

Anzalduas International Crossing

Financial Statements
And Report of Independent Certified Public Accountants

September 30, 2016 and 2015

ANZALDUAS INTERNATIONAL CROSSING

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Anzalduas International Crossing

Report on the financial statements

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

Management’s responsibility for the financial statements

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

Auditor’s responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 respective financial position of the Anzaldaus International Crossing as of September 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Emphasis of Matter

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

Required supplementary information

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

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Anzalduas Bridge's basic financial statements. The supplemental schedules as listed in the table of contents on pages 33 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 the McAllen International Toll Bridge Fund, and Schedule of Insurance Coverage of pages 40 through 48, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other reporting required by *Government Auditing Standards*

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

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**Anzalduas International Crossing
Management's Discussion and Analysis**
September 30, 2016

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, 2016 and 2015 and the related effect on its financial condition. Please read it in conjunction with the basic financial statements, which follow and include the notes thereto, which are necessary for a complete understanding of the data contained in the financial statements. Following the notes to the financial statements is certain supplementary information.

ANZALDUAS BRIDGE OPERATIONAL HIGHLIGHTS

As shown on the Statement of Revenues, Expenses, and Changes in Net Position, operating income amounted to \$150K. Net position decreased by \$995K principally due to an expense of \$1.06M for a one time project in Mexico. In August 2015, the Anzalduas International Bridge Board and the Mexico Federal Agency La Secretaria de Comunicaciones y Transportes de los Estados Unidos Mexicanos agreed to improve the infrastructure and operation of the Anzalduas Bridge to allow the crossing of southbound commercial empty truck traffic. The Anzalduas International Bridge Board agreed to finance the construction of one additional lane and equipment on the Mexico side of the Anzalduas Bridge. Net position for FY 2016 is reported as a deficit of \$2.05M.

The southbound car crossings at Anzalduas increased 4.13% over last year's crossing, and bus crossings have also increased 21.91% from last year. In August 2016, the Anzalduas Bridge began accepting the southbound crossings of trucks with empty cargo. The table below reflects the activities for southbound traffic.

SOUTHBOUND CROSSINGS				
			Increase	%
Category	FY 15-16	FY 14-15	(Decrease)	Increase (Decrease)
Cars	1,015,219	974,930	40,289	4.13%
Trucks - empties	732	-	732	100.00%
Buses	1,636	1,342	294	21.91%
Passengers in cars	2,538,048	2,437,325	100,723	4.13%

Anzalduas International Crossing
Management's Discussion and Analysis
September 30, 2016

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, 2016 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, 2016, net position amounted to a deficit of \$2.05M. Total liabilities, which consist of current, restricted, and long term liabilities, decreased by \$455K combined when comparing FY 14-15 to FY 15-16.

Anzalduas International Crossing
Management's Discussion and Analysis
September 30, 2016

A summary of the Anzalduas Bridge's condensed Statement of Net Position Information as of September 30th is presented below:

Condensed Statements of Net Position

	2016	2015	Restated 2014
	<u>2016</u>	<u>2015</u>	<u>2014</u>
ASSETS:			
Current assets	\$ 1,618,785	\$ 1,236,928	\$ 1,055,414
Restricted assets	1,386,113	1,939,686	1,690,662
Net capital assets	<u>44,664,355</u>	<u>46,057,165</u>	<u>47,461,493</u>
 Total assets	 <u>\$ 47,669,253</u>	 <u>\$ 49,233,779</u>	 <u>\$ 50,207,569</u>
 Deferred outflows of resources - pension	 <u>126,213</u>	 <u>11,500</u>	 <u>-</u>
 Total assets and deferred outflows of resources	 <u>\$ 47,795,466</u>	 <u>\$ 49,245,279</u>	 <u>\$ 50,207,569</u>
 LIABILITIES:			
Current liabilities	\$ 42,029	\$ 44,405	\$ 32,618
Payable from restricted assets	1,729,686	1,528,277	1,394,383
Long-term liabilities	<u>48,075,201</u>	<u>48,729,432</u>	<u>49,483,110</u>
 Total liabilities	 <u>\$ 49,846,916</u>	 <u>\$ 50,302,114</u>	 <u>\$ 50,910,111</u>
 NET POSITION:			
Net investment in capital assets	\$ 12,389,867	\$ 12,446,180	\$ 12,570,076
Restricted per revenue bond ordinance	1,055,064	976,340	898,947
Restricted for improvements	-	740,036	647,320
Unrestricted (deficit)	<u>(15,496,381)</u>	<u>(15,219,391)</u>	<u>(14,818,885)</u>
 Total net position	 <u>\$ (2,051,450)</u>	 <u>\$ (1,056,835)</u>	 <u>\$ (702,542)</u>

