

McAllen International Toll Bridge

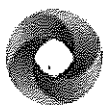
Financial Statements
And Report of Independent Certified Public Accountants

September 30, 2014 and 2013

McALLEN INTERNATIONAL TOLL BRIDGE

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
McAllen International Toll Bridge

We have audited the accompanying basic financial statements of the McAllen International Toll Bridge (the "Bridge"), which collectively comprise the statement of net position as of September 30, 2014 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements.

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 Bridge'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 Bridge'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.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the 2014 financial statements that collectively comprise the Bridge's basic financial statements. The supplemental schedules as listed in the table of contents on pages 34 through 45 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 2014 information has been subjected to the auditing procedures applied in the audit of the 2014 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 2014 basic financial statements or to the 2014 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 2014 supplementary information is fairly stated, in all material respects, in relation to the 2014 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 to Anzalduas International Crossing and Schedule of Insurance Coverage on pages 46 through 54, respectively, are presented for purposes of additional analysis and are not a required part of the 2014 basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the 2014 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 January 28, 2015, on our consideration of the 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 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 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 Bridge's internal control over financial reporting and compliance.

Grant Thornton LLP

Houston, Texas
January 28, 2015

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McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2014

This discussion and analysis is intended to provide an overview of the McAllen International Toll Bridge's (Hidalgo Bridge) financial performance for the fiscal year ending September 30, 2014 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.

BRIDGE OPERATIONAL HIGHLIGHTS

The table below reflects the activities for southbound traffic crossings, which remained substantially at last year's levels. It appears that further declines are due to the relative increase of violence on the Mexican side.

<u>Category</u>	<u>FY 13-14</u>	<u>FY 12-13</u>	<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Cars	2,834,249	2,908,166	(73,917)	-2.50%
Trucks	13,075	9,119	3,956	43.40%
Buses	19,933	16,160	3,773	23.30%
Passengers in cars	7,085,623	7,270,415	(184,792)	-2.50%

As shown on the Statement of Revenues, Expenses, and Changes in Net Position, as a result of this year's operations, net position increased by \$1.0M. Operating revenues were up \$682K and operating expenses increased \$179K.

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, 2014 as well as the previous fiscal year.

McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2014

Required Financial Statements

The Statement of Net Position includes all of the assets and liabilities of the Hidalgo Bridge and provides 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 position may be a useful indicator of whether the financial position of the Hidalgo Bridge is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position analyzes the Hidalgo Bridge's operations over the past year and provide comparative information for the previous two fiscal years. The statements illustrate the Hidalgo Bridge's ability to cover operating expenses with revenues received during the same 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 Hidalgo Bridge's financial position. As of September 30, 2014, net position increased by \$1.0M.

**McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2014**

A summary of the Hidalgo Bridge's Condensed Statement of Net Position information is presented below:

	Condensed Statement of Net Position Information		
	<u>FY 13-14</u>	<u>FY 12-13</u>	<u>FY 11-12</u>
ASSETS:			
Current assets	\$ 2,508,147	\$ 2,344,788	\$ 2,161,103
Restricted assets	7,118,442	6,237,767	6,254,785
Net capital assets	8,056,372	8,483,650	7,393,367
Other assets	<u>15,821,468</u>	<u>15,271,023</u>	<u>14,745,108</u>
 Total assets	 <u>\$ 33,504,429</u>	 <u>\$ 32,337,228</u>	 <u>\$ 30,554,363</u>
 LIABILITIES:			
Current liabilities	\$ 1,058,588	\$ 942,307	\$ 863,840
Payable from restricted assets	433	37,054	76,977
Long-term liabilities	<u>390,901</u>	<u>343,656</u>	<u>237,922</u>
 Total liabilities	 <u>\$ 1,449,922</u>	 <u>\$ 1,323,017</u>	 <u>\$ 1,178,739</u>
 NET POSITION:			
Net investment in capital assets	\$ 8,056,372	\$ 8,483,650	\$ 7,393,367
Restricted	7,118,010	6,200,713	6,177,808
Unrestricted	<u>16,880,125</u>	<u>16,329,848</u>	<u>15,804,449</u>
 Total net position	 <u>\$ 32,054,507</u>	 <u>\$ 31,014,211</u>	 <u>\$ 29,375,624</u>

Revenues, Expenses and Changes in Net Position

Even though there was a slight decline in southbound car crossings of 74K or 2.5% from 2013 to 2014, toll revenue rose to \$10.7M—an increase of \$373K due to an increase in car rates. Rental income increased by \$313K due to a change in the monthly GSA lease rate, however, other income remained relatively flat. Operating expenses increased slightly from last year's level to \$3.1M, resulting in operating income increase of \$503K, leaving a \$1.0M increase to net position after distributions to the cities. In 2013, toll revenue also increased to \$10.3M, which was \$100K over 2012, and was attributed to an increase in pedestrian rates from \$.75 to \$1.00. Operating expenses in 2013 decreased slightly from 2012 by \$158K, which was due to a decrease in maintenance expenses. Rental income remained flat when comparing 2012 to 2013.

McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2014

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

**McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2014**

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

	<u>FY 13-14</u>	<u>FY 12-13</u>	<u>FY 11-12</u>
Operating revenues:			
Tolls	\$ 10,673,408	\$ 10,300,629	\$ 10,211,452
Rental income	1,892,738	1,579,908	1,558,127
Other income	<u>127,892</u>	<u>131,215</u>	<u>141,744</u>
Total operating revenues	<u>12,694,038</u>	<u>12,011,752</u>	<u>11,911,323</u>
Operating expenses:			
Personnel	1,191,046	1,121,574	1,116,179
Supplies	90,115	73,889	69,881
Other services and charges	956,369	950,267	959,941
Maintenance	213,699	180,624	318,251
Depreciation	<u>606,661</u>	<u>552,627</u>	<u>573,073</u>
Total operating expenses	<u>3,057,890</u>	<u>2,878,981</u>	<u>3,037,325</u>
Operating income	<u>9,636,148</u>	<u>9,132,771</u>	<u>8,873,998</u>
Nonoperating revenues (expenses):			
Distribution of income to City of Hidalgo	(3,428,995)	(3,226,208)	(2,970,293)
Investment income	1,591	4,038	4,847
Interest expense	-	-	(10,013)
Interest on board advances	<u>550,445</u>	<u>525,915</u>	<u>486,649</u>
Total nonoperating revenues (expenses)	<u>(2,876,959)</u>	<u>(2,696,255)</u>	<u>(2,488,810)</u>
Income before transfers and contributions	6,759,189	6,436,516	6,385,188
Capital Contributions	-	774,388	-
Transfers to City of McAllen	(4,771,818)	(4,608,653)	(4,168,414)
Transfers to debt service Series "B"	<u>(947,075)</u>	<u>(963,664)</u>	<u>(671,868)</u>
Changes in net position	1,040,296	1,638,587	1,544,906
Total net position at beginning of year	<u>31,014,211</u>	<u>29,375,624</u>	<u>27,830,718</u>
Total net position at end of year	<u>\$ 32,054,507</u>	<u>\$ 31,014,211</u>	<u>\$ 29,375,624</u>

**McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2014**

TOLL RATES

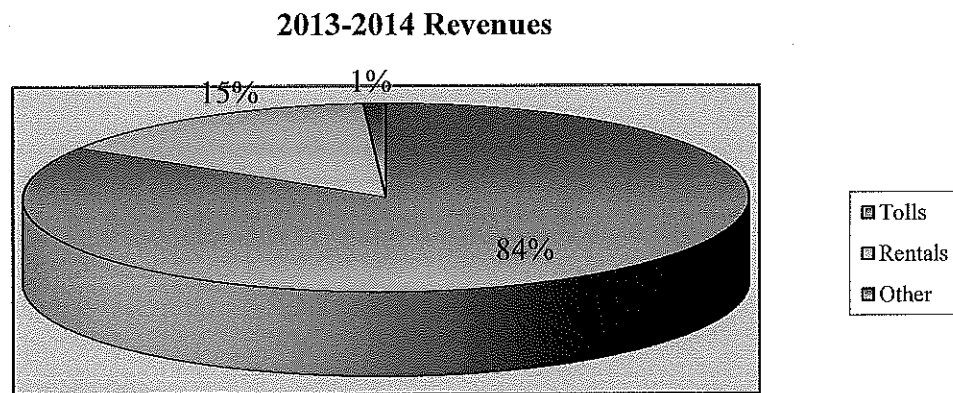
The Hidalgo Bridge charges tolls on southbound crossings into Mexico for various categories of customers as indicated below:

<u>Category</u>	<u>FY 13-14</u>	<u>FY 12-13</u>
Pedestrians	\$1.00	\$1.00
Cars	\$3.25	\$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	\$3.25	\$3.25
Extra Axle	\$3.00	\$3.00

The Board of Trustees approved an increase of 25¢ per car crossing from \$3.00 to \$3.25, effective March 1, 2014.

