

Audited Financial Statements

**WEBB COUNTY-CITY OF LAREDO
REGIONAL MOBILITY AUTHORITY**

September 30, 2023

Table of Contents

Independent Auditor's Report.....	1-3
Management's Discussion and Analysis (Unaudited).....	4-7
Audited Financial Statements	
Statement of Net Position	8
Statement of Revenues, Expenses, and Changes in Net Position.....	9
Statement of Cash Flows	10
Notes to Audited Financial Statements	11-16
Report of Independent Auditor 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	17-18

Aaron Canales, CPA
Juan José Garza, CPA
† J. Clayton Baum, CPA
Guadalupe Garcia-Wright, CPA



INDEPENDENT AUDITOR'S REPORT

To the Governing Body
Webb County-City of Laredo Regional Mobility Authority
Laredo, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Webb County-City of Laredo Regional Mobility Authority, which comprise the statement of net position as of September 30, 2023, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Webb County-City of Laredo Regional Mobility Authority's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Webb County-City of Laredo Regional Mobility Authority as of September 30, 2023, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of Webb County-City of Laredo Regional Mobility Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Webb County-City of Laredo Regional Mobility Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Webb County-City of Laredo Regional Mobility Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Webb County-City of Laredo Regional Mobility Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2024, on our consideration of Webb County-City of Laredo 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Webb County-City of Laredo Regional Mobility Authority's 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 Webb County-City of Laredo Regional Mobility Authority's internal control over financial reporting and compliance.

Canale, Hargis & Baum, PLLC

Laredo, Texas
January 26, 2024

WEBB COUNTY-CITY OF LAREDO REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2023

The Webb County-City of Laredo Regional Mobility Authority (the "Authority") presents the following discussion and analysis of the Authority's financial activities during the fiscal year that ended September 30, 2023. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

Financial Highlights

- The Authority receives funds from Webb County from vehicle registration fees. As a result of this year's activity there was an increase in restricted net assets from 2022 to 2023 of \$10.8 million to \$11.9 million, respectively.
- Total non-operating revenue increased from \$2.2 million to 2.5 million from 2022 to 2023, respectively.
- Current projects include the Vallecillo Road project, with a budget of \$38 million, and the FHWA Safe Streets and Roads for All project, with a budget of \$2.2 million.
- Total operating expenses were approximately \$3 million and \$1.5 million in 2022 and 2023, respectively.
- Investments in United States Treasury Bills valued at \$8.4 million have various maturities and are classified as investments in 2023.

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 basic financial statements are designed to provide readers with an overview of the Authority's finances in a manner similar to private-sector business.

The statement of net position presents information on all of the Authority's assets and deferred outflows, as well as the Authority's liabilities and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator whether the financial position of the Authority is improving or deteriorating. The statement of net position can be found on page 8 of this report.

The statement of revenues, expenses, and changes in net position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows for future fiscal periods. The increase or decrease in net position may serve as an indicator of the effect of the Authority's current-year operations on its financial position. The statement of revenues, expenses, and changes in net position can be found on page 9 of this report.

WEBB COUNTY-CITY OF LAREDO REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2023

The statement of cash flows summarizes all of the Authority's cash flows into three categories as applicable:

1) cash flows from operating activities, 2) cash flows from capital and related financing activities, and 3) cash flows from investing activities. The statement of cash flows can be found on page 10 of this report. The statement of cash flows, along with the related notes and information in other financial statements, can be useful in assessing the following:

- The Authority's ability to generate future cash flows
- The Authority's ability to pay its debt as the debt matures
- Reasons for the difference between the Authority's operating cash flows and operating income
- The impact of the Authority's financial position of cash and noncash transactions from investing, capital, and financing activities

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found starting on page 11 of this report.

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. 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 is recognized in the statements of revenues, expenses, and changes in net position. All assets and liabilities associated with the operation of the Authority are included in the statements of net position.

WEBB COUNTY-CITY OF LAREDO REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2023

Financial Analysis of the Authority

Net Position

The Authority's total net position was approximately \$11.9 million and \$10.8 million as of September 30, 2023 and 2022, respectively (See Table A-1). In 2023, total net position increased 9% to \$11.9 million and total liabilities decreased to approximately \$440,000. The increase in total net position of \$1.1 million is the result of the 2023 operations.

