

**McAllen International Toll Bridge**

Financial Statements  
And Report of Independent Certified Public Accountants

September 30, 2017 and 2016



# McALLEN INTERNATIONAL TOLL BRIDGE

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees  
McAllen International Toll Bridge

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

We have audited the accompanying financial statements of the McAllen International Toll Bridge (the “Bridge”) as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Bridge’s basic financial statements as listed in the table of contents.

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

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

### **Auditor’s responsibility**

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

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

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

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the McAllen International Toll Bridge as of September 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other matters

##### Emphasis of Matter

As discussed in Note 1, the financial statements present only the McAllen International Toll Bridge and do not purport to, and do not, present fairly the financial position of the City of McAllen, as of September 30, 2017 and 2016, the changes in its financial position or 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's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### *Supplementary information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Bridge's basic financial statements. The supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other information*

The Schedule of Vehicle and Passenger Traffic, Schedule of Car and Truck Traffic Revenue, Schedules of Board Advances to the Anzaldaus International Crossing, and Schedule of Insurance Coverage 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 1, 2018, on our consideration of the Bridge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the Bridge's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bridge's internal control over financial reporting and compliance.

*Grant Thornton LLP*

Houston, Texas  
February 1, 2018

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**McAllen International Toll Bridge**  
**Management's Discussion and Analysis (Unaudited)**  
September 30, 2017

This discussion and analysis is intended to provide an overview of the McAllen International Toll Bridge's (Hidalgo Bridge) financial performance for the fiscal years ending September 30, 2017 and 2016 and the related effect on its financial condition. Please read it in conjunction with the basic financial statements, which follow and include the notes thereto, which are necessary for a complete understanding of the data contained in the financial statements. Following the notes to the financial statements is certain supplementary information.

***BRIDGE OPERATIONAL HIGHLIGHTS***

The table below reflects the activities for southbound traffic crossings, which remained relatively consistent at last year's levels.

<u>Category</u>	<u>FY 16-17</u>	<u>FY 15-16</u>	<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Cars	2,862,748	2,896,421	(33,673)	-1.16%
Non-Commercial Trucks & Buses	26,631	28,884	(2,253)	-7.80%
Passengers in cars	7,156,870	7,241,053	(84,183)	-1.16%

As shown on the Statement of Revenues, Expenses, and Changes in Net Position, as a result of this year's operations, net position increased by \$1.3M. Operating revenues were up \$216K while operating expenses increased by \$359K.

***Overview of the Financial Statements***

The financial statements include the Statement of Net Position, Statement of Revenue, Expenses and Changes in Net Position, and the Statement of Cash Flows for the fiscal years ending September 30, 2017 and 2016.

**McAllen International Toll Bridge**  
**Management's Discussion and Analysis (Unaudited)**  
September 30, 2017

***Required Financial Statements***

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

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

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

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

***FINANCIAL POSITION SUMMARY***

Net position, and its components, over time serve as a meaningful measure of the Hidalgo Bridge's financial position. As of September 30, 2017, net position increased by \$1.3M primarily as a result of increased rental and other income. In FY 15-16, net position also increased by \$3.1M, as a result of increased tolls, other income, and the receipt of a capital contribution, \$1.9M.

**McAllen International Toll Bridge**  
**Management's Discussion and Analysis (Unaudited)**  
September 30, 2017

A summary of the Hidalgo Bridge's Condensed Statements of Net Position information as of September is presented below:

**Condensed Statements of Net Position Information**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS:</b>			
Current assets	\$ 2,239,696	\$ 2,231,885	\$ 2,282,714
Restricted assets	8,253,606	8,252,768	9,649,873
Net capital assets	11,601,846	10,931,595	9,226,515
Other assets	<u>17,633,893</u>	<u>17,002,435</u>	<u>16,397,628</u>
Total assets	<u>\$ 39,729,041</u>	<u>\$ 38,418,683</u>	<u>\$ 37,556,730</u>
Deferred outflows of resources - pension	<u>303,117</u>	<u>355,841</u>	<u>30,667</u>
Total assets and deferred outflow of resources	<u>\$ 40,032,158</u>	<u>\$ 38,774,524</u>	<u>\$ 37,587,397</u>
<b>LIABILITIES:</b>			
Current liabilities	\$ 1,353,128	\$ 1,267,013	\$ 2,661,876
Payable from restricted assets	183,660	64,557	834,712
Long-term liabilities	<u>733,217</u>	<u>1,025,035</u>	<u>843,028</u>
Total liabilities	<u>\$ 2,270,005</u>	<u>\$ 2,356,605</u>	<u>\$ 4,339,616</u>
Deferred inflows of resources	<u>209</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflow of resources	<u>\$ 2,270,214</u>	<u>\$ 2,356,605</u>	<u>\$ 4,339,616</u>
<b>NET POSITION:</b>			
Net investment in capital assets	\$ 11,601,846	\$ 10,931,595	\$ 9,226,515
Restricted	8,086,768	8,188,212	8,815,160
Unrestricted	<u>18,073,330</u>	<u>17,298,112</u>	<u>15,206,106</u>
Total net position	<u>\$ 37,761,944</u>	<u>\$ 36,417,919</u>	<u>\$ 33,247,781</u>

