

Anzalduas International Crossing

Financial Statements
And Report of Independent Certified Public Accountants

September 30, 2015 and 2014

ANZALDUAS INTERNATIONAL CROSSING

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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Report on the financial statements

We have audited the accompanying financial statements of the Anzalduas International Crossing (the “Anzalduas Bridge”), which comprise the statements of net position as of September 30, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Anzalduas International Crossing as of September 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Anzalduas Bridge and do not purport to, and do not, present fairly the financial position of the City of McAllen, as of September 30, 2015 and 2014, the changes in its financial position or where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As further discussed in Note 1 to the financial statements, the Anzalduas Bridge adopted new guidance in 2015 related to the accounting for pensions. Our opinion is not modified with respect to this matter.

Required supplementary information

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

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules as listed in the table of contents on pages 32 through 39 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing

procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

The Schedule of Vehicle and Passenger Traffic, Schedule of Car and Truck Traffic Revenue, Schedules of Board Advances from McAllen International Toll Bridge Fund and Schedule of Insurance Coverage on pages 41 through 49, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated January 6, 2016, on our consideration of the Anzalduas Bridge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Anzalduas Bridge's internal control over financial reporting and compliance.

Grant Thornton LLP

Houston, Texas
January 6, 2016

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**Anzalduas International Crossing
Management's Discussion and Analysis
September 30, 2015**

This discussion and analysis is intended to provide an overview of the Anzalduas International Crossing's (Anzalduas Bridge) financial performance for the fiscal years ending September 30, 2015 and 2014 and the related effect on its financial condition. Please read it in conjunction with the basic financial statements, which follow and include the notes thereto, which are necessary for a complete understanding of the data contained in the financial statements. Following the notes to the financial statements is certain supplementary information.

ANZALDUAS BRIDGE OPERATIONAL HIGHLIGHTS

As shown on the Statement of Revenues, Expenses, and Changes in Net Position, operating income amounted to \$873K. However, net position decreased by \$354K principally due to interest expense on the bonds and advances offset by a transfer in from the McAllen International Toll Bridge (Hidalgo Bridge) Fund of the City of McAllen. Net position for FY 2015 is reported as a deficit of \$1.06M.

The southbound car crossings at Anzalduas were 2.61% over last year's crossing. Previously small passenger commercial buses were categorized as trucks, but have now been reclassified as buses to avoid confusion. Buses, however, decreased 30.18% due to the fact that U.S. Customs & Border Protection has continued to reroute buses to go through the Hidalgo Bridge. Currently, the presidential permit does not allow for southbound cargo crossings. Although the Hidalgo Bridge experienced a small decline in southbound car crossings, the combined system-wide resulted in an overall increase of 0.35%. The table below reflects the activities for southbound traffic.

Category	SOUTHBOUND CROSSINGS			
	FY 14-15	FY 13-14	Increase (Decrease)	% Increase (Decrease)
Cars	974,930	950,143	24,787	2.61%
Trucks	-	859	(859)	-100.00%
Buses	1,342	1,922	(580)	-30.18%
Passengers in cars	2,437,325	2,375,358	61,967	2.61%

Overview of the Financial Statements

The financial statements include the Statement of Net Position, Statement of Revenue, Expenses and Changes in Net Position, and the Statement of Cash Flows for the current fiscal year ending September 30, 2015 as well as the previous fiscal year.

Required Financial Statements

The Statement of Net Position includes all of the assets and deferred outflows of resources and liabilities and deferred inflows of resources of the Anzalduas Bridge and provides information about the nature of the resources and obligations to creditors. The Anzalduas Bridge's net position, which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one indicator of its financial position at one point in time. Over time, increases or decreases in net position may be a useful indicator of whether the financial position of the Anzalduas Bridge is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position analyzes the Anzalduas Bridge's operations over the past year and provides comparative information for the previous fiscal year. The statement illustrates the Anzalduas Bridge's ability to cover operating expenses with revenues received during the same year as well as non-operating expenses.

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

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

FINANCIAL POSITION SUMMARY

Net position, and its components, over time serve as a meaningful measure of the Anzalduas Bridge's financial position. As of September 30, 2015, net position amounted to a deficit of \$1.06M. Total liabilities, which are payable from current, restricted assets, and long term liabilities, decreased by \$608K combined when comparing FY13-14 to FY 14-15. Anzalduas Bridge restated net position in FY 13-14 decreased from a deficit of \$698,664 to a deficit of \$702,542 due to the implementation of GASB Statement No. 68, which resulted in a prior year adjustment of \$3,878 related to pension expense. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* revises and establishes new financial reporting requirements for most state and local governments that provide their employees with pension benefits. Governments providing defined benefit pensions should recognize their long-term obligation for pension benefits as a liability for the first time, and comprehensively and comparably measure the annual costs of pension benefits.

Anzalduas International Crossing
Management's Discussion and Analysis
September 30, 2015

FINANCIAL POSITION SUMMARY – continued

This statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

A summary of the Anzalduas Bridge's condensed Statement of Net Position Information is presented below:

Anzalduas International Crossing
Management's Discussion and Analysis
September 30, 2015

Condensed Statement of Net Position

	<u>FY 14-15</u>	<u>Restated FY 13-14</u>	<u>FY 12-13</u>
ASSETS:			
Current assets	\$ 1,236,928	\$ 1,055,414	\$ 1,023,840
Restricted assets	1,939,686	1,690,662	1,455,232
Net capital assets	<u>46,057,165</u>	<u>47,461,493</u>	<u>48,943,328</u>
Total assets	<u>\$ 49,233,779</u>	<u>\$ 50,207,569</u>	<u>\$ 51,422,400</u>
Deferred outflows of resources - pension	<u>11,500</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 49,245,279</u>	<u>\$ 50,207,569</u>	<u>\$ 51,422,400</u>
LIABILITIES:			
Current liabilities	\$ 44,405	\$ 32,618	\$ 32,388
Payable from restricted assets	1,528,277	1,394,383	1,342,610
Long-term liabilities	<u>48,729,432</u>	<u>49,483,110</u>	<u>50,203,293</u>
Total liabilities	<u>\$ 50,302,114</u>	<u>\$ 50,910,111</u>	<u>\$ 51,578,291</u>
NET POSITION:			
Net investment in capital assets	\$ 12,446,180	\$ 12,570,076	\$ 12,821,769
Restricted per revenue bond ordinance	976,340	898,947	824,617
Restricted for improvements	740,036	647,320	487,988
Unrestricted	<u>(15,219,391)</u>	<u>(14,818,885)</u>	<u>(14,290,265)</u>
Total net position	<u>\$ (1,056,835)</u>	<u>\$ (702,542)</u>	<u>\$ (155,891)</u>

Revenues, Expenses and Changes in Net Position

Condensed Statement of Revenues, Expenses, and Changes in Net Position provides additional information on the changes in the Anzalduas Bridge fund and is presented on the following page.

