

**CAMINO REAL REGIONAL MOBILITY AUTHORITY
ANNUAL FINANCIAL AND COMPLIANCE REPORTS
WITH INDEPENDENT AUDITOR'S REPORT**

YEARS ENDED AUGUST 31, 2018 AND 2017

CAMINO REAL REGIONAL MOBILITY AUTHORITY

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Camino Real Regional Mobility Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Camino Real Regional Mobility Authority (CRRMA), as of and for the years ended August 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the CRRMA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the CRRMA as of August 31, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 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. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CRRMA's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State of Texas Uniform Grant Management Standards and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2019 on our consideration of the CRRMA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CRRMA's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Gibson Ruddock Patterson LLC". The signature is written in a cursive, flowing style.

Gibson Ruddock Patterson LLC

El Paso, Texas

April 4, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) provides an overview of the Camino Real Regional Mobility Authority's (CRRMA) financial performance for the fiscal year ended August 31, 2018. As you read the MD&A, "2018" refers to the fiscal year ended August 31, 2018 and "2017" refers to the fiscal year ended August 31, 2017. 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 position decreased by \$14,082,356 as compared to an increase of \$36,047,163 in 2017.
- As of August 31, 2018 assets exceeded liabilities by \$36,748,335.

Overview of CRRMA

The City of El Paso (City) created the CRRMA by Resolution dated March 13, 2007. The first meeting of the CRRMA Board of Directors 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 the statements of net position; statements of revenues, expenses and changes in net position; 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 position depict CRRMA's financial position as of a point in time and include all assets and liabilities of CRRMA. The net position represents the residual interest in CRRMA's assets after liabilities are deducted, and are displayed in three categories; net investment in capital assets, restricted, and unrestricted net position.

The statements of revenues, expenses and changes in net position 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 17 to 36 of this report.

Financial Analysis

Financial Position. Table 1 is a summarized version of the statement of net position as of August 31, 2018, 2017, and 2016. 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, intergovernmental receivables, investments, and capital assets. Most liabilities represent accounts payable, unearned revenue, and bonds and notes payable.

Table 1
Assets, Liabilities and Net Position

As of August 31,	2018	2017 (Restated)	%Change	2016	% Change
CURRENT ASSETS					
Current Assets	\$ 167,272,014	\$ 284,382,480	-41%	\$ 509,550,358	-44%
Noncurrent Assets	77,507,295	110,419,404	-30%	106,183,484	4%
Capital Assets, net	78,123,537	78,479,391	-0.45%	32,958,724	138%
Total Assets	\$ 322,902,846	\$ 473,281,275	-32%	\$ 648,692,566	-27%
LIABILITY AND NET ASSETS					
Current Liabilities	100,461,303	205,762,771	-51%	422,321,983	-51%
Non-current Liabilities:					
Long-Term Bonds					
and Notes Payables	185,693,208	216,687,813	-14%	211,587,055	2%
Total Liabilities	286,154,511	422,450,584	-32%	633,909,038	-33%
Net Position					
Net Investment in					
capital assets	78,123,537	78,479,391	-0.45%	32,958,724	138%
Restricted for grant	104,236	306,839	-66%	396,825	-23%
Unrestricted	(41,479,438)	(27,955,539)	-48%	(18,572,021)	-51%
Total Net Position	\$ 36,748,335	\$ 50,830,691	-28%	\$ 14,783,528	244%

Current Assets. Current assets decreased by \$117 million or 41% in 2018 as compared to 2017. The decrease in 2018 occurred primarily because CRRMA utilized funds received in advance for the Streetcar and Border West Expressway projects.

Current assets decreased in 2017 by \$225 million or 44% as compared to 2016. The decrease in 2017 occurred because CRRMA utilized funds received in advance for the Streetcar and Border West Expressway projects.

Capital Assets. Capital assets decreased by \$356 thousand in 2018 compared to a \$46 million increase in 2017. The net decrease is the result of depreciation on the bike share equipment.

The CRRMA also capitalized \$13,485,408 of Streetcar project costs and transferred \$13,607,915 of the Streetcar project assets to the City of El Paso for the Maintenance and Storage Facility and improvements to Cincinnati Street.

Additionally, based on a reinterpretation of a funding agreement with TxDOT in 2018, it was determined that equipment capitalized in a prior year and depreciated by the CRRMA was actually owned by TxDOT. Therefore, a prior period adjustment is recorded to remove the cumulative effect of the capitalization and annual depreciation as of the beginning of 2017 and the statements for 2017 are restated in these financial statements. The adjustment reduced the 2017 beginning net position by \$2,302,191 and increased the change in net position by \$177,092.

Current Liabilities. Current liabilities decreased by \$105 million or 51% in 2018 as compared to 2017. The majority of the decrease is related to the utilization of a portion of the advanced funds received for the Streetcar and Border West Expressway projects recorded as unearned revenue in prior years.

Current liabilities decreased by \$217 million or 51% in 2017 as compared to 2016. The majority of the decrease is related to the utilization of a portion of the advanced funds received for the Streetcar and Border West Expressway projects recorded as unearned revenue in prior years.

Noncurrent Liabilities. Noncurrent liabilities decreased by \$31 million or 14% in 2018 as compared to 2017. The change is attributed to the repayment of bonds and notes payable. Details of bonds payable are included in Note 8 to the financial statements.

Noncurrent liabilities increased by \$5 million or 2% in 2017 as compared to 2016. The change is attributed to the issuance of bonds in 2017. Details of bonds payable are included in Note 8 to the financial statements.

As of August 31, 2018 and 2017, CRRMA had total bonded debt outstanding of \$159.8 million and \$187.7 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 and vehicle registration fee revenues from the County of El Paso.

Table 2 is a summary of outstanding debt.

**Table 2
Outstanding Debt**

As of August 31,	2018	2017	2016
Series 2008 bond, Including Premium of \$3,540,542 at 08/31/18	\$ 55,935,542	\$ 82,455,428	\$ 109,731,474
Series 2014 bond, Including Premium of \$3,862,683 at 08/31/18	67,752,683	69,077,391	70,253,018
Series 2017 bond, Including Premium of \$1,477,882 at 08/31/18	36,157,882	36,205,978	-
TxDot Financial Assistance Agreement #1	756,406	756,406	756,406
TxDot Financial Assistance Agreement #2	4,288,014	4,288,014	4,288,014
State Infrastructure Bank Loans	50,571,880	51,922,133	53,217,937
Total Debt	\$ 215,462,407	\$ 244,705,350	\$ 238,246,849

Results of Operations. Table 3 is a summarized version of the statement of revenues, expenses and changes in net position for the years ended 2018, 2017, and 2016.

Table 3
Revenues, Expenses and Changes in Net Position

As of August 31,	2018	2017 (Restated)	% Change	2016	% Change
Operating Revenue	\$ 128,569,555	\$ 243,218,147	-47%	\$ 136,642,396	78%
Operating Expenses	1,052,575	1,303,995	-19%	1,133,276	15%
Net Operating Income	127,516,980	241,914,152	-47%	135,509,120	79%
Non-Operating Revenues, Expenses, and Transfers	(140,630,610)	(204,778,193)	-31%	(125,528,193)	63%
Extraordinary Item	(968,726)	(1,315,552)		-	
Increase (Decrease) in Net position	(14,082,356)	35,820,407	-139%	9,980,927	259%
Prior Period Adjustment	-	226,756		-	
Ending Net Position	36,748,335	50,830,691	-28%	14,783,528	244%

Total Net Position. Net position decreased by \$14.1 million in 2018 or 28% as compared to 2017.

Net position increased by \$36 million or 244% in 2017 as compared to 2016.

Operating Revenues. Operating revenues decreased by \$114 million in 2018 as compared to 2017. The majority of the change is attributed to a decrease in the construction activities of the Streetcar and Border West Expressway Projects.

Operating revenues increased by \$106 million in 2017 as compared to 2016. The majority of the change is attributed to the increase in construction activity of the Streetcar and Border West Expressway Projects.

