

AUDITED ANNUAL FINANCIAL REPORT



Tierra Del Sol Golf Course

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FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2014



Municipal Library



# **Hidalgo County Regional Mobility Authority**

## BOARD OF DIRECTORS

Randy Sweeten - Chairman

Josue Reyes  
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Ricardo Perez  
Forrest Runnels  
David Guerra

## EXECUTIVE DIRECTOR

Pilar Rodriguez, P.E.

## CHIEF FINANCIAL OFFICER

Juan G. Guerra, CPA

# **Audited Annual Financial Report**

For the Fiscal Year Ended  
December 31, 2014

# Hidalgo County Regional Mobility Authority

## AUDITED ANNUAL FINANCIAL REPORT YEAR ENDED DECEMBER 31, 2014

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#### **SINGLE AUDIT**

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## **FINANCIAL SECTION**



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*Independent Auditor's Report*

To the Board of Directors  
Hidalgo County Regional Mobility Authority

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Hidalgo County Regional Mobility Authority, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Hidalgo County Regional Mobility Authority'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hidalgo County Regional Mobility Authority, as of December 31, 2014, and the respective changes in financial position and cash flows for the year 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 7 through 11 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 an opinion on the financial statements that collectively comprise Hidalgo County Regional Mobility Authority's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards 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. Such 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 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 May 11, 2015 on our consideration of Hidalgo County Regional Mobility Authority'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 Hidalgo County Regional Mobility Authority's internal control over financial reporting and compliance.

***Banta McAllister & Co., LLP***

McAllen, Texas  
May 11, 2015

## MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

As management of the Hidalgo County Regional Mobility Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2014.

### **FINANCIAL HIGHLIGHTS**

- The Authority's net position grew by nearly \$6.4 million or 23%. This growth was expected and was due to the continued growth of vehicle registration fees, conservative administrative operational costs, and the awarding of grant funding this year.
- Capital assets grew by more than \$25.7 million or 66.5%. The majority of this increase was an increase in construction in progress of over \$25.7 million.
- Accounts payable increased by over \$1.6 million due to timing issues on payables for capital projects.
- There were new revenue sources for the Authority, these were overweight permit fees, intergovernmental contributions from local governments, and a federal grant from the U.S. Department of Transportation. This resulted in an increase in revenues of \$1.4 million or roughly 29% increase in revenues.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of this annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and the notes to the financial statements.

The financial statements provide both long-term and short-term information about the Authority's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statements of revenues, expenses, and changes in net assets. All assets and liabilities associated with the operation of the Authority are included in the statement of net assets.

**FINANCIAL ANALYSIS OF THE AUTHORITY**

Net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by roughly \$34.5 million at the close of the fiscal year ended December 31, 2014.

The Authority's condensed Statement of Net Position along with last fiscal year's balances are presented for comparison in the table is located below:

<b>Authority's Net Position</b>		
<b>Table 1 - Dollars in Millions</b>		
	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Current and other assets	\$ 34.8	\$ 55.7
Capital Assets	64.4	38.7
Total assets	99.2	94.4
<b>Liabilities</b>		
Long-term liabilities	61.7	63.0
Other liabilities	3.0	2.1
Total liabilities	64.7	65.1
<b>Net Position</b>		
Net invested in capital assets, net of related debt	30.0	26.0
Restricted	0.3	0.3
Unrestricted	4.2	3.0
Total net position	<u>\$ 34.5</u>	<u>\$ 29.3</u>

The largest portion of the Authority's net position (\$29,925,876 or 87%) reflects its investment in capital assets (e.g., machinery, equipment, and capital projects), less any related debt used to acquire those assets that is still outstanding. The Authority will use these capital assets to provide services to users; consequently, these assets are not available for future spending. Although the Authority's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position restricted for debt service (\$324,872) represents resources that are subject to bond covenants. Unrestricted net position represents resources that can be used to finance day-to-day operations without constraints total \$4,240,780.

**MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)**

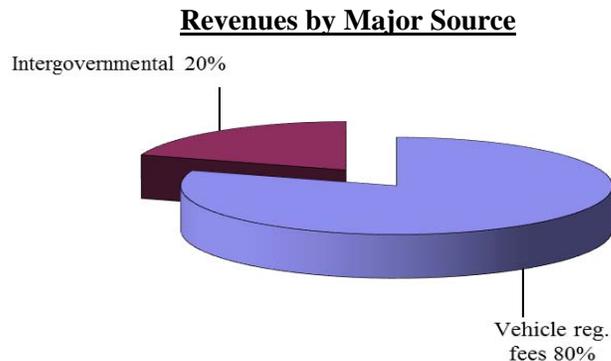
The Authority's condensed Change in Net Position along with last fiscal year's numbers are presented for comparison in the following table below:

<b>Authority's Change in Net Position</b>		
<b>Table 2 - Dollars in Millions</b>		
	<b>2014</b>	<b>2013</b>
<b>Revenues</b>		
Program Revenues:		
Charges for services	\$ 5.6	\$ 5.4
Capital grants and contributions	1.4	-
Total Revenues	7.0	5.4
<b>Expenses</b>		
Other	0.6	-
Total Expenses	0.6	-
Excess of revenues over expenditures	6.4	5.4
Net change in net position	6.4	5.4
Net position - beginning	29.3	23.9
Prior period adjustment	(1.2)	-
Net position - ending	\$ 34.5	\$ 29.3

Authority's net position increased by nearly \$6.4 million. Key changes this fiscal year along with elements of this increase are described as follows:

- Vehicle registration fees grew by 3.4%, and
- Federal transportation grant of \$1.29 million was drawn down on in 2014.

The Business-Type activities' major revenue source distribution is presented below.



**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Authority's investment in capital assets (net of accumulated depreciation) for its business-type activities amounts to \$64.3 million. This investment in capital assets includes machinery and equipment, and construction in progress. The total increase in the Authority's investments in capital assets for the current fiscal year was \$25.6 million or 66.2%.

**Authority's Capital Assets**  
(Net of Depreciation)

<b>Table 3- Dollars in thousands</b>	<b>Business-Type Activities</b>	
	<b>2014</b>	<b>2013</b>
Machinery and equipment	\$ 25	\$ 12
Construction in progress	64,347	38,688
	<b>\$ 64,372</b>	<b>\$ 38,700</b>

Additional information on the Authority's capital assets can be found in the Notes to the Financial Statements in this report under section III, subsection D-Capital Assets.

**Long-Term Obligations**

At the end of the current year, the Authority had total contractually obligated long-term debt of \$60.6 million (not including unamortized premium activity). The details of the change in debt from last year are as indicated:

**Table 4 - Dollars in thousands (not including unamortized activity)**

<b>Business-Type</b>	<b>2014</b>	<b>2013</b>
Bonds	\$ 60,465	\$ 61,600
Notes	162	200
<b>Total</b>	<b>\$ 60,627</b>	<b>\$ 61,800</b>

Long-term debt decreased by \$1.17 million. This decrease was due to the standard retirement of debt.

Additional information on the Authority's capital assets can be found in the Notes to the Financial Statements in this report under section III, subsection E-Long-Term Obligations.

**ECONOMIC FACTORS AND NEXT YEAR**

- The continued growth of vehicle registration fees is expected.
- The continued growth of overweight permit fees usage is expected.
- Continued partnership with Texas Department of Transportation is expected.

All of these factors were considered in preparing the Authority's budget for the 2015 fiscal year.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Hidalgo County Regional Mobility Authority, 118 South Cage Blvd. 4<sup>th</sup> Floor, Pharr, TX 78577.