**McAllen International Toll Bridge**  
**Management's Discussion and Analysis (Unaudited)**  
September 30, 2017

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

Southbound car crossings decreased by 1.16% from 2016 to 2017, while the non-commercial trucks and bus crossing decreased by 7.80%. This generated toll revenue of \$11.9M, a decrease of \$55K when compared to the prior year due to a decrease in crossings. Rental income increased by \$139K from 2016 to 2017 due to a combination of an increase in the monthly GSA lease rate offset by the UETA rental revenue decline of \$41K. Operating expenses increased from last year's level from \$3.4M to \$3.8M. The operating expense increase of \$358K can be attributed to an increase of personnel expense of \$240K, compared to 2016 and an increase to depreciation expense of \$251K, compared to 2016, as well as a decrease in other services and charges in the amount of \$110K and maintenance expenses, \$23K. Operating income decreased \$144K, resulting in a \$1.3M increase to net position after distributions to the cities. In 2016, toll revenues were \$11.9M, which was \$899K over 2015, and was attributed to an increase in toll charges for cars. Operating expenses in 2016 increased from 2015 by \$303K due to an increase in personnel expense of \$178K and an increase in depreciation expense of \$130K.

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

**McAllen International Toll Bridge**  
**Management's Discussion and Analysis (Unaudited)**  
September 30, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues:			
Tolls	\$ 11,856,205	\$ 11,911,240	\$ 11,011,370
Tolls - broker collections	-	-	210,556
Rental income	2,587,122	2,447,657	2,310,672
Other income	<u>284,973</u>	<u>153,845</u>	<u>67,587</u>
Total operating revenues	<u>14,728,300</u>	<u>14,512,742</u>	<u>13,600,185</u>
Operating expenses:			
Personnel	1,599,338	1,358,566	1,180,322
Supplies	92,249	91,822	89,069
Other services and charges	925,711	1,036,163	1,029,194
Maintenance	174,313	197,417	212,001
Depreciation	<u>986,388</u>	<u>734,904</u>	<u>604,697</u>
Total operating expenses	<u>3,777,999</u>	<u>3,418,872</u>	<u>3,115,283</u>
Operating income	<u>10,950,301</u>	<u>11,093,870</u>	<u>10,484,902</u>
Nonoperating revenues (expenses):			
Distribution of income to City of Hidalgo	(3,727,282)	(3,740,752)	(3,725,318)
Investment income	53,791	13,867	2,944
Interest expense	(27,335)	(65,478)	(38,270)
Interest on board advances	<u>631,458</u>	<u>604,807</u>	<u>576,160</u>
Total nonoperating revenues (expenses)	<u>(3,069,368)</u>	<u>(3,187,556)</u>	<u>(3,184,484)</u>
Income before transfers and contributions	7,880,933	7,906,314	7,300,418
Capital Contributions	86,424	1,944,222	-
Transfers to City of McAllen	(5,700,472)	(5,674,899)	(5,148,916)
Transfers to debt service Series "B"	(914,417)	(949,755)	(947,888)
Transfer to Health Insurance	<u>(8,443)</u>	<u>(55,744)</u>	<u>-</u>
Changes in net position	1,344,025	3,170,138	1,203,614
Total net position at beginning of year	<u>36,417,919</u>	<u>33,247,781</u>	<u>32,044,167</u>
Total net position at end of year	<u>\$ 37,761,944</u>	<u>\$ 36,417,919</u>	<u>\$ 33,247,781</u>

