

**Anzalduas International Crossing**

**Financial Statements  
And Independent Auditors' Report**

**September 30, 2013 and 2012**

# ANZALDUAS INTERNATIONAL CROSSING

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Anzalduas International Crossing  
McAllen, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Anzalduas International Crossing (the "Anzalduas Bridge"), an enterprise fund of the City of McAllen, Texas as of September 30, 2013, which comprise the statement of net position and the related statements of revenues, expenses, and changes in net position, and cash flows as of the year then ended and the related notes to the financial statements.

### ***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 financial position of the Anzalduas International Crossing, an enterprise fund of the City of McAllen, Texas, as of September 30, 2013, and the 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.

### ***Prior Period Financial Statements***

The financial statements of Anzalduas International Crossing, an enterprise fund of the City of McAllen, Texas as of September 30, 2012, were audited by other auditors whose report dated December 12, 2012, expressed an unmodified opinion on those statements.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Anzalduas Bridge and do not purport to, and do not, present fairly the financial position of the City of McAllen, Texas as of September 30, 2013, the changes in its financial position, or, its 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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. 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 comprise the Anzalduas Bridge's basic financial statements. The Schedule of Income Distribution; Schedule of Changes in Restricted Assets- Cash and Investments; Toll Bridge System (Combined) – McAllen International Toll Bridge and Anzalduas International Crossing; Schedule of Net Position Information; Schedule of Revenues, Expenses and Changes in Net Position Information; and Schedule of Cash Flows Information, which are listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and 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 supplementary information referred to above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vehicle and Passenger Traffic; Schedule of Car and Truck Traffic Revenue; Schedules of Board Advances from McAllen International Toll Bridge Fund; and Schedule of Insurance Coverage have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2014, on our consideration of the Anzalduas International Crossing'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 Anzalduas International Crossing's internal control over financial reporting and compliance.

  
LONG CHILTON, LLP  
Certified Public Accountants

McAllen, Texas  
January 22, 2014

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**Anzalduas International Crossing**  
**Management's Discussion and Analysis**  
September 30, 2013

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This discussion and analysis is intended to provide an overview of the of the Anzalduas International Crossing's (Anzalduas Bridge) financial performance for the fiscal year ending September 30, 2013 and the related effect on its financial condition. Please read it in conjunction with the basic financial statements, which follow and include the notes thereto, which are necessary for a complete understanding of the data contained in the financial statements. Following the notes to the financial statements is certain supplementary information.

***ANZALDUAS BRIDGE OPERATIONAL HIGHLIGHTS***

As shown on the Statement of Revenues, Expenses, and Changes in Net Position, operating income amounted to \$596K. However, net assets decreased by \$713K principally due to interest expense on the bonds and advances offset by a transfer in. The southbound car crossings at Anzalduas were 9% over last year's crossing. Although the Hidalgo Bridge experienced a small decline in southbound car crossings, the combined system-wide resulted in an overall decrease of less than 1%.

***Overview of the Financial Statements***

These reports consists of several financial statements and includes, the Statement of Net Position, Statement of Revenue, Expenses and Changes Net Position, and the Statement of Cash Flows for the current fiscal year ending September 30, 2013 as well as the previous fiscal year.

<u>Category</u>	<u>FY 12-13</u>	<u>FY 11-12</u>	<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Cars	933,694	855,845	77,849	9.10%
Trucks	960	732	228	31.15%
Buses	4,417	3,878	539	13.90%
Passengers in cars	2,334,235	2,252,075	82,160	3.65%

Anzalduas International Crossing  
Management's Discussion and Analysis  
September 30, 2013

Southbound crossings reflected increases in all categories over last year's levels. Currently, the presidential permit does not allow for southbound cargo crossings until 2015, at which time revenues are expected to increase substantially.

***Required Financial Statements***

The Statement of Net Position includes all of the assets and liabilities of the Anzalduas Bridge and provide information about the nature of the resources (assets) and obligations to creditors (liabilities). The assets and liabilities are presented in a format that distinguishes between current and long-term categories. Over time, increases or decreases in net assets may be a useful indicator of whether the financial position of the Anzalduas Bridge is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position analyzes the Anzalduas Bridge's operations for the past two years and the current year.

The Statement of Cash Flows is the final required financial statement. This statement provides information on the cash receipts, cash payments, and net changes in cash resulting from operations, financing and investment activities.

Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes can be found in the section following the Statements of Cash Flows.

***FINANCIAL POSITION SUMMARY***

Net position, and its components, over time serve as a meaningful measure of the Anzalduas Bridge's financial position. As of September 30, 2013, net position amounted to \$635K. Total liabilities, payable from current, payable from restricted assets and long term liabilities decreased by \$657K combined.

A summary of the Anzalduas Bridge's condensed Statement of Net Position Information is presented in the following page.

Anzalduas International Crossing  
Management's Discussion and Analysis  
September 30, 2013

**Condensed Schedule of Net Position Information**

	<u>FY 12-13</u>	<u>FY 11-12</u>	<u>FY 10-11</u>
<b>ASSETS:</b>			
Current assets	\$ 1,023,840	\$ 1,116,620	\$ 1,112,662
Restricted assets	1,455,232	1,162,748	990,343
Net capital assets	48,943,328	50,469,714	52,004,355
Other assets	<u>790,434</u>	<u>833,354</u>	<u>876,273</u>
 Total assets	 <u>\$ 52,212,834</u>	 <u>\$ 53,582,436</u>	 <u>\$ 54,983,633</u>
 <b>LIABILITIES:</b>			
Current liabilities	\$ 32,388	\$ 37,113	\$ 99,315
Payable from restricted assets	1,342,610	1,296,443	969,177
Long-term liabilities	<u>50,203,293</u>	<u>50,901,664</u>	<u>51,259,984</u>
 Total liabilities	 <u>\$ 51,578,291</u>	 <u>\$ 52,235,220</u>	 <u>\$ 52,328,476</u>
 <b>NET POSITION:</b>			
Net investment in capital assets	\$ 13,612,203	\$ 14,005,632	\$ 14,737,317
Restricted for improvements	487,988	281,458	67,686
Restricted per revenue bond ordinance	824,617	734,795	773,455
Unrestricted	<u>(14,290,265)</u>	<u>(13,674,669)</u>	<u>(12,923,301)</u>
 Total net position	 <u>\$ 634,543</u>	 <u>\$ 1,347,216</u>	 <u>\$ 2,655,157</u>

***Revenues, Expenses and Changes in Net Position***

The changes in net position amounted to an improvement of \$595K from -\$1.30M the previous year to \$-712K for the current year.

Condensed Schedule of Revenues, Expenses, and Changes in Net Position provide additional information on the changes in the Anzalduas Bridge fund. This condensed information is presented in the following page.