Anzalduas International Crossing
Management's Discussion and Analysis
September 30, 2015

**Condensed Statement of Revenues, Expenses,
and Changes in Net Position**

	2015	Restated 2014	2013
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues:			
Tolls	\$ 3,182,441	\$ 2,998,333	\$ 2,833,040
Other Income	<u>37,528</u>	<u>55,378</u>	<u>57,661</u>
Total operating revenues	<u>3,219,969</u>	<u>3,053,711</u>	<u>2,890,701</u>
Operating expenses:			
Salaries	345,009	329,074	297,886
Payroll taxes and benefits	92,307	101,930	87,916
Insurance	12,000	12,000	12,000
Materials and supplies	22,177	16,994	15,155
Maintenance	67,296	60,812	35,250
Miscellaneous services	277,798	280,872	312,196
Depreciation	<u>1,530,387</u>	<u>1,543,678</u>	<u>1,534,336</u>
Total operating expenses	<u>2,346,974</u>	<u>2,345,360</u>	<u>2,294,739</u>
Operating income	<u>872,995</u>	<u>708,351</u>	<u>595,962</u>
Nonoperating revenues (expenses):			
Interest income	930	578	1,627
Interest income - restricted assets	564	292	593
Interest expense	(1,600,510)	(1,652,502)	(1,705,684)
Interest expense - Board advance - relating to Series 2007A Bonds and Start up Fund	<u>(576,160)</u>	<u>(550,445)</u>	<u>(525,915)</u>
Total nonoperating revenue (expenses)	<u>(2,175,176)</u>	<u>(2,202,077)</u>	<u>(2,229,379)</u>
Loss before transfers	(1,302,181)	(1,493,726)	(1,633,417)
Transfers-in - McAllen International Toll Bridge Fund	<u>947,888</u>	<u>947,075</u>	<u>963,664</u>
Changes in net position	(354,293)	(546,651)	(669,753)
Total net position at beginning of year	<u>(702,542)</u>	<u>(155,891)</u>	<u>513,862</u>
Total net position at end of year	<u><u>\$ (1,056,835)</u></u>	<u><u>\$ (702,542)</u></u>	<u><u>\$ (155,891)</u></u>

Anzalduas International Crossing
Management's Discussion and Analysis
September 30, 2015

TOLL RATES

The toll rates adopted by the board of trustees on southbound crossings into Mexico are the following:

<u>Category</u>	TOLL RATES	
	<u>FY 14-15</u>	<u>FY 13-14</u>
Pedestrians	\$1.00	\$1.00
Cars	\$3.25	\$3.25
Trucks (Depending on # of Axles)	\$7.00-\$20.00	\$7.00-\$20.00
Buses (Depending on # of Axles)	\$7.00-\$9.00	\$7.00-\$9.00
Motorcycles	\$3.25	\$3.25
Extra Axle	\$3.00	\$3.00

REVENUES

The forecast for toll revenues was estimated at \$3.6M. Actual toll revenues came in at \$3.2M. Other operating income of \$38K was mainly the result in the exchange of the Mexican peso to U.S. Dollars and rental income of \$15K. Interest income during the year was approximately \$1K, which had no significant change from 2014. Other changes in net position include a net transfer from the Hidalgo Bridge Fund in the amount of \$948K. This transfer supported debt service requirements of Series 2007B bonds. In FY 13-14, revenues exceeded budget by \$170K, which was attributed to an increase in toll rates, which became effective March 1, 2014.

EXPENSES

In FY 14-15, operating expenses came in at \$2.3M, including depreciation in the amount of \$1.5M. All non-operating expenses were relatively flat. In FY 13-14, expenses were \$109K under budget due to unfilled job positions, which did not materialize during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Total capital assets, before depreciation, at September 30, 2015 are \$55M. For the current year, an additional \$126K was added, which consisted of equipment and capital improvement projects.

Anzalduas International Crossing
Management's Discussion and Analysis
September 30, 2015

The table below reflects the capital assets:

	Capital Assets		
	<u>FY 14-15</u>	<u>FY 13-14</u>	<u>FY 12-13</u>
Capital assets not being depreciated:			
Land	\$ 2,936,598	\$ 2,936,598	\$ 2,936,598
Construction in progress	88,343	54,659	-
Capital assets:			
Buildings	2,997,470	2,997,470	2,997,470
Improvements other than buildings	47,842,819	47,783,199	47,783,199
Machinery and equipment	<u>970,334</u>	<u>937,579</u>	<u>930,395</u>
Total capital assets	54,835,564	54,709,505	54,647,662
Accumulated depreciation	<u>(8,778,399)</u>	<u>(7,248,012)</u>	<u>(5,704,334)</u>
Total capital assets, net	<u>\$ 46,057,165</u>	<u>\$ 47,461,493</u>	<u>\$ 48,943,328</u>

Debt

At the end of this fiscal year, the Anzalduas Bridge had \$33.2M in revenue bonds outstanding resulting from the bond offering in fiscal year 2007. These bonds have a rating of "A" from FitchRatings as well as Standard & Poors. The proceeds, as well as other sources of funding, were used to construct the bridge structure, including all related infrastructure and facilities.

ECONOMIC FACTORS

During the budget process for fiscal year 2014-15, 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.

Taking the above factors into account, toll revenues were budgeted conservatively. Operating expenses were marginally increased and provision was made to service debt repayment requirements.

Anzalduas International Crossing
Management's Discussion and Analysis
September 30, 2015

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, and the City of Mission, which shares in the *net surplus revenues* of the Bridge's operations as well as its investors and creditors about the Anzalduas 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, P.O. Box 220 McAllen, Texas 78505.

Basic Financial Statements

Anzalduas International Crossing
Statements of Net Position
September 30, 2015 and 2014
Assets and Deferred Outflows of Resources

	2015	Restated 2014
Current Assets		
Cash	\$ 114,774	\$ 84,066
Investments	1,122,154	971,348
Total non-restricted assets	1,236,928	1,055,414
Restricted Assets		
Cash	79,879	19,200
Investments	1,859,807	1,671,462
Total restricted assets	1,939,686	1,690,662
Total current assets	3,176,614	2,746,076
Capital Assets – at cost		
Capital assets not being depreciated:		
Land	2,936,598	2,936,598
Construction in progress	88,343	54,659
Capital assets:		
Buildings	2,997,470	2,997,470
Improvements other than buildings	47,842,819	47,783,199
Machinery and equipment	970,334	937,579
Total capital assets	54,835,564	54,709,505
Less accumulated depreciation	(8,778,399)	(7,248,012)
Net capital assets	46,057,165	47,461,493
Deferred outflows of resources - pension	11,500	-
Total assets and deferred outflows of resources	\$ 49,245,279	\$ 50,207,569

The accompanying notes are an integral part of these statements

Anzalduas International Crossing
Statements of Net Position
September 30, 2015 and 2014
Liabilities and Net Position

	2015	Restated 2014
Current Liabilities		
Accounts payable	\$ 27,945	\$ 16,121
Accrued liabilities	<u>16,460</u>	<u>16,497</u>
Total unrestricted current liabilities	<u>44,405</u>	<u>32,618</u>
Liabilities Payable From Restricted Assets		
Current installments of revenue bonds	1,305,000	1,250,000
Accounts payable	89,343	6,023
Accrued revenue bond interest	<u>133,934</u>	<u>138,360</u>
Total liabilities payable from restricted assets	<u>1,528,277</u>	<u>1,394,383</u>
Total current liabilities	<u>1,572,682</u>	<u>1,427,001</u>
Long-Term Liabilities		
Revenue bonds – excluding current installments	32,305,987	33,641,417
Compensated absences	16,646	16,347
Net pension liability	9,171	3,878
Advance from McAllen International Toll Bridge Fund - Anzalduas Special & Startup Fund	11,994,483	11,440,278
Advance from McAllen International Toll Bridge Fund - Board Advance relating to Series 2007 A Bonds	<u>4,403,145</u>	<u>4,381,190</u>
Total long-term liabilities	<u>48,729,432</u>	<u>49,483,110</u>
Total liabilities	<u>50,302,114</u>	<u>50,910,111</u>
Net Position		
Net investment in capital assets	12,446,180	12,570,076
Restricted per revenue bond ordinances	976,340	898,947
Restricted for improvements	740,036	647,320
Unrestricted	<u>(15,219,391)</u>	<u>(14,818,885)</u>
Total net position	<u>(1,056,835)</u>	<u>(702,542)</u>
Total liabilities and net position	<u>\$ 49,245,279</u>	<u>\$ 50,207,569</u>