**McAllen International Toll Bridge  
Management's Discussion and Analysis (Unaudited)  
September 30, 2017**

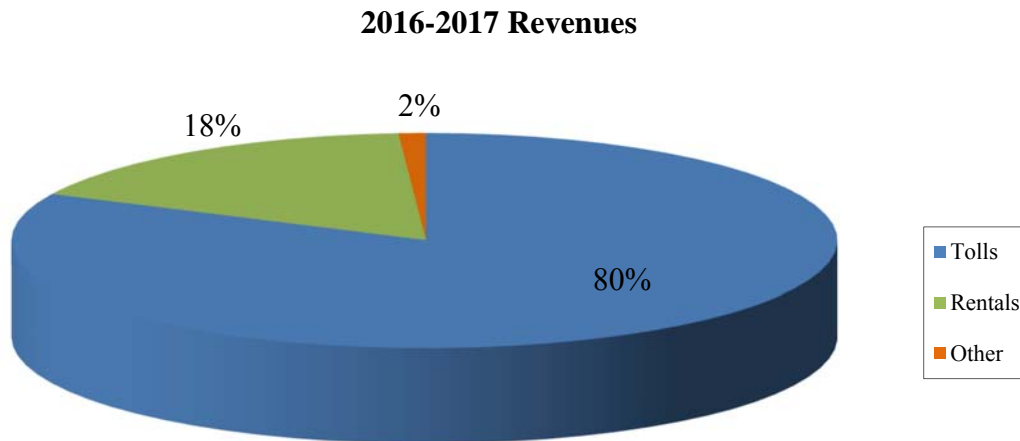
***TOLL RATES***

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

<u>Category</u>	<u>FY 16-17</u>	<u>FY 15-16</u>
Pedestrians	\$1.00	\$1.00
Cars	\$3.50	\$3.50
Trucks (Depending on # of Axles)	\$7.00-\$20.00	\$7.00-\$20.00
Buses (Depending on # of Axles)	\$7.00-\$9.00	\$7.00-\$9.00
Motorcycles	\$3.50	\$3.50
Extra Axle	\$3.00	\$3.00

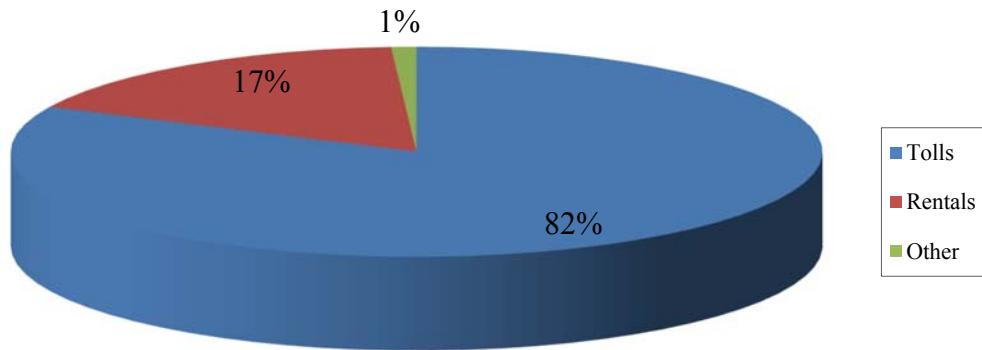
***REVENUES***

The following charts illustrate the relative contribution of each category of revenue to total operating revenues:



**McAllen International Toll Bridge  
Management's Discussion and Analysis (Unaudited)  
September 30, 2017**

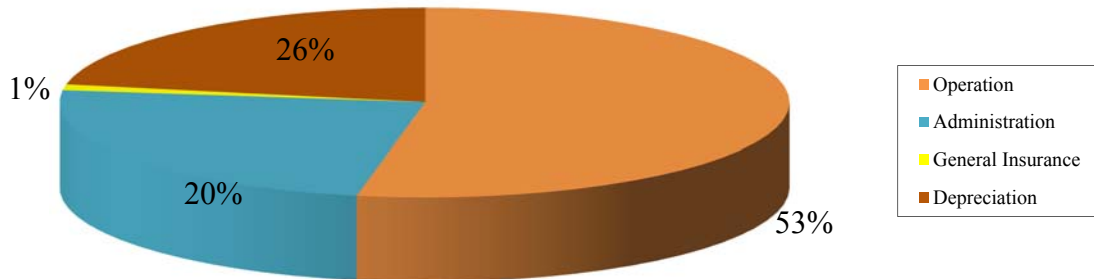
**2015-2016 Revenues**



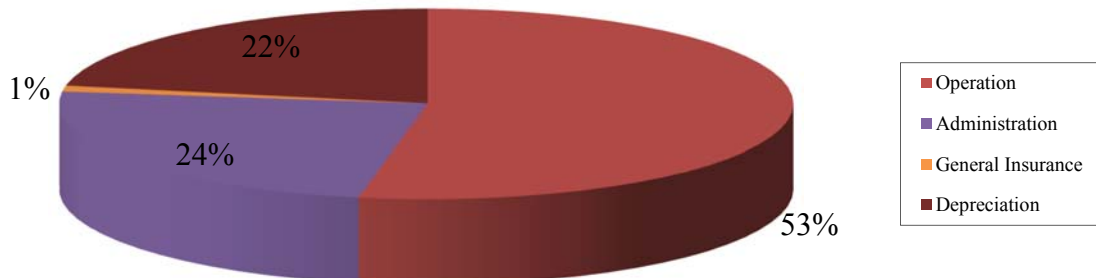
***EXPENSES***

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

**2016-2017 Expenses**



**2015-2016 Expenses**



**McAllen International Toll Bridge**  
**Management's Discussion and Analysis (Unaudited)**  
September 30, 2017

***CAPITAL ASSETS AND DEBT ADMINISTRATION***

***Capital Assets***

At the end of this fiscal year, the Hidalgo Bridge had \$11.6M in capital assets, consisting of the following.

	<b>Capital Assets</b>		
	FY 16-17	FY 15-16	FY 14-15
Land	\$ 809,233	\$ 573,798	\$ 573,798
Buildings	14,415,500	14,162,628	11,015,806
Improvements other than buildings	4,123,982	4,292,858	4,215,438
Machinery and equipment	2,480,732	2,365,260	2,230,250
Construction in progress	1,450,153	228,417	1,147,685
Goodwill	<u>609,713</u>	<u>609,713</u>	<u>609,713</u>
Total capital assets	23,889,313	22,232,674	19,792,690
Accumulated depreciation	<u>(12,287,467)</u>	<u>(11,301,079)</u>	<u>(10,566,175)</u>
Total capital assets, net	<u>\$ 11,601,846</u>	<u>\$ 10,931,595</u>	<u>\$ 9,226,515</u>

In 2017, \$1.0 M was spent on TMRI equipment upgrades, \$217K for restroom renovations, \$118K on canopy improvements, \$109K office building upgrades, \$60K on a 2017 Chevrolet Tahoe and a 2017 Ford F150, \$32K on an electric gate, \$29K on fence restorations, and \$48K toward the federal motor carrier project. In 2016, \$2.5M was spent on additional port of entry construction, \$49K for bird netting, \$102K on two generators, \$24K pedestrian canopy, \$18K on fiber and equipment upgrades, \$15K on a scissor lift, \$27K on restroom renovations, \$57K on pedestrian walkway improvements, and \$94K for office building improvements. For 2015, \$1.3 M was spent on engineering fees and upgrades of a tenant building, \$386K was spent for a new generator, \$22K for minor improvements to infrastructure, and a total of \$797K of the construction projects started in prior years was completed that year. The completed projects included improvements to the port of entry, fencing, and improvements to the pedestrian canopy.

For more detailed information on capital asset activity, refer to Note 3 – Capital Assets.



**McAllen International Toll Bridge  
Management's Discussion and Analysis (Unaudited)  
September 30, 2017**

***Debt***

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

On September 30, 2017, the Hidalgo Bridge had one interfund loan from the City of McAllen for capital improvements:

1. A loan in the amount of \$910,958 was issued on May 1, 2015 for the purpose of financing capital improvements to the port of entry (shell improvements) at a rate of 4.5%, with monthly installment payments of \$16,983 and a maturity date of May 1, 2020. Total interest paid this fiscal year was \$27,335 and total principal paid was \$176,460.

For more detailed information on debt activity, refer to Note 4 – Long Term Liabilities.

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

During the budget process for fiscal year 2016-17, the elected and appointed officials considered many factors driving bridge crossings, including job growth, growth in new housing, bank deposits, retail sales growth, the unemployment rate, inflation, the level of growth in the maquiladora industry, the dollar exchange rate with the Mexican peso as well as anticipated level of Winter Texan tourists that spend between 4 to 6 months during the winter months in our area as well as the continued uncertainty in Mexico.

