

McAllen International Toll Bridge

**Financial Statements
And Independent Auditors' Report**

September 30, 2011 and 2010

McALLEN INTERNATIONAL TOLL BRIDGE

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Independent Auditors' Report

**To the Board of Trustees
McAllen International Toll Bridge
McAllen, Texas**

We have audited the accompanying statements of net assets of the McAllen International Toll Bridge (the "Bridge"), an enterprise fund of the City of McAllen, Texas, as of September 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in fund net assets and cash flows for the years then ended. These financial statements are the responsibility of the Bridge's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the financial position of McAllen International Toll Bridge, an enterprise fund of the City of McAllen, Texas, and do not purport to, and do not, present fairly the financial position of the City of McAllen, Texas, as of September 30, 2011 and 2010, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Bridge as of September 30, 2011 and 2010, and the respective changes in financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2012, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Bridge's basic financial statements. The Schedule of Income Distribution – Last Ten Years; Schedule of Changes in Restricted Assets – Cash and Investments; Schedule of Rental Income; Comparative Detailed Schedule of Operating Expenses; Toll Bridge System (Combined) – McAllen International Toll Bridge and Anzalduas International Crossing; Schedule Net Assets Information, Schedule of Revenues, Expenses, and Changes in Fund Net Assets Information, and Schedule of Cash Flows Information, which are listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Schedule of Vehicle and Passenger Traffic – Last Ten Years (Unaudited); Schedule of Car and Truck Traffic Revenue – Last Ten Years (Unaudited); Schedule of Board Advances to Anzalduas International Crossing (Unaudited); and Schedule of Insurance Coverage (Unaudited) have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Padgett, Stratemann & Co., L.L.P.

Certified Public Accountants
January 30, 2012

McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2011

This discussion and analysis is intended to provide an overview of the of the McAllen International Toll Bridge's financial performance for the fiscal year ending September 30, 2011 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. All categories of crossings reflect decreases for the fiscal year. The decline in car crossings were anticipated as a result of opening of the new Anzalduas International Crossing, located about five miles west of the Hidalgo Bridge, however, it appears, the drop was exacerbated due to continued violence on the Mexican side. Although the Hidalgo Bridge experienced a 16% decline in southbound car crossings, that was mitigated by the crossings at the Anzalduas Bridge, resulting in a system-wide decrease of 10%.

<u>Category</u>	<u>FY 10-11</u>	<u>FY 09-10</u>	<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Cars	2,997,696	3,564,188	(566,492)	-15.90%
Trucks	1,641	2,629	(988)	-37.60%
Buses	17,464	20,433	(2,969)	-14.50%
Passengers in cars	7,494,240	8,910,470	(1,416,230)	-15.90%

As shown on the Statement of Revenues, Expenses, and Changes in Fund Net Assets, as a result of this year's operations, net assets increased by \$463K. Although operating revenues were marginally down and operating expenditures increased slightly.

Overview of the Financial Statements

This reports consists of several financial statements and includes, the Statement of Net Assets, Statement of Revenue, Expenses and Changes in Net Assets, and the Statement of Cash Flows for the current fiscal year ending September 30, 2011 as well as the previous fiscal year.

**McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2011**

Required Financial Statements

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

The Statement of Revenues, Expenses, and Changes in Fund Net Assets analyzes the Bridge's operations over the past year and provide comparative information for the previous two fiscal years. The statements illustrate the 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 Statement of Cash Flows.

FINANCIAL POSITION SUMMARY

Net assets, and its components, over time serve as a meaningful measure of the Bridge's financial position. As of September 30, 2011, net assets increased by \$463K.

**McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2011**

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

	Condensed Statement of Net Assets Information		
	<u>FY 10-11</u>	<u>FY 09-10</u>	<u>FY 08-09</u>
ASSETS:			
Current assets	\$ 2,053,774	\$ 2,569,350	\$ 2,040,309
Restricted assets	5,235,798	5,083,141	6,027,353
Net capital assets	7,277,328	7,622,591	8,006,215
Other assets	<u>14,545,876</u>	<u>13,767,901</u>	<u>12,900,702</u>
 Total assets	 <u>\$ 29,112,776</u>	 <u>\$ 29,042,983</u>	 <u>\$ 28,974,579</u>
 LIABILITIES:			
Current liabilities	\$ 859,651	\$ 1,004,194	\$ 872,869
Payable from restricted assets	288,188	277,597	349,470
Long-term liabilities	<u>134,219</u>	<u>393,270</u>	<u>646,178</u>
 Total liabilities	 <u>\$ 1,282,058</u>	 <u>\$ 1,675,061</u>	 <u>\$ 1,868,517</u>
 NET ASSETS:			
Invested in capital assets, net of related debt	\$ 6,996,315	\$ 7,081,148	\$ 7,214,340
Restricted	5,232,597	5,075,520	5,952,852
Unrestricted	<u>15,601,806</u>	<u>15,211,254</u>	<u>13,938,870</u>
 Total net assets	 <u>\$ 27,830,718</u>	 <u>\$ 27,367,922</u>	 <u>\$ 27,106,062</u>

Revenues, Expenses and Changes in Fund Net Assets

Due to a decline in southbound car crossings of 566K or 16%, despite an increase in car tolls made effectively June 1, 2011, toll revenue fell to \$9.1M—a drop of \$250K. Rental and other income remained relatively flat. Operating expenses remained near last year's level at \$2.8M, resulting in operating income decreasing by \$314K, leaving a \$463K increase to net assets after distributions to the cities.

Condensed Schedule of Revenues, Expenses, and Changes in Fund Net Assets provide additional information on the changes in the toll bridge fund. These condensed statements information is presented in the following page.

**McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2011**

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

	<u>FY 10-11</u>	<u>FY 09-10</u>	<u>FY 08-09</u>
Operating revenues:			
Tolls	\$ 9,063,280	\$ 9,313,441	\$ 11,190,709
Rental income	1,353,180	1,437,381	1,467,142
Other income	<u>386,727</u>	<u>302,703</u>	<u>258,629</u>
Total operating revenues	<u>10,803,187</u>	<u>11,053,525</u>	<u>12,916,480</u>
Operating expenses:			
Personnel	1,178,704	1,252,101	1,307,171
Supplies	77,588	70,368	87,345
Other services and charges	900,570	797,011	798,930
Maintenance	121,032	97,653	145,691
Depreciation	<u>563,023</u>	<u>559,882</u>	<u>505,584</u>
Total operating expenses	<u>2,840,917</u>	<u>2,777,015</u>	<u>2,844,721</u>
Operating income	<u>7,962,270</u>	<u>8,276,510</u>	<u>10,071,759</u>
Nonoperating revenues (expenses):			
Distribution of income to City of Hidalgo	(2,900,664)	(2,781,964)	(3,185,885)
Investment income	5,135	6,522	54,366
Interest expense	(18,865)	(30,828)	(42,246)
Amortization of bond premium	(9,569)	(9,569)	(9,569)
Expense on construction fund	-	-	(3,916)
Interest on board advances	<u>460,943</u>	<u>458,353</u>	<u>437,474</u>
Total nonoperating revenues (expenses)	<u>(2,463,020)</u>	<u>(2,357,486)</u>	<u>(2,749,776)</u>
Income before transfers and contributions	5,499,250	5,919,024	7,321,983
Capital Contributions	124,593	-	-
Transfers to City of McAllen	(4,429,189)	(4,886,888)	(6,127,780)
Transfers to debt service Series "B"	(734,467)	(770,276)	(776,829)
Transfers in - other	<u>2,609</u>	<u>-</u>	<u>-</u>
Changes in net assets	462,796	261,860	417,374
Total net assets at beginning of year	<u>27,367,922</u>	<u>27,106,062</u>	<u>26,688,688</u>
Total net assets at end of year	<u>\$ 27,830,718</u>	<u>\$ 27,367,922</u>	<u>\$ 27,106,062</u>

**McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2011**

TOLL RATES

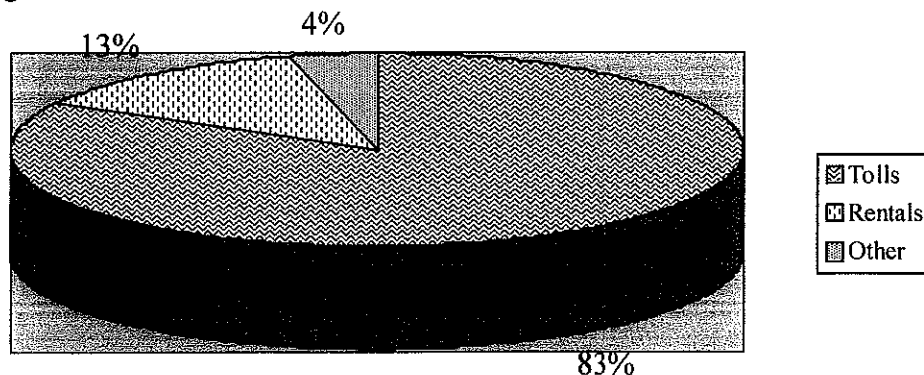
The Bridge charges tolls on southbound crossings into Mexico for various categories of customers as indicated below:

<u>Category</u>	<u>FY 10-11</u>	<u>FY 09-10</u>
Pedestrians	\$0.75	\$0.50
Cars	\$3.00	\$2.50
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	\$1.00	\$1.00
Extra Axle	\$3.00	\$3.00

Effective June 1, 2011 the Board of Trustees approved an increase of 50¢ per crossings and 25¢ to pedestrian crossings. The Board also decided to transfer 25¢ of the increase in the car crossings to the capital improvement fund for future improvements.

REVENUES

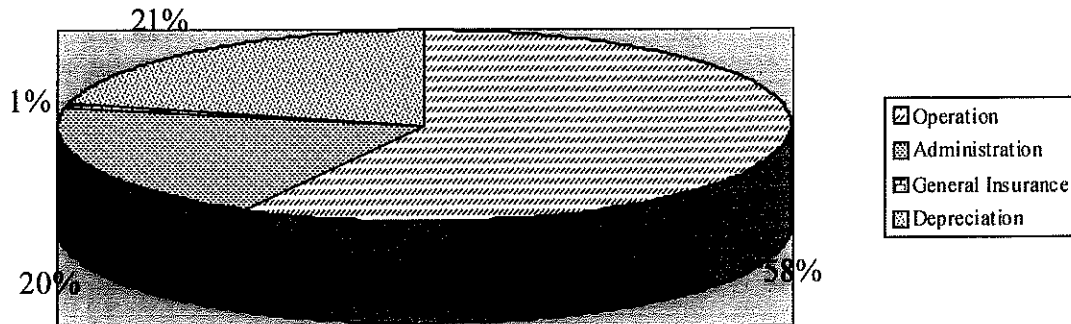
The following chart illustrates the relative contribution of each category of revenue to total operating revenues:



EXPENSES

The following chart shows the major cost centers and each percentage contribution to total operating expenses for the current fiscal year.

**McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2011**



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of this fiscal year, the Bridge had \$7.3M in capital assets, consisting of the following.

	Capital Assets		
	FY 10-11	FY 09-10	FY 08-09
Land	\$ 573,798	\$ 573,798	\$ 573,798
Buildings	10,698,086	10,698,086	10,698,086
Improvements other than buildings	2,411,169	2,331,208	2,331,208
Machinery and equipment	1,784,526	1,630,057	1,472,919
Construction in progress	2,450	19,120	-
Total capital assets	15,470,029	15,252,269	15,076,011
Accumulated depreciation	(8,192,701)	(7,629,678)	(7,069,796)
Total capital assets, net	\$ 7,277,328	\$ 7,622,591	\$ 8,006,215

For 2011, \$93K of purchases and \$125K on contributions were made, which consisted of improvements to the bridge offices and crossing area and office equipment. In 2010, the total net purchases amounted to \$176K. This mainly consisted of improvements to the toll collection system and minor equipment.

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Management's Discussion and Analysis
September 30, 2011**

Debt

At the end of this fiscal year, the Bridge had \$285K in revenue bonds outstanding resulting from the bond issuance in 2002. These bonds have a rating of: "A2" from Moody's and "A" from Standards & Poor. The proceeds were used for various improvements to the existing port facilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

During the budget process for fiscal year 2011-12 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 as well as the fact that the car toll increase will be effective for the first full year, toll revenues were budgeted at 8.5% less than fiscal year 2010-2011. 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, which shares in the *net surplus revenues* of the Bridge's operations as well as its investors and creditors about the 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 78505.



Basic Financial Statements

McAllen International Toll Bridge
Statements of Net Assets
September 30, 2011 and 2010
Assets

	<u>2011</u>	<u>2010</u>
Current Assets		
Cash	\$ 170,456	\$ 239,438
Certificates of deposit	400,000	400,000
Investments	1,413,190	580,258
Accrued interest receivable	677	785
Due from other funds	-	1,279,418
Other receivables	<u>69,451</u>	<u>69,451</u>
Total unrestricted current assets	<u>2,053,774</u>	<u>2,569,350</u>
Restricted Assets		
Cash		
Current debt service and capital improvement	<u>4,151</u>	<u>29,579</u>
Total restricted cash	<u>4,151</u>	<u>29,579</u>
Certificates of deposit/ investments- reserved for distribution	4,170,498	4,180,685
Investments	<u>1,061,149</u>	<u>872,877</u>
Total restricted assets	<u>5,235,798</u>	<u>5,083,141</u>
Total current assets	<u>7,289,572</u>	<u>7,652,491</u>
Capital Assets – at cost		
Land	573,798	573,798
Buildings	10,698,086	10,698,086
Improvements other than buildings	2,411,169	2,331,208
Machinery and equipment	1,784,526	1,630,057
Construction in progress	<u>2,450</u>	<u>19,120</u>
	15,470,029	15,252,269
Less accumulated depreciation	<u>8,192,701</u>	<u>7,629,678</u>
Net capital assets	<u>7,277,328</u>	<u>7,622,591</u>
Other Assets		
Unamortized bond issue cost	3,987	13,556
Excess of purchase price over assets acquired	609,713	609,713
Board advances	<u>13,932,176</u>	<u>13,144,632</u>
Total other assets	<u>14,545,876</u>	<u>13,767,901</u>
Total assets	<u><u>\$ 29,112,776</u></u>	<u><u>\$ 29,042,983</u></u>

The accompanying notes are an integral part of these statements.