Anzalduas International Crossing  
Management's Discussion and Analysis  
September 30, 2013

**Condensed Schedule of Revenues, Expenses,  
and Changes in Net Position**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenues:			
Tolls	\$ 2,833,040	\$ 2,596,703	\$ 2,291,677
Other Income	<u>57,661</u>	<u>51,719</u>	<u>99,558</u>
Total operating revenues	<u>2,890,701</u>	<u>2,648,422</u>	<u>2,391,235</u>
Operating expenses:			
Salaries	297,886	291,722	246,772
Payroll taxes and benefits	87,916	90,610	86,977
Insurance	12,000	12,000	12,000
Materials and supplies	15,155	14,510	15,289
Maintenance	35,250	90,192	36,100
Miscellaneous services	312,196	317,837	311,657
Depreciation	<u>1,534,336</u>	<u>1,538,249</u>	<u>1,511,334</u>
Total operating expenses	<u>2,294,739</u>	<u>2,355,120</u>	<u>2,220,129</u>
Operating income	<u>595,962</u>	<u>293,302</u>	<u>171,106</u>
Nonoperating revenues (expenses):			
Interest income	1,627	2,060	3,184
Interest income - restricted assets	593	606	1,358
Interest expense	(1,731,561)	(1,772,085)	(1,804,655)
Amortization of bond premium	(17,043)	(17,043)	(17,044)
Interest expense - Board advance - relating to Series 2007A Bonds and Start up Fund	<u>(525,915)</u>	<u>(486,649)</u>	<u>(460,943)</u>
Total nonoperating revenue (expenses)	<u>(2,272,299)</u>	<u>(2,273,111)</u>	<u>(2,278,100)</u>
Loss before transfers	(1,676,337)	(1,979,809)	(2,106,994)
Transfers-in -other	-	-	4,626
Transfers-in - McAllen International Toll Bridge Fund	<u>963,664</u>	<u>671,868</u>	<u>734,468</u>
Changes in net position	(712,673)	(1,307,941)	(1,367,900)
Total net position at beginning of year	<u>1,347,216</u>	<u>2,655,157</u>	<u>4,023,057</u>
Total net position at end of year	<u>\$ 634,543</u>	<u>\$ 1,347,216</u>	<u>\$ 2,655,157</u>

Anzalduas International Crossing  
Management's Discussion and Analysis  
September 30, 2013

***TOLL RATES***

The toll rates adopted by the board of trustees on southbound crossings into Mexico are the following:

<u>Category</u>	<u>FY 12-13</u>	<u>FY 11-12</u>
Pedestrians	\$1.00	\$0.75
Cars	\$3.00	\$3.00
Trucks (Depending on # of Axles)	\$7.00-\$20.00	\$7.00-\$20.00
Buses (Depending on # of Axles)	\$7.00-\$9.00	\$7.00-\$9.00
Motorcycles	\$3.00	\$1.00
Extra Axle	\$3.00	\$3.00

Effective January 1, 2013, the pedestrian toll crossings fee was increased from 75¢ to \$1.00.

\*

***REVENUES***

The forecast for toll revenues was estimated at \$2.5M. Actual toll revenues came in at \$2.8M. Other operating income of \$58K was mainly the result in the exchange of the Mexican peso to U.S. Dollars. Interest income during the year was \$2K as compared to \$3K in 2012. Other changes in net assets included net transfer from the McAllen International Bridge in the amount of \$964K. This transfer supported debt service requirements of Series 2007B bonds.

***EXPENSES***

Operating expenses came in at \$2.3M, including depreciation in the amount of \$1.5M. All non-operating expenses were relatively flat.

***CAPITAL ASSETS AND DEBT ADMINISTRATION***

***Capital Assets***

Total capital assets, before depreciation, at September 30, 2013 are reflected at \$55M. For the current year, an additional \$8K was added, which consisted of minor outside improvements.

Depreciation expense was \$1.5M.

The table in the following page reflects the capital assets.

Anzalduas International Crossing  
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	<b>Capital Assets</b>		
	<u>FY 12-13</u>	<u>FY 11-12</u>	<u>FY 10-11</u>
Land	\$ 2,936,598	\$ 2,936,598	\$ 2,936,598
Buildings	2,997,470	2,997,470	2,997,470
Improvements other than buildings	47,243,241	47,243,241	47,243,241
Machinery and equipment	<u>1,470,353</u>	<u>1,462,403</u>	<u>1,458,795</u>
 Total capital assets	 54,647,662	 54,639,712	 54,636,104
Accumulated depreciation	<u>(5,704,334)</u>	<u>(4,169,998)</u>	<u>(2,631,749)</u>
 Total capital assets, net	 <u>\$ 48,943,328</u>	 <u>\$ 50,469,714</u>	 <u>\$ 52,004,355</u>

*Debt*

At the end of this fiscal year, the Anzalduas Bridge had \$35.6M in revenue bonds outstanding resulting from the bond offering in fiscal year 2007. These bonds have a rating of "A" from FitchRatings as well as Standard & Poors. The proceeds, as well as other sources of funding, were used to construct the bridge structure, including all related infrastructure and facilities.

***ECONOMIC FACTORS***

During the budget process for fiscal year 2013-14, the elected and appointed officials considered many factors driving bridge crossings including job growth, growth in new housing, bank deposits, retail sales growth, the unemployment rate, inflation, the level of growth in the maquiladora industry, the dollar exchange rate with the Mexican peso as well as anticipated level of Winter Texan tourists that spend between 4 to 6 months during the winter months in our area.

Taking the above factors into account toll revenues were budgeted conservatively. Operating expenses were marginally increased and provision was made to service debt repayment requirements.

***CONTACTING THE CITY'S FINANCIAL MANAGEMENT***

This financial report is designed to inform the citizens, taxpayers and customers of the City of McAllen, the City of Hidalgo, and the City of Mission, which shares in the *net surplus revenues* of the Bridge's operations as well as its investors and creditors about the Anzalduas Bridge's finances and to provide accountability for the resources that it receives. If you have any questions about the report or need additional financial information, contact the Finance Director's Office at the City of McAllen, P.O. Box 220 McAllen, Texas 78505.

# Basic Financial Statements

**Anzalduas International Crossing**  
**Statements of Net Position**  
**September 30, 2013 and 2012**  
**Assets**

	<u>2013</u>	<u>2012</u>
<b>Current Assets</b>		
Cash	\$ 113,325	\$ 92,976
Investments	<u>910,515</u>	<u>1,023,644</u>
Total non-restricted assets	<u>1,023,840</u>	<u>1,116,620</u>
<b>Restricted Assets</b>		
Cash	18,023	56,393
Investments	<u>1,437,209</u>	<u>1,106,355</u>
Total restricted assets	<u>1,455,232</u>	<u>1,162,748</u>
Total current assets	<u>2,479,072</u>	<u>2,279,368</u>
<b>Capital Assets – at cost</b>		
Land	2,936,598	2,936,598
Buildings	2,997,470	2,997,470
Improvements other than buildings	47,243,241	47,243,241
Machinery and equipment	<u>1,470,353</u>	<u>1,462,403</u>
	54,647,662	54,639,712
Less accumulated depreciation	<u>5,704,334</u>	<u>4,169,998</u>
Net capital assets	<u>48,943,328</u>	<u>50,469,714</u>
<b>Other Assets</b>		
Unamortized bond issue cost	<u>790,434</u>	<u>833,354</u>
Total assets	<u><u>\$ 52,212,834</u></u>	<u><u>\$ 53,582,436</u></u>

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

## Liabilities and Net Position

<b>Current Liabilities</b>	<u>2013</u>	<u>2012</u>
Accounts payable	\$ 18,101	\$ 22,959
Accrued liabilities	<u>14,287</u>	<u>14,154</u>
Total unrestricted current liabilities	<u>32,388</u>	<u>37,113</u>
 <b>Liabilities Payable From Restricted Assets</b>		
Current installments of revenue bonds	1,200,000	1,150,000
Accrued revenue bond interest	<u>142,610</u>	<u>146,443</u>
Total liabilities payable from restricted assets	<u>1,342,610</u>	<u>1,296,443</u>
Total current liabilities	<u>1,374,998</u>	<u>1,333,556</u>
 <b>Long-Term Liabilities</b>		
Revenue bonds – excluding current installments	34,445,000	35,645,000
Compensated absences	10,711	9,120
Bond premium	476,559	502,436
Advance from McAllen International Toll Bridge Fund - Anzalduas Special & Startup Fund	10,911,680	10,407,504
Advance from McAllen International Toll Bridge Fund - Board Advance relating to Series 2007 A Bonds	<u>4,359,343</u>	<u>4,337,604</u>
Total long-term liabilities	<u>50,203,293</u>	<u>50,901,664</u>
Total liabilities	<u>51,578,291</u>	<u>52,235,220</u>
 <b>Net Position</b>		
Net investments in capital assets	13,612,203	14,005,632
Restricted per revenue bond ordinances	700,695	734,795
Restricted for improvements	487,988	281,458
Unrestricted	<u>(14,166,343)</u>	<u>(13,674,669)</u>
Total net position	<u>634,543</u>	<u>1,347,216</u>
Total liabilities and net position	<u><u>\$ 52,212,834</u></u>	<u><u>\$ 53,582,436</u></u>

