

**Anzalduas International Crossing**

Financial Statements  
And Report of Independent Certified Public Accountants

September 30, 2017 and 2016



# ANZALDUAS INTERNATIONAL CROSSING

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

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Board of Trustees  
Anzalduas International Crossing

**Report on the financial statements**

We have audited the accompanying financial statements of the Anzalduas International Crossing (the “Anzalduas Bridge”) as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Anzalduas Bridge’s basic financial statements as listed in the table of contents.

**Management’s responsibility for the financial statements**

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

**Auditor’s responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 as of September 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other matters

##### Emphasis of Matter

As discussed in Note 1, the financial statements present only the Anzaldaus International Crossing and do not purport to, and do not, present fairly the financial position of the City of McAllen, as of September 30, 2017 and 2016, the changes in its financial position or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

##### *Required supplementary information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a required 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. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures 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.

##### *Supplementary information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Anzalduas Bridge's basic financial statements. The supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other information*

The Schedule of Vehicle and Passenger Traffic, Schedule of Car and Truck Traffic Revenue, Schedules of Board Advances from the McAllen International Toll Bridge Fund, and Schedule of Insurance Coverage are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.

**Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 1, 2018, on our consideration of the Anzalduas Bridge'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 the Anzalduas Bridge'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 the Anzalduas Bridge's internal control over financial reporting and compliance.

*Grant Thornton LLP*

Houston, Texas  
February 1, 2018

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(Unaudited)  
**Anzalduas International Crossing**  
**Management's Discussion and Analysis**  
September 30, 2017

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This discussion and analysis is intended to provide an overview of the Anzalduas International Crossing's (Anzalduas Bridge) financial performance for the fiscal years ending September 30, 2017 and 2016 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 \$1.3M. Net position for FY 2017 is reported as a deficit of \$2.57M decreasing by \$520K.

The southbound car crossings at Anzalduas decreased 4.81% over last year's crossing, and bus crossings have also decreased 16.01% from last year. In August 2016, the Anzalduas Bridge began accepting the southbound crossings of trucks with empty cargo. The table below reflects the activities for southbound traffic.

For more information in regards of the average revenue per vehicle, refer to *Supplemental Information* pg 43-44.

Category	SOUTHBOUND CROSSINGS			
	FY 16-17	FY 15-16	Increase (Decrease)	% Increase (Decrease)
Cars	966,364	1,015,219	(48,855)	-4.81%
Trucks - empties	15,528	732	14,796	2021.31%
Buses	1,374	1,636	(262)	-16.01%
Passengers in cars	2,415,910	2,538,048	(122,138)	-4.81%

Anzalduas International Crossing  
Management's Discussion and Analysis – (Unaudited)  
September 30, 2017

***Overview of the Financial Statements***

The financial statements include the Statement of Net Position, Statement of Revenue, Expenses and Changes in Net Position, and the Statement of Cash Flows for the current fiscal year ending September 30, 2017 as well as the previous fiscal year.

***Required Financial Statements***

The Statement of Net Position includes all of the assets and deferred outflows of resources and liabilities and deferred inflows of resources of the Anzalduas Bridge and provides information about the nature of the resources and obligations to creditors. The Anzalduas Bridge's net position, which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one indicator of its financial position at one point in time. Over time, increases or decreases in net position 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 over the past year and provides comparative information for the previous fiscal year. The statement illustrates the Anzalduas Bridge's ability to cover operating expenses with revenues received during the same year as well as non-operating expenses.

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, 2017, net position amounted to a deficit of \$2.57M. Total liabilities, which consist of current, restricted, and long term liabilities, decreased by \$714K combined when comparing FY 15-16 to FY 16-17. The refunding of the bonds attributed to the decrease in the total liabilities.

Anzalduas International Crossing  
Management's Discussion and Analysis – (Unaudited)  
September 30, 2017

A summary of the Anzalduas Bridge's condensed Statement of Net Position Information as of September 30 is presented below:

**Condensed Statements of Net Position**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS:</b>			
Current assets	\$ 1,795,273	\$ 1,618,785	\$ 1,236,928
Restricted assets	1,832,996	1,386,113	1,939,686
Net capital assets	<u>43,183,058</u>	<u>44,664,355</u>	<u>46,057,165</u>
Total assets	<u>\$ 46,811,327</u>	<u>\$ 47,669,253</u>	<u>\$ 49,233,779</u>
Deferred outflows of resources - pension	<u>106,128</u>	<u>126,213</u>	<u>11,500</u>
Total assets and deferred outflows of resources	<u>\$ 46,917,455</u>	<u>\$ 47,795,466</u>	<u>\$ 49,245,279</u>
<b>LIABILITIES:</b>			
Current liabilities	\$ 45,442	\$ 42,029	\$ 44,405
Payable from restricted assets	1,572,672	1,729,686	1,528,277
Long-term liabilities	<u>47,514,537</u>	<u>48,075,201</u>	<u>48,729,432</u>
Total liabilities	<u>\$ 49,132,651</u>	<u>\$ 49,846,916</u>	<u>\$ 50,302,114</u>
Deferred inflows of resources	<u>356,346</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>\$ 49,488,997</u>	<u>\$ 49,846,916</u>	<u>\$ 50,302,114</u>
<b>NET POSITION:</b>			
Net investment in capital assets	\$ 11,623,863	\$ 12,389,867	\$ 12,446,180
Restricted per revenue bond ordinance	1,175,148	1,055,064	976,340
Restricted for improvements	554,587	-	740,036
Unrestricted (deficit)	<u>(15,925,140)</u>	<u>(15,496,381)</u>	<u>(15,219,391)</u>
Total net position	<u>\$ (2,571,542)</u>	<u>\$ (2,051,450)</u>	<u>\$ (1,056,835)</u>

Anzalduas International Crossing  
Management's Discussion and Analysis – (Unaudited)  
September 30, 2017

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

The Statements of Revenues, Expenses, and Changes in Net Position provides additional information on the changes in the Anzalduas Bridge fund and is presented on the following page.

Anzalduas International Crossing  
Management's Discussion and Analysis – (Unaudited)  
September 30, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues:			
Tolls	\$ 3,555,823	\$ 3,538,359	\$ 3,182,441
Other Income	<u>144,843</u>	<u>82,898</u>	<u>37,528</u>
Total operating revenues	<u>3,700,666</u>	<u>3,621,257</u>	<u>3,219,969</u>
Operating expenses:			
Salaries	363,499	354,925	345,009
Payroll taxes and benefits	129,966	117,878	92,307
Insurance	20,964	20,963	12,000
Materials and supplies	14,750	16,949	22,177
Maintenance	48,161	56,960	67,296
Miscellaneous services	296,378	311,602	277,798
Non-capitalized Southbound project	-	1,061,212	-
Depreciation	<u>1,533,466</u>	<u>1,531,255</u>	<u>1,530,387</u>
Total operating expenses	<u>2,407,184</u>	<u>3,471,744</u>	<u>2,346,974</u>
Operating income	<u>1,293,482</u>	<u>149,513</u>	<u>872,995</u>
Nonoperating revenues (expenses):			
Interest income	23,278	9,320	930
Interest income - restricted assets	5,947	1,505	564
Other income	8,653	-	-
Gain on sale of capital assets	-	57,385	-
Interest expense	(1,537,019)	(1,544,955)	(1,600,510)
Bond related charges - issuance cost	(594,890)	-	-
Interest expense - Board advance - relating to Series 2007A Bonds and Start up Fund	<u>(631,458)</u>	<u>(604,807)</u>	<u>(576,160)</u>
Total nonoperating expenses	<u>(2,725,489)</u>	<u>(2,081,552)</u>	<u>(2,175,176)</u>
Loss before transfers	(1,432,007)	(1,932,039)	(1,302,181)
Transfers-in - McAllen International Toll Bridge Fund	914,417	949,755	947,888
Transfers-out - Health Insurance Fund	<u>(2,502)</u>	<u>(12,331)</u>	<u>-</u>
Changes in net position	(520,092)	(994,615)	(354,293)
Total net position at beginning of year	<u>(2,051,450)</u>	<u>(1,056,835)</u>	<u>(702,542)</u>
Total net position at end of year	<u>\$ (2,571,542)</u>	<u>\$ (2,051,450)</u>	<u>\$ (1,056,835)</u>

