

McAllen International Toll Bridge

**Financial Statements
And Independent Auditors' Report**

September 30, 2013 and 2012

McALLEN INTERNATIONAL TOLL BRIDGE

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the McAllen International Toll Bridge (the "Bridge"), an enterprise fund of the City of McAllen, Texas as of September 30, 2013, which comprise the statement of net position and the related statements of revenues, expenses, and changes in net position, and cash flows as of the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the McAllen International Toll Bridge, an enterprise fund of the City of McAllen, Texas, as of September 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the McAllen International Toll Bridge, an enterprise fund of the City of McAllen, Texas as of September 30, 2012, were audited by other auditors whose report dated December 12, 2012, expressed an unmodified opinion on those statements.

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, Texas as of September 30, 2013, the changes in its financial position, or, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed on 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bridge's basic financial statements. The Schedule of Income Distribution – Last Ten Years; Schedule of Changes in Restricted Assets- Cash and Investments; Schedule of Rental Income; Comparative Detailed Schedule of Operating Expenses; Toll Bridge System (Combined) – McAllen International Toll Bridge and Anzalduas International Crossing; Schedule of Net Position Information; Schedule of Revenues, Expenses and Changes in Net Position Information; and Schedule of Cash Flows Information, which are listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such 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 referred above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vehicle and Passenger Traffic – Last Ten Years; Schedule of Car and Truck Traffic Revenue – Last Ten Years; Schedules of Board Advances to Anzalduas International Crossing; and Schedule of Insurance Coverage have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2014, on our consideration of the McAllen International Toll 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* in considering McAllen International Toll Bridge's internal control over financial reporting and compliance.


LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
January 22, 2014

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McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2013

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, 2013 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 12-13</u>	<u>FY 11-12</u>	<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Cars	2,908,166	2,986,097	(77,931)	-2.60%
Trucks	9,119	6,620	2,499	37.70%
Buses	16,160	16,680	(520)	-3.10%
Passengers in cars	7,270,415	7,465,243	(194,828)	-2.60%

As shown on the Statement of Revenues, Expenses, and Changes in Net Position, as a result of this year's operations, net assets increased by \$1.6M. Operating revenues were up \$100K and operating expenses decreased \$158K.

Overview of the Financial Statements

These reports consist of several financial statements and includes, the Statement of Net Position, Statement of Revenue, Expenses and Changes in Net Position, and the Statement of Cash Flows for the current fiscal year ending September 30, 2013 as well as the previous fiscal year.

McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2013

Required Financial Statements

The Statement of Net Position 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 position 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 Net Position 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 position, and its components, over time serve as a meaningful measure of the Bridge's financial position. As of September 30, 2013, net position increased by \$1.6M.

McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2013

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

	Condensed Statement of Net Position Information		
	<u>FY 12-13</u>	<u>FY 11-12</u>	<u>FY 10-11</u>
ASSETS:			
Current assets	\$ 2,344,787	\$ 2,161,103	\$ 2,053,774
Restricted assets	6,237,768	6,254,785	5,235,798
Net capital assets	7,873,937	6,783,654	7,277,328
Other assets	<u>15,880,736</u>	<u>15,354,821</u>	<u>14,545,876</u>
 Total assets	 <u>\$ 32,337,228</u>	 <u>\$ 30,554,363</u>	 <u>\$ 29,112,776</u>
 LIABILITIES:			
Current liabilities	\$ 942,307	\$ 863,840	\$ 859,651
Payable from restricted assets	37,054	76,977	288,188
Long-term liabilities	<u>343,656</u>	<u>237,922</u>	<u>134,219</u>
 Total liabilities	 <u>\$ 1,323,017</u>	 <u>\$ 1,178,739</u>	 <u>\$ 1,282,058</u>
 NET POSITION:			
Net investment in capital assets	\$ 7,873,937	\$ 6,783,654	\$ 6,996,315
Restricted	6,200,713	6,177,808	5,232,597
Unrestricted	<u>16,939,561</u>	<u>16,414,162</u>	<u>15,601,806</u>
 Total net position	 <u>\$ 31,014,211</u>	 <u>\$ 29,375,624</u>	 <u>\$ 27,830,718</u>

Revenues, Expenses and Changes in Net Position

Even though there was a slight decline in southbound car crossings of 78K or 2.6%, toll revenue rose to \$10.3M—an increase of \$89K due to increase in rates. Rental and other income remained relatively flat. Operating expenses decreased slightly from last year's level to \$2.9M, resulting in operating income increase of \$259K, leaving a \$1.6M increase to net position after distributions to the cities.

Condensed Schedule of Revenues, Expenses, and Changes in Net Position 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, 2013**

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

	FY 12-13	FY 11-12	FY 10-11
Operating revenues:			
Tolls	\$ 10,300,629	\$ 10,211,452	\$ 9,063,280
Rental income	1,579,908	1,558,127	1,353,180
Other income	131,215	141,744	386,727
Total operating revenues	<u>12,011,752</u>	<u>11,911,323</u>	<u>10,803,187</u>
Operating expenses:			
Personnel	1,121,574	1,116,179	1,178,704
Supplies	73,889	69,881	77,588
Other services and charges	950,267	959,941	900,570
Maintenance	180,624	318,251	121,032
Depreciation	552,627	573,073	563,023
Total operating expenses	<u>2,878,981</u>	<u>3,037,325</u>	<u>2,840,917</u>
Operating income	<u>9,132,771</u>	<u>8,873,998</u>	<u>7,962,270</u>
Nonoperating revenues (expenses):			
Distribution of income to City of Hidalgo	(3,226,208)	(2,970,293)	(2,900,664)
Investment income	4,038	4,847	5,135
Interest expense	-	(6,026)	(18,865)
Amortization of bond premium	-	(3,987)	(9,569)
Interest on board advances	525,915	486,649	460,943
Total nonoperating revenues (expenses)	<u>(2,696,255)</u>	<u>(2,488,810)</u>	<u>(2,463,020)</u>
Income before transfers and contributions	6,436,516	6,385,188	5,499,250
Capital Contributions	774,388	-	124,593
Transfers to City of McAllen	(4,608,653)	(4,168,414)	(4,429,189)
Transfers to debt service Series "B"	(963,664)	(671,868)	(734,467)
Transfers in - other	-	-	2,609
Changes in net position	<u>1,638,587</u>	<u>1,544,906</u>	<u>462,796</u>
Total net position at beginning of year	<u>29,375,624</u>	<u>27,830,718</u>	<u>27,367,922</u>
Total net position at end of year	<u>\$ 31,014,211</u>	<u>\$ 29,375,624</u>	<u>\$ 27,830,718</u>