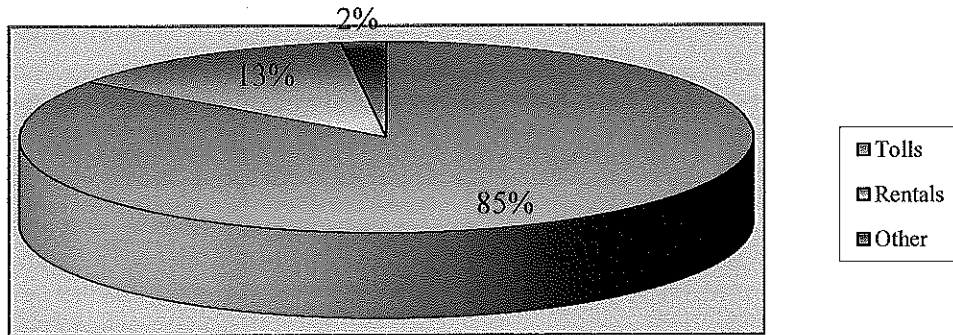
REVENUES

The following charts illustrate the relative contribution of each category of revenue to total operating revenues:



**McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2014**

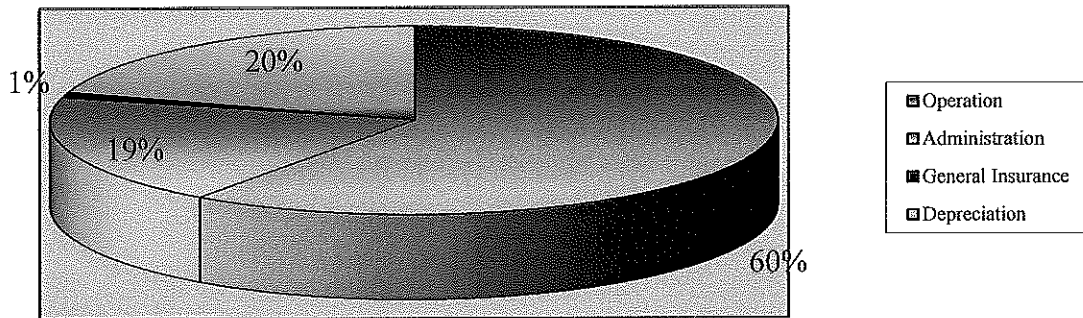
2012-2013 Revenues



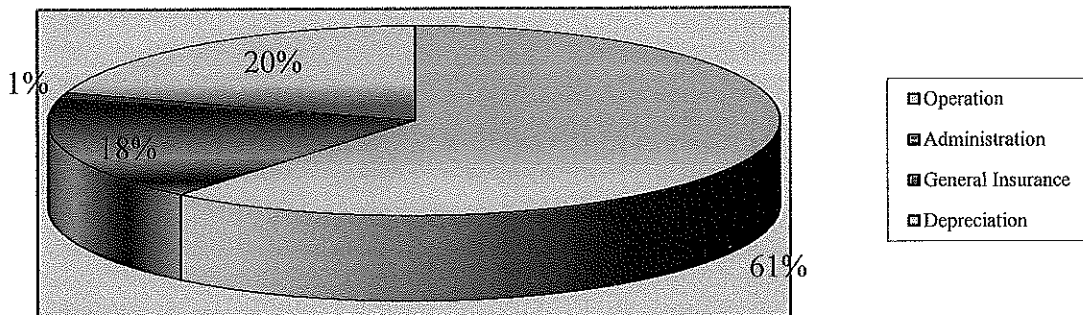
EXPENSES

The following charts show the major cost centers and each percentage contribution to total operating expenses.

2013-2014 Expenses



2012-2013 Expenses



**McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2014**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of this fiscal year, the Hidalgo Bridge had \$7.4M in capital assets, consisting of the following.

	Capital Assets		
	FY 13-14	FY 12-13	FY 11-12
Land	573,798	573,798	\$ 573,798
Buildings	10,698,086	10,698,086	10,698,086
Improvements other than buildings	3,422,281	3,378,790	2,415,376
Machinery and equipment	1,844,042	1,784,526	1,784,526
Construction in progress	869,930	757,138	77,642
Goodwill	609,713	609,713	609,713
	<hr/>	<hr/>	<hr/>
Total capital assets	18,017,850	17,802,051	16,159,141
Accumulated depreciation	(9,961,478)	(9,318,401)	(8,765,774)
	<hr/>	<hr/>	<hr/>
Total capital assets, net	\$ 8,056,372	\$ 8,483,650	\$ 7,393,367

In 2014, \$156K was spent for port of entry improvements and fencing, as well as \$23K for minor equipment. For 2013, \$681K of purchases were made for the pedestrian canopy and \$960K in road improvements. In 2012, total net purchases amounted to \$79K, which consisted of improvements to the bridge offices and crossing area and office equipment.

Debt

At the end of this fiscal year, the Hidalgo Bridge had no outstanding revenue bonds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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 as well as the continued uncertainty in Mexico.

**McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2014**

For budget year 2014-15, rent revenue was increased to reflect the change in the GSA lease, which increased approximately \$876K over FY 2013-14, and operating expenses were marginally increased for additional security personnel.

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, which shares in the *net surplus revenues* of the Hidalgo Bridge's operations as well as its investors and creditors about the Hidalgo 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.

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Basic Financial Statements

McAllen International Toll Bridge
Statements of Net Position
September 30, 2014 and 2013

Assets

	2014	2013
Current Assets		
Cash	\$ 476,144	\$ 432,383
Investments	1,879,533	1,912,405
Due from other governments	150,985	-
Other receivables	1,485	-
Total unrestricted current assets	<u>2,508,147</u>	<u>2,344,788</u>
Restricted Assets		
Cash		
Current capital improvement	<u>55,934</u>	<u>56,089</u>
Total restricted cash	<u>55,934</u>	<u>56,089</u>
Investments- reserved for distribution	5,149,348	4,773,067
Investments	<u>1,913,160</u>	<u>1,408,611</u>
Total restricted assets	<u>7,118,442</u>	<u>6,237,767</u>
Total current assets	<u>9,626,589</u>	<u>8,582,555</u>
Capital Assets – at cost		
Capital assets not being depreciated:		
Land	573,798	573,798
Construction in progress	869,930	757,138
Goodwill	609,713	609,713
Capital assets net of accumulated depreciation:		
Buildings	10,698,086	10,698,086
Improvements other than buildings	3,422,281	3,378,790
Machinery and equipment	<u>1,844,042</u>	<u>1,784,526</u>
Total capital assets	18,017,850	17,802,051
Less accumulated depreciation	<u>9,961,478</u>	<u>9,318,401</u>
Net capital assets	<u>8,056,372</u>	<u>8,483,650</u>
Other Assets		
Board advances	<u>15,821,468</u>	<u>15,271,023</u>
Total other assets	<u>15,821,468</u>	<u>15,271,023</u>
Total assets	<u><u>\$ 33,504,429</u></u>	<u><u>\$ 32,337,228</u></u>

