



# HCRMA

HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY

## 2012 ANNUAL REPORT

[www.hcrma.net](http://www.hcrma.net)

### HCRMA Board of Directors

**Dennis Burleson, Chairman**

**Michael Cano, Vice-Chairman**

**Ricardo Perez, Secretary/Treasurer**

**Forrest Runnels, Director**

**Alonzo Cantu, Director**

**R. David Guerra, Director**

**Josue Reyes, Director**

### HCRMA Staff

**Pilar Rodriguez, P.E.,  
Executive Director**

**Flor E. Koll,  
Program Administrator**

**Program Management Consultant**

**DANNENBAUM  
ENGINEERING CORP**



June 14, 2013

Honorable Ramon Garcia,  
Hidalgo County Judge  
1615 Closner. Site J  
Edinburg, Texas 78539

**Board of Directors**

**Dennis Burleson, Chairman**  
**Michael Cano, Vice-Chairman**  
**Ricardo Perez, Secretary/Treasurer**  
**Forrest Runnels, Director**  
**Alonzo Cantu, Director**  
**R. David Guerra, Director**  
**Josue Reyes, Director**

Pursuant to 370.261(b) of the Texas Transportation Code, the Hidalgo County Regional Mobility Authority is required to make an annual report to the Hidalgo County Commissioners Court of its activities, financial strength and compliance with its current strategic plan. I am glad to report that the financial state of the Authority is strong. The approved eight year strategy calls for the development of the State Highway 365 (SH 365) and International Bridge Trade Corridor (IBTC) projects over those eight years. Included in SH 365 Phase I development (FM 396 to US 281) is the construction of the US 281 Military Highway Overpass and East-West improvements from Spur 600 to FM 2557. TxDOT is taking the lead in developing the US 83 La Joya Relief Route (8.1 miles) as frontage roads and at-grade intersections, and in the long-range strategic plan the HCRMA would develop the toll road mainlanes including grade separations at such time as the project becomes toll viable. TxDOT has also designated a portion of the Hidalgo County Loop corridor (formerly known as Section D) as State Highway 68 (SH 68). TxDOT has obtained funding to conduct the advanced planning on the entire SH 68 corridor from US 83 (just north of the IBTC) to US 281 (just north of Edinburg) for 19.9 miles, and has obtained construction funding to build frontage roads with at-grade intersections from US 83 to FM 1925 (Monte Cristo Rd) or about 10.4 miles. The HCRMA also has SH 68 in its long-range strategic plan to construct the toll road mainlanes including grade separations at such time as the project becomes toll viable.

At the end of the HCRMA's eight year strategic plan the SH 365 and IBTC projects will be collecting tolls and TxDOT would have constructed the US 83 La Joya Relief Route and SH 68. We are at the cusp of enjoying a long term transportation partnership between the HCRMA, Hidalgo County, and TxDOT in that over 57 miles of Right-of-Way would be purchased (representing over 40% of the Hidalgo County Loop system) with over 47 miles of roadway constructed.

On behalf of the Authority, I want to thank the commissioners Court for all of the assistance and support they have provided to the HCRMA and its projects over the last year. We ask that we continue to work to strengthen our partnership in support of these critical projects. The HCRMA could not have begun this 30 year effort to deliver the Loop without the innovative Vehicle Registration Fee adopted by the Commissioners Court.

The development of the above-mentioned projects as well as the entire loop are the key to establishing a world-class transportation system in Hidalgo County which will result in the expansion of the economic viability the County has worked so diligently to create. At your request, I would be happy to make a presentation in Court to submit the 2012 Annual Report.

Sincerely,

Dennis Burleson  
Chairman

Cc:  
Hidalgo County Commissioners



In October of 2011 the Authority hired a Program Manager, Dannenbaum Engineering Corporation, to assist the Hidalgo County Regional Mobility Authority (HCRMA) in developing/implementing project document and cost controls; reviewing and assessing the completion of all deliverables to-date; and developing a strategic plan. In early 2012, the HCRMA also hired a new Executive Director Pilar Rodriguez, P.E. to carry out day-to-day management of the HCRMA and to prepare the agency for the long-term development of the 138 mile loop corridor.

At its March 2012 meeting (an updated in February of 2013), the HCRMA adopted an eight year strategy that is focused on developing a four lane State Highway 365 Phase I from the Anzalduas Bridge to the Pharr Bridge including the US 281 Military highway Overpass, with an anticipated construction start date of April 2016 and an opening date of July 2018. This adopted eight year strategy also consists of having the four lane International Bridge Trade Corridor (IBTC) toll facility shovel ready by early 2016 and (if funds are available) construction starting in Early 2017 with an opening date of October 2019. The development cost of both projects total over \$480 million.

The US 83 La Joya Relief Route and State Highway 68 will be developed by TxDOT as free roads with the HCRMA's consideration of constructing toll road mainlanes and grade separations as part of their long-term strategic plan.





### **HCRMA VISION:**

- **To be an effective partner in improving mobility to enhance the quality of life and economic vitality of the region.**

### **HCRMA MISSION:**

- **To provide our customers with a rapid and reliable alternative for the safe and efficient movement of people, goods, and services.**

### **HCRMA GOALS:**

- **Provide a quality customer experience through education, communication and excellent service delivery.□**
- **Utilize technology, innovation and entrepreneurial concepts to streamline processes, focus on results and complement efforts of other entities.**
- **Ensure the timely and efficient delivery of projects through sound management practices.**
- **Pursue an environmentally friendly transportation system.**  
**Collaborate, coordinate and communicate with other federal, state, regional and local entities in planning for regional transportation systems.**
- **Ensure financial accountability and stability.**
- **Develop and maintain an organization that efficiently and effectively accomplishes the Authority's mission.**





# Investment in the Local Community

**H**idalgo County is one of the fastest growing counties in the State of Texas. Hidalgo County has withstood the economic downturn better than many areas of the State. The HCRMA has not sat idle allowing the sluggish economy to stop its mission.

The mission of the HCRMA is to create mobility for the citizens of Hidalgo County through the development of its flagship project, the development of a 138 mile new location loop.