Anzalduas International Crossing
Management's Discussion and Analysis
September 30, 2016

Revenues, Expenses and Changes in Net Position

The Condensed Statements 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, 2016

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

	2016	2015	Restated 2014
Operating revenues:			
Tolls	\$ 3,538,359	\$ 3,182,441	\$ 2,998,333
Other Income	82,898	37,528	55,378
Total operating revenues	<u>3,621,257</u>	<u>3,219,969</u>	<u>3,053,711</u>
Operating expenses:			
Salaries	354,925	345,009	329,074
Payroll taxes and benefits	117,878	92,307	101,930
Insurance	20,963	12,000	12,000
Materials and supplies	16,949	22,177	16,994
Maintenance	56,960	67,296	60,812
Miscellaneous services	311,602	277,798	280,872
Non-capitalized Southbound project	1,061,212	-	-
Depreciation	<u>1,531,255</u>	<u>1,530,387</u>	<u>1,543,678</u>
Total operating expenses	<u>3,471,744</u>	<u>2,346,974</u>	<u>2,345,360</u>
Operating income	<u>149,513</u>	<u>872,995</u>	<u>708,351</u>
Nonoperating revenues (expenses):			
Interest income	9,320	930	578
Interest income - restricted assets	1,505	564	292
Gain on sale of capital assets	57,385	-	-
Interest expense	(1,544,955)	(1,600,510)	(1,652,502)
Interest expense - Board advance - relating to Series 2007A Bonds and Start up Fund	<u>(604,807)</u>	<u>(576,160)</u>	<u>(550,445)</u>
Total nonoperating expenses	<u>(2,081,552)</u>	<u>(2,175,176)</u>	<u>(2,202,077)</u>
Loss before transfers	(1,932,039)	(1,302,181)	(1,493,726)
Transfers-in - McAllen International Toll Bridge Fund	949,755	947,888	947,075
Transfers-out - Health Insurance Fund	<u>(12,331)</u>	<u>-</u>	<u>-</u>
Changes in net position	(994,615)	(354,293)	(546,651)
Total net position at beginning of year	<u>(1,056,835)</u>	<u>(702,542)</u>	<u>(155,891)</u>
Total net position at end of year	<u><u>\$ (2,051,450)</u></u>	<u><u>\$ (1,056,835)</u></u>	<u><u>\$ (702,542)</u></u>

Anzalduas International Crossing
Management's Discussion and Analysis
September 30, 2016

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 15-16</u>	<u>FY 14-15</u>
Cars	\$3.50	\$3.25
Trucks (Depending on # of Axles)	\$6.25-\$14.00	\$7.00-\$20.00
Buses (Depending on # of Axles)	\$7.00-\$9.00	\$7.00-\$9.00
Motorcycles	\$3.50	\$3.25
Extra Axle	\$3.00	\$3.00

Effective December 1, 2015, the car and motorcycle crossings fees were increased from \$3.25 to \$3.50

Effective September 13, 2016, Anzalduas reduced toll rates for southbound empty cargo trucks to a range of \$6.25 - \$14.00.

REVENUES

The forecast for toll revenues was estimated at \$3.2M. Actual toll revenues came in at \$3.5M. Other operating income of \$83K was mainly due to the result in the exchange of the Mexican peso to U.S. Dollars and rental income of \$18K. Interest income during the year was approximately \$9K as compared to approximately \$1K in 2015. In addition, Anzalduas recorded sale of land that resulted in a \$57K gain for FY 15-16. Other changes in net position include a net transfer from the Hidalgo Bridge Fund in the amount of \$950K. This transfer supported debt service requirements of Series 2007B bonds. In FY 14-15, revenues fell below budget by \$388K, which was attributed to a delay in the approval of southbound truck crossings through the Anzalduas Bridge.

EXPENSES

In FY 15-16, operating expenses came in at \$3.5M, including depreciation in the amount of \$1.5M. The increase over prior year was due to the financing of the construction of one additional lane and equipment on the Mexican side of the Anzalduas Reynosa-Mission International Bridge to allow southbound commercial empty truck traffic. All non-operating expenses were relatively flat. In FY 14-15, expenses were \$30K under budget due to unfilled job positions, which did not materialize during the year.