Liabilities and Net Assets

	<u>2011</u>	<u>2010</u>
Current Liabilities		
Due to City of Hidalgo	\$ 711,158	\$ 871,985
Accounts payable	59,308	49,129
Compensated absences due one year	52,000	52,000
Other payables	<u>37,185</u>	<u>31,080</u>
Total unrestricted current liabilities	<u>859,651</u>	<u>1,004,194</u>
Liabilities Payable From Restricted Assets		
Accounts payable	-	170
Due to City of McAllen-interest on investments	2,084	5,310
Current installments of revenue bonds	285,000	270,000
Accrued revenue bond interest	<u>1,104</u>	<u>2,117</u>
Total liabilities payable from restricted assets	<u>288,188</u>	<u>277,597</u>
Total current liabilities	<u>1,147,839</u>	<u>1,281,791</u>
Long-Term Liabilities		
Revenue bonds – excluding current installments	-	285,000
Compensated absences	38,113	48,733
Deferred revenue	<u>96,106</u>	<u>59,537</u>
Total long-term liabilities	<u>134,219</u>	<u>393,270</u>
Total liabilities	<u>1,282,058</u>	<u>1,675,061</u>
Net Assets		
Invested in capital assets-net of related debt	6,996,315	7,081,148
Restricted per revenue bond ordinances	667,878	658,487
Restricted for improvements	396,305	241,658
Restricted for distribution to the City of McAllen	4,168,414	4,175,375
Unrestricted	<u>15,601,806</u>	<u>15,211,254</u>
Total net assets	<u>27,830,718</u>	<u>27,367,922</u>
Total liabilities and net assets	<u>\$ 29,112,776</u>	<u>\$ 29,042,983</u>

McAllen International Toll Bridge

Statements of Revenues, Expenses, and Changes in Fund Net Assets

Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Tolls	\$ 9,063,280	\$ 9,313,441
Rental income	1,353,180	1,437,381
Other income	<u>386,727</u>	<u>302,703</u>
Total operating revenues	<u>10,803,187</u>	<u>11,053,525</u>
Operating expenses:		
Salaries	870,120	927,509
Payroll taxes and benefits	308,584	324,592
Insurance	50,368	50,368
Materials and supplies	77,588	70,368
Maintenance	121,032	97,653
Bridge security	320,417	289,609
Miscellaneous services	529,785	457,034
Depreciation	<u>563,023</u>	<u>559,882</u>
Total operating expenses	<u>2,840,917</u>	<u>2,777,015</u>
Operating income	<u>7,962,270</u>	<u>8,276,510</u>
Nonoperating revenues (expenses):		
Distribution of income to the City of Hidalgo	(2,900,664)	(2,781,964)
Investment income	5,135	6,522
Interest expense	(18,865)	(30,828)
Amortization of bond premium	(9,569)	(9,569)
Interest on board advances	<u>460,943</u>	<u>458,353</u>
Total net nonoperating revenues (expenses)	<u>(2,463,020)</u>	<u>(2,357,486)</u>
Income before operating transfers and contributions	5,499,250	5,919,024
Capital contributions	124,593	-
Transfers to the City of McAllen	(4,429,189)	(4,886,888)
Transfers to debt service Series "B"	(734,467)	(770,276)
Transfers in - other	<u>2,609</u>	<u>-</u>
Changes in net assets	462,796	261,860
Total net assets at beginning of year	<u>27,367,922</u>	<u>27,106,062</u>
Total net assets at end of year	<u><u>\$ 27,830,718</u></u>	<u><u>\$ 27,367,922</u></u>

The accompanying notes are an integral part of these statements.

McAllen International Toll Bridge

Statements of Cash Flows

Years Ended September 30, 2011 and 2010

(Continued)

	2011	2010
Cash Flows From Operating Activities		
Receipts from customers	\$ 10,839,756	\$ 11,073,162
Payments to suppliers	(1,089,011)	(1,034,359)
Payments to employees	(1,183,222)	(1,279,200)
Net cash provided by operating activities	8,567,523	8,759,603
Cash Flows From Noncapital Financing Activities		
Distribution of income to the City of Hidalgo (net of payables)	(3,061,491)	(2,635,500)
Operating transfers to the City of McAllen (net of payables)	(4,432,415)	(4,889,044)
Reimbursement on Board Advances	1,279,418	-
Board advance to Anzalduas International Crossing- Series A	(326,833)	(1,697,834)
Board advance to Anzalduas International Crossing- Series B	(734,467)	(770,276)
Transfers from Health Insurance fund	2,609	-
Net cash used by noncapital financing activities	(7,273,179)	(9,992,654)
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(93,337)	(176,258)
Principal paid on long-term debt	(270,000)	(260,000)
Interest paid	(19,878)	(31,803)
Net cash used by capital and related financing activities	(383,215)	(468,061)
Cash Flows From Investing Activities		
Receipt of interest	5,243	5,737
Proceeds from sales and maturities of investments	6,035,172	7,981,825
Purchase of investments	(7,045,953)	(6,033,819)
Net cash provided (used) by investing activities	(1,005,538)	1,953,743
Net increase (decrease) in cash	(94,409)	252,631
Cash at beginning of year	269,017	16,386
Cash at end of year	\$ 174,607	\$ 269,017

The accompanying notes are an integral part of these statements.

McAllen International Toll Bridge

Statements of Cash Flows

Years Ended September 30, 2011 and 2010

(Continued)

	2011	2010
Reconciliation of Cash Per Statements of Cash Flows to the Statements of Net Assets		
Unrestricted cash	\$ 170,456	\$ 239,438
Restricted cash	4,151	29,579
	<u>\$ 174,607</u>	<u>\$ 269,017</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
	<u>\$ 7,962,270</u>	<u>\$ 8,276,510</u>
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	563,023	559,882
Changes in assets and liabilities:		
Accounts payable	10,179	(69,327)
Other payables	6,102	(1,554)
Accumulated unpaid absences	(10,620)	(25,545)
Deferred revenue	36,569	19,637
	<u>605,253</u>	<u>483,093</u>
Total adjustments		
	<u>\$ 8,567,523</u>	<u>\$ 8,759,603</u>
Noncash investing, capital and financing activities:		
Contribution of capital assets from outside source	<u>\$ 124,593</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

McAllen International Toll Bridge
Notes to Financial Statements
September 30, 2011 and 2010

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.

In compliance with provisions for proprietary funds as prescribed by GASB, the 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 assets. The statement of revenues, expenses, and changes in net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net assets. The financial statements have been prepared using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

McAllen International Toll Bridge
Notes to Financial Statements
September 30, 2011 and 2010

1. Summary of Significant Accounting Policies-Continued

Basis of Accounting

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Hidalgo Bridge has elected not to follow subsequent private-sector guidance.

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 nonoperating revenues and expenses.

In 2011, the Bridge adopted the following new GASB pronouncement:

GASB Statement No. 59, *Financial Instruments Omnibus*. This statement address financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

Capital Assets

Capital assets are capitalized because they are used in the production of services sold. Capital assets are recorded at cost if purchased or constructed. Net interest cost pertaining to qualifying assets which are related to construction in progress is capitalized as outlined in Financial Accounting Standards Board Statement No. 34. No interest was capitalized during the years ended September 30, 2011 and 2010.

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, 2011 and 2010 was \$563,023 and \$559,882 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

McAllen International Toll Bridge

Notes to Financial Statements

September 30, 2011 and 2010

1. Summary of Significant Accounting Policies-Continued

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 expenditures relating to the obtaining of the Anzalduas Bridge Presidential Permit and for the design or construction cost, operation expenses of the Anzalduas Bridge, and initial debt service on bonds related to the Anzalduas Bridge is limited to no more than \$6,000,000. This advance is to be repaid with interest accruing at the interest rate on bonds issued to finance the Anzalduas Bridge, from the net revenues of the Anzalduas Bridge after all bond ordinance requirements have been met. As of September 30, 2011 the Anzalduas Special and Start Up Fund advance receivable from the Anzalduas Bridge amounts to \$9,925,342, (9,466,742 in 2010) of which the City of McAllen's portion is \$6,352,218 and the City of Hidalgo's portion, \$3,573,124. During this fiscal year, the balance was increased by accrued interest in the amount of \$458,600.

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, 2011 the board advance receivable to the Hidalgo Bridge amounts to \$4,006,833, (3,677,890 in 2010) of which the City of McAllen's portion is \$2,564,373 and the City of Hidalgo's portion, \$1,442,460. During the year the balance was increased by accrued interest of \$2,110 and board advances of \$326,833.

McAllen International Toll Bridge
Notes to Financial Statements
September 30, 2011 and 2010

1. Summary of Significant Accounting Policies-Continued

Long-Term Obligations

Long-term obligations of the "Bridge" include bonds expected to be paid entirely by revenues. Such obligations are secured by the general credit and toll-collecting powers of the Hidalgo Bridge. In addition, the outstanding bonds issued to finance the Anzalduas Bridge are secured by the net revenues of the "Bridge" as well as the Anzalduas Bridge.