Anzalduas International Crossing  
Management's Discussion and Analysis – (Unaudited)  
September 30, 2017

***TOLL RATES***

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

Category	TOLL RATES	
	FY 16-17	FY 15-16
Cars	\$3.50	\$3.50
Trucks (Depending on # of Axles)	\$6.25-\$14.00	\$6.25-\$14.00
Buses (Depending on # of Axles)	\$7.00-\$9.00	\$7.00-\$9.00
Motorcycles	\$3.50	\$3.50
Extra Axle	\$3.00	\$3.00

***REVENUES***

The forecast for toll revenues was estimated at \$3.5M. Actual toll revenues came in at \$3.5M, which also included southbound commercial truck tolls, \$167K. Other operating income of \$145K was mainly due to the gain in the exchange of the Mexican peso to U.S. Dollars and rental income of \$18K. Interest income during the year was approximately \$23K as compared to approximately \$9K in 2016. Other changes in net position include a net transfer from the Hidalgo Bridge Fund in the amount of \$914K, creating a difference of \$35K when compared to FY 15-16. This transfer supported debt service requirements of Refunding Series 2017B bonds.

***EXPENSES***

In FY 16-17, operating expenses came in at \$2.4M, including depreciation in the amount of \$1.5M. In FY 15-16, operating expenses were \$3.5M, including depreciation in the amount of \$1.5M. The increase was due to the financing of the construction of one additional lane and equipment on the Mexican side of the Anzalduas Reynosa-Mission International Bridge to allow southbound commercial empty truck traffic. The refunding of Series 2007A and 2007B resulted in total issuance costs of \$594K, consisting of \$343K for Series 2017A and \$251K for Series 2017B. All non-operating expenses were relatively flat.

Anzalduas International Crossing  
Management's Discussion and Analysis – (Unaudited)  
September 30, 2017

***CAPITAL ASSETS AND DEBT ADMINISTRATION***

*Capital Assets*

Total capital assets, before depreciation, at September 30, 2017 are reported at \$55M. Last year, at September 30, 2016, total capital assets, before depreciation, were reported at \$55M. For the current year, an additional \$52K was added to capital assets which the majority could be attributed to construction in progress projects.

For more detailed information on capital asset activity, refer to Note 3 – Capital Assets.

The table below reflects the capital assets:

	<u>FY 16-17</u>	<u>FY 15-16</u>	<u>FY 14-15</u>
Capital assets not being depreciated:			
Land	\$ 2,922,773	\$ 2,922,773	\$ 2,936,598
Construction in progress	244,528	213,113	88,343
Capital assets:			
Buildings	2,997,470	2,997,470	2,997,470
Improvements other than buildings	47,891,073	47,870,319	47,842,819
Machinery and equipment	<u>970,334</u>	<u>970,334</u>	<u>970,334</u>
Total capital assets	55,026,178	54,974,009	54,835,564
Accumulated depreciation	<u>(11,843,120)</u>	<u>(10,309,654)</u>	<u>(8,778,399)</u>
Total capital assets, net	<u>\$ 43,183,058</u>	<u>\$ 44,664,355</u>	<u>\$ 46,057,165</u>

*Debt*

At the end of this fiscal year, the Anzalduas Bridge had \$31.2M in revenue bonds, including premium and amortized gain on refunding resulting from the refunding of the Series 2007 A and B bonds in March 2017. Last fiscal year, the Anzalduas Bridge had \$32.3M in revenue bonds, including premium. 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.

For more detailed information on debt activity, refer to Note 5 – Revenue Bonds Payable and Long Term Liability

Anzalduas International Crossing  
Management's Discussion and Analysis – (Unaudited)  
September 30, 2017

***ECONOMIC FACTORS***

During the budget process for fiscal year 2016-17, 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 as well as the continued uncertainty in Mexico.

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 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, 1300 Houston, McAllen, Texas 78501.

# **Basic Financial Statements**

**Anzalduas International Crossing**  
**Statements of Net Position**  
**September 30, 2017 and 2016**

	2017	2016
<b>Current Assets</b>		
Cash	\$ 145,352	\$ 131,417
Investments	1,647,336	1,485,264
Accrued interest receivable	2,585	2,104
Total non-restricted assets	1,795,273	1,618,785
<b>Restricted Assets</b>		
Cash	50,895	101,500
Investments	1,782,101	1,284,613
Total restricted assets	1,832,996	1,386,113
Total current assets	3,628,269	3,004,898
<b>Capital Assets – at cost</b>		
Capital assets not being depreciated:		
Land	2,922,773	2,922,773
Construction in progress	244,528	213,113
Capital assets:		
Buildings	2,997,470	2,997,470
Improvements other than buildings	47,891,073	47,870,319
Machinery and equipment	970,334	970,334
Total capital assets	55,026,178	54,974,009
Less accumulated depreciation	(11,843,120)	(10,309,654)
Net capital assets	43,183,058	44,664,355
<b>Deferred outflows of resources - pension</b>	106,128	126,213
Total assets and deferred outflows of resources	\$ 46,917,455	\$ 47,795,466

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

**Anzalduas International Crossing**  
**Statements of Net Position**  
**September 30, 2017 and 2016**

	2017	2016
<b>Current Liabilities</b>		
Accounts payable	\$ 22,261	\$ 33,863
Accrued liabilities	6,417	8,166
Compensated absences	16,764	-
	45,442	42,029
Total unrestricted current liabilities		
<b>Liabilities Payable From Restricted Assets</b>		
Current installments of revenue bonds	1,470,000	1,360,000
Accounts payable	8,990	31,473
Accrued revenue bond interest	93,682	129,311
Accrued expense - retainage payable	-	51,543
Unearned revenues	5,000	5,000
Due to Toll Bridge	-	157,359
	1,577,672	1,734,686
Total liabilities payable from restricted assets		
Total current liabilities	1,623,114	1,776,715
<b>Long-Term Liabilities</b>		
Revenue bonds – excluding current installments	29,732,924	30,914,488
Compensated absences	-	15,484
Net pension liability	142,720	137,794
Advance from McAllen International Toll Bridge Fund - Anzalduas Special & Startup Fund	13,186,444	12,577,163
Advance from McAllen International Toll Bridge Fund - Board Advance relating to Series 2017 A Bonds	4,447,449	4,425,272
	47,509,537	48,070,201
Total long-term liabilities		
Deferred inflow of resources - refunding	356,272	-
Deferred inflow of resources - pension	74	-
	356,346	-
Total deferred inflow of resources		
Total liabilities and deferred inflows of resources	49,488,997	49,846,916
<b>Net Position</b>		
Net investment in capital assets	11,623,863	12,389,867
Restricted per revenue bond ordinances	1,175,148	1,055,064
Restricted for improvements	554,587	-
Unrestricted (deficit)	(15,925,140)	(15,496,381)
	(2,571,542)	(2,051,450)
Total net position		
Total liabilities, deferred inflow of resources, and net position	\$ 46,917,455	\$ 47,795,466