Anzalduas International Crossing
Management's Discussion and Analysis
September 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Total capital assets, before depreciation, at September 30, 2016 are reported at \$55M. Last year, at September 30, 2015, total capital assets, before depreciation, were reported at \$54.8M. For the current year, an additional \$138K was added to capital assets which the majority could be attributed to construction in progress projects.

The table below reflects the capital assets:

	Capital Assets		
	<u>FY 15-16</u>	<u>FY 14-15</u>	<u>FY 13-14</u>
Capital assets not being depreciated:			
Land	\$ 2,922,773	\$ 2,936,598	\$ 2,936,598
Construction in progress	213,113	88,343	54,659
Capital assets:			
Buildings	2,997,470	2,997,470	2,997,470
Improvements other than buildings	47,870,319	47,842,819	47,783,199
Machinery and equipment	<u>970,334</u>	<u>970,334</u>	<u>937,579</u>
Total capital assets	54,974,009	54,835,564	54,709,505
Accumulated depreciation	<u>(10,309,654)</u>	<u>(8,778,399)</u>	<u>(7,248,012)</u>
Total capital assets, net	<u>\$ 44,664,355</u>	<u>\$ 46,057,165</u>	<u>\$ 47,461,493</u>

Debt

At the end of this fiscal year, the Anzalduas Bridge had \$32.3M in revenue bonds, including premium, outstanding resulting from the bond offering in fiscal year 2007. Last fiscal year, the Anzalduas Bridge had \$33.6M in revenue bonds, including premium. 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.

Anzalduas International Crossing
Management's Discussion and Analysis
September 30, 2016

ECONOMIC FACTORS

During the budget process for fiscal year 2015-16, the elected and appointed officials considered many factors driving bridge crossings including job growth, growth in new housing, bank deposits, retail sales growth, the unemployment rate, inflation, the level of growth in the maquiladora industry, the dollar exchange rate with the Mexican peso, as well as anticipated level of Winter Texan tourists that spend between 4 to 6 months during the winter months in our area as well as the continued uncertainty in Mexico.

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.

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 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, 1300 Houston, McAllen, Texas 78501.

Basic Financial Statements

Anzalduas International Crossing
Statements of Net Position
September 30, 2016 and 2015
Assets and Deferred Outflows of Resources

	<u>2016</u>	<u>2015</u>
Current Assets		
Cash	\$ 131,417	\$ 114,774
Investments	1,485,264	1,122,154
Accrued interest receivable	<u>2,104</u>	<u>-</u>
Total non-restricted assets	<u>1,618,785</u>	<u>1,236,928</u>
Restricted Assets		
Cash	101,500	79,879
Investments	<u>1,284,613</u>	<u>1,859,807</u>
Total restricted assets	<u>1,386,113</u>	<u>1,939,686</u>
Total current assets	<u>3,004,898</u>	<u>3,176,614</u>
Capital Assets – at cost		
Capital assets not being depreciated:		
Land	2,922,773	2,936,598
Construction in progress	213,113	88,343
Capital assets:		
Buildings	2,997,470	2,997,470
Improvements other than buildings	47,870,319	47,842,819
Machinery and equipment	<u>970,334</u>	<u>970,334</u>
Total capital assets	54,974,009	54,835,564
Less accumulated depreciation	<u>(10,309,654)</u>	<u>(8,778,399)</u>
Net capital assets	<u>44,664,355</u>	<u>46,057,165</u>
Deferred outflows of resources - pension	<u>126,213</u>	<u>11,500</u>
Total assets and deferred outflows of resources	<u><u>\$ 47,795,466</u></u>	<u><u>\$ 49,245,279</u></u>

The accompanying notes are an integral part of these statements

Anzalduas International Crossing
Statements of Net Position
September 30, 2016 and 2015
Liabilities and Net Position