Operating Expenses. Operating expenses decreased by \$251 thousand or 19% in 2018 as compared to 2017. The majority of the decrease is attributed to a decrease in engineering fees for the César Chávez Border Highway.

Operating expenses increased by \$170 thousand or 15% in 2017 as compared to 2016. The majority of the increase is attributed to an increase in costs that were unreimbursed from federal or other sources.

Non-operating Revenues, Expenses, and Transfers. Non-operating revenues, expenses, and transfers decreased by \$64 million or 31% in 2018 as compared to 2017, due to a decrease in activity in the Border West Expressway Project.

Non-operating revenues, expenses and transfers increased by \$79 million or 63% in 2017 as compared to 2016, due to an increase in activity in the Border West Expressway Project.

Fiscal Year 2018 Highlights

State Spur 1966 (Inner Loop) Project

The CRRMA's initial bond issuance (\$233,355,000 in Pass-Through Toll Transportation Revenue Bonds (State Spur 601), Series 2008) was for the development of the State Spur 601 Project. All construction activities were completed in FY2011 but Wells Fargo Bank, National Association continued to serve as the trustee for this issuance through 2018. Pass-through payments from the Texas Department of Transportation (TxDOT) in a total maximum aggregate pledged amount of \$312,450,000, serve as the repayment source for these bonds. CRRMA activities in 2018 were limited to debt service payments in the amount of \$29,123,279.

2008 El Paso Comprehensive Mobility Plan Projects

The CRRMA continued debt payments in FY2018 related to 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. In order to complete these three projects, the CRRMA secured three State Infrastructure Bank loans (in the amounts of \$30,000,000, \$20,000,000 and \$6,000,000 respectively) using revenues pledged to the CRRMA from the City of El Paso's Transportation Reinvestment Zones 2 and 3. While the CRRMA's construction activities on the Zaragoza and Transmountain Northeast projects were completed prior to this fiscal year, the CRRMA continued repayment of all three loans in 2018. In 2018, the CRRMA made SIB loan repayments on the Americas Interchange, Zaragoza Direct Connectors and Transmountain Northeast Projects in the respective amounts of \$695,000, \$255,829, and \$399,424.

César Chávez Express Toll Lanes

In January of 2014, the CRRMA began operations and maintenance of the César Chávez Express Toll Lanes on Loop 375 – the region's first toll operation outside of the area's international bridges. On August 9, 2017, the CRRMA Board of Directors suspended toll collections, while directing the continued collection of toll fees previously incurred. Total revenues collected in fiscal year 2018 amount to \$33,515. The CRRMA Board also directed staff to identify and begin implementing steps necessary to permanently remove tolls from the Chávez facility. CRRMA discussions with the Texas Department of Transportation regarding the permanent removal of tolls from the Chávez facility continued into 2019.

SunCycle – El Paso Bike Share Program

The CRRMA's bike share program (SunCycle) continued through 2018 with its one hundred sixty bikes and sixteen stations. Through 2018, the program tallied over 15,200 bike rides, which amounted to over 78,000 miles ridden, 74,000 pounds of carbon offset and almost 3,100,000 calories burned. Also in 2018, the program generated more than \$170,000 in revenues from fares and sponsorships.

Border West Expressway Project

The Border West Expressway Project is a joint effort with TxDOT, whereby TxDOT granted the CRRMA \$500,000,000 for partial payment of an approximately nine-mile toll facility. The funds were granted to the CRRMA in fiscal year 2014 and construction began in fiscal year 2015. TxDOT manages the construction activities, while the CRRMA will operate the toll component upon opening. The CRRMA has made expenditures totaling \$464,964,089 through 2018.

El Paso Streetcar Project

The El Paso Streetcar Project is another jointly developed project with the partners including the City of El Paso, TxDOT and the CRRMA. The City originally developed the design and alignment for the project. TxDOT provided the CRRMA with a \$97,000,000 grant to complete the remaining procurement and construction activities of the project. Upon completion, the CRRMA will transfer the program back to the City of El Paso's Mass Transit Department (Sun Metro). The CRRMA has made project expenditures totaling nearly \$90 million from commencement in 2015 through 2018 and transferred \$13.6 million of Streetcar project assets to the City for the Maintenance and Storage Facility and improvements to Cincinnati Street.

2013 El Paso County Comprehensive Mobility Plan Projects

The CRRMA partnered with the Texas Department of Transportation and El Paso County (County) for the development of a slate of projects known locally as the 2013 El Paso County Comprehensive Mobility Plan (2013 CMP). The CRRMA's role in the 2013 CMP is varied and includes financing, design, construction and/or construction management of various projects. To fund this program, the County implemented an optional vehicle registration fee and pledged the associated revenues to the CRRMA. The CRRMA then used that pledge as the repayment source for two debt issuances (Series 2014 (Senior) and Series 2017 (Subordinate)). The CRRMA has been using these bond proceeds to develop various 2013 CMP projects, with expenditures from Series 2014 bonds in 2015, 2016, 2017, and 2018 totaling \$5,099,321, \$18,621,080, \$13,656,637, and \$12,770,451 respectively. Expenditures of Series 2017 bonds in 2018 totaled \$3,429,684.

Americas Managed Lanes Project

Development of the preliminary engineering and environmental services for this project continued into 2018, utilizing grant funds from TxDOT. However, due to the suspension of tolls on the adjacent Chávez facility, this project is now being pursued as a non-toll facility. The referenced preliminary engineering and environmental services commenced in 2013. The resulting environmental document will be used in the development of two distinct projects: Loop 375 Main Lane Widening Project and Loop 375 Frontage Road & Ramps Project.

Loop 375 Widening and Loop 375 Frontage Roads & Ramps Projects

The CRRMA is tasked with completion of the plans, specifications and estimates (PS&E) for both of these projects, utilizing funding from TxDOT and the work product from the Americas Managed Lanes Project. The projects improve TxDOT's Loop 375, near the Zaragoza Port of Entry. The Widening Project will add capacity to Loop 375 by adding an inside lane in each direction. The Frontage Road and Ramps Project will extend frontage roads over the railroad tracks and canal while also flipping existing on and off ramps in the area.

CRRMA Revenues

The majority of CRRMA revenues in this fiscal year were limited to: (i) administrative fees from the Spur 601 and vehicle registration fee bonds; (ii) SunCycle Program sponsorship and revenues; (iii) TxDOT grant funds for the Americas Managed Lanes Project (iv) toll revenues from the Chávez Express Toll Lanes; (v) TxDOT grant funds for the Border Highway West Project; (vi) TxDOT grant funds for the El Paso Streetcar Project; (vii) contributions from local governments including the City of El Paso and El Paso Water Utilities, and (viii) interest generated from existing CRRMA funds, which includes interest generated through the Spur 601 Project and VRF Bonds. Total CRRMA operating expenditures in fiscal year 2018 were \$1,052,575.

Financial Future of the CRRMA

The CRRMA anticipates another strong year in 2019, with several of its major transportation projects moving toward completion and others just beginning. The Streetcar and Border West Expressway Projects will be completed during 2019, while expenditures on the Loop 375 Main Lane Widening and Loop 375 Frontage Roads & Ramps Projects will begin to increase. Expenditures related to construction of the 2013 CMP Projects will continue as well, as the CRRMA focuses on revenue generation from its SunCycle bike share program. The CRRMA also continues its coordination with various regional transportation partners for the identification of additional projects to be developed with CRRMA involvement. Accordingly, the CRRMA once again anticipates the continued expansion of its financial activities into fiscal year 2019 and beyond.

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 located to 801 Texas Avenue, El Paso, Texas 79901. The main telephone number is (915) 212-1072. Questions may be directed to Raymond L. Telles, Executive Director.