The recently approved eight year strategy envisions developing over \$450 million worth of projects in the next eight years. This project development is expected to create an economic impact of over \$1.5 billion and several thousand jobs for the citizens of

Hidalgo County.

The construction of the SH 365 and IBTC from mid 2016 to mid 2019 will result in expenditures of over \$480 million, with over \$300 million in construction alone. This will result in the HCRMA expending funds of over \$96 million per year for five years, creating the aforementioned economic impact of over \$1.5 billion (\$300 million per year), creating thousands of jobs for the local economy.

By supporting the HCRMA and its mission, the people of Hidalgo County are taking their financial future into their own hands by providing the short-term economic impact for the development of the infrastructure that will carry Hidalgo County residents into increased prosperity.





# CAPITAL IMPROVEMENT PLAN 2013 - 2021

## The plan includes:

- Constructing and operating the SH 365 (Segments 1 - 3) as a 4 lane tollroad with a construction starting April 2016 and toll operations starting July 2018.
- Constructing and operating the IBTC (All Segments) to a point where the project is shovel-ready by early 2016 and (if funds are available) construction starting in Early 2017 with an opening by October 2019.
  - ⇒ If construction funding is available, the letting of the Modified IBTC is projected to be September 2016 with toll operations starting July 2019.
- TxDOT to develop the La Joya Relief Route with non-toll road elements as an interim solution.
  - ⇒ This would allow the HCRMA to construct the toll road mainlanes and grade separations in the long-term strategic plan.
- TxDOT to conduct advanced planning on SH 68 (formerly Section D) from US 83 in Donna to US 281 North of Edinburg for approximately 20 miles which includes environmental clearance and right-of-way acquisition and will construct frontage roads with at-grade intersections from US 83 to FM 1925 (Monte Cristo Rd) for an investment of over \$85M.
  - ⇒ This would allow the HCRMA to construct the toll road mainlanes and grade separations in the long-term strategic plan.



Anticipated Bond Issue in 2013

Vehicle Registration Fee Bond

Type: Public Bond Sale

Debt Issue: \$30.4M

Use of Proceeds: Line of Credit,  
Development and Construction Costs,  
Reserve Fund,  
Financing Costs



# Financial Outlook



Capital Assets

2011 – \$25.61M

2012 – \$31.30M

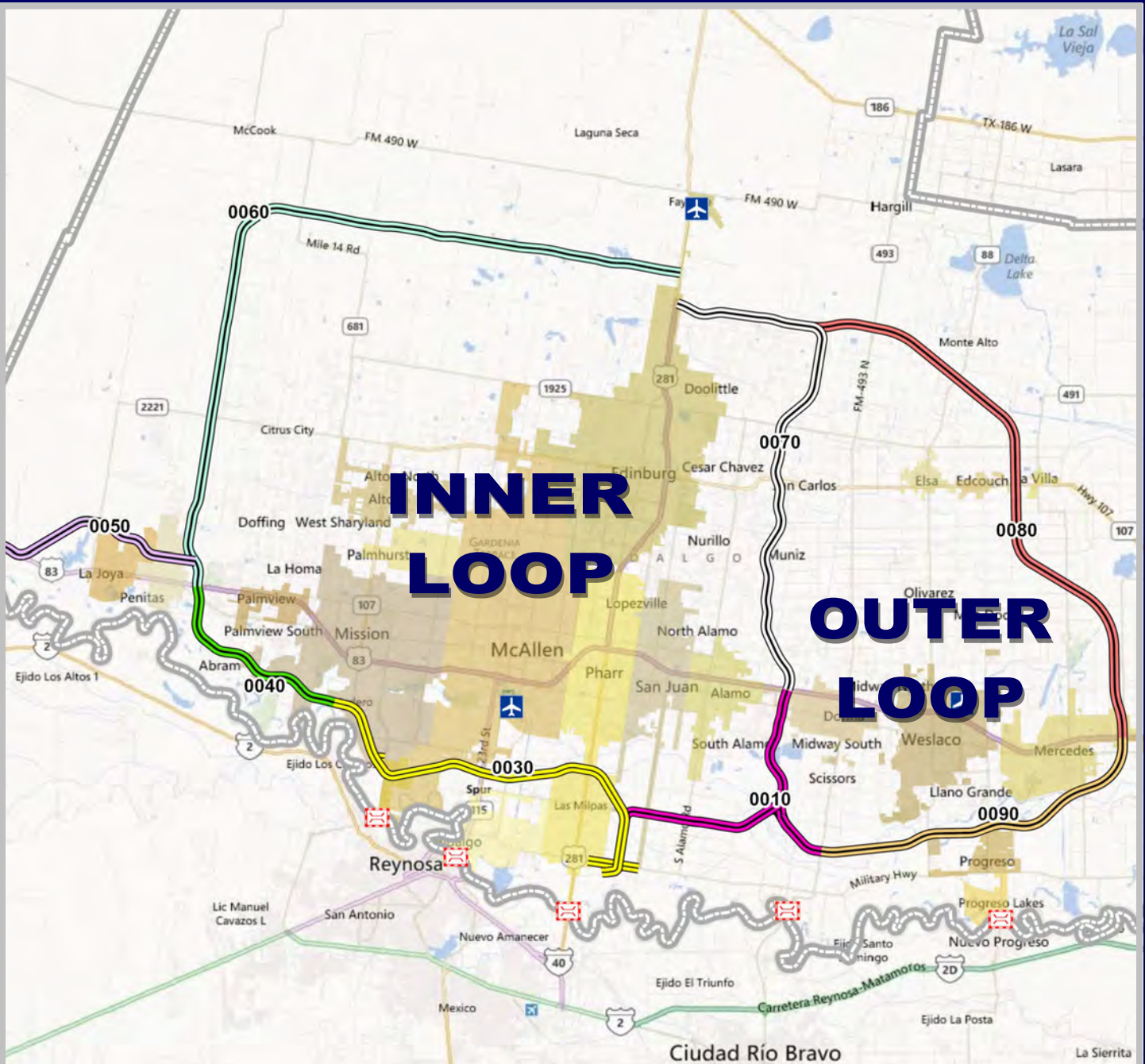
An Increase of 22.2%

Year End Cash

2011 – \$6.44M

2012 – \$4.82M

A Decrease of 25.2%



#### ALIGNMENT

- 0010 IBTC
- 0030 SH365
- 0040 Section A West
- 0050 US 83 Relief Rte
- 0060 Section C
- 0070 SH 68
- 0080 Section F
- 0090 Section E