Table A-1
Condensed Schedule of Net Position
(in thousands of dollars)

	2023	2022
Restricted assets	\$ 12,346	\$ 12,036
Capital assets	-	-
Total assets	12,346	12,036
Total liabilities	444	1,149
Net position:		
Invested in capital assets	-	-
Restricted for other purposes	11,902	10,887
Total net position	\$ 11,902	\$ 10,887

WEBB COUNTY-CITY OF LAREDO REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2023

Changes in Net Position

Changes in net position as of September 30, 2023 and 2022 were approximately \$1 million and \$.8 million, respectively. Total change in net position increased in 2023 by 223%. The Authority's total revenues for the year ended September 30, 2023 were \$2.5 million, an increase of 12% from 2022, and total expenses were \$1.5 million, a decrease of 50%. See Table A-2.

Table A-2
Condensed Schedule of Changes in Net Position
(in thousands of dollars)

	2023	2022
Operating Revenues:		
General operating revenue	\$ -	\$ -
Total operating revenues	-	-
Expenses:		
Professional services	1,516	3,025
Other operating expenses	13	12
Total expenses	1,529	3,037
Non Operating Revenues:		
Investment income	250	15
Vehicle registration fees revenue	2,298	2,194
Unrealized gain or (loss) on investments	(5)	2
Total other income	2,543	2,211
Change in net position	1,014	(826)
Prior period adjustments		(3)
Total net position, beginning of year	10,888	11,717
Total net position, end of year	\$ 11,902	\$ 10,888

Contacting The Authority's Financial Management

This financial report is designed to provide 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 Webb County-City of Laredo Regional Mobility Authority, 7917 McPherson Road, Suite 203, Laredo, TX 78045.

WEBB COUNTY-CITY OF LAREDO REGIONAL MOBILITY AUTHORITY
STATEMENT OF NET POSITION
September 30, 2023

ASSETS

Current Assets:

Restricted:

Cash and Cash Equivalents	\$ 3,163,122
Accounts Receivable	745,213
Total Current Assets	<u>3,908,335</u>

Non Current Assets:

Restricted:

Investments	8,411,511
Accured Interest Receivable	26,538
Total Non Current Assets	<u>8,438,049</u>

Total Restricted Assets	<u>12,346,384</u>
-------------------------	-------------------

TOTAL ASSETS	<u><u>12,346,384</u></u>
---------------------	---------------------------------

LIABILITIES

Current Liabilities:

Payable from restricted current assets

Accounts Payable	444,013
Total Current Liabilities	<u>444,013</u>

NET POSITION

Restricted for other purposes

Total Net Position	<u><u>\$ 12,346,384</u></u>
---------------------------	------------------------------------

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

WEBB COUNTY-CITY OF LAREDO REGIONAL MOBILITY AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended September 30, 2023

Operating Revenues:	
General Operating Revenue	\$ -
Total Operating Revenues	<u>-</u>
Operating Expenses:	
Professional Services	1,515,672
Other Operating Expenses	<u>13,016</u>
Total Operating Expenses	<u>1,528,688</u>
Non Operating Revenues:	
Investment Income	245,590
Vehicle Registration Fees	<u>2,298,090</u>
Total Other Income	<u>2,543,680</u>
CHANGE IN NET POSITION	1,014,992
TOTAL NET POSITION, BEGINNING OF YEAR	<u>10,887,379</u>
TOTAL NET POSITION, END OF YEAR	<u><u>\$ 11,902,371</u></u>

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

WEBB COUNTY-CITY OF LAREDO REGIONAL MOBILITY AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended September 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from vehicle registration fees	\$ 2,252,030
Receipts from other income	
Payments to professionals	(2,107,021)
Payments of other operating activities	<u>(13,016)</u>
Net cash provided (used) by operating activities	<u>131,993</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(1,638,278)
Interest and dividends received	<u>48,048</u>
Net cash provided (used) by investing activities	<u>(1,590,230)</u>
Net increase (decrease) in cash and cash equivalents	(1,458,237)
Cash and cash equivalents, beginning of year	<u>4,621,359</u>
Cash and cash equivalents, end of year	<u>3,163,122</u>
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Change in net position	<u>1,014,992</u>
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(177,723)
Increase (decrease) in accounts payable	<u>(705,276)</u>
Total adjustments	<u>(882,999)</u>
Net cash flows from operating activities	<u>131,993</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS	
Unrestricted cash and cash equivalents	-
Restricted cash and cash equivalents	<u>3,163,122</u>
	<u>\$ 3,163,122</u>

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

WEBB COUNTY-CITY OF LAREDO REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1—Organization and summary of significant accounting policies

The financial statements of the Webb County-City of Laredo Regional Mobility Authority (the “Authority”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. 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.

