

**McAllen International Toll Bridge**

Financial Statements  
And Report of Independent Certified Public Accountants

September 30, 2016 and 2015



# McALLEN INTERNATIONAL TOLL BRIDGE

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees  
McAllen International Toll Bridge

### **Report on the financial statements**

We have audited the accompanying financial statements of the McAllen International Toll Bridge (the “Bridge”) as of and for the years ended September 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Bridge’s basic financial statements as listed in the table of contents.

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

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

### **Auditor’s responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the McAllen International Toll Bridge as of September 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other matters**

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

As discussed in Note 1, the financial statements present only the McAllen International Toll Bridge and do not purport to, and do not, present fairly the financial position of the City of McAllen, as of September 30, 2016 and 2015, the changes in its financial position or where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

##### ***Required supplementary information***

Accounting principles generally accepted in the United States of America require that the management discussion and analysis be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### ***Supplementary information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Bridge's basic financial statements. The supplemental schedules as listed in the table of contents on pages 34 through 43 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic

financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other information*

The Schedule of Vehicle and Passenger Traffic, Schedule of Car and Truck Traffic Revenue, Schedules of Board Advances to the Anzalduas International Crossing, and Schedule of Insurance Coverage of pages 44 through 52, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 3, 2017, 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  
February 3, 2017

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**McAllen International Toll Bridge  
Management's Discussion and Analysis  
September 30, 2016**

This discussion and analysis is intended to provide an overview of the McAllen International Toll Bridge's (Hidalgo Bridge) financial performance for the fiscal years ending September 30, 2016 and 2015 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.

<u>Category</u>	<u>FY 15-16</u>	<u>FY 14-15</u>	<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Cars	2,896,421	2,822,746	73,675	2.60%
Non-Commercial Trucks & Buses	28,884	33,211	(4,327)	-13.00%
Passengers in cars	7,241,053	7,056,865	184,188	2.60%

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 \$3.1M. Operating revenues were up \$913K while operating expenses increased by \$303K.

***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 fiscal years ending September 30, 2016 and 2015.

**McAllen International Toll Bridge  
Management's Discussion and Analysis**  
September 30, 2016

***Required Financial Statements***

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

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

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

***FINANCIAL POSITION SUMMARY***

Net position, and its components, over time serve as a meaningful measure of the Hidalgo Bridge's financial position. As of September 30, 2016, net position increased by \$3.1M primarily as a result of increased toll and other income. In FY 14-15, net position also increased by \$1.2M also as a result of increased toll and rental revenue.

**McAllen International Toll Bridge  
Management's Discussion and Analysis  
September 30, 2016**

A summary of the Hidalgo Bridge's Condensed Statements of Net Position information at year end is presented below:

	<b>Condensed Statements of Net Position Information</b>		
	2016	2015	Restated 2014
<b>ASSETS:</b>			
Current assets	\$ 2,231,885	\$ 2,282,714	\$ 2,508,147
Restricted assets	8,252,768	9,649,873	7,118,442
Net capital assets	10,931,595	9,226,515	8,056,372
Other assets	<u>17,002,435</u>	<u>16,397,628</u>	<u>15,821,468</u>
 Total assets	 <u>\$ 38,418,683</u>	 <u>\$ 37,556,730</u>	 <u>\$ 33,504,429</u>
 Deferred outflows of resources - pension	 <u>355,841</u>	 <u>30,667</u>	 <u>-</u>
 Total assets and deferred outflow of resources	 <u>\$ 38,774,524</u>	 <u>\$ 37,587,397</u>	 <u>\$ 33,504,429</u>
 <b>LIABILITIES:</b>			
Current liabilities	\$ 1,267,013	\$ 2,661,876	\$ 1,058,588
Payable from restricted assets	64,557	834,712	433
Long-term liabilities	<u>1,025,035</u>	<u>843,028</u>	<u>401,241</u>
 Total liabilities	 <u>\$ 2,356,605</u>	 <u>\$ 4,339,616</u>	 <u>\$ 1,460,262</u>
 <b>NET POSITION:</b>			
Net investment in capital assets	\$ 10,931,595	\$ 9,226,515	\$ 8,056,372
Restricted	8,188,212	8,815,160	7,118,010
Unrestricted	<u>17,298,112</u>	<u>15,206,106</u>	<u>16,869,785</u>
 Total net position	 <u>\$ 36,417,919</u>	 <u>\$ 33,247,781</u>	 <u>\$ 32,044,167</u>

**McAllen International Toll Bridge  
Management's Discussion and Analysis**  
September 30, 2016

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

Southbound car crossings increased by 2.60% from 2015 to 2016, while the non-commercial trucks and bus crossing decreased by -13.0%. This generated toll revenues of \$11.9M—an increase of \$899K when compared to the prior year due to higher toll charges for cars. In 2016, there was an increase in car rates from \$3.25 to \$3.50 in December 2015. Rental income increased by \$137K from 2015 to 2016 due to a combination of an increase in the monthly GSA lease rate offset by UETA rental revenue decline of \$95K. Operating expenses increased from last year's level of \$3.1M. An operating expense increase of \$303K can be attributed to an increase of personnel expense of \$178K, compared to 2015 which had \$1.1M and an increase to depreciation expense of \$130K, compared to 2015 which had \$605K. Operating income increased \$609K, resulting in a \$3.1M increase to net position after distributions to the cities. In 2015, toll revenues also increased to \$11M, which was \$338 over 2014, and was attributed to an increase in toll charges for trucks and buses. Operating expenses in 2015 slightly increase from 2014 by \$47K due to an increase in other services and charges and a 1% to 2% decrease for the majority of the other operating expenses. Rental income increased by 22% when comparing 2014 to 2015 and is mostly due to the increase in the monthly GSA lease rate.

Condensed Schedule of Revenues, Expenses, and Changes in Net Position information provides 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, 2016**

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

	2016	2015	Restated 2014
Operating revenues:			
Tolls	\$ 11,911,240	\$ 11,011,370	\$ 10,673,408
Tolls - broker collections	-	210,556	-
Rental income	2,447,657	2,310,672	1,892,738
Other income	153,845	67,587	127,892
Total operating revenues	<u>14,512,742</u>	<u>13,600,185</u>	<u>12,694,038</u>
Operating expenses:			
Personnel	1,358,566	1,180,322	1,201,386
Supplies	91,822	89,069	90,115
Other services and charges	1,036,163	1,029,194	956,369
Maintenance	197,417	212,001	213,699
Depreciation	734,904	604,697	606,661
Total operating expenses	<u>3,418,872</u>	<u>3,115,283</u>	<u>3,068,230</u>
Operating income	<u>11,093,870</u>	<u>10,484,902</u>	<u>9,625,808</u>
Nonoperating revenues (expenses):			
Distribution of income to City of Hidalgo	(3,740,752)	(3,725,318)	(3,428,995)
Investment income	13,867	2,944	1,591
Interest expense	(65,478)	(38,270)	-
Interest on board advances	604,807	576,160	550,445
Total nonoperating revenues (expenses)	<u>(3,187,556)</u>	<u>(3,184,484)</u>	<u>(2,876,959)</u>
Income before transfers and contributions	7,906,314	7,300,418	6,748,849
Capital Contributions	1,944,222	-	-
Transfers to City of McAllen	(5,674,899)	(5,148,916)	(4,771,818)
Transfers to debt service Series "B"	(949,755)	(947,888)	(947,075)
Transfer to Health Insurance	(55,744)	-	-
Changes in net position	3,170,138	1,203,614	1,029,956
Total net position at beginning of year	<u>33,247,781</u>	<u>32,044,167</u>	<u>31,014,211</u>
Total net position at end of year	<u>\$ 36,417,919</u>	<u>\$ 33,247,781</u>	<u>\$ 32,044,167</u>