Liabilities and Net Position

	2014	2013
Current Liabilities		
Due to City of Hidalgo	\$ 925,525	\$ 771,194
Accounts payable	49,783	66,802
Compensated absences	36,904	63,000
Other payables	46,376	41,311
	<u>1,058,588</u>	<u>942,307</u>
Liabilities Payable From Restricted Assets		
Accounts payable	-	35,805
Due to City of McAllen-interest on investments	433	1,249
	<u>433</u>	<u>37,054</u>
Total current liabilities	<u>1,059,021</u>	<u>979,361</u>
Long-Term Liabilities		
Compensated absences	68,056	49,701
Unearned revenue	322,845	293,955
	<u>390,901</u>	<u>343,656</u>
Total liabilities	<u>1,449,922</u>	<u>1,323,017</u>
Net Position		
Net investment in capital assets	8,056,372	8,483,650
Restricted per revenue bond ordinances	502,844	502,674
Restricted for improvements	1,466,250	926,221
Restricted for distribution to the City of McAllen	5,148,916	4,771,818
Unrestricted	16,880,125	16,329,848
	<u>32,054,507</u>	<u>31,014,211</u>
Total liabilities and net position	<u>\$ 33,504,429</u>	<u>\$ 32,337,228</u>

McAllen International Toll Bridge

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended September 30, 2014 and 2013

	2014	2013
Operating revenues:		
Tolls	\$ 10,673,408	\$ 10,300,629
Rental income	1,892,738	1,579,908
Other income	127,892	131,215
Total operating revenues	12,694,038	12,011,752
Operating expenses:		
Salaries	904,152	854,761
Payroll taxes and benefits	286,894	266,813
Insurance	50,368	50,368
Materials and supplies	90,115	73,889
Maintenance	213,699	180,624
Bridge security	300,465	314,861
Miscellaneous services	605,536	585,038
Depreciation	606,661	552,627
Total operating expenses	3,057,890	2,878,981
Operating income	9,636,148	9,132,771
Nonoperating revenues (expenses):		
Distribution of income to the City of Hidalgo	(3,428,995)	(3,226,208)
Investment income	1,591	4,038
Interest on board advances	550,445	525,915
Total net nonoperating revenues (expenses)	(2,876,959)	(2,696,255)
Income before transfers and contributions	6,759,189	6,436,516
Capital contributions	-	774,388
Transfers to the City of McAllen	(4,771,818)	(4,608,653)
Transfers to debt service Series "B"	(947,075)	(963,664)
Changes in net position	1,040,296	1,638,587
Total net position at beginning of year	31,014,211	29,375,624
Total net position at end of year	\$ 32,054,507	\$ 31,014,211

McAllen International Toll Bridge

Statements of Cash Flows

Years Ended September 30, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Receipts from customers	\$ 12,570,459	\$ 12,109,907
Payments to employees	(1,193,722)	(1,100,959)
Payments to suppliers	(1,313,010)	(1,218,414)
Net cash provided by operating activities	10,063,727	9,790,534
Cash Flows From Noncapital Financing Activities		
Distribution of income to the City of Hidalgo	(3,274,664)	(3,186,529)
Operating transfers to the City of McAllen	(4,772,634)	(4,609,189)
Board advance to Anzalduas International Crossing- Series B	(947,075)	(963,664)
Net cash used by noncapital financing activities	(8,994,373)	(8,759,382)
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(179,383)	(1,642,910)
Capital contributions	-	774,388
Net cash used by capital and related financing activities	(179,383)	(868,522)
Cash Flows From Investing Activities		
Receipt of interest	1,591	4,037
Proceeds from sales and maturities of investments	17,035,233	7,162,763
Purchase of investments	(17,883,189)	(7,188,146)
Net cash used by investing activities	(846,365)	(21,346)
Net increase in cash	43,606	141,284
Cash at beginning of year	488,472	347,188
Cash at end of year	\$ 532,078	\$ 488,472

Continued

McAllen International Toll Bridge

Statements of Cash Flows

Years Ended September 30, 2014 and 2013

	2014	2013
Reconciliation of Cash Per Statements of Cash Flows to the Statements of Net Position		
Unrestricted cash	\$ 476,144	\$ 432,383
Restricted cash	55,934	56,089
	<u>\$ 532,078</u>	<u>\$ 488,472</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
	<u>\$ 9,636,148</u>	<u>\$ 9,132,771</u>
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	606,661	552,627
Changes in assets and liabilities:		
Accounts receivable	(152,470)	-
Accounts payable	(52,823)	(13,634)
Other payables	5,062	2,036
Compensated absences	(7,741)	18,579
Unearned revenue	28,890	98,155
	<u>427,579</u>	<u>657,763</u>
Total adjustments		
	<u>\$ 10,063,727</u>	<u>\$ 9,790,534</u>

Concluded

McAllen International Toll Bridge
Notes to Financial Statement
Years Ended September 30, 2014 and 2013

1. Summary of Significant Accounting Policies

Reporting Entity

The City of McAllen, Texas (the "City") owns and operates the McAllen International Toll Bridge ("Hidalgo Bridge") between the Cities of Hidalgo, Texas and Reynosa Tamaulipas, Mexico. Pursuant to the Hidalgo-Mission-McAllen Interlocal Government Agreement, executed April 1, 2003 ("2003 Agreement"), the City of McAllen and the City of Hidalgo share in the unallocated balance of surplus net revenues at the following percentages: City of McAllen, 64% and the City of Hidalgo, 36%. The agreement also provides that the bonds, issued by the City of McAllen to finance the construction of a new international toll bridge, linking the United States, south of the City of Mission, Texas and the westernmost part of Reynosa, Tamaulipas, Mexico, the Anzalduas International Crossing ("Anzalduas Bridge"), are secured by the net revenues of the Hidalgo Bridge as well as the Anzalduas Bridge. The City of McAllen issues publicly available audited financial statements for the Anzalduas Bridge, which may be obtained by writing to City of McAllen Finance Department, 1300 Houston, P.O. Box 220, McAllen, Texas 78505.

The primary function of the Hidalgo Bridge is to collect tolls that finance the operations and maintenance of the international bridge. The Hidalgo Bridge facilities also include property and buildings that are rented to the United States General Services Administration ("GSA"), Texas Alcoholic Beverage Commission, and various commercial brokers.

The accompanying financial statements of the Hidalgo 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. Hidalgo Bridge operations are included in the basic financial statements of the City as promulgated by requirements defining the reporting entity. These financial statements present only the operations and activities of Hidalgo 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 Hidalgo Bridge's activities are 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 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.

McAllen International Toll Bridge
Notes to Financial Statement
Years Ended September 30, 2014 and 2013

1. Summary of Significant Accounting Policies-Continued

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 Hidalgo 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 2014, the Hidalgo Bridge implemented the following new GASB pronouncements. The implementation did not result in any change to the financial statements.

GASB Statement 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.

GASB Statement No. 65, *Items Previously Reported As Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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. No interest was capitalized during the years ended September 30, 2014 and 2013.

McAllen International Toll Bridge
Notes to Financial Statement
Years Ended September 30, 2014 and 2013

1. Summary of Significant Accounting Policies-Continued

Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Total depreciation expense for the years ended September 30, 2014 and 2013 was \$606,661 and \$552,627 respectively. The estimated useful lives are 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 are charged to expenses as incurred. Gains and losses on disposition of capital assets are included in income.

Advances

Anzalduas Special and Start Up Fund Advance Receivable from Anzalduas International Crossing

Beginning with fiscal year ending September 30, 1991, the Hidalgo Bridge has financed the development costs for the Anzalduas International Crossing (Anzalduas Bridge) 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, 2014, the Anzalduas Special and Start Up Fund advance receivable from the Anzalduas Bridge amounts to \$11,440,278, (10,911,680 in 2013) of which the City of McAllen's portion is \$7,321,778 and the City of Hidalgo's portion is \$4,118,500. During this fiscal year, the balance was increased by accrued interest in the amount of \$528,598.