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

## Anzalduas International Crossing

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

Years Ended September 30, 2017 and 2016

	2017	2016
Operating revenues:		
Tolls	\$ 3,555,823	\$ 3,538,359
Other Income	144,843	82,898
	3,700,666	3,621,257
Operating expenses:		
Salaries	363,499	354,925
Payroll taxes and benefits	129,966	117,878
Insurance	20,964	20,963
Materials and supplies	14,750	16,949
Maintenance	48,161	56,960
Miscellaneous services	296,378	311,602
Non-capitalized Southbound project	-	1,061,212
Depreciation	1,533,466	1,531,255
	2,407,184	3,471,744
Operating income	1,293,482	149,513
Nonoperating revenues (expenses):		
Interest income	23,278	9,320
Interest income-restricted accounts	5,947	1,505
Other income	8,653	-
Gain on sale of capital assets	-	57,385
Interest expense	(1,537,019)	(1,544,955)
Bond related charges - issuance cost	(594,890)	-
Interest expense - Board advance - relating to Series 2007 A Bonds and Start up Fund	(631,458)	(604,807)
	(2,725,489)	(2,081,552)
Total nonoperating expenses, net	(2,725,489)	(2,081,552)
Loss before transfers	(1,432,007)	(1,932,039)
Transfers-in - McAllen International Toll Bridge Fund	914,417	949,755
Transfers-out - Health Insurance Fund	(2,502)	(12,331)
	(520,092)	(994,615)
Changes in net position	(520,092)	(994,615)
Total net position at beginning of year	(2,051,450)	(1,056,835)
Total net position at end of year	\$ (2,571,542)	\$ (2,051,450)

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

**Anzalduas International Crossing**  
**Statements of Cash Flows**  
**Years Ended September 30, 2017 and 2016**

	2017	2016
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	\$ 3,700,666	\$ 3,626,257
Payments to employees	(465,849)	(471,349)
Payments to suppliers	(626,240)	(1,307,736)
	2,608,577	1,847,172
<b>Net cash provided by operating activities</b>		
	2,608,577	1,847,172
<b>Cash Flows From Noncapital Financing Activities</b>		
Transfer from McAllen International Toll Bridge - Board B	914,417	949,755
Transfer to Health Insurance Fund	(2,502)	(12,331)
	911,915	937,424
<b>Net cash provided by noncapital financing activities</b>		
	911,915	937,424
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(52,169)	(138,445)
Gain on sale of land	-	57,385
Bond issuance cost	(103,831)	-
Interest paid	(1,410,346)	(1,581,077)
Principal paid on long-term debt	(1,360,000)	(1,305,000)
	(2,926,346)	(2,967,137)
<b>Net cash used by capital and related financing activities</b>		
	(2,926,346)	(2,967,137)
<b>Cash Flows From Investing Activities</b>		
Receipt of interest	28,744	8,721
Proceeds from sales and maturities of investments	5,275,504	7,237,960
Purchase of investments	(5,935,064)	(7,025,876)
	(630,816)	220,805
<b>Net cash provided (used) by investing activities</b>		
	(630,816)	220,805
<b>Net increase (decrease) in cash</b>		
	(36,670)	38,264
Cash at beginning of year	232,917	194,653
Cash at end of year	\$ 196,247	\$ 232,917

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

**Anzalduas International Crossing**  
**Statements of Cash Flows**  
**Years Ended September 30, 2017 and 2016**

	2017	2016
<b>Reconciliation of Cash Per Statements of Cash Flows to the Statements of Net Position</b>		
Unrestricted cash	\$ 145,352	\$ 131,417
Restricted cash	50,895	101,500
	\$ 196,247	\$ 232,917
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
	\$ 1,293,482	\$ 149,513
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,533,466	1,531,255
(Increase) decrease in deferred outflows of resources	20,085	(114,713)
Increase (decrease) in deferred inflows of resources	74	-
Changes in assets and liabilities:		
Increase (decrease) in unearned revenue	-	5,000
Increase (decrease) due to Toll Bridge	(157,359)	157,359
Increase (decrease) in accounts payable	(88,628)	2,591
Increase (decrease) in accrued liabilities	1,251	(11,294)
Increase (decrease) in compensated absences payable	1,280	(1,162)
Increase (decrease) in net pension liability	4,926	128,623
	1,315,095	1,697,659
Total adjustments		
	\$ 2,608,577	\$ 1,847,172
 <b>Noncash capital financing activities:</b>		
Refunding revenue bonds	\$ 31,174,708	\$ -

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

## **Anzalduas International Crossing**

Notes to Financial Statements

September 30, 2017 and 2016

### ***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 the United States, south of the City of Mission, Texas and the westernmost part of 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 2007A bonds from each city’s respective share of net revenues of the Hidalgo Bridge. The City of McAllen is responsible for Series 2007B 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”). 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 Statements

September 30, 2017 and 2016

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

These financial statements present only the operations and activities of Anzalduas Bridge, a fund of the City, and are not intended to present fairly the financial position and results of operations of the City.

#### *Basis of Accounting*

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, liabilities and deferred outflows of resources and deferred inflows of resources associated with this entity are included in the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. 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.

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 proprietary fund are charges to customers for toll crossing and services. Operating expenses for proprietary 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.

#### *Current Year GASB Implementations:*

*GASB Statement No. 77, Tax Abatement Disclosures.* This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. For financial reporting purposes, a tax abatement is defined as, a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. There is no impact to the financial statements for the Anzalduas Bridge due to the adoption of GASB Statement No. 77, as the Anzalduas Bridge has no tax abatements.

*GASB Statement No. 80, Blending Requirements for Certain Component Units.* This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires

## Anzalduas International Crossing

Notes to Financial Statements

September 30, 2017 and 2016

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

blending of a component unit incorporated as a not for profit corporation in which the primary government is the sole corporate member. There is no impact on the financial statements for the Anzalduas Bridge due to the adoption of GASB Statement No. 80, as the Anzalduas Bridge has no component units.

GASB Statement No 82, *Pension Issues – An Amendment of GASB statements 67, 68, and 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contributions requirements. There is no impact on the financial statements for the Anzalduas Bridge due to the adoption of GASB Statement No. 82.

