825,000	7,825,000
Various Projects	867,273	-
Regional Toll Plan Agreement	180,051	21,079
City of El Paso – Aesthetics Project	<u>76,750</u>	<u>987</u>
Total due from other agencies	<u>\$ 20,348,565</u>	<u>\$ 15,776,418</u>

CRRMA considers all amounts to be 100% collectible.

NOTE 5 – SERVICE CONCESSION ARRANGEMENTS

The CRRMA entered into multiple Service Concession Arrangements (SCAs) with the Texas Department of Transportation (TXDOT), as noted below, to accelerate needed transportation projects in the El Paso region. Under these SCAs, the CRRMA is facilitating construction and financing of new infrastructure and TXDOT retains the rights to the infrastructure asset. As a result of this arrangement, consistent with Government Accounting Standard No. 60 (Note 9), the CRRMA reports an intangible asset for the right to access the infrastructure and collect third-party fees for CRRMA's cost of construction, and amortizes over the repayment period of the associated debt, calculated at 20 years. As of August 31, 2012, the CRRMA has \$173,992,520 of remaining intangible asset, net of \$41,402,493 of amortization. During fiscal years 2012 and 2011, the CRRMA increased its intangible asset for current year construction costs in the amounts of \$80,037 and \$5,795,144, respectively, and amortized \$10,806,374 and \$10,790,366, respectively.

Inner Loop Project

On January 29, 2009, CRRMA entered into an agreement with TXDOT for the planning and development (design and build) of a 7.4 mile road construction and improvement project from U.S. Highway 54 on the west to Loop 375 on the east, located in El Paso, TX. The project was primarily funded by Pass-Through Toll Transportation Revenue Bonds, Series 2008, in the amount of \$233,355,000 (Note 7). The bonds are to be repaid with Pass-Through Toll Revenues (Note 8). These revenues are passed through TXDOT and consist of semi-annual payments 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 semi-annual payment will not be less than \$15,650,000 or more than \$17,500,000 until the payments to CRRMA reach the maximum aggregate amount of \$312,450,000. During fiscal years 2012 and 2011, \$31,300,000 and \$21,673,441, respectively, was recorded as pass-through toll revenue by the CRRMA. Construction of the Inner Loop Project was completed in fiscal year 2011.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2012 and 2011

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2012	2011
Accounts payable	\$ 18,618,313	\$ 10,628,934
Accrued payroll and related liabilities	36,287	42,285
Total	\$ 18,654,600	\$ 10,671,219

NOTE 7 – LONG-TERM DEBT

The following is a summary of changes in long-term debt for the years ended August 31, 2012 and 2011:

Description and Purpose	Balance, August 31, 2011	Issued	Retired	Balance, August 31, 2012	Due Within One Year
Bonds:					
Series 2008 Bond	\$ 233,355,000	\$ -	\$ 37,515,000	\$ 195,840,000	\$ 18,915,000
Series 2008 Bond Premium	13,300,457	-	2,837,821	10,462,636	939,846
Notes:					
TxDOT Financial Assist. Agreements	1,103,976	240,565	-	1,344,541	-
State Infrastructure Bank Loan, #1	30,000,000	-	-	30,000,000	-
State Infrastructure Bank Loan, #2	-	2,895,113	-	2,895,113	-
State Infrastructure Bank Loan, #3	-	16,086,237	-	16,086,237	-
Total	\$ 277,759,433	\$ 19,221,915	\$ 40,352,821	\$ 256,628,527	\$ 19,854,846

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2012 and 2011

NOTE 7 – LONG-TERM DEBT (CONTINUED)

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

Bonds

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

The bonds maturing on August 15, 2018 through August 15, 2020 are subject to redemption at the option of CRRMA on February 15, 2018, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest, but without premium.

Bonds maturing on and after February 15, 2021 are subject to redemption at the option of CRRMA on February 15, 2011, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest, but without premium.