# Anzalduas International Crossing

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

Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Tolls	\$ 2,833,040	\$ 2,596,703
Other Income	<u>57,661</u>	<u>51,719</u>
Total operating revenues	<u>2,890,701</u>	<u>2,648,422</u>
Operating expenses:		
Salaries	297,886	291,722
Payroll taxes and benefits	87,916	90,610
Insurance	12,000	12,000
Materials and supplies	15,155	14,510
Maintenance	35,250	90,192
Miscellaneous services	312,196	317,837
Depreciation	<u>1,534,336</u>	<u>1,538,249</u>
Total operating expenses	<u>2,294,739</u>	<u>2,355,120</u>
Operating income	<u>595,962</u>	<u>293,302</u>
Nonoperating revenues (expenses):		
Interest income	1,627	2,060
Interest income-restricted accounts	593	606
Interest expense	(1,731,561)	(1,772,085)
Amortization of bond premium	(17,043)	(17,043)
Interest expense - Board advance - relating to Series 2007 A Bonds and Start up Fund	<u>(525,915)</u>	<u>(486,649)</u>
Total nonoperating revenues (expenses)	<u>(2,272,299)</u>	<u>(2,273,111)</u>
Loss before transfers	(1,676,337)	(1,979,809)
Transfers-in - McAllen International Toll Bridge Fund	<u>963,664</u>	<u>671,868</u>
Changes in net position	(712,673)	(1,307,941)
Total net position at beginning of year	<u>1,347,216</u>	<u>2,655,157</u>
Total net position at end of year	<u><u>\$ 634,543</u></u>	<u><u>\$ 1,347,216</u></u>

*The accompanying notes are an integral part of these statements*

# Anzalduas International Crossing

## Statements of Cash Flows

Years Ended September 30, 2013 and 2012

	2013	2012
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	\$ 2,890,701	\$ 2,648,422
Payments to employees	(384,077)	(374,978)
Payments to suppliers	(379,459)	(499,471)
Net cash provided by operating activities	<u>2,127,165</u>	<u>1,773,973</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Advance from McAllen International Toll Bridge- Board A	-	326,283
Transfer from McAllen International Toll Bridge - Board B	963,664	671,868
Net cash provided by noncapital financing activities	<u>963,664</u>	<u>998,151</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(7,950)	(3,608)
Interest paid	(1,735,395)	(1,774,818)
Principal paid on long-term debt	(1,150,000)	(820,000)
Net cash used by capital and related financing activities	<u>(2,893,345)</u>	<u>(2,598,426)</u>
<b>Cash Flows From Investing Activities</b>		
Receipt of interest	2,220	3,004
Proceeds from sales and maturities of investments	4,072,273	1,929,656
Purchase of investments	(4,289,998)	(2,129,999)
Net cash used by investing activities	<u>(215,505)</u>	<u>(197,339)</u>
Net decrease in cash	(18,021)	(23,641)
Cash at beginning of year	<u>149,369</u>	<u>173,010</u>
Cash at end of year	<u><u>\$ 131,348</u></u>	<u><u>\$ 149,369</u></u>

*The accompanying notes are an integral part of these statements*

## Anzalduas International Crossing

### Statements of Cash Flows

Years Ended September 30, 2013 and 2012

	2013	2012
<b>Reconciliation of Cash Per Statements of Cash Flows to the Statements of Net Position</b>		
Unrestricted cash	\$ 113,325	\$ 92,976
Restricted cash	18,023	56,393
	<u>\$ 131,348</u>	<u>\$ 149,369</u>
<b>Reconciliation of Operating Income to Net Cash Used by Operating Activities</b>		
	<u>\$ 595,962</u>	<u>\$ 293,302</u>
Adjustment to reconcile operating income to net cash used by operating activities:		
Depreciation	1,534,336	1,538,249
Changes in assets and liabilities:		
Accounts payable and accrued liabilities	<u>(3,133)</u>	<u>(57,578)</u>
Total adjustments	<u>1,531,203</u>	<u>1,480,671</u>
Net cash provided by operating activities	<u>\$ 2,127,165</u>	<u>\$ 1,773,973</u>

*The accompanying notes are an integral part of these statements*

## **Anzalduas International Crossing**

Notes to Financial Statement

September 30, 2013 and 2012

### ***1. Summary of Significant Accounting Policies***

#### ***Reporting Entity***

Pursuant to the Hidalgo-Mission-McAllen Interlocal Government Agreement, executed April 1, 2003 ("2003 Agreement"), the City of McAllen, Texas (the "City") and the City of Mission own and operate the Anzalduas International Crossing ("Anzalduas Bridge") linking United States, south of the City of Mission, Texas and the westernmost part Reynosa, Tamaulipas, Mexico. According to that agreement, the ownership interest of the City of McAllen and the City of Mission are 66 2/3% and 33 1/3%, respectively. The agreement also provides that complete management and control of the Anzalduas Bridge, with the exception of fixing rates and charges for services and the issuance of debt, which is reserved by the Board of Commissioners of McAllen, shall be vested in a Board of Trustees consisting of five (5) voting-members, two members of which are appointed from the existing members of the Hidalgo Bridge Board by McAllen with the Mayors of the cities of McAllen, Hidalgo and Mission serving as ex-officio board members. The Mayor of Granjeno also serves as an ex-officio non-voting member of the board. In addition, the budget is subject to final approval by the Board of Commissioners of McAllen. The agreement also provides that these cities as well as the City of Hidalgo will share in the unallocated balance of surplus net revenues at the following percentages: City of McAllen, 44%; City of Mission, 23%; and the City of Hidalgo, 33%.

In order to finance the construction of the Anzalduas Bridge, the City of McAllen issued \$39,160,000 in revenue bonds during fiscal year ending 2007 in two separate series, \$26,000,000 Series 2007 A and \$13,160,000 Series 2007 B. The bonds are secured by a pledge of the net revenues of the McAllen International Toll Bridge ("Hidalgo Bridge"), located in Hidalgo, Texas and the Anzalduas Bridge. According to the 2003 Agreement, both the City of McAllen and the City of Hidalgo are responsible for Series 2007 A bonds from each city's respective share of net revenues of the Hidalgo Bridge. The City of McAllen is responsible for Series 2007 B bonds from its share of net revenues of the Hidalgo Bridge as well as the City of Mission from its share of net revenues of the Anzalduas Bridge. Commencement of operations was December 15, 2009. The City of McAllen issues publicly available audited financial statements for the Hidalgo Bridge, which may be obtained by writing to City of McAllen Finance Department, P.O. Box 220, McAllen, Texas 78505.

The activities of the Anzalduas Bridge are to be financed through the collection of tolls.

The accompanying financial statements of the Anzalduas Bridge are prepared in conformity with accounting principles generally accepted in the United States of America for local governmental units as prescribed by the Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants. Its financial statements are included in the basic financial statements of the City of McAllen as promulgated by requirements defining the reporting entity.