BASIC FINANCIAL STATEMENTS

CAMINO REAL REGIONAL MOBILITY AUTHORITY

STATEMENTS OF NET POSITION

AUGUST 31, 2018 AND 2017

ASSETS	2018	Restated 2017
Current Assets		
Cash and cash equivalents	\$ 5,164,487	\$ 4,323,706
Restricted cash and cash equivalents	124,964,867	245,199,579
Intergovernmental receivables	37,142,660	34,859,195
Total current assets	167,272,014	284,382,480
Non-Current Assets		
Intergovernmental receivables	43,583,484	74,883,484
Restricted long-term investments	33,923,811	35,535,920
Capital assets:		
Bike share equipment, net	145,469	378,816
Construction in progress	77,978,068	78,100,575
Capital assets, net of accumulated depreciation	78,123,537	78,479,391
Total noncurrent assets	155,630,832	188,898,795
Total assets	\$ 322,902,846	\$ 473,281,275
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 26,219,849	\$ 29,423,925
Bonds payable, due within one year	28,358,098	26,667,284
Accrued interest	2,209,937	2,474,475
State infrastructure bank loans	1,411,101	1,350,253
Unearned revenue	42,262,318	145,846,834
Total current liabilities	100,461,303	205,762,771
Non-Current Liabilities		
Bonds payable (including unamortized premiums)	131,488,009	161,071,513
State infrastructure bank loans	49,160,779	50,571,880
Notes payable	5,044,420	5,044,420
Total non-current liabilities	185,693,208	216,687,813
Total liabilities	286,154,511	422,450,584
Net Position		
Net investment in capital assets	78,123,537	78,479,391
Restricted for grant requirements	104,236	306,839
Unrestricted	(41,479,438)	(27,955,539)
Total net position	36,748,335	50,830,691
Total liabilities and net position	\$ 322,902,846	\$ 473,281,275

The notes to the financial statements are an integral part of this statement.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED AUGUST 31, 2018 AND 2017

	2018	Restated 2017
OPERATING REVENUES		
TxDOT - Planning Project Development Agreement	\$ 642,674	\$ 152,753
TxDOT - Federal Grants	601,101	1,035,698
TxDOT - Old Hueco Tanks Road - Federal and State	2,592,180	3,858,183
TxDOT - LP375 - Frontage Roads and Widening	4,983,289	-
TxDOT - Project Agreements	-	24,433
TxDOT - Border West Expressway	93,150,871	177,360,533
TxDOT - Streetcar Project	10,805,424	49,034,481
Chávez Toll Revenue	33,515	194,947
Bike Share Revenue	170,873	95,246
Local Governments	15,556,678	11,431,473
In-kind	32,950	30,400
	128,569,555	243,218,147
Total operating revenues		
OPERATING EXPENSES		
Salary and benefits	237,850	205,066
Depreciation	233,347	233,348
In-kind	32,950	30,400
Legal	57,145	99,696
Engineering	163,998	364,947
Other contracts	195,142	229,679
Promotional	4,025	720
Financial	35,000	69,000
Travel and conferences	3,675	4,585
Professional fees	78,444	61,088
Supplies and other	10,999	5,466
	1,052,575	1,303,995
Total operating expenses		
Income from operations	127,516,980	241,914,152
NON-OPERATING REVENUES AND EXPENSES		
Interest income	2,410,874	1,570,343
Interest subsidies	433,504	443,321
Gain on retirement of bonds	79,845	208,140
Intergovernmental transfers of capital assets	(133,352,432)	(195,409,748)
Interest expense	(9,425,742)	(9,762,991)
Bond issuance costs	-	(861,511)
Other	(776,659)	(965,747)
	(140,630,610)	(204,778,193)
Total net non-operating expenses		
Income before extraordinary items	(13,113,630)	37,135,959
Extraordinary items:		
Costs for removal of toll equipment	(968,726)	-
Loss on streetcar project	-	(1,315,552)
	(14,082,356)	35,820,407
Change in net position		
Net position - beginning of year	50,830,691	14,783,528
Prior period adjustments	-	226,756
	\$ 36,748,335	\$ 50,830,691
Net position - end of year	\$ 36,748,335	\$ 50,830,691

The notes to the financial statements are an integral part of this statement.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED AUGUST 31, 2018 AND 2017

	2018	Restated 2017
Cash Flows from Operating Activities		
Receipts from other agencies	\$ 53,764,236	\$ 47,747,804
Receipts from users	204,388	290,193
Payments to employees	(307,043)	(270,912)
Payments to professionals	(118,580,071)	(186,227,766)
Net cash used by operating activities	(64,918,490)	(138,460,681)
Cash Flows from Noncapital Financing Activities		
Repayment of debt	(27,985,253)	(28,515,804)
Interest paid	(10,868,125)	(10,599,142)
Payment for loss on streetcar project	-	(1,315,552)
Payments for other nonoperating activities	(799,504)	(965,747)
Cash received for interest subsidy	433,504	443,321
Net cash used by noncapital financing activities	(39,219,378)	(40,952,924)
Cash Flows from Capital and Related Financing Activities		
Acquisition/construction of capital assets	(19,279,046)	(47,171,451)
Proceeds from bond issuance	-	35,344,467
Net cash used by capital and related financing activities	(19,279,046)	(11,826,984)
Cash Flows from Investing Activities		
Purchase of investments	(504,393)	(35,535,920)
Proceeds from the sale of investments	2,116,502	-
Interest received	2,410,874	1,570,343
Net cash provided (used) by investing activities	4,022,983	(33,965,577)
Net decrease in cash and cash equivalents	(119,393,931)	(225,206,166)
Cash and cash equivalents - beginning of year	249,523,285	474,729,451
Cash and cash equivalents - end of year	\$ 130,129,354	\$ 249,523,285
Reconciliation of Operating Income to Net Cash Used by Operating Activities		
Operating income	\$ 127,516,980	\$ 241,914,152
Adjustments to reconcile operating income to net cash:		
Depreciation expense	233,347	233,348
Decrease in intergovernmental receivables	29,016,535	31,261,712
Increase in accounts and other payables	1,643,681	9,951,317
Decrease in unearned revenue	(103,584,516)	(226,411,462)
Capital expenditures transferred out to other governments	(119,744,517)	(195,409,748)
Net cash used by operating activities	\$ (64,918,490)	\$ (138,460,681)
Noncash capital and related financing activities:		
Capital assets transferred to other government	\$ (13,607,915)	\$ -

The notes to the financial statements are an integral part of this statement.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

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. The City of El Paso formally created CRRMA pursuant to the conditions of the Texas Department of Transportation (TxDOT) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 CRRMA 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 is accounted for as a proprietary fund engaged in business-type activities. In accordance with Government Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, and with accounting principles generally accepted in the United States of America, the financial statements are prepared on the accrual basis of accounting, which requires recognition of revenue when earned and expenses when incurred.

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, assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operations are included on the statement of net position.

(Continued)

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, 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. Repurchase agreements and flexible repurchase agreements shall be limited to a maximum maturity of one (1) year, qualifying as cash equivalents, although any underlying U.S. government obligations pledged as collateral may have maturities extending beyond the term of such repurchase agreements.

Restricted Assets

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

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.

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 and federal income taxes.

Capital Assets

CRRMA follows the capitalization policy of the City of El Paso. Capital assets, which include property, plant and equipment, and infrastructure assets, are those assets with a value of \$5,000 or more and with useful lives of more than one year. Also, the value of existing capital assets is increased for any additions regardless of the amount, when the useful life is extended or the functionality of the asset is improved. Assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the assets or substantially extend the life of the assets are not capitalized.

Capital assets of the CRRMA are depreciated using the straight-line method over the following estimated useful lives below. Capital assets under construction are not depreciated until construction is completed.

<u>Assets</u>	<u>Years</u>
Bike Share Equipment	3

(Continued)

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating and Nonoperating Revenues and Expenses

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues for CRRMA are derived from TxDOT Project Agreements, federal grants, toll revenue, reimbursement from the City of El Paso for loan payments (see Note 8), and vehicle registration fees from the County of El Paso, Texas. Grants received in advance of expenditures are recorded as unearned revenue. In fiscal year 2018, revenue was recognized for the Border West Expressway and Streetcar Projects. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Net Position Categories

Net investment in capital assets - this component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds or other borrowings that are attributable to the acquisition, construction or improvement of those assets. CRRMA's debt will remain upon transfers to outside entities and is therefore not considered debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position - this component of net position consists of restricted assets which arose from grants and interlocal agreements for the bike share program.