As of August 31, 2008, the bond proceeds were \$249,537,792, including a premium of \$16,182,792. The premium is amortized through the life of the bond calculated with the interest method. During fiscal year ending August 31, 2012, the CRRMA redeemed principal of \$28,400,000 in advance of the original amortization schedule, along with a proportionate share of the premium of \$1,941,435. The amortization as of August 31, 2012 and 2011 was \$893,686 and \$885,594, respectively, which was recorded as amortization.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2012 and 2011

NOTE 7 – LONG-TERM DEBT (CONTINUED)

The bonds began payment in 2008 with semi-annual interest payments at 4.31% in February and August and twenty semi-annual principal payments beginning August 2012, with final payment due in 2022. The original terms of the bonds were twenty annual principal payments totaling \$233,355,000 and interest payments totaling \$115,208,222. The term period and interest rate remained consistent after current year redemption.

Years ended August 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 18,915,000	\$ 9,750,063	\$ 28,665,063
2014	19,875,000	8,792,438	28,667,438
2015	20,880,000	7,786,313	28,666,313
2016	21,940,000	6,729,188	28,669,188
2017	23,045,000	5,618,563	28,663,563
2018 - 2022	<u>91,185,000</u>	<u>9,754,460</u>	<u>100,939,460</u>
Total	<u>\$ 195,840,000</u>	<u>\$ 48,431,025</u>	<u>\$ 244,271,025</u>

Note Payable

TxDOT Financial Assistance Agreements

During the year ended August 31, 2009, CRRMA entered into a Regional Toll Plan Agreement (financial assistance agreement) with Texas Department of Transportation on March 15, 2009 for \$1,100,000. The funds are to be used for project management, data collection, and evaluation and preparation of a regional toll plan for development of the Toll Projects, to include engineering, environmental, legal, financial and public outreach services, including the costs of necessary or incidental administrative, legal and other related expenses. On a monthly basis, CRRMA requests a drawdown of the funds based on the expenditures incurred. During fiscal year ending August 31, 2012, CRRMA requested funds of \$240,565, which is included in the statement of net assets, with \$85,459 available for future use. The repayment is limited to no more than 10% of any revenues generated for CRRMA on the particular projects. In the unlikely event that the projects are not completed, the note will be forgiven.

During the year ended August 31, 2008, CRRMA entered into a financial assistance agreement with Texas Department of Transportation on August 15, 2007 for \$330,000. The funds are to be used for independent financial, engineering and other advisor services necessary for the evaluation of and negotiation with Texas Department of Transportation for 12 candidate toll projects, as it relates to the market valuation process. The note becomes due when revenue is generated from any toll project that is constructed and under operations for which part of the \$330,000 was used to develop it. The repayment is limited to no more than 10% of any revenues generated for CRRMA on that particular project. In the unlikely event that the projects are not completed, the note will be forgiven. As of the year ended August 31, 2012, \$39,142 has been used.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2012 and 2011

NOTE 7 – LONG-TERM DEBT (CONTINUED)

State Infrastructure Bank Loans

On June 29, 2010, CRRMA entered into a State Infrastructure Bank Loan with the State of Texas, acting by and through the Texas Department of Transportation, in the amount of \$30,000,000, to augment funding for I-10 at Loop 375 construction project, along with other Interchange improvements. The funds were received in December 2010. Principal and interest payments began in September 2011 and will be made annually thereafter until the maturity date of September 15, 2040. Interest rate on the loan is 4.95%. The term of the loan is thirty years. Interest payments totaling \$27,958,846 will be paid over this term. The City of El Paso will reimburse the CRRMA for payments on this loan.