Bond Issuance Cost

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

Accumulated Unpaid Compensated Absences

Accumulated unpaid compensated absences, consisting of vested accrued vacation and sick leave, 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 reserved 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 assets are restricted to the extent of such legally imposed restrictions.

McAllen International Toll Bridge
Notes to Financial Statements
September 30, 2011 and 2010

1. Summary of Significant Accounting Policies-Continued

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 reserved 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 assets are 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 in accordance with Accounting Research Bulletin No. 43.

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 Bridge Fund, however, limits investments to U.S. Treasuries, U.S. government agencies, excluding those issued by the Student Loan Marketing Association and Tennessee Valley Authority, as well as certificates of deposit. Investments are stated at fair value, as required under Governmental Accounting Standards Board Statement No. 31. The fair value is based on the quoted value of each investment on the last business day of the Hidalgo Bridge's fiscal year.

McAllen International Toll Bridge
Notes to Financial Statements
September 30, 2011 and 2010

2. Cash and Investments-Continued

Investments

Investments at fair value, including accrued interest, as of September 30, 2011 and September 30, 2010 are presented in the following tables:

Investment Maturities (in Years) at the end of September 30, 2011					
	Fair Value	Less Than 1	1-2	2-3	3-4
Tex Pool	\$ 4,480,122	\$ 4,480,122	\$ -	\$ -	\$ -
Certificates of deposit	2,565,392	1,180,663	1,384,729	-	-
	<u>\$ 7,045,514</u>	<u>\$ 5,660,785</u>	<u>\$ 1,384,729</u>	<u>\$ -</u>	<u>\$ -</u>

Investment Maturities (in Years) at the end of September 30, 2010					
	Fair Value	Less Than 1	1-2	2-3	3-4
Tex Pool	\$ 2,970,833	\$ 2,970,833	\$ -	\$ -	\$ -
Certificates of deposit	3,063,772	2,333,128	730,644	-	-
	<u>\$ 6,034,605</u>	<u>\$ 5,303,961</u>	<u>\$ 730,644</u>	<u>\$ -</u>	<u>\$ -</u>

Public funds investment pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code and are subject to the provisions of the Act, Chapter 2256 of the Texas Government Code.

In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the values of its shares.

The Bridge investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at book value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but

McAllen International Toll Bridge

Notes to Financial Statements

September 30, 2011 and 2010

2. Cash and Investments-Continued

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 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 above schedule, the Bridge reduces its risk to the rising interest rates.

Credit risk. As of September 30, 2011 and 2010, the investments in the State's investment pool was rated AAAM by Standards and Poor's. The certificates of deposit were issued by the City's bank depository, First National Bank, a privately owned bank. However, the collateral pledged against the certificates of deposit is comprised of government securities, which carry AAA rating. Certificate of deposits, including accrued interest amounted to \$2,565,392 at the end of September 2011. The City's investment policy limits authorized investments to TexPool, certificates of deposits, U.S. Treasuries and federal government agencies, excluding Student Loan Marketing Association and Tennessee Valley Authority.

3. Capital Assets

Capital assets activities for the year ended September 30, 2011 and September 30, 2010 are presented in the following tables:

McAllen International Toll Bridge
Notes to Financial Statements
September 30, 2011 and 2010

3. Capital Assets-Continued

	Balance at September 30, 2010	Additions	<Retirement/ Transfer>	Balance at September 30, 2011
Land	\$ 573,798	\$ -	\$ -	\$ 573,798
Buildings	10,698,086	-	-	10,698,086
Improvements other other than buildings	2,331,208	63,291	16,670	2,411,169
Machinery and equipment	1,630,057	154,469	-	1,784,526
Construction in progress	19,120	-	(16,670)	2,450
Total assets	15,252,269	217,760	-	15,470,029
Less accumulated depreciation	7,629,678	563,023	-	8,192,701
Net capital assets	\$ 7,622,591	\$ (345,263)	\$ -	\$ 7,277,328

	Balance at September 30, 2009	Additions	<Retirement/ Transfer>	Balance at September 30, 2010
Land	\$ 573,798	\$ -	\$ -	\$ 573,798
Buildings	10,698,086	-	-	10,698,086
Improvements other other than buildings	2,331,208	-	-	2,331,208
Machinery and equipment	1,472,919	157,138	-	1,630,057
Construction in progress	-	19,120	-	19,120
Total assets	15,076,011	176,258	-	15,252,269
Less accumulated depreciation	7,069,796	559,882	-	7,629,678
Net capital assets	\$ 8,006,215	\$ (383,624)	\$ -	\$ 7,622,591

4. Revenue Bonds Payable and Long Term Liabilities

Long-term liability activities for the year ended September 30, 2011 and September 30, 2010 are reflected in the following page:

McAllen International Toll Bridge

Notes to Financial Statements

September 30, 2011 and 2010

	Balance at September 30, 2010	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2011	Amounts Due Within One Year
Revenue bonds payable	\$ 555,000	\$ -	\$(270,000)	\$ 285,000	\$ 285,000
Compensated absences	100,733	42,577	(53,197)	90,113	52,000
	<u>\$ 655,733</u>	<u>\$ 42,577</u>	<u>\$(323,197)</u>	<u>\$ 375,113</u>	<u>\$ 337,000</u>
	Balance at September 30, 2009	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2010	Amounts Due Within One Year
Revenue bonds payable	\$ 815,000	\$ -	\$(260,000)	\$ 555,000	\$ 270,000
Compensated absences	126,278	65,029	(90,574)	100,733	52,000
	<u>\$ 941,278</u>	<u>\$ 65,029</u>	<u>\$(350,574)</u>	<u>\$ 655,733</u>	<u>\$ 322,000</u>

The aggregate maturities of revenue bonds payable as of September 30, 2011, including interest payments, are presented in the table below:

Year Ending	Interest Rate	Principal	Interest	Total
2012	4.65%	<u>\$ 285,000</u>	<u>\$ 6,626</u>	<u>\$ 291,626</u>
		<u>\$ 285,000</u>	<u>\$ 6,626</u>	<u>\$ 291,626</u>

5. Operating Leases

The Toll 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 20-year lease with the GSA. The GSA lease expired April 30, 2008. This lease continues on a month to month basis, until a new agreement is finalized.

McAllen International Toll Bridge

Notes to Financial Statements

September 30, 2011 and 2010

6. Retirement Plan

The City and Toll 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 in the following page describes the plan provisions adopted by the City:

	Plan Year 2010	Plan Year 2011
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	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

McAllen International Toll Bridge
Notes to Financial Statements
September 30, 2011 and 2010

6. Retirement Plan-Continued

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 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.

7. Accounting for Postemployment Benefits Other Than Pensions

The City, as an entity wide, will report GASB Statement Number 45. The City instituted an internal service fund to account for health benefits related to current and future retirees. The McAllen International Toll Bridge has thirty three full time employees. For the current year, the fund contributed \$12,189 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 bridge fund.