Unrestricted net position - this component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investments in capital assets or the restricted components of net position. In fiscal year 2018, the CRRMA had a deficit unrestricted net position of \$41,479,438. This was primarily due to the capitalization of assets which were transferred to the County of El Paso in fiscal years 2017 and 2018 and have related debt. Management intends to eliminate the deficit through future pass-through toll revenue and City and County of El Paso revenue to reduce loans and bonds payable balances.

When both restricted and unrestricted resources are available for use, it is CRRMA's policy to use restricted resources first, then unrestricted resources as needed.

Bond Premiums and Discounts

CRRMA amortizes the premiums and discounts over the estimated life of the bonds and records the amount as an adjustment to interest expense.

(Continued)

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

3. CASH AND CASH EQUIVALENTS

The carrying amounts of CRRMA's cash and cash equivalents at August 31 are as follows:

	2018	2017
Cash in bank - Unrestricted (held by the City of El Paso)	\$ 5,164,487	\$ 4,323,706
Cash in bank - Restricted (held by the City of El Paso)	22,734,260	728,752
Cash and cash equivalents - Restricted		
Bank of Texas	53,300,993	146,411,114
BNY Mellon	34,125,794	46,808,889
Streetcar Project (held by the City of El Paso), \$0 and \$2,145,735 for 2018 and 2017, respectively, are reported as unrestricted.	10,504,649	27,104,949
Wells Fargo SIB Subsidy Account	216,752	221,661
Wells Fargo Money Market	4,082,419	1,918,706
Wells Fargo Repurchase Agreement (held by the City of El Paso)	-	22,005,508
	<hr/>	<hr/>
Total cash and cash equivalents	\$ 130,129,354	\$ 249,523,285

Cash and cash equivalents of \$38,403,396 and \$54,162,915 at August 31, 2018 and 2017, respectively, were held by the City of El Paso as the CRRMA's fiscal agent. As such, the City of El Paso retains responsibility to safeguard these funds.

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;

As of August 31, 2018, the CRRMA's Wells Fargo money market investments reported in cash and cash equivalents were rated AAAM by Standard & Poor's and Aaa-mf by Moody's. The Bank of Texas and Bank of New York Mellon money market investments were rated AAAM by Standard & Poor'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 can be invested primarily in short-term securities, money market mutual funds, or similar investment pools and the maximum maturity of a single investment shall not exceed three years and the maximum dollar-weighted average maturity for the investment portfolio shall not exceed two years.

(Continued)

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

3. CASH AND CASH EQUIVALENTS (Continued)

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. The CRRMA's requires all deposits or investments to be fully collateralized. The CRRMA's funds held with Wells Fargo Bank N.A., Bank of Texas, and Bank of New York Mellon were fully collateralized or invested in securities backed by the U.S. government held in CRRMA's name as of August 31, 2018 and August 31, 2017.

In addition, CRRMA's policy requires repurchase agreements to be collateralized at 102%. In July 2018, the repurchase agreement held by the City on behalf of the CRRMA was terminated. As of August 31, 2017, the repurchase agreement had \$23,105,783 of underlying securities held by the pledging financial institution or in City of El Paso's name.

Concentration of Credit Risk

Concentration of credit risk is limited to the loss attributed to the magnitude of a government's investment in a single issuer by diversifying the investments of the funds. CRRMA's policy states that the portfolio must be diversified. CRRMA diversifies its portfolio by investing in three separate money market funds and in a repurchasing agreement invested in Federal Agency bonds and notes.

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 2018 and 2017.

4. LONG-TERM INVESTMENTS

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. In addition, guaranteed investment contracts (GICs) that have a defined termination date and are secured by obligations of the United States or its agencies are deemed authorized investments.

The CRRMA's long-term investments at August 31 are shown below at fair value:

<u>Investments</u>	<u>2018</u>	<u>2017</u>	<u>Maturity Date</u>	<u>Credit Rating</u>
Repurchase Agreement Invested in Federal Agency Bonds and Notes	<u>\$ 33,923,811</u>	<u>\$ 35,535,920</u>	06/30/2020	N/A

(Continued)

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

4. LONG-TERM INVESTMENTS (Continued)

In April 2017, CRRMA directed the Bank of New York Mellon Trust Company, N.A., the trustee of the amounts on deposit from the CRRMA's Subordinate Lien Vehicle Registration Fee Revenue Bonds, Series 2017, to enter into a Master Repurchase Agreement with Citigroup Global Markets Inc, for the purpose of investing the bond proceeds. The parties agreed that the pricing rate used for the transactions shall be 1.22% per annum and the margin percentage shall be 102% with regard to eligible securities specified in the Repurchase Agreement. The market value of the underlying securities was \$34,753,380 and \$36,561,228 at August 31, 2018 and 2017, respectively, which met or exceeded the required 102% in both years. The securities were rated AAA by Moody's.

The CRRMA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The CRRMA has the following recurring fair value measurements as of August 31, 2018 and 2017:

- The fair value of the Repurchase Agreement of \$33,923,811 and \$35,535,920 as of August 31, 2018 and 2017, respectively, is based on the contractual terms of the underlying Guaranteed Investment Contract (Level 2 inputs).

5. INTERGOVERNMENTAL RECEIVABLES

Current intergovernmental receivables is comprised of the following amounts due from governmental agencies as of August 31:

	2018	2017
TxDOT		
Project Development Agreement - Americas Project	\$ 251,337	\$ 132,587
Spur 601 Agreement	31,300,000	31,300,000
Old Hueco Tanks Road Agreement	356,978	1,292,748
LP375 - Frontage Roads	1,758,283	-
LP375 - Widening	1,871,650	-
Various agencies	239,150	191,031
City of El Paso - SIB loan payments	1,365,262	1,400,743
El Paso Water Utilities - Streetcar Project	-	542,086
Total intergovernmental receivables - current	\$ 37,142,660	\$ 34,859,195

(Continued)

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

5. INTERGOVERNMENTAL RECEIVABLES (Continued)

The Spur 601 Pass-Through Toll agreement (Project) contains a commitment which states, "After the Project is substantially completed, TxDOT will reimburse CRRMA with semi-annual payments of no less than \$15,650,000 or no more than \$17,500,000. Each semi-annual 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 TxDOT payments to CRRMA reach the maximum aggregate amount of \$312,450,000."

The balance for fiscal years ended 2018 and 2017 was \$74,883,484 and \$106,183,484, respectively. This balance includes the current portion of \$31,300,000 (see above) and the non-current intergovernmental portion of \$43,583,484 and \$74,883,484 for fiscal years ended 2018 and 2017, respectively.

6. CAPITAL ASSETS

Capital assets activity for the year ended August 31 was as follows:

	2018			
	Beginning Balance 9/1/2017	Additions	Deletions	Ending Balance 8/31/2018
Capital assets not being depreciated:				
Construction in progress - Streetcar Project	\$ 78,100,575	\$ 13,485,408	\$ (13,607,915)	\$ 77,978,068
Total capital assets not being depreciated	<u>78,100,575</u>	<u>13,485,408</u>	<u>(13,607,915)</u>	<u>77,978,068</u>
Capital assets being depreciated:				
Bike Share Equipment	700,043	-	-	700,043
Total capital assets being depreciated	<u>700,043</u>	<u>-</u>	<u>-</u>	<u>700,043</u>
Less accumulated depreciation for:				
Bike Share Equipment	(321,227)	(233,347)	-	(554,574)
Total accumulated depreciation	<u>(321,227)</u>	<u>(233,347)</u>	<u>-</u>	<u>(554,574)</u>
Total capital assets being depreciated, net	<u>378,816</u>	<u>(233,347)</u>	<u>-</u>	<u>145,469</u>
Total capital assets, net	<u>\$ 78,479,391</u>	<u>\$ 13,252,061</u>	<u>\$ (13,607,915)</u>	<u>\$ 78,123,537</u>