The annual requirements for this loan will be as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 1,485,000	\$ 1,485,000
2014	590,000	1,485,000	2,075,000
2015	615,000	1,455,795	2,070,795
2016	640,000	1,425,353	2,065,353
2017	670,000	1,393,673	2,063,673
2018 - 2022	3,775,000	6,443,664	10,218,664
2023 - 2027	4,610,000	5,429,904	10,039,904
2028 - 2032	5,635,000	4,191,661	9,826,661
2033 - 2037	6,880,000	2,679,189	9,559,189
2038 - 2041	<u>6,585,000</u>	<u>831,107</u>	<u>7,416,107</u>
Total	<u>\$ 30,000,000</u>	<u>\$ 26,820,346</u>	<u>\$ 56,820,346</u>

On January 24, 2012, CRRMA entered into a State Infrastructure Bank Loan with the State of Texas, acting by and through the Texas Department of Transportation, in the amount of \$6,000,000, to augment funding for Loop 375 (Transmountain NE) construction project. A portion of the funds, \$2,895,113 were disbursed in March 2012 and transferred into an account held by TxDOT. Principal payments are scheduled to begin February 2014 and interest payments in February 2013 and made annually thereafter until the maturity date of February 1, 2024. The remaining funds of \$3,104,887 were disbursed on January 4, 2013 in the same manner. Interest rate on the loan is 4.05%. The term of the loan is twenty years. Interest payments totaling \$2,885,618 will be paid over this term.

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2012 and 2011

NOTE 7 – LONG-TERM DEBT (CONTINUED)

The annual requirements for this loan are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 142,042	\$ 142,042
2014	217,653	242,625	460,278
2015	226,556	233,632	460,188
2016	235,922	224,226	460,148
2017	245,674	214,515	460,189
2018 - 2022	<u>5,074,195</u>	<u>1,828,578</u>	<u>6,902,773</u>
Total	<u>\$ 6,000,000</u>	<u>\$ 2,885,618</u>	<u>\$ 8,885,618</u>

On January 24, 2012, CRRMA entered into a State Infrastructure Bank Loan with the State of Texas, acting by and through the Texas Department of Transportation, in the amount of \$20,000,000, to augment funding for Loop 375 (Zaragoza) construction project. A portion of the funds, \$16,086,237 were disbursed in March 2012 and transferred into an account held by TxDOT. Principal payments will begin in February 2014 and interest payments in February 2013 and made annually thereafter until the maturity date of February 1, 2037. The remaining funds of \$3,913,763 were disbursed on January 4, 2013. Interest rate on the loan is 4.95%. The term of the loan is thirty years. Interest payments totaling \$19,537,633 will be paid over this term.

The annual requirements for this loan are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 933,918	\$ 933,918
2014	327,662	1,015,410	1,343,072
2015	344,293	998,779	1,343,072
2016	361,768	981,304	1,343,072
2017	380,130	962,943	1,343,073
2018 - 2022	<u>18,586,147</u>	<u>14,645,279</u>	<u>33,231,426</u>
Total	<u>\$ 20,000,000</u>	<u>\$ 19,537,633</u>	<u>\$ 39,537,633</u>

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2012 and 2011

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Interest Subsidy

The interest related to State Infrastructure Bank Loan #1 is refunded to the CRRMA at a rate of 35% through a direct payment from a Build America Bond. The amount refunded to the CRRMA during fiscal year 2012 totaled \$918,225. Per the agreement with the City of El Paso, of the amount refunded, 50% of the funds are utilized to pay interest on the loan. The remaining 50% can be used for operational costs of the CRRMA.

Additionally, the City of El Paso reimburses the CRRMA a portion of the interest. During fiscal year 2012, the City of El Paso reimbursed CRRMA \$939,263.

The amounts refunded, totaling \$1,857,518, are recognized as interest subsidy revenue by CRRMA.

NOTE 8 – REIMBURSABLE COMMITMENT

The Spur 601 Pass-Through Toll agreement contains a commitment which states, "After the Project is substantially completed, Texas Department of Transportation will reimburse CRRMA with semi-annual payments of no less than \$15,650,000 or no more than \$17,500,000. Each semiannual payment amount will be based on actual vehicle miles traveled on the Project during the previous six months, but regardless of the number of actual vehicle miles traveled on the Project, each semiannual payment will not be less than \$15,650,000 or more than \$17,500,000 until the Texas Department of Transportation payments to CRRMA reach the maximum aggregate amount of \$312,450,000."

During fiscal years 2012 and 2011, \$31,300,000 and \$21,673,441, respectively, was recorded as revenue in the Statement of Revenue, Expenses, and Changes in Net Assets as part of the Spur 601 Pass-Through Toll Agreement.