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## **BASIC FINANCIAL STATEMENTS**

**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
STATEMENT OF NET POSITION  
DECEMBER 31, 2014**

**ASSETS**

Current assets:	
Cash	\$ 2,495,181
Cash with fiscal agent	5,680
Investment	3,359,720
Receivables (net of allowance for uncollectible):	
Vehicle registration fee receivable	417,670
Overweight permit fee receivable	171
Restricted assets:	
Investment	28,560,441
Total current assets	34,838,863
Non-current assets:	
Capital assets:	
Machinery and equipment (net of accumulated depreciation)	25,158
Construction in progress (nondepreciable)	64,347,242
Total capital assets, net	64,372,400
Total noncurrent assets	64,372,400
Total assets	\$ 99,211,263

**LIABILITIES**

Current liabilities payable not from restricted assets:	
Accounts payable	\$ 1,623,675
Accrued interest payable	5,348
Current portion of long-term debt	1,161,452
Current liabilities payable from restricted assets:	
Unearned revenue	5,680
Accrued Interest payable	240,914
Total current liabilities payable	3,037,069
Noncurrent liabilities:	
Long-term debt (net of current portion)	61,682,666
Total noncurrent liabilities	61,682,666
Total liabilities	64,719,735

**NET POSITION**

Net invested in capital assets	29,925,876
Restricted for:	
Debt service	324,872
Unrestricted	4,240,780
Total net position	34,491,528
Total liabilities and net position	\$ 99,211,263

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

**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

Operating revenues:		
Charges for sales and services:		
	Vehicle registration fees	\$ 5,624,190
	Overweight permit fees	4,635
	Total operating revenues	<u>5,628,825</u>
Operating expenses:		
	Personnel services	268,514
	Supplies and materials	103,049
	Contractual services	177,459
	Depreciation	3,057
	Total operating expenses	<u>552,079</u>
	Operating income	<u>5,076,746</u>
Non-operating revenues (expenses):		
	Investment earnings	155
	Interest expense	(53,383)
	Intergovernmental	1,398,144
	Other	1,028
	Total non-operating revenues (expenses)	<u>1,345,944</u>
	Changes in net position	6,422,690
	Total net position - beginning	29,313,114
	Prior period adjustment	(1,244,276)
	Total net position - ending	<u>\$ 34,491,528</u>

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

**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from vehicle registrations and overweight permit fees	\$ 5,590,258
Payments to suppliers	(103,049)
Payments to employees	(268,513)
Payments for contractual services	(177,459)
Change in accounts payable	1,606,304
Net cash flow provided by operating activities	<u>6,647,541</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Receipts from other governmental entities	105,000
Payments from others	1,028
Net cash provided by noncapital and related financing activities	<u>106,028</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Receipts from grants for capital outlay	1,293,144
Acquisition and construction of capital assets	(26,961,424)
Principal paid on long-term debt	(1,172,976)
Amortization of premium	(76,452)
Interest paid on long-term debt	(754,139)
Net cash used by capital and related financing activities	<u>(27,671,847)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sale of investments	23,034,343
Interest income received	155
Net cash provided by investing activities	<u>23,034,498</u>

Net increase in cash	2,116,220
Cash beginning of fiscal year	378,961
Cash end of fiscal year	<u>\$ 2,495,181</u>

**Reconciliation of operating income to net cash provided by operating activities:**

Operating income	\$ <u>5,076,746</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	3,057
Increase in accounts receivable	(44,246)
Increase in unearned revenue	5,680
Increase in accounts payable	1,606,304
Total adjustments	<u>1,570,795</u>
Net cash provided by operating activities	<u>\$ 6,647,541</u>

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

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE I - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Hidalgo County Regional Mobility Authority (Authority) is an independent governmental agency created in November 2005 pursuant with Chapter 370 of the Transportation Code. The Authority is governed by a seven-member Board of Directors (the Board) appointed by the Governor of the State of Texas and the Hidalgo County Commissioners' Court. The Board is responsible for setting policies, identifying priorities and ensuring the Authority is operated effectively. Board members, appointed to serve two-year terms, are volunteers and are not compensated for their service.