McAllen International Toll Bridge
Notes to Financial Statement
Years Ended September 30, 2014 and 2013

1. Summary of Significant Accounting Policies-Continued

Board Advances Receivable from Anzalduas International Crossing

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 receivable has been paid. As of September 30, 2014 the board advance receivable to the Hidalgo Bridge amounts to \$4,381,190, (\$4,359,343 in 2013) of which the City of McAllen's portion is \$2,803,962 and the City of Hidalgo's portion is \$1,577,228. During the year the balance was increased by accrued interest of \$21,847. No board advances were made during the year.

Board Advance "B"

During this fiscal year, the Hidalgo Bridge also transferred \$947,075 (\$963,664 in 2013) to the Anzalduas Bridge in support of City of McAllen Series 2007 B Bonds 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 Series 2007 A have been paid.

As of September 30, 2014 the board advance owed by the City of Mission to the City of McAllen amounts to \$1,918,717, increasing from \$1,584,762 for the year ended September 30, 2013. This board advance is recorded in the General fund of the City of McAllen.

Long-Term Obligations

As of 9/30/14, there are no debt obligations of the Hidalgo Bridge. The outstanding bonds issued to finance the Anzalduas Bridge are secured by the net revenues of the "Bridge" as well as the Anzalduas Bridge.

McAllen International Toll Bridge
Notes to Financial Statement
Years Ended September 30, 2014 and 2013

1. Summary of Significant Accounting Policies-Continued

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.

Income Distributions

Pursuant to the Hidalgo-Mission-McAllen Interlocal Government Agreement, executed April 1, 2003, whereby the Cities of McAllen and Hidalgo each will share in the unallocated balance of surplus net revenues at the following percentages: City of McAllen, 64% and the City of Hidalgo, 36%. The agreement also stipulates that as long as the City of McAllen owns and operates the Hidalgo Bridge, it will guarantee that the City of Hidalgo share will be no less than \$2,300,000, provided that there is no natural or man-made disaster causing damage to the bridge facilities, which substantially decreases tolls; no major peso devaluation substantially curtailing the bridge usage; no Mexican political insurrection or terrorist activities or policy changes, which substantially curtail the bridge usage; or unforeseen changes in transportation usage or infrastructure which substantially curtails bridge usage, with the exception of redirection of traffic to the Anzalduas Bridge.

Restricted Assets

Restricted assets represent interest-bearing checking accounts, investments, and related accrued interest receivable, which are restricted for current debt service, contingency, capital improvements fund, and distribution of net surplus revenues to the City of McAllen. The debt service and contingency accounts arose as a result of bond agreements signed by the "Bridge" and are thus restricted by provisions of the agreements. Net position is restricted to the extent of such legally imposed restrictions.

Excess of Purchase Price Over Assets Acquired

The amount reflected as excess of purchase price over assets acquired represents goodwill acquired when the City purchased the Hidalgo Bridge. Since this asset has no limited term of existence and was acquired prior to November 1, 1970, no amortization is reflected.

McAllen International Toll Bridge
Notes to Financial Statement
Years Ended September 30, 2014 and 2013

1. Summary of Significant Accounting Policies-Continued

Cash and Cash Equivalents

For purpose 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 Hidalgo Bridge 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 Hidalgo Bridge, however, limits investments to U.S. Treasuries, U.S. government agencies, investment pools, 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.

Investments

Investments at fair value, including accrued interest, as of September 30, 2014 and September 30, 2013 are presented on the following tables:

Investment Maturities (in Years) at the end of September 30, 2014					
	Fair Value	Less Than 1	1-2	2-3	3-4
Tex Pool	\$ 8,942,042	\$ 8,942,042	\$ -	\$ -	\$ -
	<u>\$ 8,942,042</u>	<u>\$ 8,942,042</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investment Maturities (in Years) at the end of September 30, 2013					
	Fair Value	Less Than 1	1-2	2-3	3-4
Tex Pool	\$ 8,094,083	\$ 8,094,083	\$ -	\$ -	\$ -
	<u>\$ 8,094,083</u>	<u>\$ 8,094,083</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

McAllen International Toll Bridge
Notes to Financial Statement
Years Ended September 30, 2014 and 2013

2. Cash and Investments-Continued

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 Hidalgo Bridge's 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 amortized cost. 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 Hidalgo Bridge believes that TexPool operates as a 2a-7 like pool as described in GASB Statement No. 59, Financial Instruments 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 two years, as reflected in the schedule on the previous page, the Hidalgo Bridge reduces its risk to the rising interest rates.

McAllen International Toll Bridge
Notes to Financial Statement
Years Ended September 30, 2014 and 2013

2. Cash and Investments-Continued

Credit risk. As of September 30, 2014 and 2013, the investments in the TexPool 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 investment objective a \$1.00 net asset value, certificates of deposits, U.S. Treasuries and U.S. government agencies, excluding Student Loan Marketing Association and Tennessee Valley Authority.

3. Capital Assets

Capital assets activities for the year ended September 30, 2014 and September 30, 2013 are presented in the following tables:

	Balance at September 30, 2013	Additions	Retirement/ Transfer	Balance at September 30, 2014
Capital assets not being depreciated:				
Land	\$ 573,798	\$ -	\$ -	\$ 573,798
Construction in progress	757,138	112,792	-	869,930
Goodwill	609,713	-	-	609,713
Capital assets net of accumulated depreciation:				
Buildings	10,698,086	-	-	10,698,086
Improvements other than buildings	3,378,790	43,491	-	3,422,281
Machinery and equipment	1,784,526	23,100	36,416	1,844,042
Total capital assets	17,802,051	179,383	36,416	18,017,850
Less accumulated depreciation	9,318,401	606,661	36,416	9,961,478
Net capital assets	\$ 8,483,650	\$ (427,278)	\$ -	\$ 8,056,372

McAllen International Toll Bridge
Notes to Financial Statement
Years Ended September 30, 2014 and 2013

3. Capital Assets-Continued

	Balance at September 30, 2012	Additions	Retirement/ Transfer	Balance at September 30, 2013
Capital assets not being depreciated:				
Land	\$ 573,798	\$ -	\$ -	\$ 573,798
Construction in progress	77,642	679,496		757,138
Goodwill	609,713		-	609,713
Capital assets net of accumulated depreciation:				
Buildings	10,698,086	-	-	10,698,086
Improvements other than buildings	2,415,376	963,414	-	3,378,790
Machinery and equipment	1,784,526	-	-	1,784,526
Total capital assets	16,159,141	1,642,910	-	17,802,051
Less accumulated depreciation	8,765,774	552,627	-	9,318,401
Net capital assets	\$ 7,393,367	\$ 1,090,283	\$ -	\$ 8,483,650

McAllen International Toll Bridge
Notes to Financial Statement
Years Ended September 30, 2014 and 2013

4. Long Term Liabilities

Long-term liability activities for the year ended September 30, 2014 and September 30, 2013 are reflected below:

	Balance at September 30, 2013	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2014	Amounts Due Within One Year
Compensated absences	\$ 112,701	\$ 44,675	\$ (52,416)	\$ 104,960	\$ 36,904
	<u>\$ 112,701</u>	<u>\$ 44,675</u>	<u>\$ (52,416)</u>	<u>\$ 104,960</u>	<u>\$ 36,904</u>
	Balance at September 30, 2012	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2013	Amounts Due Within One Year
Compensated absences	\$ 94,122	\$ 18,579	\$ (94,122)	\$ 112,701	\$ 63,000
	<u>\$ 94,122</u>	<u>\$ 18,579</u>	<u>\$ (94,122)</u>	<u>\$ 112,701</u>	<u>\$ 63,000</u>

5. Operating Leases

The Hidalgo Bridge leases property and buildings to the United States Government, the state of Texas, and various commercial dealers under operating leases. The leases range from monthly leases with commercial dealers to a 15-year lease with the General Service Administration (GSA).