Current Liabilities	2016	2015
Accounts payable	\$ 33,863	\$ 27,945
Accrued liabilities	8,166	16,460
	<hr/>	<hr/>
Total unrestricted current liabilities	42,029	44,405
	<hr/>	<hr/>
Liabilities Payable From Restricted Assets		
Current installments of revenue bonds	1,360,000	1,305,000
Accounts payable	31,473	89,343
Accrued revenue bond interest	129,311	133,934
Accrued expense - retainage payable	51,543	-
Due to Toll Bridge	157,359	-
	<hr/>	<hr/>
Total liabilities payable from restricted assets	1,729,686	1,528,277
	<hr/>	<hr/>
Total current liabilities	1,771,715	1,572,682
	<hr/>	<hr/>
Long-Term Liabilities		
Revenue bonds – excluding current installments	30,914,488	32,305,987
Unearned revenues	5,000	-
Compensated absences	15,484	16,646
Net pension liability	137,794	9,171
Advance from McAllen International Toll Bridge Fund - Anzalduas Special & Startup Fund	12,577,163	11,994,483
Advance from McAllen International Toll Bridge Fund - Board Advance relating to Series 2007 A Bonds	4,425,272	4,403,145
	<hr/>	<hr/>
Total long-term liabilities	48,075,201	48,729,432
	<hr/>	<hr/>
Total liabilities	49,846,916	50,302,114
	<hr/>	<hr/>
Net Position		
Net investment in capital assets	12,389,867	12,446,180
Restricted per revenue bond ordinances	1,055,064	976,340
Restricted for improvements	-	740,036
Unrestricted (deficit)	(15,496,381)	(15,219,391)
	<hr/>	<hr/>
Total net position	(2,051,450)	(1,056,835)
	<hr/>	<hr/>
Total liabilities and net position	\$ 47,795,466	\$ 49,245,279
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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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Tolls	\$ 3,538,359	\$ 3,182,441
Other Income	<u>82,898</u>	<u>37,528</u>
Total operating revenues	<u>3,621,257</u>	<u>3,219,969</u>
Operating expenses:		
Salaries	354,925	345,009
Payroll taxes and benefits	117,878	92,307
Insurance	20,963	12,000
Materials and supplies	16,949	22,177
Maintenance	56,960	67,296
Miscellaneous services	311,602	277,798
Non-capitalized Southbound project	1,061,212	-
Depreciation	<u>1,531,255</u>	<u>1,530,387</u>
Total operating expenses	<u>3,471,744</u>	<u>2,346,974</u>
Operating income	<u>149,513</u>	<u>872,995</u>
Nonoperating revenues (expenses):		
Interest income	9,320	930
Interest income-restricted accounts	1,505	564
Gain on sale of capital assets	57,385	-
Interest expense	(1,544,955)	(1,600,510)
Interest expense - Board advance - relating to Series 2007 A Bonds and Start up Fund	<u>(604,807)</u>	<u>(576,160)</u>
Total nonoperating expenses, net	<u>(2,081,552)</u>	<u>(2,175,176)</u>
Loss before transfers	(1,932,039)	(1,302,181)
Transfers-in - McAllen International Toll Bridge Fund	949,755	947,888
Transfers-out - Health Insurance Fund	<u>(12,331)</u>	<u>-</u>
Changes in net position	(994,615)	(354,293)
Total net position at beginning of year	<u>(1,056,835)</u>	<u>(702,542)</u>
Total net position at end of year	<u><u>\$ (2,051,450)</u></u>	<u><u>\$ (1,056,835)</u></u>

The accompanying notes are an integral part of these statements

Anzalduas International Crossing

Statements of Cash Flows

Years Ended September 30, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities		
Receipts from customers	\$ 3,626,257	\$ 3,219,969
Payments to employees	(471,349)	(443,259)
Payments to suppliers	(1,307,736)	(367,448)
Net cash provided by operating activities	1,847,172	2,409,262
Cash Flows From Noncapital Financing Activities		
Transfer from McAllen International Toll Bridge - Board B	949,755	947,888
Transfer to Health Insurance Fund	(12,331)	-
Net cash provided by noncapital financing activities	937,424	947,888
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(138,445)	(42,742)
Gain on sale of land	57,385	-
Interest paid	(1,581,077)	(1,635,364)
Principal paid on long-term debt	(1,305,000)	(1,250,000)
Net cash used by capital and related financing activities	(2,967,137)	(2,928,106)
Cash Flows From Investing Activities		
Receipt of interest	8,721	1,494
Proceeds from sales and maturities of investments	7,237,960	3,779,373
Purchase of investments	(7,025,876)	(4,118,524)
Net cash provided (used) by investing activities	220,805	(337,657)
Net increase in cash	38,264	91,387
Cash at beginning of year	194,653	103,266
Cash at end of year	\$ 232,917	\$ 194,653