**McAllen International Toll Bridge  
Management's Discussion and Analysis  
September 30, 2016**

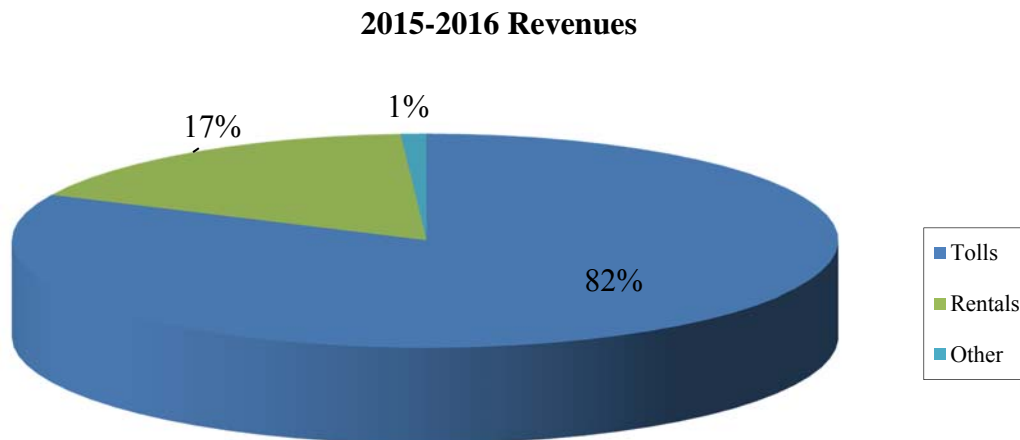
***TOLL RATES***

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

<u>Category</u>	<u>FY 15-16</u>	<u>FY 14-15</u>
Pedestrians	\$1.00	\$1.00
Cars	\$3.50	\$3.25
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	\$3.50	\$3.25
Extra Axle	\$3.00	\$3.00

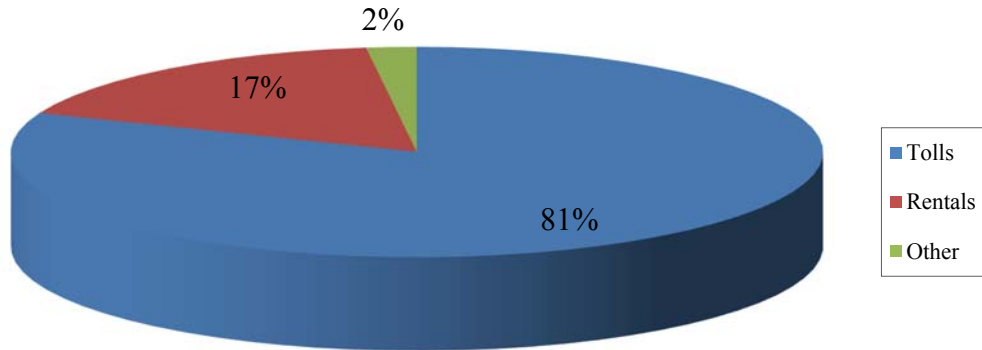
***REVENUES***

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, 2016**

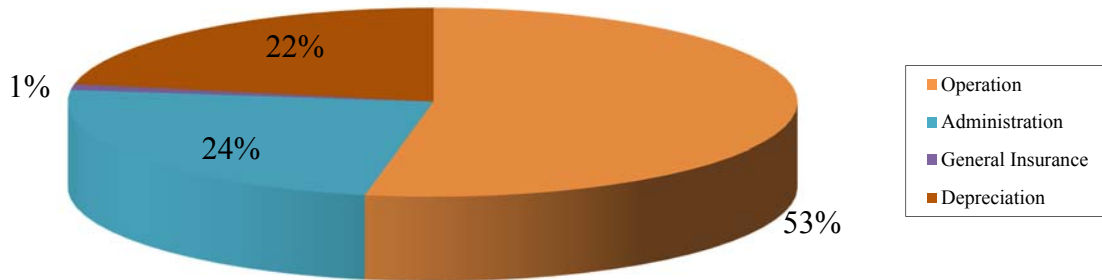
**2014-2015 Revenues**



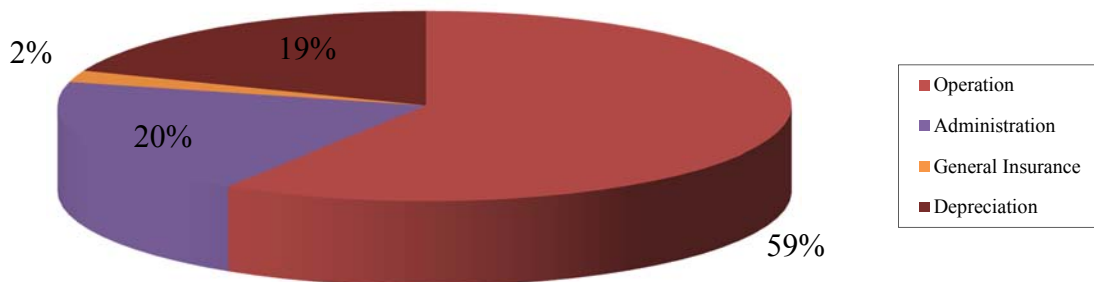
***EXPENSES***

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

**2015-2016 Expenses**



**2014-2015 Expenses**



**McAllen International Toll Bridge  
Management's Discussion and Analysis  
September 30, 2016**

***CAPITAL ASSETS AND DEBT ADMINISTRATION***

***Capital Assets***

At the end of this fiscal year, the Hidalgo Bridge had \$10.9M in capital assets, consisting of the following.

	<b>Capital Assets</b>		
	FY 15-16	FY 14-15	FY 13-14
Land	573,798	573,798	573,798
Buildings	14,162,628	11,015,806	10,698,086
Improvements other than buildings	4,292,858	4,215,438	3,422,281
Machinery and equipment	2,365,260	2,230,250	1,844,042
Construction in progress	228,417	1,147,685	869,930
Goodwill	609,713	609,713	609,713
	<hr/>	<hr/>	<hr/>
Total capital assets	22,232,674	19,792,690	18,017,850
Accumulated depreciation	(11,301,079)	(10,566,175)	(9,961,478)
	<hr/>	<hr/>	<hr/>
Total capital assets, net	<u>\$ 10,931,595</u>	<u>\$ 9,226,515</u>	<u>\$ 8,056,372</u>

In 2016, \$2.5 M was spent on additional port of entry construction, \$49K for bird netting, \$102K on two generators, \$24K pedestrian canopy, \$18K on fiber and equipment upgrades, \$15K on a scissor lift, \$27K on restroom renovations, \$57K on pedestrian walkway improvements and \$94K for office building improvements. For 2015, \$1.3 M was spent on engineering fees and upgrades of a tenant building, \$386K was spent for a new generator, \$22K for minor improvements to infrastructure, and total of \$797K of the construction projects started in prior years was completed that year. The completed projects included improvements to the port of entry, fencing, and improvements to the pedestrian canopy. For 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.



**McAllen International Toll Bridge  
Management's Discussion and Analysis  
September 30, 2016**

***Debt***

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

On September 30, 2016, the Hidalgo Bridge had one interfund loan from the City of McAllen for capital improvements:

1. A loan in the amount of \$910,958 was issued on May 1, 2015 for the purpose of financing capital improvements to the port of entry (shell improvements) at a rate of 4.5%, with monthly installment payments of \$16,983 and a maturity date of May 1, 2020. Total interest paid as of September 30, 2016 was \$35,086 and total principal paid was \$168,710.

***ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES***

During the budget process for fiscal year 2015-16, 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.

For budget year 2016-17, an upgrade to the current Toll Revenue System has been budgeted at \$1.4 M. Upgrades are required to make operations more efficient and protect the system against viruses. Several other projects have been budgeted for fiscal year 2016-17; restroom renovations, canopy improvements for the southbound side, fence restorations, office building upgrades and an upgrade to the bicycle area. Operating expenses were increased by 10% or \$224K for increased costs in health care and professional consultants.