(Continued)

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

6. CAPITAL ASSETS (Continued)

	2017			Ending Balance 8/31/2017
	Restated Beginning Balance 9/1/2016	Additions	Deletions	
Capital assets not being depreciated:				
Construction in progress - Streetcar Project	\$ 30,381,648	\$ 47,718,927	\$ -	\$ 78,100,575
Total capital assets not being depreciated	30,381,648	47,718,927	-	78,100,575
Capital assets being depreciated:				
Bike Share Equipment	362,764	337,279	-	700,043
Total capital assets being depreciated	362,764	337,279	-	700,043
Less accumulated depreciation for:				
Bike Share Equipment	(87,879)	(233,348)	-	(321,227)
Total accumulated depreciation	(87,879)	(233,348)	-	(321,227)
Total capital assets being depreciated, net	274,885	103,931	-	378,816
Total capital assets, net	\$ 30,656,533	\$ 47,822,858	\$ -	\$ 78,479,391

The Construction in Progress - Streetcar Project reported above is transferred to the City of El Paso in individual components in accordance with an interlocal agreement with the City of El Paso, which details the transfer process. At the date of issuance of these financial statements, all components are in the possession of and have been conditionally accepted by the City of El Paso.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2018	2017
Invoices related to Border West Expressway Project	\$ 14,652,765	\$ 15,936,662
Invoices related to Streetcar Project	3,706,962	9,500,600
Invoices related to LP375 - Frontage Roads Project	1,749,396	-
Invoices related to LP375 - Widening Project	1,861,636	-
Invoices related to Vehicle Registration Fee Projects	2,190,294	2,933,750
Invoice for removal of toll equipment	968,726	-
Invoices related to other projects	1,029,351	992,790
Accrued payroll and related liabilities	60,719	60,123
Total accounts payable and accrued liabilities	\$ 26,219,849	\$ 29,423,925

(Continued)

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

8. LONG-TERM DEBT

The following is a summary of changes in long-term debt as of August 31:

Description	2018			Balance August 31, 2018	Due Within One Year
	Balance August 31, 2017	Additions	Reductions		
<u>Bonds Payable:</u>					
Series 2008	\$ 77,790,000	\$ -	\$ 25,395,000	\$ 52,395,000	\$ 25,520,000
Series 2014	65,110,000	-	1,220,000	63,890,000	1,280,000
Series 2017	34,700,000	-	20,000	34,680,000	310,000
<u>Unamortized Premiums:</u>					
Series 2008	4,665,428	-	1,124,886	3,540,542	1,109,884
Series 2014	3,967,391	-	104,708	3,862,683	108,974
Series 2017	1,505,978	-	28,096	1,477,882	29,240
Total Bonds Payable	187,738,797	-	27,892,690	159,846,107	28,358,098
<u>Notes Payable:</u>					
TxDot Financial Assist. Agreement #1	756,406	-	-	756,406	-
TxDot Financial Assist. Agreement #2	4,288,014	-	-	4,288,014	-
State Infrastructure Bank Loan #1	27,485,000	-	695,000	26,790,000	725,000
State Infrastructure Bank Loan #2	5,173,814	-	255,829	4,917,985	266,404
State Infrastructure Bank Loan #3	19,263,319	-	399,424	18,863,895	419,697
Total Notes Payable	56,966,553	-	1,350,253	55,616,300	1,411,101
Total long-term debt	\$ 244,705,350	\$ -	\$ 29,242,943	\$ 215,462,407	\$ 29,769,199

Interest expense incurred on long-term debt amounted to \$9,425,742 for the year ended August 31, 2018.

(Continued)

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

8. LONG-TERM DEBT (Continued)

Description	2017			Balance August 31, 2017	Due Within One Year
	Balance August 31, 2016	Additions	Reductions		
<u>Bonds Payable:</u>					
Series 2008	\$ 103,835,000	\$ -	\$ 26,045,000	\$ 77,790,000	\$ 24,230,000
Series 2014	66,285,000	-	1,175,000	65,110,000	1,220,000
Series 2017	-	34,700,000	-	34,700,000	20,000
Unamortized Premiums:					
Series 2008	5,896,474	-	1,231,046	4,665,428	1,064,480
Series 2014	3,968,018	-	627	3,967,391	104,708
Series 2017	-	1,505,978	-	1,505,978	28,096
Total Bonds Payable	179,984,492	36,205,978	28,451,673	187,738,797	26,667,284
<u>Notes Payable:</u>					
TxDot Financial Assist. Agreement #1	756,406	-	-	756,406	-
TxDot Financial Assist. Agreement #2	4,288,014	-	-	4,288,014	-
State Infrastructure Bank Loan #1	28,155,000	-	670,000	27,485,000	695,000
State Infrastructure Bank Loan #2	5,419,488	-	245,674	5,173,814	255,829
State Infrastructure Bank Loan #3	19,643,449	-	380,130	19,263,319	399,424
Total Notes Payable	58,262,357	-	1,295,804	56,966,553	1,350,253
Total long-term debt	\$ 238,246,849	\$ 36,205,978	\$ 29,747,477	\$ 244,705,350	\$ 28,017,537

Interest expense incurred on long-term debt amounted to \$9,762,991 for the year ended August 31, 2017.

Bonds Payable

On January 15, 2008, CRRMA issued \$233,355,000 Pass-Through Toll Transportation Revenue Bonds (State Spur 601), Series 2008, with interest rates ranging from 5.00 to 5.25 percent. The proceeds from the Series 2008 Bonds were 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. CRRMA has pledged the payments received from the Department of Transportation pursuant to the Pass-Through Toll Agreement to secure payment of the bonds.

(Continued)

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

8. LONG-TERM DEBT (Continued)

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 using the interest method. The amortization of the premium for the years ended August 31, 2018 and 2017 was \$1,045,041 and \$1,022,906, respectively, which was recorded in interest expense. In addition, during fiscal years 2018 and 2017, the premium balance was reduced by a gain of \$79,845 and \$208,140, respectively, resulting from the early retirement of bonds.

Interest payments on the bonds commenced in August 2008, with semi-annual payments in February and August, and principal payments commenced in August 2012, with final payment originally due in February 2022. The original terms of the bonds were twenty semi-annual principal payments totaling \$233,355,000 and interest payments totaling \$115,208,222. During fiscal years ended August 31, 2018 and 2017, CRRMA redeemed principal of \$1,165,000 and \$3,000,000, respectively, in advance of the original debt service schedule. Due to early redemption of bonds, the final maturity date of the remaining bonds is August 2020. The interest rate remained consistent.

The annual requirements are as follows:

Series 2008			
Year Ending August 31,	Principal	Interest	Total
2019	\$ 25,520,000	\$ 2,420,119	\$ 27,940,119
2020	26,875,000	1,062,731	27,937,731
Total	\$ 52,395,000	\$ 3,482,850	\$ 55,877,850

In May 2014, CRRMA issued \$68,485,000 Senior Lien Vehicle Registration Fee Revenue Bonds, Series 2014, with interest rates ranging from 3.00 to 5.00 percent. The proceeds from the bonds are used for six infrastructure projects.

As of August 31, 2014, the bond proceeds were \$72,742,560, including a premium of \$4,257,560. The premium is amortized through the life of the bond calculated using the interest method. The amortization as of August 31, 2018 and 2017 was \$104,708 and \$627, respectively, which was recorded in interest expense.

Principal and interest payments commenced in June 2015 with final payment due in 2044. The terms of the bonds are thirty annual principal payments totaling \$68,485,000 and interest payments totaling \$55,715,949.

(Continued)

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

8. LONG-TERM DEBT (Continued)

Additionally, in April 2017, CRRMA issued \$34,700,000 Subordinate Lien Vehicle Registration Fee Revenue Bonds, Series 2017, with interest rates ranging from 2.00 to 5.00 percent. Proceeds from the bonds will be used for long-term transportation projects.