#### *Restricted Assets*

Restricted assets represent interest-bearing checking accounts and investments, which are restricted for current debt service as well as the bond construction fund. Per the bond ordinance, 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 position is restricted to the extent of such legally imposed restrictions.

#### *Capital Assets*

Capital assets which include property, equipment and infrastructure are defined as assets with an initial individual cost of \$2,500 or more and an estimated useful life in excess of one year. Capital assets are capitalized because they are used in operations to provide services. 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. No interest was capitalized during the years ended September 30, 2017 and 2016.

Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Depreciation expense for the year ended September 30, 2017 was \$1,533,466 (\$1,531,255 in 2016). 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

## **Anzalduas International Crossing**

Notes to Financial Statements

September 30, 2017 and 2016

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

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.

#### *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 expenses relating to the obtaining of the Anzalduas Bridge Presidential Permit and for the design or construction costs, 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, 2017, the Anzalduas Special and Start Up Fund advance payable to the Hidalgo Bridge amounts to \$13,186,444 (\$12,577,163 in 2016), of which the City of McAllen's portion is \$8,439,324 and the City of Hidalgo's portion is \$4,747,120. During this fiscal year, the balance was increased by accrued interest in the amount of \$609,281. No board advances were made during the year.

##### *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.

## **Anzalduas International Crossing**

Notes to Financial Statements

September 30, 2017 and 2016

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

As of September 30, 2017 the board advances payable to the Hidalgo Bridge amounts to \$4,447,449 (\$4,425,272 in 2016), of which the City of McAllen's portion is \$2,846,368 and the City of Hidalgo's portion is \$1,601,081. During this fiscal year, the balance was increased by accrued interest of \$22,177. No board advances were made during the year.

#### ***Board Advance "B"***

During this fiscal year, the Hidalgo Bridge also transferred \$914,417 (\$949,755 in 2016) to the Anzalduas Bridge in support of the Refunding Series 2017 B bond debt service requirements. 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 prorata 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 Refunding Series 2017 A have been paid.

As of September 30, 2017 the board advance owed by the City of Mission to the City of McAllen amounts to \$2,920,130, increasing from \$2,592,340 for the year ended September 30, 2016. This board advance is recorded in the General fund of the City of McAllen.

#### ***Bond Premium***

Bond premium is amortized using the effective interest method.

#### ***Accumulated Unpaid Compensated Absences***

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

#### ***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.

## **Anzalduas International Crossing**

Notes to Financial Statements

September 30, 2017 and 2016

### ***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, 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, investment pools, commercial paper, no-load mutual funds, money market mutual funds, municipal bonds, fully collateralized repurchase agreements, as well as certificates of deposit. Investments are stated at fair value, as required under Governmental Accounting Standards Board Statement No. 72.

#### ***Investments***

##### ***Fair Value Measurement:***

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

**Anzalduas International Crossing**  
Notes to Financial Statements  
September 30, 2017 and 2016

**2. Cash and Investments – Continued**

Investments at fair value, as of September 30, 2017 and 2016, are as follows:

<b>2017</b>	<b>Fair Value Measurements Using</b>				
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>
<b>Investments by fair value level</b>					
Debt Securities					
United States government agency securities	\$ 748,343	\$ 748,343	\$ -	\$ 748,343	\$ -
Total investments by fair value level	\$ 748,343	\$ 748,343	\$ -	\$ 748,343	\$ -

<b>2016</b>	<b>Fair Value Measurements Using</b>				
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>
<b>Investments by fair value level</b>					
Debt Securities					
United States government agency securities	\$ 998,432	\$ 998,432	\$ -	\$ 998,432	\$ -
Total investments by fair value level	\$ 998,432	\$ 998,432	\$ -	\$ 998,432	\$ -

The total amount excludes investments in local government pools which are reported at amortized cost. These investments total \$2,681,005 and \$1,771,445 as of September 30, 2017 and September 30, 2016 respectively.

*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 (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 amortized cost.

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

## Anzalduas International Crossing

Notes to Financial Statements

September 30, 2017 and 2016

### 2. Cash and Investments – Continued

Public Accounts exercises oversight responsibility over TexPool Prime. 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 Prime and of other persons who do not have a business relationship with TexPool Prime. The Advisory Board members review the investment policy and management fee structure.

*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, the Anzalduas Bridge reduces its risk to the rising interest rates. The table that follows reflects the allocation of the investment portfolio.

	<b>Government Agencies and Treasuries</b>
< 1 Year	\$ 748,343
1-3 Years	-
Total	<u>\$ 748,343</u>
Weighted Average Maturity	284 Days

*Credit risk.* As of September 30, 2017 and 2016, the investments in the TexPool Prime investment pool are rated AAAM by Standards and Poor's. The City's investment policy limits authorized investments to local government investment pools of political subdivisions in the State of Texas that invest in instruments and follow practices allowed by current law and that maintains as an investments objective a \$1.00 net asset value, certificates of deposits, U.S. Treasuries and U.S. government agencies, commercial paper, no-load mutual funds, money market mutual funds, municipal bonds, and full collateralized repurchase agreements.

*Concentration of credit risk.* The Anzalduas Bridge investment holdings at September 30, 2017 were confined to TexPool Prime and U.S. governments. The investment policy is silent in the concentration of holdings in the various types of securities and investments.

**Anzalduas International Crossing**  
Notes to Financial Statements  
September 30, 2017 and 2016

**3. Capital Assets**

Capital assets activity for the year ended September 30, 2017 and September 30, 2016 are presented in the following tables:

	Balance at September 30, 2016	Additions	(Retirement)/ Transfer	Balance at September 30, 2017
Capital assets not being depreciated:				
Land	\$ 2,922,773	\$ -	\$ -	\$ 2,922,773
Construction in progress	213,113	31,415	-	244,528
Capital assets:				
Buildings	2,997,470	-	-	2,997,470
Improvements other than buildings	47,870,319	20,754	-	47,891,073
Machinery and equipment	970,334	-	-	970,334
Total capital assets	54,974,009	52,169	-	55,026,178
Less accumulated depreciation	10,309,654	1,533,466	-	11,843,120
Net capital assets	<u>\$ 44,664,355</u>	<u>\$ (1,481,297)</u>	<u>\$ -</u>	<u>\$ 43,183,058</u>

	Balance at September 30, 2015	Additions	(Retirement)/ Transfer	Balance at September 30, 2016
Capital assets not being depreciated:				
Land	\$ 2,936,598	\$ -	\$ (13,825)	\$ 2,922,773
Construction in progress	88,343	124,770	-	213,113
Capital assets:				
Buildings	2,997,470	-	-	2,997,470
Improvements other than buildings	47,842,819	27,500	-	47,870,319
Machinery and equipment	970,334	-	-	970,334
Total capital assets	54,835,564	152,270	(13,825)	54,974,009
Less accumulated depreciation	8,778,399	1,531,255	-	10,309,654
Net capital assets	<u>\$ 46,057,165</u>	<u>\$ (1,378,985)</u>	<u>\$ (13,825)</u>	<u>\$ 44,664,355</u>