For budget year 2017-18, an upgrade to the current Toll Revenue System has been budgeted at \$672K. Upgrades are required to make operations more efficient and protect the system against viruses. Several other projects have been budgeted for fiscal year 2017-18; canopy improvements for the southbound side, bridge repairs, purchase of a ½ ton pickup truck, fence restorations, CBP pedestrian addition, IT storage and network equipment, office building upgrades and a port of entry masterplan design.

***CONTACTING THE CITY'S FINANCIAL MANAGEMENT***

This financial report is designed to inform the citizens, taxpayers and customers of the City of McAllen, the City of Hidalgo, which shares in the *net surplus revenues* of the Hidalgo Bridge's operations as well as its investors and creditors about the Hidalgo Bridge's finances and to provide accountability for the resources that it receives. If you have any questions about the report or need additional financial information, contact the Finance Director's Office at the City of McAllen, 1300 Houston, McAllen, Texas 78501.

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# Basic Financial Statements

**McAllen International Toll Bridge**  
 Statements of Net Position  
 September 30, 2017 and 2016

Assets and Deferred Outflows of Resources

	2017	2016
<b>Current Assets</b>		
Cash	\$ 214,560	\$ 175,857
Investments	1,849,333	1,722,362
Due from Anzalduas	-	157,359
Due from other governments	175,493	175,497
Other receivables	310	810
Total unrestricted current assets	2,239,696	2,231,885
<b>Restricted Assets</b>		
Cash -current capital improvement	117,677	246,100
Investments- reserved for distribution	5,711,863	5,717,012
Investments	2,337,642	2,289,656
Due from other governments	86,424	-
Total restricted assets	8,253,606	8,252,768
Total current assets	10,493,302	10,484,653
<b>Capital Assets – at cost</b>		
Capital assets not being depreciated:		
Land	809,233	573,798
Construction in progress	1,450,153	228,417
Goodwill	609,713	609,713
Capital assets being depreciated:		
Buildings	14,415,500	14,162,628
Improvements other than buildings	4,123,982	4,292,858
Machinery and equipment	2,480,732	2,365,260
Total capital assets	23,889,313	22,232,674
Less accumulated depreciation	(12,287,467)	(11,301,079)
Net capital assets	11,601,846	10,931,595
<b>Other Assets</b>		
Board advances	17,633,893	17,002,435
Total assets	39,729,041	38,418,683
<b>Deferred outflows of resources - pension</b>	303,117	355,841
Total assets and deferred outflows of resources	\$ 40,032,158	\$ 38,774,524

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

**McAllen International Toll Bridge**  
**Statements of Net Position**  
**September 30, 2017 and 2016**

Liabilities and Net Position

	2017	2016
<b>Current Liabilities</b>		
Due to City of Hidalgo	\$ 861,148	\$ 935,601
Accounts payable	48,528	60,511
Compensated absences	103,787	71,516
Current note payable	184,567	176,461
Other payables	19,570	22,924
Unearned revenue	135,528	-
	1,353,128	1,267,013
Total unrestricted current liabilities		
<b>Liabilities Payable From Restricted Assets</b>		
Accounts payable	166,838	48,017
Due to City of McAllen-interest on investments	16,822	16,540
	183,660	64,557
Total liabilities payable from restricted assets		
Total current liabilities	1,536,788	1,331,570
<b>Long-Term Liabilities</b>		
Compensated absences	4,145	-
Unearned revenue	-	125,339
Other long term payables	326,647	511,213
Net pension liability	402,425	388,483
	733,217	1,025,035
Total long-term liabilities		
Total liabilities	2,270,005	2,356,605
<b>Deferred inflows of resources - pension</b>	209	-
Total liabilities and deferred inflows of resources	2,270,214	2,356,605
<b>Net Position</b>		
Net investment in capital assets	11,601,846	10,931,595
Restricted for contingency	509,649	504,561
Restricted for improvements	1,865,256	1,983,179
Restricted for distribution to the City of McAllen	5,711,863	5,700,472
Unrestricted	18,073,330	17,298,112
	37,761,944	36,417,919
Total net position		
Total liabilities, deferred inflows of resources and net position	\$ 40,032,158	\$ 38,774,524