Supplemental Information

McAllen International Toll Bridge
Schedule of Income Distribution
Last Ten Years

	Year Ended September 30,			
	2002	2003	2004	2005
Bridge revenues (1)	\$ 10,757,808	\$ 11,349,882	\$ 11,584,346	\$ 12,673,720
Deductible operating expenses (1)	<u>1,636,789</u>	<u>1,707,114</u>	<u>1,872,704</u>	<u>2,037,853</u>
	9,121,019	9,642,768	9,711,642	10,635,867
Less:				
Required transfers to restricted assets (2)	279,776	323,651	272,673	306,685
Transfers to Capital Improvement Fund	366,667	-	-	-
Increase working capital	-	200,000	-	-
Transfer to start up fund	-	-	-	884,028
Deductions for Capital Assets Acquisitions(4)	-	-	-	389,795
Board advance Series "A" 2007 Bonds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Base revenues	<u>\$ 8,474,576</u>	<u>\$ 9,119,117</u>	<u>\$ 9,438,969</u>	<u>\$ 9,055,359</u>
Distributions and reservations of surplus revenues:				
City of Hidalgo	\$ 3,050,847	\$ 3,282,882	\$ 3,398,029	\$ 3,259,929
Less: Interest due City of McAllen for installment payments made to City of Hidalgo	(3) (21,529)	-	-	-
Add: Implied interest income on Series "B" Bonds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net distribution to City of Hidalgo	<u>3,029,318</u>	<u>3,282,882</u>	<u>3,398,029</u>	<u>3,259,929</u>
City of McAllen:	5,423,729	5,836,235	6,040,940	5,795,430
Add: Interest due City of McAllen for installment payments made to City of Hidalgo	21,529	-	-	-
Less: Series "B" Bonds debt service	-	-	-	-
Less: Implied interest expense on Series "B" Bonds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Distribution to City of McAllen	<u>5,445,258</u>	<u>5,836,235</u>	<u>6,040,940</u>	<u>5,795,430</u>
Base Revenue Only	<u>\$ 8,474,576</u>	<u>\$ 9,119,117</u>	<u>\$ 9,438,969</u>	<u>\$ 9,055,359</u>

- (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 activities, less depreciation and amortization, and excluding new bridge project costs.
- (2) Includes required contingency transfer authorized by Board of Trustees.
- (3) Due to change in the treatment of implied interest, 50% of 2001 and 100% of 2002 was reimbursed to City of Hidalgo from General Fund resources.
- (4) Authorized by Board of Trustees in December 2004.

Year Ended September 30,

2006	2007	2008	2009	2010	2011
\$ 13,148,044	\$ 12,650,077	\$ 14,571,541	\$ 12,950,583	\$ 11,059,465	\$ 10,810,639
<u>2,193,028</u>	<u>2,298,633</u>	<u>2,478,982</u>	<u>2,339,137</u>	<u>2,217,135</u>	<u>2,277,894</u>
10,955,016	10,351,444	12,092,559	10,611,446	8,842,330	8,532,745
288,340	293,755	294,467	295,996	296,661	297,615
-	-	-	-	-	243,527
-	-	-	-	-	-
1,318,579	1,229,780	-	-	-	-
175,906	-	-	10,434	3,045	3,995
<u>-</u>	<u>112,851</u>	<u>1,272,986</u>	<u>1,455,414</u>	<u>815,000</u>	<u>326,833</u>
\$ <u>9,172,191</u>	\$ <u>8,715,058</u>	\$ <u>10,525,106</u>	\$ <u>8,849,602</u>	\$ <u>7,727,624</u>	\$ <u>7,660,775</u>
\$ 3,301,989	\$ 3,137,421	\$ 3,789,038	\$ 3,185,856	\$ 2,781,945	\$ 2,757,879
-	-	-	-	-	-
<u>-</u>	<u>168</u>	<u>451</u>	<u>29</u>	<u>19</u>	<u>14</u>
<u>3,301,989</u>	<u>3,137,589</u>	<u>3,789,489</u>	<u>3,185,885</u>	<u>2,781,964</u>	<u>2,757,893</u>
5,870,202	5,577,637	6,736,068	5,663,746	4,945,679	4,902,896
-	-	-	-	-	-
-	(54,682)	(607,836)	(776,829)	(770,276)	(734,467)
<u>-</u>	<u>(168)</u>	<u>(451)</u>	<u>(29)</u>	<u>(19)</u>	<u>(14)</u>
<u>5,870,202</u>	<u>5,522,787</u>	<u>6,127,781</u>	<u>4,886,888</u>	<u>4,175,384</u>	<u>4,168,415</u>
\$ <u><u>9,172,191</u></u>	\$ <u><u>8,715,058</u></u>	\$ <u><u>10,525,106</u></u>	\$ <u><u>8,849,602</u></u>	\$ <u><u>7,727,624</u></u>	\$ <u><u>7,660,775</u></u>

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

Year Ended September 30, 2011

	<u>Reserved for City Distribution</u>	<u>Current Debt Service</u>	<u>Contingency</u>
Cash and investments at September 30, 2010	<u>\$ 4,180,685</u>	<u>\$ 159,641</u>	<u>\$ 500,987</u>
Add:			
Transfers in	4,168,414	297,615	-
Receivable	-	-	-
Other	-	-	-
Interest earned	<u>2,084</u>	<u>-</u>	<u>641</u>
Total additions	<u>4,170,498</u>	<u>297,615</u>	<u>641</u>
Less payments:			
Retirement of Series Revenue Bonds	-	270,000	-
Capital assets	-	-	-
Interfund transfers	4,180,685	178	-
Interest and fiscal charges	<u>-</u>	<u>19,712</u>	<u>-</u>
Total payments	<u>4,180,685</u>	<u>289,890</u>	<u>-</u>
Cash and investments at September 30, 2011	<u><u>\$ 4,170,498</u></u>	<u><u>\$ 167,366</u></u>	<u><u>\$ 501,628</u></u>
Cash and investments at September 30, 2011 are comprised of the following:			
Cash	\$ -		\$ -
Certificates of deposits	2,162,631	-	-
Investments	2,005,783	167,366	501,628
Accrued interest	<u>2,084</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 4,170,498</u></u>	<u><u>\$ 167,366</u></u>	<u><u>\$ 501,628</u></u>

Bridge Capital Improvement	Total
<u>\$ 241,828</u>	<u>\$ 5,083,141</u>
243,527	4,709,556
-	-
-	-
<u>293</u>	<u>3,018</u>
<u>243,820</u>	<u>4,712,574</u>
-	270,000
89,342	89,342
-	4,180,863
<u>-</u>	<u>19,712</u>
<u>89,342</u>	<u>4,559,917</u>
<u>\$ 396,306</u>	<u>\$ 5,235,798</u>
\$ 4,151	4,151
-	2,162,631
392,155	3,066,932
<u>-</u>	<u>2,084</u>
<u>\$ 396,306</u>	<u>\$ 5,235,798</u>



McAllen International Toll Bridge
Schedule of Rental Income
Year Ended September 30, 2011

<u>Lessee</u>	<u>Amount</u>
General Services Administration	\$ 833,410
Texas Alcoholic Beverage Commission	23,195
United Export Traders Association	425,971
Valley Transit Bus Company	8,500
Taxi Space Rental	450
Sprint	18,976
AT&T	38,891
Verizon et. Al	377
ATM	3,410
	<u>\$ 1,353,180</u>

McAllen International Toll Bridge
Comparative Detailed Schedule of Operating Expenses
Year Ended September 30, 2011

	Department		Total	Total
	Administration	Bridge Operations	2011	2010
Personnel Services				
Exempt salaries	\$ 152,026	\$ 1,424	\$ 153,450	\$ 118,933
Nonexempt wages and part time	27,615	645,546	673,161	722,660
Board of trustees fees	1,800	-	1,800	2,050
Overtime	1,698	40,011	41,709	83,866
Total salaries and wages	183,139	686,981	870,120	927,509
Payroll Taxes and Benefits				
Social security and unemployment tax	14,346	51,840	66,186	68,972
Employee retirement	16,509	62,285	78,794	77,240
Employee benefits	20,008	137,116	157,124	174,636
Transportation and telephone allowance	5,520	960	6,480	3,744
Total payroll taxes and benefits	56,383	252,201	308,584	324,592
Materials and Supplies				
Janitorial	-	38,409	38,409	31,828
Fuel	3,630	-	3,630	-
Office supplies	6,944	-	6,944	6,417
Clothing and uniforms	133	8,887	9,020	8,748
Operating supplies	9,531	10,054	19,585	23,375
Total materials and supplies	20,238	57,350	77,588	70,368
Maintenance				
Vehicles	3,358	-	3,358	4,728
Buildings	-	49,204	49,204	50,679
Equipment	880	67,590	68,470	42,246
Total maintenance	4,238	116,794	121,032	97,653
Other Services and Charges				
Auditing services	16,500	-	16,500	16,500
Advertising	51,888	-	51,888	34,043
Dues and subscription	1,605	-	1,605	20,545
Management fee	135,000	-	135,000	135,000
Postage	191	-	191	36
Professional services	20,419	-	20,419	-
Photocopier rental	1,392	-	1,392	1,933
Rental and contractual	9,377	212,524	221,901	185,466
Bridge security	-	320,417	320,417	289,609
Travel and training	13,913	-	13,913	1,428
Telephone	14,652	-	14,652	-
Utilities	-	49,658	49,658	59,690
General insurance	50,368	-	50,368	50,368
Miscellaneous	264	2,402	2,666	2,393
Total other services and charges	315,569	585,001	900,570	797,011
Total expenses before depreciation	579,567	1,698,327	2,277,894	2,217,133
Depreciation and amortization	-	-	563,023	559,882
Total operating expenses	\$ 579,567	\$ 1,698,327	\$ 2,840,917	\$ 2,777,015