## **Anzalduas International Crossing**

### **Notes to Financial Statement**

**September 30, 2013 and 2012**

In compliance with provisions for proprietary funds as prescribed by GASB, the Anzalduas Bridge's activity is accounted for in a manner similar to private business enterprises. Transactions are accounted for on a flow of economic resources measurement focus. With this focus, all assets and liabilities associated with this entity are included in the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net assets. The financial statements have been prepared using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

#### *Basis of Accounting*

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Anzalduas Bridge enterprise fund are charges to customers for toll crossing and services. Operating expenses for enterprise funds include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

In 2013, the Anzalduas Bridge implemented the following new GASB pronouncements. The implementation did not result in any change to the financial statements.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This statement will improve financial reporting by addressing issues related to SCAs and improve consistency in reporting these types of arrangements, thereby enhancing the comparability of the accounting and financial reporting of such arrangements among state and local governments.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. This statement addresses reporting entity issues that have arisen since the issuance of Statement No. 14, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and financial reporting entity display and disclosure requirements.

GASB Standard No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement*. This statement is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements.

## **Anzalduas International Crossing**

Notes to Financial Statement  
September 30, 2013 and 2012

GASB Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Types of transactions classified as deferred inflows/outflows of resources include service concession arrangements and derivative instruments and hedge accounting.

### *Capital Assets*

Capital assets are capitalized because they are used in the production of services sold. Capital assets are recorded at cost if purchased or constructed. Net interest cost pertaining to qualifying assets which are related to construction in progress is capitalized as outlined in Financial Accounting Standards Board Statement No. 34.

Depreciation will be provided over the estimated useful lives of the assets using the straight-line method. Depreciation expense for the year ended September 30, 2013 was \$1,534,336 (\$1,538,249 in 2012). The estimated useful lives for depreciation provision will be as follows:

Furniture and office equipment	3-5 years
Maintenance equipment	5 years
Paving and sidewalks	10-20 years
Toll-registering equipment	30 years
Bridge	40 years
Buildings	40 years

Maintenance, repairs, and renewals that do not materially add to the value of the property nor appreciably prolong its life will be charged to expense as incurred. Gains and losses on disposition of capital assets will be included in income.

### *Long-Term Obligations*

Long-term obligations of the Anzalduas Bridge include bonds expected to be paid entirely by net revenues of the Anzalduas Bridge, except during a startup period during which time net revenues will be advanced from the Hidalgo Bridge. The outstanding bonds are secured by the net revenues of the Hidalgo Bridge as well as those of the Anzalduas Bridge.

**Anzalduas International Crossing**  
Notes to Financial Statement  
September 30, 2013 and 2012

*Advances*

*Anzalduas Special and Start Up Fund Advance Payable from Anzalduas International Crossing to McAllen International Toll Bridge*

Beginning with fiscal year ending September 30, 1991, the Hidalgo Bridge has financed the development costs for the Anzalduas International Crossing from a restricted account of that fund, the Anzalduas Special and Start Up Fund. According to the 2003 Agreement, the amount that may be spent from that fund for expenditures relating to the obtaining of the Anzalduas Bridge Presidential Permit and for the design or construction cost, operation expenses of the Anzalduas Bridge, and initial debt service on bonds related to the Anzalduas Bridge is limited to no more than \$6,000,000. This advance is to be repaid with interest accruing at the interest rate on bonds issued to finance the Anzalduas Bridge, from the net revenues of the Anzalduas Bridge after all bond ordinance requirements have been met. As of September 30, 2013 the Anzalduas Special and Start Up Fund advance payable to the Hidalgo Bridge amounts to \$10,911,680 (\$10,407,504 in 2012), of which the City of McAllen's portion is \$6,983,475 and the City of Hidalgo's portion, \$3,928,205. During this fiscal year, the balance was increased by accrued interest in the amount of \$504,176.

*Board Advances Payable from Anzalduas International Crossing to McAllen International Toll Bridge*

The 2003 Agreement also provides for advances to be made between the Hidalgo Bridge and the Anzalduas Bridge as the need arises. The agreement provides that advances will accrue interest at a rate equal to the City of McAllen's bank depository rate. This advance is to be repaid from the net revenues of the Anzalduas Bridge after all bond ordinance requirements have been met and the Anzalduas Special and Start Up Fund advance payable has been paid. As of September 30, 2013 the board advances payable to the Hidalgo Bridge amounts to \$4,359,343 (\$4,337,604 in 2012), of which the City of McAllen's portion is \$2,789,980 and the City of Hidalgo's portion, \$1,569,363. During the year the balance was increased by accrued interest of \$21,739. No board advances were made during the year.

*Board Advance "B"*

During this fiscal year, the Hidalgo Bridge also transferred \$963,664 (\$671,868 in 2012) to the Anzalduas Bridge in support of the Series 2007 B bonds. The 2003 Agreement provides that advances will accrue interest at a rate equal to the City of McAllen's bank depository rate. This advance is deducted from the City of McAllen's share of unallocated net surplus revenues of the Hidalgo Bridge. The City of Mission is responsible for repaying directly to the City of McAllen for its prorate share from its share of the net revenues of the Anzalduas Bridge after all bond ordinance requirements have been met and the Anzalduas Special and Start Up Fund advance and the board advances for Series 2007 A have been paid. As of September 30, 2013 the board advance

## **Anzalduas International Crossing**

### **Notes to Financial Statement**

**September 30, 2013 and 2012**

owed by the City of Mission to the City of McAllen amounts to \$1,584,762 (\$1,246,791 in 2012).

#### *Bond Issuance Cost and Bond Premium*

Bond issuance costs and bond premium are deferred and amortized over the life of the respective issue on a straight-line basis.

#### *Accumulated Unpaid Compensated Absences*

Accumulated unpaid compensated absences, consisting of vested accrued vacation and sick leave, will be recorded in accordance with Governmental Accounting Standards Board Statement No. 16.

#### *Income Distributions*

Pursuant to the Hidalgo-Mission-McAllen Interlocal Government Agreement, executed April 1, 2003, each city will share in the unallocated balance of surplus net revenues at the following percentages: City of McAllen, 44%; City of Mission, 23%; and the City of Hidalgo, 33%.

#### *Restricted Assets*

Restricted assets represent interest-bearing checking accounts, investments, and other receivables, which are reserved for current debt service as well as the bond construction fund. One year subsequent to the commencement of operations, a contingency fund will be established and funded at the rate of \$3,750 per month until the fund reaches \$500,000. These restricted accounts are requirements of bond ordinances related to the revenues bonds outstanding. Net assets are restricted to the extent of such legally imposed restrictions.

#### *Cash and Cash Equivalents*

For purposes of the Statement of Cash Flows, cash and cash equivalents are considered to be cash on hand and demand deposits. All certificates of deposit transactions, regardless of original maturity, are considered investing activities and, thus, are not considered cash equivalents.

## **2. Cash and Investments**

State statutes authorize the City to invest in obligations of the U.S. Treasury, U.S. government agency securities, direct obligations of the State of Texas or any other state,

## Anzalduas International Crossing

### Notes to Financial Statement

September 30, 2013 and 2012

or its agencies, certificates of deposit, banker's acceptance, commercial paper, repurchase agreements, mutual funds and qualified investment pools. The City's Investment Policy, which governs investments within the Anzalduas Bridge limits investments to U.S. Treasuries, U.S. government agencies, excluding those issued by the Student Loan Marketing Association and Tennessee Valley Authority, as well as certificates of deposit. Investments are stated at fair value, as required under Governmental Accounting Standards Board Statement No. 31. The fair value is based on the quoted value of each investment on the last business day of the Anzalduas Bridge's fiscal year.