The accompanying notes are an integral part of these statements

Anzalduas International Crossing

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended September 30, 2015 and 2014

	2015	Restated 2014
Operating revenues:		
Tolls	\$ 3,182,441	\$ 2,998,333
Other Income	37,528	55,378
Total operating revenues	3,219,969	3,053,711
Operating expenses:		
Salaries	345,009	329,074
Payroll taxes and benefits	92,307	101,930
Insurance	12,000	12,000
Materials and supplies	22,177	16,994
Maintenance	67,296	60,812
Miscellaneous services	277,798	280,872
Depreciation	1,530,387	1,543,678
Total operating expenses	2,346,974	2,345,360
Operating income	872,995	708,351
Nonoperating revenues (expenses):		
Interest income	930	578
Interest income-restricted accounts	564	292
Interest expense	(1,600,510)	(1,652,502)
Interest expense - Board advance - relating to Series 2007 A Bonds and Start up Fund	(576,160)	(550,445)
Total nonoperating revenues (expenses)	(2,175,176)	(2,202,077)
Loss before transfers	(1,302,181)	(1,493,726)
Transfers-in - McAllen International Toll Bridge Fund	947,888	947,075
Changes in net position	(354,293)	(546,651)
Total net position at beginning of year	(702,542)	(155,891)
Total net position at end of year	\$ (1,056,835)	\$ (702,542)

The accompanying notes are an integral part of these statements

Anzalduas International Crossing

Statements of Cash Flows

Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Receipts from customers	\$ 3,219,969	\$ 3,053,711
Payments to employees	(443,259)	(419,280)
Payments to suppliers	<u>(367,448)</u>	<u>(372,659)</u>
Net cash provided by operating activities	<u>2,409,262</u>	<u>2,261,772</u>
Cash Flows From Noncapital Financing Activities		
Transfer from McAllen International Toll Bridge - Board B	<u>947,888</u>	<u>947,075</u>
Net cash provided by noncapital financing activities	<u>947,888</u>	<u>947,075</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(42,742)	(55,817)
Interest paid	(1,635,364)	(1,686,895)
Principal paid on long-term debt	<u>(1,250,000)</u>	<u>(1,200,000)</u>
Net cash used by capital and related financing activities	<u>(2,928,106)</u>	<u>(2,942,712)</u>
Cash Flows From Investing Activities		
Receipt of interest	1,494	870
Proceeds from sales and maturities of investments	3,779,373	3,509,890
Purchase of investments	<u>(4,118,524)</u>	<u>(3,804,977)</u>
Net cash used by investing activities	<u>(337,657)</u>	<u>(294,217)</u>
Net increase / (decrease) in cash	91,387	(28,082)
Cash at beginning of year	<u>103,266</u>	<u>131,348</u>
Cash at end of year	<u>\$ 194,653</u>	<u>\$ 103,266</u>

The accompanying notes are an integral part of these statements

Anzalduas International Crossing

Statements of Cash Flows

Years Ended September 30, 2015 and 2014

	2015	Restated 2014
Reconciliation of Cash Per Statements of Cash Flows to the Statements of Net Position		
Unrestricted cash	\$ 114,774	\$ 84,066
Restricted cash	79,879	19,200
	<u>\$ 194,653</u>	<u>\$ 103,266</u>
Reconciliation of Operating Income to Net Cash Used by Operating Activities		
	<u>\$ 872,995</u>	<u>\$ 708,351</u>
Adjustment to reconcile operating income to net cash used by operating activities:		
Depreciation	1,530,387	1,543,678
Deferred outflows - pension	(11,500)	-
Changes in assets and liabilities:		
Accounts payable	11,824	(1,981)
Other payables	(3,914)	-
Compensated absences	299	7,846
Net pension liability	9,171	3,878
	<u>1,536,267</u>	<u>1,553,421</u>
Net cash provided by operating activities	<u>\$ 2,409,262</u>	<u>\$ 2,261,772</u>
Noncash capital financing activities:		
Capital asset additions in accounts payable	<u>\$ 83,317</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements

Anzalduas International Crossing

Notes to Financial Statement

September 30, 2015 and 2014

1. Summary of Significant Accounting Policies

Reporting Entity

Pursuant to the Hidalgo-Mission-McAllen Interlocal Government Agreement, executed April 1, 2003 (“2003 Agreement”), the City of McAllen, Texas (the “City”) and the City of Mission own and operate the Anzalduas International Crossing (“Anzalduas Bridge”) linking the United States, south of the City of Mission, Texas and the westernmost part of Reynosa, Tamaulipas, Mexico. According to that agreement, the ownership interest of the City of McAllen and the City of Mission are 66 2/3% and 33 1/3%, respectively. The agreement also provides that complete management and control of the Anzalduas Bridge, with the exception of fixing rates and charges for services and the issuance of debt, which is reserved by the Board of Commissioners of McAllen, shall be vested in a Board of Trustees consisting of five (5) voting-members, two members of which are appointed from the existing members of the Hidalgo Bridge Board by McAllen with the Mayors of the cities of McAllen, Hidalgo and Mission serving as ex-officio board members. The Mayor of Granjeno also serves as an ex-officio non-voting member of the board. In addition, the budget is subject to final approval by the Board of Commissioners of McAllen. The agreement also provides that these cities as well as the City of Hidalgo will share in the unallocated balance of surplus net revenues at the following percentages: City of McAllen, 44%; City of Mission, 23%; and the City of Hidalgo, 33%.

In order to finance the construction of the Anzalduas Bridge, the City of McAllen issued \$39,160,000 in revenue bonds during fiscal year ending 2007 in two separate series, \$26,000,000 Series 2007 A and \$13,160,000 Series 2007 B. The bonds are secured by a pledge of the net revenues of the McAllen International Toll Bridge (“Hidalgo Bridge”), located in Hidalgo, Texas and the Anzalduas Bridge. According to the 2003 Agreement, both the City of McAllen and the City of Hidalgo are responsible for Series 2007A bonds from each city’s respective share of net revenues of the Hidalgo Bridge. The City of McAllen is responsible for Series 2007B bonds from its share of net revenues of the Hidalgo Bridge as well as the City of Mission from its share of net revenues of the Anzalduas Bridge. Commencement of operations was December 15, 2009. The City of McAllen issues publicly available audited financial statements for the Hidalgo Bridge, which may be obtained by writing to City of McAllen Finance Department, P.O. Box 220, McAllen, Texas 78505.

The activities of the Anzalduas Bridge are to be financed through the collection of tolls.

The accompanying financial statements of the Anzalduas 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”). Its financial statements are included in the basic financial statements of the City of McAllen as promulgated by requirements defining the reporting entity.

Anzalduas International Crossing

Notes to Financial Statement

September 30, 2015 and 2014

1. Summary of Significant Accounting Policies - Continued

These financial statements present only the operations and activities of Anzalduas Bridge, a fund of the City, and are not intended to present fairly the financial position and results of operations of the City.