***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, 2016 and 2015**

Assets and Deferred Outflows of Resources

	2016	2015
<b>Current Assets</b>		
Cash	\$ 175,857	\$ 297,728
Investments	1,722,362	1,826,129
Due from Anzalduas	157,359	-
Due from other governments	175,497	150,669
Other receivables	810	8,188
Total unrestricted current assets	2,231,885	2,282,714
<b>Restricted Assets</b>		
Cash -current capital improvement	246,100	154,123
Investments- reserved for distribution	5,717,012	5,676,141
Investments	2,289,656	3,819,609
Total restricted assets	8,252,768	9,649,873
Total current assets	10,484,653	11,932,587
<b>Capital Assets – at cost</b>		
Capital assets not being depreciated:		
Land	573,798	573,798
Construction in progress	228,417	1,147,685
Goodwill	609,713	609,713
Capital assets net of accumulated depreciation:		
Buildings	14,162,628	11,015,806
Improvements other than buildings	4,292,858	4,215,438
Machinery and equipment	2,365,260	2,230,250
Total capital assets	22,232,674	19,792,690
Less accumulated depreciation	(11,301,079)	(10,566,175)
Net capital assets	10,931,595	9,226,515
<b>Other Assets</b>		
Board advances	17,002,435	16,397,628
Total assets	38,418,683	37,556,730
<b>Deferred outflows of resources - pension</b>	355,841	30,667
Total assets and deferred outflows of resources	\$ 38,774,524	\$ 37,587,397

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

**McAllen International Toll Bridge**  
 Statements of Net Position  
 September 30, 2016 and 2015

Liabilities and Net Position

	2016	2015
<b>Current Liabilities</b>		
Due to City of Hidalgo	\$ 935,601	\$ 950,066
Accounts payable	60,511	79,970
Compensated absences	71,516	84,435
Current note payable	176,461	168,710
Other payables	22,924	1,378,695
Total unrestricted current liabilities	1,267,013	2,661,876
<b>Liabilities Payable From Restricted Assets</b>		
Accounts payable	48,017	833,470
Due to City of McAllen-interest on investments	16,540	1,242
Total liabilities payable from restricted assets	64,557	834,712
Total current liabilities	1,331,570	3,496,588
<b>Long-Term Liabilities</b>		
Compensated absences	-	14,042
Unearned revenue	125,339	116,855
Other long term payables	511,213	687,674
Net pension liability	388,483	24,457
Total long-term liabilities	1,025,035	843,028
Total liabilities	2,356,605	4,339,616
<b>Net Position</b>		
Net investment in capital assets	10,931,595	9,226,515
Restricted for contingency	504,561	503,104
Restricted for improvements	1,983,179	2,637,157
Restricted for distribution to the City of McAllen	5,700,472	5,674,899
Unrestricted	17,298,112	15,206,106
Total net position	36,417,919	33,247,781
Total liabilities and net position	\$ 38,774,524	\$ 37,587,397

## McAllen International Toll Bridge

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

Years Ended September 30, 2016 and 2015

	2016	2015
Operating revenues:		
Tolls	\$ 11,911,240	\$ 11,011,370
Tolls - broker collections	-	210,556
Rental income	2,447,657	2,310,672
Other income	153,845	67,587
	14,512,742	13,600,185
Operating expenses:		
Salaries	996,914	912,116
Payroll taxes and benefits	361,652	268,206
Insurance	23,171	50,368
Materials and supplies	91,822	89,069
Maintenance	197,417	212,001
Bridge security	299,012	291,976
Miscellaneous services	713,980	686,850
Depreciation	734,904	604,697
	3,418,872	3,115,283
Operating income	11,093,870	10,484,902
Nonoperating revenues (expenses):		
Distribution of income to the City of Hidalgo	(3,740,752)	(3,725,318)
Investment income	13,867	2,944
Interest expense	(65,478)	(38,270)
Interest on board advances	604,807	576,160
	(3,187,556)	(3,184,484)
Income before transfers and contributions	7,906,314	7,300,418
Capital contributions	1,944,222	-
Transfers to the City of McAllen	(5,674,899)	(5,148,916)
Transfers to debt service Series "B"	(949,755)	(947,888)
Transfer to Health Insurance	(55,744)	-
	3,170,138	1,203,614
Changes in net position		
Total net position at beginning of year	33,247,781	32,044,167
Total net position at end of year	\$ 36,417,919	\$ 33,247,781

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

# McAllen International Toll Bridge

## Statements of Cash Flows

Years Ended September 30, 2016 and 2015

	2016	2015
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	\$ 14,503,576	\$ 13,387,808
Payments to employees	(1,380,123)	(1,200,358)
Payments to suppliers	(2,265,875)	(1,299,378)
	10,857,578	10,888,072
<b>Net cash provided by operating activities</b>		
<b>Cash Flows From Noncapital Financing Activities</b>		
Capital Contributions	1,944,222	-
Distribution of income to the City of Hidalgo	(3,755,217)	(3,700,777)
Operating transfers to the City of McAllen	(5,674,899)	(5,148,107)
Interfund loan proceeds	-	2,239,581
Board advance to Anzalduas International Crossing- Series B	(949,755)	(947,888)
Transfers to Health Insurance fund	(55,744)	-
	(8,491,393)	(9,796,772)
<b>Net cash (used) by noncapital financing activities</b>		
<b>Cash Flows From Capital and Related Financing Activities</b>		
Capital acquisitions	(2,439,984)	(941,371)
Principal paid on short-term debt	(1,328,623)	-
Principal paid on interfund loan	(168,710)	(54,574)
Interest paid	(65,478)	(38,270)
	(4,002,795)	1,205,366
<b>Net cash provided (used) by capital and related financing activities</b>		
<b>Cash Flows From Investing Activities</b>		
Receipt of interest	6,263	2,944
Proceeds from sales and maturities of investments	15,927,867	16,362,716
Purchase of investments	(14,327,414)	(18,742,553)
	1,606,716	(2,376,893)
<b>Net cash provided (used) by investing activities</b>		
<b>Net (decrease) in cash</b>		
	(29,894)	(80,227)
Cash at beginning of year	451,851	532,078
Cash at end of year	\$ 421,957	\$ 451,851

# McAllen International Toll Bridge

## Statements of Cash Flows

Years Ended September 30, 2016 and 2015

	2016	2015
		Continued
<b>Reconciliation of Cash Per Statements of Cash Flows to the Statements of Net Position</b>		
Unrestricted cash	\$ 175,857	\$ 297,728
Restricted cash	246,100	154,123
	<u>\$ 421,957</u>	<u>\$ 451,851</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
	<u>\$ 11,093,870</u>	<u>\$ 10,484,902</u>
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	734,904	604,697
(Increase) decrease in deferred outflows of resources	(325,174)	(30,667)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(17,450)	(6,387)
Increase (decrease) in accounts payable	(804,912)	30,887
Increase (decrease) in due to City of McAllen-interest on inv	15,298	809
(Increase) decrease in due from other funds	(157,359)	-
Increase (decrease) in other payables	(27,148)	(8,153)
Increase (decrease) in net pension liability	364,026	24,457
Increase (decrease) in compensated absences payable	(26,961)	(6,483)
Increase (decrease) in unearned revenue	8,484	(205,990)
	<u>(236,292)</u>	<u>403,170</u>
Total adjustments		
	<u>\$ 10,857,578</u>	<u>\$ 10,888,072</u>
<b>Noncash capital and financing activities:</b>		
Capital asset additions in accounts payable	<u>\$ 2,439,984</u>	<u>\$ 833,469</u>



**McAllen International Toll Bridge**  
Notes to Financial Statement  
Years Ended September 30, 2016 and 2015

## **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, liabilities and deferred outflows of resources and deferred inflows of resources associated with this entity are included in the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The financial statements have been prepared using the accrual basis of accounting.

**McAllen International Toll Bridge**  
Notes to Financial Statement  
Years Ended September 30, 2016 and 2015

**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.

*Current Year GASB Implementation*

GASB Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share. GASB 79 is effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26 and 40, which are effective for reporting periods beginning after December 15, 2015. The Texas Local Government Investment Pool (TexPool) are valued at amortized cost. There is no impact of the financial statements for the Hidalgo Bridge due to the adoption of GASB Statement No. 79.

**McAllen International Toll Bridge**  
Notes to Financial Statement  
Years Ended September 30, 2016 and 2015

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

**Capital Assets**

Capital assets are capitalized because they are used in the production of services provided. 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, 2016 and 2015.