The accompanying notes are an integral part of these statements

Anzalduas International Crossing

Statements of Cash Flows

Years Ended September 30, 2016 and 2015

	2016	2015
Reconciliation of Cash Per Statements of Cash Flows to the Statements of Net Position		
Unrestricted cash	\$ 131,417	\$ 114,774
Restricted cash	<u>101,500</u>	<u>79,879</u>
	<u>\$ 232,917</u>	<u>\$ 194,653</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
	<u>\$ 149,513</u>	<u>\$ 872,995</u>
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,531,255	1,530,387
(Increase) decrease in deferred outflows of resources	(114,713)	(11,500)
Changes in assets and liabilities:		
Increase (decrease) in unearned revenue	5,000	-
Increase (decrease) due to Toll Bridge	157,359	-
Increase (decrease) in accounts payable	2,591	11,824
Increase (decrease) in accrued liabilities	(11,294)	(3,914)
Increase (decrease) in compensated absences payable	(1,162)	299
Increase (decrease) in net pension liability	<u>128,623</u>	<u>9,171</u>
Total adjustments	<u>1,697,659</u>	<u>1,536,267</u>
Net cash provided by operating activities	<u>\$ 1,847,172</u>	<u>\$ 2,409,262</u>
Noncash capital financing activities:		
Capital asset increase in accounts payable	<u>\$ -</u>	<u>\$ 83,317</u>

The accompanying notes are an integral part of these statements

Anzalduas International Crossing

Notes to Financial Statements

September 30, 2016 and 2015

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 Statements

September 30, 2016 and 2015

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 Implementations:

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

In December 2015, GASB issued Statement No 79, *Certain External Investment Pools and Pool Participants*. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value

Anzalduas International Crossing

Notes to Financial Statements

September 30, 2016 and 2015

1. Summary of Significant Accounting Policies - Continued

and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share. GASB 79 is effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26, and 40, which are effective for reporting periods beginning after December 15, 2015. The Texas Local Government Investment Pool (TexPool) are valued at amortized cost. There is no impact on the financial statements for the Anzalduas Bridge due to the adoption of GASB Statement No. 79.

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. Per the bond ordinance, 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 provided. Capital assets are recorded at cost if purchased or constructed. Net interest cost pertaining to qualifying assets which are related to construction in progress is capitalized. No interest was capitalized during the years ended September 30, 2016 and 2015.

Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Depreciation expense for the year ended September 30, 2016 was \$1,531,255 (\$1,530,387 in 2015). 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

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.

Anzalduas International Crossing

Notes to Financial Statements

September 30, 2016 and 2015

1. Summary of Significant Accounting Policies - Continued

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

As of September 30, 2016 the board advances payable to the Hidalgo Bridge amounts to \$4,425,272 (\$4,403,145 in 2015), of which the City of McAllen's portion is \$2,832,173 and the City of Hidalgo's portion is \$1,593,098. During this fiscal year, the balance was increased by accrued interest of \$22,126. No board advances were made during the year.

Anzalduas International Crossing

Notes to Financial Statements

September 30, 2016 and 2015

1. Summary of Significant Accounting Policies - Continued

Board Advance "B"

During this fiscal year, the Hidalgo Bridge also transferred \$949,755 (\$947,888 in 2015) to the Anzalduas Bridge in support of the Series 2007 B bond 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, 2016 the board advance owed by the City of Mission to the City of McAllen amounts to \$2,592,340, increasing from \$2,254,349 for the year ended September 30, 2015. This board advance is recorded in the General fund of the City of McAllen.

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 Statements

September 30, 2016 and 2015

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

Investments

Fair Value Measurement:

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

Investments at fair value, as of September 30, 2016, are as follows:

			Fair Value Measurements Using			
2016	Carrying Value	Fair Value	(Level 1)	(Level 2)	(Level 3)	
<u>Investments by fair value level</u>						
Debt Securities						
United States government agency securities	\$ 998,432	\$ 998,432	\$ -	\$ 998,432	\$ -	
Total investments by fair value level	\$ 998,432	\$ 998,432	\$ -	\$ 998,432	\$ -	

The total amount excludes investments in local government pools which are reported at amortized cost. These investments total \$1,771,445 as of September 30, 2016.

Anzalduas International Crossing

Notes to Financial Statements

September 30, 2016 and 2015

2. Cash and Investments - Continued

Public funds investment pools

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code and are subject to the provisions of the Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the values of its shares.

The Anzalduas Bridge investments in Pools are reported at amortized cost

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.

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

Concentration of credit risk. The Anzalduas Bridge investment holdings at September 30, 2016 had a total of \$1,771,445 confined to TexPool Prime and U.S. governments. The investment policy is silent in the concentration of holdings in the various types of securities and investments.