As of August 31, 2017, the bond proceeds were \$36,205,978, including a premium of \$1,505,978. The premium is amortized through the life of the bond calculated using the interest method. Amortization is recorded beginning December 2017.

Interest and principal payments commenced in December 2017 and June 2018, respectively, with final payment due in 2046. The terms of the bonds are twenty-nine annual principal payments totaling \$34,700,000 and semi-annual interest payments totaling \$30,988,243.

The combined annual requirements for both Vehicle Registration Fee Revenue Bonds, Series 2014 and Series 2017, are as follows:

Series 2014 and 2017			
Year Ending August 31,	Principal	Interest	Total
2019	\$ 1,590,000	\$ 4,368,562	\$ 5,958,562
2020	1,760,000	4,289,063	6,049,063
2021	1,935,000	4,201,062	6,136,062
2022	2,035,000	4,104,313	6,139,313
2023	2,135,000	4,002,562	6,137,562
2024-2028	12,395,000	18,299,563	30,694,563
2029-2033	15,800,000	14,889,812	30,689,812
2034-2038	19,715,000	10,974,225	30,689,225
2039-2043	24,175,000	6,516,550	30,691,550
2044-2046	17,030,000	1,380,200	18,410,200
Total	\$ 98,570,000	\$ 73,025,912	\$ 171,595,912

CRRMA has pledged the funds collected by the El Paso County and the State of Texas from the levy and collection of the Special Vehicle Registration Fee (pledged revenues) to repay \$68.4 million in special limited obligation bonds issued in May 2014 and \$37.4 million issued in April 2017. Proceeds from the bonds provide financing for CRRMA activities related to long-term transportation projects. The bonds are payable solely from the pledged revenues and are payable through 2046. On August 30, 2013, the County authorized the imposition of this Special Vehicle Registration Fee in the amount of \$10 per vehicle registered in the County, effective January 1, 2014. The funds collected from the levy of the Special Vehicle Registration Fee constitute Pledged Vehicle Fee Revenues, and the County has covenanted and agreed in the Pledge Agreement to continue to impose and collect the Special Vehicle Registration Fee as long as any Bonds remain outstanding. This registration fee revenue will not be available for other purposes.

(Continued)

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

8. LONG-TERM DEBT (Continued)

Amounts collected and related debt service payments during fiscal years ended August 31, 2018 and 2017 were as follows:

Fiscal Year Ended August 31,	Special Vehicle Registration Fees Received	Debt Service Payments
2018	\$ 6,727,960	\$ 5,871,331
2017	\$ 7,084,945	\$ 4,141,700

Notes Payable

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 TxDOT, in the amount of \$30,000,000, to augment funding for the 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 are due annually thereafter until the maturity date of September 15, 2040. Interest rate on the loan is 4.95% and 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 reimburses the CRRMA for payments on this loan. In addition, a portion of the interest is subsidized, see Interest Subsidy paragraph below.

The annual requirements for this loan are as follows:

SIB Loan #1			
Year Ending August 31,	Principal	Interest	Total
2019	\$ 725,000	\$ 1,326,105	\$ 2,051,105
2020	755,000	1,290,218	2,045,218
2021	785,000	1,252,845	2,037,845
2022	815,000	1,213,988	2,028,988
2023	850,000	1,173,645	2,023,645
2024-2028	4,800,000	5,201,709	10,001,709
2029-2033	5,860,000	3,912,729	9,772,729
2034-2038	7,165,000	2,338,629	9,503,629
2039-2042	5,035,000	505,149	5,540,149
Total	\$ 26,790,000	\$ 18,215,017	\$ 45,005,017

(Continued)

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

8. LONG-TERM DEBT (Continued)

On January 24, 2012, CRRMA entered into a State Infrastructure Bank Loan with the State of Texas, acting by and through TxDOT, in the amount of \$6,000,000, to augment funding for the Loop 375 (Transmountain NE) construction project. A portion of the funds, \$2,895,113, were drawn down in March 2012 and transferred into an account held by TxDOT. Principal payments began February 2014 and interest payments in February 2013 and are due annually thereafter until the maturity date of February 1, 2032. The remaining funds of \$3,104,887 were drawn down on January 4, 2013 and at August 31, 2018, the amount is held in restricted cash. Interest rate on the loan is 4.05% and the term of the loan is twenty years. Interest payments totaling \$2,885,618 will be paid over this term. The City of El Paso reimburses the CRRMA for payments on this loan.

The annual requirements for this loan are as follows:

SIB Loan #2			
Year Ending August 31,	Principal	Interest	Total
2019	\$ 266,404	\$ 193,784	\$ 460,188
2020	277,417	182,771	460,188
2021	288,885	171,304	460,189
2022	300,827	159,362	460,189
2023	313,261	146,927	460,188
2024-2028	1,771,590	529,351	2,300,941
2029-2032	1,699,601	141,151	1,840,752
Total	\$ 4,917,985	\$ 1,524,650	\$ 6,442,635

On January 24, 2012, CRRMA entered into a State Infrastructure Bank Loan with the State of Texas, acting by and through TxDOT, in the amount of \$20,000,000, to augment funding for Loop 375 (Zaragoza) construction project. A portion of the funds, \$16,086,237, was drawn down in March 2012 and transferred into an account held by TxDOT. Principal payments began in February 2014 and interest payments in February 2013 and are due annually thereafter until the maturity date of February 1, 2042. The remaining funds of \$3,913,763 were drawn down on January 4, 2013 and at August 31, 2018 the amount is held in restricted cash. Interest rate on the loan is 4.95% and the term of the loan is thirty years. Interest payments totaling \$19,537,633 will be paid over this term. The City of El Paso reimburses the CRRMA for payments on this loan.

(Continued)

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

8. LONG-TERM DEBT (Continued)

The annual requirements for this loan are as follows:

SIB Loan #3			
Year Ending August 31,	Principal	Interest	Total
2019	\$ 419,697	\$ 923,375	\$ 1,343,072
2020	441,001	902,073	1,343,074
2021	463,383	879,690	1,343,073
2022	486,903	856,170	1,343,073
2023	511,616	831,457	1,343,073
2024-2028	2,974,981	3,740,383	6,715,364
2029-2033	3,810,605	2,904,758	6,715,363
2034-2038	4,880,944	1,834,420	6,715,364
2039-2042	4,874,765	497,525	5,372,290
Total	<u>\$ 18,863,895</u>	<u>\$ 13,369,851</u>	<u>\$ 32,233,746</u>

Debt service requirements for bonds payable and state infrastructure bank loans are as follows:

Year Ending August 31,	Principal	Interest	Total
2019	\$ 28,521,101	\$ 9,231,945	\$ 37,753,046
2020	30,108,418	7,726,856	37,835,274
2021	3,472,268	6,504,901	9,977,169
2022	3,637,730	6,333,833	9,971,563
2023	3,809,877	6,154,591	9,964,468
2024 -2028	21,941,571	27,771,006	49,712,577
2029-2033	27,170,206	21,848,450	49,018,656
2034-2038	31,760,944	15,147,274	46,908,218
2039-2043	34,084,765	7,519,224	41,603,989
2044-2046	17,030,000	1,380,200	18,410,200
Total	<u>\$ 201,536,880</u>	<u>\$ 109,618,280</u>	<u>\$ 311,155,160</u>

Interest Subsidy. The interest related to State Infrastructure Bank Loan #1 is refunded to CRRMA at a rate of 35% through a direct payment from a Build America Bond. The amounts refunded to CRRMA during fiscal years 2018 and 2017 totaled \$433,504 and \$443,321, respectively. 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 CRRMA.

Additionally, the City of El Paso reimburses CRRMA the payment of the SIB loans. During fiscal years 2018 and 2017, the City of El Paso reimbursed CRRMA \$3,637,111 and \$3,639,625, respectively.