Basis of Accounting

In compliance with provisions for proprietary funds as prescribed by GASB, the Anzalduas Bridge's activity is accounted for in a manner similar to private business enterprises. Transactions are accounted for on a flow of economic resources measurement focus. With this focus, all assets, liabilities and deferred outflows of resources and deferred inflows of resources associated with this entity are included in the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The financial statements have been prepared using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Anzalduas Bridge enterprise fund are charges to customers for toll crossing and services. Operating expenses for enterprise funds include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Current Year GASB Implementation:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement revises and establishes new financial reporting requirements for most state and local governments that provide their employees with pension benefits. Governments providing defined benefit pensions should recognize their long-term obligation for pension benefits as a liability for the first time, and comprehensively and comparably measure the annual costs of pension benefits. This statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. As a result of this new reporting requirement, the Anzalduas Bridge financial statements reflect a deferred outflow of resources of \$11,500 to account for its allocated deferred portion of pension costs and a net pension liability of \$9,171 under long-term liabilities.

Anzalduas International Crossing

Notes to Financial Statement

September 30, 2015 and 2014

1. Summary of Significant Accounting Policies - Continued

In 2015, the Anzalduas Bridge implemented a new GASB pronouncement, GASB Statement No.68, *Accounting and Financial Reporting for Pensions*. The implementation resulted in a prior year adjustment of \$3,878 to pension expense and is reflected in the ending net position for FY 2014. The changes in the ending net position for FY 2014 are reflected in the table below:

	Ending Net Position 2014
Net position, as previously reported at 9/30/2014	\$ (698,664)
Pension expense	(3,878)
Net position at 9/30/2014, restated	<u>\$ (702,542)</u>

Restricted Assets

Restricted assets represent interest-bearing checking accounts and investments, which are restricted for current debt service as well as the bond construction fund. One year subsequent to the commencement of operations, a contingency fund will be established and funded at the rate of \$3,750 per month until the fund reaches \$500,000. These restricted accounts are requirements of bond ordinances related to the revenues bonds outstanding. Net position is restricted to the extent of such legally imposed restrictions.

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, 2015 and 2014.

Depreciation will be provided over the estimated useful lives of the assets using the straight-line method. Depreciation expense for the year ended September 30, 2015 was \$1,530,387 (\$1,543,678 in 2014). The estimated useful lives for depreciation provision will be 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

Anzalduas International Crossing

Notes to Financial Statement

September 30, 2015 and 2014

1. Summary of Significant Accounting Policies - Continued

Maintenance, repairs, and renewals that do not materially add to the value of the property nor appreciably prolong its life will be charged to expense as incurred. Gains and losses on disposition of capital assets will be included in income.

Long-Term Obligations

Long-term obligations of the Anzalduas Bridge include bonds expected to be paid entirely by net revenues of the Anzalduas Bridge, except during a startup period during which time net revenues will be advanced from the Hidalgo Bridge. The outstanding bonds are secured by the net revenues of the Hidalgo Bridge as well as those of the Anzalduas Bridge.

Advances

Anzalduas Special and Start Up Fund Advance Payable from Anzalduas International Crossing to McAllen International Toll Bridge

Beginning with fiscal year ending September 30, 1991, the Hidalgo Bridge has financed the development costs for the Anzalduas International Crossing from a restricted account of that fund, the Anzalduas Special and Start Up Fund.

According to the 2003 Agreement, the amount that may be spent from that fund for expenses relating to the obtaining of the Anzalduas Bridge Presidential Permit and for the design or construction costs, operation expenses of the Anzalduas Bridge, and initial debt service on bonds related to the Anzalduas Bridge is limited to no more than \$6,000,000. This advance is to be repaid with interest accruing at the interest rate on bonds issued to finance the Anzalduas Bridge, from the net revenues of the Anzalduas Bridge, after all bond ordinance requirements have been met. As of September 30, 2015, the Anzalduas Special and Start Up Fund advance payable to the Hidalgo Bridge amounts to \$11,994,483 (\$11,440,278 in 2014), of which the City of McAllen's portion is \$7,676,469 and the City of Hidalgo's portion is \$4,318,014. During this fiscal year, the balance was increased by accrued interest in the amount of \$554,205. No board advances were made during the year.

Board Advances Payable from Anzalduas International Crossing to McAllen International Toll Bridge

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 payable has been paid.

Anzalduas International Crossing

Notes to Financial Statement

September 30, 2015 and 2014

1. Summary of Significant Accounting Policies - Continued

As of September 30, 2015 the board advances payable to the Hidalgo Bridge amounts to \$4,403,145 (\$4,381,190 in 2014), of which the City of McAllen's portion is \$2,818,013 and the City of Hidalgo's portion is \$1,585,132. During this fiscal year, the balance was increased by accrued interest of \$21,955. No board advances were made during the year.

Board Advance "B"

During this fiscal year, the Hidalgo Bridge also transferred \$947,888 (\$947,075 in 2014) to the Anzalduas Bridge in support of the Series 2007 B bonds. 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, 2015 the board advance owed by the City of Mission to the City of McAllen amounts to \$2,254,349 (\$1,918,717 in 2014).

Bond Premium

Bond premium is amortized using the effective interest method.

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, each city will share in the unallocated balance of surplus net revenues at the following percentages: City of McAllen, 44%; City of Mission, 23%; and the City of Hidalgo, 33%.

Cash and Cash Equivalents

For purposes 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.

Anzalduas International Crossing
Notes to Financial Statement
September 30, 2015 and 2014

2. Cash and Investments

State statutes authorize the City 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 Anzalduas Bridge limits investments to U.S. Treasuries, U.S. government agencies, investment pools, excluding those issued by the Student Loan Marketing Association and Tennessee Valley Authority, as well as certificates of deposit. Investments are stated at fair value, as required under Governmental Accounting Standards Board Statement No. 31.

Investments

Investments at fair value, including accrued interest, as of September 30, 2015 and 2014 are as follows:

Investment Maturities (in Years) at the end of September 30, 2015

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-2</u>	<u>2-3</u>	<u>3-4</u>
Tex Pool	\$ 2,981,961	\$ 2,981,961	\$ -	\$ -	\$ -
	<u>\$ 2,981,961</u>	<u>\$ 2,981,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investment Maturities (in Years) at the end of September 30, 2014

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-2</u>	<u>2-3</u>	<u>3-4</u>
Tex Pool	\$ 2,642,810	\$ 2,642,810	\$ -	\$ -	\$ -
	<u>\$ 2,642,810</u>	<u>\$ 2,642,810</u>	<u>\$ -</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.

Anzalduas International Crossing

Notes to Financial Statement

September 30, 2015 and 2014

2. Cash and Investments - Continued

The Anzalduas 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 amortized cost. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

TexPool is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Act. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller of Public Accounts has established an Advisory Board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value. The Anzalduas Bridge believes that TexPool operates as a 2a-7 like pool as described in GASB Statement No. 59, Financial Instrument 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 one year as reflected in the previous schedule, the Anzalduas Bridge reduces its risk to the rising interest rates.

Credit risk. As of September 30, 2015 and 2014, the investments in the TexPool investment pool are rated AAAM by Standards and Poor's. The City's investment policy limits authorized investments to local government investment pools of political subdivisions in the State of Texas that invest in instruments and follow practices allowed by current law and that maintains as an investments objective a \$1.00 net asset value, certificates of deposits, U.S. Treasuries and U.S. government agencies, excluding Student Loan Marketing Association and Tennessee Valley Authority.

Concentration of credit risk. The Anzalduas Bridge investment holdings at September 30, 2015 and 2014 were strictly confined to TexPool. The investment policy is silent in the concentration of holdings in the various types of securities and investments.