Anzalduas International Crossing

Notes to Financial Statements

September 30, 2016 and 2015

3. Capital Assets

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

	Balance at September 30, 2015	Additions	(Retirement)/ Transfer	Balance at September 30, 2016
Capital assets not being depreciated:				
Land	\$ 2,936,598	\$ -	\$ (13,825)	\$ 2,922,773
Construction in progress	88,343	124,770	-	213,113
Capital assets:				
Buildings	2,997,470	-	-	2,997,470
Improvements other than buildings	47,842,819	27,500	-	47,870,319
Machinery and equipment	970,334	-	-	970,334
Total capital assets	54,835,564	152,270	(13,825)	54,974,009
Less accumulated depreciation	8,778,399	1,531,255	-	10,309,654
Net capital assets	\$ 46,057,165	\$ (1,378,985)	\$ (13,825)	\$ 44,664,355

	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	\$ 47,461,493	\$ (1,404,328)	\$ -	\$ 46,057,165

Anzalduas International Crossing

Notes to Financial Statements

September 30, 2016 and 2015

4. *Southbound Commercial Agreement*

On August 27, 2015, the Anzalduas International Bridge Board (“ABB”) and the Mexico Federal Agency La Secretaria de Comunicaciones y Transportes de los Estados Unidos Mexicanos (“SCT”) agreed to improve the infrastructure and operation of the Anzalduas Bridge to allow the crossings of southbound commercial empty truck traffic. The ABB agreed to finance the construction of one additional lane and equipment on the Mexico side of the Anzalduas Bridge, which would be provided by funds from the Anzalduas Capital Improvement fund. The ABB and the SCT agreed that after the initial operation of the installations, 100% of the toll revenue generated from southbound empties will be used to reimburse up to \$900,000 of the cost of the project to the Anzalduas Bridge. Presently, the Anzalduas International Bridge is responsible for collecting and accounting for the toll revenue. As of September 30, 2016, the Anzalduas Bridge recorded \$10K for southbound commercial truck traffic tolls. Once the total reimbursement for the \$900,000 takes place, the ABB and SCT agreed that future toll revenues generated on the U.S. side for crossings of southbound empty truck traffic, after expenses of operation, maintenance, administrative, and fiscal responsibility, will be divided 80% to Anzalduas Bridge and 20% to the SCT. The division of toll revenues for southbound empty traffic will continue with no changes until the ABB completes the construction of one lane and equipment on the United States side of the Anzalduas Bridge for the crossing and operation of northbound commercial empty truck traffic. After the initial opening of the northbound commercial facility for empty trucks, then each party will receive 100% of their own tolls.

Anzalduas International Crossing

Notes to Financial Statements

September 30, 2016 and 2015

5. *Revenue Bonds Payable and Long Term Liabilities*

Long term liability activities for the year ended September 30, 2016 and September 30, 2015 are reflected as follows:

	Balance at September 30, 2015	Additional Obligations and Net Increases	Retirement and Net Inc / (Dec)	Balance at September 30, 2016	Amounts Due Within One Year
Revenue bonds payable	\$ 33,195,000	\$ -	\$ (1,305,000)	\$ 31,890,000	\$ 1,360,000
Unamortized bond premium	415,987	-	(31,499)	384,488	-
Total bonds payable & premium	<u>33,610,987</u>	<u>-</u>	<u>(1,336,499)</u>	<u>32,274,488</u>	<u>1,360,000</u>

	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>

The aggregate maturities of revenue bonds payable as of September 30, 2016, including interest payments, are as follows:

Year Ending	Interest Rate	Principal	Interest	Total
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	4.20-4.30%	1,635,000	1,247,336	2,882,336
2022-2026	4.20-4.30%	9,480,000	4,928,524	14,408,524
2027-2031	4.625-5.00%	12,135,000	2,278,803	14,413,803
2032	5.00%	<u>2,810,000</u>	<u>70,250</u>	<u>2,880,250</u>
		<u>\$ 31,890,000</u>	<u>\$ 14,233,993</u>	<u>\$ 46,123,993</u>

Anzalduas International Crossing

Notes to Financial Statements

September 30, 2016 and 2015

5. Revenue Bonds Payable and Long Term Liabilities - Continued

Long term liability activities for the year ended September 30, 2016 and September 30, 2015 are reflected as follows:

	Balance at September 30, 2015	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2016
Net pension liability	\$ 9,171	\$ 183,026	\$ (54,403)	\$ 137,794
Compensated absences	16,646	-	(1,162)	15,484
	<u>\$ 25,817</u>	<u>\$ 183,026</u>	<u>\$ (55,565)</u>	<u>\$ 153,278</u>

	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	16,347	299	-	16,646
	<u>\$ 20,225</u>	<u>\$ 22,101</u>	<u>\$ (16,509)</u>	<u>\$ 25,817</u>

6. Deficit Unrestricted Net Position

The unrestricted portion of net position reflects a deficit in the amount of \$15,496,381, as a result of advances payable to 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.

