

McAllen International Toll Bridge

Financial Statements
And Independent Auditors' Report

September 30, 2012 and 2011

McALLEN INTERNATIONAL TOLL BRIDGE

TABLE OF CONTENTS

Independent Auditor's Report	1	
Management's Discussion and Analysis	5	
Basic Financial Statements		
Statements of Net Assets	14	
Statements of Revenues, Expenses, and Changes in Fund Net Assets	16	
Statements of Cash Flows.....	17	
Notes to Financial Statements.....	19	
Supplemental Information		
Schedule of Income Distribution—Last Ten Years.....	32	
Schedule of Changes in Restricted Assets—Cash and Investments.....	34	
Schedule of Rental Income	37	
Comparative Detailed Schedule of Operating Expenses	38	
Toll Bridge System(Combined) McAllen International Toll Bridge and Anzalduas		
International Crossing:		
Schedule of Net Assets Information	39	
Schedule of Revenues, Expenses, and Changes in Fund Net Assets Information.....	41	
Schedule of Cash Flows Information.....	42	
Schedule of Vehicle and Passenger Traffic—Last Ten Years (Unaudited)	44	
Schedule of Car and Truck Traffic Revenue—Last Ten Years (Unaudited)	46	
Schedules of Board Advances to Anzalduas International Crossing (Unaudited).....	48	
Schedule of Insurance Coverage (Unaudited)	52	
Government Auditing Standards		
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		53

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, 2012 and 2011, 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 management of the Bridge. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the financial position of the 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, 2012 and 2011, 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, 2012 and 2011, and the respective changes in financial position, and cash flows thereof 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 December 12, 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.

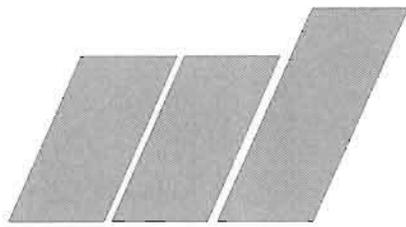
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bridge's 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 of 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 referenced above is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bridge's financial statements. 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) are presented for the 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.

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

Certified Public Accountants
December 12, 2012



**McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2012**

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, 2012 and the related effect on its financial condition. Please read it in conjunction with the basic financial statements, which follow and include the notes thereto, which are necessary for a complete understanding of the data contained in the financial statements. Following the notes to the financial statements is certain supplementary information.

BRIDGE OPERATIONAL HIGHLIGHTS

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

<u>Category</u>	<u>FY 11-12</u>	<u>FY 10-11</u>	<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Cars	2,986,097	2,997,696	(11,599)	-0.40%
Trucks	6,620	1,641	4,979	303.40%
Buses	16,680	17,464	(784)	-4.50%
Passengers in cars	7,465,243	7,494,240	(28,997)	-0.40%

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 \$1.5M. Operating revenues were up \$1.1M and operating expenditures increased slightly.

Overview of the Financial Statements

These 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, 2012 as well as the previous fiscal year.

**McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2012**

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, 2012, net assets increased by \$1.5M.

**McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2012**

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

	<u>FY 11-12</u>	<u>FY 10-11</u>	<u>FY 09-10</u>
ASSETS:			
Current assets	\$ 2,161,103	\$ 2,053,774	\$ 2,569,350
Restricted assets	6,254,785	5,235,798	5,083,141
Net capital assets	6,783,654	7,277,328	7,622,591
Other assets	<u>15,354,821</u>	<u>14,545,876</u>	<u>13,767,901</u>
 Total assets	 <u>\$ 30,554,363</u>	 <u>\$ 29,112,776</u>	 <u>\$ 29,042,983</u>
 LIABILITIES:			
Current liabilities	\$ 863,840	\$ 859,651	\$ 1,004,194
Payable from restricted assets	76,977	288,188	277,597
Long-term liabilities	<u>237,922</u>	<u>134,219</u>	<u>393,270</u>
 Total liabilities	 <u>\$ 1,178,739</u>	 <u>\$ 1,282,058</u>	 <u>\$ 1,675,061</u>
 NET ASSETS:			
Invested in capital assets, net of related debt	\$ 6,783,654	\$ 6,996,315	\$ 7,081,148
Restricted	6,177,808	5,232,597	5,075,520
Unrestricted	<u>16,414,162</u>	<u>15,601,806</u>	<u>15,211,254</u>
 Total net assets	 <u>\$ 29,375,624</u>	 <u>\$ 27,830,718</u>	 <u>\$ 27,367,922</u>

Revenues, Expenses and Changes in Fund Net Assets

Even though there was a slight decline in southbound car crossings of 11K or .4% toll revenue rose to \$10.2M—an increase of \$1.1M due to increase in rates. Rental and other income remained relatively flat. Operating expenses increased slightly from last year's level to \$3M, resulting in operating income increase of \$911K, leaving a \$1.5M 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, 2012**

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

	<u>FY 11-12</u>	<u>FY 10-11</u>	<u>FY 09-10</u>
Operating revenues:			
Tolls	\$ 10,211,452	\$ 9,063,280	\$ 9,313,441
Rental income	1,558,127	1,353,180	1,437,381
Other income	141,744	386,727	302,703
Total operating revenues	<u>11,911,323</u>	<u>10,803,187</u>	<u>11,053,525</u>
Operating expenses:			
Personnel	1,116,179	1,178,704	1,252,101
Supplies	69,881	77,588	70,368
Other services and charges	959,941	900,570	797,011
Maintenance	318,251	121,032	97,653
Depreciation	573,073	563,023	559,882
Total operating expenses	<u>3,037,325</u>	<u>2,840,917</u>	<u>2,777,015</u>
Operating income	<u>8,873,998</u>	<u>7,962,270</u>	<u>8,276,510</u>
Nonoperating revenues (expenses):			
Distribution of income to City of Hidalgo	(2,970,293)	(2,900,664)	(2,781,964)
Investment income	4,847	5,135	6,522
Interest expense	(6,026)	(18,865)	(30,828)
Amortization of bond premium	(3,987)	(9,569)	(9,569)
Interest on board advances	486,649	460,943	458,353
Total nonoperating revenues (expenses)	<u>(2,488,810)</u>	<u>(2,463,020)</u>	<u>(2,357,486)</u>
Income before transfers and contributions	6,385,188	5,499,250	5,919,024
Capital Contributions	-	124,593	-
Transfers to City of McAllen	(4,168,414)	(4,429,189)	(4,886,888)
Transfers to debt service Series "B"	(671,868)	(734,467)	(770,276)
Transfers in - other	-	2,609	-
Changes in net assets	1,544,906	462,796	261,860
Total net assets at beginning of year	<u>27,830,718</u>	<u>27,367,922</u>	<u>27,106,062</u>
Total net assets at end of year	<u>\$ 29,375,624</u>	<u>\$ 27,830,718</u>	<u>\$ 27,367,922</u>

**McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2012**

TOLL RATES

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

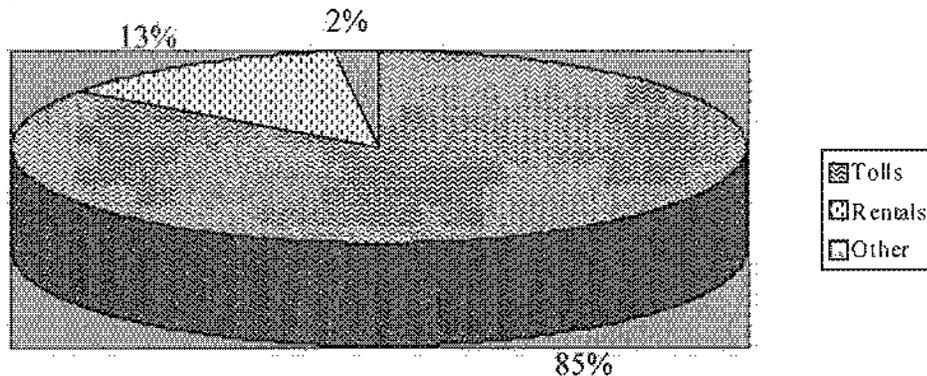
<u>Category</u>	<u>FY 11-12</u>	<u>FY 10-11</u>
Pedestrians	\$0.75	\$0.75
Cars	\$3.00	\$3.00
Trucks (Depending on # of Axles)	\$7.00-\$20.00	\$7.00-\$20.00
Buses (Depending on # of Axles)	\$7.00-\$9.00	\$7.00-\$9.00
Motorcycles	\$3.00	\$1.00
Extra Axle	\$3.00	\$3.00

The Board of Trustees approved an increase of 50¢ per car crossings and 25¢ on pedestrians effective June 01, 2011. The Board also decided to transfer 25¢ of the increase in car crossings to the Capital Improvement fund for future improvements.

At its meeting of October 8, 2012, the Toll Bridge Board approved an increase to the pedestrian toll crossings fee 25¢, from 75¢ to \$1, effective January 1, 2013.

REVENUES

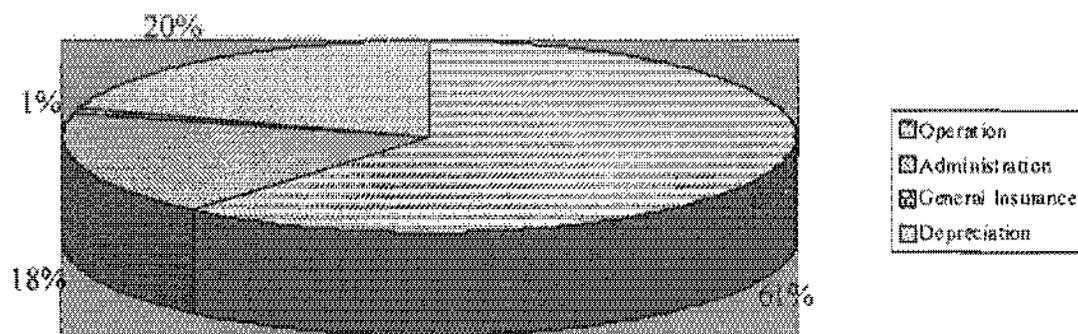
The following chart illustrates the relative contribution of each category of revenue to total operating revenues:



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, 2012**



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of this fiscal year, the Bridge had \$6.8M in capital assets, consisting of the following.

	Capital Assets		
	FY 11-12	FY 10-11	FY 09-10
Land	\$ 573,798	\$ 573,798	\$ 573,798
Buildings	10,698,086	10,698,086	10,698,086
Improvements other than buildings	2,415,376	2,411,169	2,331,208
Machinery and equipment	1,784,526	1,784,526	1,630,057
Construction in progress	77,642	2,450	19,120
	<u>15,549,428</u>	<u>15,470,029</u>	<u>15,252,269</u>
Total capital assets	15,549,428	15,470,029	15,252,269
Accumulated depreciation	<u>(8,765,774)</u>	<u>(8,192,701)</u>	<u>(7,629,678)</u>
	<u>\$ 6,783,654</u>	<u>\$ 7,277,328</u>	<u>\$ 7,622,591</u>
Total capital assets, net	<u>\$ 6,783,654</u>	<u>\$ 7,277,328</u>	<u>\$ 7,622,591</u>

For 2012, \$79K of purchases and were made, which consisted of improvements to the bridge offices and crossing area and office equipment. In 2011, the total net purchases amounted to \$218K. This mainly consisted of improvements to the toll collection system and minor equipment.

**McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2012**

Debt

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

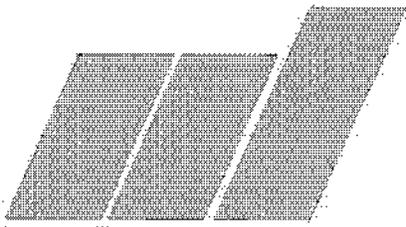
ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

During the budget process for fiscal year 2012-13 the elected and appointed officials considered many factors driving bridge crossings including job growth, growth in new housing, bank deposits, retail sales growth, the unemployment rate, inflation, the level of growth in the maquiladora industry, the dollar exchange rate with the Mexican peso as well as anticipated level of Winter Texan tourists that spend between 4 to 6 months during the winter months in our area as well as the continued uncertainty in Mexico.

Taking the above factors into account, toll revenues were budgeted at 8% more than fiscal year 2011-2012. Operating expenses were increased by 10% due to maintenance of facilities staffing.

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, 2012 and 2011
Assets

	2012	2011
Current Assets		
Cash	\$ 222,984	\$ 170,456
Certificates of deposit	-	400,000
Investments	1,938,119	1,413,190
Accrued interest receivable	-	677
Other receivables	-	69,451
	<u>2,161,103</u>	<u>2,053,774</u>
Restricted Assets		
Cash		
Current debt service and capital improvement	124,204	4,151
Total restricted cash	<u>124,204</u>	<u>4,151</u>
Certificates of deposit/ investments- reserved for distribution	4,610,438	4,170,498
Investments	1,520,143	1,061,149
	<u>6,254,785</u>	<u>5,235,798</u>
Total restricted assets		
Total current assets	<u>8,415,888</u>	<u>7,289,572</u>
Capital Assets -- at cost		
Land	573,798	573,798
Buildings	10,698,086	10,698,086
Improvements other than buildings	2,415,376	2,411,169
Machinery and equipment	1,784,526	1,784,526
Construction in progress	77,642	2,450
	<u>15,549,428</u>	<u>15,470,029</u>
Less accumulated depreciation	8,765,774	8,192,701
	<u>6,783,654</u>	<u>7,277,328</u>
Net capital assets		
Other Assets		
Unamortized bond issue cost	-	3,987
Excess of purchase price over assets acquired	609,713	609,713
Board advances	14,745,108	13,932,176
	<u>15,354,821</u>	<u>14,545,876</u>
Total other assets		
Total assets	<u>\$ 30,554,363</u>	<u>\$ 29,112,776</u>

The accompanying notes are an integral part of these statements.