Anzalduas International Crossing
Notes to Financial Statement
September 30, 2015 and 2014

3. Capital Assets

Capital assets activity for the year ended September 30, 2015 and September 30, 2014 are presented in the following tables:

	Balance at September 30, 2014	Additions	(Retirement)/ Transfer	Balance at September 30, 2015
Capital assets not being depreciated:				
Land	\$ 2,936,598	\$ -	\$ -	\$ 2,936,598
Construction in progress	54,659	39,711	(6,027)	88,343
Capital assets:				
Buildings	2,997,470	-	-	2,997,470
Improvements other than buildings	47,783,199	53,593	6,027	47,842,819
Machinery and equipment	937,579	32,755	-	970,334
Total capital assets	54,709,505	126,059	-	54,835,564
Less accumulated depreciation	7,248,012	1,530,387	-	8,778,399
Net capital assets	<u>\$ 47,461,493</u>	<u>\$ (1,404,328)</u>	<u>\$ -</u>	<u>\$ 46,057,165</u>
	Balance at September 30, 2013	Additions	Retirement/ Transfer	Balance at September 30, 2014
Capital assets not being depreciated:				
Land	\$ 2,936,598	\$ -	\$ -	\$ 2,936,598
Construction in progress	-	54,659	-	54,659
Capital assets:				
Buildings	2,997,470	-	-	2,997,470
Improvements other than buildings	47,783,199	-	-	47,783,199
Machinery and equipment	930,395	7,184	-	937,579
Total capital assets	54,647,662	61,843	-	54,709,505
Less accumulated depreciation	5,704,334	1,543,678	-	7,248,012
Net capital assets	<u>\$ 48,943,328</u>	<u>\$ (1,481,835)</u>	<u>\$ -</u>	<u>\$ 47,461,493</u>

Anzalduas International Crossing
Notes to Financial Statement
September 30, 2015 and 2014

4. Revenue Bonds Payable and Long Term Liabilities

Long term liability activities for the year ended September 30, 2015 and September 30, 2014 are reflected as follows:

	Balance at September 30, 2014	Additional Obligations and Net Increases	Retirement and Net Inc / (Dec)	Balance at September 30, 2015	Amounts Due Within One Year
Revenue bonds payable	\$ 34,445,000	\$ -	\$ (1,250,000)	\$ 33,195,000	\$ 1,305,000
Unamortized bond premium	446,417	-	(30,430)	415,987	-
Total bonds payable & premium	<u>34,891,417</u>	<u>-</u>	<u>(1,280,430)</u>	<u>33,610,987</u>	<u>1,305,000</u>

	Balance at September 30, 2013	Additional Obligations and Net Increases	Retirement and Net Inc / (Dec)	Balance at September 30, 2014	Amounts Due Within One Year
Revenue bonds payable	\$ 35,645,000	\$ -	\$ (1,200,000)	\$ 34,445,000	\$ 1,250,000
Unamortized bond premium	476,559	-	(30,142)	446,417	-
Total bonds payable & premium	<u>36,121,559</u>	<u>-</u>	<u>(1,230,142)</u>	<u>34,891,417</u>	<u>1,250,000</u>

The aggregate maturities of revenue bonds payable as of September 30, 2015, including interest payments, are as follows:

Year Ending	Interest Rate	Principal	Interest	Total
2016	4.25%	\$ 1,305,000	\$ 1,579,463	\$ 2,884,463
2017	4.20-4.30%	1,360,000	1,522,831	2,882,831
2018	4.50-5.00%	1,420,000	1,463,874	2,883,874
2019	4.50-5.00%	1,495,000	1,397,926	2,892,926
2020	4.20-4.30%	1,555,000	1,324,449	2,879,449
2021-2025	4.20-4.30%	9,030,000	5,379,650	14,409,650
2026-2030	4.625-5.00%	11,545,000	2,867,638	14,412,638
2031-2032	5.00%	5,485,000	277,625	5,762,625
		<u>\$ 33,195,000</u>	<u>\$ 15,813,456</u>	<u>\$ 49,008,456</u>

Anzalduas International Crossing
Notes to Financial Statement
September 30, 2015 and 2014

4. Revenue Bonds Payable and Long Term Liabilities - Continued

Long term liability activities for the year ended September 30, 2015 and September 30, 2014 are reflected as follows:

	Balance at September 30, 2014	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2015
Net pension liability	\$ 3,878	\$ 21,802	\$ (16,509)	\$ 9,171
Compensated absences	<u>16,347</u>	<u>299</u>	<u>-</u>	<u>16,646</u>
	<u>\$ 20,225</u>	<u>\$ 22,101</u>	<u>\$ (16,509)</u>	<u>\$ 25,817</u>

	Balance at September 30, 2013	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2014
Compensated absences	\$ 10,711	\$ 7,209	\$ (1,573)	\$ 16,347
	<u>\$ 10,711</u>	<u>\$ 7,209</u>	<u>\$ (1,573)</u>	<u>\$ 16,347</u>

5. Deficit Unrestricted Net Position

The unrestricted portion of net position reflects a deficit in the amount of \$15,219,391 primarily as a result of advances from the Hidalgo Bridge, as authorized by the board of trustees. These advances supported the annual debt service requirements and interest on the advances. The Hidalgo Bridge Board of trustees has no intention of calling these advances, which will be repaid once the fund is able to.

Anzalduas International Crossing

Notes to Financial Statement

September 30, 2015 and 2014

6. Retirement Plan

The City and Anzalduas Bridge provide pension benefits for all full-time employees, except firefighters, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (the "TMRS"), an agent multiple-employer public employee retirement system. TMRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 1-877-634-8595; in addition, the report is available on TMRS' website at www.TMRS.com.

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

The table describes the plan provisions adopted by the City:

	Plan Year 2014	Plan Year 2015
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age/years of service)	60/10, 0/20	60/10, 0/20
Updated Service Credit	100%, Transfers	100%, Transfers
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 Anzalduas 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.

Anzalduas International Crossing

Notes to Financial Statement

September 30, 2015 and 2014

7. *Accounting for Postemployment Benefits Other Than Pensions*

The City, as an entity wide, will report all required disclosures of GASB Statement Number 45 in the City's Comprehensive Annual Financial Report. The City instituted an internal service fund to account for health benefits related to current and future retirees. The Anzalduas Bridge has eight full time employees. For the current year, the fund contributed \$4,378 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 Anzalduas Bridge Fund.

Supplemental Information

Anzalduas International Crossing
Schedule of Income Distribution
Last Six Years

	Year Ended September 30,	
	2010	2011
Revenues	\$ 1,766,490	\$ 2,394,420
Maintenance, operation expenses, and capital assets purchase	487,072	708,795
Net Revenues	1,279,418	1,685,625
Less:		
Bond Requirements:		
Transfer to Debt Service Fund - Series 2007 "A" (\$26M Issue)	1,697,834	1,663,765
Less: Amount Provided by Board Advance from McAllen Intl Bridge Fund	(815,001)	(326,833)
Net Transfer Provided by Anzalduas Intl Crossing Revenues for Debt Service	882,833	1,336,932
Transfer to Contingency Fund	-	33,750
Transfer to Capital Improvement Fund	-	67,685
Balance Available After Bond Requirements	396,585	247,258
Repayment of Advances from McAllen International Toll Bridge "Anzalduas Special and Start-Up Advancement Fund" (\$6M Limit)	(1) (396,585)	-
"Board Advancement to Anzalduas Bridge Board" (with respect to advances for transfers to debt service fund Series 2007 "A" (\$26M Issue)		
Retain in Working Capital	-	(247,258)
Unallocated Balance of Surplus Net Revenue Attributable to Cities	\$ -	\$ -

(1) As per agreement dated 2003, start up fund must be reimbursed first before any other distributions.