### *Investments*

Investments at fair value, including accrued interest, as of September 30, 2013 and 2012 are as follows:

#### Investment Maturities (in Years) at the end of September 30, 2013

	Fair Value	Less Than 1	1-2	2-3	3-4
Tex Pool	\$ 2,347,724	\$ 2,347,724	\$ -	\$ -	\$ -
Certificates of deposit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,347,724</u>	<u>\$ 2,347,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

#### Investment Maturities (in Years) at the end of September 30, 2012

	Fair Value	Less Than 1	1-2	2-3	3-4
Tex Pool	\$ 2,129,999	\$ 2,129,999	\$ -	\$ -	\$ -
Certificates of deposit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,129,999</u>	<u>\$ 2,129,999</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

### *Public funds investment pools*

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code and are subject to the provisions of the Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and

## **Anzalduas International Crossing**

### **Notes to Financial Statement**

**September 30, 2013 and 2012**

(3) maintain the market value of its underlying investment portfolio within one half of one percent of the values of its shares.

The Anzalduas Bridge investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at book value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

TexPool is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Act. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller of Public Accounts has established an Advisory Board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value. The Anzalduas Bridge believes that TexPool operates as a 2a-7 like pool as described in GASB Statement No. 59, Financial Instrument Omnibus.

*Interest rate risk.* The investment policy states that no investment shall exceed seven years in maturity. By limiting the exposure of its investments by less than one year as reflected in the previous schedule, the Anzalduas Bridge reduces its risk to the rising interest rates.

*Credit risk.* As of September 30, 2013 and 2012, the investments in the State's investment pool was rated AAAM by Standards and Poor's. The City's investment policy limits authorized investments to TexPool, certificates of deposits, U.S. Treasuries and federal government agencies, excluding Student Loan Marketing Association and Tennessee Valley Authority.

*Concentration of credit risk.* The Anzalduas Bridge investment holdings at September 30, 2013 and 2012 were strictly confined to TexPool. The investment policy is silent in the concentration of holdings in the various types of securities and investments.

### **3. Capital Assets**

Capital assets activity for the year ended September 30, 2013 and September 30, 2012 are presented in the following tables:

**Anzalduas International Crossing**  
Notes to Financial Statement  
September 30, 2013 and 2012

	Balance at September 30, 2012	Additions	Retirement/ Transfer	Balance at September 30, 2013
Land	\$ 2,936,598	\$ -	\$ -	\$ 2,936,598
Buildings	2,997,470	-	-	2,997,470
Improvements other than buildings	47,243,241	-	-	47,243,241
Machinery and equipment	<u>1,462,403</u>	<u>7,950</u>	<u>-</u>	<u>1,470,353</u>
Total assets	54,639,712	7,950	-	54,647,662
Less accumulated depreciation	<u>4,169,998</u>	<u>1,534,336</u>	<u>-</u>	<u>5,704,334</u>
Net capital assets	<u>\$ 50,469,714</u>	<u>\$ (1,526,386)</u>	<u>\$ -</u>	<u>\$ 48,943,328</u>

	Balance at September 30, 2011	Additions	Retirement/ Transfer	Balance at September 30, 2012
Land	\$ 2,936,598	\$ -	\$ -	\$ 2,936,598
Buildings	2,997,470	-	-	2,997,470
Improvements other than buildings	47,243,241	-	-	47,243,241
Machinery and equipment	<u>1,458,795</u>	<u>3,608</u>	<u>-</u>	<u>1,462,403</u>
Total assets	54,636,104	3,608	-	54,639,712
Less accumulated depreciation	<u>2,631,749</u>	<u>1,538,249</u>	<u>-</u>	<u>4,169,998</u>
Net capital assets	<u>\$ 52,004,355</u>	<u>\$ (1,534,641)</u>	<u>\$ -</u>	<u>\$ 50,469,714</u>

**4. Revenue Bonds Payable**

Long term liability activities for the year ended September 30, 2013 and September 30, 2012 are reflected in the following page:

**Anzalduas International Crossing**  
**Notes to Financial Statement**  
**September 30, 2013 and 2012**

	Balance at September 30, 2012	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2013	Amounts Due Within One Year
Revenue bonds payable	<u>\$ 36,795,000</u>	<u>\$ -</u>	<u>\$ (1,150,000)</u>	<u>\$ 35,645,000</u>	<u>\$ 1,200,000</u>

	Balance at September 30, 2011	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2012	Amounts Due Within One Year
Revenue bonds payable	<u>\$ 37,615,000</u>	<u>\$ -</u>	<u>\$ (820,000)</u>	<u>\$ 36,795,000</u>	<u>\$ 1,150,000</u>

The aggregate maturities of revenue bonds payable as of September 30, 2013, including interest payments, are as follows:

Year Ending	Interest Rate	Principal	Interest	Total
2014	4.25%	\$ 1,200,000	\$ 1,685,819	\$ 2,885,819
2015	4.25%	1,250,000	1,633,756	2,883,756
2016	4.25%	1,305,000	1,579,463	2,884,463
2017	4.20-4.30%	1,360,000	1,522,831	2,882,831
2018	4.50-5.00%	1,420,000	1,463,874	2,883,874
2019-2023	4.20-4.30%	8,205,000	6,216,089	14,421,089
2024-2028	4.625-5.00%	10,455,000	3,953,699	14,408,699
2029-2032	5.00%	<u>10,450,000</u>	<u>1,077,500</u>	<u>11,527,500</u>
		<u>\$ 35,645,000</u>	<u>\$ 19,133,031</u>	<u>\$ 54,778,031</u>

## 5. Deficit Unrestricted Net Position

The unrestricted portion of net position reflects a deficit in the amount of \$14,166,343 primarily as a result of advances from the Hidalgo Bridge, as authorized by the board trustees. These advances supported the annual debt service requirements and interest on the advances. The Hidalgo Bridge Board of trustees has no intention of calling these advances, which will be repaid once the fund is able to.

**Anzalduas International Crossing**  
Notes to Financial Statement  
September 30, 2013 and 2012

**6. Retirement Plan**

The City and Anzalduas Bridge provide pension benefits for all full-time employees, except firefighters, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (the "TMRS"), an agent multiple-employer public employee retirement system.

TMRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 1-877-634-8595; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

The table describes the plan provisions adopted by the City:

	Plan Year 2012	Plan Year 2013
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age/years of service)	60/10, 0/20	60/10, 0/20
Updated Service Credit	0%	100%, Transfers
Annuity Increase (to retire)	0% of CPI	0% of CPI

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases. The City contributes to the TMRS at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. Since the Anzalduas Bridge is a component of the overall financial City wide

**Anzalduas International Crossing**  
Notes to Financial Statement  
September 30, 2013 and 2012

audit report, additional pension disclosures are reflected in the City's Comprehensive Annual Financial Report.

**7. Accounting for Postemployment Benefits Other Than Pensions**

The City, as an entity wide, will report GASB Statement Number 45. The City instituted an internal service fund to account for health benefits related to current and future retirees. Since the Anzalduas Bridge recently commenced its operations, no budget provisions were made towards the annual required contribution. The current staffing represents a fraction of total City employees management believes that any future requirements will have minimal impact on the Anzalduas Bridge fund.