Anzalduas International Crossing

Notes to Financial Statements

September 30, 2016 and 2015

7. 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 2015	Plan Year 2016
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. Included in the financial statements are the Anzalduas Bridge's allocable share of net pension liability of \$137,794 and deferred outflow of resources – pension of \$126,213.

Anzalduas International Crossing

Notes to Financial Statements

September 30, 2016 and 2015

8. *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 \$4,219 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.

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Supplemental Information

Anzalduas International Crossing
Schedule of Income Distribution
Last Seven Years

	<u>Year Ended September 30,</u>	
	<u>2010</u>	<u>2011</u>
Revenues	\$ 1,766,490	\$ 2,394,420
Maintenance, operation expenses, and capital assets purchase	<u>487,072</u>	<u>708,795</u>
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	<u>(815,001)</u>	<u>(326,833)</u>
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	<u>-</u>	<u>67,685</u>
Balance Available After Bond Requirements	<u>396,585</u>	<u>247,258</u>
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	<u>-</u>	<u>(247,258)</u>
Unallocated Balance of Surplus Net Revenue Attributable to Cities	<u>\$ -</u>	<u>\$ -</u>

(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>	<u>2016</u>
\$ 2,650,482	\$ 2,892,328	\$ 3,054,289	\$ 3,220,899	\$ 3,687,962
<u>820,479</u>	<u>760,403</u>	<u>797,804</u>	<u>816,588</u>	<u>1,940,489</u>
1,830,003	2,131,925	2,256,485	2,404,311	1,747,473
1,836,015	1,962,319	1,964,736	1,965,137	1,963,782
<u>(326,833)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,509,182	1,962,319	1,964,736	1,965,137	1,963,782
45,000	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>443,237</u>
<u>62,115</u>	<u>(107,720)</u>	<u>11,323</u>	<u>153,264</u>	<u>(704,546)</u>
-	-	-	-	-
<u>(62,115)</u>	<u>107,720</u>	<u>(11,323)</u>	<u>(153,264)</u>	<u>704,546</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Toll Bridge System
McAllen International Toll Bridge and Anzalduas International Crossing
Combining Schedule of Revenues, Expenses, and Changes in Net Position
September 30, 2016

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

Toll Bridge System
McAllen International Toll Bridge and Anzalduas International Crossing
Combining Schedule of Revenues, Expenses, and Changes in Net Position
September 30, 2016

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

Toll Bridge System
McAllen International Toll Bridge and Anzalduas International Crossing
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2016

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

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

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

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

(Continued)

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

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

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

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

(2) Calculation based on historical average of 2.5

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

	Year Ended September 30,		
	2014	2015	2016
.			
	950,143	974,930	1,015,219
	859	-	732
.	<u>1,922</u>	<u>1,342</u>	<u>1,636</u>
:	<u>952,924</u>	<u>976,272</u>	<u>1,017,587</u>
	2,375,358	2,437,325	2,538,048
.	<u>55,738</u>	<u>38,918</u>	<u>47,444</u>
:	<u>2,431,096</u>	<u>2,476,243</u>	<u>2,585,492</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>705,803</u>	<u>846,819</u>	<u>859,220</u>	<u>934,654</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>\$ 1,690,247</u>	<u>\$ 2,255,003</u>	<u>\$ 2,543,178</u>	<u>\$ 2,802,121</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>	<u>2016</u>
950,143	974,930	1,015,219
<u>859</u>	<u>-</u>	<u>732</u>
<u><u>951,002</u></u>	<u><u>974,930</u></u>	<u><u>1,015,951</u></u>
0.09%	0.00%	0.07%
\$ 2,964,866	\$ 3,173,047	\$ 3,504,191
<u>6,013</u>	<u>-</u>	<u>9,927</u>
<u><u>\$ 2,970,879</u></u>	<u><u>\$ 3,173,047</u></u>	<u><u>\$ 3,514,118</u></u>
0.20%	0.00%	0.28%
\$ 3.12	\$ 3.25	\$ 3.45
\$ 7.00	\$ -	\$ 13.56

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

Anzalduas Special & Startup Fund:

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

Board advance "A" to Anzalduas International Crossing:

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

Combined totals of advances to Anzalduas International Crossing:

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

Distribution of Advances:

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

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

Activity Schedule-Anzalduas Special & Startup Fund:

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

	<u>Bond Rate</u>	<u># Days</u>	<u>Advance</u>	<u>Interest</u>	<u>Balance</u>
10/1/2015 Opening balance					\$ 11,994,483
10/31/2015	4.74%	31	-	48,287	12,042,770
11/30/2015	4.74%	30	-	46,917	12,089,687
12/31/2015	4.74%	31	-	48,670	12,138,357
1/31/2016	4.74%	31	-	48,866	12,187,223
2/29/2016	4.74%	29	-	45,897	12,233,121
3/31/2016	4.74%	31	-	49,248	12,282,368
4/30/2016	4.74%	30	-	47,851	12,330,219
5/31/2016	4.74%	31	-	49,638	12,379,857
6/30/2016	4.74%	30	-	48,231	12,428,088
7/31/2016	4.74%	31	-	50,032	12,478,120
8/31/2016	4.74%	31	-	50,234	12,528,354
9/30/2016	4.74%	30	-	48,810	12,577,163

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

Activity Schedule-Board Advances "A":

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

	<u>Bank Rate</u>	<u># Days</u>	<u>Advance</u>	<u>Interest</u>	<u>Balance</u>
Opening balance					\$ 4,403,145
10/01/15			-	-	4,403,145
10/31/15	0.50%	31		1,870	4,405,014
11/01/15			-	-	4,405,014
11/30/15	0.50%	30		1,810	4,406,824
12/01/15			-	-	4,406,824
12/31/15	0.50%	31		1,871	4,408,695
01/01/16			-	-	4,408,695
01/31/16	0.50%	31		1,872	4,410,568
02/01/16			-	-	4,410,568
02/29/16	0.50%	29		1,752	4,412,321
03/01/16			-	-	4,412,321
03/31/16	0.50%	31		1,874	4,414,195
04/01/16			-	-	4,414,195
04/30/16	0.50%	30		1,814	4,416,009
05/01/16			-	-	4,416,009
05/31/16	0.50%	31		1,875	4,417,884
06/01/16			-	-	4,417,884
06/30/16	0.50%	30		1,816	4,419,698
07/01/16			-	-	4,419,698
07/31/16	0.50%	31		1,877	4,421,576
08/01/16			-	-	4,421,576
08/31/16	0.50%	31		1,878	4,423,454
09/01/16			-	-	4,423,454
09/30/16	0.50%	30		1,818	4,425,272

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

Activity Schedule-Board Advances "B":

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

	<u>Bank Rate</u>	<u># Days</u>	<u>Advance</u>		<u>Interest</u>	<u>Balance</u>
			<u>Total</u>	<u>Applicable to Mission</u>		
Opening balance						\$ 2,254,349
10/01/15			79,006	27,123	-	2,281,472
10/31/15	0.50%	31	-	-	969	2,282,442
11/01/15			79,006	27,123	-	2,309,564
11/30/15	0.50%	30	-	-	949	2,310,513
12/01/15			79,006	27,123	-	2,337,636
12/31/15	0.50%	31	-	-	993	2,338,629
01/01/16			79,006	27,123	-	2,365,752
01/31/16	0.50%	31	-	-	1,005	2,366,756
02/01/16			79,006	27,123	-	2,393,879
02/29/16	0.50%	29	-	-	951	2,394,829
03/01/16			79,132	27,166	-	2,421,994
03/31/16	0.50%	31	-	-	1,029	2,423,024
04/01/16			79,132	27,166	-	2,450,189
04/30/16	0.50%	30	-	-	1,007	2,451,197
05/01/16			79,132	27,166	-	2,478,363
05/31/16	0.50%	31	-	-	1,052	2,479,415
06/01/16			79,132	27,166	-	2,506,580
06/30/16	0.50%	30	-	-	1,030	2,507,611
07/01/16			79,132	27,166	-	2,534,776
07/31/16	0.50%	31	-	-	1,076	2,535,855
08/01/16			79,132	27,166	-	2,563,020
08/31/16	0.50%	31	-	-	1,088	2,564,109
09/01/16			79,132	27,166	-	2,591,276
09/30/16	0.50%	30	-	-	1,065	2,592,340

Anzalduas International Crossing
Schedule of Insurance Coverage
Year Ended September 30, 2016
(Unaudited)

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

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

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

Internal control over financial reporting

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

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



Houston, Texas
February 3, 2017