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, 2016 and 2015 was \$734,904 and \$604,697 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, 2016, the Anzalduas Special and Start Up Fund advance receivable from the Anzalduas Bridge amounts to \$12,577,163, (\$11,994,483 in 2015) of which the City of McAllen's portion is \$8,049,384 and the City of Hidalgo's portion is \$4,527,779. During this fiscal year, the balance was increased by accrued interest in the amount of \$582,680.

**McAllen International Toll Bridge**  
Notes to Financial Statement  
Years Ended September 30, 2016 and 2015

**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, 2016 the board advance receivable to the Hidalgo Bridge amounts to \$4,425,272, (\$4,403,145 in 2015) of which the City of McAllen's portion is \$2,832,174 and the City of Hidalgo's portion is \$1,593,098. During this fiscal year, the balance was increased by accrued interest of \$22,127. No board advances were made during the year.

*Board Advance "B"*

During this fiscal year, the Hidalgo Bridge also transferred \$949,755 (\$947,888 in 2015) to the Anzalduas Bridge in support of City of McAllen Series 2007B 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 2007A have been paid.

As of September 30, 2016 the board advance owed by the City of Mission to the City of McAllen amounts to \$2,592,340, increasing from \$2,254,349 for the year ended September 30, 2015. This board advance is recorded in the General fund of the City of McAllen.

**Long-Term Obligations**

As of September 30, 2016, the Hidalgo Bridge has one outstanding long-term debt obligation. A loan from the General Depreciation and General Insurance funds in the amount of \$910,958 was issued on May 1, 2015 for the purpose of financing capital improvements to the port of entry (shell improvements) at a rate of 4.5%, with monthly installment payments of \$16,983 and a maturity date of May 1, 2020. Total interest paid as of September 30, 2016 was \$35,086, and total principal paid was \$168,710.

**McAllen International Toll Bridge**  
Notes to Financial Statement  
Years Ended September 30, 2016 and 2015

**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.

**Goodwill**

The amount reflected as Goodwill under capital assets represents the excess of purchase price over assets 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, 2016 and 2015

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

**Investments**

*Fair Value Measurement:*

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

The Hidalgo Bridge uses a matrix pricing model (Level 2 inputs) to measure the fair market value of its government security investments.

Investments at fair value, including accrued interest, as of September 30, 2016 are presented in the following table:

2016	Carrying Value	Fair Value	Fair Value Measurements Using		
			(Level 1)	(Level 2)	(Level 3)
<b>Investments by fair value level</b>					
Debt Securities					
United States government agency securities	\$ 4,201,796	\$ 4,201,796	\$ -	\$ 4,201,796	\$ -
Total investments by fair value level	\$ 4,201,796	\$ 4,201,796	\$ -	\$ 4,201,796	\$ -

The total amount excludes investments in local government pools which are recorded at amortized cost. These investments total \$5,527,234 as of September 30, 2016.

**McAllen International Toll Bridge**  
Notes to Financial Statement  
Years Ended September 30, 2016 and 2015

**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.

TexPool Prime 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 Prime. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller of Public Accounts has established an Advisory Board composed both of participants in TexPool Prime and of other persons who do not have a business relationship with TexPool Prime. The Advisory Board members review the investment policy and management fee structure.

*Interest rate risk.* The investment policy states that no investment shall exceed seven years in maturity. By limiting the exposure of its investments by less than two years the Hidalgo Bridge reduces its risk to the rising interest rates.

*Credit risk.* As of September 30, 2016 and 2015, the investments in the TexPool Prime investment pool are rated AAAM by Standards and Poor’s. The City’s investment policy limits authorized investments to local government investment pools of political subdivisions in the State of Texas that invest in instruments and follow practices allowed by current law and that maintains as an investment objective a \$1.00 net asset value, certificates of deposits, U.S. Treasuries and U.S. government agencies, commercial paper, no-load mutual funds, money market mutual funds, municipal bonds, fully collateralized repurchase agreements.

*Concentration of credit risk.* The Hidalgo Bridge investment holdings at September 30, 2016 and 2015 were confined to TexPool Prime and U.S. governments. The investment policy is silent in the concentration of holdings in the various types of securities and investments.

**McAllen International Toll Bridge**  
Notes to Financial Statement  
Years Ended September 30, 2016 and 2015

**3. Capital Assets**

Capital assets activities for the year ended September 30, 2016 and September 30, 2015 are presented in the following tables:

	Balance at September 30, 2015	Additions	(Retirement)/ Transfer	Balance at September 30, 2016
Capital assets not being depreciated:				
Land	\$ 573,798	\$ -	\$ -	\$ 573,798
Construction in progress	1,147,685	177,111	(1,096,379)	228,417
Goodwill	609,713	-	-	609,713
Capital assets net of accumulated depreciation:				
Buildings	11,015,806	2,086,148	1,060,674	14,162,628
Improvements other than buildings	4,215,438	77,420	-	4,292,858
Machinery and equipment	2,230,250	135,010	-	2,365,260
Total capital assets	19,792,690	2,475,689	(35,705)	22,232,674
Less accumulated depreciation	10,566,175	734,904	-	11,301,079
Net capital assets	<u>\$ 9,226,515</u>	<u>\$ 1,740,785</u>	<u>\$ (35,705)</u>	<u>\$ 10,931,595</u>
	Balance at September 30, 2014	Additions	(Retirement)/ Transfer	Balance at September 30, 2015
Capital assets not being depreciated:				
Land	\$ 573,798	\$ -	\$ -	\$ 573,798
Construction in progress	869,930	1,074,830	(797,075)	1,147,685
Goodwill	609,713	-	-	609,713
Capital assets net of accumulated depreciation:				
Buildings	10,698,086	291,703	26,017	11,015,806
Improvements other than buildings	3,422,281	22,099	771,058	4,215,438
Machinery and equipment	1,844,042	386,208	-	2,230,250
Total capital assets	18,017,850	1,774,840	-	19,792,690
Less accumulated depreciation	9,961,478	604,697	-	10,566,175
Net capital assets	<u>\$ 8,056,372</u>	<u>\$ 1,170,143</u>	<u>\$ -</u>	<u>\$ 9,226,515</u>



**McAllen International Toll Bridge**  
Notes to Financial Statement  
Years Ended September 30, 2016 and 2015

**4. Long Term Liabilities**

Long-term liability activities for the year ended September 30, 2016 and September 30, 2015 are reflected below.

	Balance at September 30, 2015	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2016	Amounts Due Within One Year
Note Payable - Bridge Shell Improvements	\$ 856,384	\$ -	\$ (168,710)	\$ 687,674	\$ 176,461*
Net pension liability	24,457	517,543	(153,517)	388,483	-
Compensated absences	98,477	-	(26,961)	71,516	71,516
	<u>\$ 979,318</u>	<u>\$ 517,543</u>	<u>\$ (349,188)</u>	<u>\$ 1,147,673</u>	<u>\$ 71,516</u>

	Balance at September 30, 2014	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2015	Amounts Due Within One Year
Note Payable - Bridge Shell Improvements	\$ -	\$ 910,958	\$ (54,574)	\$ 856,384	\$ 168,710*
Net pension liability	10,340	58,140	(44,023)	24,457	-
Compensated absences	104,960	47,531	(54,014)	98,477	84,435
	<u>\$ 115,300</u>	<u>\$ 1,016,629</u>	<u>\$ (152,611)</u>	<u>\$ 979,318</u>	<u>\$ 84,435</u>

\*Current amounts due within one year for the Note Payable have been reclassified on the financial statements for FY 2015 and 2016, respectively.

The annual note payable requirements for the Bridge Shell Improvements loan are reflected in the schedule below:

Year ending September 30,	Principal	Interest	Totals
2017	\$ 176,461	\$ 27,335	\$ 203,796
2018	184,567	19,229	203,796
2019	193,046	10,750	203,796
2020	133,600	2,264	135,864
Totals	<u>\$ 687,674</u>	<u>\$ 59,578</u>	<u>\$ 747,252</u>

**McAllen International Toll Bridge**  
Notes to Financial Statement  
Years Ended September 30, 2016 and 2015

**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) and a 5-year lease with three additional 5-year extension options with the United Export Traders Association (UETA) of Texas, Inc.