McAllen International Toll Bridge
Management's Discussion and Analysis
September 30, 2013

TOLL RATES

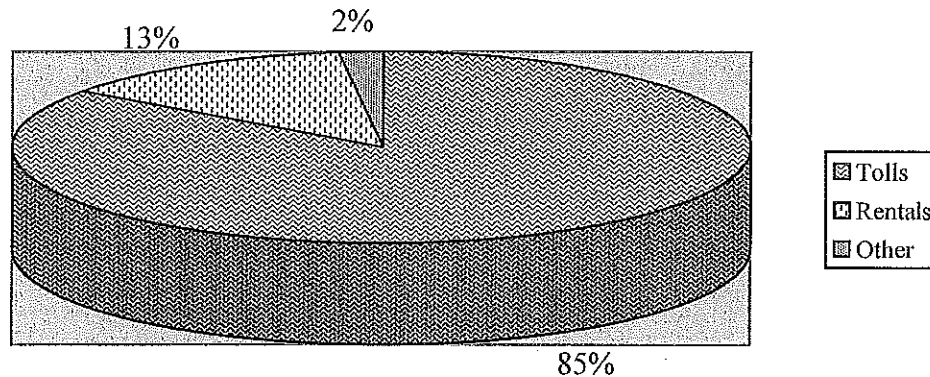
The Bridge charges tolls on southbound crossings into Mexico for various categories of customers as indicated below:

<u>Category</u>	<u>FY 12-13</u>	<u>FY 11-12</u>
Pedestrians	\$1.00	\$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	\$3.00
Extra Axle	\$3.00	\$3.00

The Board of Trustees approved an increase of 25¢ per pedestrian crossing from 75c to \$1.00, effective January 1, 2013.

REVENUES

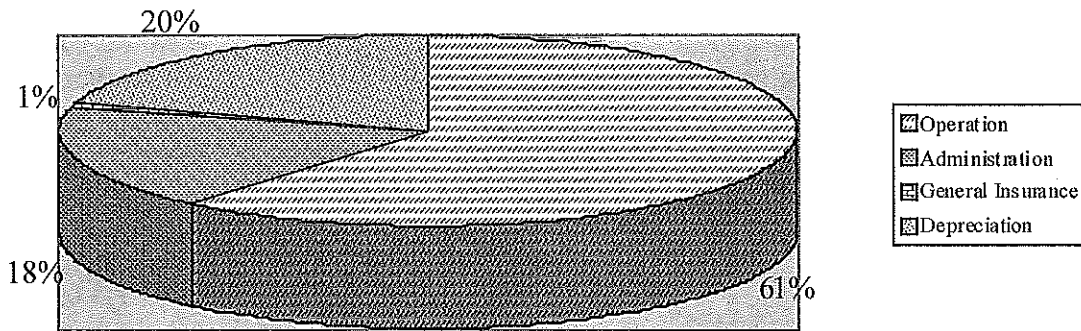
The following chart illustrates the relative contribution of each category of revenue to total operating revenues:



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, 2013**



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of this fiscal year, the Bridge had \$7.8M in capital assets, consisting of the following.

	Capital Assets		
	FY 12-13	FY 11-12	FY 10-11
Land	573,798	\$ 573,798	\$ 573,798
Buildings	10,698,086	10,698,086	10,698,086
Improvements other than buildings	3,378,790	2,415,376	2,411,169
Machinery and equipment	1,784,526	1,784,526	1,784,526
Construction in progress	757,138	77,642	2,450
	<hr/>	<hr/>	<hr/>
Total capital assets	17,192,338	15,549,428	15,470,029
Accumulated depreciation	(9,318,401)	(8,765,774)	(8,192,701)
	<hr/>	<hr/>	<hr/>
Total capital assets, net	<u>\$ 7,873,937</u>	<u>\$ 6,783,654</u>	<u>\$ 7,277,328</u>

In 2013, \$681K was spent for the pedestrian canopy and \$960K for road improvements. For 2012, \$79K of purchases 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, 2013**

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 2013-14 the elected and appointed officials considered many factors driving bridge crossings including job growth, growth in new housing, bank deposits, retail sales growth, the unemployment rate, inflation, the level of growth in the maquiladora industry, the dollar exchange rate with the Mexican peso as well as anticipated level of Winter Texan tourists that spend between 4 to 6 months during the winter months in our area as well as the continued uncertainty in Mexico.

Taking the above factors into account, toll revenues were budgeted at 4% more than fiscal year 2012-2013 and operating expenses were decreased by 4%.

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.

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Basic Financial Statements

McAllen International Toll BridgeStatements of Net Position
September 30, 2013 and 2012
Assets

	2013	2012
Current Assets		
Cash	\$ 432,383	\$ 222,984
Investments	1,912,405	1,938,119
Total unrestricted current assets	2,344,788	2,161,103
Restricted Assets		
Cash		
Current capital improvement	56,089	124,204
Total restricted cash	56,089	124,204
Investments- reserved for distribution	4,773,067	4,610,438
Investments	1,408,611	1,520,143
Total restricted assets	6,237,767	6,254,785
Total current assets	8,582,555	8,415,888
Capital Assets – at cost		
Land	573,798	573,798
Buildings	10,698,086	10,698,086
Improvements other than buildings	3,378,790	2,415,376
Machinery and equipment	1,784,526	1,784,526
Construction in progress	757,138	77,642
	17,192,338	15,549,428
Less accumulated depreciation	9,318,401	8,765,774
Net capital assets	7,873,937	6,783,654
Other Assets		
Excess of purchase price over assets acquired	609,713	609,713
Board advances	15,271,023	14,745,108
Total other assets	15,880,736	15,354,821
Total assets	\$ 32,337,228	\$ 30,554,363

The accompanying notes are an integral part of these statements.