The Authority was created to be a proactive partner empowering the community to address congestion and mobility concerns through local means with local leadership. It was created to plan, develop, fund and maintain a transportation system to serve the estimated 1.5 million residents living in Hidalgo County by 2025. The Authority's mission is to develop a publicly owned transportation system that creates jobs through increased mobility and access, is locally funded for reliable delivery, pays for itself in terms of future maintenance and also funds new projects to meet the future transportation needs of Hidalgo County. In its petition to create the Hidalgo County Regional Mobility Authority, Hidalgo County identified the Hidalgo Loop System (the Loop System) as the initial set of projects to be developed under the guidance of the Authority. The planning for the Loop System was started in 2000 by Hidalgo County and the Hidalgo County Metropolitan Planning Organization. The Authority concluded its additional planning effort for the Loop System around the urban part of Hidalgo County in 2010. Based on this effort, the Authority identified 2 independent projects, the Trade Corridor Connector (TCC) and the International Bridge Trade Corridor (IBTC), that provide utility to County residents and together begin building the Loop System. Additional state aid through the Texas Department of Transportation and the addition of a potential third project, the La Joya Relief Route, has required the Authority to re-examine the initial projects. A five-year Strategic Plan approved in March 2012 emphasizes the Authority's efforts to begin development of the Loop System projects, which prioritize State Highway 365 (formerly TCC), the International Border Trade Corridor, and State Highway 68 (formerly Segment D).

The Authority is not included in any other governmental "reporting entity" as defined by GASB Statement No. 14, *"The Reporting Entity"*. There are no component units included within the reporting entity.

**B. Basis of Accounting**

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE I - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(Continued)**

**B. Basis of Accounting – (Continued)**

The operations of the Authority are accounted for within a single proprietary (enterprise) fund on an accrual basis. The accounting and financial reporting treatment applied is determined by measurement focus. The transactions of the Authority are accounted on a flow of economic resources measurement focus.

The financial statements of the Authority measure and report all assets, liabilities, revenues, expenditures, and gains and losses using the economic resources measurement focus and accrual basis of accounting.

Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized and all assets and liabilities associated with the operation of the Authority are included in the Statement of Net Position. Operating expenses include the cost of administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**C. Cash, Cash with Fiscal Agent, and Investments**

Cash and cash with fiscal agent include cash on hand, demand deposits, and cash held by a third party for prepaid overweight permit fees (ProMiles Software Development Corp.). These deposits are fully collateralized or covered by federal deposit insurance.

Investments are reported at fair value. The net change in fair value of investments is recorded on the statements of revenues, expenses and changes in net assets and includes the unrealized and realized gains and losses on investments. The Authority's major investments are held by a third party per bond covenants (Wilmington Trust).

**D. Capital Assets**

All capital assets at year end represent capitalized costs for legal, consulting and engineering relating to advance planning on the Loop projects, which prioritize State Highway 365 (formerly TCC), the International Border Trade Corridor, and State Highway 68 (formerly Segment D). Depreciation and amortization on construction in progress will not begin until the project is operational. The only depreciable assets are office equipment identified as capital assets.

**E. Restricted Assets**

Proceeds of the Authority's bonds and certain resources set aside for their repayment are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bonds covenants. These restricted assets are held and disbursed by Wilmington Trust, our fiscal agent.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE I - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(Continued)**

**F. Receivables and Payables**

All receivables are shown net of allowance for uncollectible. The allowance is based on historical activity and there is currently no amount identified as uncollectible; this means there is no allowance for uncollectible receivables.

**G. Classification of Operating and Non-operating Revenues and Expenses**

The Authority defines operating revenues and expenses as those revenues and expenses generated by a specified program offering either a good or service. This definition is consistent with GASB Statement No. 9 which defines operating receipts as cash receipts from customers and other cash receipts that do not result from transactions defined as capital and related financing, non-capital financing or investing activities.

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

**H. Estimates**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) 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.

**I. Personnel liabilities**

The Authority does not have any employees nor any personnel liabilities; the employees operating activities for the Authority are loaned to the Authority by the City of McAllen, TX. All personnel liabilities are identified on McAllen's financials. Actual costs incurred by McAllen are reimbursed by the Authority.