(Continued)

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

8. LONG-TERM DEBT (Continued)

Notes 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 for \$1,100,000. The funds were 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. The repayment is limited to no more than 10% of any revenues generated for CRRMA on the particular projects. In the event that the projects are not completed, the note will be forgiven. During 2014, \$343,595 of the balance, which was associated with the Loop 375 César Chávez Express Toll Lanes, was rolled into a new agreement. The balance remaining at August 31, 2018 on this financial assistance agreement #1 was \$756,405.

During the year ended August 31, 2008, CRRMA entered into a financial assistance agreement with Texas Department of Transportation for \$330,000. The funds were 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. In fiscal year 2014, this agreement was rolled into a new financial assistance agreement with Texas Department of Transportation.

During the year ended August 31, 2014, CRRMA entered into a financial assistance agreement with Texas Department of Transportation of up to \$9.4 million to be used for the operation and maintenance costs of the Loop 375 César Chávez Border Express Toll Lanes until toll revenues are sufficient to cover those costs. This toll equity loan of up to \$9.4 million was consolidated with the rollover amount of \$673,595 from the other prior financial assistance agreements referred to collectively as Pre-Development Loans. As of August 31, 2018, the amount due on the consolidated loan (financial assistance agreement #2) is \$4,288,016 with a remaining balance of \$5,785,579 in disbursements available to CRRMA. However, disbursements have ceased while CRRMA and TxDOT work toward removal of tolls from the Facility.

Interest on the loan will be in the form of a flat fee of \$6 million. To the extent the maximum loan amount of \$9.4 million has not been drawn in full by the end of the first fiscal year in which Net Revenues are greater than zero, the Interest Fee shall be reduced to an amount equal to (a) \$6 million multiplied by (b) the percentage equal to (i) the amount of the loan disbursed to the CRRMA divided by (ii) the maximum principal amount of the loan.

The Consolidated Loan and the Interest Fee (collectively), a maximum amount due of \$16,073,595, shall be repaid by the CRRMA to TxDOT in annual installments. The first annual installment shall occur no later than December 1, 2027, and payments shall continue annually on each December 1 thereafter until the full amount of the Consolidated Loan is repaid, together with the Interest Fee; provided, however, that the Consolidated Loan and the Interest Fee must be repaid no later than December 1, 2050. Each annual installment shall be paid from Net Toll Revenues, and shall be in an amount that is at least equal to 10% of the Net Toll Revenues received in the previous Fiscal Year until the total amount due hereunder is paid in full.

(Continued)

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

8. LONG-TERM DEBT (Continued)

In connection with legislation passed by the 85th Texas Legislature, and in coordination with TxDOT, tolls were suspended from the Loop 375 César Chávez Express Toll Lanes, effective August 9, 2017. Accordingly, and as also noted in the referenced legislation, the CRRMA and TxDOT are in negotiations to shift any debt remaining from financial assistance agreement #2 to the Border West Expressway Project.

9. UNEARNED REVENUE

Unearned revenue represents funds received but not earned as of August 31, 2018 and 2017.

Description	Balance September 1, 2017	Amount Received	Amount Spent	Balance August 31, 2018
Border West Expressway Project	\$ 128,186,770	\$ -	\$ 93,150,871	\$ 35,035,899
Streetcar Project	17,557,866	-	10,805,424	6,752,442
Mission Ridge Project	99,474	-	-	99,474
Vista Del Sol Project	-	1,559,208	1,187,497	371,711
Toll overpayments	2,724	1,746	1,678	2,792
Total unearned revenue	\$ 145,846,834	\$ 1,560,954	\$ 105,145,470	\$ 42,262,318

Description	Restated Balance September 1, 2016	Amount Received	Amount Spent	Balance August 31, 2017
Border West Expressway Project	\$ 305,547,305	\$ -	\$ 177,360,535	\$ 128,186,770
Streetcar Project	66,592,347	-	49,034,481	17,557,866
Mission Ridge Project	115,974	-	16,500	99,474
Toll overpayments	2,670	2,724	2,670	2,724
Total unearned revenue	\$ 372,258,296	\$ 2,724	\$ 226,414,186	\$ 145,846,834

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as unearned revenues until earned.

(Continued)

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

10. CONSTRUCTION COMMITMENTS AND OTHER CONTINGENCIES

CRRMA is committed on several contracts for construction and other matters which could have a material impact on future operations.

In the ordinary course of conducting its business, the CRRMA may be subjected to loss contingencies arising from lawsuits. Management believes that the outcome of such matters, if any, will not have a material impact on CRRMA's financial position or results of future operations.

CRRMA has received federal and state financial assistance for specific purposes that are subject to review and audit by the grantor agencies. Although management believes compliance with grant guidelines is adhered to, grantor audits could result in requests for reimbursement of expenditures determined to be disallowed. Management believes such disallowances, if any, will be immaterial.

Rebatable arbitrage is evaluated and estimated on an annual basis by a third party arbitrage rebate service company. The company has estimated no liability for the CRRMA as of August 31, 2018 and 2017.

11. CONCENTRATIONS

Funding Agreements/Grants

As of August 31, 2018, CRRMA has entered into several agreements with the Texas Department of Transportation (TxDOT) for local transportation projects. During the years ended August 31, 2018 and 2017, CRRMA has incurred costs of \$112,775,539 and \$231,466,081, respectively, relating to the agreements recorded in the statements of revenues, expenses and changes in net position.

12. RELATED PARTIES

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

(Continued)

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

13. LOCAL GOVERNMENTS

Revenue from local governments for the years ended August 31, 2018 and 2017 was comprised of the following:

	<u>2018</u>	<u>2017</u>
County of El Paso		
Special Vehicle Registration Fees for bond payments	\$ 6,727,960	\$ 7,084,945
Reimbursements related to Guadalupe Port of Entry	-	200
City of El Paso		
Reimbursement for SIB loan payments	3,601,630	3,605,445
Metropia	175,558	218,526
Streetcar - Improvements at Cincinnati	2,679,984	-
Administrative fees for various projects	154,804	-
El Paso Water Utilities		
Utility infrastructure within the Streetcar Project area boundary	987,593	352,967
Facility improvements in areas within the Mission Ridge Project	-	16,500
Facility improvements in areas within the Vista Del Sol Project	1,187,497	-
Other Local Governments	41,652	152,890
	<u>\$ 15,556,678</u>	<u>\$ 11,431,473</u>

14. INTERGOVERNMENTAL TRANSFERS

Transfers out consisted of the following as of August 31:

	<u>2018</u>	<u>Restated 2017</u>
Construction in progress (owned and capitalized by TxDot)	\$ 98,735,636	\$ 177,524,538
Construction in progress (owned and capitalized by El Paso Water Utilities)	2,175,090	369,467
Construction in progress (owned and capitalized by the County of El Paso)	16,182,374	11,746,224
Construction in progress (owned and capitalized by the City of Socorro)	2,651,416	5,769,519
Transfer of components of the Streetcar capital assets to the City of El Paso	13,607,916	-
	<u>\$ 133,352,432</u>	<u>\$ 195,409,748</u>

(Continued)

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

15. EXTRAORDINARY ITEMS

In connection with legislation passed by the 85th Texas Legislature, and in coordination with TxDOT, tolls were suspended from the Loop 375 César Chávez Express Toll Lanes, effective August 9, 2017. The respective signs and equipment were removed and the lanes were re-striped during fiscal year 2018. The CRRMA is responsible for the cost of the removal of signs and equipment and re-striping of the lanes, which amounted to \$968,726 and is reported in 2018.

In September 2016, the City of El Paso, as the CRRMA's fiscal agent, was defrauded in the amount of \$2.9 million from Streetcar project funds by way of a phishing scheme. Of this amount, \$1.6 million has been recouped and the remaining loss of \$1,315,552 is reported in 2017.

16. RECLASSIFICATIONS

Certain amounts presented in the prior year data have been reclassified to be consistent with the current year presentation.

17. RESTATEMENTS AND PRIOR PERIOD ADJUSTMENTS

A Memorandum of Understanding with TxDOT was reevaluated and it was determined that ownership of the toll equipment during construction is not clearly established and the CRRMA does not have primary control over the amounts previously reported as Work in Progress - Border West Expressway Toll Equipment and therefore should not be reported as an asset. Amounts for the year ended August 31, 2017 have been restated to properly exclude the work in progress in the amount of \$1,605,368 and reflect the respective transfer of the capital expense to TxDOT. The net effect of this restatement was to decrease the change in net position for fiscal year 2017 by \$1,605,368.