Liabilities and Net Assets

	2012	2011
Current Liabilities		
Due to City of Hidalgo	\$ 731,515	\$ 711,158
Accounts payable	41,050	59,308
Compensated absences due one year	52,000	52,000
Other payables	39,275	37,185
Total unrestricted current liabilities	863,840	859,651
Liabilities Payable From Restricted Assets		
Accounts payable	75,192	-
Due to City of McAllen-interest on investments	1,785	2,084
Current installments of revenue bonds	-	283,000
Accrued revenue bond interest	-	1,104
Total liabilities payable from restricted assets	76,977	288,188
Total current liabilities	940,817	1,147,839
Long-Term Liabilities		
Compensated absences	42,122	38,113
Deferred revenue	195,800	96,106
Total long-term liabilities	237,922	134,219
Total liabilities	1,178,739	1,282,058
Net Assets		
Invested in capital assets-net of related debt	6,783,654	6,996,315
Restricted per revenue bond ordinances	502,198	667,878
Restricted for improvements	1,066,957	396,305
Restricted for distribution to the City of McAllen	4,608,653	4,168,414
Unrestricted	16,414,162	15,601,806
Total net assets	29,375,624	27,830,718
Total liabilities and net assets	\$ 30,554,363	\$ 29,112,776

McAllen International Toll Bridge

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

Years Ended September 30, 2012 and 2011

	2012	2011
Operating revenues:		
Tolls	\$ 10,211,452	\$ 9,063,280
Rental income	1,558,127	1,353,180
Other income	141,744	386,727
Total operating revenues	11,911,323	10,803,187
Operating expenses:		
Salaries	845,157	870,120
Payroll taxes and benefits	271,022	308,584
Insurance	50,368	50,368
Materials and supplies	69,881	77,588
Maintenance	318,251	121,032
Bridge security	319,419	320,417
Miscellaneous services	590,154	529,785
Depreciation	573,073	563,023
Total operating expenses	3,037,325	2,840,917
Operating income	8,873,998	7,962,270
Nonoperating revenues (expenses):		
Distribution of income to the City of Hidalgo	(2,970,293)	(2,900,664)
Investment income	4,847	5,135
Interest expense	(6,026)	(18,865)
Amortization of bond premium	(3,987)	(9,569)
Interest on board advances	486,649	460,943
Total net nonoperating revenues (expenses)	(2,488,810)	(2,463,020)
Income before operating transfers and contributions	6,385,188	5,499,250
Capital contributions		124,593
Transfers to the City of McAllen	(4,168,414)	(4,429,189)
Transfers to debt service Series "B"	(671,868)	(734,467)
Transfers in - other	-	2,609
Changes in net assets	1,544,906	462,796
Total net assets at beginning of year	27,830,718	27,367,922
Total net assets at end of year	\$ 29,375,624	\$ 27,830,718

The accompanying notes are an integral part of these statements.

McAllen International Toll Bridge

Statements of Cash Flows

Years Ended September 30, 2012 and 2011

(Continued)

	2012	2011
Cash Flows From Operating Activities		
Receipts from customers	\$ 12,080,470	\$ 10,839,756
Payments to employees	(1,110,080)	(1,089,011)
Payments to suppliers	(1,366,331)	(1,183,222)
	<u>9,604,059</u>	<u>8,567,523</u>
Cash Flows From Noncapital Financing Activities		
Distribution of income to the City of Hidalgo (net of payables)	(2,949,936)	(3,061,491)
Operating transfers to the City of McAllen (net of payables)	(4,168,713)	(4,432,415)
Reimbursement on Board Advances	-	1,279,418
Board advance to Anzalduas International Crossing- Series A	(326,283)	(326,833)
Board advance to Anzalduas International Crossing- Series B	(671,868)	(734,467)
Transfers from Health Insurance fund	-	2,609
	<u>(8,116,800)</u>	<u>(7,273,179)</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(4,206)	(93,337)
Principal paid on long-term debt	(285,000)	(270,000)
Interest paid	(7,130)	(19,878)
	<u>(296,336)</u>	<u>(383,215)</u>
Cash Flows From Investing Activities		
Receipt of interest	5,525	5,243
Proceeds from sales and maturities of investments	7,044,836	6,035,172
Purchase of investments	(8,068,703)	(7,045,953)
	<u>(1,018,342)</u>	<u>(1,005,538)</u>
Net cash provided (used) by investing activities		
	<u>(1,018,342)</u>	<u>(1,005,538)</u>
Net increase (decrease) in cash	172,581	(94,409)
Cash at beginning of year	<u>174,607</u>	<u>269,017</u>
Cash at end of year	<u>\$ 347,188</u>	<u>\$ 174,607</u>

The accompanying notes are an integral part of these statements.

McAllen International Toll Bridge

Statements of Cash Flows

Years Ended September 30, 2012 and 2011

(Continued)

	2012	2011
Reconciliation of Cash Per Statements of Cash Flows to the Statements of Net Assets		
Unrestricted cash	\$ 222,984	\$ 170,456
Restricted cash	124,204	4,151
	\$ 347,188	\$ 174,607
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
	\$ 8,873,998	\$ 7,962,270
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	573,073	563,023
Changes in assets and liabilities:		
Accounts payable	(18,258)	10,179
Other payables	2,090	6,102
Accounts receivable	69,453	-
Accumulated unpaid absences	4,009	(10,620)
Deferred revenue	99,694	36,569
Total adjustments	730,061	605,253
Net cash provided by operating activities	\$ 9,604,059	\$ 8,567,523
 Noncash investing, capital and financing activities:		
Contribution of capital assets from outside source	\$ -	\$ 124,593

The accompanying notes are an integral part of these statements.

McAllen International Toll Bridge
Notes to Financial Statements
September 30, 2012 and 2011

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, 2012 and 2011

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, 2012 and 2011.

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, 2012 and 2011 was \$573,073 and \$563,023 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, 2012 and 2011

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, 2012 the Anzalduas Special and Start Up Fund advance receivable from the Anzalduas Bridge amounts to \$10,407,504, (9,925,342 in 2011) of which the City of McAllen's portion is \$6,660,803 and the City of Hidalgo's portion, \$3,746,701. During this fiscal year, the balance was increased by accrued interest in the amount of \$482,162.