Liabilities and Net Position

	2013	2012
Current Liabilities		
Due to City of Hidalgo	\$ 771,194	\$ 731,515
Accounts payable	66,802	41,050
Compensated absences due one year	63,000	52,000
Other payables	41,311	39,275
	<u>942,307</u>	<u>863,840</u>
Liabilities Payable From Restricted Assets		
Accounts payable	35,805	75,192
Due to City of McAllen-interest on investments	1,249	1,785
	<u>37,054</u>	<u>76,977</u>
Total current liabilities	<u>979,361</u>	<u>940,817</u>
Long-Term Liabilities		
Compensated absences	49,701	42,122
Deferred revenue	293,955	195,800
	<u>343,656</u>	<u>237,922</u>
Total liabilities	<u>1,323,017</u>	<u>1,178,739</u>
Net Position		
Net investment in capital assets	7,873,937	6,783,654
Restricted per revenue bond ordinances	502,674	502,198
Restricted for improvements	926,221	1,066,957
Restricted for distribution to the City of McAllen	4,771,818	4,608,653
Unrestricted	16,939,561	16,414,162
	<u>31,014,211</u>	<u>29,375,624</u>
Total liabilities and net position	<u>\$ 32,337,228</u>	<u>\$ 30,554,363</u>

McAllen International Toll Bridge

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended September 30, 2013 and 2012

	2013	2012
Operating revenues:		
Tolls	\$ 10,300,629	\$ 10,211,452
Rental income	1,579,908	1,558,127
Other income	131,215	141,744
Total operating revenues	12,011,752	11,911,323
Operating expenses:		
Salaries	854,761	845,157
Payroll taxes and benefits	266,813	271,022
Insurance	50,368	50,368
Materials and supplies	73,889	69,881
Maintenance	180,624	318,251
Bridge security	314,861	319,419
Miscellaneous services	585,038	590,154
Depreciation	552,627	573,073
Total operating expenses	2,878,981	3,037,325
Operating income	9,132,771	8,873,998
Nonoperating revenues (expenses):		
Distribution of income to the City of Hidalgo	(3,226,208)	(2,970,293)
Investment income	4,038	4,847
Interest expense	-	(6,026)
Amortization of bond premium	-	(3,987)
Interest on board advances	525,915	486,649
Total net nonoperating revenues (expenses)	(2,696,255)	(2,488,810)
Income before transfers and contributions	6,436,516	6,385,188
Capital contributions	774,388	-
Transfers to the City of McAllen	(4,608,653)	(4,168,414)
Transfers to debt service Series "B"	(963,664)	(671,868)
Changes in net position	1,638,587	1,544,906
Total net position at beginning of year	29,375,624	27,830,718
Total net position at end of year	\$ 31,014,211	\$ 29,375,624

The accompanying notes are an integral part of these statements.

McAllen International Toll Bridge

Statements of Cash Flows

Years Ended September 30, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities		
Receipts from customers	\$ 12,109,907	\$ 12,080,470
Payments to employees	(1,100,959)	(1,110,080)
Payments to suppliers	(1,218,414)	(1,366,331)
Net cash provided by operating activities	9,790,534	9,604,059
Cash Flows From Noncapital Financing Activities		
Distribution of income to the City of Hidalgo (net of payables)	(3,186,529)	(2,949,936)
Operating transfers to the City of McAllen (net of payables)	(4,609,189)	(4,168,713)
Board advance to Anzalduas International Crossing- Series A	-	(326,283)
Board advance to Anzalduas International Crossing- Series B	(963,664)	(671,868)
Net cash used by noncapital financing activities	(8,759,382)	(8,116,800)
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(1,642,910)	(4,206)
Capital contributions	774,388	(285,000)
Interest paid	-	(7,130)
Net cash used by capital and related financing activities	(868,522)	(296,336)
Cash Flows From Investing Activities		
Receipt of interest	4,037	5,525
Proceeds from sales and maturities of investments	7,162,762	7,044,836
Purchase of investments	(7,188,146)	(8,068,703)
Net cash (used) by investing activities	(21,347)	(1,018,342)
Net increase (decrease) in cash	141,283	172,581
Cash at beginning of year	347,188	174,607
Cash at end of year	\$ 488,471	\$ 347,188

Continued

The accompanying notes are an integral part of these statements.

McAllen International Toll Bridge

Statements of Cash Flows

Years Ended September 30, 2013 and 2012

	2013	2012
Reconciliation of Cash Per Statements of Cash Flows to the Statements of Net Assets		
Unrestricted cash	\$ 432,383	\$ 222,984
Restricted cash	56,089	124,204
	<u>\$ 488,472</u>	<u>\$ 347,188</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
	<u>\$ 9,132,771</u>	<u>\$ 8,873,998</u>
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	552,627	573,073
Changes in assets and liabilities:		
Accounts payable	(13,634)	(18,258)
Other payables	2,036	2,090
Accounts receivable	-	69,453
Accumulated unpaid absences	18,579	4,009
Deferred revenue	98,155	99,694
	<u>657,763</u>	<u>730,061</u>
Total adjustments		
	<u>\$ 9,790,534</u>	<u>\$ 9,604,059</u>

Concluded

The accompanying notes are an integral part of these statements.

McAllen International Toll Bridge
Notes to Financial Statement
September 30, 2013 and 2012

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 position. The statement of revenues, expenses, and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The financial statements have been prepared using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The accompanying notes are an integral part of these statements.

McAllen International Toll Bridge
Notes to Financial Statement
September 30, 2013 and 2012

1. Summary of Significant Accounting Policies-Continued

Basis of Accounting

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Hidalgo Bridge enterprise fund are charges to customers for toll crossing and services.

Operating expenses for enterprise funds include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

In 2013, the Bridge implemented the following new GASB pronouncements. The implementation did not result in any change to the financial statements.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This statement will improve financial reporting by addressing issues related to SCAs and improve consistency in reporting these types of arrangements, thereby enhancing the comparability of the accounting and financial reporting of such arrangements among state and local governments.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No.34*. This statement addresses reporting entity issues that have arisen since the issuance of Statement No. 14, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and financial reporting entity display and disclosure requirements.

GASB Standard No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement*. This statement is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements.

GASB Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Types of transactions

The accompanying notes are an integral part of these statements.

McAllen International Toll Bridge
Notes to Financial Statement
September 30, 2013 and 2012

1. Summary of Significant Accounting Policies-Continued

classified as deferred inflows/outflows of resources include service concession arrangements and derivative instruments and hedge accounting.

Capital Assets

Capital assets are capitalized because they are used in the production of services sold. Capital assets are recorded at cost if purchased or constructed. Net interest cost pertaining to qualifying assets which are related to construction in progress is capitalized. No interest was capitalized during the years ended September 30, 2013 and 2012.

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, 2013 and 2012 was \$552,627 and \$573,073 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 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, 2013 the Anzalduas Special and Start Up Fund advance receivable from the Anzalduas Bridge amounts to \$10,911,680, (10,407,504 in 2012) of which the City of McAllen's portion is \$6,983,475

The accompanying notes are an integral part of these statements.