Future minimum lease payments to be received under the operating leases with GSA and UETA are as follows:

Year ending September 30,	GSA	UETA	Total
2017	\$ 2,118,988	\$ 240,000	\$ 2,358,988
2018	2,118,988	40,000	2,158,988
2019	2,118,988	-	2,118,988
2020	2,118,988	-	2,118,988
2021	2,118,988	-	2,118,988
2022-2026	10,594,940	-	10,594,940
2027-2029	6,356,964	-	6,356,964

**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](http://www.TMRS.com).

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

**McAllen International Toll Bridge**  
Notes to Financial Statement  
Years Ended September 30, 2016 and 2015

**6. Retirement Plan-Continued**

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

	Plan Year 2014	Plan Year 2015
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 report, additional pension disclosures are reflected in the City’s Comprehensive Annual Financial Report. Included in the financial statements are Hidalgo Bridge’s allocable share of the net pension liability of \$388,483 and deferred outflow of resources – pension of \$355,841.

**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 thirty full time employees. For the current year, the fund contributed \$13,014 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.

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## **Supplemental Information**

**McAllen International Toll Bridge**  
**Schedule of Income Distribution**  
**Last Ten Years**

	Year Ended September 30,			
	2007	2008	2009	2010
Bridge revenues (1)	\$ 12,650,077	\$ 14,571,541	\$ 12,950,583	\$ 11,059,465
Deductible operating expenses (1)	<u>2,298,633</u>	<u>2,478,982</u>	<u>2,339,137</u>	<u>2,217,135</u>
	10,351,444	12,092,559	10,611,446	8,842,330
Surplus from contingency, construction, and debt service funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	10,351,444	12,092,559	10,611,446	8,842,330
Less:				
Required transfers to restricted assets (2)	293,755	294,467	295,996	296,661
Transfers to Anzalduas International Bridge Fund (3)	-	-	-	-
Transfers to Capital Improvement Fund	-	-	-	-
Transfer to Health Insurance Fund	-	-	-	-
Long term note principal	-	-	-	-
Increase working capital	-	-	-	-
Transfer to start up fund	1,229,780	-	-	-
Deductions for Capital Assets Acquisitions (3)	-	-	10,434	3,045
Board advance Series "A" 2007 Bonds	<u>112,851</u>	<u>1,272,986</u>	<u>1,455,414</u>	<u>815,000</u>
Base revenues	<u>\$ 8,715,058</u>	<u>\$ 10,525,106</u>	<u>\$ 8,849,602</u>	<u>\$ 7,727,624</u>
Distributions and reservations of surplus revenues:				
City of Hidalgo	<u>\$ 3,137,421</u>	<u>\$ 3,789,038</u>	<u>\$ 3,185,856</u>	<u>\$ 2,781,945</u>
Net distribution to City of Hidalgo	<u>3,137,421</u>	<u>3,789,489</u>	<u>3,185,885</u>	<u>2,781,964</u>
City of McAllen:	5,577,637	6,736,068	5,663,746	4,945,679
Less: Series "B" Bonds debt service	(54,682)	(607,836)	(776,829)	(770,276)
Less: Implied interest expense on Series "B" Bonds	<u>(168)</u>	<u>(451)</u>	<u>(29)</u>	<u>(19)</u>
Distribution to City of McAllen	<u>5,577,637</u>	<u>6,127,781</u>	<u>4,886,888</u>	<u>4,175,384</u>
<b>Base Revenue Only</b>	<u><b>\$ 8,715,058</b></u>	<u><b>\$ 10,525,106</b></u>	<u><b>\$ 8,849,602</b></u>	<u><b>\$ 7,727,624</b></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 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,

	2011	2012	2013	2014	2015	2016
\$	10,810,639	\$ 11,915,379	\$ 12,015,083	\$ 12,684,779	\$ 13,601,940	\$ 14,521,021
	<u>2,277,894</u>	<u>2,464,251</u>	<u>2,326,352</u>	<u>2,451,232</u>	<u>2,548,148</u>	<u>2,653,694</u>
	8,532,745	9,451,128	9,688,732	10,233,547	11,053,792	11,867,327
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	8,532,745	9,451,128	9,688,732	10,233,547	11,053,792	11,867,327
	297,615	124,776	-	-	-	-
	-	-	-	-	-	-
	243,527	745,052	727,042	708,562	705,687	1,251,894
	-	-	-	-	-	55,744
	-	-	-	-	-	168,710
	-	-	-	-	-	-
	-	-	-	-	-	-
	3,995	4,206	-	-	-	-
	<u>326,833</u>	<u>326,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u><u>7,660,775</u></u>	<u><u>8,250,814</u></u>	<u><u>8,961,690</u></u>	<u><u>9,524,985</u></u>	<u><u>10,348,105</u></u>	<u><u>10,390,979</u></u>
\$	<u>2,757,879</u>	<u>2,970,293</u>	<u>3,226,208</u>	<u>3,428,995</u>	<u>3,725,318</u>	<u>3,740,752</u>
	<u>2,757,893</u>	<u>2,970,293</u>	<u>3,226,208</u>	<u>3,428,995</u>	<u>3,725,318</u>	<u>3,740,752</u>
	4,902,896	5,280,521	5,735,482	6,095,990	6,622,787	6,650,227
	(734,467)	(671,868)	(963,664)	(947,075)	(947,888)	(949,755)
	<u>(14)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,168,415</u>	<u>4,608,653</u>	<u>4,771,818</u>	<u>5,148,915</u>	<u>5,674,899</u>	<u>5,700,472</u>
\$	<u><u>7,660,775</u></u>	<u><u>8,250,814</u></u>	<u><u>8,961,690</u></u>	<u><u>9,524,985</u></u>	<u><u>10,348,105</u></u>	<u><u>10,390,979</u></u>

**McAllen International Toll Bridge**  
Schedule of Rental Income  
Year Ended September 30, 2016

<u>Lessee</u>	<u>Amount</u>
General Services Administration	\$ 1,957,699
Texas Alcoholic Beverage Commission	26,936
United Export Traders Association	379,849
Sprint	24,220
AT&T	49,833
Verizon	3,000
ATM	3,720
PALBA	2,400
	<hr/>
	\$ 2,447,657
	<hr/>



**McAllen International Toll Bridge**  
**Schedule of Expenses by Department**  
**Years Ended September 30, 2016 and 2015**

	Department		Total 2016	Total 2015
	Administration	Bridge Operations		
<b>Personnel Services</b>				
Exempt salaries	\$ 145,846	\$ 58,774	\$ 204,620	\$ 189,713
Nonexempt wages and part time	30,514	681,893	712,407	636,004
Board of trustees fees	2,650	-	2,650	3,000
Overtime	1,447	75,790	77,237	83,398
Total salaries and wages	<u>180,457</u>	<u>816,457</u>	<u>996,914</u>	<u>912,116</u>
<b>Payroll Taxes and Benefits</b>				
Social security and unemployment tax	13,398	64,641	78,039	67,238
Employee retirement	12,276	53,975	66,251	43,317
Employee benefits	158,435	48,355	206,790	149,119
Transportation and telephone allowance	7,632	2,940	10,572	8,532
Total payroll taxes and benefits	<u>191,741</u>	<u>169,911</u>	<u>361,652</u>	<u>268,206</u>
<b>Materials and Supplies</b>				
Janitorial	-	45,458	45,458	40,556
Office supplies	4,469	-	4,469	4,457
Clothing and uniforms	-	5,161	5,161	9,374
Operating supplies	14,846	21,888	36,734	34,681
Total materials and supplies	<u>19,315</u>	<u>72,507</u>	<u>91,822</u>	<u>89,069</u>
<b>Maintenance</b>				
Vehicles	3,592	-	3,592	6,940
Buildings	-	102,655	102,655	102,842
Fuel	3,535	-	3,535	2,988
Equipment	3,214	84,421	87,635	99,230
Total maintenance	<u>10,341</u>	<u>187,076</u>	<u>197,417</u>	<u>212,001</u>
<b>Other Services and Charges</b>				
Auditing services	9,900	-	9,900	16,751
Advertising	35,031	-	35,031	37,623
Dues and subscription	34,071	-	34,071	26,071
Management fee	135,000	-	135,000	135,000
Postage	280	-	280	150
Professional services	86,019	-	86,019	47,927
Photocopier rental	1,954	-	1,954	1,122
Rental and contractual	66,288	166,524	232,812	244,639
Bridge security	-	299,012	299,012	291,976
Travel and training	15,736	-	15,736	21,359
Telephone	6,113	-	6,113	19,659
Utilities	-	54,415	54,415	50,888
General insurance	23,171	-	23,171	50,368
Miscellaneous	26,117	76,532	102,649	85,663
Total other services and charges	<u>439,680</u>	<u>596,483</u>	<u>1,036,163</u>	<u>1,029,194</u>
Total expenses before depreciation	841,534	1,842,434	2,683,968	2,510,586
Depreciation and amortization	<u>734,904</u>	<u>-</u>	<u>734,904</u>	<u>604,697</u>
Total operating expenses	<u>\$ 1,576,438</u>	<u>\$ 1,842,434</u>	<u>\$ 3,418,872</u>	<u>\$ 3,115,283</u>