#### TRANSPORTATION

- Airport
- International Bridge

# HIDALGO COUNTY LOOP SYSTEM 138 Miles



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HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY

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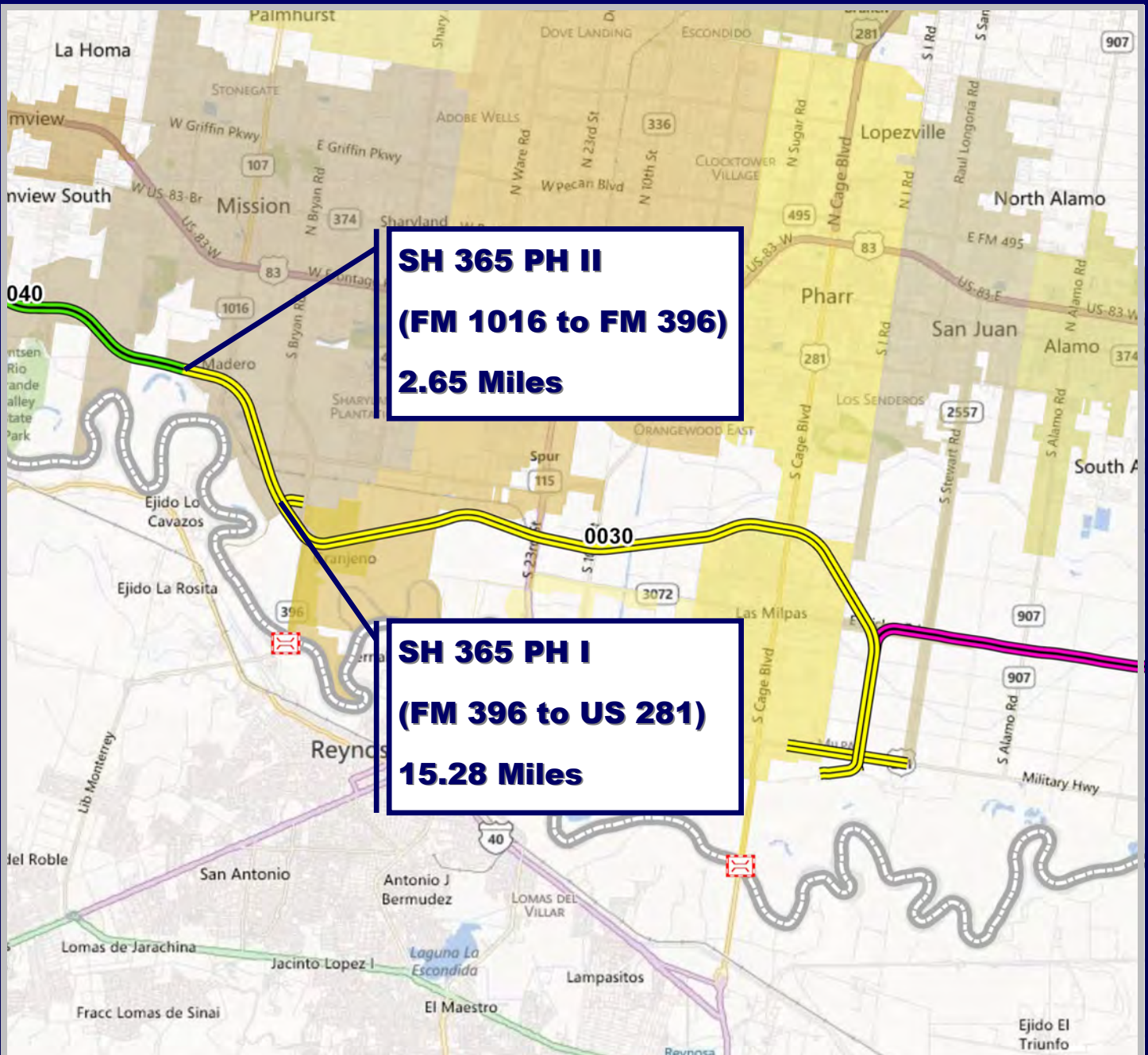
In 2000, the Hidalgo County Commissioners Court realized that a loop in Hidalgo County was essential for mobility. The Commissioners Court, after spending \$2 million for the initial route studies, created the Hidalgo County Regional Mobility Authority (HCRMA).

The HCRMA's signature project is the creation of the Hidalgo County Loop, a future 138 mile corridor serving the County's mobility needs for the next 50 years.









After five years of planning; the HCRMA is now in a position to move forward on its recently approved eight year strategy. This strategy envisions the development of the State Highway 365, an 15.3 mile four lane toll facility connecting the international bridges, and the 13.1 mile International Bridge Trade Corridor (IBTC).

The development of these projects will allow efficient movement of traffic as well as international goods and services east and west utilizing the SH 365, north through the IBTC, onto US 83, and in the future SH 68 to the north of Edinburg.



# A Loop for a Growing Economy



#### **ALIGNMENT**

-  0010 IBTC
-  0030 SH365
-  0040 Section A West
-  0050 US 83 Relief Rte
-  0060 Section C
-  0070 SH 68
-  0080 Section F
-  0090 Section E

#### **TRANSPORTATION**

-  Airport
-  International Bridge

# **STATE HIGHWAY 365**

## **FM 1016 to US 281**

### **17.9 Miles**



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State Highway 365 is projected to be a four lane divided high speed toll road connecting the International Bridges of Pharr and Anzalduas.