McAllen International Toll Bridge
Notes to Financial Statement
September 30, 2013 and 2012

1. Summary of Significant Accounting Policies-Continued

and the City of Hidalgo's portion, \$3,928,205. During this fiscal year, the balance was increased by accrued interest in the amount of \$504,176.

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, 2013 the board advance receivable to the Hidalgo Bridge amounts to \$4,359,343, (\$4,337,604 in 2012) of which the City of McAllen's portion is \$2,789,980 and the City of Hidalgo's portion, \$1,569,363. During the year the balance was increased by accrued interest of \$21,739.

Board Advance "B"

During this fiscal year, the Hidalgo Bridge also transferred \$963,664 (\$671,868 in 2012) 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, 2013 the board advance owed by the City of Mission to the City of McAllen amounts to \$1,584,762, increasing from \$1,246,791 for the year ended September 30, 2012.

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 and Bond Premium

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

The accompanying notes are an integral part of these statements.

McAllen International Toll Bridge
Notes to Financial Statement
September 30, 2013 and 2012

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 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.

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

The accompanying notes are an integral part of these statements.

McAllen International Toll Bridge
Notes to Financial Statement
September 30, 2013 and 2012

1. Summary of Significant Accounting Policies-Continued

of original maturity, are considered investing activities and, thus, are not considered cash equivalents.

2. Cash and Investments

State statutes authorize the Hidalgo Bridge to invest in obligations of the U.S. Treasury, U.S. government agency securities, direct obligations of the State of Texas or any other state, or its agencies, certificates of deposit, banker's acceptance, commercial paper, repurchase agreements, mutual funds and qualified investment pools. The City's Investment policy, which governs investments within the Bridge Fund, however, limits investments to U.S. Treasuries, U.S. government agencies, excluding those issued by the Student Loan Marketing Association and Tennessee Valley Authority, as well as certificates of deposit. Investments are stated at fair value, as required under Governmental Accounting Standards Board Statement No. 31. The fair value is based on the quoted value of each investment on the last business day of the Hidalgo Bridge's fiscal year.

Investments

Investments at fair value, including accrued interest, as of September 30, 2013 and September 30, 2012 are presented in the following tables:

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

Investment Maturities (in Years) at the end of September 30, 2012					
	Fair Value	Less 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>

The accompanying notes are an integral part of these statements.

McAllen International Toll Bridge
Notes to Financial Statement
September 30, 2013 and 2012

2. Cash and Investments-Continued

Public funds investment pools

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

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

The 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.

The accompanying notes are an integral part of these statements.

McAllen International Toll Bridge
Notes to Financial Statement
September 30, 2013 and 2012

2. Cash and Investments-Continued

Credit risk. As of September 30, 2013 and 2012, the investments in the State's investment pool was rated AAAm by Standards and Poor's. 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.

The accompanying notes are an integral part of these statements.

McAllen International Toll Bridge
Notes to Financial Statement
September 30, 2013 and 2012

3. Capital Assets

Capital assets activities for the year ended September 30, 2013 and September 30, 2012 are presented in the following tables:

	Balance at September 30, 2012	Additions	Retirement/ Transfer	Balance at September 30, 2013
Land	\$ 573,798	\$ -	\$ -	\$ 573,798
Buildings	10,698,086	-	-	10,698,086
Improvements other other than buildings	2,415,376	2,450	-	2,417,826
Machinery and equipment	1,784,526	960,964	-	2,745,490
Construction in progress	77,642	679,496	-	757,138
Total assets	15,549,428	1,642,910	-	17,192,338
Less accumulated depreciation	8,765,774	552,627	-	9,318,401
Net capital assets	<u>\$ 6,783,654</u>	<u>\$ 1,090,283</u>	<u>\$ -</u>	<u>\$ 7,873,937</u>

	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	<u>\$ 7,277,328</u>	<u>\$ 79,399</u>	<u>\$ 573,073</u>	<u>\$ 6,783,654</u>

The accompanying notes are an integral part of these statements.

McAllen International Toll Bridge
Notes to Financial Statement
September 30, 2013 and 2012

4. Revenue Bonds Payable and Long Term Liabilities

Long-term liability activities for the year ended September 30, 2013 and September 30, 2012 are reflected in the following page:

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

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

The accompanying notes are an integral part of these statements.

McAllen International Toll Bridge
Notes to Financial Statement
September 30, 2013 and 2012

6. Retirement Plan-Continued

obtained by writing to Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 1-877-634-8595; in addition, the report is available on TMRS' website at www.TMRS.com.

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

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

	Plan Year 2012	Plan Year 2013
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.

The accompanying notes are an integral part of these statements.

McAllen International Toll Bridge
Notes to Financial Statement
September 30, 2013 and 2012

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 twenty seven full time employees. For the current year, the fund contributed \$13,645 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.

8. Capital Contributions

The Hidalgo International Toll Bridge received \$774K in capital contributions from the Texas Department of Transportation for roadway improvements, which represents 47% of the net change in position.

The accompanying notes are an integral part of these statements.

Supplemental Information

McAllen International Toll Bridge
Schedule of Income Distribution
Last Ten Years

	Year Ended September 30,			
	2004	2005	2006	2007
Bridge revenues (1)	\$ 11,584,346	\$ 12,673,720	\$ 13,148,044	\$ 12,650,077
Deductible operating expenses (1)	<u>1,872,704</u>	<u>2,037,853</u>	<u>2,193,028</u>	<u>2,298,633</u>
	9,711,642	10,635,867	10,955,016	10,351,444
Surplus from contingency, construction, and debt service funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	9,711,642	10,635,867	10,955,016	10,351,444
Less:				
Required transfers to restricted assets (2)	272,673	306,685	288,340	293,755
Transfers to Anzalduas International Bridge Fund (3)	-	-	-	-
Transfers to Capital Improvement Fund	-	-	-	-
Increase working capital	-	-	-	-
Transfer to start up fund	-	884,028	1,318,579	1,229,780
Deductions for Capital Assets Acquisitions (3)	-	389,795	175,906	-
Board advance Series "A" 2007 Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,851</u>
Base revenues	<u>\$ 9,438,969</u>	<u>\$ 9,055,359</u>	<u>\$ 9,172,191</u>	<u>\$ 8,715,058</u>
Distributions and reservations of surplus revenues:				
City of Hidalgo	\$ 3,398,029	\$ 3,259,929	\$ 3,301,989	\$ 3,137,421
Add: Anzalduas Rail Project expenses	-	-	-	-
Net distribution to City of Hidalgo	<u>3,398,029</u>	<u>3,259,929</u>	<u>3,301,989</u>	<u>3,137,421</u>
City of McAllen:	6,040,940	5,795,430	5,870,202	5,577,637
Less: Series "B" Bonds debt service	-	-	-	(54,682)
Less: Implied interest expense on Series "B" Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(168)</u>
Distribution to City of McAllen	<u>6,040,940</u>	<u>5,795,430</u>	<u>5,870,202</u>	<u>5,577,637</u>
Base Revenue Only	<u>\$ 9,438,969</u>	<u>\$ 9,055,359</u>	<u>\$ 9,172,191</u>	<u>\$ 8,715,058</u>