Estimated future minimum lease payments to be received under the noncancellable operating lease with GSA are as follows:

Year ending September 30,	
2015	\$ 2,118,988
2016	2,118,988
2017	2,118,988
2018	2,118,988
2019	2,118,988
2020-2024	10,594,940
2025-2029	10,594,940

McAllen International Toll Bridge
Notes to Financial Statement
Years Ended September 30, 2014 and 2013

6. Retirement Plan

The City and Hidalgo 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.

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

The table below describes the plan provisions adopted by the City:

	Plan Year 2013	Plan Year 2014
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%	0%
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 Hidalgo Bridge is a component of the overall financial City wide audit

McAllen International Toll Bridge
Notes to Financial Statement
Years Ended September 30, 2014 and 2013

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 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 Hidalgo Bridge has twenty nine full time employees. For the current year, the fund contributed \$10,107 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 Hidalgo Bridge.

Supplemental Information

McAllen International Toll Bridge
Schedule of Income Distribution
Last Ten Years

	Year Ended September 30,			
	2005	2006	2007	2008
Bridge revenues (1)	\$ 12,673,720	\$ 13,148,044	\$ 12,650,077	\$ 14,571,541
Deductible operating expenses (1)	2,037,853	2,193,028	2,298,633	2,478,982
	10,635,867	10,955,016	10,351,444	12,092,559
Surplus from contingency, construction, and debt service funds	-	-	-	-
	10,635,867	10,955,016	10,351,444	12,092,559
Less:				
Required transfers to restricted assets (2)	306,685	288,340	293,755	294,467
Transfers to Capital Improvement Fund	-	-	-	-
Transfer to start up fund	884,028	1,318,579	1,229,780	-
Deductions for Capital Assets Acquisitions (3)	389,795	175,906	-	-
Board advance Series "A" 2007 Bonds	-	-	112,851	1,272,986
Base revenues	\$ 9,055,359	\$ 9,172,191	\$ 8,715,058	\$ 10,525,106
Distributions and reservations of surplus revenues:				
City of Hidalgo	\$ 3,259,929	\$ 3,301,989	\$ 3,137,421	\$ 3,789,038
Net distribution to City of Hidalgo	3,259,929	3,301,989	3,137,421	3,789,489
City of McAllen:	5,795,430	5,870,202	5,577,637	6,736,068
Less: Series "B" Bonds debt service	-	-	(54,682)	(607,836)
Less: Implied interest expense on Series "B" Bonds	-	-	(168)	(451)
Distribution to City of McAllen	5,795,430	5,870,202	5,577,637	6,127,781
Base Revenue Only	\$ 9,055,359	\$ 9,172,191	\$ 8,715,058	\$ 10,525,106

- (1) Revenues and deductible operating expenses are defined in the agreement between the Cities of Hidalgo and McAllen governing the amount to be paid to the City of Hidalgo. Revenues are defined as tolls, rental income, other income, and interest income, excluding interest income earned on the revenue bond construction account, less interest paid to the City of McAllen for receiving its surplus revenues distribution subsequent to its fiscal year end. Expenses are operating expenses as shown in the statements of revenues, expenses, and changes in net position, less depreciation and amortization, and excluding new bridge project costs.
- (2) Includes required contingency transfer authorized by Board of Trustees.
- (3) Authorized by Board of Trustees in December 2004.

Year Ended September 30,					
2009	2010	2011	2012	2013	2014
\$ 12,950,583	\$ 11,059,465	\$ 10,810,639	\$ 11,915,379	\$ 12,015,083	\$ 12,684,779
<u>2,339,137</u>	<u>2,217,135</u>	<u>2,277,894</u>	<u>2,464,251</u>	<u>2,326,352</u>	<u>2,451,232</u>
10,611,446	8,842,330	8,532,745	9,451,128	9,688,732	10,233,547
-	-	-	-	-	-
10,611,446	8,842,330	8,532,745	9,451,128	9,688,732	10,233,547
295,996	296,661	297,615	124,776	-	-
-	-	243,527	745,052	727,042	708,562
-	-	-	-	-	-
10,434	3,045	3,995	4,206	-	-
<u>1,455,414</u>	<u>815,000</u>	<u>326,833</u>	<u>326,280</u>	<u>-</u>	<u>-</u>
<u>\$ 8,849,602</u>	<u>\$ 7,727,624</u>	<u>\$ 7,660,775</u>	<u>\$ 8,250,814</u>	<u>\$ 8,961,690</u>	<u>\$ 9,524,985</u>
\$ 3,185,856	\$ 2,781,945	\$ 2,757,879	\$ 2,970,293	\$ 3,226,208	\$ 3,428,995
<u>3,185,885</u>	<u>2,781,964</u>	<u>2,757,893</u>	<u>2,970,293</u>	<u>3,226,208</u>	<u>3,428,995</u>
5,663,746	4,945,679	4,902,896	5,280,521	5,735,482	6,095,990
(776,829)	(770,276)	(734,467)	(671,868)	(963,664)	(947,075)
(29)	(19)	(14)	-	-	-
<u>4,886,888</u>	<u>4,175,384</u>	<u>4,168,415</u>	<u>4,608,653</u>	<u>4,771,818</u>	<u>5,148,915</u>
<u>\$ 8,849,602</u>	<u>\$ 7,727,624</u>	<u>\$ 7,660,775</u>	<u>\$ 8,250,814</u>	<u>\$ 8,961,690</u>	<u>\$ 9,524,985</u>

McAllen International Toll Bridge
Schedule of Changes in Restricted Assets – Cash and Investments

Year Ended September 30, 2014

	Reserved for City Distribution	Contingency
Cash and investments at September 30, 2013	\$ 4,773,067	\$ 502,674
Add:		
Transfers in	5,147,666	-
Other	-	-
Interest earned	433	169
Total additions	5,148,099	169
Less payments:		
Capital assets	-	-
Interfund transfers	4,771,818	-
Total payments	4,771,818	-
Cash and investments at September 30, 2014	\$ 5,149,348	\$ 502,843
Cash and investments at September 30, 2014 are comprised of the following:		
Cash	\$ -	\$ -
Investments	5,149,348	502,674
Accrued interest	-	169
	\$ 5,149,348	\$ 502,843

Bridge Capital Improvement	Total
<u>\$ 962,026</u>	<u>\$ 6,237,767</u>
708,562	5,856,228
10,471	10,471
<u>380</u>	<u>982</u>
<u>719,413</u>	<u>5,867,681</u>
215,188	215,188
<u>-</u>	<u>4,771,818</u>
<u>215,188</u>	<u>4,987,006</u>
<u>\$ 1,466,251</u>	<u>\$ 7,118,442</u>
\$ 55,934	55,934
1,410,317	7,062,339
<u>-</u>	<u>169</u>
<u>\$ 1,466,251</u>	<u>\$ 7,118,442</u>

McAllen International Toll Bridge
Schedule of Rental Income
Year Ended September 30, 2014

Lessee	Amount
General Services Administration	\$ 1,228,333
Texas Alcoholic Beverage Commission	28,172
United Export Traders Association	560,148
Valley Transit Bus Company	4,200
Taxi Space Rental	450
Sprint	21,700
AT&T	44,955
Broadwing Incorporated	750
ATM	4,030
	<u>\$ 1,892,738</u>

McAllen International Toll Bridge
Schedule of Expenses by Department
Years ended September 30, 2014 and 2013