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, 2012 the board advance receivable to the Hidalgo Bridge amounts to \$4,337,604, (\$4,006,833 in 2011) of which the City of McAllen's portion is \$2,776,066 and the City of Hidalgo's portion, \$1,561,538. During the year the balance was increased by accrued interest of \$4,491 and board advances of \$326,280.

McAllen International Toll Bridge
Notes to Financial Statements
September 30, 2012 and 2011

1. Summary of Significant Accounting Policies-Continued

Board Advance "B"

During this fiscal year, the Hidalgo Bridge also transferred \$671,868 (\$734,467 in 2011) to the Anzalduas Bridge in support of City of McAllen Series 2007 B Bonds debt service requirements. The 2003 Agreement provides that advances will accrue interest at a rate equal to the City of McAllen's bank depository rate. This advance is deducted from the City of McAllen's share of unallocated net surplus revenues of the Hidalgo Bridge. The City of Mission is responsible for repaying directly to the City of McAllen for its prorata share from its share of the net revenues of the Anzalduas Bridge after all bond ordinance requirements have been met and the Anzalduas Special and Start Up Fund advance and the board advances for Series 2007 A have been paid.

As of September 30, 2012 the board advance owed by the City of Mission to the City of McAllen amounts to \$1,246,791, increasing from \$1,014,864 for the year ended September 30, 2011.

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

McAllen International Toll Bridge
Notes to Financial Statements
September 30, 2012 and 2011

1. Summary of Significant Accounting Policies-Continued

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.

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

McAllen International Toll Bridge
Notes to Financial Statements
September 30, 2012 and 2011

2. Cash and Investments-Continued

the quoted value of each investment on the last business day of the Hidalgo Bridge's fiscal year.

Investments

Investments at fair value, including accrued interest, as of September 30, 2012 and September 30, 2011 are presented in the following tables:

Investment Maturities (in Years) at the end of September 30, 2012						
		Less				
		Fair Value	Than 1	1-2	2-3	3-4
Tex Pool	\$	8,068,700	\$	8,068,700	\$	-
Certificates of deposit		-		-	-	-
		<u>8,068,700</u>	<u>8,068,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$	<u>8,068,700</u>	<u>8,068,700</u>	<u>-</u>	<u>-</u>	<u>-</u>

Investment Maturities (in Years) at the end of September 30, 2011						
		Less				
		Fair Value	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	-	-
		<u>7,045,514</u>	<u>5,660,785</u>	<u>1,384,729</u>	<u>-</u>	<u>-</u>
	\$	<u>7,045,514</u>	<u>5,660,785</u>	<u>1,384,729</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.

McAllen International Toll Bridge
Notes to Financial Statements
September 30, 2012 and 2011

2. Cash and Investments-Continued

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 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, 2012 and 2011, 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 \$0 at the end of September 2012 and 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, 2012 and September 30, 2011 are presented in the following tables:

McAllen International Toll Bridge
Notes to Financial Statements
September 30, 2012 and 2011

3. Capital Assets - Continued

	Balance at September 30, 2011	Additions	<Retirement/ Transfer>	Balance at September 30, 2012
Land	\$ 573,798	\$ -	\$ -	\$ 573,798
Buildings	10,698,086	-	-	10,698,086
Improvements other other than buildings	2,411,169	4,207	-	2,415,376
Machinery and equipment	1,784,526	-	-	1,784,526
Construction in progress	2,450	75,192	-	77,642
Total assets	15,470,029	79,399	-	15,549,428
Less accumulated depreciation	8,192,701		573,073	8,765,774
Net capital assets	\$ 7,277,328	\$ 79,399	\$ 573,073	\$ 6,783,654

	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

4. Revenue Bonds Payable and Long Term Liabilities

Long-term liability activities for the year ended September 30, 2012 and September 30, 2011 are reflected in the following page:

McAllen International Toll Bridge
Notes to Financial Statements
September 30, 2012 and 2011

	Balance at September 30, 2011	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2012	Amounts Due Within One Year
Revenue bonds payable	\$ 285,000	\$ -	\$ (285,000)	\$ -	\$ -
Compensated absences	90,113	94,122	(90,113)	94,122	52,000
	<u>\$ 375,113</u>	<u>\$ 94,122</u>	<u>\$ (375,113)</u>	<u>\$ 94,122</u>	<u>\$ 52,000</u>
	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>

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.

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.

McAllen International Toll Bridge

Notes to Financial Statements

September 30, 2012 and 2011

6. Retirement Plan-Continued

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

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

	Plan Year 2011	Plan Year 2012
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 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.

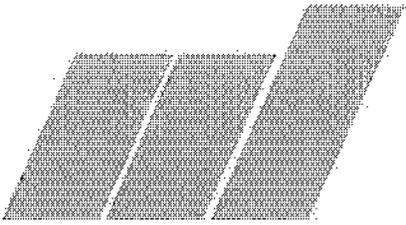
7. Accounting for Postemployment Benefits Other Than Pensions

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 forty four full time employees. For the current year, the fund contributed \$11,918 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.

McAllen International Toll Bridge
Notes to Financial Statements
September 30, 2012 and 2011

8. Subsequent events.

At its meeting of October 8, 2012, the Toll Bridge Board approved an increase to the pedestrian toll crossings fee 25¢, from 75¢ to \$1, effective January 1, 2013.



Supplemental Information

McAllen International Toll Bridge
Schedule of Income Distribution
Last Ten Years

	Year Ended September 30,			
	2003	2004	2005	2006
Bridge revenues (1)	\$ 11,349,882	\$ 11,584,346	\$ 12,673,720	\$ 13,148,044
Deductible operating expenses (1)	<u>1,707,114</u>	<u>1,872,704</u>	<u>2,037,853</u>	<u>2,193,028</u>
	9,642,768	9,711,642	10,635,867	10,955,016
Less:				
Required transfers to restricted assets (2)	323,651	272,673	306,685	288,340
Transfers to Capital Improvement Fund	-	-	-	-
Increase working capital	200,000	-	-	-
Transfer to start up fund	-	-	884,028	1,318,579
Deductions for Capital Assets Acquisitions (3)	-	-	389,795	175,906
Board advance Series "A" 2007 Bonds	-	-	-	-
	<u>9,119,117</u>	<u>9,438,969</u>	<u>9,055,359</u>	<u>9,172,191</u>
Base revenues	\$	\$	\$	\$
Distributions and reservations of surplus revenues:				
City of Hidalgo	\$ 3,282,882	\$ 3,398,029	\$ 3,259,929	\$ 3,301,989
Add: Implied interest income on Series "B" Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net distribution to City of Hidalgo	<u>3,282,882</u>	<u>3,398,029</u>	<u>3,259,929</u>	<u>3,301,989</u>
City of McAllen:	5,836,235	6,040,940	5,795,430	5,870,202
Add: Interest due City of McAllen for installment payments made to City of Hidalgo	-	-	-	-
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>5,836,235</u>	<u>6,040,940</u>	<u>5,795,430</u>	<u>5,870,202</u>
Base Revenue Only	\$	\$	\$	\$

- (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) Authorized by Board of Trustees in December 2004.