Reporting Entity – The Authority was authorized by the state of Texas in 2014. The Authority is authorized to finance, acquire, design, construct, operate, maintain, expand, or extend transportation projects within the Webb County-City of Laredo region. The Authority receives its non-operating revenues from vehicle registration fees collected by Webb County. The Authority may issue revenue bonds for the purpose of paying the costs of turnpike projects.

The Authority was formed jointly by the City of Laredo (the “City”) and Webb County (the “County”). Their efforts began in August 2013, following the enactment of provisions by the 77th Texas Legislature authorizing the formation of regional mobility authorities (“RMAs”). The petition to form the Authority was filed by the County, and the Texas Transportation Commission granted approval for its formation in February 2014. The City and the County appointed their initial Board of Directors in November 2014. The County appointed four directors, the City of Laredo appointed three directors, and the Governor appointed the presiding officer. The members are appointed in belief that the composition of the board and the common interest in the region shared by all board members will result in adequate representation of all political subdivisions within the geographic area of the RMA and serve without pay for terms of two years. The Authority has full control over all operations but must comply with certain bond indentures and trust agreements. The Authority has not had any employees since inception and currently relies on the combined efforts of the presiding officer and consultants to manage the day-to-day operations.

In evaluating how to define the Authority for financial reporting purposes, management has determined there are no entities over which the Authority exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Authority. Since the Authority does not exercise significant influence or accountability over other entities, it has no component units.

Liquidity – As of and for the year ended September 30, 2023, the Authority reported cash on hand of \$3,163,122, investments of \$8,411,511, non-operating revenue of \$2,543,680, and a change in net position of \$1,014,992. Management believes its cash on hand and anticipated 2024 operating results will be sufficient to fund its operations for the next twelve months.

Basis of Accounting – The operations of the Authority are accounted for within a single proprietary (enterprise) fund through which all financial activities are recorded. The measurement focus for an enterprise fund is the flow of economic resources. An enterprise fund follows the accrual basis of accounting. With this measurement focus, all assets, liabilities, and deferred inflows and outflows of resources associated with the operations are included on the statement of net position. Net position (i.e., total assets and deferred outflows net of total liabilities and deferred inflows) is segregated into amounts of net investment in capital assets, amounts restricted for capital activity, and debt service pursuant to the bond indenture and amounts which are unrestricted. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred.

WEBB COUNTY-CITY OF LAREDO REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1—Organization and summary of significant accounting policies (continued)

Cash 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. The Authority's investment practices are governed by state statutes, the Authority's own investment policy and bond indentures, and the Texas Public Funds Investment Act. Investments in debt securities are reported at fair value based on pricing service modeling for fixed income securities. Certificates of deposit held for investment that are not debt securities are included in "investments –other." Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as "short-term investments – other." Certificates of deposit with remaining maturities greater than one year are classified as "long-term investments – other." The net change in fair value of investments is recorded on the statement of revenues, expenses, and changes in net position and includes the unrealized and realized gains and losses on investments.

Fair Value – The Authority utilizes various methods to measure the fair value of investments on a recurring basis and uses a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are:

Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets and liabilities that the Authority has the ability to access.

Level 2 – Inputs are observable other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data.

Level 3 – Inputs are unobservable for the asset or liability, to the extent relevant observable inputs are not available, representing the Authority's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Investments measured at net asset value do not have significant terms or conditions for redemption or commitment for additional funding. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Capital Assets – Capital assets, which include property and equipment, right-of-way, and toll roads, are reported at cost. Capital assets acquired through contributions, such as those from developers or other governments, are recorded at estimated acquisition value at the date of donation. Capital assets are defined as assets with initial, individual costs exceeding \$2,500 to \$20,000, depending on the asset category. The Authority held no capital assets as of September 30, 2023.