	Department		Total	Total
	Administration	Bridge Operations	2014	2013
Personnel Services				
Exempt salaries	\$ 144,623	\$ 45,941	\$ 190,564	\$ 194,641
Nonexempt wages and part time	29,537	595,435	624,972	599,065
Board of trustees fees	7,450	-	7,450	800
Overtime	1,384	79,782	81,166	60,255
Total salaries and wages	182,994	721,158	904,152	854,761
Payroll Taxes and Benefits				
Social security and unemployment tax	14,387	58,351	72,738	64,165
Employee retirement	11,812	47,243	59,055	52,240
Employee benefits	17,437	128,688	146,125	141,248
Transportation and telephone allowance	6,576	2,400	8,976	9,160
Total payroll taxes and benefits	50,212	236,682	286,894	266,813
Materials and Supplies				
Janitorial	-	41,693	41,693	33,618
Office supplies	4,905	-	4,905	4,358
Clothing and uniforms	661	12,238	12,899	10,809
Operating supplies	7,410	23,208	30,618	25,104
Total materials and supplies	12,976	77,139	90,115	73,889
Maintenance				
Vehicles	8,935	-	8,935	3,347
Buildings	-	92,814	92,814	71,456
Fuel	5,605	-	5,605	5,307
Equipment	2,987	103,358	106,345	100,514
Total maintenance	17,527	196,172	213,699	180,624
Other Services and Charges				
Auditing services	12,000	-	12,000	16,500
Advertising	41,399	-	41,399	42,244
Dues and subscription	24,827	-	24,827	28,571
Management fee	135,000	-	135,000	135,000
Postage	258	-	258	161
Professional services	33,738	-	33,738	13,090
Photocopier rental	1,215	-	1,215	1,122
Rental and contractual	9,889	224,045	233,934	225,902
Bridge security	-	300,465	300,465	314,861
Travel and training	8,106	-	8,106	12,029
Telephone	12,808	-	12,808	9,736
Utilities	-	54,093	54,093	51,411
General insurance	50,368	-	50,368	50,368
Miscellaneous	35,790	12,368	48,158	49,272
Total other services and charges	365,398	590,971	956,369	950,267
Total expenses before depreciation	629,107	1,822,122	2,451,229	2,326,354
Depreciation and amortization	597,114	9,547	606,661	552,627
Total operating expenses	\$ 1,226,221	\$ 1,831,669	\$ 3,057,890	\$ 2,878,981

Toll Bridge System
McAllen International Toll Bridge and Anzalduas International Crossing
Combining Schedule of Net Position
September 30, 2014

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Current Assets			
Cash	\$ 476,144	\$ 84,066	\$ 560,210
Investments	1,879,533	971,348	2,850,881
Due from other governments	150,985	-	150,985
Other receivables	1,485	-	1,485
	<u>2,508,147</u>	<u>1,055,414</u>	<u>3,563,561</u>
Total current assets			
Restricted Assets			
Cash (all interest-bearing):			
Current debt service	55,934	19,200	75,134
	<u>55,934</u>	<u>19,200</u>	<u>75,134</u>
Total restricted cash			
	<u>55,934</u>	<u>19,200</u>	<u>75,134</u>
Investments- reserved for distribution	5,149,348	-	5,149,348
Investments	1,913,160	1,671,462	3,584,622
Total restricted assets -- excluding current bond installments	<u>7,118,442</u>	<u>1,690,662</u>	<u>8,809,104</u>
Capital Assets -- at cost			
Capital assets not being depreciated:			
Land	573,798	2,936,598	3,510,396
Construction in progress	869,930	54,659	924,589
Goodwill	609,713	-	609,713
Capital assets net of accumulated depreciation:			
Buildings	10,698,086	2,997,470	13,695,556
Improvements other than buildings	3,422,281	47,783,199	51,205,480
Machinery and equipment	1,844,042	937,579	2,781,621
	<u>18,017,850</u>	<u>54,709,505</u>	<u>72,727,355</u>
Less accumulated depreciation	<u>(9,961,478)</u>	<u>(7,248,012)</u>	<u>(17,209,490)</u>
Net capital assets	<u>8,056,372</u>	<u>47,461,493</u>	<u>55,517,865</u>
Other Assets			
Board advances	15,821,468	-	15,821,468
	<u>15,821,468</u>	<u>-</u>	<u>15,821,468</u>
Total other assets			
	<u>15,821,468</u>	<u>-</u>	<u>15,821,468</u>
Total assets	<u>\$ 33,504,429</u>	<u>\$ 50,207,569</u>	<u>\$ 83,711,998</u>

Liabilities and Net Position

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Current Liabilities			
Due to City of Hidalgo	\$ 925,525	\$ -	\$ 925,525
Accounts payable	49,783	16,121	65,904
Compensated absences due one year	36,904	16,497	53,401
Other payables	46,376	-	46,376
	<u>1,058,588</u>	<u>32,618</u>	<u>1,091,206</u>
Liabilities Payable From Restricted Assets			
Accounts payable	-	6,023	6,023
Due to City of McAllen-interest on certificates of deposit	433	-	433
Current installments of revenue bonds	-	1,250,000	1,250,000
Accrued revenue bond interest	-	138,360	138,360
	<u>433</u>	<u>1,394,383</u>	<u>1,394,816</u>
Long-Term Liabilities			
Revenue bonds – excluding current installments	-	33,195,000	33,195,000
Bond premium	-	446,417	446,417
Compensated absences	68,056	16,347	84,403
Deferred revenue	322,845	-	322,845
Other long term payables	-	15,821,468	15,821,468
	<u>390,901</u>	<u>49,479,232</u>	<u>49,870,133</u>
Total liabilities	<u>1,449,922</u>	<u>50,906,233</u>	<u>52,356,155</u>
Net Assets			
Net investment in capital assets	8,056,372	12,570,076	20,626,448
Restricted per revenue bond ordinances	502,844	898,947	1,401,791
Restricted for improvements	1,466,250	647,320	2,113,570
Restricted for distribution to the City of McAllen	5,148,916	-	5,148,916
Unrestricted	16,880,125	(14,815,007)	2,065,118
	<u>32,054,507</u>	<u>(698,664)</u>	<u>31,355,843</u>
Total liabilities and net position	<u>\$ 33,504,429</u>	<u>\$ 50,207,569</u>	<u>\$ 83,711,998</u>

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Toll Bridge System
McAllen International Toll Bridge and Anzalduas International Crossing
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
Years Ended September 30, 2014

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Operating revenues:			
Tolls	\$ 10,673,408	\$ 2,998,333	\$ 13,671,741
Rental income	1,892,738	-	1,892,738
Other income	127,892	55,378	183,270
Total operating revenues	<u>12,694,038</u>	<u>3,053,711</u>	<u>15,747,749</u>
Operating expenses:			
Salaries	904,152	329,074	1,233,226
Payroll taxes and benefits	286,894	98,052	384,946
Insurance	50,368	12,000	62,368
Materials and supplies	90,115	16,994	107,109
Maintenance	213,699	60,812	274,511
Bridge security	300,465	-	300,465
Miscellaneous services	605,536	280,872	886,408
Depreciation	606,661	1,543,678	2,150,339
Total operating expenses	<u>3,057,890</u>	<u>2,341,482</u>	<u>5,399,372</u>
Operating income	<u>9,636,148</u>	<u>712,229</u>	<u>10,348,377</u>
Nonoperating revenues (expenses):			
Distribution of income to the City of Hidalgo	(3,428,995)	-	(3,428,995)
Interest income	1,591	870	2,461
Interest expense	-	(1,652,502)	(1,652,502)
Interest on Board advances	550,445	(550,445)	-
Total nonoperating (expenses) revenues	<u>(2,876,959)</u>	<u>(2,202,077)</u>	<u>(5,079,036)</u>
Income before transfers and contributions	<u>6,759,189</u>	<u>(1,489,848)</u>	<u>5,269,341</u>
Transfers to the City of McAllen	(4,771,818)	-	(4,771,818)
Transfers to debt service Series "B" 2007 bonds	<u>(947,075)</u>	<u>947,075</u>	<u>-</u>
Changes in net position	<u>1,040,296</u>	<u>(542,773)</u>	<u>497,523</u>
Total net position at beginning of year (as restated for Anzalduas International Crossing)	<u>31,014,211</u>	<u>(155,891)</u>	<u>30,858,320</u>
Total net position at end of year	<u>\$ 32,054,507</u>	<u>\$ (698,664)</u>	<u>\$ 31,355,843</u>