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

Year Ended September 30,

	2008	2009	2010	2011	2012	2013
\$	14,571,541	\$ 12,950,583	\$ 11,059,465	\$ 10,810,639	\$ 11,915,379	\$ 12,015,083
	<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>	<u>2,326,352</u>
	12,092,559	10,611,446	8,842,330	8,532,745	9,451,128	9,688,732
	-	-	-	-	-	-
	12,092,559	10,611,446	8,842,330	8,532,745	9,451,128	9,688,732
	294,467	295,996	296,661	297,615	124,776	-
	-	-	-	-	-	-
	-	-	-	243,527	745,052	727,042
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	10,434	3,045	3,995	4,206	-
	<u>1,272,986</u>	<u>1,455,414</u>	<u>815,000</u>	<u>326,833</u>	<u>326,280</u>	<u>-</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>	\$ <u>8,961,690</u>
\$	3,789,038	\$ 3,185,856	\$ 2,781,945	\$ 2,757,879	\$ 2,970,293	\$ 3,226,208
	-	-	-	-	-	-
	<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>	<u>3,226,208</u>
	6,736,068	5,663,746	4,945,679	4,902,896	5,280,521	5,735,482
	(607,836)	(776,829)	(770,276)	(734,467)	(671,868)	(963,664)
	<u>(451)</u>	<u>(29)</u>	<u>(19)</u>	<u>(14)</u>	<u>-</u>	<u>-</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>4,771,818</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>	\$ <u>8,961,690</u>

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

Year Ended September 30, 2013

	<u>Reserved for City Distribution</u>	<u>Contingency</u>
Cash and investments at September 30, 2012	\$ 4,610,438	\$ 502,198
Add:		
Transfers in	4,770,033	-
Other	-	-
Interest earned	1,249	476
Total additions	<u>4,771,282</u>	<u>476</u>
Less payments:		
Capital assets	-	-
Interfund transfers	4,608,653	-
Total payments	<u>4,608,653</u>	<u>-</u>
Cash and investments at September 30, 2013	<u>\$ 4,773,067</u>	<u>\$ 502,674</u>
Cash and investments at September 30, 2013 are comprised of the following:		
Cash	\$ -	\$ -
Investments	4,771,818	502,198
Accrued interest	1,249	476
	<u>\$ 4,773,067</u>	<u>\$ 502,674</u>

Bridge Capital Improvement	Total
<u>\$ 1,142,149</u>	<u>\$ 6,254,785</u>
727,042	5,497,075
774,388	774,388
<u>745</u>	<u>2,470</u>
<u>1,502,175</u>	<u>6,273,933</u>
1,682,298	1,682,298
-	<u>4,608,653</u>
<u>1,682,298</u>	<u>6,290,951</u>
<u>\$ 962,026</u>	<u>\$ 6,237,767</u>
\$ 56,089	56,089
905,937	6,179,953
-	<u>1,725</u>
<u>\$ 962,026</u>	<u>\$ 6,237,767</u>

McAllen International Toll Bridge
Schedule of Rental Income
Year Ended September 30, 2013

Lessee	Amount
General Services Administration	\$ 926,796
Texas Alcoholic Beverage Commission	25,304
United Export Traders Association	551,022
Valley Transit Bus Company	9,200
Sprint	20,922
AT&T	42,944
ATM	3,720
	<u>\$ 1,579,908</u>

	Department		Total	Total
	Administration	Bridge Operations	2013	2012
Personnel Services				
Exempt salaries	\$ 150,380	\$ 44,262	\$ 194,642	\$ 194,942
Nonexempt wages and part time	28,596	570,469	599,065	621,002
Board of trustees fees	800	-	800	1,050
Overtime	2,158	58,097	60,255	28,163
Total salaries and wages	181,934	672,828	854,762	845,157
Payroll Taxes and Benefits				
Social security and unemployment tax	13,796	50,369	64,165	71,103
Employee retirement	11,392	40,846	52,238	51,174
Employee benefits	17,831	123,417	141,248	144,125
Transportation and telephone allowance	7,320	1,840	9,160	4,620
Total payroll taxes and benefits	50,339	216,472	266,811	271,022
Materials and Supplies				
Janitorial	-	33,618	33,618	34,727
Office supplies	4,358	-	4,358	7,082
Clothing and uniforms	65	10,744	10,809	6,396
Operating supplies	7,013	18,091	25,104	21,676
Total materials and supplies	11,436	62,453	73,889	69,881
Maintenance				
Vehicles	3,347	-	3,347	2,566
Buildings	-	71,456	71,456	198,814
Fuel	5,030	277	5,307	6,195
Equipment	77	100,437	100,514	110,676
Total maintenance	8,454	172,170	180,624	318,251
Other Services and Charges				
Auditing services	16,500	-	16,500	16,500
Advertising	42,244	-	42,244	38,343
Dues and subscription	28,571	-	28,571	13,353
Management fee	135,000	-	135,000	135,000
Postage	161	-	161	60
Professional services	13,090	-	13,090	31,179
Photocopier rental	1,122	-	1,122	1,028
Rental and contractual	18,571	207,331	225,902	260,245
Bridge security	-	314,861	314,861	319,419
Travel and training	12,029	-	12,029	1,688
Telephone	9,736	-	9,736	12,003
Utilities	-	51,411	51,411	42,363
General insurance	50,368	-	50,368	50,368
Miscellaneous	40,118	9,155	49,273	38,392
Total other services and charges	367,510	582,758	950,268	959,341
Total expenses before depreciation	619,673	1,706,681	2,326,354	2,464,252
Depreciation and amortization	283,936	268,691	552,627	573,073
Total operating expenses	\$ 903,609	\$ 1,975,372	\$ 2,878,981	\$ 3,037,325

Toll Bridge System
McAllen International Toll Bridge and Anzalduas International Crossing
Schedule of Net Position Information
September 30, 2013