## **Anzalduas International Crossing**

Notes to Financial Statements

September 30, 2017 and 2016

### **4. *Southbound Commercial Agreement***

On August 27, 2015, the Anzalduas International Bridge Board (“ABB”) and the Mexico Federal Agency La Secretaria de Comunicaciones y Transportes de los Estados Unidos Mexicanos (“SCT”) agreed to improve the infrastructure and operation of the Anzalduas Bridge to allow the crossings of southbound commercial empty truck traffic. The ABB agreed to finance the construction of one additional lane and equipment on the Mexico side of the Anzalduas Bridge, which would be provided by funds from the Anzalduas Capital Improvement fund. The ABB and the SCT agreed that after the initial operation of the installations, 100% of the toll revenue generated from southbound empties will be used to reimburse up to \$900,000 of the cost of the project to the Anzalduas Bridge. Presently, the Anzalduas International Bridge is responsible for collecting and accounting for the toll revenue. As of September 30, 2017, the Anzalduas Bridge recorded \$167,000 for southbound commercial truck traffic tolls. Once the total reimbursement for the \$900,000 is complete, the ABB and SCT agreed that future toll revenues generated on the U.S. side for crossings of southbound empty truck traffic, after expenses of operation, maintenance, administrative, and fiscal responsibility, will be divided 80% to Anzalduas Bridge and 20% to the SCT. The division of toll revenues for southbound empty traffic will continue with no changes until the ABB completes the construction of one lane and equipment on the United States side of the Anzalduas Bridge for the crossing and operation of northbound commercial empty truck traffic. After the initial opening of the northbound commercial facility for empty trucks, then each party will receive 100% of their own tolls.

**Anzalduas International Crossing**  
Notes to Financial Statements  
September 30, 2017 and 2016

**5. Long Term Liabilities**

Long term liability activities for the year ended September 30, 2017 and September 30, 2016 are reflected as follows:

	Balance at September 30, 2016	Additional Obligations and Net Increases	Retirement and Net Inc / (Dec)	Balance at September 30, 2017	Amounts Due Within One Year
Revenue bonds payable	\$ 31,890,000	\$ 28,640,000	\$ (31,890,000)	\$ 28,640,000	\$ 1,470,000
Unamortized bond premium	384,488	2,562,924	(384,488)	2,562,924	-
Net pension liability	137,794	4,926	-	142,720	-
Compensated absences	15,484	1,280	-	16,764	16,764
	<u>\$ 32,427,766</u>	<u>\$ 31,209,130</u>	<u>\$ (32,274,488)</u>	<u>\$ 31,362,408</u>	<u>\$ 1,486,764</u>

	Balance at September 30, 2015	Additional Obligations and Net Increases	Retirement and Net Inc / (Dec)	Balance at September 30, 2016	Amounts Due Within One Year
Revenue bonds payable	\$ 33,195,000	\$ -	\$ (1,305,000)	\$ 31,890,000	\$ 1,360,000
Unamortized bond premium	415,987	-	(31,499)	384,488	-
Net pension liability	9,171	183,026	(54,403)	137,794	-
Compensated absences	16,646	-	(1,162)	15,484	-
	<u>\$ 33,636,804</u>	<u>\$ 183,026</u>	<u>\$ (1,392,064)</u>	<u>\$ 32,427,766</u>	<u>\$ 1,360,000</u>

**Anzalduas International Crossing**  
Notes to Financial Statements  
September 30, 2017 and 2016

**5. Revenue Bonds Payable and Long Term Liabilities - Continued**

The aggregate maturities of revenue bonds payable as of September 30, 2017, including interest payments, are as follows:

<u>Year Ending</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	4.20%	1,470,000	1,109,475	2,579,475
2019	5.00%	1,510,000	1,075,025	2,585,025
2020	5.00%	1,540,000	1,030,375	2,570,375
2021	5.00%	1,595,000	979,575	2,574,575
2022	5.00%	1,650,000	923,775	2,573,775
2023-2027	5.00%	9,330,000	3,536,763	12,866,763
2028-2032	5.00%	11,545,000	1,326,144	12,871,144
		<u>\$ 28,640,000</u>	<u>\$ 9,981,132</u>	<u>\$ 38,621,132</u>

**Revenue Bond Refunding**

Due to favorable interest rates, during fiscal year 2017, \$31,174,708, including premium, Series 2017A and 2017B Refunding Bonds were issued to refund \$30,898,028 of the City's previously issued and outstanding Series 2007A and 2007B Bonds, plus accrued interest and interest cost. The proceeds were deposited with an escrow agent.

As a result of the refunding, the City reduced its aggregate debt service payments to maturity by \$3.1M for Series 2017A and \$1.5M for Series 2017B, respectively. Also it obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$3.6M for the refunding Series 2017A and 2017B.

**6. Deficit Unrestricted Net Position**

The unrestricted portion of net position reflects a deficit in the amount of \$15,925,140, as a result of advances payable to the Hidalgo Bridge, as authorized by the board of 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.

## Anzalduas International Crossing

Notes to Financial Statements

September 30, 2017 and 2016

### 7. *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 2015	Plan Year 2016
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	100%, Transfers	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 audit report, additional pension disclosures are reflected in the City's Comprehensive Annual Financial Report. Included in the financial statements are the Anzalduas Bridge's allocable share of net

## **Anzalduas International Crossing**

Notes to Financial Statements

September 30, 2017 and 2016

### **7. *Retirement Plan - Continued***

pension liability of \$142,720, deferred outflow of resources, \$106,128, and deferred inflows of resources, \$74.

### **8. *Accounting for Postemployment Benefits Other Than Pensions***

The City, as an entity wide, will report all required disclosures of GASB Statement Number 45 in the City's Comprehensive Annual Financial Report. The City instituted an internal service fund to account for health benefits related to current and future retirees. The Anzalduas Bridge has eight full time employees. For the current year, the fund contributed \$4,491 towards the annual required contribution. Since 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.

## **Supplemental Information**

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

	Year Ended September 30,	
	2010	2011
Revenues	\$ 1,766,490	\$ 2,394,420
Maintenance, operation expenses, and capital assets purchase	487,072	708,795
Net Revenues	1,279,418	1,685,625
Less:		
Bond Requirements:		
Transfer to Debt Service Fund - Series 2007 "A" (\$26M Issue)	1,697,834	1,663,765
Less: Amount Provided by Board Advance from McAllen Intl Bridge Fund	(815,001)	(326,833)
Net Transfer Provided by Anzalduas Intl Crossing Revenues for Debt Service	882,833	1,336,932
Transfer to Contingency Fund	-	33,750
Transfer to Capital Improvement Fund	-	67,685
Balance Available After Bond Requirements	396,585	247,258
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	-	(247,258)
Unallocated Balance of Surplus Net Revenue Attributable to Cities	\$ -	\$ -