**J. Income Taxes**

The Authority is an instrumentality of the State of Texas. As such, income earned in the exercise of its essential government functions is exempt from state or federal income taxes. Bond obligations issued by state and local governments are tax-exempt only if the issuers pay rebate to the federal government of the earnings on the investment of the proceeds of a tax-exempt issue in excess of the yield on such obligations and any income earned on such excess.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE I - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(Continued)**

**K. Bond Premiums, Discounts, and Issuance Costs**

The Authority amortizes premiums and discounts over the estimated useful life of the bonds as an adjustment to capitalized interest using the straight-line method. Bond issuance cost is expenses as incurred, in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 65 “Items Previously Reported as Assets and Liabilities”.

**NOTE II - DETAILED NOTES ON THE AUTHORITY ACTIVITY**

**A. Cash and Investments**

The Authority currently does not have a depository contract but deposits its operating funds in a commercial account at Plains Capital Bank. Plains Capital Bank maintains the Authority’s deposits for safekeeping and secures the funds with pledged securities in an amount sufficient to protect the Authority’s funds, currently at 103% of unsecured deposits. The pledge of securities is provided in excess of the deposits above the Federal Deposit Insurance Corporation (“FDIC”) insurance. At December 31, 2014, the Authority’s deposits were entirely covered by federal deposit insurance or were secured by collateral held by the Authority’s agent in the Authority pursuant to the Authority’s Depository Agreement with Plains Capital Bank. At December 31, 2014, the carrying amount of all of the Authority’s deposits was \$2,495,181.

The Authority has investments that are unrestricted and restricted. The unrestricted investment are the funds not legally restricted for a specific purpose. The Authority’s restricted investment is from funds received from the issuance of debt and restricted by bond covenants for a specific purpose. Wilmington Trust is the fiscal agent for the Authority who is authorized to invest the restricted funds, they are currently investing in TexSTAR Investment Pool.

Investments at fair value as of December 31, 2014 are presented in the following table:

	Investment Maturities (in Years) at the end of December 31, 2014				
	Fair Value	Less Than 1	1-2	2-3	3-4
TexStar	\$ 3,359,720	\$ 3,359,720	\$ -	\$ -	\$ -
TexStar - Restricted	<u>28,560,441</u>	<u>28,560,441</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 31,920,161</u>	<u>\$ 31,920,161</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE II - DETAILED NOTES ON AUTHORITY ACTIVITY - (Continued)**

**A. Deposits and Investments – (Continued)**

Interest Rate Risk

Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. Interest rate risk may be mitigated by investing operating funds primarily in shorter term securities, money market funds or similar investment pools and limiting the average maturity of the portfolio. At year end, the Authority was not exposed to interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation. As of December 31, 2014, the investments in the State's investment pool was rated AAAM by Standards and Poor's.

Custodial Credit Risk

Deposits and investments are exposed to custodial credit risk if they are not covered by depository insurance and the deposits and investments are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Authority's name.

The Authority has a process of maintaining contact with the trust department of its depository bank to eliminate all custodial credit risk once a need for an increase in collateral is identified the trust department adjusts the collateral amount accordingly. As of December 31, 2014, the Authority's bank balance was not exposed to custodial credit risk and was over-insured and over-collateralized via Plains Capital's investment in federal securities held by a third party in the name of the Authority to cover the amount of deposits over the FDIC collateral.

Concentration of Credit Risk

The Authority's investment holdings at December 31, 2014 were strictly confined to TexSTAR. The investment policy is silent in the concentration of holdings in the various types of securities and investments.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE II - DETAILED NOTES ON AUTHORITY ACTIVITY - (Continued)**

**B. Payables**

Payables as of December 31, 2014 were as follows:

Environmental	\$ 109,819
Design	704,774
Professional fees	476,475
Acquisition	249,808
Administration	82,799
	<u>\$ 1,623,675</u>

**C. Unearned Revenue**

The Authority reports unearned revenue in connection with resources that have been received, but not yet earned. As of December 31, 2014, the Authority's unearned revenues were \$5,680. These unearned revenues are due to prepayments by customers who purchase commercial truck overweight permits. The third party who is acting as the Authority's Fiscal Agent is Promiles, the company that owns the software that is used for online overweight permit purchases.