Based on a reinterpretation of a funding agreement with TxDOT, it was determined that equipment capitalized in a prior year and depreciated by the CRRMA was actually owned by TxDOT. Therefore, a prior period adjustment is recorded to remove the cumulative effect of the capitalization and annual depreciation as of the beginning of fiscal year 2017 and the affected 2017 line items are restated in these financial statements. The adjustment reduced the fiscal year 2017 beginning net position by \$2,302,191 and increased the change in net position by \$177,092.

Based on correspondence related to ARRA funding reported as unearned revenue in the year received and up to fiscal year 2017, it was determined that the revenue was earned in a prior year and not recorded. Therefore, a prior period adjustment is recorded to remove the unearned revenue as of the beginning of fiscal year 2017 and the affected 2017 line items are restated in these financial statements. The adjustment increased the fiscal year 2017 beginning net position by \$2,528,947. The net effect of the prior period adjustments on the fiscal year 2017 beginning net position is an increase of \$226,756.

FEDERAL AND STATE AWARD SECTION

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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
Camino Real Regional Mobility Authority

We have audited, in accordance with the 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, the financial statements of the business-type activities of Camino Real Regional Mobility Authority (CRRMA), as of and for the years ended August 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise CRRMA's basic financial statements, and have issued our report thereon dated April 4, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CRRMA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 CRRMA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CRRMA's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CRRMA's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Gibson Ruddock Patterson LLC". The signature is written in a cursive, flowing style.

Gibson Ruddock Patterson LLC
El Paso, Texas
April 4, 2019

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
AND THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

To the Board of Directors
Camino Real Regional Mobility Authority

Report on Compliance for Each Major Federal and State Program

We have audited the Camino Real Regional Mobility Authority's (CRRMA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas Uniform Grant Management Standards that could have a direct and material effect on each of the CRRMA's major federal and state programs for the year ended August 31, 2018. 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.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the CRRMA's major federal and state programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of Texas Uniform Grant Management Standards. Those standards, the Uniform Guidance, and the State of Texas Uniform Grant Management Standards 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 the 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the CRRMA's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the CRRMA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2018.

Report on Internal Control over Compliance

Management of the CRRMA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the CRRMA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State of Texas Uniform Grant Management Standards, 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 CRRMA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance and the State of Texas Uniform Grant Management Standards. Accordingly, this report is not suitable for any other purpose.



Gibson Ruddock Patterson LLC
El Paso, Texas
April 4, 2019

CAMINO REAL REGIONAL MOBILITY AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

AUGUST 31, 2018

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Were significant deficiencies in internal control disclosed?

None reported

Were material weaknesses in internal control disclosed?

No

Was any noncompliance disclosed that is material to the financial statements of the auditee, which would be required to be reported in accordance with Government Auditing Standards?

No

Federal and State Awards

Internal control over major federal and state award programs:

Were significant deficiencies in internal control over major programs disclosed?

None reported

Were material weaknesses in internal control over major programs disclosed?

No

Type of auditor's report issued on compliance for the major federal and state programs:

Unmodified

Were there any audit findings that the auditor is required to disclose under Title 2 CFR 200.516 Audit Findings paragraph (a) or the State of Texas UGMS?

No

Major Federal Program:

Highway Planning and Construction
CFDA 20.205: Metropia Synergy and Old Hueco Tanks Road Project

Major State Programs:

Border West Expressway
Old Hueco Tanks Road Project

Dollar threshold used to distinguish between Type A and Type B Federal and State Programs:

\$ 750,000 Federal Programs
\$ 3,000,000 State Programs

Did auditee qualify as low-risk auditee under 2 CFR 200.520 Criteria for a low-risk auditee and the State of Texas UGMS?

No - Federal Programs
Yes - State Programs

(Continued)

CAMINO REAL REGIONAL MOBILITY AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

AUGUST 31, 2018

FINANCIAL STATEMENT FINDINGS

There are no current year findings.

FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no current year findings or questioned costs.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

SCHEDULE OF STATUS OF PRIOR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2018

FINANCIAL STATEMENT FINDINGS

There were no prior year findings.

FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no prior year findings or questioned costs.

CAMINO REAL REGIONAL MOBILITY AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED AUGUST 31, 2018

Federal or State Grantor/Pass-through Grantor/ Grant Description	CFDA Number	Identifying Number	Expenditures
FEDERAL AWARDS			
<u>U.S. Department of Transportation</u>			
Passed through Texas Department of Transportation			
Highway Planning and Construction:			
*Metropia Synergy - nonconstruction	20.205	CSJ #0924-06-528	\$ 601,101
*Old Hueco Tanks Road Project	20.205	CSJ #0924-06-111	<u>2,073,744</u>
Total CFDA 20.205			<u>2,674,845</u>
Total Highway Planning and Construction Cluster			<u>2,674,845</u>
Total U.S. Department of Transportation			<u>2,674,845</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,674,845</u></u>
* Clustered Programs			
STATE AWARDS			
<u>Texas Department of Transportation</u>			
Planning Project Development Agreement		CSJ #2552-03-049	\$ 642,674
LP375 - Widening		CSJ #2552-03-049	2,283,523
LP375 - Frontage Roads		CSJ #2552-03-058	2,699,766
Streetcar Project		CSJ #0924-06-446	10,805,424
Border West Expressway		CSJ #2552-04-027	93,150,871
Old Hueco Tanks Road Project		CSJ #0924-06-111	<u>518,436</u>
Total Texas Department of Transportation			<u>110,100,694</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u><u>\$ 110,100,694</u></u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u><u>\$ 112,775,539</u></u>

See Accompanying Notes to the Schedule of Expenditures of Federal and State Awards

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED AUGUST 31, 2018

1. GENERAL

The accompanying schedule of expenditures of federal and state awards includes the federal and state award activity of the Camino Real Regional Mobility Authority (CRRMA) under programs of the federal and state government for the year ended August 31, 2018. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas Uniform Grant Management Standards. Because the schedule presents only a selected portion of the operations of the CRRMA, it is not intended to and does not present the financial position, changes in net position, or cash flows of the CRRMA.

2. BASIS OF ACCOUNTING

The schedule of expenditures of federal and state awards is presented using the accrual basis of accounting, which reflects the flow of economic resources measurement focus and requires recognition of revenue when earned and expenses when incurred. Such expenses are recognized following the cost principles contained in the Uniform Guidance and the State of Texas UGMS, wherein certain types of expenses are not allowable or are limited.

3. SINGLE AUDIT MAJOR PROGRAM DETERMINATION

The Uniform Guidance and the State of Texas UGMS prescribe a risk-based approach to determining which federal and state programs are major programs. The approach includes consideration of current and prior audit experience, oversight by federal or state agencies and pass-through entities, and the inherent risk of the program.

4. NON-CASH ASSISTANCE

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

5. SUB-RECIPIENTS

The CRRMA did not provide any federal or state awards to sub-recipients during the year.

6. INDIRECT COST RATE

The CRRMA did not elect to use the 10% de minimis indirect cost rate.

(Continued)

CAMINO REAL REGIONAL MOBILITY AUTHORITY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED AUGUST 31, 2018

7. RECONCILIATION

A reconciliation of operating revenues on the Statement of Revenues, Expenses, and Changes in Net Position to the Expenditures of Federal and State Awards is presented below:

Total revenue reported on the Statement of Revenues, Expenses, and Changes in Net Position:	\$ 128,569,555
Less: Local Revenue	
Chávez Toll Revenue	33,515
Bike Share Revenue	170,873
Local Governments	15,556,678
In-Kind	<u>32,950</u>
Total Federal and State Awards reported in the Schedule of Expenditures of Federal and State Awards	<u>\$ 112,775,539</u>