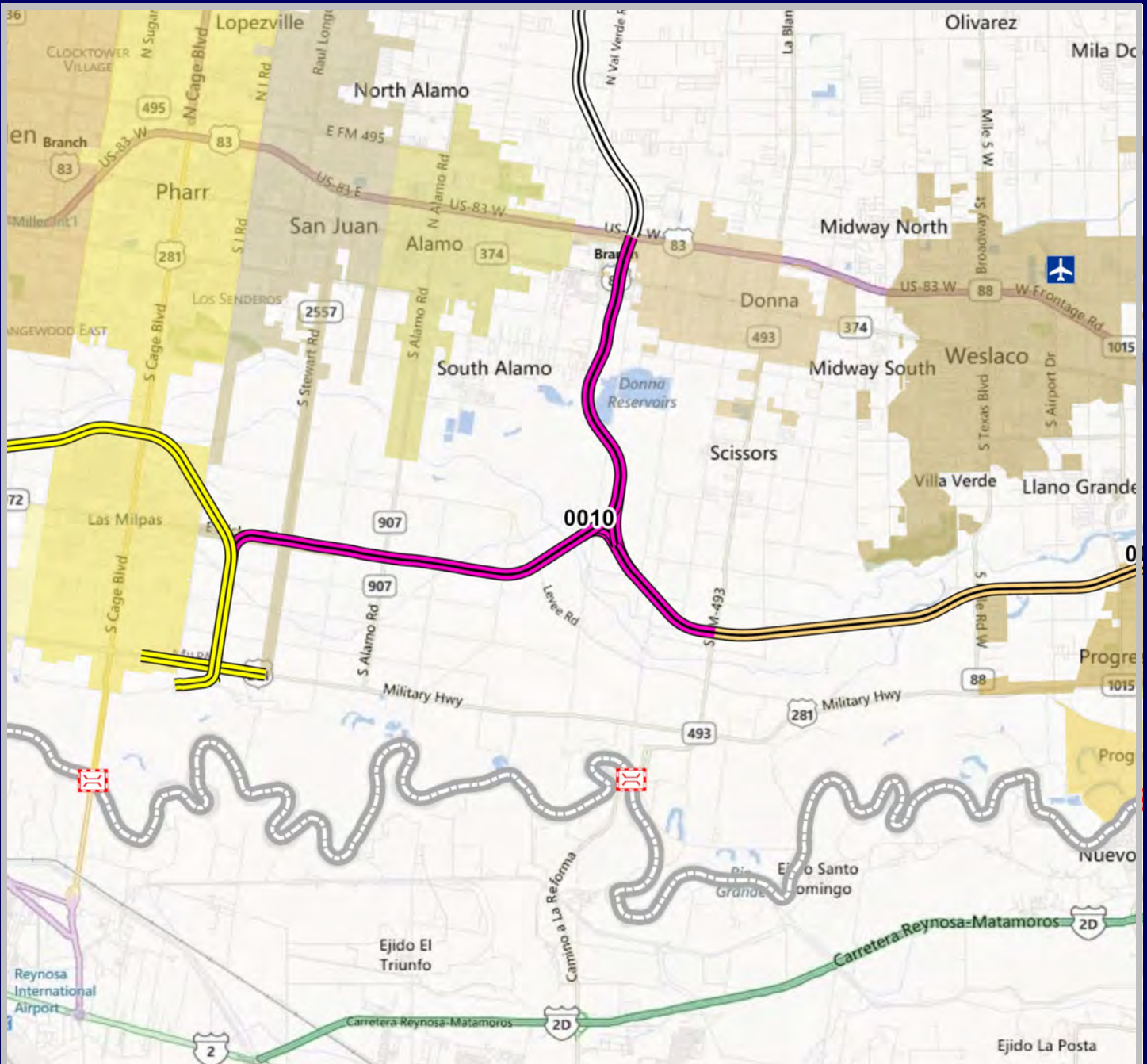
SH 365 will move goods and services from east to west to the McAllen, Pharr and Mission (Hunt Development) Trade Zones.

The initial phase of this project is expected to cost \$157.7 million to construct, with a total development cost of \$247.2 million.









The right of way acquired will allow future expansion for the next 50 years, eventually containing a six lane freeway section.

The short-term eight year strategic plan anticipates SH 365 to be under construction in April 2016 and be open for operation by July 2018. This facility will be the first toll road in Hidalgo County representing a new era for mobility.



# **Connecting Our International Bridges (SH 365)**



#### **ALIGNMENT**

-  0010 IBTC
-  0030 SH365
-  0040 Section A West
-  0050 US 83 Relief Rte
-  0060 Section C
-  0070 SH 68
-  0080 Section F
-  0090 Section E

#### **TRANSPORTATION**

-  Airport
-  International Bridge

# **INTERNATIONAL BRIDGE TRADE CORRIDOR (IBTC) FM 3072 to US 83 & FM 493 to US 83 13.1 Miles**



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The International Bridge Trade Connector (IBTC) is projected to be a four lane divided high speed toll road connecting the International Bridges of Pharr, Anzalduas, and Donna to US 83 in the vicinity of Donna, Texas.

The IBTC will move goods and services from east to west from the McAllen, Pharr, Donna and Mission (Hunt Development) Trade Zones, north to US 83 in Donna and eventually north to US 281 north of Edinburg through future SH 68.