WEBB COUNTY-CITY OF LAREDO REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1—Organization and summary of significant accounting policies (continued)

Depreciation is computed on the straight-line method over the following estimated useful lives:

Capital Asset	Estimated Useful Life
Roads and bridges	40 years
Improvements	5-20 years
Buildings	20-30 years
Equipment	3-10 years

A full month's depreciation is taken in the month an asset is placed in service. When property and equipment are disposed, the cost and accumulated depreciation are removed from the respective accounts, and the resulting gain or loss, if any, is recorded in operations. The Authority capitalizes interest cost of restricted tax-exempt borrowings less any interest earned on temporary investment of the proceeds of those borrowings from the date of borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use. The Authority tests for impairment of capital assets when significant, unexpected decline in service utility occurs.

Grants and Contributions – Revenues from grants and contributions are cash and noncash which may include the following: (1) capital grants and contributions which are restricted revenues whose resources may only be spent to purchase, build, or use capital assets for specified programs or (2) operating grants and contributions which are restricted in the way they may be spent for operations of a particular program.

On August 17, 2015, the Authority entered into an inter-local agreement with the County of Webb, Texas relating to optional vehicle registration fees for funding transportation improvements within Webb County. During the year ended September 30, 2023, the Authority recognized non-operating revenue of approximately \$2.3 million from Webb County, Texas.

Restricted Assets – Certain proceeds of the Authority are classified as restricted assets in the statement of net position and their use is limited by applicable agreements. When the proceeds are restricted for the acquisition or construction of noncurrent assets or are restricted for liquidation of long-term debt, they are further classified as noncurrent restricted assets. The Authority's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. In the financial statements, restricted net position is reported for amounts that are externally restricted by creditors, grantors, contributors, or laws, and regulations of other governments or law through constitutional provision or enabling legislation.

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.

WEBB COUNTY-CITY OF LAREDO REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1—Organization and summary of significant accounting policies (continued)

Classification of Operating and Non-operating Revenue 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 the codification of Government and Financial Reporting Standards 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. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

Estimates – The preparation of the financial statements in conformity with U.S. 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. There were no significant estimates in the preparation of the financial statements as of and for the year ended September 30, 2023.

Deferred Outflows and Inflows of Resources – The Authority classifies as deferred inflows of resources items that represent acquisition of net position that applies to future periods and will not be recognized as revenue until then. The Authority classifies as deferred outflows of resources of certain items that represent a consumption of resources that applies to a future period and, therefore, will not be recognized as an expense until then. There were no deferred inflows or outflows of resources reported in the financial statements as of and for the year ended September 30, 2023.

Subsequent Events – The Authority evaluates events that occur subsequent to the statement of financial position date, but before financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the Authority's financial statements are available for issuance. For the financial statements as of and for the year ended September 30, 2023, this date was January 26, 2024.

Note 2—Cash and investments

The Authority's board has adopted an investment policy to set forth the factors involved in the management of investment assets for the Authority. The Authority seeks to mitigate risk by investing in compliance with the investment policy, qualifying the broker or financial institution with whom the Authority will transact, maintain sufficient collateralization, portfolio diversification, and limiting maturity.

The Authority had the following cash and investments as of September 30, 2023:

Summary of Investments by Type	
Cash and cash equivalents	\$ 3,163,122
Investments	8,411,511
Total cash and investments	<u>\$ 11,574,632</u>
 Restricted current cash and cash equivalents	 \$ 3,163,122
Restricted investments	8,411,511
Total cash and investments	<u>\$ 11,574,632</u>

As of September 30, 2023, the Authority had \$8,411,511 invested in United States Treasury Bills with varying maturities. Deposit and investment resources are exposed to risks that have the potential to result in losses that could impact the delivery of the Authority's services.

WEBB COUNTY-CITY OF LAREDO REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 2—Cash and investments (continued)

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, 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. At September 30, 2023, the carrying amount and the bank balance of the Authority's cash and cash equivalents was \$3,163,122. While the Authority has no formal policy specific to custodial credit risk, the Authority was fully collateralized with pledged securities for amounts in excess of the Federal Deposit Insurance Corporation limit for the year ended September 30, 2023.

Credit Risk – Is the risk than an issuer or other counterparty to an investment will not fulfill its obligations to the Authority. To help mitigate credit risk, credit quality guidelines are incorporated into the investment policy, as follows:

- Limiting investments to the safest types of securities, as listed above under the *Concentration of Credit Risk* section; and
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the Authority will do business.