Year Ended September 30,

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 2,650,482	\$ 2,892,328	\$ 3,054,289	\$ 3,220,899
<u>820,479</u>	<u>760,403</u>	<u>797,804</u>	<u>816,588</u>
1,830,003	2,131,925	2,256,485	2,404,311
1,836,015	1,962,319	1,964,736	1,965,137
(326,833)	-	-	-
<u>1,509,182</u>	<u>1,962,319</u>	<u>1,964,736</u>	<u>1,965,137</u>
45,000	45,000	45,000	45,000
<u>213,706</u>	<u>232,326</u>	<u>235,426</u>	<u>240,910</u>
<u>62,115</u>	<u>(107,720)</u>	<u>11,323</u>	<u>153,264</u>
-	-	-	-
<u>(62,115)</u>	<u>107,720</u>	<u>(11,323)</u>	<u>(153,264)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Anzalduas International Crossing
Schedule of Changes in Restricted Assets-Cash and Investments
Year Ended September 30, 2015

	Contingency Reserve	Current Debt Service Series A-\$26M
Cash and investments at September 30, 2014	\$ 168,971	\$ 581,805
Add:		
Transfers	45,000	1,965,159
Interest earned	102	41
Total additions	45,102	1,965,200
Less payments:		
Principal payments	-	835,000
Capital assets	-	-
Other expenses	-	-
Interest and fiscal charges	-	1,112,677
Total payments	-	1,947,677
Cash and investments at September 30, 2015	\$ 214,073	\$ 599,328
Cash and investments at September 30, 2015 are comprised of the following:		
Cash	\$ -	\$ -
Investments	214,073	599,328
	\$ 214,073	\$ 599,328

Current Debt Service Series B-\$13M	Capital Improvement	Total
\$ 286,543	\$ 653,343	\$ 1,690,662
947,888	240,910	3,198,957
167	356	666
948,055	241,266	3,199,623
415,000	-	1,250,000
-	42,743	42,743
-	22,487	22,487
522,692	-	1,635,369
937,692	65,230	2,950,599
\$ 296,906	\$ 829,379	\$ 1,939,686
\$ -	\$ 79,879	\$ 79,879
296,906	749,500	1,859,807
\$ 296,906	\$ 829,379	\$ 1,939,686

Toll Bridge System
McAllen International Toll Bridge and Anzalduas International Crossing
Combining Schedule of Net Position
September 30, 2015

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Current Assets			
Cash	\$ 297,728	\$ 114,774	\$ 412,502
Investments	1,826,129	1,122,154	2,948,283
Due from other governments	150,669	-	150,669
Other receivables	8,188	-	8,188
	<u>2,282,714</u>	<u>1,236,928</u>	<u>3,519,642</u>
Restricted Assets			
Cash (all interest-bearing)			
Capital improvement	154,123	79,879	234,002
	<u>154,123</u>	<u>79,879</u>	<u>234,002</u>
Investments - reserved for distribution	5,676,141	-	5,676,141
Investments	3,819,609	1,859,807	5,679,416
Total restricted assets – excluding current bond installments	<u>9,649,873</u>	<u>1,939,686</u>	<u>11,589,559</u>
Capital Assets – at cost			
Capital assets not being depreciated:			
Land	573,798	2,936,598	3,510,396
Construction in progress	1,147,685	88,343	1,236,028
Goodwill	609,713	-	609,713
Capital assets:			
Buildings	11,015,806	2,997,470	14,013,276
Improvements other than buildings	4,215,438	47,842,819	52,058,257
Machinery and equipment	2,230,250	970,334	3,200,584
	<u>19,792,690</u>	<u>54,835,564</u>	<u>74,628,254</u>
Less accumulated depreciation	<u>(10,566,175)</u>	<u>(8,778,399)</u>	<u>(19,344,574)</u>
	<u>9,226,515</u>	<u>46,057,165</u>	<u>55,283,680</u>
Other Assets			
Board advances	16,397,628	-	16,397,628
	<u>25,624,143</u>	<u>46,057,165</u>	<u>71,681,308</u>
Deferred outflows of resources - pension	<u>30,667</u>	<u>11,500</u>	<u>42,167</u>
Total assets and deferred outflows of resources	<u>\$ 37,587,397</u>	<u>\$ 49,245,279</u>	<u>\$ 86,832,676</u>

Toll Bridge System
McAllen International Toll Bridge and Anzalduas International Crossing
Combining Schedule of Liabilities and Net Position
September 30, 2015

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Current Liabilities			
Due to City of Hidalgo	\$ 950,066	\$ -	\$ 950,066
Accounts payable and accrued liabilities	79,970	44,405	124,375
Compensated absences	84,435	-	84,435
Other payables	1,378,695	-	1,378,695
	<u>2,493,166</u>	<u>44,405</u>	<u>2,537,571</u>
Liabilities Payable From Restricted Assets			
Accounts payable	833,470	89,343	922,813
Due to City of McAllen-interest on investments	1,242	-	1,242
Current installments of revenue bonds	-	1,305,000	1,305,000
Accrued revenue bond interest	-	133,934	133,934
	<u>834,712</u>	<u>1,528,277</u>	<u>2,362,989</u>
Long-Term Liabilities			
Revenue bonds – excluding current installments	-	32,305,987	32,305,987
Compensated absences	14,042	16,646	30,688
Net pension liability	24,457	9,171	33,628
Unearned revenue	116,855	-	116,855
Other long term payables	856,384	16,397,628	17,254,012
	<u>1,011,738</u>	<u>48,729,432</u>	<u>49,741,170</u>
	<u>4,339,616</u>	<u>50,302,114</u>	<u>54,641,730</u>
Net Position			
Net investment in capital assets	9,226,515	12,446,180	21,672,695
Restricted per revenue bond ordinances	503,104	976,340	1,479,444
Restricted for improvements	2,637,157	740,036	3,377,193
Restricted for distribution to the City of McAllen	5,674,899	-	5,674,899
Unrestricted	15,206,106	(15,219,391)	(13,285)
	<u>33,247,781</u>	<u>(1,056,835)</u>	<u>32,190,946</u>
	<u>\$ 37,587,397</u>	<u>\$ 49,245,279</u>	<u>\$ 86,832,676</u>

Toll Bridge System
McAllen International Toll Bridge and Anzalduas International Crossing
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
Years Ended September 30, 2015

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Operating revenues:			
Tolls	\$ 11,011,370	\$ 3,182,441	\$ 14,193,811
Tolls- broker collections	210,556	-	210,556
Rental income	2,310,672	-	2,310,672
Other income	67,587	37,528	105,115
	<u>13,600,185</u>	<u>3,219,969</u>	<u>16,820,154</u>
Operating expenses:			
Salaries	912,116	345,009	1,257,125
Payroll taxes and benefits	268,206	92,307	360,513
Insurance	50,368	12,000	62,368
Materials and supplies	89,069	22,177	111,246
Maintenance	212,001	67,296	279,297
Bridge security	291,976	-	291,976
Miscellaneous services	686,850	277,798	964,648
Depreciation and amortization	604,697	1,530,387	2,135,084
	<u>3,115,283</u>	<u>2,346,974</u>	<u>5,462,257</u>
	<u>10,484,902</u>	<u>872,995</u>	<u>11,357,897</u>
Nonoperating revenues (expenses):			
Distribution of income to the City of Hidalgo	(3,725,318)	-	(3,725,318)
Interest income	2,944	1,494	4,438
Interest expense	(38,270)	(1,600,510)	(1,638,780)
Interest expense on Board advances	576,160	(576,160)	-
	<u>(3,184,484)</u>	<u>(2,175,176)</u>	<u>(5,359,660)</u>
	<u>7,300,418</u>	<u>(1,302,181)</u>	<u>5,998,237</u>
Transfers to the City of McAllen	(5,148,916)	-	(5,148,916)
Transfers to/from debt service Series "B" 2007 bonds	(947,888)	947,888	-
	<u>1,203,614</u>	<u>(354,293)</u>	<u>849,321</u>
	<u>32,044,167</u>	<u>(702,542)</u>	<u>31,341,625</u>
	<u>\$ 33,247,781</u>	<u>\$ (1,056,835)</u>	<u>\$ 32,190,946</u>