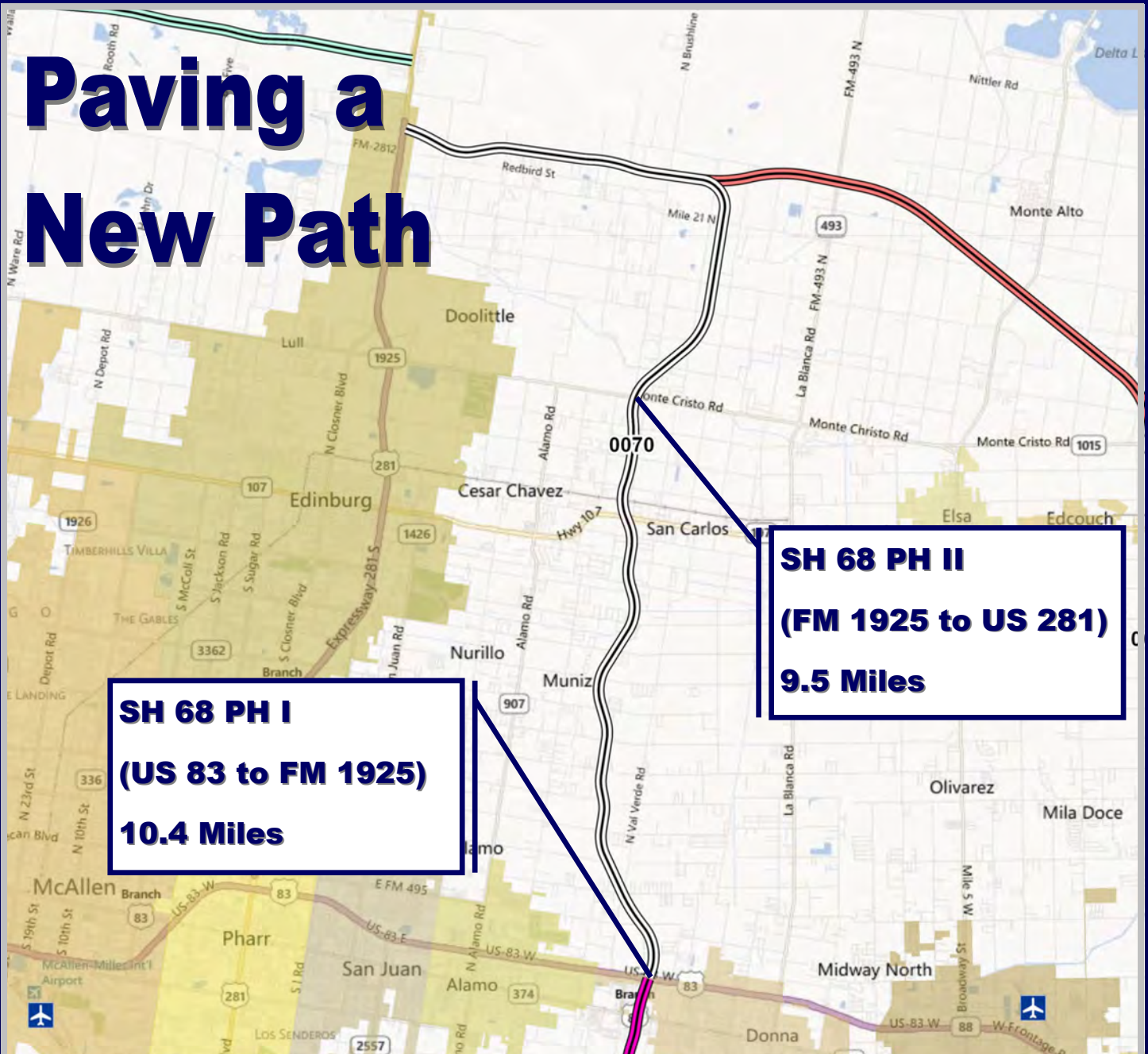
The initial phase of the project is expected to cost \$139.5 million to construct, with a total development cost of \$233.2 million. The right of way to be acquired will allow future expansion for the next 50 years, eventually containing a six lane freeway section.

The short-term eight year strategic plan anticipates the IBTC to be shovel ready by Early 2016 and with construction starting Early 2017 and toll operations starting by October 2019. This facility enhances SH 365, allowing goods and services to move freely to US 83.

# **Moving Trade From the Border to Points Beyond (IBTC)**



# Paving a New Path



## ALIGNMENT

- 0010 IBTC
- 0030 SH365
- 0040 Section A West
- 0050 US 83 Relief Rte
- 0060 Section C
- 0070 SH 68
- 0080 Section F
- 0090 Section E

## TRANSPORTATION

- Airport
- International Bridge

## STATE HIGHWAY 68

## FM 83 to US 281

## 19.9 Miles



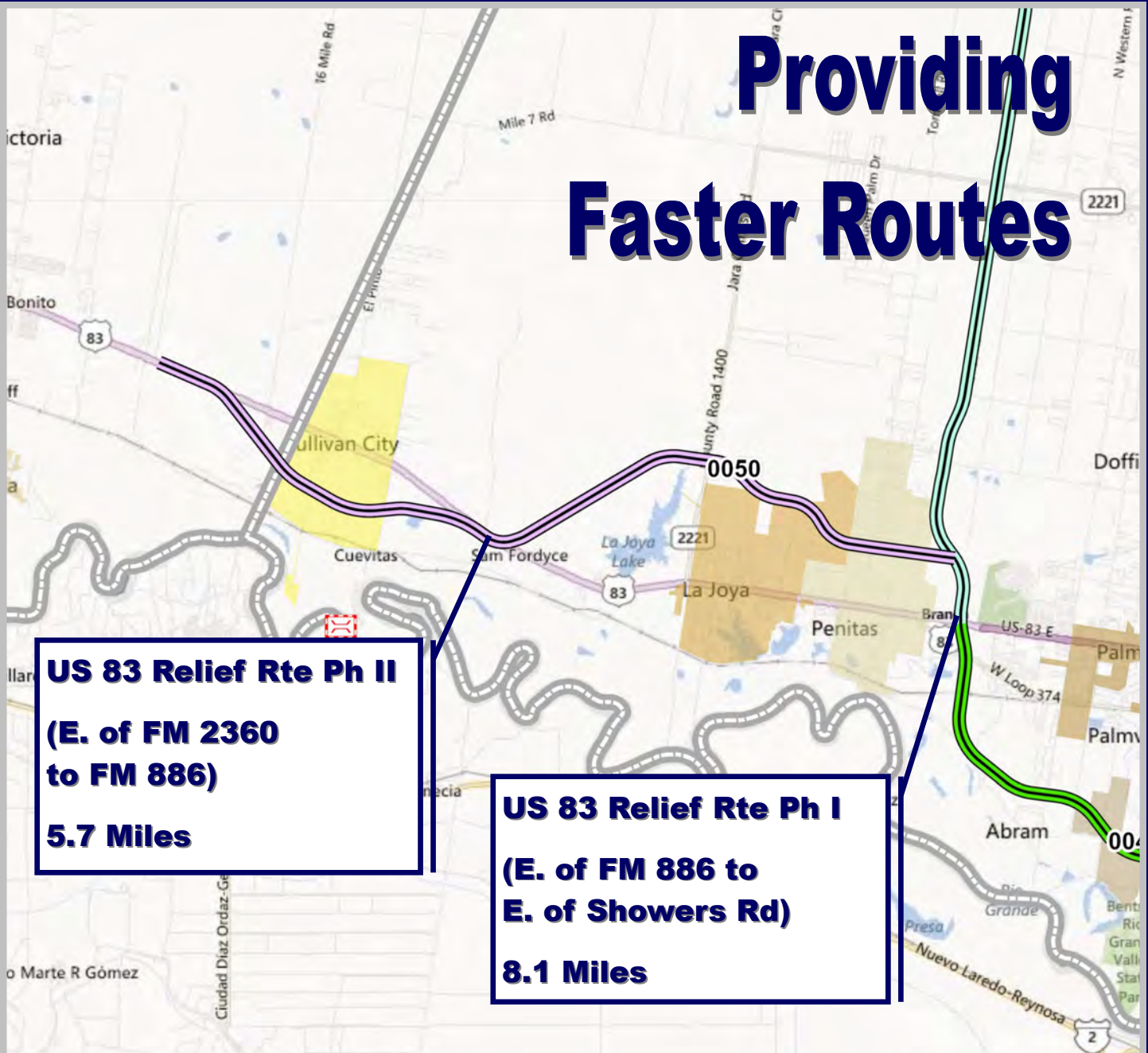
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## OVER AN \$85M INVESTMENT