**Toll Bridge System**  
**McAllen International Toll Bridge and Anzalduas International Crossing**  
**Combining Schedule of Net Position**  
September 30, 2016

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
<b>Current Assets</b>			
Cash	\$ 175,857	\$ 131,417	\$ 307,274
Investments	1,722,362	1,485,264	3,207,626
Accrued interest receivable	-	2,104	2,104
Due from Anzalduas	157,359	-	157,359
Due from other governments	175,497	-	175,497
Other receivables	810	-	810
	<u>2,231,885</u>	<u>1,618,785</u>	<u>3,850,670</u>
<b>Restricted Assets</b>			
Cash (all interest-bearing):			
Capital improvement	246,100	101,500	347,600
	<u>246,100</u>	<u>101,500</u>	<u>347,600</u>
	5,717,012	-	5,717,012
Investments- reserved for distribution	2,289,656	1,284,613	3,574,269
Investments	<u>8,252,768</u>	<u>1,386,113</u>	<u>9,638,881</u>
Total restricted assets – excluding current bond installments			
	<u>8,252,768</u>	<u>1,386,113</u>	<u>9,638,881</u>
<b>Capital Assets – at cost</b>			
Capital assets not being depreciated:			
Land	573,798	2,922,773	3,496,571
Construction in progress	228,417	213,113	441,530
Goodwill	609,713	-	609,713
Capital assets net of accumulated depreciation:			
Buildings	14,162,628	2,997,470	17,160,098
Improvements other than buildings	4,292,858	47,870,319	52,163,177
Machinery and equipment	2,365,260	970,334	3,335,594
	<u>22,232,674</u>	<u>54,974,009</u>	<u>77,206,683</u>
Total capital assets	(11,301,079)	(10,309,654)	(21,610,733)
Less accumulated depreciation	<u>10,931,595</u>	<u>44,664,355</u>	<u>55,595,950</u>
Net capital assets			
	<u>10,931,595</u>	<u>44,664,355</u>	<u>55,595,950</u>
<b>Other Assets</b>			
Board advances	17,002,435	-	17,002,435
	<u>38,418,683</u>	<u>47,669,253</u>	<u>86,087,936</u>
Total assets			
	<u>38,418,683</u>	<u>47,669,253</u>	<u>86,087,936</u>
<b>Deferred outflows of resources - pension</b>			
	355,841	126,213	482,054
	<u>355,841</u>	<u>126,213</u>	<u>482,054</u>
<b>Total assets and deferred outflows of resources</b>			
	<u>\$ 38,774,524</u>	<u>\$ 47,795,466</u>	<u>\$ 86,569,990</u>

**Toll Bridge System**  
**McAllen International Toll Bridge and Anzalduas International Crossing**  
**Combining Schedule of Net Position (continued)**  
September 30, 2016

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
<b>Current Liabilities</b>			
Due to City of Hidalgo	\$ 935,601	\$ -	\$ 935,601
Accounts payable	60,511	42,029	102,540
Compensated absences	71,516	-	71,516
Current Note Payable	176,461	-	176,461
Other payables	22,924	-	22,924
	<u>1,267,013</u>	<u>42,029</u>	<u>1,309,042</u>
<b>Liabilities Payable From Restricted Assets</b>			
Accounts payable	48,017	31,473	79,490
Due to City of McAllen-interest on investments	16,540	-	16,540
Due to Toll Bridge	-	157,359	157,359
Current installments of revenue bonds	-	1,360,000	1,360,000
Accrued revenue bond interest	-	129,311	129,311
Accrued expense - retainage payable	-	51,543	51,543
	<u>64,557</u>	<u>1,729,686</u>	<u>1,794,243</u>
<b>Long-Term Liabilities</b>			
Revenue bonds – excluding current installments	-	30,914,488	30,914,488
Compensated absences	-	15,484	15,484
Unearned revenue	125,339	5,000	130,339
Other long term payables	511,213	17,002,435	17,513,648
Net pension liability	388,483	137,794	526,277
	<u>1,025,035</u>	<u>48,075,201</u>	<u>49,100,236</u>
	<u>2,356,605</u>	<u>49,846,916</u>	<u>52,203,521</u>
<b>Net Assets</b>			
Net investment in capital assets	10,931,595	12,389,867	23,321,462
Restricted per revenue bond ordinances	504,561	1,055,064	1,559,625
Restricted for improvements	1,983,179	-	1,983,179
Restricted for distribution to the City of McAllen	5,700,472	-	5,700,472
Unrestricted	17,298,112	(15,496,381)	1,801,731
	<u>36,417,919</u>	<u>(2,051,450)</u>	<u>34,366,469</u>
	<u>\$ 38,774,524</u>	<u>\$ 47,795,466</u>	<u>\$ 86,569,990</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  
Year Ended September 30, 2016

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Operating revenues:			
Tolls	\$ 11,911,240	\$ 3,538,359	\$ 15,449,599
Rental income	2,447,657	-	2,447,657
Other income	153,845	82,898	236,743
	<u>14,512,742</u>	<u>3,621,257</u>	<u>18,133,999</u>
Total operating revenues			
Operating expenses:			
Salaries	996,914	354,925	1,351,839
Payroll taxes and benefits	361,652	117,878	479,530
Insurance	23,171	20,963	44,134
Materials and supplies	91,822	16,949	108,771
Maintenance	197,417	56,960	254,377
Bridge security	299,012	-	299,012
Miscellaneous services	713,980	311,602	1,025,582
Non-capitalized Southbound project	-	1,061,212	1,061,212
Depreciation	734,904	1,531,255	2,266,159
	<u>3,418,872</u>	<u>3,471,744</u>	<u>6,890,616</u>
Total operating expenses			
Operating income	<u>11,093,870</u>	<u>149,513</u>	<u>11,243,383</u>
Nonoperating revenues (expenses):			
Distribution of income to the City of Hidalgo	(3,740,752)	-	(3,740,752)
Interest income	13,867	10,825	24,692
Sale (loss) of capital assets	-	57,385	57,385
Interest expense	(65,478)	(1,544,955)	(1,610,433)
Interest on Board advances	604,807	(604,807)	-
	<u>(3,187,556)</u>	<u>(2,081,552)</u>	<u>(5,269,108)</u>
Total nonoperating (expenses) revenues			
Income (loss) before transfers	7,906,314	(1,932,039)	5,974,275
Capital contributions	1,944,222	-	1,944,222
Transfers to the City of McAllen	(5,674,899)	-	(5,674,899)
Transfers to debt service Series "B" 2007 bonds	(949,755)	949,755	-
Transfers to Health Insurance Fund	(55,744)	(12,331)	(68,075)
	<u>3,170,138</u>	<u>(994,615)</u>	<u>2,175,523</u>
Changes in net position			
Total net position at beginning of year	<u>33,247,781</u>	<u>(1,056,835)</u>	<u>32,190,946</u>
Total net position at end of year	<u>\$ 36,417,919</u>	<u>\$ (2,051,450)</u>	<u>\$ 34,366,469</u>

**Toll Bridge System**  
**McAllen International Toll Bridge and Anzalduas International Crossing**  
Combining Schedule of Cash Flows  
Year Ended September 30, 2016