**D. Capital Assets**

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance 1/1/2014	Increases	Decreases	Adjustments*	Balance 12/31/2014
Capital Assets, not being depreciated:					
Construction in Progress	\$ 38,645,951	\$ 26,945,567	\$ -	\$ (1,244,276)	\$ 64,347,242
Total Capital Assets not being depreciated	38,645,951	26,945,567	-	(1,244,276)	64,347,242
Capital Assets, being depreciated:					
Office Equipment	14,717	15,856	-	-	30,573
Less accumulated depreciation for:					
Office Equipment	(2,358)	(3,057)	-	-	(5,415)
Total Capital Assets being depreciated (Net)	12,359	12,799	-	-	25,158
Total Capital Assets (Net)	\$ 38,658,310	\$ 26,958,366	\$ -	\$ (1,244,276)	\$ 64,372,400

\*Prior period adjustment

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE II - DETAILED NOTES ON AUTHORITY ACTIVITY - (Continued)**

**D. Capital Assets - (Continued)**

Increase in construction in progress consists of the following:

Consulting and engineering	\$ 5,191,823
Interest expense	2,760,048
Legal and professional	45,395
Loop project: SH 365	9,478,127
Loop project: IBTC	9,449,664
Miscellaneous	20,510
	<u>\$ 26,945,567</u>

**E. Long-Term Obligations**

**1. Revenue bonds**

The Authority issued a bond for which it pledged revenues derived from vehicle registration fees to pay the debt.

\$61,600,000 refunding bond, series 2013 due in various installments through 2043 with interest of 2% to 5.2% \$ 60,465,000

Bond premium	<u>2,217,094</u>
Total bonds payable	<u>\$ 62,682,094</u>

Debt service requirements on long-term obligations at December 31, 2014 are as follows:

Year Ended December 31	Principal	Interest	Total
2015	\$ 1,085,000	\$ 2,890,963	\$ 3,975,963
2016	1,105,000	2,869,263	3,974,263
2017	1,140,000	2,836,113	3,976,113
2018	1,175,000	2,801,913	3,976,913
2019	1,220,000	2,754,913	3,974,913
2020-2024	6,845,000	13,026,913	19,871,913
2025-2029	8,690,000	11,181,313	19,871,313
2030-2034	11,015,000	8,856,988	19,871,988
2035-2039	14,095,000	5,780,375	19,875,375
2040-2043	14,095,000	1,804,750	15,899,750
	<u>\$ 60,465,000</u>	<u>\$ 54,803,504</u>	<u>\$ 115,268,504</u>

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE II - DETAILED NOTES ON AUTHORITY ACTIVITY - (Continued)**

**E. Long-Term Obligations - (Continued)**

**1. Revenue bonds - (Continued)**

The Authority and Hidalgo County authorized the pledge of the vehicle registration fee revenues to secure payment of the Hidalgo County Regional Mobility Authority Debt in a term not exceeding 40 years. The \$324,872 sinking fund amount for the fiscal year ended December 31, 2014 is recorded as restricted assets. These funds are required by the bond ordinance to be set aside to pay the bond debt. These funds are managed by a Trustee, Wilmington Trust, and are currently held in the TexSTAR Investment Pool.

**2. Note payable**

A note payable to Hidalgo County was funded as a result of an Interlocal Agreement between Hidalgo County and the Authority to loan funds to the Authority for the purpose of providing initial operating funds for the Loop Project. The Agreement allows for additional funding for operations if needed. The terms of the loan call for 8.25% annual interest with repayment from the proceeds as soon as funds for the Loop Project are received, no maturity schedule was created.