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

Year Ended September 30,

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 2,650,482	\$ 2,892,328	\$ 3,054,289	\$ 3,220,899	\$ 3,687,962	\$ 3,723,945
<u>820,479</u>	<u>760,403</u>	<u>797,804</u>	<u>816,588</u>	<u>1,940,489</u>	<u>873,718</u>
1,830,003	2,131,925	2,256,485	2,404,311	1,747,473	2,850,227
1,836,015	1,962,319	1,964,736	1,965,137	1,963,782	2,044,158
(326,833)	-	-	-	-	-
<u>1,509,182</u>	<u>1,962,319</u>	<u>1,964,736</u>	<u>1,965,137</u>	<u>1,963,782</u>	<u>2,044,158</u>
45,000	45,000	45,000	45,000	45,000	45,000
<u>213,706</u>	<u>232,326</u>	<u>235,426</u>	<u>240,910</u>	<u>443,237</u>	<u>642,950</u>
<u>62,115</u>	<u>(107,720)</u>	<u>11,323</u>	<u>153,264</u>	<u>(704,546)</u>	<u>118,119</u>
-	-	-	-	-	-
<u>(62,115)</u>	<u>107,720</u>	<u>(11,323)</u>	<u>(153,264)</u>	<u>704,546</u>	<u>(118,119)</u>
<u>\$ -</u>					

**Toll Bridge System**  
**McAllen International Toll Bridge and Anzalduas International Crossing**  
**Combining Schedule of Net Position**  
**September 30, 2017**

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
<b>Current Assets</b>			
Cash	\$ 214,560	\$ 145,352	\$ 359,912
Investments	1,849,333	1,647,336	3,496,669
Accrued interest receivable	-	2,585	2,585
Due from other governments	175,493	-	175,493
Other receivables	310	-	310
	<u>2,239,696</u>	<u>1,795,273</u>	<u>4,034,969</u>
<b>Restricted Assets</b>			
Cash (all interest-bearing)			
Capital improvement	117,677	50,895	168,572
	<u>117,677</u>	<u>50,895</u>	<u>168,572</u>
Investments- reserved for distribution			
Investments	5,711,863	-	5,711,863
Due from other governments	2,337,642	1,782,101	4,119,743
	86,424	-	86,424
Total restricted assets – excluding current bond installments	<u>8,253,606</u>	<u>1,832,996</u>	<u>10,086,602</u>
<b>Capital Assets – at cost</b>			
Capital assets not being depreciated:			
Land	809,233	2,922,773	3,732,006
Construction in progress	1,450,153	244,528	1,694,681
Goodwill	609,713	-	609,713
Capital assets:			
Buildings	14,415,500	2,997,470	17,412,970
Improvements other than buildings	4,123,982	47,891,073	52,015,055
Machinery and equipment	2,480,732	970,334	3,451,066
	<u>23,889,313</u>	<u>55,026,178</u>	<u>78,915,491</u>
Less accumulated depreciation	<u>(12,287,467)</u>	<u>(11,843,120)</u>	<u>(24,130,587)</u>
	<u>11,601,846</u>	<u>43,183,058</u>	<u>54,784,904</u>
<b>Other Assets</b>			
Board advances	17,633,893	-	17,633,893
	<u>39,729,041</u>	<u>46,811,327</u>	<u>86,540,368</u>
<b>Deferred outflows of resources - pension</b>	<u>303,117</u>	<u>106,128</u>	<u>409,245</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 40,032,158</u>	<u>\$ 46,917,455</u>	<u>\$ 86,949,613</u>

**Toll Bridge System**  
**McAllen International Toll Bridge and Anzalduas International Crossing**  
**Combining Schedule of Net Position**  
**September 30, 2017**

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
<b>Current Liabilities</b>			
Due to City of Hidalgo	\$ 861,148	\$ -	\$ 861,148
Accounts payable and accrued liabilities	48,528	28,678	77,206
Compensated absences	103,787	16,764	120,551
Current note payable	184,567	-	184,567
Other payables	19,570	-	19,570
Unearned revenues	135,528	5,000	140,528
Total current liabilities	<u>1,353,128</u>	<u>50,442</u>	<u>1,403,570</u>
<b>Liabilities Payable From Restricted Assets</b>			
Accounts payable	166,838	8,990	175,828
Due to City of McAllen-interest on investments	16,822	-	16,822
Current installments of revenue bonds	-	1,470,000	1,470,000
Accrued revenue bond interest	-	93,682	93,682
Total liabilities payable from restricted assets	<u>183,660</u>	<u>1,572,672</u>	<u>1,756,332</u>
<b>Long-Term Liabilities</b>			
Revenue bonds – excluding current installments	-	29,732,924	29,732,924
Compensated absences	4,145	-	4,145
Net pension liability	402,425	142,720	545,145
Other long term payables	326,647	17,633,893	17,960,540
Total long-term liabilities	<u>733,217</u>	<u>47,509,537</u>	<u>48,242,754</u>
Deferred inflow of resources - refunding	-	356,272	356,272
Deferred inflow of resources - pensions	209	74	283
Total deferred inflow of resources	<u>209</u>	<u>356,346</u>	<u>356,555</u>
Total liabilities and deferred inflows of resources	<u>2,270,214</u>	<u>49,488,997</u>	<u>51,759,211</u>
<b>Net Position</b>			
Net investment in capital assets	11,601,846	11,623,863	23,225,709
Restricted per revenue bond ordinances	509,649	1,175,148	1,684,797
Restricted for improvements	1,865,256	554,587	2,419,843
Restricted for distribution to the City of McAllen	5,711,863	-	5,711,863
Unrestricted (deficit)	18,073,330	(15,925,140)	2,148,190
Total net position	<u>37,761,944</u>	<u>(2,571,542)</u>	<u>35,190,402</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 40,032,158</u>	<u>\$ 46,917,455</u>	<u>\$ 86,949,613</u>

**Toll Bridge System**  
**McAllen International Toll Bridge and Anzalduas International Crossing**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Position**  
**Year Ended September 30, 2017**

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Operating revenues:			
Tolls	\$ 11,856,205	\$ 3,555,823	\$ 15,412,028
Rental income	2,587,122	-	2,587,122
Other income	284,973	144,843	429,816
<b>Total operating revenues</b>	<b>14,728,300</b>	<b>3,700,666</b>	<b>18,428,966</b>
Operating expenses:			
Salaries	1,138,588	363,499	1,502,087
Payroll taxes and benefits	460,750	129,966	590,716
Insurance	23,171	20,964	44,135
Materials and supplies	92,249	14,750	106,999
Maintenance	174,313	48,161	222,474
Bridge security	280,701	-	280,701
Miscellaneous services	621,839	296,378	918,217
Depreciation and amortization	986,388	1,533,466	2,519,854
<b>Total operating expenses</b>	<b>3,777,999</b>	<b>2,407,184</b>	<b>6,185,183</b>
<b>Operating income</b>	<b>10,950,301</b>	<b>1,293,482</b>	<b>12,243,783</b>
Non Operating revenues (expenses):			
Distribution of income to the City of Hidalgo	(3,727,282)	-	(3,727,282)
Interest income	53,791	23,278	77,069
Interest income-restricted accounts	-	5,947	5,947
Other income	-	8,653	8,653
Interest expense	(27,335)	(1,537,019)	(1,564,354)
Bond related charges - issuance cost	-	(594,890)	(594,890)
Interest on Board advances	631,458	(631,458)	-
<b>Total nonoperating expenses, net</b>	<b>(3,069,368)</b>	<b>(2,725,489)</b>	<b>(5,794,857)</b>
<b>Income (loss) before transfers and contributions</b>	<b>7,880,933</b>	<b>(1,432,007)</b>	<b>6,448,926</b>
Capital contributions	86,424	-	86,424
Transfers to the City of McAllen	(5,700,472)	-	(5,700,472)
Transfers to/from debt service Series "B" 2007 bonds	(914,417)	914,417	-
Transfers to Health Insurance Fund	(8,443)	(2,502)	(10,945)
<b>Changes in net position</b>	<b>1,344,025</b>	<b>(520,092)</b>	<b>823,933</b>
<b>Total net position at beginning of year</b>	<b>36,417,919</b>	<b>(2,051,450)</b>	<b>34,366,469</b>
<b>Total net position at end of year</b>	<b>\$ 37,761,944</b>	<b>\$ (2,571,542)</b>	<b>\$ 35,190,402</b>