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Current Assets			
Cash	\$ 432,383	\$ 113,325	\$ 545,708
Investments	1,912,405	910,515	2,822,920
Total current assets	2,344,788	1,023,840	3,368,628
Restricted Assets			
Cash (all interest-bearing):			
Current debt service	56,089	18,023	74,112
Total restricted cash	56,089	18,023	74,112
Investments- reserved for distribution	4,773,067	-	4,773,067
Investments	1,408,611	1,437,209	2,845,820
Total restricted assets – excluding current bond installments	6,237,767	1,455,232	7,692,999
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	3,378,790	47,243,241	50,622,031
Machinery and equipment	1,784,526	1,470,353	3,254,879
Construction in progress	757,138	-	757,138
	17,192,338	54,647,662	71,840,000
Less accumulated depreciation	(9,318,401)	(5,704,334)	(15,022,735)
Net capital assets	7,873,937	48,943,328	56,817,265
Other Assets			
Unamortized bond issue cost	-	790,434	790,434
Excess of purchase price over assets acquired	609,713	-	609,713
Board advances	15,271,023	-	15,271,023
Total other assets	15,880,736	790,434	16,671,170
Total assets	\$ 32,337,228	\$ 52,212,834	\$ 84,550,062

Liabilities and Net Position

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Current Liabilities			
Due to City of Hidalgo	\$ 771,194	\$ -	\$ 771,194
Accounts payable	66,802	18,101	84,903
Compensated absences due one year	63,000	14,287	77,287
Other payables	41,311	-	41,311
Total current liabilities	<u>942,307</u>	<u>32,388</u>	<u>974,695</u>
Liabilities Payable From Restricted Assets			
Accounts payable	35,805	-	35,805
Due to City of McAllen-interest on certificates of deposit	1,249	-	1,249
Current installments of revenue bonds	-	1,200,000	1,200,000
Accrued revenue bond interest	-	142,610	142,610
Total liabilities payable from restricted assets	<u>37,054</u>	<u>1,342,610</u>	<u>1,379,664</u>
Long-Term Liabilities			
Revenue bonds -- excluding current installments	-	34,445,000	34,445,000
Compensated absences	49,701	10,711	60,412
Deferred revenue	293,955	-	293,955
Other long term payables	-	15,747,582	15,747,582
Total long-term liabilities	<u>343,656</u>	<u>50,203,293</u>	<u>50,546,949</u>
Total liabilities	<u>1,323,017</u>	<u>51,578,291</u>	<u>52,901,308</u>
Net Assets			
Net investment in capital assets	7,873,937	13,612,203	21,486,140
Restricted per revenue bond ordinances	502,674	824,617	1,327,291
Restricted for improvements	926,221	487,988	1,414,209
Restricted for distribution to the City of McAllen	4,771,818	-	4,771,818
Unrestricted	16,939,561	(14,290,265)	2,649,296
Total net position	<u>31,014,211</u>	<u>634,543</u>	<u>31,648,754</u>
Total liabilities and net position	<u>\$ 32,337,228</u>	<u>\$ 52,212,834</u>	<u>\$ 84,550,062</u>

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Toll Bridge System
McAllen International Toll Bridge and Anzalduas International Crossing
Schedule of Revenues, Expenses, and Changes in Fund Net Position Information
Years Ended September 30, 2013

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Operating revenues:			
Tolls	\$ 10,300,629	\$ 2,833,040	\$ 13,133,669
Rental income	1,579,908	-	1,579,908
Other income	131,215	57,661	188,876
Total operating revenues	12,011,752	2,890,701	14,902,453
Operating expenses:			
Salaries	854,761	297,886	1,152,647
Payroll taxes and benefits	266,813	87,916	354,729
Insurance	50,368	12,000	62,368
Materials and supplies	73,889	15,155	89,044
Maintenance	180,624	35,250	215,874
Bridge security	314,861	-	314,861
Miscellaneous services	585,038	312,196	897,234
Depreciation	552,627	1,534,336	2,086,963
Total operating expenses	2,878,981	2,294,739	5,173,720
Operating income	9,132,771	595,962	9,728,733
Nonoperating revenues (expenses):			
Distribution of income to the City of Hidalgo	(3,226,208)	-	(3,226,208)
Interest income	4,038	2,220	6,258
Interest expense	-	(1,731,561)	(1,731,561)
Interest on Board advances	525,915	(525,915)	-
Amortization/ discount of bond premium	-	(17,043)	(17,043)
Total nonoperating (expenses) revenues	(2,696,255)	(2,272,299)	(4,968,554)
Income before transfers and contributions	6,436,516	(1,676,337)	4,760,179
Capital contributions	774,388	-	774,388
Transfers to the City of McAllen	(4,608,653)	-	(4,608,653)
Transfers to debt service Series "B" 2007 bonds	(963,664)	963,664	-
Changes in net position	1,638,587	(712,673)	925,914
Total net position at beginning of year	29,375,624	1,347,216	30,722,840
Total net position at end of year	\$ 31,014,211	\$ 634,543	\$ 31,648,754

Toll Bridge System
McAllen International Toll Bridge and Anzalduas International Crossing
Schedule of Cash Flows Information
Years Ended September 30, 2013

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 12,109,907	\$ 2,890,701	\$ 15,000,608
Payments to employees	(1,100,959)	(384,077)	(1,485,036)
Payments to suppliers	(1,218,414)	(379,459)	(1,597,873)
Net cash provided by operating activities	9,790,534	2,127,165	11,917,699
Cash Flows From Noncapital Financing Activities			
Distribution of income to the City of Hidalgo	(3,186,529)	-	(3,186,529)
Operating transfers to the City of McAllen	(4,609,189)	-	(4,609,189)
Advance Receivable	-	-	-
Transfer from McAllen International Toll Bridge-Board B	-	963,664	-
Advance from McAllen International Toll Bridge-Board A	-	-	-
Advance from McAllen International Toll Bridge-Board B	(963,664)	-	-
Net cash (used by) provided by noncapital financing activities	(8,759,382)	963,664	(7,795,718)
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(1,642,910)	(7,950)	(1,650,860)
Principal paid on long-term debt	-	(1,150,000)	(1,150,000)
Capital contributions	774,388	-	774,388
Interest paid	-	(1,735,395)	(1,735,395)
Net cash used by capital and related financing activities	(868,522)	(2,893,345)	(3,761,867)
Cash Flows From Investing Activities			
Receipt of interest	4,037	2,220	6,257
Proceeds from sales and maturities of investments	7,162,762	4,072,273	11,235,035
Purchase of investments	(7,188,145)	(4,289,998)	(11,478,143)
Net cash (used by) investing activities	(21,346)	(215,505)	(236,851)
Net increase (decrease) in cash	141,284	(18,021)	123,263
Cash at beginning of year	347,188	149,369	496,557
Cash at end of year	\$ 488,472	\$ 131,348	\$ 619,820