Year Ended September 30

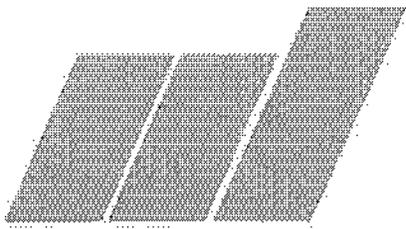
	2007	2008	2009	2010	2011	2012
\$	12,650,077	\$ 14,571,541	\$ 12,950,583	\$ 11,059,465	\$ 10,810,639	\$ 11,915,379
	<u>2,298,633</u>	<u>2,478,982</u>	<u>2,339,137</u>	<u>2,217,135</u>	<u>2,277,894</u>	<u>2,464,251</u>
	10,351,444	12,092,559	10,611,446	8,842,330	8,532,745	9,451,128
	293,735	294,467	295,996	296,661	297,615	124,776
	-	-	-	-	243,527	745,052
	-	-	-	-	-	-
	1,229,780	-	-	-	-	-
	-	-	10,434	3,045	3,995	4,206
	<u>112,851</u>	<u>1,272,986</u>	<u>1,455,414</u>	<u>815,000</u>	<u>326,833</u>	<u>326,280</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>	<u>\$ 8,250,814</u>
\$	3,137,421	\$ 3,789,038	\$ 3,185,856	\$ 2,781,945	\$ 2,757,879	\$ 2,970,293
	<u>168</u>	<u>451</u>	<u>29</u>	<u>19</u>	<u>14</u>	<u>-</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>	<u>2,970,293</u>
	5,577,637	6,736,068	5,663,746	4,945,679	4,902,896	5,280,521
	-	-	-	-	-	-
	(54,682)	(607,836)	(776,829)	(770,276)	(734,467)	(671,868)
	<u>(168)</u>	<u>(451)</u>	<u>(29)</u>	<u>(19)</u>	<u>(14)</u>	<u>-</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>4,608,653</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>	<u>\$ 8,250,814</u>

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

Year Ended September 30, 2012

	<u>Reserved for City Distribution</u>	<u>Current Debt Service</u>	<u>Contingency</u>
Cash and investments at September 30, 2011	<u>\$ 4,170,498</u>	<u>\$ 167,366</u>	<u>\$ 501,628</u>
Add:			
Transfers in	4,608,653	124,776	-
Interest earned	<u>1,785</u>	<u>-</u>	<u>570</u>
Total additions	<u>4,610,438</u>	<u>124,776</u>	<u>570</u>
Less payments:			
Retirement of Series Revenue Bonds	-	285,000	-
Interfund transfers	4,170,498	12	-
Interest and fiscal charges	<u>-</u>	<u>7,130</u>	<u>-</u>
Total payments	<u>4,170,498</u>	<u>292,142</u>	<u>-</u>
Cash and investments at September 30, 2012	<u><u>\$ 4,610,438</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 502,198</u></u>
Cash and investments at September 30, 2012 are comprised of the following:			
Cash	\$ -		\$ -
Certificates of deposits		-	-
Investments	4,608,653		502,198
Accrued interest	<u>1,785</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 4,610,438</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 502,198</u></u>

Bridge Capital Improvement	Total
<u>\$ 396,306</u>	<u>\$ 5,235,798</u>
745,052	5,478,481
<u>791</u>	<u>3,146</u>
<u>745,843</u>	<u>5,481,627</u>
-	285,000
-	4,170,510
<u>-</u>	<u>7,130</u>
<u>-</u>	<u>4,462,640</u>
<u>\$ 1,142,149</u>	<u>\$ 6,254,785</u>
\$ 124,204	124,204
-	-
1,017,945	6,128,796
<u>1,785</u>	<u>1,785</u>
<u>\$ 1,142,149</u>	<u>\$ 6,254,785</u>



McAllen International Toll Bridge
Schedule of Rental Income
Year Ended September 30, 2012

<u>Lessee</u>	<u>Amount</u>
General Services Administration	989,283
Texas Alcoholic Beverage Commission	25,304
United Export Traders Association	467,288
Valley Transit Bus Company	9,520
Taxi Space Rental	1,650
Sprint	19,926
AT&T	41,146
ATM	4,010
	<u>1,558,127</u>

McAllen International Toll Bridge
Comparative Detailed Schedule of Operating Expenses
Year Ended September 30, 2012

	Department		Total 2012	Total 2011
	Administration	Bridge Operations		
Personnel Services				
Exempt salaries	\$ 43,776	\$ 151,166	\$ 194,942	\$ 153,450
Nonexempt wages and part time	592,914	28,088	621,002	673,161
Board of trustees fees	-	1,050	1,050	1,800
Overtime	27,341	822	28,163	41,709
Total salaries and wages	<u>664,031</u>	<u>181,126</u>	<u>845,157</u>	<u>870,120</u>
Payroll Taxes and Benefits				
Social security and unemployment tax	57,193	13,910	71,103	66,186
Employee retirement	40,145	11,029	51,174	78,794
Employee benefits	126,446	17,679	144,125	157,124
Transportation and telephone allowance	960	3,660	4,620	6,480
Total payroll taxes and benefits	<u>224,744</u>	<u>46,278</u>	<u>271,022</u>	<u>308,584</u>
Materials and Supplies				
Janitorial	34,727	-	34,727	38,409
Office supplies	-	7,082	7,082	6,944
Clothing and uniforms	6,396	-	6,396	9,020
Operating supplies	13,223	8,453	21,676	19,585
Total materials and supplies	<u>54,346</u>	<u>15,535</u>	<u>69,881</u>	<u>77,588</u>
Maintenance				
Vehicles		2,566	2,566	3,358
Buildings	198,814	-	198,814	49,204
Fuel	-	6,195	6,195	3,630
Equipment	109,698	978	110,676	68,470
Total maintenance	<u>308,512</u>	<u>9,739</u>	<u>318,251</u>	<u>121,032</u>
Other Services and Charges				
Auditing services	-	16,500	16,500	16,500
Advertising	-	38,343	38,343	51,888
Dues and subscription	-	13,353	13,353	1,605
Management fee	-	135,000	135,000	135,000
Postage	-	60	60	191
Professional services	-	31,179	31,179	20,419
Photocopier rental	-	1,028	1,028	1,392
Rental and contractual	243,658	16,587	260,245	221,901
Bridge security	319,419	-	319,419	320,417
Travel and training	-	1,688	1,688	13,913
Telephone	-	12,003	12,003	14,652
Utilities	42,363	-	42,363	49,658
General insurance	-	50,368	50,368	50,368
Miscellaneous	10,343	28,049	38,392	2,666
Total other services and charges	<u>615,783</u>	<u>344,158</u>	<u>959,941</u>	<u>900,570</u>
Total expenses before depreciation	<u>1,867,416</u>	<u>596,836</u>	<u>2,464,252</u>	<u>2,277,894</u>
Depreciation and amortization	-	-	573,073	563,023
Total operating expenses	<u>\$ 1,867,416</u>	<u>\$ 596,836</u>	<u>\$ 3,037,325</u>	<u>\$ 2,840,917</u>