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
<b>Cash Flows From Operating Activities</b>			
Receipts from customers	\$ 14,503,576	\$ 3,626,257	\$ 18,129,833
Payments to employees	(1,380,123)	(471,349)	(1,851,472)
Payments to suppliers	(2,265,875)	(1,307,736)	(3,573,611)
Net cash provided by operating activities	<u>10,857,578</u>	<u>1,847,172</u>	<u>12,704,750</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Capital contributions	1,944,222	-	1,944,222
Distribution of income to the City of Hidalgo	(3,755,217)	-	(3,755,217)
Operating transfers to the City of McAllen	(5,674,899)	-	(5,674,899)
Transfer from McAllen International Toll Bridge-Board B	(949,755)	949,755	-
Transfer to Health Insurance Fund	(55,744)	(12,331)	(68,075)
Net cash provided (used) by noncapital financing activities	<u>(8,491,393)</u>	<u>937,424</u>	<u>(7,553,969)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(2,439,984)	(138,445)	(2,578,429)
Proceeds from sale of land	-	57,385	57,385
Principal paid on long-term debt	(168,710)	(1,305,000)	(1,473,710)
Principal paid on short-term debt	(1,328,623)	-	(1,328,623)
Interest paid	(65,478)	(1,581,077)	(1,646,555)
Net cash (used) by capital and related financing activities	<u>(4,002,795)</u>	<u>(2,967,137)</u>	<u>(6,969,932)</u>
<b>Cash Flows From Investing Activities</b>			
Receipt of interest	6,263	8,721	14,984
Proceeds from sales and maturities of investments	15,927,867	7,237,960	23,165,827
Purchase of investments	(14,327,414)	(7,025,876)	(21,353,290)
Net cash provided by investing activities	<u>1,606,716</u>	<u>220,805</u>	<u>1,827,521</u>
Net increase (decrease) in cash	(29,894)	38,264	8,370
Cash at beginning of year	<u>451,851</u>	<u>194,653</u>	<u>646,504</u>
Cash at end of year	<u>\$ 421,957</u>	<u>\$ 232,917</u>	<u>\$ 654,874</u>

**Toll Bridge System**  
**McAllen International Toll Bridge and Anzalduas International Crossing**  
Combining Schedule of Cash Flows  
Year Ended September 30, 2016  
(Continued)

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
<b>Reconciliation of Cash Per Statements of Cash Flows to the Statements of Net Position</b>			
Unrestricted cash	\$ 175,857	\$ 131,417	\$ 307,274
Restricted cash	246,100	101,500	347,600
	<u>\$ 421,957</u>	<u>\$ 232,917</u>	<u>\$ 654,874</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
	<u>\$ 11,093,870</u>	<u>\$ 149,513</u>	<u>\$ 11,243,383</u>
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation	734,904	1,531,255	2,266,159
(Increase) decrease in deferred outflows of resources	(325,174)	(114,713)	(439,887)
Changes in assets and liabilities:			
Increase (decrease) due to other funds	15,298	157,359	172,657
(Increase) decrease due from other funds	(157,359)	-	(157,359)
(Increase) decrease in accounts receivable	(17,450)	-	(17,450)
Increase (decrease) in accounts payable	(804,912)	2,591	(802,321)
Increase (decrease) in other payables	(27,148)	(11,294)	(38,442)
Increase (decrease) in net pension liability	364,026	128,623	492,649
Increase (decrease) in compensated absences payable	(26,961)	(1,162)	(28,123)
Increase (decrease) in unearned revenue	8,484	5,000	13,484
	<u>(236,292)</u>	<u>1,697,659</u>	<u>1,461,367</u>
	<u>\$ 10,857,578</u>	<u>\$ 1,847,172</u>	<u>\$ 12,704,750</u>
<b>Noncash capital and financing activities:</b>			
Capital assets additions in accounts payable	<u>\$ 2,439,984</u>	<u>\$ -</u>	<u>\$ 2,439,984</u>

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

	Year Ended September 30,			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Vehicular traffic southbound:				
Cars	4,952,968	5,005,822	4,493,785	3,564,188
Trucks	4,339	5,295	4,383	2,629
Buses	<u>29,301</u>	<u>29,837</u>	<u>28,890</u>	<u>20,433</u>
Total vehicles	<b>(1)</b> <u>4,986,608</u>	<b>(1)</b> <u>5,040,954</u>	<b>(1)</b> <u>4,527,058</u>	<b>(1)</b> <u>3,587,250</u>
Passenger traffic southbound:				
Passengers in cars	<b>(2)</b> 12,382,420	<b>(2)</b> 12,514,555	<b>(2)</b> 11,234,463	<b>(2)</b> 8,910,470
Pedestrians	1,683,666	1,547,848	1,575,193	1,578,295
Passengers and drivers – buses and trucks	<u>849,729</u>	<u>865,273</u>	<u>837,810</u>	<u>592,557</u>
Total persons	<u>14,915,815</u>	<u>14,927,676</u>	<u>13,647,466</u>	<u>11,081,322</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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
	2,997,696	2,986,097	2,908,166	2,834,249	2,822,746	2,896,421
	1,641	6,620	9,119	13,075	13,284	11,554
	<u>17,464</u>	<u>16,680</u>	<u>16,160</u>	<u>19,933</u>	<u>19,927</u>	<u>17,330</u>
(1)	<u><u>3,016,801</u></u> (1)	<u><u>3,009,397</u></u> (1)	<u><u>2,933,445</u></u> (1)	<u><u>2,867,257</u></u> (1)	<u><u>2,855,957</u></u> (1)	<u><u>2,925,305</u></u>
(2)	7,494,240 (2)	7,465,243 (2)	7,270,415 (2)	7,085,623 (2)	7,056,865 (2)	7,241,053
	1,540,559	1,479,032	1,502,399	1,503,611	1,562,990	1,705,111
	<u>506,456</u>	<u>483,720</u>	<u>468,640</u>	<u>578,057</u>	<u>577,883</u>	<u>502,570</u>
	<u><u>9,541,255</u></u>	<u><u>9,427,995</u></u>	<u><u>9,241,454</u></u>	<u><u>9,167,291</u></u>	<u><u>9,197,738</u></u>	<u><u>9,448,734</u></u>

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

	Year Ended September 30,			
	2007	2008	2009	2010
Southbound traffic:				
Cars	4,952,968	5,005,822	4,493,785	3,564,188
Trucks	4,339	5,295	4,383	2,629
Total car and truck traffic	<u>4,957,307</u>	<u>5,011,117</u>	<u>4,498,168</u>	<u>3,566,817</u>
Truck traffic percentage	0.09%	0.11%	0.10%	0.07%
Car and truck revenue:				
Cars	\$ 9,905,936	\$ 11,161,245	\$ 10,111,016	\$ 8,325,166
Trucks	29,724	37,003	30,669	19,325
Total car and truck revenue	<u>\$ 9,935,660</u>	<u>\$ 11,198,248</u>	<u>\$ 10,141,685</u>	<u>\$ 8,344,491</u>
Truck revenue percentage	0.30%	0.33%	0.30%	0.23%
Average revenue per car	\$ 2.00	\$ 2.23	\$ 2.25	\$ 2.34
Average revenue per truck	\$ 6.85	\$ 6.99	\$ 7.00	\$ 7.35

Year Ended September 30,

2011	2012	2013	2014	2015	2016
2,997,696	2,986,097	2,908,166	2,834,249	2,822,746	2,896,421
1,641	6,620	9,119	13,075	13,284	11,554
<u>2,999,337</u>	<u>2,992,717</u>	<u>2,917,285</u>	<u>2,847,324</u>	<u>2,836,030</u>	<u>2,907,975</u>
0.05%	0.22%	0.31%	0.46%	0.47%	0.40%
\$ 7,982,692	\$ 8,820,614	\$ 8,724,498	\$ 8,910,274	\$ 9,447,892	\$ 10,125,250
11,487	46,384	63,833	91,525	92,988	80,878
<u>\$ 7,994,179</u>	<u>\$ 8,866,998</u>	<u>\$ 8,788,331</u>	<u>\$ 9,001,799</u>	<u>\$ 9,540,880</u>	<u>\$ 10,206,128</u>
0.14%	0.52%	0.73%	1.02%	0.97%	0.79%
\$ 2.66	\$ 2.95	\$ 3.00	\$ 3.14	\$ 3.35	\$ 3.50
\$ 7.00	\$ 7.01	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00