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# Supplemental Information

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**Anzalduas International Crossing**  
**Schedule of Income Distribution**  
**Last Four Years**

	Year Ended September 30,			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues	\$ 1,766,490	\$ 2,394,420	\$ 2,650,482	\$ 2,892,328
Maintenance, operation expenses, and capital assets purchase	<u>487,072</u>	<u>708,795</u>	<u>820,479</u>	<u>760,403</u>
Net Revenues	1,279,418	1,685,625	1,830,003	2,131,925
Less:				
Bond Requirements:				
Transfer to Debt Service Fund - Series 2007 "A" (\$26M Issue)	1,697,834	1,663,765	1,836,015	1,962,319
Less: Amount Provided by Board Advance from McAllen Intl Bridge Fund	<u>(815,001)</u>	<u>(326,833)</u>	<u>(326,833)</u>	-
Net Transfer Provided by Anzalduas Intl Crossing Revenues for Debt Service	882,833	1,336,932	1,509,182	1,962,319
Transfer to Contingency Fund	-	33,750	45,000	45,000
Transfer to Capital Improvement Fund	<u>-</u>	<u>67,685</u>	<u>213,706</u>	<u>232,326</u>
Balance Available After Bond Requirements	<u>396,585</u>	<u>247,258</u>	<u>62,115</u>	<u>(107,720)</u>
Repayment of Advances from McAllen International Toll Bridge				
"Anzalduas Special and Start-Up Advancement Fund" (\$6M Limit)	(1) (396,585)	-	-	-
"Board Advancement to Anzalduas Bridge Board" (with respect to advances for transfers to debt service fund Series 2007 "A" (\$26M Issue)				
Retain in Working Capital		<u>(247,258)</u>	<u>(62,115)</u>	<u>107,720</u>
Unallocated Balance of Surplus Net Revenue Attributable to Cities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) As per agreement dated 2003, start up fund must be reimbursed first before any other distributions.

**Anzalduas International Crossing**  
**Schedule of Changes in Restricted Assets-Cash and Investments**  
**Year Ended September 30, 2013**

	Contingency Reserve	Current Debt Service Series A-\$26M
Cash and investments at September 30, 2012	<u>\$ 78,830</u>	<u>\$ 546,395</u>
Add:		
Transfers	45,000	1,962,284
Interest earned	<u>92</u>	<u>-</u>
Total additions	<u>45,092</u>	<u>1,962,284</u>
Less payments:		
Principal payments	-	765,000
Capital assets	-	-
Other expenses	-	-
Interest and fiscal charges	<u>-</u>	<u>1,179,453</u>
Total payments	<u>-</u>	<u>1,944,453</u>
Cash and investments at September 30, 2013	<u><u>\$ 123,922</u></u>	<u><u>\$ 564,226</u></u>
Cash and investments at September 30, 2013 are comprised of the following:		
Cash	\$ -	\$ -
Investments	<u>123,922</u>	<u>564,226</u>
	<u><u>\$ 123,922</u></u>	<u><u>\$ 564,226</u></u>

Current Debt Service Series B-\$13M	Capital Improvement	Total
<u>\$ 256,065</u>	<u>\$ 281,458</u>	<u>\$ 1,162,748</u>
963,664	232,326	3,203,274
<u>309</u>	<u>283</u>	<u>684</u>
<u>963,973</u>	<u>232,609</u>	<u>3,203,958</u>
385,000	-	1,150,000
-	7,950	7,950
-	18,129	18,129
<u>555,942</u>	<u>-</u>	<u>1,735,395</u>
<u>940,942</u>	<u>26,079</u>	<u>2,911,474</u>
<u>\$ 279,096</u>	<u>\$ 487,988</u>	<u>\$ 1,455,232</u>
\$ -	\$ 18,023	\$ 18,023
<u>279,096</u>	<u>469,965</u>	<u>1,437,209</u>
<u>\$ 279,096</u>	<u>\$ 487,988</u>	<u>\$ 1,455,232</u>

**Toll Bridge System**  
**McAllen International Toll Bridge and Anzalduas International Crossing**  
**Schedule of Net Position Information**  
**Year Ended September 30, 2013**

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
<b>Current Assets</b>			
Cash	\$ 432,383	\$ 113,325	\$ 545,708
Investments	1,912,405	910,515	2,822,920
Total current assets	2,344,788	1,023,840	3,368,628
<b>Restricted Assets</b>			
Cash (all interest-bearing)			
Capital improvement	56,089	18,023	74,112
Total restricted cash	56,089	18,023	74,112
Investments- reserved for distribution	4,773,067	-	4,773,067
Investments	1,408,611	1,437,209	2,845,820
Total restricted assets – excluding current bond installments	6,237,767	1,455,232	7,692,999
<b>Capital Assets – at cost</b>			
Land	573,798	2,936,598	3,510,396
Buildings	10,698,086	2,997,470	13,695,556
Improvements other than buildings	3,378,790	47,243,241	50,622,031
Machinery and equipment	1,784,526	1,470,353	3,254,879
Construction in progress	757,138	-	757,138
	17,192,338	54,647,662	71,840,000
Less accumulated depreciation	(9,318,401)	(5,704,334)	(15,022,735)
Net capital assets	7,873,937	48,943,328	56,817,265
<b>Other Assets</b>			
Unamortized bond issue cost	-	790,434	790,434
Excess of purchase price over assets acquired	609,713	-	609,713
Board advances	15,271,023	-	15,271,023
Total other assets	15,880,736	790,434	16,671,170
Total assets	\$ 32,337,228	\$ 52,212,834	\$ 84,550,062

## Liabilities and Net Position

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
<b>Current Liabilities</b>			
Due to City of Hidalgo	\$ 771,194	\$ -	\$ 771,194
Accounts payable and accrued liabilities	66,802	32,388	99,190
Compensated absences due one year	63,000	-	63,000
Other payables	41,311	-	41,311
	<u>942,307</u>	<u>32,388</u>	<u>974,695</u>
<b>Total current liabilities</b>			
	<u>942,307</u>	<u>32,388</u>	<u>974,695</u>
<b>Liabilities Payable From Restricted Assets</b>			
Accounts payable	35,805	-	35,805
Due to City of McAllen-interest on investments	1,249	-	1,249
Current installments of revenue bonds	-	1,200,000	1,200,000
Accrued revenue bond interest	-	142,610	142,610
	<u>37,054</u>	<u>1,342,610</u>	<u>1,379,664</u>
<b>Total liabilities payable from restricted assets</b>			
	<u>37,054</u>	<u>1,342,610</u>	<u>1,379,664</u>
<b>Long-Term Liabilities</b>			
Revenue bonds -- excluding current installments	-	34,445,000	34,445,000
Compensated absences	49,701	10,711	60,412
Deferred revenue	293,955	-	293,955
Other long term payables	-	15,747,582	15,747,582
	<u>343,656</u>	<u>50,203,293</u>	<u>50,546,949</u>
<b>Total long-term liabilities</b>			
	<u>343,656</u>	<u>50,203,293</u>	<u>50,546,949</u>
<b>Total liabilities</b>	<u>1,323,017</u>	<u>51,578,291</u>	<u>52,901,308</u>
<b>Net Position</b>			
Net investments in capital assets	7,873,937	13,612,203	21,486,140
Restricted per revenue bond ordinances	502,674	824,617	1,327,291
Restricted for improvements	890,221	487,988	1,378,209
Restricted for distribution to the City of McAllen	4,771,818	-	4,771,818
Unrestricted	16,975,561	(14,290,265)	2,685,296
	<u>31,014,211</u>	<u>634,543</u>	<u>31,648,754</u>
<b>Total net position</b>			
	<u>31,014,211</u>	<u>634,543</u>	<u>31,648,754</u>
<b>Total liabilities and net position</b>	<u>\$ 32,337,228</u>	<u>\$ 52,212,834</u>	<u>\$ 84,550,062</u>