Toll Bridge System
McAllen International Toll Bridge and Anzalduas International Crossing
Combining Schedule of Cash Flows
Years Ended September 30, 2015

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 13,387,808	\$ 3,219,969	\$ 16,607,777
Payments to employees	(1,200,358)	(443,259)	(1,643,617)
Payments to suppliers	(1,299,378)	(367,448)	(1,666,826)
Net cash provided by operating activities	<u>10,888,072</u>	<u>2,409,262</u>	<u>13,297,334</u>
Cash Flows From Noncapital Financing Activities			
Distribution of income to the City of Hidalgo	(3,700,777)	-	(3,700,777)
Operating transfers to the City of McAllen	(5,148,107)	-	(5,148,107)
Transfer to/from McAllen International Toll Bridge-Board B	(947,888)	947,888	-
Net cash provided (used) by noncapital financing activities	<u>(9,796,772)</u>	<u>947,888</u>	<u>(8,848,884)</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(941,371)	(42,742)	(984,113)
Interfund loan proceeds	2,239,581	-	2,239,581
Principal paid on long-term debt	(54,574)	(1,250,000)	(1,304,574)
Interest paid	(38,270)	(1,635,364)	(1,673,634)
Net cash provided (used) by capital and related financing activities	<u>1,205,366</u>	<u>(2,928,106)</u>	<u>(1,722,740)</u>
Cash Flows From Investing Activities			
Receipt of interest	2,944	1,494	4,438
Proceeds from sales and maturities of investments	16,362,716	3,779,373	20,142,089
Purchase of investments	(18,742,553)	(4,118,524)	(22,861,077)
Net cash used by investing activities	<u>(2,376,893)</u>	<u>(337,657)</u>	<u>(2,714,550)</u>
Net increase (decrease) in cash	(80,227)	91,387	11,160
Cash at beginning of year	<u>532,078</u>	<u>103,266</u>	<u>635,344</u>
Cash at end of year	<u>\$ 451,851</u>	<u>\$ 194,653</u>	<u>\$ 646,504</u>

Toll Bridge System
 McAllen International Toll Bridge and Anzalduas International Crossing
 Combining Schedule of Cash Flows
 Years Ended September 30, 2015

(Continued)

Reconciliation of Cash Per Statements of Cash Flows to the Statements of Net Position	<u>McAllen Int'l Toll Bridge</u>	<u>Anzalduas Int'l Crossing</u>	<u>Total</u>
Unrestricted cash	\$ 297,728	\$ 114,774	\$ 412,502
Restricted cash	154,123	79,879	234,002
	<u>\$ 451,851</u>	<u>\$ 194,653</u>	<u>\$ 646,504</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
	<u>\$ 10,484,902</u>	<u>\$ 872,995</u>	<u>\$ 11,357,897</u>
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation	604,697	1,530,387	2,135,084
Deferred outflows - pension	(30,667)	(11,500)	(42,167)
Changes in assets and liabilities:			
Accounts receivable	(6,387)	-	(6,387)
Accounts payable	30,887	11,824	42,711
Other payables	(7,344)	(3,914)	(11,258)
Compensated absences	(6,483)	299	(6,184)
Net pension liability	24,457	9,171	33,628
Unearned revenue	(205,990)	-	(205,990)
Total adjustments	<u>403,170</u>	<u>1,536,267</u>	<u>1,939,437</u>
Net cash provided by operating activities	<u>\$ 10,888,072</u>	<u>\$ 2,409,262</u>	<u>\$ 13,297,334</u>
 Noncash capital financing activities:			
Capital asset additions in accounts payable	<u>\$ 833,469</u>	<u>\$ 83,317</u>	<u>\$ 916,786</u>

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Anzalduas International Crossing
Schedule of Vehicle and Passenger Traffic
(Unaudited)

	Year Ended September 30,			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Vehicular traffic southbound:				
Cars	705,035	846,077	858,488	933,694
Trucks	768	742	732	960
Buses	<u>1,746</u>	<u>3,355</u>	<u>3,878</u>	<u>4,417</u>
Total vehicles	(1) <u><u>707,549</u></u>	<u><u>850,174</u></u>	<u><u>863,098</u></u>	<u><u>939,071</u></u>
Passenger traffic southbound:				
Passengers in cars	(2) 1,762,588	2,115,193	2,146,220	2,334,235
Passengers and drivers – buses	(2) <u>50,634</u>	<u>97,295</u>	<u>112,462</u>	<u>128,093</u>
Total persons	<u><u>1,813,222</u></u>	<u><u>2,212,488</u></u>	<u><u>2,258,682</u></u>	<u><u>2,462,328</u></u>

(1) Source: Anzalduas International Crossing Traffic Count Report.

(2) Calculation based on historical average of 2.5
as per Hidalgo bridge crossings.

Anzalduas International Crossing
Schedule of Vehicle and Passenger Traffic
(Unaudited)

Year Ended September 30,	
<u>2014</u>	<u>2015</u>
950,143	974,930
859	-
<u>1,922</u>	<u>1,342</u>
<u><u>952,924</u></u>	<u><u>976,272</u></u>
2,375,358	2,437,325
<u>55,738</u>	<u>38,918</u>
<u><u>2,431,096</u></u>	<u><u>2,476,243</u></u>

Anzalduas International Crossing
Schedule of Car and Truck Traffic Revenue
(Unaudited)

	Year Ended September 30,			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Southbound traffic:				
Cars	705,035	846,077	858,488	933,694
Trucks	<u>768</u>	<u>742</u>	<u>732</u>	<u>960</u>
Total car and truck traffic	<u><u>705,803</u></u>	<u><u>846,819</u></u>	<u><u>859,220</u></u>	<u><u>934,654</u></u>
Truck traffic percentage	0.11%	0.09%	0.09%	0.10%
Car and truck revenue:				
Cars	\$ 1,684,515	\$ 2,249,809	\$ 2,537,957	\$ 2,795,401
Trucks	<u>5,732</u>	<u>5,194</u>	<u>5,221</u>	<u>6,720</u>
Total car and truck revenue	<u><u>\$ 1,690,247</u></u>	<u><u>\$ 2,255,003</u></u>	<u><u>\$ 2,543,178</u></u>	<u><u>\$ 2,802,121</u></u>
Truck revenue percentage	0.34%	0.23%	0.21%	0.24%
Average revenue per car	\$ 2.39	\$ 2.66	\$ 2.96	\$ 2.99
Average revenue per truck	\$ 7.46	\$ 7.00	\$ 7.13	\$ 7.00

Anzalduas International Crossing
Schedule of Car and Truck Traffic Revenue
(Unaudited)

Year Ended
September 30,

<u>2014</u>	<u>2015</u>
950,143	974,930
<u>859</u>	<u>-</u>
<u><u>951,002</u></u>	<u><u>974,930</u></u>
0.09%	0.00%
\$ 2,964,866	\$ 3,173,047
<u>6,013</u>	<u>-</u>
<u><u>\$ 2,970,879</u></u>	<u><u>\$ 3,173,047</u></u>
0.20%	0.00%
\$ 3.12	\$ 3.25
\$ 7.00	\$ -