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

## McAllen International Toll Bridge

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

Years Ended September 30, 2017 and 2016

	2017	2016
Operating revenues:		
Tolls	\$ 11,856,205	\$ 11,911,240
Rental income	2,587,122	2,447,657
Other income	284,973	153,845
Total operating revenues	14,728,300	14,512,742
Operating expenses:		
Salaries	1,138,588	996,914
Payroll taxes and benefits	460,750	361,652
Insurance	23,171	23,171
Materials and supplies	92,249	91,822
Maintenance	174,313	197,417
Bridge security	280,701	299,012
Miscellaneous services	621,839	713,980
Depreciation	986,388	734,904
Total operating expenses	3,777,999	3,418,872
Operating income	10,950,301	11,093,870
Nonoperating revenues (expenses):		
Distribution of income to the City of Hidalgo	(3,727,282)	(3,740,752)
Investment income	53,791	13,867
Interest expense	(27,335)	(65,478)
Interest on board advances	631,458	604,807
Total net nonoperating revenues (expenses)	(3,069,368)	(3,187,556)
Income before transfers and contributions	7,880,933	7,906,314
Capital contributions	86,424	1,944,222
Transfers to the City of McAllen	(5,700,472)	(5,674,899)
Transfers to debt service Series "B"	(914,417)	(949,755)
Transfer to Health Insurance	(8,443)	(55,744)
Changes in net position	1,344,025	3,170,138
Total net position at beginning of year	36,417,919	33,247,781
Total net position at end of year	\$ 37,761,944	\$ 36,417,919

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

**McAllen International Toll Bridge**  
**Statements of Cash Flows**  
**Years Ended September 30, 2017 and 2016**

	2017	2016
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	\$ 14,652,569	\$ 14,503,576
Payments to employees	(934,794)	(1,380,123)
Payments to suppliers	(1,492,401)	(2,265,875)
	12,225,374	10,857,578
<b>Cash Flows From Noncapital Financing Activities</b>		
Capital Contributions	-	1,944,222
Distribution of income to the City of Hidalgo	(3,801,735)	(3,755,217)
Operating transfers to the City of McAllen	(5,700,472)	(5,674,899)
Board advance to Anzalduas International Crossing- Series B	(914,417)	(949,755)
Transfers to Health Insurance fund	(8,443)	(55,744)
	(10,425,067)	(8,491,393)
<b>Cash Flows From Capital and Related Financing Activities</b>		
Capital acquisitions	(1,656,639)	(2,439,984)
Capital contributions	86,424	-
Principal paid on short-term debt	-	(1,328,623)
Principal paid on interfund loan	(176,460)	(168,710)
Interest paid	(27,335)	(65,478)
	(1,774,010)	(4,002,795)
<b>Cash Flows From Investing Activities</b>		
Receipt of interest	53,259	6,263
Proceeds from sales and maturities of investments	16,161,214	15,927,867
Purchase of investments	(16,330,490)	(14,327,414)
	(116,017)	1,606,716
Net cash provided (used) by investing activities	(116,017)	1,606,716
Net (decrease) in cash	(89,720)	(29,894)
Cash at beginning of year	421,957	451,851
Cash at end of year	\$ 332,237	\$ 421,957

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

**McAllen International Toll Bridge**  
**Statements of Cash Flows**  
**Years Ended September 30, 2017 and 2016**

Continued

	2017	2016
<b>Reconciliation of Cash Per Statements of Cash Flows to the Statements of Net Position</b>		
Unrestricted cash	\$ 214,560	\$ 175,857
Restricted cash	117,677	246,100
	\$ 332,237	\$ 421,957
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
	\$ 10,950,301	\$ 11,093,870
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	986,388	734,904
Changes in assets and liabilities:		
(Increase) decrease in deferred outflows of resources	52,724	(325,174)
Increase (decrease) in deferred inflows of resources	209	-
(Increase) decrease in accounts receivable	(85,920)	(17,450)
(Increase) decrease in due from other funds	157,359	(157,359)
Increase (decrease) in accounts payable	106,838	(804,912)
Increase (decrease) due to other funds	282	15,298
Increase (decrease) in other payables	(3,354)	(27,148)
Increase (decrease) in net pension liability	13,942	364,026
Increase (decrease) in compensated absences payable	36,416	(26,961)
Increase (decrease) in unearned revenue	10,189	8,484
Total adjustments	1,275,073	(236,292)
Net cash provided by operating activities	\$ 12,225,374	\$ 10,857,578
 <b>Noncash capital and financing activities:</b>		
Capital asset additions in accounts payable	\$ -	\$ 2,439,984