Toll Bridge System
McAllen International Toll Bridge and Anzalduas International Crossing
Combining Schedule of Cash Flows
Years Ended September 30, 2014

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 12,570,459	\$ 3,053,711	\$ 15,624,170
Payments to employees	(1,193,722)	(419,280)	(1,613,002)
Payments to suppliers	(1,313,010)	(372,659)	(1,685,669)
Net cash provided by operating activities	10,063,727	2,261,772	12,325,499
Cash Flows From Noncapital Financing Activities			
Distribution of income to the City of Hidalgo	(3,274,664)	-	(3,274,664)
Operating transfers to the City of McAllen	(4,772,634)	-	(4,772,634)
Advance Receivable	-	-	-
Transfer from McAllen International Toll Bridge-Board B	-	947,075	-
Advance from McAllen International Toll Bridge-Board A	-	-	-
Advance from McAllen International Toll Bridge-Board B	(947,075)	-	(947,075)
Net cash (used by) provided by noncapital financing activities	(8,994,373)	947,075	(8,994,373)
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(179,383)	(55,817)	(235,200)
Principal paid on long-term debt	-	(1,200,000)	(1,200,000)
Capital contributions	-	-	-
Interest paid	-	(1,686,895)	(1,686,895)
Net cash used by capital and related financing activities	(179,383)	(2,942,712)	(3,122,095)
Cash Flows From Investing Activities			
Receipt of interest	1,591	870	2,461
Proceeds from sales and maturities of investments	17,035,233	3,509,890	20,545,123
Purchase of investments	(17,883,189)	(3,804,977)	(21,688,166)
Net cash used by investing activities	(846,365)	(294,217)	(1,140,582)
Net increase (decrease) in cash	43,606	(28,082)	(931,551)
Cash at beginning of year	488,472	131,348	619,820
Cash at end of year	\$ 532,078	\$ 103,266	\$ (311,731)

Toll Bridge System
McAllen International Toll Bridge and Anzalduas International Crossing
Combining Schedule of Cash Flows
Years Ended September 30, 2014
(Continued)

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Reconciliation of Cash Per Statements of Cash Flows to the Statements of Net Position			
Unrestricted cash	\$ 476,144	\$ 84,066	\$ 560,210
Restricted cash	55,934	19,200	75,134
	<u>\$ 532,078</u>	<u>\$ 103,266</u>	<u>\$ 635,344</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
	<u>\$ 9,636,148</u>	<u>\$ 712,229</u>	<u>\$ 10,348,377</u>
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation	606,661	1,543,678	2,150,339
Changes in assets and liabilities:			
Accounts receivable	(152,470)	-	(152,470)
Accounts payable	(52,823)	(1,981)	(54,804)
Other payables	5,062	-	5,062
Compensated absences	(7,741)	7,846	105
Unearned revenue	28,890	-	28,890
	<u>427,579</u>	<u>1,549,543</u>	<u>1,977,122</u>
Total adjustments			
	<u>\$ 10,063,727</u>	<u>\$ 2,261,772</u>	<u>\$ 12,325,499</u>

McAllen International Toll Bridge
Schedule of Vehicle and Passenger Traffic
Last Ten Years
(Unaudited)

	Year Ended September 30,			
	2005	2006	2007	2008
Vehicular traffic southbound:				
Cars	5,440,901	5,275,085	4,952,968	5,005,822
Trucks	20,484	15,583	4,339	5,295
Buses	24,311	28,231	29,301	29,837
Total vehicles	(1) <u>5,485,696</u>	(1) <u>5,318,899</u>	(1) <u>4,986,608</u>	(1) <u>5,040,954</u>
Passenger traffic southbound:				
Passengers in cars	(2) 12,078,800	(2) 11,710,689	(2) 12,382,420	(2) 12,514,555
Pedestrians	1,327,812	1,520,307	1,683,666	1,547,848
Passengers and drivers – buses and trucks	<u>705,019</u>	<u>818,699</u>	<u>849,729</u>	<u>865,273</u>
Total persons	<u>14,111,631</u>	<u>14,049,695</u>	<u>14,915,815</u>	<u>14,927,676</u>

(1) Source: McAllen International Toll Bridge Traffic Count Report.

(2) Calculation based on historical average of 2.2
For FY 07-08 2.5 occupancy was used for
passengers in cars

	2009	2010	2011	2012	2013	2014
	4,493,785	3,564,188	2,997,696	2,986,097	2,908,166	2,834,249
	4,383	2,629	1,641	6,620	9,119	13,075
	28,890	20,433	17,464	16,680	16,160	19,933
(1)	<u>4,527,058</u> (1)	<u>3,587,250</u> (1)	<u>3,016,801</u> (1)	<u>3,009,397</u> (1)	<u>2,933,445</u> (1)	<u>2,867,257</u>
(2)	11,234,463 (2)	8,910,470 (2)	7,494,240 (2)	7,465,243 (2)	7,270,415 (2)	7,085,623
	1,575,193	1,578,295	1,540,559	1,479,032	1,502,399	1,503,611
	837,810	592,557	506,456	483,720	468,640	578,057
	<u>13,647,466</u>	<u>11,081,322</u>	<u>9,541,255</u>	<u>9,427,995</u>	<u>9,241,454</u>	<u>9,167,291</u>

McAllen International Toll Bridge
Schedule of Car and Truck Traffic Revenue
Last Ten Years
(Unaudited)

	Year Ended September 30,			
	2005	2006	2007	2008
Southbound traffic:				
Cars	5,440,901	5,275,085	4,952,968	5,005,822
Trucks	20,484	15,583	4,339	5,295
Total car and truck traffic	<u>5,461,385</u>	<u>5,290,668</u>	<u>4,957,307</u>	<u>5,011,117</u>
Truck traffic percentage	0.38%	0.29%	0.09%	0.11%
Car and truck revenue:				
Cars	\$ 10,413,819	\$ 10,550,170	\$ 9,905,936	\$ 11,161,245
Trucks	151,128	121,022	29,724	37,003
Total car and truck revenue	<u>\$ 10,564,947</u>	<u>\$ 10,671,192</u>	<u>\$ 9,935,660</u>	<u>\$ 11,198,248</u>
Truck revenue percentage	1.43%	1.13%	0.30%	0.33%
Average revenue per car	\$ 1.91	\$ 2.00	\$ 2.00	\$ 2.23
Average revenue per truck	\$ 7.38	\$ 7.77	\$ 6.85	\$ 6.99

Year Ended September 30,					
2009	2010	2011	2012	2013	2014
4,493,785	3,564,188	2,997,696	2,986,097	2,908,166	2,834,249
4,383	2,629	1,641	6,620	9,119	13,075
<u>4,498,168</u>	<u>3,566,817</u>	<u>2,999,337</u>	<u>2,992,717</u>	<u>2,917,285</u>	<u>2,847,324</u>
0.10%	0.07%	0.05%	0.22%	0.31%	0.46%
\$ 10,111,016	\$ 8,325,166	\$ 7,982,692	\$ 8,820,614	\$ 8,724,498	\$ 8,910,274
30,669	19,325	11,487	46,384	63,833	91,525
<u>\$ 10,141,685</u>	<u>\$ 8,344,491</u>	<u>\$ 7,994,179</u>	<u>\$ 8,866,998</u>	<u>\$ 8,788,331</u>	<u>\$ 9,001,799</u>
0.30%	0.23%	0.14%	0.52%	0.73%	1.02%
\$ 2.25	\$ 2.34	\$ 2.66	\$ 2.95	\$ 3.00	\$ 3.14
\$ 7.00	\$ 7.35	\$ 7.00	\$ 7.01	\$ 7.00	\$ 7.00

McAllen International Toll Bridge
Schedule of Board Advances to Anzalduas International Crossing
September 30, 2014
(Unaudited)

Anzalduas Special & Startup Fund:

Balance at September 30, 2013	Additions Advances	Implied Interest	Balance at September 30, 2014
<u>\$ 10,911,680</u>	<u>\$ -</u>	<u>\$ 528,598</u>	<u>\$ 11,440,278</u>

Board advance "A" to Anzalduas International Crossing:

Balance at September 30, 2013	Additions Advances	Implied Interest	Balance at September 30, 2014
<u>\$ 4,359,343</u>	<u>\$ -</u>	<u>\$ 21,847</u>	<u>\$ 4,381,190</u>

Combined totals of advances to Anzalduas International Crossing:

Balance at September 30, 2013	Additions Advances	Implied Interest	Balance at September 30, 2014
<u>\$ 15,271,023</u>	<u>\$ -</u>	<u>\$ 550,445</u>	<u>\$ 15,821,468</u>

Distribution of Advances:

City of McAllen- Share @ 64%	\$ 9,773,455	\$ -	\$ 352,285	\$ 10,125,740
City of Hidalgo- Share @ 36%	<u>5,497,568</u>	<u>-</u>	<u>198,160</u>	<u>5,695,728</u>
	<u>\$ 15,271,023</u>	<u>\$ -</u>	<u>\$ 550,445</u>	<u>\$ 15,821,468</u>

McAllen International Toll Bridge
Schedule of Board Advances to Anzalduas International Crossing
September 30, 2014
(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>(Payment)</u>	<u>Balance</u>
10/1/2013 Opening balance						\$ 10,911,680
10/31/2013	4.74%	31	-	43,928	-	10,955,608
11/30/2013	4.74%	30	-	42,682	-	10,998,290
12/31/2013	4.74%	31	-	44,276	-	11,042,566
1/31/2014	4.74%	31	-	44,455	-	11,087,021
2/28/2014	4.74%	28	-	40,314	-	11,127,335
3/31/2014	4.74%	31	-	44,796	-	11,172,131
4/30/2014	4.74%	30	-	43,525	-	11,215,656
5/31/2014	4.74%	31	-	45,151	-	11,260,808
6/30/2014	4.74%	30	-	43,871	-	11,304,679
7/31/2014	4.74%	31	-	45,510	-	11,350,188
8/31/2014	4.74%	31	-	45,693	-	11,395,881
9/30/2014	4.74%	30	-	44,397	-	11,440,278

McAllen International Toll Bridge
Schedule of Board Advances to Anzalduas International Crossing
September 30, 2014
(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>(Payment)</u>	<u>Balance</u>
Opening balance						\$ 4,359,343
10/1/2013				-	-	4,359,343
10/31/2013	0.50%	31		1,851	-	4,361,194
11/1/2013				-	-	4,361,194
11/30/2013	0.50%	30		1,792	-	4,362,986
12/1/2013				-	-	4,362,987
12/31/2013	0.50%	31		1,853	-	4,364,839
1/1/2014				-	-	4,364,839
1/31/2014	0.50%	31		1,854	-	4,366,693
2/1/2014				-	-	4,366,693
2/28/2014	0.50%	28		1,675	-	4,368,368
3/1/2014				-	-	4,368,368
3/31/2014	0.50%	31		1,855	-	4,370,223
4/1/2014				-	-	4,370,224
4/30/2014	0.50%	30		1,796	-	4,372,019
5/1/2014				-	-	4,372,019
5/31/2014	0.50%	31		1,857	-	4,373,875
6/1/2014				-	-	4,373,875
6/30/2014	0.50%	30		1,797	-	4,375,673
7/1/2014					-	4,375,673
7/31/2014	0.50%	31		1,858	-	4,377,531
8/1/2014					-	4,377,531
8/31/2014	0.50%	31		1,859	-	4,379,390
9/1/2014					-	4,379,390
9/30/2014	0.50%	30		1,800	-	4,381,190

McAllen International Toll Bridge
Schedule of Board Advances to Anzalduas International Crossing
September 30, 2014
(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>(Payment)</u>	<u>Balance</u>
			<u>Total</u>	<u>Applicable to Mission</u>			
Opening balance							\$ 1,584,762
10/1/2013			78,975	\$ 27,112	-	-	1,611,874
10/31/2013	0.500%	31	-	-	684	-	1,612,558
11/1/2013			78,975	\$ 27,112	-	-	1,639,671
11/30/2013	0.500%	30	-	-	674	-	1,640,344
12/1/2013			78,975	\$ 27,112	-	-	1,667,457
12/31/2013	0.500%	31	-	-	708	-	1,668,165
1/1/2014			78,975	\$ 27,112	-	-	1,695,277
1/31/2014	0.500%	31	-	-	720	-	1,695,997
2/1/2014			78,975	\$ 27,112	-	-	1,723,109
2/28/2014	0.500%	28	-	-	661	-	1,723,770
3/1/2014			78,809	\$ 27,055	-	-	1,750,825
3/31/2014	0.500%	31	-	-	744	-	1,751,568
4/1/2014			78,809	\$ 27,055	-	-	1,778,623
4/30/2014	0.500%	30	-	-	731	-	1,779,354
5/1/2014			78,809	\$ 27,055	-	-	1,806,410
5/31/2014	0.500%	31	-	-	767	-	1,807,177
6/1/2014			78,809	\$ 27,055	-	-	1,834,232
6/30/2014	0.500%	30	-	-	754	-	1,834,986
7/1/2014			78,809	\$ 27,055	-	-	1,862,041
7/31/2014	0.500%	31	-	-	791	-	1,862,831
8/1/2014			79,347	\$ 27,240	-	-	1,890,071
8/31/2014	0.500%	31	-	-	803	-	1,890,874
9/1/2014			78,809	\$ 27,055	-	-	1,917,929
9/30/2014	0.500%	30	-	-	788	-	1,918,717

McAllen International Toll Bridge
Schedule of Insurance Coverage
September 30, 2014
(Unaudited)

Property	Insurance Company	Period of Coverage	Type of Coverage	Amount of Coverage
Bridge and surrounding area	Texas Municipal League	10/01/13 to 09/30/14	Fire and extended coverage and physical damage and business (\$10,000 deductible, except \$25,000 flood and earthquake)	\$ 16,499,833
Bridge and surrounding area	Texas Municipal League	10/01/13 to 09/30/14	Bridge use, occupancy, and business interruptions (\$10,000 deductible, except \$25,000 flood and earthquake)	\$ 13,333,333
Workers' compensation	1-2-1 Claims Inc	10/01/13 to 09/30/14	Employer's liability - job-related injuries	Statutory
Workers' compensation	Star Insurance Company	10/01/13 to 09/30/14	Aggregate excess and specific (\$400,000 per occurrence)	Statutory
General liability	Texas Municipal League	10/01/13 to 09/30/14	General: (\$10,000 deductible) Bodily injury Property damage	\$ 2,000,000
Errors and omissions liability	Texas Municipal League	10/01/13 to 09/30/14	Each wrongful act (\$25,000 deductible) (\$4,000,000 aggregate)	\$ 2,000,000
<u>Crime section:</u>	Texas Municipal League			
Employee dishonesty	League	10/01/13 to 09/30/14	Limit of coverage (\$5,000 deductible)	\$ 1,000,000
Forgery or alteration	Texas Municipal League	10/01/13 to 09/30/14	Limit of coverage (\$1,000 deductible)	\$ 50,000
Crime coverage and computer fraud	Texas Municipal League	10/01/13 to 09/30/14	Limit of coverage (\$5,000 deductible)	\$ 1,000,000
Theft, disappearance and destruction	Texas Municipal League	10/01/13 to 09/30/14	Limit of coverage (\$1,000 deductible)	\$ 50,000



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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
McAllen International Toll Bridge

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 McAllen International Toll Bridge (the "Hidalgo Bridge"), which comprise the statement of net position as of September 30, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2015.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the Hidalgo 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 opinion 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 Hidalgo 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 the Entity'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 Hidalgo 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 Hidalgo 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 Hidalgo Bridge's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Houston, Texas
January 28, 2015