Toll Bridge System
McAllen International Toll Bridge and Anzalduas International Crossing
Schedule of Net Assets Information
September 30, 2012

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Current Assets			
Cash	\$ 222,984	\$ 92,976	\$ 315,960
Investments	1,938,119	1,023,644	2,961,763
Total current assets	<u>2,161,103</u>	<u>1,116,620</u>	<u>3,277,723</u>
Restricted Assets			
Cash (all interest-bearing):			
Current debt service	124,204	56,393	180,597
Total restricted cash	<u>124,204</u>	<u>56,393</u>	<u>180,597</u>
Certificates of deposit/ investments- reserved for distribution	4,610,438	-	4,610,438
Investments	1,520,143	1,106,355	2,626,498
Total restricted assets -- excluding current bond installments	<u>6,254,785</u>	<u>1,162,748</u>	<u>7,417,533</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	2,415,376	47,243,241	49,658,617
Machinery and equipment	1,784,526	1,462,403	3,246,929
Construction in progress	77,642	-	77,642
	<u>15,549,428</u>	<u>54,639,712</u>	<u>70,189,140</u>
Less accumulated depreciation	(8,765,774)	(4,169,998)	(12,935,772)
Net capital assets	<u>6,783,654</u>	<u>50,469,714</u>	<u>57,253,368</u>
Other Assets			
Unamortized bond issue cost	-	833,354	833,354
Excess of purchase price over assets acquired	609,713	-	609,713
Board advances	14,745,108	-	14,745,108
Total other assets	<u>15,354,821</u>	<u>833,354</u>	<u>16,188,175</u>
Total assets	<u>\$ 30,554,363</u>	<u>\$ 53,582,436</u>	<u>\$ 84,136,799</u>

Liabilities and Net Assets

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Current Liabilities			
Due to City of Hidalgo	\$ 731,515	\$ -	\$ 731,515
Accounts payable	41,050	37,113	78,163
Compensated absences due one year	52,000	-	52,000
Other payables	39,275	-	39,275
Total current liabilities	863,840	37,113	900,953
Liabilities Payable From Restricted Assets			
Accounts payable	75,192	-	75,192
Due to City of McAllen-interest on certificates of deposit	1,785	-	1,785
Current installments of revenue bonds	-	1,150,000	1,150,000
Accrued revenue bond interest	-	146,443	146,443
Total liabilities payable from restricted assets	76,977	1,296,443	1,373,420
Long-Term Liabilities			
Revenue bonds – excluding current installments	-	35,645,000	35,645,000
Compensated absences	42,122	9,120	51,242
Deferred revenue	195,800	-	195,800
Other long term payables	-	15,247,544	15,247,544
Total long-term liabilities	237,922	50,901,664	51,139,586
Total liabilities	1,178,739	52,235,220	53,413,959
Net Assets			
Invested in capital assets-net of related debt	6,783,654	14,005,632	20,789,286
Restricted per revenue bond ordinances	502,198	655,965	1,158,163
Restricted for improvements	1,066,957	281,458	1,348,415
Restricted for distribution to the City of McAllen	4,608,653	-	4,608,653
Unrestricted	16,414,162	(13,595,809)	2,818,323
Total net assets	29,375,624	1,347,216	30,722,840
Total liabilities and net assets	\$ 30,554,363	\$ 53,582,436	\$ 84,136,799

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, 2012

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Operating revenues:			
Tolls	\$ 10,211,452	\$ 2,596,703	\$ 12,808,155
Rental income	1,558,127	-	1,558,127
Other income	141,744	51,719	193,463
Total operating revenues	<u>11,911,323</u>	<u>2,648,422</u>	<u>14,559,745</u>
Operating expenses:			
Salaries	845,157	291,722	1,136,879
Payroll taxes and benefits	271,022	90,610	361,632
Insurance	50,368	12,000	62,368
Materials and supplies	69,881	14,510	84,391
Maintenance	318,251	90,192	408,443
Bridge security	319,419	-	319,419
Miscellaneous services	590,154	317,837	907,991
Depreciation	573,073	1,538,249	2,111,322
Total operating expenses	<u>3,037,325</u>	<u>2,355,120</u>	<u>5,392,445</u>
Operating income	<u>8,873,998</u>	<u>293,302</u>	<u>9,167,300</u>
Nonoperating revenues (expenses):			
Distribution of income to the City of Hidalgo	(2,970,293)	-	(2,970,293)
Interest income	4,847	2,666	7,513
Interest expense	(6,026)	(1,772,085)	(1,778,111)
Interest on Board advances	486,649	(486,649)	-
Amortization/ discount of bond premium	(3,987)	(17,043)	(21,030)
Total nonoperating (expenses) revenues	<u>(2,488,810)</u>	<u>(2,273,111)</u>	<u>(4,761,921)</u>
Income before operating transfers and contributions	6,385,188	(1,979,809)	4,405,379
Transfers to the City of McAllen	(4,168,414)	-	(4,168,414)
Transfers to debt service Series "B" 2007 bonds	(671,868)	671,868	-
Changes in net assets	1,544,906	(1,307,941)	236,965
Total net assets at beginning of year	<u>27,830,718</u>	<u>2,655,157</u>	<u>30,485,875</u>
Total net assets at end of year	<u>\$ 29,375,624</u>	<u>\$ 1,347,216</u>	<u>\$ 30,722,840</u>

Toll Bridge System
McAllen International Toll Bridge and Anzalduas International Crossing
Schedule of Cash Flows Information
Years Ended September 30, 2012