Toll Bridge System
McAllen International Toll Bridge and Anzalduas International Crossing
Schedule of Net Assets Information
September 30, 2011

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Current Assets			
Cash	\$ 170,456	\$ 105,324	\$ 275,780
Certificates of deposit	400,000	200,000	600,000
Investments	1,413,190	807,000	2,220,190
Accrued interest receivable	677	338	1,015
Other receivables	69,451	-	69,451
Total current assets	<u>2,053,774</u>	<u>1,112,662</u>	<u>3,166,436</u>
Restricted Assets			
Cash (all interest-bearing):			
Current debt service	<u>4,151</u>	<u>67,686</u>	<u>71,837</u>
Total restricted cash	<u>4,151</u>	<u>67,686</u>	<u>71,837</u>
Certificates of deposit/ investments- reserved for distribution	4,170,498	-	4,170,498
Investments	<u>1,061,149</u>	<u>922,657</u>	<u>1,983,806</u>
Total restricted assets -- excluding current bond installments	<u>5,235,798</u>	<u>990,343</u>	<u>6,226,141</u>
Capital Assets -- at cost			
Land	573,798	2,936,598	3,510,396
Buildings	10,698,086	2,997,470	13,695,556
Improvements other than buildings	2,411,169	47,243,241	49,654,410
Machinery and equipment	1,784,526	1,458,795	3,243,321
Construction in progress	<u>2,450</u>	<u>-</u>	<u>2,450</u>
	<u>15,470,029</u>	<u>54,636,104</u>	<u>70,106,133</u>
Less accumulated depreciation	<u>(8,192,701)</u>	<u>(2,631,749)</u>	<u>(10,824,450)</u>
Net capital assets	<u>7,277,328</u>	<u>52,004,355</u>	<u>59,281,683</u>
Other Assets			
Unamortized bond issue cost	3,987	876,273	880,260
Excess of purchase price over assets acquired	609,713	-	609,713
Board advances	<u>13,932,176</u>	<u>-</u>	<u>13,932,176</u>
Total other assets	<u>14,545,876</u>	<u>876,273</u>	<u>15,422,149</u>
Total assets	<u>\$ 29,112,776</u>	<u>\$ 54,983,633</u>	<u>\$ 84,096,409</u>

Liabilities and Net Assets

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Current Liabilities			
Due to City of Hidalgo	\$ 711,158	\$ 99,315	\$ 810,473
Accounts payable	59,308	-	59,308
Compensated absences due one year	52,000	-	52,000
Other payables	37,185	-	37,185
Total current liabilities	859,651	99,315	958,966
Liabilities Payable From Restricted Assets			
Accounts payable	-	-	-
Due to City of McAllen-interest on certificates of deposit	2,084	-	2,084
Current installments of revenue bonds	285,000	820,000	1,105,000
Accrued revenue bond interest	1,104	149,177	150,281
Total liabilities payable from restricted assets	288,188	969,177	1,257,365
Long-Term Liabilities			
Revenue bonds – excluding current installments	-	36,795,000	36,795,000
Compensated absences	38,113	4,496	42,609
Deferred revenue	96,106	-	96,106
Other long term payables	-	14,460,488	14,460,488
Total long-term liabilities	134,219	51,259,984	51,394,203
Total liabilities	1,282,058	52,328,476	53,610,534
Net Assets			
Invested in capital assets-net of related debt	6,996,315	14,737,317	21,733,632
Restricted per revenue bond ordinances	667,878	773,455	1,441,333
Restricted for improvements	396,305	67,686	463,991
Restricted for distribution to the City of McAllen	4,168,414	-	4,168,414
Unrestricted	15,601,806	(12,923,301)	2,678,505
Total net assets	27,830,718	2,655,157	30,485,875
Total liabilities and net assets	\$ 29,112,776	\$ 54,983,633	\$ 84,096,409

Toll Bridge System
McAllen International Toll Bridge and Anzalduas International Crossing
Schedule of Revenues, Expenses, and Changes in Fund Net Assets Information
Years Ended September 30, 2011

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Operating revenues:			
Tolls	\$ 9,063,280	\$ 2,291,677	\$ 11,354,957
Rental income	1,353,180	-	1,353,180
Other income	386,727	99,558	486,285
Total operating revenues	<u>10,803,187</u>	<u>2,391,235</u>	<u>13,194,422</u>
Operating expenses:			
Salaries	870,120	246,772	1,116,892
Payroll taxes and benefits	308,584	86,977	395,561
Insurance	50,368	12,000	62,368
Materials and supplies	77,588	15,289	92,877
Maintenance	121,032	36,100	157,132
Bridge security	320,417	-	320,417
Miscellaneous services	529,785	311,657	841,442
Depreciation	563,023	1,511,334	2,074,357
Total operating expenses	<u>2,840,917</u>	<u>2,220,129</u>	<u>5,061,046</u>
Operating income	<u>7,962,270</u>	<u>171,106</u>	<u>8,133,376</u>
Nonoperating revenues (expenses):			
Distribution of income to the City of Hidalgo	(2,900,664)	-	(2,900,664)
Interest income	5,135	4,543	9,678
Interest expense	(18,865)	(1,804,655)	(1,823,520)
Interest on Board advances	460,943	(460,943)	-
Amortization/ discount of bond premium	(9,569)	(17,044)	(26,613)
Total nonoperating (expenses) revenues	<u>(2,463,020)</u>	<u>(2,278,099)</u>	<u>(4,741,119)</u>
Income before operating transfers and contributions	5,499,250	(2,106,993)	3,392,257
Capital contributions	124,593	-	124,593
Transfers to the City of McAllen	(4,429,189)	-	(4,429,189)
Transfers to debt service Series "B" 2007 bonds	(734,467)	734,467	-
Transfers in - other	2,609	4,626	7,235
Changes in net assets	462,796	(1,367,900)	(905,104)
Total net assets at beginning of year	<u>27,367,922</u>	<u>4,023,057</u>	<u>31,390,979</u>
Total net assets at end of year	<u>\$ 27,830,718</u>	<u>\$ 2,655,157</u>	<u>\$ 30,485,875</u>

Toll Bridge System
McAllen International Toll Bridge and Anzalduas International Crossing
Schedule of Cash Flows Information
Years Ended September 30, 2011