**McAllen International Toll Bridge**  
Schedule of Board Advances to Anzalduas International Crossing  
September 30, 2016  
(Unaudited)

Anzalduas Special & Startup Fund:

Balance at September 30, 2015	Additions		Balance at September 30, 2016
	Advances	Implied Interest	
\$ 11,994,483	\$ -	\$ 582,680	\$ 12,577,163

Board advance "A" to Anzalduas International Crossing:

Balance at September 30, 2015	Additions		Balance at September 30, 2016
	Advances	Implied Interest	
\$ 4,403,145	\$ -	\$ 22,127	\$ 4,425,272

Combined totals of advances to Anzalduas International Crossing:

Balance at September 30, 2015	Additions		Balance at September 30, 2016
	Advances	Implied Interest	
\$ 16,397,628	\$ -	\$ 604,807	\$ 17,002,435

**Distribution of Advances:**

City of McAllen- Share @ 64%	\$ 10,494,482	\$ -	\$ 387,076	\$ 10,881,558
City of Hidalgo- Share @ 36%	5,903,146	-	217,731	6,120,877
	\$ 16,397,628	\$ -	\$ 604,807	\$ 17,002,435

**McAllen International Toll Bridge**  
Schedule of Board Advances to Anzalduas International Crossing  
September 30, 2016  
(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>
10/1/2015	Opening balance →					\$ 11,994,483
10/31/2015	4.74%	31	-	48,287	-	12,042,769
11/30/2015	4.74%	30	-	46,917	-	12,089,687
12/31/2015	4.74%	31	-	48,670	-	12,138,357
1/31/2016	4.74%	31	-	48,866	-	12,187,223
2/29/2016	4.74%	29	-	45,897	-	12,233,120
3/31/2016	4.74%	31	-	49,248	-	12,282,368
4/30/2016	4.74%	30	-	47,851	-	12,330,219
5/31/2016	4.74%	31	-	49,638	-	12,379,857
6/30/2016	4.74%	30	-	48,231	-	12,428,088
7/31/2016	4.74%	31	-	50,032	-	12,478,120
8/31/2016	4.74%	31	-	50,234	-	12,528,354
9/30/2016	4.74%	30	-	48,809	-	12,577,163

**McAllen International Toll Bridge**  
**Schedule of Board Advances to Anzalduas International Crossing**  
**September 30, 2016**  
**(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						\$ 4,403,145
10/1/2015				-	-	4,403,145
10/31/2015	0.50%	31		1,870	-	4,405,015
11/1/2015				-	-	4,405,015
11/30/2015	0.50%	30		1,810	-	4,406,825
12/1/2015				-	-	4,406,826
12/31/2015	0.50%	31		1,871	-	4,408,697
1/1/2016				-	-	4,408,697
1/31/2016	0.50%	31		1,872	-	4,410,569
2/1/2016				-	-	4,410,569
2/29/2016	0.50%	29		1,752	-	4,412,321
3/1/2016				-	-	4,412,321
3/31/2016	0.50%	31		1,874	-	4,414,195
4/1/2016				-	-	4,414,196
4/30/2016	0.50%	30		1,814	-	4,416,009
5/1/2016				-	-	4,416,009
5/31/2016	0.50%	31		1,875	-	4,417,884
6/1/2016				-	-	4,417,884
6/30/2016	0.50%	30		1,816	-	4,419,700
7/1/2016					-	4,419,700
7/31/2016	0.50%	31		1,877	-	4,421,577
8/1/2016					-	4,421,577
8/31/2016	0.50%	31		1,878	-	4,423,454
9/1/2016					-	4,423,454
9/30/2016	0.50%	30		1,818	-	4,425,272

**McAllen International Toll Bridge**  
**Schedule of Board Advances to Anzalduas International Crossing**  
**September 30, 2016**  
**(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							\$ 2,254,349
10/1/2015			79,006	\$ 27,123	-	-	2,281,472
10/31/2015	0.500%	31	-	-	969	-	2,282,442
11/1/2015			79,006	\$ 27,123	-	-	2,309,564
11/30/2015	0.500%	30	-	-	949	-	2,310,513
12/1/2015			79,006	\$ 27,123	-	-	2,337,636
12/31/2015	0.500%	31	-	-	993	-	2,338,629
1/1/2016			79,006	\$ 27,123	-	-	2,365,752
1/31/2016	0.500%	31	-	-	1,005	-	2,366,756
2/1/2016			79,006	\$ 27,123	-	-	2,393,879
2/29/2016	0.500%	29	-	-	951	-	2,394,829
3/1/2016			79,132	\$ 27,166	-	-	2,421,994
3/31/2016	0.500%	31	-	-	1,029	-	2,423,024
4/1/2016			79,132	\$ 27,166	-	-	2,450,189
4/30/2016	0.500%	30	-	-	1,007	-	2,451,197
5/1/2016			79,132	\$ 27,166	-	-	2,478,363
5/31/2016	0.500%	31	-	-	1,052	-	2,479,415
6/1/2016			79,132	\$ 27,166	-	-	2,506,580
6/30/2016	0.500%	30	-	-	1,030	-	2,507,611
7/1/2016			79,132	\$ 27,166	-	-	2,534,776
7/31/2016	0.500%	31	-	-	1,076	-	2,535,855
8/1/2016			79,132	\$ 27,166	-	-	2,563,020
8/31/2016	0.500%	31	-	-	1,088	-	2,564,109
9/1/2016			79,132	\$ 27,166	-	-	2,591,275
9/30/2016	0.500%	30	-	-	1,064	-	2,592,340

**McAllen International Toll Bridge**  
**Schedule of Insurance Coverage**  
**September 30, 2016**  
**(Unaudited)**

Coverage	Insurance Company	Policy Period	Type of Coverage	Limit Occurrence	Retention/ Aggregate	Deductible
Property Insurance			Real & Personal Property	\$ 32,041,827	\$ -	\$ 500,000 *
-Bridge & Surrounding Area	Texas Municipal League	10/01/15 to 9/30/16	Loss of Revenue/ Extra Expense	14,283,858 **	-	-
*\$50,000 Food & Earthquake Deductible						
**Loss of Revenue/Extra Expense/Rental Value for all City owned locations						
Excess Workers' Compensation	Midwest Employers Cas.	10/01/15 to 9/30/16	Workers Compensation	-	Statutory	600,000
-Third Party Claims Admin.	Tristar Risk Management	10/01/15 to 9/30/16	Employer's liability	-	1,000,000	600,000
-General Liability	Princeton Excess & Surplus	10/01/15 to 9/30/16		2,500,000	4,000,000	500,000
-Automobile Liability	Princeton Excess & Surplus	10/01/15 to 9/30/16		1,500,000	N/A	500,000
-Errors & Omissions Liability	Princeton Excess & Surplus	10/01/15 to 9/30/16		2,500,000	4,000,000	500,000
-Employee Benefits Liability	Princeton Excess & Surplus	10/01/15 to 9/30/16		2,500,000	4,000,000	500,000
Crime Insurance	Texas Municipal League	10/01/15 to 9/30/16	Employee Dishonesty	1,000,000	N/A	5,000
			Forgery or Alteration	50,000	N/A	1,000
			Theft, Disappearance & Destruction	50,000	N/A	1,000
			Computer Fraud	1,000,000	N/A	5,000



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

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 the McAllen International Toll Bridge (the “Bridge”) as of and for the years ended September 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Bridge’s basic financial statements, and have issued our report thereon dated February 3, 2017.

**Internal control over financial reporting**

In planning and performing our audit of the financial statements, we considered the 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 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 Bridge’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during

our audit we did not identify any deficiencies in the Bridge's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and other matters

As part of obtaining reasonable assurance about whether the 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 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 Bridge's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

*Grant Thornton LLP*

Houston, Texas  
February 3, 2017