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# Providing Faster Routes



## **ALIGNMENT**

- 0010 IBTC
- 0030 SH365
- 0040 Section A West
- 0050 US 83 Relief Rte
- 0060 Section C
- 0070 SH 68
- 0080 Section F
- 0090 Section E

## **TRANSPORTATION**

- Airport
- International Bridge

**US 83 La Joya Relief Route**  
**E. of FM 2360 to E. of**  
**Showers Rd**  
**14.5 Miles**  
**OVER A \$60M INVESTMENT**



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The background of the slide features a collage of financial data visualizations. At the top, a bar chart shows values from 1992 to 2003, with labels like 0.12, 0.21, 0.40, 0.74, 1.17, 1.48, and 2.35. Below this, a line graph shows fluctuations from 2000/1M to 2006/9M, with a '0' marker. In the bottom left, another bar chart shows values up to 400 and 200. A silver pen with a gold tip lies horizontally across the middle of the charts. The title text is overlaid on the central part of the image.

# **AUDITING FOR FISCAL RESPONSIBILITY**



## MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of Hidalgo County Regional Mobility Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended December 31, 2012. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

### FINANCIAL HIGHLIGHTS

- The Authority's net position increased by \$5.2 million as a result of vehicle registration fees received from Hidalgo County to fund the long-term transportation projects in Hidalgo County.
- Capital assets were \$25.6 million and \$31.3 million as of December 31, 2011 and 2012, respectively. All capital costs pertain to construction in progress relating to advance planning, schematic design, environmental clearance, and financial planning.
- Long-term liabilities decreased from \$12.1 million in 2011 to \$10.7 million in 2012. This decrease was largely the result of principal payments of \$1.3 million being applied against a line of credit with First National Bank of Edinburg. The funds from the line of credit are restricted to use on capital projects.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* (this section), and *the basic financial statements*.

The basic financial statements presented are: the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements are presented in accordance with Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis for State and Local Governments.

The statements are prepared under the accrual basis of accounting in which revenues and assets are recognized when earned or acquired, and expenses and liabilities are recognized when incurred regardless of when cash is received or paid.

### FINANCIAL ANALYSIS OF THE AUTHORITY

#### Statement of Net Position

As noted earlier, net assets may serve overtime as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$23,877,100 at the close of this fiscal year.

A portion of the Authority's net position (81.6%) reflects its investment in capital assets (capitalized planning costs related to Loop Project), less related debt used to acquire those assets that is still outstanding. Net position restricted for long-term transportation projects (17.4%) represents resources that are subject to external restriction on how they may be used.



Table 1  
Net Position  
(in thousands of dollars)

	2012	2011	Total % Change 2012-2011	2010	Total % Change 2011-2010
Current and other assets	\$ 5,159	\$ 6,784	-31%	\$ 5,928	12%
Capitalized bonds and other debt issuance costs	113	131	-16%	150	-15%
Capital assets	31,297	25,613	18%	22,628	12%
Total assets	36,569	32,528	11%	28,706	12%
Current Liabilities	1,966	1,843	6%	1,351	27%
Long-term obligations	10,726	12,048	-12%	13,684	-14%
Total liabilities	12,692	13,891	-9%	15,035	-8%
Net position:					
Net investment in capital assets	19,503	12,505	36%	8,114	35%
Restricted	4,326	6,075	-40%	5,499	9%
Unrestricted (deficit)	48	57	-19%	59	-4%
Total net position	\$ 23,877	\$ 18,637	22%	\$ 13,672	27%

### Statement of Revenues, Expenses and Changes in Net Position

Governmental activities increased the Authority's net position by \$5.2 million. This increase is largely due to the receipt of grant funds from Hidalgo County from a \$10.00 surcharge on all County vehicle registrations. The total funds received from the County were \$5,243,190. These funds are restricted by State law for capital projects. Program expenses, which consist of administrative costs that could not be allocated to the Loop Project, totaled \$3,219 for 2012. Table 2 compares the 2012 change in net position to the 2011 change in net position.