# Anzalduas International Crossing

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

Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Tolls	\$ 2,833,040	\$ 2,596,703
Other Income	<u>57,661</u>	<u>51,719</u>
Total operating revenues	<u>2,890,701</u>	<u>2,648,422</u>
Operating expenses:		
Salaries	297,886	291,722
Payroll taxes and benefits	87,916	90,610
Insurance	12,000	12,000
Materials and supplies	15,155	14,510
Maintenance	35,250	90,192
Miscellaneous services	312,196	317,837
Depreciation	<u>1,534,336</u>	<u>1,538,249</u>
Total operating expenses	<u>2,294,739</u>	<u>2,355,120</u>
Operating income	<u>595,962</u>	<u>293,302</u>
Nonoperating revenues (expenses):		
Interest income	1,627	2,060
Interest income-restricted accounts	593	606
Interest expense	(1,731,561)	(1,772,085)
Amortization of bond premium	(17,043)	(17,043)
Interest expense - Board advance - relating to Series 2007 A Bonds and Start up Fund	<u>(525,915)</u>	<u>(486,649)</u>
Total nonoperating revenues (expenses)	<u>(2,272,299)</u>	<u>(2,273,111)</u>
Loss before transfers	(1,676,337)	(1,979,809)
Transfers-in - McAllen International Toll Bridge Fund	<u>963,664</u>	<u>671,868</u>
Changes in net position	(712,673)	(1,307,941)
Total net position at beginning of year	<u>1,347,216</u>	<u>2,655,157</u>
Total net position at end of year	<u>\$ 634,543</u>	<u>\$ 1,347,216</u>

*The accompanying notes are an integral part of these statements*

**Toll Bridge System**  
**McAllen International Toll Bridge and Anzalduas International Crossing**  
**Schedule of Cash Flows Information**  
**Year Ended September 30, 2013**

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
<b>Cash Flows From Operating Activities</b>			
Receipts from customers	\$ 12,109,907	\$ 2,890,701	\$ 15,000,608
Payments to suppliers	(1,100,959)	(379,459)	(1,480,418)
Payments to employees	(1,218,414)	(384,077)	(1,602,491)
Net cash provided by operating activities	9,790,534	2,127,165	11,917,699
<b>Cash Flows From Noncapital Financing Activities</b>			
Distribution of income to the City of Hidalgo	(3,186,529)	-	(3,186,529)
Operating transfers to the City of McAllen	(4,609,189)	-	(4,609,189)
Advance from McAllen International Toll Bridge-Board B	(963,664)	963,664	-
Net cash used by noncapital financing activities	(8,759,382)	963,664	(7,795,718)
<b>Cash Flows From Capital and Related Financing Activities</b>			
Capital contributions	774,388	-	774,388
Acquisition and construction of capital assets	(1,642,910)	(7,950)	(1,650,860)
Principal paid on long-term debt	-	(1,150,000)	(1,150,000)
Interest paid	-	(1,735,395)	(1,735,395)
Net cash used by capital and related financing activities	(868,522)	(2,893,345)	(3,761,867)
<b>Cash Flows From Investing Activities</b>			
Receipt of interest	4,037	2,220	6,257
Proceeds from sales and maturities of investments	7,162,762	4,072,273	11,235,035
Purchase of investments	(7,188,145)	(4,289,998)	(11,478,143)
Net cash used by investing activities	(21,346)	(215,505)	(236,851)
Net increase (decrease) in cash	141,284	(18,021)	123,263
Cash at beginning of year	347,188	149,369	496,557
Cash at end of year	\$ 488,472	\$ 131,348	\$ 619,820

**Toll Bridge System**  
**McAllen International Toll Bridge and Anzalduas International Crossing**  
**Schedule of Cash Flows Information**  
**Year Ended September 30, 2013**

(Continued)

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
<b>Reconciliation of Cash Per Statements of Cash Flows to the Statements of Net Position</b>			
Unrestricted cash	\$ 432,383	\$ 113,325	\$ 545,708
Restricted cash	56,089	18,023	74,112
	<u>\$ 488,472</u>	<u>\$ 131,348</u>	<u>\$ 619,820</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
	<u>\$ 9,132,771</u>	<u>\$ 595,962</u>	<u>\$ 9,728,733</u>
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation	552,627	1,534,336	2,086,963
Changes in assets and liabilities:			
Accounts payable	(13,634)	(3,133)	(16,767)
Other payables	2,036	-	2,036
Accumulated unpaid absences	18,579	-	18,579
Deferred revenue	98,155	-	98,155
	<u>657,763</u>	<u>1,531,203</u>	<u>2,188,966</u>
Total adjustments			
	<u>\$ 9,790,534</u>	<u>\$ 2,127,165</u>	<u>\$ 11,917,699</u>

**Anzalduas International Crossing**  
**Schedule of Vehicle and Passenger Traffic**  
(Unaudited)

		Year Ended September 30,			
		2010	2011	2012	2013
Vehicular traffic southbound:					
Cars		705,035	846,077	858,488	933,694
Trucks		768	742	732	960
Buses		1,746	3,355	3,878	4,417
Total vehicles	(1)	<u>707,549</u>	<u>850,174</u>	<u>863,098</u>	<u>939,071</u>
Passenger traffic southbound:					
Passengers in cars	(2)	1,762,588	2,115,193	2,146,220	2,334,235
Passengers and drivers – buses	(2)	50,634	97,295	112,462	128,093
Total persons		<u>1,813,222</u>	<u>2,212,488</u>	<u>2,258,682</u>	<u>2,462,328</u>

(1) Source: Anzalduas International Crossing Traffic Count Report.

(2) Calculation based on historical average of 2.5  
as per Hidalgo bridge crossings.

**Anzalduas International Crossing**  
**Schedule of Car and Truck Traffic Revenue**  
(Unaudited)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Southbound traffic:				
Cars	705,035	846,077	858,488	933,694
Trucks	<u>768</u>	<u>742</u>	<u>732</u>	<u>960</u>
Total car and truck traffic	<u><u>705,803</u></u>	<u><u>846,819</u></u>	<u><u>859,220</u></u>	<u><u>934,654</u></u>
 Truck traffic percentage	0.11%	0.09%	0.09%	0.10%
 Car and truck revenue:				
Cars	\$ 1,684,515	\$ 2,249,809	\$ 2,537,957	\$ 2,795,401
Trucks	<u>5,732</u>	<u>5,194</u>	<u>5,221</u>	<u>6,720</u>
Total car and truck revenue	<u><u>\$ 1,690,247</u></u>	<u><u>\$ 2,255,003</u></u>	<u><u>\$ 2,543,178</u></u>	<u><u>\$ 2,802,121</u></u>
 Truck revenue percentage	0.34%	0.23%	0.21%	0.24%
 Average revenue per car	\$ 2.39	\$ 2.66	\$ 2.96	\$ 2.99
Average revenue per truck	\$ 7.46	\$ 7.00	\$ 7.13	\$ 7.00

**Anzalduas International Crossing**  
Schedule of Board Advances from McAllen International Toll Bridge Fund  
September 30, 2013  
(Unaudited)

Anzalduas Special & Startup Fund:

Balance at September 30, 2012	Additions Advances	Implied Interest	Balance at September 30, 2013
\$ 10,407,504		\$ 504,176	\$ 10,911,680

Board advance "A" to Anzalduas International Crossing:

Balance at September 30, 2012	Additions Advances	Implied Interest	Balance at September 30, 2013
\$ 4,337,604	\$ -	\$ 21,739	\$ 4,359,343

Combined totals of advances to Anzalduas International Crossing:

Balance at September 30, 2012	Additions Advances	Implied Interest	Balance at September 30, 2013
\$ 14,745,108	\$ -	\$ 525,915	\$ 15,271,023

**Distribution of Advances:**

City of McAllen- Share @ 64%	\$ 9,436,869	\$ -	\$ 336,586	\$ 9,773,455
City of Hidalgo- Share @ 36%	5,308,239	-	189,329	5,497,568
	\$ 14,745,108	\$ -	\$ 525,915	\$ 15,271,023

**Anzalduas International Crossing**  
**Schedule of Board Advances from McAllen International Toll Bridge Fund**  
**September 30, 2013**  
**(Unaudited)**

Activity Schedule-Anzalduas Special & Startup Fund:

Payments to be collected are distributable to the cities of Hidalgo and McAllen @ 36% and 64%, respectively.