**Toll Bridge System**  
**McAllen International Toll Bridge and Anzalduas International Crossing**  
**Combining Schedule of Cash Flows**  
**Year Ended September 30, 2017**

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
<b>Cash Flows From Operating Activities</b>			
Receipts from customers	\$ 14,652,569	\$ 3,700,666	\$ 18,353,235
Payments to employees	(934,794)	(465,849)	(1,400,643)
Payments to suppliers	(1,492,401)	(626,240)	(2,118,641)
Net cash provided by operating activities	<u>12,225,374</u>	<u>2,608,577</u>	<u>14,833,951</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Distribution of income to the City of Hidalgo	(3,801,735)	-	(3,801,735)
Operating transfers to the City of McAllen	(5,700,472)	-	(5,700,472)
Transfer to/from McAllen International Toll Bridge-Board B	(914,417)	914,417	-
Transfer to Health Insurance Fund	(8,443)	(2,502)	(10,945)
Net cash provided (used) by noncapital financing activities	<u>(10,425,067)</u>	<u>911,915</u>	<u>(9,513,152)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(1,656,639)	(52,169)	(1,708,808)
Capital contributions	86,424	-	86,424
Bond issuance cost	-	(103,831)	(103,831)
Principal paid on long-term debt	(176,460)	(1,360,000)	(1,536,460)
Interest paid	(27,335)	(1,410,346)	(1,437,681)
Net cash (used) by capital and related financing activities	<u>(1,774,010)</u>	<u>(2,926,346)</u>	<u>(4,700,356)</u>
<b>Cash Flows From Investing Activities</b>			
Receipt of interest	53,259	28,744	82,003
Proceeds from sales and maturities of investments	16,161,214	5,275,504	21,436,718
Purchase of investments	(16,330,490)	(5,935,064)	(22,265,554)
Net cash used by investing activities	<u>(116,017)</u>	<u>(630,816)</u>	<u>(746,833)</u>
Net (decrease) in cash	(89,720)	(36,670)	(126,390)
Cash at beginning of year	<u>421,957</u>	<u>232,917</u>	<u>654,874</u>
Cash at end of year	<u>\$ 332,237</u>	<u>\$ 196,247</u>	<u>\$ 528,484</u>

**Toll Bridge System**  
 McAllen International Toll Bridge and Anzalduas International Crossing  
 Combining Schedule of Cash Flows  
 Year Ended September 30, 2017

(Continued)

<b>Reconciliation of Cash Per Statements of Cash Flows to the Statements of Net Position</b>	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Unrestricted cash	\$ 214,560	\$ 145,352	\$ 359,912
Restricted cash	117,677	50,895	168,572
	<u>\$ 332,237</u>	<u>\$ 196,247</u>	<u>\$ 528,484</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	<u>\$ 10,950,301</u>	<u>\$ 1,293,482</u>	<u>\$ 12,243,783</u>
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation	986,388	1,533,466	2,519,854
(Increase) decrease in deferred outflows of resources	52,724	20,085	72,809
Increase (decrease) in deferred inflows of resources	209	74	283
Changes in assets and liabilities:			
(Increase) decrease in due from other funds	157,359	-	157,359
(Increase) decrease in accounts receivables	(85,920)	-	(85,920)
Increase (decrease) due to other funds	282	(157,359)	(157,077)
Increase (decrease) in accounts payable	106,838	(88,628)	18,210
Increase (decrease) in accrued liabilities	(3,354)	1,251	(2,103)
Increase (decrease) in compensated absences payable	36,416	1,280	37,696
Increase (decrease) in net pension liability	13,942	4,926	18,868
Increase (decrease) in unearned revenue	10,189	-	10,189
Total adjustments	<u>1,275,073</u>	<u>1,315,095</u>	<u>2,590,168</u>
Net cash provided by operating activities	<u>\$ 12,225,374</u>	<u>\$ 2,608,577</u>	<u>\$ 14,833,951</u>
<b>Noncash capital financing activities:</b>			
Capital asset increase (decrease) in accounts payable	<u>\$ 1,656,639</u>	<u>\$ 31,174,708</u>	<u>\$ 32,831,347</u>

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

	Year Ended September 30,			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
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

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

2014	2015	2016	2017
950,143	974,930	1,015,219	966,364
859	-	732	15,528
1,922	1,342	1,636	1,374
952,924	976,272	1,017,587	983,266
2,375,358	2,437,325	2,538,048	2,415,910
55,738	38,918	47,444	39,846
2,431,096	2,476,243	2,585,492	2,455,756

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

Year Ended  
September 30,

	2010	2011	2012	2013
Southbound traffic:				
Cars	705,035	846,077	858,488	933,694
Trucks	768	742	732	960
Total car and truck traffic	<u>705,803</u>	<u>846,819</u>	<u>859,220</u>	<u>934,654</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	5,732	5,194	5,221	6,720
Total car and truck revenue	<u>\$ 1,690,247</u>	<u>\$ 2,255,003</u>	<u>\$ 2,543,178</u>	<u>\$ 2,802,121</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 Car and Truck Traffic Revenue**  
(Unaudited)

Year Ended  
September 30,

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
950,143	974,930	1,015,219	966,364
<u>859</u>	<u>-</u>	<u>732</u>	<u>15,528</u>
<u><u>951,002</u></u>	<u><u>974,930</u></u>	<u><u>1,015,951</u></u>	<u><u>981,892</u></u>
0.09%	0.00%	0.07%	1.58%
\$ 2,964,866	\$ 3,173,047	\$ 3,504,191	\$ 3,389,172
<u>6,013</u>	<u>-</u>	<u>9,927</u>	<u>166,651</u>
<u><u>\$ 2,970,879</u></u>	<u><u>\$ 3,173,047</u></u>	<u><u>\$ 3,514,118</u></u>	<u><u>\$ 3,555,823</u></u>
0.20%	0.00%	0.28%	4.69%
\$ 3.12	\$ 3.25	\$ 3.45	\$ 3.51
\$ 7.00	\$ -	\$ 13.56	\$ 10.73

**Anzalduas International Crossing**  
Schedule of Board Advances from McAllen International Toll Bridge Fund  
September 30, 2017  
(Unaudited)

Anzalduas Special & Startup Fund:

Balance at September 30, 2016	Additions Advances	Implied Interest	Balance at September 30, 2017
\$ 12,577,163	\$ -	\$ 609,281	\$ 13,186,444

Board advance "A" to Anzalduas International Crossing:

Balance at September 30, 2016	Additions Advances	Implied Interest	Balance at September 30, 2017
\$ 4,425,272	\$ -	\$ 22,177	\$ 4,447,449

Combined totals of advances to Anzalduas International Crossing:

Balance at September 30, 2016	Additions Advances	Implied Interest	Balance at September 30, 2017
\$ 17,002,435	\$ -	\$ 631,458	\$ 17,633,893

**Distribution of Advances:**

City of McAllen- Share @ 64%	\$ 10,881,558	\$ -	\$ 404,133	\$ 11,285,691
City of Hidalgo- Share @ 36%	6,120,877	-	227,325	6,348,202
	\$ 17,002,435	\$ -	\$ 631,458	\$ 17,633,893

**Anzalduas International Crossing**  
Schedule of Board Advances from McAllen International Toll Bridge Fund  
September 30, 2017  
(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>
10/1/2016 Opening balance					\$ 12,577,163
10/31/2016	4.74%	31	-	50,633	12,627,796
11/30/2016	4.74%	30	-	49,197	12,676,993
12/31/2016	4.74%	31	-	51,034	12,728,028
1/31/2017	4.74%	31	-	51,240	12,779,267
2/28/2017	4.74%	28	-	46,468	12,825,735
3/31/2017	4.74%	31	-	51,633	12,877,368
4/30/2017	4.74%	30	-	50,169	12,927,537
5/31/2017	4.74%	31	-	52,043	12,979,580
6/30/2017	4.74%	30	-	50,567	13,030,147
7/31/2017	4.74%	31	-	52,456	13,082,603
8/31/2017	4.74%	31	-	52,667	13,135,270
9/30/2017	4.74%	30	-	51,174	13,186,444

**Anzalduas International Crossing**  
**Schedule of Board Advances from McAllen International Toll Bridge Fund**  
**September 30, 2017**  
**(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					\$ 4,425,272
10/01/16			-	-	4,425,272
10/31/16	0.50%	31		1,879	4,427,151
11/01/16			-	-	4,427,151
11/30/16	0.50%	30		1,819	4,428,970
12/01/16			-	-	4,428,970
12/31/16	0.50%	31		1,881	4,430,851
01/01/17			-	-	4,430,851
01/31/17	0.50%	31		1,882	4,432,733
02/01/17			-	-	4,432,733
02/28/17	0.50%	28		1,700	4,434,433
03/01/17			-	-	4,434,433
03/31/17	0.50%	31		1,883	4,436,316
04/01/17			-	-	4,436,316
04/30/17	0.50%	30		1,823	4,438,139
05/01/17			-	-	4,438,139
05/31/17	0.50%	31		1,885	4,440,024
06/01/17			-	-	4,440,024
06/30/17	0.50%	30		1,825	4,441,849
07/01/17			-	-	4,441,849
07/31/17	0.50%	31		1,886	4,443,735
08/01/17			-	-	4,443,735
08/31/17	0.50%	31		1,887	4,445,622
09/01/17			-	-	4,445,622
09/30/17	0.50%	30		1,827	4,447,449

**Anzalduas International Crossing**  
**Schedule of Board Advances from McAllen International Toll Bridge Fund**  
**September 30, 2017**  
**(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						\$ 2,592,340
10/01/16			79,132	27,166	-	2,619,506
10/31/16	0.50%	31	-	-	1,112	2,620,618
11/01/16			79,132	27,166	-	2,647,783
11/30/16	0.50%	30	-	-	1,088	2,648,872
12/01/16			79,132	27,166	-	2,676,038
12/31/16	0.50%	31	-	-	1,136	2,677,174
01/01/17			79,132	27,166	-	2,704,340
01/31/17	0.50%	31	-	-	1,148	2,705,488
02/01/17			79,131	27,166	-	2,732,654
02/28/17	0.50%	28	-	-	1,048	2,733,702
03/01/17			101,673	34,904	-	2,768,606
03/31/17	0.50%	31	-	-	1,176	2,769,782
04/01/17			67,746	23,257	-	2,793,039
04/30/17	0.50%	30	-	-	1,148	2,794,187
05/01/17			75,539	25,933	-	2,820,120
05/31/17	0.50%	31	-	-	1,198	2,821,316
06/01/17			67,746	23,257	-	2,844,573
06/30/17	0.50%	30	-	-	1,169	2,845,742
07/01/17			67,746	23,257	-	2,868,999
07/31/17	0.50%	31	-	-	1,218	2,870,218
08/01/17			67,746	23,257	-	2,893,475
08/31/17	0.50%	31	-	-	1,229	2,894,703
09/01/17			70,565	24,225	-	2,918,930
09/30/17	0.50%	30	-	-	1,200	2,920,130

**Anzalduas International Crossing**  
**Schedule of Insurance Coverage**  
**Year Ended September 30, 2017**  
**(Unaudited)**

Coverage	Insurance Company	Policy Period	Type of Coverage	Limit		Retention/ Deductible
				Occurrence	Aggregate	
Property Insurance			Real & Personal Property	\$ 49,735,882		\$ 500,000 *
-Bridge & Surrounding Area	Texas Municipal League	10/1/2016 to 09/30/2017	Loss of Revenue/ Extra Expense	14,864,728	**	
*\$50,000 Food & Earthquake Deductible						
**Loss of Revenue/Extra Expense/Rental Value for all City owned locations						
Excess Workers' Compensation	Safety National Casualty	10/1/2016 to 09/30/2017	Workers Compensation Employer's liability		Statutory \$ 2,000,000	\$ 750,000 \$ 750,000
-Third Party Claims Admin.	Tristar Risk Management	10/1/2016 to 09/30/2017				
All Lines Aggregate	Princeton Excess & Surplus	10/1/2016 to 09/30/2017		\$ 2,500,000	\$ 4,000,000	\$ 500,000
-General Liability				Not Covered	Not Covered	N/A
-Automobile Liability				2,500,000	\$ 4,000,000	\$ 500,000
-Errors & Omissions Liability				2,500,000	\$ 4,000,000	\$ 500,000
-Employee Benefits Liability						
Crime Insurance	Texas Municipal League	10/1/2016 to 09/30/2017	Employee Dishonesty Forgery or Alteration Theft, Disappearance & Destruction Computer Fraud	\$ 1,000,000 50,000 50,000 1,000,000	Not Applicable Not Applicable Not Applicable Not Applicable	\$ 5,000 \$ 1,000 \$ 1,000 \$ 5,000



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT*  
*AUDITING STANDARDS***

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Board of Trustees  
Anzalduas International Crossing

We have audited, 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, the financial statements of the Anzalduas International Crossing (the “Anzalduas Bridge”) as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Anzalduas Bridge’s basic financial statements, and have issued our report thereon dated February 1, 2018.

**Internal control over financial reporting**

In planning and performing our audit of the financial statements, we considered the Anzalduas Bridge’s internal control over financial reporting (“internal control”) to design 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 internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Anzalduas Bridge’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 the Anzalduas Bridge’s internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and other matters

As part of obtaining reasonable assurance about whether the 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*.

#### Intended purpose

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 Anzalduas Bridge'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 Anzalduas Bridge's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Houston, Texas  
February 1, 2018