Toll Bridge System
McAllen International Toll Bridge and Anzalduas International Crossing
Schedule of Cash Flows Information
Years Ended September 30, 2013
(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	\$ 432,383	\$ 113,325	\$ 545,708
Restricted cash	56,089	18,023	74,112
	<u>\$ 488,472</u>	<u>\$ 131,348</u>	<u>\$ 619,820</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
	\$ 9,132,771	\$ 595,962	\$ 9,728,733
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation	552,627	1,534,336	2,086,963
Changes in assets and liabilities:			
Accounts payable	(13,634)	(3,133)	(16,767)
Other payables	2,036	-	2,036
Accumulated unpaid absences	18,579	-	18,579
Deferred revenue	98,155	-	98,155
Total adjustments	<u>657,763</u>	<u>1,531,203</u>	<u>2,188,966</u>
Net cash provided by operating activities	<u>\$ 9,790,534</u>	<u>\$ 2,127,165</u>	<u>\$ 11,917,699</u>

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

	Year Ended September 30,			
	2004	2005	2006	2007
Vehicular traffic southbound:				
Cars	5,465,002	5,440,901	5,275,085	4,952,968
Trucks	20,238	20,484	15,583	4,339
Buses	25,525	24,311	28,231	29,301
Total vehicles	(1) <u>5,510,765</u>	(1) <u>5,485,696</u>	(1) <u>5,318,899</u>	(1) <u>4,986,608</u>
Passenger traffic southbound:				
Passengers in cars	(2) 12,132,304	(2) 12,078,800	(2) 11,710,689	(2) 12,382,420
Pedestrians	1,383,498	1,327,812	1,520,307	1,683,666
Passengers and drivers – buses and trucks	<u>740,225</u>	<u>705,019</u>	<u>818,699</u>	<u>849,729</u>
Total persons	<u>14,256,027</u>	<u>14,111,631</u>	<u>14,049,695</u>	<u>14,915,815</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,					
2008	2009	2010	2011	2012	2013
5,005,822	4,493,785	3,564,188	2,997,696	2,986,097	2,908,166
5,295	4,383	2,629	1,641	6,620	9,119
29,837	28,890	20,433	17,464	16,680	16,160
(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>	(1) <u>2,933,445</u>
(2) 12,514,555	(2) 11,234,463	(2) 8,910,470	(2) 7,494,240	(2) 7,465,243	(2) 7,270,415
1,547,848	1,575,193	1,578,295	1,540,559	1,479,032	1,502,399
865,273	837,810	592,557	506,456	483,720	468,640
<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>	<u>9,241,454</u>

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

	Year Ended September 30,			
	2004	2005	2006	2007
Southbound traffic:				
Cars	5,465,002	5,440,901	5,275,085	4,952,968
Trucks	20,238	20,484	15,583	4,339
Total car and truck traffic	<u>5,485,240</u>	<u>5,461,385</u>	<u>5,290,668</u>	<u>4,957,307</u>
Truck traffic percentage	0.37%	0.38%	0.29%	0.09%
Car and truck revenue:				
Cars	\$ 9,563,754	\$ 10,413,819	\$ 10,550,170	\$ 9,905,936
Trucks	137,994	151,128	121,022	29,724
Total car and truck revenue	<u>\$ 9,701,748</u>	<u>\$ 10,564,947</u>	<u>\$ 10,671,192</u>	<u>\$ 9,935,660</u>
Truck revenue percentage	1.42%	1.43%	1.13%	0.30%
Average revenue per car	\$ 1.75	\$ 1.91	\$ 2.00	\$ 2.00
Average revenue per truck	\$ 6.82	\$ 7.38	\$ 7.77	\$ 6.85

Year Ended September 30,

2008	2009	2010	2011	2012	2013
5,005,822	4,493,785	3,564,188	2,997,696	2,986,097	2,908,166
5,295	4,383	2,629	1,641	6,620	9,119
<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>	<u>2,917,285</u>
0.11%	0.10%	0.07%	0.05%	0.22%	0.31%
\$ 11,161,245	\$ 10,111,016	\$ 8,325,166	\$ 7,982,692	\$ 8,820,614	\$ 8,724,498
37,003	30,669	19,325	11,487	46,384	63,833
<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>	<u>\$ 8,788,331</u>
0.33%	0.30%	0.23%	0.14%	0.52%	0.73%
\$ 2.23	\$ 2.25	\$ 2.34	\$ 2.66	\$ 2.95	\$ 3.00
\$ 6.99	\$ 7.00	\$ 7.35	\$ 7.00	\$ 7.01	\$ 7.00

McAllen International Toll Bridge
Schedule of Board Advances to Anzalduas International Crossing
September 30, 2013
(Unaudited)

Anzalduas Special & Startup Fund:

Balance at September 30, 2012	Additions Advances	Implied Interest	Balance at September 30, 2013
<u>\$ 10,407,504</u>	<u>\$ -</u>	<u>\$ 504,176</u>	<u>\$ 10,911,680</u>

Board advance "A" to Anzalduas International Crossing:

Balance at September 30, 2012	Additions Advances	Implied Interest	Balance at September 30, 2013
<u>\$ 4,337,604</u>	<u>\$ -</u>	<u>\$ 21,739</u>	<u>\$ 4,359,343</u>

Combined totals of advances to Anzalduas International Crossing:

Balance at September 30, 2012	Additions Advances	Implied Interest	Balance at September 30, 2013
<u>\$ 14,745,108</u>	<u>\$ -</u>	<u>\$ 525,915</u>	<u>\$ 15,271,023</u>

Distribution of Advances:

City of McAllen- Share @ 64%	\$ 9,436,869	\$ -	\$ 336,586	\$ 9,773,455
City of Hidalgo- Share @ 36%	<u>5,308,239</u>	<u>-</u>	<u>189,329</u>	<u>5,497,568</u>
	<u>\$ 14,745,108</u>	<u>\$ -</u>	<u>\$ 525,915</u>	<u>\$ 15,271,023</u>

McAllen International Toll Bridge
Schedule of Board Advances to Anzalduas International Crossing
September 30, 2013
(Unaudited)