**3. Long-term obligations**

Long-term obligations outstanding at December 31, 2014 were as follows:

	Balance 1/1/2014	Increases	Decreases	Balance 12/31/2014	Due Within One Year
<b>Bond Payable:</b>					
Revenue Bond Series 2013	\$ 61,600,000	\$ -	\$ 1,135,000	\$ 60,465,000	\$ 1,085,000
Premium on Bonds	<u>2,293,546</u>	<u>-</u>	<u>76,452</u>	<u>2,217,094</u>	<u>76,452</u>
Total Bond Payable	<u>63,893,546</u>	<u>-</u>	<u>1,211,452</u>	<u>62,682,094</u>	<u>1,161,452</u>
<b>Note Payable:</b>					
Hidalgo County	<u>200,000</u>	<u>-</u>	<u>37,976</u>	<u>162,024</u>	<u>-</u>
Total Note Payable	<u>200,000</u>	<u>-</u>	<u>37,976</u>	<u>162,024</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 64,093,546</u>	<u>\$ -</u>	<u>\$ 1,249,428</u>	<u>\$ 62,844,118</u>	<u>\$ 1,161,452</u>

**4. Arbitrage**

In 2013, the Authority issued long-term debt for capital construction projects. These bonds are subject to arbitrage regulations. Arbitrage regulations call for the return of the difference in interest revenue against interest expense. At December 31, 2014, there was no liability of arbitrage that would have been owed to the federal government.

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2014

**NOTE II - DETAILED NOTES ON AUTHORITY ACTIVITY - (Continued)**

**F. Finance-Related Legal and Contractual Provisions**

In accordance with GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None	Not applicable

**G. Prior Period Adjustment**

Prior to 2014, the Authority capitalized 99% of all administrative costs as construction related costs. During 2014, the Authority undertook the task of reviewing the detail of what was previously capitalized to determine the reasonableness of applying the 99% rate. Based on their review, it was determined that certain previously capitalized costs should have been expensed. Therefore, a prior period adjustment of \$1,244,276 was recorded to reduce construction in progress for administrative cost previously capitalized.

**IV. OTHER INFORMATION**

**A. City Contributions**

In 2012, the Authority adopted the 2012-2017 Strategic Plan – Program Manager Strategy No. 8, which included the International Bridge Trade Corridor and State Highway 68 projects. The Authority requested partnership with several cities in the form of Interlocal agreements to assist in paying for the preparation of the projects. The cities and the terms of the Interlocal’s are as follows:

City	Years	\$ Amount/Yr
Alamo	10	\$ 15,000
Donna	10	25,000
Edinburg	10	25,000
Pharr	10	25,000
San Juan	10	15,000
Total		\$ 105,000

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2014

**IV. OTHER INFORMATION - (Continued)**

**B. Litigation**

The Authority is not a defendant in any lawsuits at December 31, 2014.

**C. Construction Commitments**

At December 31, 2014, the Authority had remaining construction commitments:

<u>Project</u>	<u>Authorization</u>	<u>Expended</u>	<u>Remaining</u>
Program Management	\$ 17,883,331	\$ 9,065,742	\$ 8,817,589
Engineering/Surveying	21,192,372	16,602,942	4,589,430
Environmental	4,683,631	3,845,833	837,798
	<u>\$43,759,334</u>	<u>\$29,514,517</u>	<u>\$14,244,817</u>

This table is not meant to reconcile to the balance of Construction in Process. This table consists of current construction commitments pending, prior construction commitments have already been completed yet have not resulted in a fully operational asset, therefore no depreciation of construction commitments previously paid is recognized.

**D. Subsequent Events**

In February 2015, the Authority suspended work for the Program Management Consultant (PMC) in order to re-negotiate a Project Development Agreement (PDA) with the Texas Department of Transportation (TxDOT) for a potential project cost savings to the Authority. The PDA includes eliminating tasks performed by the PMC that may be undertaken by TxDOT at a savings to the Authority. This action will decelerate the cash drawn downs on the Vehicle Registration Fee Series 2013 Bond proceeds and may save an estimated \$6-8 Million. The project schedule may be delayed for approximately 3-6 months.