Anzalduas International Crossing
Schedule of Board Advances from McAllen International Toll Bridge Fund
September 30, 2015
(Unaudited)

Anzalduas Special & Startup Fund:

Balance at September 30, 2014	Additions		Balance at September 30, 2015
	Advances	Implied Interest	
\$ 11,440,278	\$ -	\$ 554,205	\$ 11,994,483

Board advance "A" to Anzalduas International Crossing:

Balance at September 30, 2014	Additions		Balance at September 30, 2015
	Advances	Implied Interest	
\$ 4,381,190	\$ -	\$ 21,955	\$ 4,403,145

Combined totals of advances to Anzalduas International Crossing:

Balance at September 30, 2014	Additions		Balance at September 30, 2015
	Advances	Implied Interest	
\$ 15,821,468	\$ -	\$ 576,160	\$ 16,397,628

Distribution of Advances:

City of McAllen- Share @ 64%	\$ 10,125,740	\$ -	\$ 368,742	\$ 10,494,482
City of Hidalgo- Share @ 36%	5,695,728	-	207,418	5,903,146
	\$ 15,821,468	\$ -	\$ 576,160	\$ 16,397,628

Anzalduas International Crossing
Schedule of Board Advances from McAllen International Toll Bridge Fund
September 30, 2015
(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>Balance</u>
10/1/2014	Opening balance →				\$ 11,440,278
10/31/2014	4.74%	31	-	46,056	11,486,334
11/30/2014	4.74%	30	-	44,749	11,531,083
12/31/2014	4.74%	31	-	46,421	11,577,505
1/31/2015	4.74%	31	-	46,608	11,624,113
2/28/2015	4.74%	28	-	42,267	11,666,380
3/31/2015	4.74%	31	-	46,966	11,713,346
4/30/2015	4.74%	30	-	45,634	11,758,980
5/31/2015	4.74%	31	-	47,339	11,806,319
6/30/2015	4.74%	30	-	45,996	11,852,315
7/31/2015	4.74%	31	-	47,714	11,900,029
8/31/2015	4.74%	31	-	47,907	11,947,936
9/30/2015	4.74%	30	-	46,548	11,994,483

Anzalduas International Crossing
Schedule of Board Advances from McAllen International Toll Bridge Fund
September 30, 2015
(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>Balance</u>
Opening balance					\$ 4,381,190
10/01/14			-	-	4,381,190
10/31/14	0.50%	31		1,861	4,383,050
11/01/14			-	-	4,383,050
11/30/14	0.50%	30		1,801	4,384,851
12/01/14			-	-	4,384,851
12/31/14	0.50%	31		1,862	4,386,713
01/01/15			-	-	4,386,713
01/31/15	0.50%	31		1,863	4,388,576
02/01/15			-	-	4,388,576
02/28/15	0.50%	28		1,683	4,390,260
03/01/15			-	-	4,390,260
03/31/15	0.50%	31		1,864	4,392,124
04/01/15			-	-	4,392,124
04/30/15	0.50%	30		1,805	4,393,929
05/01/15			-	-	4,393,929
05/31/15	0.50%	31		1,866	4,395,795
06/01/15			-	-	4,395,795
06/30/15	0.50%	30		1,806	4,397,601
07/01/15			-	-	4,397,601
07/31/15	0.50%	31		1,867	4,399,469
08/01/15			-	-	4,399,469
08/31/15	0.50%	31		1,868	4,401,337
09/01/15			-	-	4,401,337
09/30/15	0.50%	30		1,808	4,403,145

Anzalduas International Crossing
Schedule of Board Advances from McAllen International Toll Bridge Fund
September 30, 2015
(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>Balance</u>
			<u>Total</u>	<u>Applicable to Mission</u>		
Opening balance						\$ 1,918,717
10/01/14			78,809	27,055	-	1,945,772
10/31/14	0.50%	31	-	-	826	1,946,599
11/01/14			78,809	27,055	-	1,973,654
11/30/14	0.50%	30	-	-	811	1,974,465
12/01/14			78,809	27,055	-	2,001,520
12/31/14	0.50%	31	-	-	850	2,002,370
01/01/15			78,809	27,055	-	2,029,425
01/31/15	0.50%	31	-	-	862	2,030,287
02/01/15			78,809	27,055	-	2,057,342
02/28/15	0.50%	28	-	-	789	2,058,130
03/01/15			79,006	27,123	-	2,085,252
03/31/15	0.50%	31	-	-	886	2,086,138
04/01/15			79,006	27,123	-	2,113,260
04/30/15	0.50%	30	-	-	868	2,114,129
05/01/15			79,006	27,123	-	2,141,252
05/31/15	0.50%	31	-	-	909	2,142,161
06/01/15			79,006	27,123	-	2,169,283
06/30/15	0.50%	30	-	-	891	2,170,175
07/01/15			79,006	27,123	-	2,197,297
07/31/15	0.50%	31	-	-	933	2,198,232
08/01/15			79,006	27,123	-	2,225,354
08/31/15	0.50%	31	-	-	945	2,226,300
09/01/15			79,006	27,123	-	2,253,423
09/30/15	0.50%	30	-	-	925	2,254,349

Anzalduas International Crossing
Schedule of Insurance Coverage
Year Ended September 30, 2015
(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	10/01/14 to 09/30/15	Fire and extended coverage and physical damage and business (\$10,000 deductible except \$25,000 flood and earthquake)	\$ 31,424,027
Bridge and surrounding area	Texas Municipal League	10/01/14 to 09/30/15	Bridge use, occupancy, and business interruptions (\$10,000 deductible, except \$25,000 flood and earthquake)	\$ 14,283,858
Workers' compensation	1-2-1 Claims Inc. Tristar Risk Management as of February 1, 2015	10/01/14 to 09/30/15	Employer's liability - job-related injuries	\$ 1,000,000
Workers' compensation excess	Star Insurance Co.	10/01/14 to 09/30/15	Aggregate excess and specific (\$500,000 SIR per occurrence)	Statutory
General liability	Texas Municipal League	10/01/14 to 09/30/15	General: (\$10,000 deductible) Bodily injury and property damage	\$ 2,000,000
General liability excess	Star Insurance Company	10/01/14 to 09/30/15	Aggregate excess and specific (\$1,000,000 per occurrence)	\$ 3,000,000
Errors and omissions liability	Texas Municipal League	10/01/14 to 09/30/15	Each wrongful act (\$25,000 deductible) (\$4,000,000 aggregate)	\$ 2,000,000
<u>Crime section:</u>				
Employee dishonesty	Texas Municipal League	10/01/14 to 09/30/15	Limit of coverage (\$5,000 deductible)	\$ 1,000,000
Forgery or alteration	Texas Municipal League	10/01/14 to 09/30/15	Limit of coverage (\$1,000 deductible)	\$ 50,000
Theft, disappearance and destruction	Texas Municipal League	10/01/14 to 09/30/15	Limit of coverage (\$1,000 deductible)	\$ 50,000
Computer fraud	Texas Municipal League	10/01/14 to 09/30/15	Limit of coverage (\$5,000 deductible)	\$ 1,000,000

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

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Board of Trustees
Anzalduas International Crossing

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Anzalduas International Crossing (the “Anzalduas Bridge”), which comprise the statements of net position as of September 30, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 6, 2016.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the Anzalduas Bridge’s internal control over financial reporting (“internal control”) to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Anzalduas Bridge’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Anzalduas Bridge's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Anzalduas Bridge's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Intended purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Anzalduas Bridge's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Anzalduas Bridge's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Houston, Texas
January 6, 2016