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. The Authority is authorized to invest funds in accordance with its investment policy, and the Texas Public Funds Investment Act. Authorized investments include but are not limited to U.S. Treasury and federal agency issues, certificates of deposit issued by a state or national bank domiciled in the state of Texas, repurchase agreements collateralized by U.S. Treasury or federal agency securities, guaranteed investment contracts (GICs), obligations of states and municipalities, Securities and Exchange Commission registered no-load money market mutual funds, and local government investment funds. The Authority's investments are insured or registered and are held by the Authority or its agent in the Authority's name.

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.

The Authority's investment policy notes with regard to maximum maturities, the Authority will attempt to match its individual investments with anticipated cash flow requirements of each fund. The maximum stated maturity of an individual investment may not exceed five years, unless approved by the Authority's Board.

Note 3—Receivables

At September 30, 2023, receivables in the amount of \$745,213 consisted of current vehicle registration fees due from Webb County and reimbursements for project costs from Laredo & Webb County Area Metropolitan Planning Organization and the City of Laredo. These receivables were are considered fully collectible and, therefore, no allowance for uncollectible fees is provided.

WEBB COUNTY-CITY OF LAREDO REGIONAL MOBILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 4—Disaggregation of receivable and payable balances

Components of receivables as of September 30, 2023 and net receivable balances as of September 30, 2023 and 2022 are summarized in the following table.

Description	As of 9/30/2023			As of 9/30/2022
	Gross Receivable	Allowances	Net Receivable	Net Receivable
Vehicle Registration Fees	\$ 613,550	\$ -	\$ 613,550	\$ 567,490
Project Costs-Reimbursements	131,663	-	131,663	-
Total Current Receivables	<u>\$ 745,213</u>	<u>\$ -</u>	<u>\$ 745,213</u>	<u>\$ 567,490</u>

Payable balances are comprised of 100% current payables to vendors at September 30, 2023.

Note 5—Related parties

Webb County appointed four directors to the Authority's Board of Directors. Additionally, the Authority recognized non-operating revenue of \$2,298,090 from vehicle registration fees from Webb County during the year ended September 30, 2023. The Authority has receivables of \$613,550 from Webb County as of September 30, 2023.

Note 6—Concentrations

The Authority's major source of non-operating revenue in the year ending September 30, 2023 was from Webb County vehicle registration fees aggregating \$2,298,090 and 90% of total revenue.

Note 7—Risk management

In conjunction with its normal operations, the Authority is exposed to various risks related to the damage or destruction of its assets from both natural and man-made occurrences, tort/liability claims, errors and omissions claims, and professional liability claims. As a result of these exposures, the Authority carries insurance. All categories of insurance coverage in place were either maintained at current levels or increased as to overall limits of coverage and reduction of self-retained risk so as to reduce the overall exposure of risk to the Authority.

Note 8—Commitments and contingent liabilities

The Authority has a capital improvement program for roadway construction projects extending into future years. As of September 30, 2023, the Authority has a capital budget of approximately \$43 million for future non-toll projects consisting of: \$38 million for the Vallecillo Road project, \$2.2 million for the FHWA Safe Streets and Roads for All plan, \$1.3 million for the Springfield Extension project, \$50,000 for the Killam Turning Lanes project, \$300,000 for the Webb County Fair Grounds Driveways, \$70,000 for the North Laredo TRZ study, and \$1 million for the Concord Hills Extension project.

Aaron Canales, CPA
Juan José Garza, CPA
† J. Clayton Baum, CPA
Guadalupe Garcia-Wright, CPA



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 Governing Body
Webb County-City of Laredo Regional Mobility Authority
Laredo, Texas

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 Webb County-City of Laredo Regional Mobility Authority, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Webb County-City of Laredo Regional Mobility Authority's basic financial statements, and have issued our report thereon dated January 26, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Webb County-City of Laredo Regional Mobility Authority's internal control over financial reporting (internal control) as a basis for designing 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 Webb County-City of Laredo Regional Mobility Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Webb County-City of Laredo Regional Mobility 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Webb County-City of Laredo Regional Mobility 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Canales, Hargis & Baum, PLLC

Laredo, Texas
January 26, 2024