Activity Schedule-Anzalduas Special & Startup Fund:

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

	Bond Rate	# Days	Advance	Interest	(Payment)	Balance
10/1/2012	Opening balance →					\$ 10,407,504
10/31/2012	4.74%	31	-	41,899	-	10,449,404
11/30/2012	4.74%	30	-	40,709	-	10,490,113
12/31/2012	4.74%	31	-	42,231	-	10,532,343
1/31/2013	4.74%	31	-	42,401	-	10,574,744
2/28/2013	4.74%	28	-	38,452	-	10,613,196
3/31/2013	4.74%	31	-	42,726	-	10,655,922
4/30/2013	4.74%	30	-	41,514	-	10,697,436
5/31/2013	4.74%	31	-	43,065	-	10,740,500
6/30/2013	4.74%	30	-	41,844	-	10,782,345
7/31/2013	4.74%	31	-	43,407	-	10,825,752
8/31/2013	4.74%	31	-	43,582	-	10,869,333
9/30/2013	4.74%	30	-	42,348	-	10,911,680

McAllen International Toll Bridge
Schedule of Board Advances to Anzalduas International Crossing
September 30, 2013
(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						\$ 4,337,604
10/1/2012				-	-	4,337,605
10/31/2012	0.50%	31		1,842	-	4,339,447
11/1/2012				-	-	4,339,447
11/30/2012	0.50%	30		1,783	-	4,341,230
12/1/2012				-	-	4,341,231
12/31/2012	0.50%	31		1,844	-	4,343,074
1/1/2013				-	-	4,343,074
1/31/2013	0.50%	31		1,844	-	4,344,918
2/1/2013				-	-	4,344,918
2/28/2013	0.50%	28		1,667	-	4,346,586
3/1/2013				-	-	4,346,586
3/31/2013	0.50%	31		1,846	-	4,348,432
4/1/2013				-	-	4,348,433
4/30/2013	0.50%	30		1,787	-	4,350,219
5/1/2013				-	-	4,350,219
5/31/2013	0.50%	31		1,847	-	4,352,066
6/1/2013				-	-	4,352,066
6/30/2013	0.50%	30		1,789	-	4,353,855
7/1/2013				-	-	4,353,855
7/31/2013	0.50%	31		1,849	-	4,355,704
8/1/2013				-	-	4,355,704
8/31/2013	0.50%	31		1,850	-	4,357,554
9/1/2013				-	-	4,357,554
9/30/2013	0.50%	30		1,791	-	4,359,343

McAllen International Toll Bridge
Schedule of Board Advances to Anzalduas International Crossing
September 30, 2013
(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							\$ 1,246,791
10/1/2012			78,367	\$ 26,903	-	-	1,273,694
10/31/2012	0.500%	31	-	-	541	-	1,274,234
11/1/2012			78,367	\$ 26,903	-	-	1,301,138
11/30/2012	0.500%	30	-	-	535	-	1,301,672
12/1/2012			78,367	\$ 26,903	-	-	1,328,576
12/31/2012	0.500%	31	-	-	564	-	1,329,139
1/1/2013			78,367	\$ 26,903	-	-	1,356,042
1/31/2013	0.500%	31	-	-	576	-	1,356,619
2/1/2013			96,831	\$ 33,242	-	-	1,389,860
2/28/2013	0.500%	28	-	-	533	-	1,390,393
3/1/2013			78,975	\$ 27,112	-	-	1,417,506
3/31/2013	0.500%	31	-	-	602	-	1,418,107
4/1/2013			78,975	\$ 27,112	-	-	1,445,219
4/30/2013	0.500%	30	-	-	594	-	1,445,812
5/1/2013			78,975	\$ 27,112	-	-	1,472,925
5/31/2013	0.500%	31	-	-	625	-	1,473,550
6/1/2013			78,975	\$ 27,112	-	-	1,500,662
6/30/2013	0.500%	30	-	-	617	-	1,501,279
7/1/2013			78,975	\$ 27,112	-	-	1,528,391
7/31/2013	0.500%	31	-	-	649	-	1,529,039
8/1/2013			78,975	\$ 27,112	-	-	1,556,151
8/31/2013	0.500%	31	-	-	661	-	1,556,812
9/1/2013			79,513	\$ 27,297	-	-	1,584,109
9/30/2013	0.500%	30	-	-	651	-	1,584,762

McAllen International Toll Bridge
Schedule of Insurance Coverage
September 30, 2013
(Unaudited)

<u>Property</u>	<u>Insurance Company</u>	<u>Period of Coverage</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Bridge and surrounding area	Texas Municipal League	10/01/12 to 09/30/13	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	10/01/12 to 09/30/13	Bridge use, occupancy, and business interruptions (\$10,000 deductible, except \$25,000 flood and earthquake)	\$ 13,333,333
Workers' compensation	1-2-1 Claims Inc	10/01/12 to 09/30/13	Employer's liability - job-related injuries	Statutory
Workers' compensation	Star Insurance Company	10/01/12 to 09/30/13	Aggregate excess and specific (\$400,000 per occurrence)	Statutory
General liability	Texas Municipal League	10/01/12 to 09/30/13	General: (\$10,000 deductible) Bodily injury Property damage	\$ 2,000,000
Errors and omissions liability	Texas Municipal League	10/1/12 to 9/30/2013	Each wrongful act (\$25,000 deductible) (\$4,000,000 aggregate)	\$ 2,000,000
<u>Crime section:</u> Employee dishonesty	Texas Municipal League	10/1/12 to 9/30/2013	Limit of coverage (\$5,000 deductible)	\$ 1,000,000
Forgery or alteration	Texas Municipal League	10/1/12 to 9/30/2013	Limit of coverage (\$1,000 deductible)	\$ 50,000
Crime coverage and computer fraud	Texas Municipal League	10/1/12 to 9/30/2013	Limit of coverage (\$5,000 deductible)	\$ 1,000,000
Theft, disappearance and destruction	Texas Municipal League	10/1/12 to 9/30/2013	Limit of coverage (\$1,000 deductible)	\$ 50,000

**INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of McAllen International Toll Bridge (the "Bridge"), an enterprise fund of the City of McAllen, Texas, as of September 30, 2013, which comprise the statement of net position and the related statements of revenues, expenses, and changes in net position, and cash flows as of the year then ended and the related notes to the financial statements, and have issued our report thereon dated January 22, 2014.

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 determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bridge's 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


LONGCHILTON, LLP
Certified Public Accountants

McAllen, Texas
January 22, 2014