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## **SINGLE AUDIT**



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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  
Hidalgo County 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 Hidalgo County Regional Mobility Authority (the Authority), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 11, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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*.

We noted certain other matters that we reported to management of the Authority in a separate letter dated May 11, 2015.

## 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 results 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.

*Burta McAllister & Co., LLP*

McAllen, Texas  
May 11, 2015



**Burton McCumber & Cortez, L.L.P.**  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors  
Hidalgo County Regional Mobility Authority

**Report on Compliance for Each Major Federal Program**

We have audited Hidalgo County Regional Mobility Authority's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Hidalgo County Regional Mobility Authority's major federal programs for the year ended December 31, 2014. Hidalgo County Regional Mobility Authority's major federal 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Hidalgo County Regional Mobility Authority's major federal 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 program occurred. An audit includes examining, on a test basis, evidence about Hidalgo County Regional Mobility Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hidalgo County Regional Mobility Authority's compliance.

### *Opinion on Each Major Federal Program*

In our opinion, Hidalgo County Regional Mobility Authority 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 programs for the year ended December 31, 2014.

### **Report on Internal Control over Compliance**

Management of Hidalgo County Regional Mobility Authority 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 Hidalgo County Regional Mobility Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Hidalgo County Regional Mobility Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. 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 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 results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Burton McAllen & Co., LLP*

McAllen, Texas  
May 11, 2015

**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Grant Identifying Award Number</u>	<u>Federal Expenditures</u>
<b><u>HIGHWAY PLANNING &amp; CONSTRUCTION CLUSTER</u></b>			
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
<b><u>Passed Through from Texas Department of Transportation:</u></b>			
Highway Planning & Construction	20.205	CSJ # 0220-01-023	<u>\$1,293,144</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u><u>\$1,293,144</u></u></b>

*The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.*

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2014

**NOTE I - GENERAL**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the activity of all federal award programs administered to the Hidalgo County Regional Mobility Authority (Authority) for the year ended December 31, 2014. The Authority is defined in Note I.A, of the Authority's Notes to the Financial Statements.

**NOTE II - MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The federal grant funds were accounted for in an Enterprise Fund. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. Enterprise Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Federal grant funds are generally considered to be earned to the extent expenditures made under the provisions of the grant are made.

**NOTE III - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**NOTE IV - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

The amounts reported in the financial reports do not agree with the amounts reported in the accompanying Schedule, which is prepared on the basis explained in Note I.B of the Authority's Notes to the Financial Statements. The reason that the amounts reported do not agree in the financial reports is due to the fact that the amount reported includes two intergovernmental sources, is as follows:

Intergovernmental revenues on financial statements:

Federal Grant	\$ 1,293,144
Local government contributions	<u>105,000</u>
Total reported	<u><u>\$ 1,398,144</u></u>

**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**A. Summary of Auditor's Results**

1. Financial Statements

Type of auditors' report issued UNMODIFIED

Internal control over financial reporting:

- Material weakness identified?        YES   X   NO
- Significant deficiencies identified that are not considered to be material weaknesses?        YES   X   NO

Noncompliance material to financial statements notes?        YES   X   NO

2. Federal Awards

Internal control over major programs:

- Material weakness identified?        YES   X   NO
- Significant deficiencies identified that are not considered to be material weaknesses?        YES   X   NO

Type of auditors' report issued on compliance for major programs: UNMODIFIED

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133?        YES   X   NO

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning & Construction Cluster

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

Auditee qualified as low-risk auditee?   X   YES        NO

**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

*FOR THE YEAR ENDED DECEMBER 31, 2014*

**B. Financial Statement Findings**

None noted

**C. Federal Award Findings and Questioned Costs**

None noted

**D. Contact Persons Regarding Findings and Questioned Costs**

Juan G. Guerra, CPA, Chief Financial Officer (Contracted)

Hidalgo County Regional Mobility Authority

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**E. Summary Schedule of Prior Audit Findings**

None noted