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 12,080,470	\$ 2,648,422	\$ 14,728,892
Payments to employees	(1,110,080)	(374,978)	(1,485,058)
Payments to suppliers	(1,365,331)	(499,471)	(1,865,802)
Net cash provided by operating activities	<u>9,604,059</u>	<u>1,773,973</u>	<u>11,378,032</u>
Cash Flows From Noncapital Financing Activities			
Distribution of income to the City of Hidalgo	(2,949,936)	-	(2,949,936)
Operating transfers to the City of McAllen	(4,168,713)	-	(4,168,713)
Advance from McAllen International Toll Bridge-Board A	(326,283)	326,283	-
Advance from McAllen International Toll Bridge-Board B	(671,868)	671,868	-
Net cash (used by) provided by noncapital financing activities	<u>(8,116,800)</u>	<u>998,151</u>	<u>(7,118,649)</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(4,206)	(3,608)	(7,814)
Principal paid on long-term debt	(285,000)	(820,000)	(1,105,000)
Interest paid	(7,130)	(1,774,818)	(1,781,948)
Net cash used by capital and related financing activities	<u>(296,336)</u>	<u>(2,598,426)</u>	<u>(2,894,762)</u>
Cash Flows From Investing Activities			
Receipt of interest	5,525	3,004	8,529
Proceeds from sales and maturities of investments	7,044,836	1,929,656	8,974,492
Purchase of investments	(8,068,703)	(2,129,999)	(10,198,702)
Net cash provided by (used by) investing activities	<u>(1,018,342)</u>	<u>(197,339)</u>	<u>(1,215,681)</u>
Net increase (decrease) in cash	172,581	(23,641)	148,940
Cash at beginning of year	<u>174,607</u>	<u>173,010</u>	<u>347,617</u>
Cash at end of year	<u>\$ 347,188</u>	<u>\$ 149,369</u>	<u>\$ 496,557</u>

Toll Bridge System
McAllen International Toll Bridge and Anzalduas International Crossing
Schedule of Cash Flows Information
Years Ended September 30, 2012
(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	\$ 222,984	\$ 92,976	\$ 315,960
Restricted cash	124,204	56,393	180,597
	<u>\$ 347,188</u>	<u>\$ 149,369</u>	<u>\$ 496,557</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	\$ 8,873,998	\$ 293,302	\$ 9,167,300
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation	573,073	1,538,249	2,111,322
Changes in assets and liabilities:			
Accounts payable	(18,258)	(57,578)	(75,836)
Other payables	2,090	-	2,090
Accounts receivable	69,453	-	69,453
Accumulated unpaid absences	4,009	-	4,009
Deferred revenue	99,694	-	99,694
Total adjustments	<u>730,061</u>	<u>1,480,671</u>	<u>2,210,732</u>
Net cash provided by operating activities	<u>\$ 9,604,059</u>	<u>\$ 1,773,973</u>	<u>\$ 11,378,032</u>
Noncash investing, capital, and financing activities:			
Contribution of capital assets from outside source	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Year Ended September 30,			
	2003	2004	2005	2006
Vehicular traffic southbound:				
Cars	5,672,769	5,465,002	5,440,901	5,275,085
Trucks	25,437	20,238	20,484	15,583
Buses	25,541	25,525	24,311	28,231
Total vehicles	(1) <u>5,723,747</u> (1)	<u>5,510,765</u> (1)	<u>5,485,696</u> (1)	<u>5,318,899</u> (1)
Passenger traffic southbound:				
Passengers in cars	(2) 12,593,547 (2)	12,132,304 (2)	12,078,800 (2)	11,710,689 (2)
Pedestrians	1,324,814	1,383,498	1,327,812	1,520,307
Passengers and drivers – buses and trucks	<u>740,689</u>	<u>740,225</u>	<u>705,019</u>	<u>818,699</u>
Total persons	<u>14,659,050</u>	<u>14,256,027</u>	<u>14,111,631</u>	<u>14,049,695</u>

(1) Source: McAllen International Toll Bridge Traffic Court 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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
4,952,968	5,005,822	4,493,785	3,564,188	2,997,696	2,986,097
4,339	5,295	4,383	2,629	1,641	6,620
<u>29,301</u>	<u>29,837</u>	<u>28,890</u>	<u>20,433</u>	<u>17,464</u>	<u>16,680</u>
<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)	<u>3,009,397</u>
12,382,420 (2)	12,514,555 (2)	11,234,463 (2)	8,910,470 (2)	7,494,240 (2)	7,465,243
1,683,666	1,547,848	1,575,193	1,578,295	1,540,559	1,479,032
<u>849,729</u>	<u>865,273</u>	<u>837,810</u>	<u>592,557</u>	<u>506,456</u>	<u>483,720</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>	<u>9,427,995</u>

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

	Year Ended September 30,			
	2003	2004	2005	2006
Southbound traffic:				
Cars	5,672,769	5,465,002	5,440,901	5,275,085
Trucks	25,437	20,238	20,484	15,583
Total car and truck traffic	<u>5,698,206</u>	<u>5,485,240</u>	<u>5,461,385</u>	<u>5,290,668</u>
Truck traffic percentage	0.45%	0.37%	0.38%	0.29%
Car and truck revenue:				
Cars	\$ 9,535,340	\$ 9,563,754	\$ 10,413,819	\$ 10,550,170
Trucks	185,158	137,994	151,128	121,022
Total car and truck revenue	<u>\$ 9,720,498</u>	<u>\$ 9,701,748</u>	<u>\$ 10,564,947</u>	<u>\$ 10,671,192</u>
Truck revenue percentage	1.90%	1.42%	1.43%	1.13%
Average revenue per car	\$ 1.68	\$ 1.75	\$ 1.91	\$ 2.00
Average revenue per truck	\$ 7.28	\$ 6.82	\$ 7.38	\$ 7.77

Year Ended September 30,

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
4,952,968	5,005,822	4,493,785	3,564,188	2,997,696	2,986,097
4,339	5,295	4,383	2,629	1,641	6,620
<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>	<u>2,992,717</u>
0.09%	0.11%	0.10%	0.07%	0.05%	0.22%
\$ 9,905,936	\$ 11,161,245	\$ 10,111,016	\$ 8,325,166	\$ 7,982,692	\$ 8,820,614
29,724	37,003	30,669	19,325	11,487	46,384
<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>	<u>\$ 8,866,998</u>
0.30%	0.33%	0.30%	0.23%	0.14%	0.52%
\$ 2.00	\$ 2.23	\$ 2.25	\$ 2.34	\$ 2.66	\$ 2.95
\$ 6.85	\$ 6.99	\$ 7.00	\$ 7.35	\$ 7.00	\$ 7.01

McAllen International Toll Bridge
 Schedule of Board Advances to Anzalduas International Crossing
 September 30, 2012
 (Unaudited)

Anzalduas Special & Startup Fund:

Balance at September 30, 2011	Additions		Balance at September 30, 2012
	Advances	Implied Interest	
\$ 9,925,342	\$ -	\$ 482,162	\$ 10,407,504

Board advance "A" to Anzalduas International Crossing:

Balance at September 30, 2011	Additions		Balance at September 30, 2012
	Advances	Implied Interest	
\$ 4,006,833	\$ 326,280	\$ 4,491	\$ 4,337,604

Combined totals of advances to Anzalduas International Crossing:

Balance at September 30, 2011	Additions		Balance at September 30, 2012
	Advances	Implied Interest	
\$ 13,932,175	\$ 326,280	\$ 486,653	\$ 14,745,108

Distribution of Advances:

City of McAllen- Share @ 64%	\$ 8,916,592	\$ 208,819	\$ 311,458	\$ 9,436,869
City of Hidalgo- Share @ 36%	5,015,583	117,461	175,195	5,308,239
	<u>\$ 13,932,175</u>	<u>\$ 326,280</u>	<u>\$ 486,653</u>	<u>\$ 14,745,108</u>

McAllen International Toll Bridge
Schedule of Board Advances to Anzalduas International Crossing
September 30, 2012
(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>
10/1/2011						Opening balance → \$ 9,925,342
10/31/2011	4.74%	31	-	39,956	-	9,965,299
11/30/2011	4.74%	30	-	38,824	-	10,004,123
12/31/2011	4.74%	31	-	40,274	-	10,044,397
1/31/2012	4.74%	31	-	40,436	-	10,084,833
2/29/2012	4.74%	29	-	37,980	-	10,122,813
3/31/2012	4.74%	31	-	40,752	-	10,163,565
4/30/2012	4.74%	30	-	39,596	-	10,203,161
5/31/2012	4.74%	31	-	41,075	-	10,244,236
6/30/2012	4.74%	30	-	39,910	-	10,284,147
7/31/2012	4.74%	31	-	41,401	-	10,325,548
8/31/2012	4.74%	31	-	41,568	-	10,367,116
9/30/2012	4.74%	30	-	40,389	-	10,407,504

McAllen International Toll Bridge
Schedule of Board Advances to Anzalduas International Crossing
September 30, 2012
(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						\$ 4,006,833
10/1/2011			27,190	-	-	4,034,024
10/31/2011	0.003%	31		10	-	4,034,034
11/1/2011			27,190	-	-	4,061,224
11/30/2011	0.00%	30		-	-	4,061,224
12/1/2011			27,190	-	-	4,088,415
12/31/2011	0.003%	31		10	-	4,088,425
1/1/2012			27,190	-	-	4,115,615
1/31/2012	0.00%	31		-	-	4,115,615
2/1/2012			27,190	-	-	4,142,805
2/28/2012	0.025%	29		82	-	4,142,888
3/1/2012			27,190	-	-	4,170,078
3/31/2012	0.043%	31		152	-	4,170,230
4/1/2012			27,190	-	-	4,197,421
4/30/2012	0.037%	30		128	-	4,197,548
5/1/2012			27,190	-	-	4,224,738
5/31/2012	0.052%	31		187	-	4,224,925
6/1/2012			27,190	-	-	4,252,115
6/30/2012	0.037%	30		129	-	4,252,245
7/1/2012			27,190	-	-	4,279,435
7/31/2012	0.049%	31		178	-	4,279,613
8/1/2012			27,190	-	-	4,306,803
8/31/2012	0.500%	31		1,829	-	4,308,632
9/1/2012			27,190	-	-	4,335,822
9/30/2012	0.500%	30		1,782	-	4,337,604

McAllen International Toll Bridge
Schedule of Board Advances to Anzalduas International Crossing
September 30, 2012
(Unaudited)

Activity Schedule-Board Advances "B":

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

	<u>Bank Rate</u>	<u># Days</u>	<u>Advance</u>		<u>Interest</u>	<u>(Payment)</u>	<u>Balance</u>
			<u>Total</u>	<u>Applicable to Mission</u>			
Opening balance							\$ 1,014,864
10/1/2011			78,925	\$ 19,221	-	-	1,034,085
10/31/2011	0.003%	31	-	-	3	-	1,034,088
11/1/2011			78,925	\$ 19,221	-	-	1,053,309
11/30/2011	0.00%	30	-	-	-	-	1,053,309
12/1/2011			78,925	\$ 19,221	-	-	1,072,530
12/31/2011	0.003%	31	-	-	3	-	1,072,531
1/1/2012			78,925	\$ 19,221	-	-	1,091,752
1/31/2012	0.00%	31	-	-	-	-	1,091,753
2/1/2012			78,925	\$ 19,221	-	-	1,110,973
2/28/2012	0.025%	29	-	-	22	-	1,110,996
3/1/2012			78,992	\$ 19,221	-	-	1,130,217
3/31/2012	0.043%	31	-	-	41	-	1,130,258
4/1/2012			78,992	\$ 19,221	-	-	1,149,478
4/30/2012	0.037%	30	-	-	35	-	1,149,513
5/1/2012			78,992	\$ 19,221	-	-	1,168,734
5/31/2012	0.052%	31	-	-	52	-	1,168,785
6/1/2012			78,992	\$ 19,221	-	-	1,188,006
6/30/2012	0.037%	30	-	-	36	-	1,188,043
7/1/2012			7,958	\$ 19,221	-	-	1,207,264
7/31/2012	0.049%	31	-	-	50	-	1,207,313
8/1/2012			7,957	\$ 19,221	-	-	1,226,534
8/31/2012	0.50%	31	-	-	521	-	1,227,055
9/1/2012			7,957	\$ 19,221	-	-	1,246,276
9/30/2012	0.500%	30	-	-	512	-	1,246,791

McAllen International Toll Bridge
Schedule of Insurance Coverage
September 30, 2012
(Unaudited)

Property	Insurance Company	Period of Coverage	Type of Coverage	Amount of Coverage
Bridge and surrounding area	Texas Municipal League	10/01/11 to 09/30/12	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	10/01/11 to 09/30/12	Bridge use, occupancy, and business interruptions (\$10,000 deductible, except \$25,000 flood and earthquake)	\$ 11,998,048
Workers' compensation	1-2-1 Claims Inc	10/01/11 to 09/30/12	Employer's liability - job-related injuries	Statutory
Workers' compensation	Star Insurance Company	10/01/11 to 09/30/12	Aggregate excess and specific (\$400,000 per occurrence)	Statutory
General liability	Texas Municipal League	10/01/11 to 09/30/12	General: (\$10,000 deductible) Bodily injury Property damage	\$ 2,000,000
General liability - excess	Texas Municipal League	10/01/11 to 09/30/12	Aggregate excess and specific (\$3,000,000 aggregate)	\$ 1,000,000
Errors and omissions liability	Texas Municipal League	10/01/11 to 09/30/12	Each wrongful act (\$25,000 deductible) (\$4,000,000 aggregate)	\$ 2,000,000
Crime section: Employee dishonesty	Texas Municipal League	10/01/11 to 09/30/12	Limit of coverage (\$5,000 deductible)	\$ 1,000,000
Forgery or alteration	Texas Municipal League	10/01/11 to 09/30/12	Limit of coverage (\$1,000 deductible)	\$ 50,000
Crime coverage and computer fraud	Texas Municipal League	10/01/11 to 09/30/12	Limit of coverage (\$5,000 deductible)	\$ 1,000,000

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, 2012, 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 December 12, 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 in *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 previously.

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 that are 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 December 12, 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, Stratemann & Co., L.L.P.

Certified Public Accountants
December 12, 2012