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 10,839,756	\$ 2,391,235	\$ 13,230,991
Payments to suppliers	(1,089,011)	(301,111)	(1,390,122)
Payments to employees	(1,183,222)	(325,839)	(1,509,061)
Net cash provided by operating activities	<u>8,567,523</u>	<u>1,764,285</u>	<u>10,331,808</u>
Cash Flows From Noncapital Financing Activities			
Distribution of income to the City of Hidalgo	(3,061,491)	-	(3,061,491)
Operating transfers to the City of McAllen	(4,432,415)	-	(4,432,415)
Advance Receivable	-	431,073	431,073
Reimbursement on Board Advances	1,279,418	(1,279,418)	-
Advance from McAllen International Toll Bridge-Board A	(326,833)	326,833	-
Advance from McAllen International Toll Bridge-Board B	(734,467)	734,467	-
Transfer from Health Insurance fund	2,609	4,626	7,235
Net cash (used by) provided by noncapital financing activities	<u>(7,273,180)</u>	<u>217,582</u>	<u>(7,055,598)</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(93,337)	(648,326)	(741,663)
Principal paid on long-term debt	(270,000)	(790,000)	(1,060,000)
Interest paid	(19,878)	(1,807,288)	(1,827,166)
Net cash used by capital and related financing activities	<u>(383,215)</u>	<u>(3,245,614)</u>	<u>(3,628,829)</u>
Cash Flows From Investing Activities			
Receipt of interest	5,243	4,593	9,836
Proceeds from sales and maturities of investments	6,035,172	3,286,395	9,321,567
Purchase of investments	(7,045,953)	(1,929,656)	(8,975,609)
Net cash provided by (used by) investing activities	<u>(1,005,538)</u>	<u>1,361,332</u>	<u>355,794</u>
Net increase (decrease) in cash	(94,410)	97,585	3,175
Cash at beginning of year	<u>269,017</u>	<u>75,425</u>	<u>344,442</u>
Cash at end of year	<u>\$ 174,607</u>	<u>\$ 173,010</u>	<u>\$ 347,617</u>

Toll Bridge System
McAllen International Toll Bridge and Anzalduas International Crossing
Schedule of Cash Flows Information
Years Ended September 30, 2011
(Continued)

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Reconciliation of Cash Per Statements of Cash Flows to the Statements of Net Assets			
Unrestricted cash	\$ 170,456	\$ 105,324	\$ 275,780
Restricted cash	4,151	67,686	71,837
	<u>\$ 174,607</u>	<u>\$ 173,010</u>	<u>\$ 347,617</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
	\$ 7,962,270	\$ 171,106	\$ 8,133,376
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation	563,023	1,511,334	2,074,357
Changes in assets and liabilities:			
Accounts payable	10,179	81,845	92,024
Other payables	6,102	-	6,102
Accumulated unpaid absences	(10,620)	-	(10,620)
Deferred revenue	36,569	-	36,569
Total adjustments	<u>605,253</u>	<u>1,593,179</u>	<u>2,198,432</u>
Net cash provided by operating activities	<u>\$ 8,567,523</u>	<u>\$ 1,764,285</u>	<u>\$ 10,331,808</u>
Noncash investing, capital, and financing activities:			
Contribution of capital assets from outside source	<u>\$ 124,593</u>	<u>\$ -</u>	<u>\$ 124,593</u>

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

	Year Ended September 30,			
	2002	2003	2004	2005
Vehicular traffic southbound:				
Cars	6,098,562	5,672,769	5,465,002	5,440,901
Trucks	29,111	25,437	20,238	20,484
Buses	25,840	25,541	25,525	24,311
Total vehicles	(1) <u>6,153,513</u>	(1) <u>5,723,747</u>	(1) <u>5,510,765</u>	(1) <u>5,485,696</u> (1)
Passenger traffic southbound:				
Passengers in cars	(2) 13,538,808	(2) 12,593,547	(2) 12,132,304	(2) 12,078,800 (2)
Pedestrians	1,296,998	1,324,814	1,383,498	1,327,812
Passengers and drivers – buses and trucks	<u>749,360</u>	<u>740,689</u>	<u>740,225</u>	<u>705,019</u>
Total persons	<u>15,585,166</u>	<u>14,659,050</u>	<u>14,256,027</u>	<u>14,111,631</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

Year Ended September 30,					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
5,275,085	4,952,968	5,005,822	4,493,785	3,564,188	2,997,696
15,583	4,339	5,295	4,383	2,629	1,641
<u>28,231</u>	<u>29,301</u>	<u>29,837</u>	<u>28,890</u>	<u>20,433</u>	<u>17,464</u>
<u>5,318,899</u> (1)	<u>4,986,608</u> (1)	<u>5,040,954</u> (1)	<u>4,527,058</u> (1)	<u>3,587,250</u> (1)	<u>3,016,801</u> (1)
11,710,689 (2)	12,382,420 (2)	12,514,555 (2)	11,234,463 (2)	8,910,470 (2)	7,494,240 (2)
1,520,307	1,683,666	1,547,848	1,575,193	1,578,295	1,540,559
<u>818,699</u>	<u>849,729</u>	<u>865,273</u>	<u>837,810</u>	<u>592,557</u>	<u>506,456</u>
<u>14,049,695</u>	<u>14,915,815</u>	<u>14,927,676</u>	<u>13,647,466</u>	<u>11,081,322</u>	<u>9,541,255</u>

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

	Year Ended September 30,			
	2002	2003	2004	2005
Southbound traffic:				
Cars	6,098,562	5,672,769	5,465,002	5,440,901
Trucks	<u>29,111</u>	<u>25,437</u>	<u>20,238</u>	<u>20,484</u>
Total car and truck traffic	<u>6,127,673</u>	<u>5,698,206</u>	<u>5,485,240</u>	<u>5,461,385</u>
Truck traffic percentage	0.48%	0.45%	0.37%	0.38%
Car and truck revenue:				
Cars	\$ 9,147,843	\$ 9,535,340	\$ 9,563,754	\$ 10,413,819
Trucks	<u>215,908</u>	<u>185,158</u>	<u>137,994</u>	<u>151,128</u>
Total car and truck revenue	<u>\$ 9,363,751</u>	<u>\$ 9,720,498</u>	<u>\$ 9,701,748</u>	<u>\$ 10,564,947</u>
Truck revenue percentage	2.31%	1.90%	1.42%	1.43%
Average revenue per car	\$ 1.50	\$ 1.68	\$ 1.75	\$ 1.91
Average revenue per truck	\$ 7.42	\$ 7.28	\$ 6.82	\$ 7.38

Year Ended September 30,					
2006	2007	2008	2009	2010	2011
5,275,085	4,952,968	5,005,822	4,493,785	3,564,188	2,997,696
15,583	4,339	5,295	4,383	2,629	1,641
<u>5,290,668</u>	<u>4,957,307</u>	<u>5,011,117</u>	<u>4,498,168</u>	<u>3,566,817</u>	<u>2,999,337</u>
0.29%	0.09%	0.11%	0.10%	0.07%	0.05%
\$ 10,550,170	\$ 9,905,936	\$ 11,161,245	\$ 10,111,016	\$ 8,325,166	\$ 7,982,692
121,022	29,724	37,003	30,669	19,325	11,487
<u>\$ 10,671,192</u>	<u>\$ 9,935,660</u>	<u>\$ 11,198,248</u>	<u>\$ 10,141,685</u>	<u>\$ 8,344,491</u>	<u>\$ 7,994,179</u>
1.13%	0.30%	0.33%	0.30%	0.23%	0.14%
\$ 2.00	\$ 2.00	\$ 2.23	\$ 2.25	\$ 2.34	\$ 2.66
\$ 7.77	\$ 6.85	\$ 6.99	\$ 7.00	\$ 7.35	\$ 7.00

McAllen International Toll Bridge
Schedule of Board Advances to Anzalduas International Crossing
September 30, 2011
(Unaudited)

Anzalduas Special & Startup Fund:

Balance at September 30, 2010	Additions Advances	Implied Interest	Balance at September 30, 2011
<u>\$ 9,466,742</u>	<u>\$ -</u>	<u>\$458,600</u>	<u>\$ 9,925,342</u>

Board advance "A" to Anzalduas International Crossing:

Balance at September 30, 2010	Additions Advances	Implied Interest	Balance at September 30, 2011
<u>\$ 3,677,890</u>	<u>\$ 326,833</u>	<u>\$ 2,110</u>	<u>\$ 4,006,833</u>