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

NOTE 9 – IMPLEMENTATION OF NEW ACCOUNTING STANDARD

During fiscal year 2011, the CRRMA implemented Governmental Accounting Standards Board Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of the Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (government) and an operator (CRRMA), in which 1) a transferor conveys to an operator the right and related obligation to provide services through the use or construction of infrastructure or another public asset in exchange for significant consideration, and 2) the operator collects and is compensated by fees from third parties.

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2012 and 2011**

NOTE 9 – IMPLEMENTATION OF NEW ACCOUNTING STANDARD (CONTINUED)

The Standard provides accounting guidance requiring CRRMA to report an intangible asset at cost for its right to construct the infrastructure and collect third party fees; it amortizes the intangible asset over the term of the arrangement in a systematic and rational manner. As a result of implementation, the CRRMA recorded a prior period adjustment:

Fiscal Year 2010 Beginning Net Deficit, as previously reported	\$(156,547,841)
Adjustment to record intangible assets previously recognized as expenditures	147,543,184
Adjustment to record associated annual amortization for previous years	<u>(9,400,105)</u>
Fiscal Year 2010 Beginning Net Deficit, restated	<u>\$ (18,404,762)</u>

Fiscal Year 2010 Beginning Net Deficit, as previously reported	\$(223,837,373)
Adjustment to record intangible assets previously recognized as expenditures	147,543,184
Adjustment to record associated annual amortization for previous years	(9,400,105)
Adjustment to capitalize FY 2010 Intangible Asset (Construction Costs)	61,976,648
Adjustment to book amortized Intangible Asset as of August 31, 2010	<u>(10,405,649)</u>
Fiscal Year 2010 Ending Net Deficit	<u>\$ (34,123,295)</u>

The net effect of the prior period adjustment was an increase in fiscal year 2010 net assets reported by \$51,570,599 from a decrease of \$57,289,532 to a decrease of \$15,718,533.

NOTE 10 – DEFICIT NET ASSETS

At August 31, 2012 and 2011, CRRMA had a deficit net asset balance, associated with construction cost of CRRMA, of \$58,082,869 and \$45,034,611, respectively. Management intends to eliminate the deficit through future pass-through toll payments from the Texas Department of Transportation (see Note 8).

NOTE 11 – TXDOT AGREEMENTS

Planning Project Development Agreements

On February 2, 2009, CRRMA entered into an agreement with Texas Department of Transportation for the planning and development of different projects in the area. The estimated cost of work is \$2,200,000 and the contract was amended in December 2009 to increase the cost to \$3,171,900. TxDot will be responsible for all costs incurred for the planning

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2012 and 2011**

NOTE 11 – TXDOT AGREEMENTS (CONTINUED)

and development of the projects and will reimburse CRRMA for the expenditures. As of August 31, 2012 and 2011, CRRMA has incurred costs of \$124,671 and \$78,481, respectively, relating to the contract recorded in the statements of revenues, expenses and changes in net assets.

NOTE 12 – IN-KIND

On August 19, 2008, CRRMA entered into a five-year management contract with the City of El Paso. The City will provide management services consisting of, but not limited to, engineering, legal, print shop, accounting, office space and computers. The services will be provided as in-kind to CRRMA. For the years ended August 31, 2012 and 2011, the value of the services provided was estimated at a value of \$30,400 each year.

NOTE 13 – RELATED PARTIES

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

NOTE 14 – TRANSFERS

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

	<u>2012</u>	<u>2011</u>
Construction in Process (owned and capitalized by TxDOT)	\$ 63,328,874	\$ 37,486,571
State Infrastructure Bank Loan Proceeds (see Note 7)	<u>18,981,350</u>	<u>-</u>
Total	<u>\$ 82,310,224</u>	<u>\$ 37,486,571</u>