	<u>Bond Rate</u>	<u># Days</u>	<u>Advance</u>	<u>Interest</u>	<u>Balance</u>
10/1/2012 Opening balance					\$ 10,407,504
10/31/2012	4.74%	31	-	41,898	10,449,403
11/30/2012	4.74%	30	-	40,710	10,490,113
12/31/2012	4.74%	31	-	42,231	10,532,343
1/31/2013	4.74%	31	-	42,401	10,574,744
2/28/2013	4.74%	28	-	38,452	10,613,196
3/31/2013	4.74%	31	-	42,726	10,655,922
4/30/2013	4.74%	30	-	41,514	10,697,436
5/31/2013	4.74%	31	-	43,065	10,740,501
6/30/2013	4.74%	30	-	41,844	10,782,345
7/31/2013	4.74%	31	-	43,407	10,825,752
8/31/2013	4.74%	31	-	43,582	10,869,334
9/30/2013	4.74%	30	-	42,347	10,911,680

**Anzalduas International Crossing**  
**Schedule of Board Advances from McAllen International Toll Bridge Fund**  
**September 30, 2013**  
**(Unaudited)**

Activity Schedule-Board Advances "A":

Payments to be collected are distributable to the cities of Hidalgo and McAllen @ 36% and 64% respectively.

	<u>Bank Rate</u>	<u># Days</u>	<u>Advance</u>	<u>Interest</u>	<u>Balance</u>
Opening balance					\$ 4,337,604
10/01/12			-	-	4,337,604
10/31/12	0.500%	31		1,842	4,339,446
11/01/12			-	-	4,339,446
11/30/12	0.500%	30		1,783	4,341,229
12/01/12			-	-	4,341,229
12/31/12	0.500%	31		1,844	4,343,073
01/01/13			-	-	4,343,073
01/31/13	0.500%	31		1,844	4,344,917
02/01/13			-	-	4,344,917
02/28/13	0.500%	28		1,667	4,346,584
03/01/13			-	-	4,346,584
03/31/13	0.500%	31		1,846	4,348,430
04/01/13			-	-	4,348,430
04/30/13	0.500%	30		1,787	4,350,217
05/01/13			-	-	4,350,217
05/31/13	0.500%	31		1,847	4,352,064
06/01/13			-	-	4,352,064
06/30/13	0.500%	30		1,789	4,353,853
07/01/13			-	-	4,353,853
07/31/13	0.500%	31		1,849	4,355,701
08/01/13			-	-	4,355,701
08/31/13	0.500%	31		1,850	4,357,551
09/01/13			-	-	4,357,551
09/30/13	0.500%	30		1,791	4,359,343

**Anzalduas International Crossing**  
**Schedule of Board Advances from McAllen International Toll Bridge Fund**  
**September 30, 2013**  
**(Unaudited)**

Activity Schedule-Board Advances "B":

Payments to be collected from the City of Mission are distributable to the City of McAllen only

	<u>Bank Rate</u>	<u># Days</u>	<u>Advance</u>		<u>Interest</u>	<u>Balance</u>
			<u>Total</u>	<u>Applicable to Mission</u>		
Opening balance						\$ 1,246,791
10/01/12			78,367	26,903	-	1,273,694
10/31/12	0.50%	31	-	-	541	1,274,234
11/01/12			78,367	26,903	-	1,301,138
11/30/12	0.50%	30	-	-	535	1,301,672
12/01/12			78,367	26,903	-	1,328,576
12/31/12	0.50%	31	-	-	564	1,329,139
01/01/13			78,367	26,903	-	1,356,042
01/31/13	0.50%	31	-	-	576	1,356,619
02/01/13			96,831	33,242	-	1,389,860
02/28/13	0.50%	28	-	-	533	1,390,393
03/01/13			78,975	27,112	-	1,417,506
03/31/13	0.50%	31	-	-	602	1,418,107
04/01/13			78,975	27,112	-	1,445,219
04/30/13	0.50%	30	-	-	594	1,445,812
05/01/13			78,975	27,112	-	1,472,925
05/31/13	0.50%	31	-	-	625	1,473,550
06/01/13			78,975	27,112	-	1,500,662
06/30/13	0.50%	30	-	-	617	1,501,279
07/01/13			78,975	27,112	-	1,528,391
07/31/13	0.50%	31	-	-	649	1,529,039
08/01/13			78,975	27,112	-	1,556,151
08/31/13	0.50%	31	-	-	661	1,556,812
09/01/13			79,513	27,297	-	1,584,109
09/30/13	0.50%	30	-	-	651	1,584,762

**Anzalduas International Crossing**  
**Schedule of Insurance Coverage**  
**Year Ended September 30, 2013**  
**(Unaudited)**

<u>Property</u>	<u>Insurance Company</u>	<u>Period of Coverage</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Bridge and surrounding area	Texas Municipal League	10/01/12 to 09/30/13	Fire and extended coverage and physical damage and business (\$10,000 deductible except \$25,000 flood and earthquake)	\$ 31,261,076
Bridge and surrounding area	Texas Municipal League	10/01/12 to 09/30/13	Bridge use, occupancy, and business interruptions (\$10,000 deductible, except \$25,000 flood and earthquake)	\$ 28,436,076
Workers' compensation	1-2-1 Claims Inc.	10/01/12 to 09/30/13	Employer's liability - job-related injuries	Statutory
Workers' compensation excess	Star Insurance Co.	10/01/12 to 09/30/13	Aggregate excess and specific (\$400,000 per occurrence)	Statutory
General liability	Texas Municipal League	10/01/12 to 09/30/13	General: (\$10,000 deductible) Bodily injury and property damage	\$ 2,000,000
Errors and omissions liability	Texas Municipal League	10/01/12 to 09/30/13	Each wrongful act (\$25,000 deductible)	\$ 4,000,000
<u>Crime section:</u>				
Employee dishonesty	Texas Municipal League	10/01/12 to 09/30/13	Limit of coverage (\$5,000 deductible)	\$ 1,000,000
Forgery or alteration	Texas Municipal League	10/01/12 to 09/30/13	Limit of coverage (\$1,000 deductible)	\$ 50,000
Theft, disappearance and destruction	Texas Municipal League	10/01/12 to 09/30/13	Limit of coverage (\$1,000 deductible)	\$ 50,000
Computer fraud	Texas Municipal League	10/01/12 to 09/30/13	Limit of coverage (\$5,000 deductible)	\$ 1,000,000

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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 Trustees  
Anzalduas International Crossing  
McAllen, 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 Anzalduas International Crossing (the "Anzalduas Bridge"), an enterprise fund of the City of McAllen, Texas, as of September 30, 2013, which comprise the statement of net position and the related statements of revenues, expenses, and changes in net position, and cash flows as of the year then ended and the related notes to the financial statements, and have issued our report thereon dated January 22, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Anzalduas Bridge'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Anzalduas Bridge's internal control. Accordingly, we do not express an opinion on the effectiveness of Anzalduas Bridge'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 Anzalduas Bridge's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

  
LONGCHILTON, LLP  
Certified Public Accountants

McAllen, Texas  
January 22, 2014