Combined totals of advances to Anzalduas International Crossing:

Balance at September 30, 2010	Additions Advances	Implied Interest	Balance at September 30, 2011
<u>\$ 13,144,632</u>	<u>\$ 326,833</u>	<u>\$460,710</u>	<u>\$ 13,932,175</u>

Distribution of Advances:

City of McAllen- Share @ 64%	\$ 8,412,564	\$ 209,173	\$294,854	\$ 8,916,591
City of Hidalgo- Share @ 36%	<u>4,732,068</u>	<u>117,660</u>	<u>165,856</u>	<u>5,015,584</u>
	<u>\$ 13,144,632</u>	<u>\$ 326,833</u>	<u>\$460,710</u>	<u>\$ 13,932,175</u>

McAllen International Toll Bridge
Schedule of Board Advances to Anzalduas International Crossing
September 30, 2011
(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>
10/1/2010 Opening balance						\$ 9,466,742
10/31/2010	4.74%	31	-	38,110	-	9,504,852
11/30/2010	4.74%	30	-	37,030	-	9,541,882
12/31/2010	4.74%	31	-	38,413	-	9,580,295
1/31/2011	4.74%	31	-	38,568	-	9,618,863
2/28/2011	4.74%	28	-	34,976	-	9,653,839
3/31/2011	4.74%	31	-	38,864	-	9,692,703
4/30/2011	4.74%	30	-	37,762	-	9,730,465
5/31/2011	4.74%	31	-	39,172	-	9,769,637
6/30/2011	4.74%	30	-	38,061	-	9,807,699
7/31/2011	4.74%	31	-	39,483	-	9,847,182
8/31/2011	4.74%	31	-	39,642	-	9,886,824
9/30/2011	4.74%	30	-	38,518	-	9,925,342

McAllen International Toll Bridge
Schedule of Board Advances to Anzalduas International Crossing
September 30, 2011
(Unaudited)

Activity Schedule-Board Advances "A":

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

	Bank Rate	# Days	Advance	Interest	(Payment)	Balance
Opening balance						\$ 3,677,890
10/1/2010			27,190	-	-	3,705,080
10/31/2010	0.10%	31		315	-	3,705,395
11/1/2010			27,190	-	-	3,732,584
11/30/2010	0.07%	30		215	-	3,732,798
12/1/2010			27,190	-	-	3,759,987
12/31/2010	0.09%	31		287	-	3,760,276
1/1/2011			27,190	-	-	3,787,465
1/31/2011	0.07%	31		225	-	3,787,690
2/1/2011			27,190	-	-	3,814,880
2/28/2011	0.09%	28		263	-	3,815,143
3/1/2011			27,190	-	-	3,842,333
3/31/2011	0.08%	31		261	-	3,842,593
4/1/2011			27,190	-	-	3,869,783
4/30/2011	0.05%	30		159	-	3,869,942
5/1/2011			27,190	-	-	3,897,132
5/31/2011	0.02%	31		66	-	3,897,199
6/1/2011			27,190	-	-	3,924,389
6/30/2011	0.03%	30		97	-	3,924,485
7/1/2011			27,190	-	-	3,951,675
7/31/2011	0.01%	31		34	-	3,951,709
8/1/2011			27,190	-	-	3,978,899
8/31/2011	0.05%	31		169	-	3,979,068
9/1/2011			27,743	-	-	4,006,811
9/30/2011	0.01%	30	-	20	-	4,006,833

McAllen International Toll Bridge
Schedule of Board Advances to Anzalduas International Crossing
September 30, 2011
(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							\$ 762,227
10/1/2010			78,925	\$ 27,095	-	-	789,322
10/31/2010	0.10%	31	-	-	67	-	789,389
11/1/2010			78,925	\$ 27,095	-	-	816,484
11/30/2010	0.07%	30	-	-	47	-	816,531
12/1/2010			78,925	\$ 27,095	-	-	843,626
12/31/2010	0.09%	31	-	-	64	-	843,689
1/1/2011			78,925	\$ 27,095	-	-	870,784
1/31/2011	0.07%	31	-	-	52	-	870,837
2/1/2011			78,925	\$ 27,095	-	-	897,931
2/28/2011	0.09%	28	-	-	62	-	897,993
3/1/2011			78,992	\$ 27,118	-	-	925,111
3/31/2011	0.08%	31	-	-	63	-	925,174
4/1/2011			78,992	\$ 27,118	-	-	952,291
4/30/2011	0.05%	30	-	-	39	-	952,330
5/1/2011			78,992	\$ 27,118	-	-	979,449
5/31/2011	0.02%	31	-	-	17	-	979,467
6/1/2011			78,992	\$ 27,118	-	-	1,006,585
6/30/2011	0.03%	30	-	-	25	-	1,006,608
7/1/2011			7,958	\$ 2,732	-	-	1,009,340
7/31/2011	0.01%	31	-	-	9	-	1,009,349
8/1/2011			7,957	\$ 2,732	-	-	1,012,081
8/31/2011	0.05%	31	-	-	43	-	1,012,124
9/1/2011			7,957	\$ 2,732	-	-	1,014,856
9/30/2011	0.006%	30	-	-	5	-	1,014,864

McAllen International Toll Bridge
Schedule of Insurance Coverage
September 30, 2011
(Unaudited)

<u>Property</u>	<u>Insurance Company</u>	<u>Period of Coverage</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Bridge and surrounding area	Texas Municipal League	10/01/10 to 09/30/11	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	10/01/10 to 09/30/11	Bridge use, occupancy, and business interruptions (\$10,000 deductible, except \$25,000 flood and earthquake)	\$ 10,273,000
Workers' compensation	Health Smart Benefit Solutions	10/01/10 to 09/30/11	Employer's liability - job-related injuries	Statutory
Workers' compensation	Star Insurance Company	10/01/10 to 09/30/11	Aggregate excess and specific (\$400,000 per occurrence)	\$ 1,000,000
General liability	Texas Municipal League	10/01/10 to 09/30/11	General: (\$10,000 deductible) Bodily injury Property damage	\$ 2,000,000
Errors and omissions liability	Montalvo Insurance/ Illinois National Insurance Company	10/01/10 to 09/30/11	Each wrongful act (\$25,000 deductible)	\$ 4,000,000
Crime section: Employee dishonesty	Texas Municipal League	10/01/10 to 09/30/11	Limit of coverage (\$5,000 deductible)	\$ 1,000,000
Forgery or alteration	Texas Municipal League	10/01/10 to 09/30/11	Limit of coverage (\$1,000 deductible)	\$ 50,000
Crime coverage and computer fraud	Texas Municipal League	10/01/10 to 09/30/11	Limit of coverage (\$5,000 deductible)	\$ 1,000,000
Theft, disappearance and destruction	Texas Municipal League	10/01/10 to 09/30/11	Limit of coverage (\$1,000 deductible)	\$ 50,000

**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

To the Board of Trustees
McAllen International Toll Bridge
McAllen, Texas

We have audited the statement of net assets of the McAllen International Toll Bridge (the "Bridge"), an enterprise fund of the City of McAllen, Texas, as of September 30, 2011, and the related statements of revenues, expenses, and changes in fund net assets and cash flows for the year then ended and have issued our report thereon dated January 30, 2012. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Bridge is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Bridge's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bridge's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bridge's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bridge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and the Public Funds Investment Act, 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 required to be reported under *Government Auditing Standards* or the Public Funds Investment Act.

We noted certain matters that we reported to management of the Bridge in a separate letter dated January 30, 2012.

This report is intended solely for the information and use of management, others within the Bridge, and the Board of Trustees and is not intended to be, and should not be, used by anyone other than these specified parties.

Padgett, Stratmann & Co., L.L.P.

Certified Public Accountants
January 30, 2012