Table 2  
Changes in Net Position  
(in thousands of dollars)

	2012	2011	Total % Change 2012-2011	2010	Total % Change 2011-2010
Revenues:					
Vehicle registration fees - Restricted	\$ 5,243	\$ 4,967	5%	\$ 4,728	5%
Total revenue	5,243	4,967	5%	4,728	5%
Expenses					
Administrative	3	2	33%	2	0%
Total liabilities	3	2	33%	2	0%
Change in net position	5,240	4,965	5%	4,726	5%
Net position, beginning of the year	18,637	13,672	27%	8,946	35%
Total net position, end of the year	\$ 23,877	\$ 18,637	22%	\$ 13,672	27%



## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As of December 31, 2012 the Authority had invested approximately \$31.3 million in construction in progress, including engineering fees and preliminary costs such as funding, consulting, environmental, legal and traffic analysis fees. No tangible property or equipment has been acquired to date. Depreciation and amortization on construction in progress will not begin until each project is complete. Additional information on the Authority's capital assets can be found in the notes to the financial statements.

### **Long-term Debt**

The Authority has two long-term notes outstanding as of December 31, 2012. One note payable to Hidalgo County representing funds loaned by the County for general operations with a balance of \$200,000 was provided to the Authority for the purpose of assisting in its organization efforts and its general operations. A second note payable to First National Bank has a balance of \$11.9 million at December 31, 2012 which represents the remaining balance on a \$15 million line of credit. These funds are restricted to paying transportation project costs. Additional information on the Authority's long-term debt can be found in the notes to the financial statements.

## **ECONOMIC FACTORS FOR NEXT YEAR**

The Authority's income from vehicle registration fees remains stable with a small increase year over year. The proceeds are sufficient for repayment of debt obligations and to continue with preliminary planning leading to construction. We anticipate Right of Way acquisition to be completed in mid 2015 and construction to begin soon thereafter. The Texas Department of Transportation has pledged financial assistance for the SH 365 Project in the amount of \$112 Million.

## **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our patrons and other interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hidalgo County Regional Mobility Authority, 118 S. Cage Blvd., 4<sup>th</sup> Floor, Pharr, Texas 78577.



## **BASIC FINANCIAL STATEMENTS**



**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2012**

Assets

Current assets:		
Cash - unrestricted	\$	249,449
Cash - restricted		4,571,473
Vehicle registration fee receivable		<u>338,250</u>
Total current assets	\$	5,159,172
Capital assets:		
Office equipment, net		8,630
Construction work in progress		<u>31,288,753</u>
Total capital assets, net		31,297,383
Other assets:		
Bond issuance costs, net		<u>112,421</u>
Total assets	\$	<u>36,568,976</u>

Liabilities and Net Position

Current liabilities:		
Due to LRGVDC	\$	1,028
Accrued expenses		428
Payables from restricted assets:		
Accrued expenses		487,105
Interest payable		96,989
Note payable		<u>1,380,782</u>
Total current liabilities	\$	1,966,333
Noncurrent liabilities:		
Note payable		<u>10,725,544</u>
Total liabilities		12,691,876
Net position:		
Net investment in capital assets		19,503,478
Restricted for:		
Debt service		150,000
Long-term transportation projects		4,175,629
Unrestricted		<u>47,993</u>
Total net position		<u>23,877,100</u>
Total liabilities and net position	\$	<u>36,568,976</u>

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



**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**DECEMBER 31, 2012**

	<u>Non-GAAP</u>	<u>Capitalized Expenses</u>	<u>GAAP Basis</u>
Revenues:			
Vehicle registration fees	\$ 5,243,190	\$ -	\$ 5,243,190
Total revenues	<u>\$ 5,243,190</u>	<u>\$ -</u>	<u>\$ 5,243,190</u>
Expenses:			
Administrative	321,893	(318,674)	3,219
Consulting and engineering	4,652,222	(4,652,222)	-
Financial consulting fees	5,250	(5,250)	-
Interest expense	463,474	(463,474)	-
Amortization expense	18,737	(18,737)	-
Legal and professional	109,971	(109,971)	-
Other loop project	<u>109,909</u>	<u>(109,909)</u>	<u>-</u>
Total expenses	<u>5,681,456</u>	<u>(5,678,237)</u>	<u>3,219</u>
Change in net position	<u>\$ (438,266)</u>	<u>\$ (5,678,237)</u>	5,239,971
Net position, January 1, 2012			<u>18,637,129</u>
Net position, December 31, 2012			<u>\$ 23,877,100</u>

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



**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**DECEMBER 31, 2012**

Cash flows from operating activities:		
Receipts from Department of Transportation	\$ 5,252,500	
Payments to suppliers of goods or services	<u>(2,229)</u>	
Net cash flows provided from operating activities		<u>\$ 5,250,271</u>
Cash flows from capital and related financing activities:		
Acquisitions for construction in progress	(5,532,965)	
Principal paid on capital debt	<u>(1,333,190)</u>	
Net cash flows used in capital and related financing activities		<u>(6,866,154)</u>
Net decrease in cash and cash equivalents		(1,615,884)
Cash and cash equivalents at beginning of year		<u>6,436,806</u>
Cash and cash equivalents at end of year		<u><u>\$ 4,820,922</u></u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net position	\$ 5,239,971	
Depreciation	660	
Changes in assets and liabilities:		
(Increase) Decrease in accounts receivables	9,309	
Increase (Decrease) in accrued expenses	<u>332</u>	
Net cash flows provided by operating activities		<u>\$ 5,250,271</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest expense		<u><u>\$ 463,474</u></u>

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



HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Hidalgo County Regional Mobility Authority (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. The more significant of the Authority's accounting policies are described below:

**A. Reporting Entity**

The 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 the 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.



HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**B. Basis of Accounting**

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.

During the year the Authority implemented the requirements of GASB Statement No. 63. However, the Authority does not have any items that would qualify as deferred inflows or deferred outflows as defined in this statement.

The financial statements of the Authority measure and report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 Assets. 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 Equivalents, and Investments**

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. These deposits are fully collateralized or covered by federal deposit insurance.

**D. Capital Assets**

All capital assets at year end represent capitalized costs for legal, consulting and engineering relating to advance planning on the Loop Project. Depreciation and amortization on construction in progress will not begin until the project is operational. During the year, the total interest expense of \$463,474 incurred was capitalized as part of the construction in progress.

**E. Grants and Contracts**

Revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The Authority considers all grant and contributions to be 100% collectible.

**F. Restricted Assets**

Certain proceeds of the Authority's loans and grants are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable loan covenants and grant agreements.



HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**G. 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.

**H. 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.

**I. 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.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

At December 31, 2012, the carrying amount of the Authority's cash was \$4,820,922. The bank balance was \$5,237,100 as of December 31, 2012. The Authority's carrying amount at year end is as follows:

	Type	Amount
General Operating	Unrestricted	\$ 249,449
Loop Project	Restricted	47,338
Vehicle Registration	Restricted	4,374,135
Debt Service	Restricted	150,000
		<u>\$ 4,820,922</u>

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the Authority will not be able to recover its deposits or will not be able to recover its collateral securities that are in the possession of an outside party. Effective December 31, 2010, the FDIC announced its temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions, and remains in effect through December 31, 2012. The Authority's cash deposits at December 31, 2012 and during the year then ended were covered by FDIC Insurance.



**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. As previously stated, at year end, all funds were invested in demand deposit accounts at First National Bank of Edinburg. The Letter of Credit from the Federal Home Loan Bank securing the Authority's deposits is dependent upon the financial condition of the financial institution. However, the concentration of credit risk is mitigated by the fact that the Authority has debt outstanding with the bank that exceeds the amount of the deposits in the bank.

*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. All deposits of the Authority were invested in demand deposit accounts at year end.

*Credit Risk*

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation. All deposits were backed by federal deposit insurance, an agency of the federal government.

**NOTE 3 – DISAGGREGATION OF PAYABLES**

Payables as of December 31, 2012 for the Authority are as follows:

Engineering Services	\$ 381,779
Legal Services	5,375
Administration Expenses	99,951
	<u>\$ 487,105</u>

**NOTE 4 - CAPITAL ASSETS**

Capital assets at year end totaled \$31,297,383 and represented capitalized costs relating to advance planning for the Loop Project. Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance 1/1/2012	Increases	Decreases	Balance 12/31/2012
Capital Assets, not being depreciated:				
Construction in Progress	\$ 25,610,421	\$ 5,678,332	\$ -	\$ 31,288,753
Capital Assets, being depreciated:				
Office Equipment	3,186	6,821	-	10,007
Less accumulated depreciation for:				
Office Equipment	(717)	(660)	-	(1,377)
Total Capital Assets being depreciated (Net)	2,469	6,161	-	8,630
Total Capital Assets (Net)	<u>\$ 25,612,890</u>	<u>\$ 5,684,493</u>	<u>\$ -</u>	<u>\$ 31,297,383</u>



HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
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**NOTE 4 - CAPITAL ASSETS (Continued))**

Increase in construction in progress consists of the following:

Administrative	\$ 318,770
Consulting and engineering	4,652,222
Financial consulting fees	5,250
Interest expense	463,474
Amortization expense	18,737
Legal and Professional	109,971
Other Loop Project	109,908
	<u>\$ 5,678,332</u>

**NOTE 5 - LONG-TERM OBLIGATIONS**

Long-term obligations outstanding at December 31, 2012 were as follows:

	Beginning Balance 1/1/2012	Increases	Decreases	Ending Balance 12/31/2012	Due Within One Year
Hidalgo County	\$ 200,000	\$ -	\$ -	\$ 200,000	\$ -
First National Bank	13,239,515	-	1,333,190	11,906,325	1,380,782
	<u>\$ 13,439,515</u>	<u>\$ -</u>	<u>\$ 1,333,190</u>	<u>\$ 12,106,325</u>	<u>\$ 1,380,782</u>

The 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 of the first available revenues received by the Authority from the Project. If bonds are issued, a portion of the proceeds from the bonds shall be used to retire the loan.

The note payable to First National Bank represents funds advanced against a \$15 million line of credit. The loan proceeds are restricted to payment of Transportation Project Costs. The loan is secured by a pledge of the Vehicle Registration Fee collected by the County and remitted by the County to the Authority. The line of credit is payable in monthly installments of \$148,347 including interest at 3.5% through 2020.

*Bond Obligations*

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.



**HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY  
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**NOTE 5 - LONG-TERM OBLIGATIONS (Continued)**

Debt service requirements on long-term debt at December 31, 2012 are as follows:

Year Ended December 31	Principal	Interest	Total
2013	\$ 1,380,782	\$ 403,474	\$ 1,784,256
2014	1,425,655	354,510	1,780,165
2015	1,476,361	303,804	1,780,165
2016	1,528,119	252,045	1,780,164
2017	1,583,221	196,944	1,780,164
2018-2020	4,712,188	241,678	4,953,865
	<u>\$ 12,106,325</u>	<u>\$ 1,752,454</u>	<u>\$ 13,858,779</u>

**NOTE 6 - CONSTRUCTION COMMITMENTS**

At December 31, 2012, the Authority had remaining construction commitments:

Project	Authorization	Expended	Remaining
Program Management	\$ 2,509,436	\$ 1,778,957	\$ 730,479
Traffic Studies	574,229	427,933	146,296
Engineering/Surveying	3,433,459	2,014,599	1,418,860
Environmental	663,790	248,956	414,834
			<u>\$ 2,710,469</u>

**NOTE 7 - PRELIMINARY DEVELOPMENT PROJECT**

On March 28, 2012, the HCRMA Board of Director adopted Program Manager Strategy No. 8, which is an 8 year comprehensive plan for State Highway 365 (formerly TCC), International Border Trade Corridor (IBTC) and State Highway 68 (formerly Segment D). During the remainder of the 2012 Fiscal Year, the Board focused efforts on the advance planning elements for the State Highway 365 project through a corridor from FM 1016 (Conway Avenue) to US 281/Military Highway. The efforts included planning to build an interim roadway facility with four (4) main lanes, structures and frontage roads for a distance of 13.4 miles. Engineering, Surveying and Environmental Consultants were procured and authorized to work on tasks that were necessary for an Environmental Clearance. The Texas Department of Transportation and the Federal Highway Administration issued an Environmental Assessment classification for the project in December 2012. The Authority expects environmental clearance for State Highway 365 in March 2014.



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HIDALGO COUNTY REGIONAL MOBILITY AUTHORITY

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