SUPPLEMENTAL INFORMATION

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended August 31, 2012**

Name of Agency, Department and Program	CFDA Number	Disbursements/ Expenditures
FEDERAL AWARDS		
U.S. Department of Transportation		
Pass-through from Texas Department of Transportation		
ARRA Highway Planning and Construction		
(Federal-Aid Highway Program) *	20.205	\$ 52,516,546
Highway Planning and Construction		
(Federal-Aid Highway Program) *	20.205	<u>3,437,548</u>
Total federal awards		<u>55,954,094</u>
STATE AWARDS		
Pass-through from Texas Department of Transportation		
Planning Project Development Agreement	None	
Total state awards		<u>124,671</u>
TOTAL FEDERAL AND STATE AWARDS		<u>\$ 56,078,765</u>

* Major Programs

CAMINO REAL REGIONAL MOBILITY AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended August 31, 2012

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of CRRMA and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas Single Audit Circular. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 2 – NON-CASH ASSISTANCE

CRRMA did not receive any federal awards in the form of non-cash assistance during the year.

NOTE 3 – SUBRECIPIENTS

CRRMA did not provide any federal awards to subrecipients during the year.

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

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

We have audited the financial statements of the Camino Real Regional Mobility Authority (CRRMA) as of and for the year ended August 31, 2012 and have issued our report thereon dated March 4, 2013. 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

Management of the CRRMA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County'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 County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Compliance and Other Matters

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

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

CliftonLarsonAllen LLP

Albuquerque, New Mexico
March 4, 2013

**Independent Auditor's Report on Compliance with Requirements that Could Have a
Direct and Material Effect on Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133 and State of Texas Audit Circular**

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

Compliance

We have audited the compliance of Camino Real Regional Mobility Authority (CRRMA) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the State of Texas Single Audit Circular that could have a direct and material effect on each of CRRMA's major federal programs for the year ended August 31, 2012. CRRMA's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of CRRMA's management. Our responsibility is to express an opinion on CRRMA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Not-For-Profit Organizations*. Those standards, OMB Circular A-133 and Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about CRRMA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on CRRMA's compliance with those requirements.

In our opinion, CRRMA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended August 31, 2012.

Internal Control over Compliance

The management of CRRMA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered CRRMA's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CRRMA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance 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 management, the Board of Directors, others within the entity, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
March 4, 2013

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
August 31, 2012**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? yes none reported

Type of auditors’ report issued on compliance for major program: Unqualified.

Any audit findings, disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

Identification of major program:

CFDA Number(s)	Name of Federal Program or Cluster
20.205	ARRA and Non-ARRA, Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs \$1,678,623

Auditee qualified as low-risk auditee? yes no

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
August 31, 2012**

Section I – Summary of Auditors’ Results (continued)

State Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? yes none reported

Type of auditors’ report issued on compliance for major program: Unqualified.

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

Identification of major program:

CFDA Number(s)	Name of State Program or Cluster
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None	None
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Dollar threshold used to distinguish between type A and type B programs \$ N/A

Auditee qualified as low-risk auditee? yes no

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
August 31, 2012**

Section II – Financial Statement Findings

No financial statement findings are reported for fiscal year ending August 31, 2012.

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
August 31, 2012**

Section III – Federal Award Findings and Questioned Costs

No federal award findings are reported for fiscal year ending August 31, 2012.

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
August 31, 2012**

Section I—Financial Statement Findings

Finding 2011-01 Unrecorded Financial Activity (Material Weakness) - CLEARED

Condition: During the course of our FY11 audit test work, we noted that the general ledger of the CRRMA did not include the following financial activity, resulting in material audit adjustments:

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

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

The CRRMA has hired an accounting firm to provide monthly accounting services, as a result this finding was cleared during FY12.

Section II – Federal Award Findings and Questioned Costs

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

Section III – State Award Findings and Questioned Costs

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

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
EXIT CONFERENCE
August 31, 2012**

An exit conference was held with CRRMA on February 12, 2013. The conference was held at Camino Real Mobility Authority. In attendance were:

CAMINO REAL REGIONAL MOBILITY AUTHORITY

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

CLIFTONLARSONALLEN LLP

Janet Pacheco-Morton, CPA, CGFM, Partner

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