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



**McAllen International Toll Bridge**  
Notes to the Financial Statements  
Years Ended September 30, 2017 and 2016

## **1. Summary of Significant Accounting Policies**

### **Reporting Entity**

The City of McAllen, Texas (the “City”) owns and operates the McAllen International Toll Bridge (“Hidalgo Bridge”) between the Cities of Hidalgo, Texas and Reynosa Tamaulipas, Mexico. Pursuant to the Hidalgo-Mission-McAllen Interlocal Government Agreement, executed April 1, 2003 (“2003 Agreement”), the City of McAllen and the City of Hidalgo share in the unallocated balance of surplus net revenues at the following percentages: City of McAllen, 64% and the City of Hidalgo, 36%. The agreement also provides that the bonds, issued by the City of McAllen to finance the construction of a new international toll bridge, linking the United States, south of the City of Mission, Texas and the westernmost part of Reynosa, Tamaulipas, Mexico, the Anzalduas International Crossing (“Anzalduas Bridge”), are secured by the net revenues of the Hidalgo Bridge as well as the Anzalduas Bridge. The City of McAllen issues publicly available audited financial statements for the Anzalduas Bridge, which may be obtained by writing to City of McAllen Finance Department, 1300 Houston, P.O. Box 220, McAllen, Texas 78505.

The primary function of the Hidalgo Bridge is to collect tolls that finance the operations and maintenance of the international bridge. The Hidalgo Bridge facilities also include property and buildings that are rented to the United States General Services Administration (“GSA”), Texas Alcoholic Beverage Commission, and various commercial brokers.

The accompanying financial statements of the Hidalgo Bridge are prepared in conformity with accounting principles generally accepted in the United States of America for local governmental units as prescribed by the Governmental Accounting Standards Board (“GASB”) and the American Institute of Certified Public Accountants. Hidalgo Bridge operations are included in the basic financial statements of the City as promulgated by requirements defining the reporting entity. These financial statements present only the operations and activities of Hidalgo Bridge, a fund of the City, and are not intended to present fairly the financial position and results of operations of the City.

### **Basis of Accounting**

In compliance with provisions for proprietary funds as prescribed by GASB, the Hidalgo Bridge’s activities are accounted for in a manner similar to private business enterprises. Transactions are accounted for on a flow of economic resources measurement focus. With this focus, all assets, liabilities and deferred outflows of resources and deferred inflows of resources associated with this entity are included in the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The financial statements have been prepared using the accrual basis of accounting.

**McAllen International Toll Bridge**  
Notes to the Financial Statements  
Years Ended September 30, 2017 and 2016

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

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

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

Operating expenses for proprietary 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. 77, Tax Abatement Disclosures.* This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. For financial reporting purposes, a tax abatement is defined as, a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. There is no impact to the financial statements for the Hidalgo Bridge due to the adoption of GASB Statement No. 77, as the Hidalgo Bridge has no tax abatements.

*GASB Statement No. 80, Blending Requirements for Certain Component Units.* This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not for profit corporation in which the primary government is the sole corporate member. There is no impact on the financial statements for the Hidalgo Bridge due to the adoption of GASB Statement No. 80, as the Hidalgo Bridge has no component units.

**McAllen International Toll Bridge**  
Notes to the Financial Statements  
Years Ended September 30, 2017 and 2016

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

GASB Statement No 82, *Pension Issues – An Amendment of GASB statements 67, 68, and 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contributions requirements. There is no impact on the financial statements for the Hidalgo Bridge due to the adoption of GASB Statement No. 82.

**Capital Assets**

Capital assets are capitalized because they are property, plant and equipment with a life expectancy of over one year. 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, 2017 and 2016.

Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Total depreciation expense for the years ended September 30, 2017 and 2016 was \$986,388 and \$734,904 respectively.

The estimated useful lives are as follows:

Furniture and office equipment	3-5 years
Maintenance equipment	5 years
Paving and sidewalks	10-20 years
Toll-registering equipment	30 years
Bridge	40 years
Buildings	40 years

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

**Advances**

*Anzalduas Special and Start Up Fund Advance Receivable from Anzalduas International Crossing*

Beginning with fiscal year ending September 30, 1991, the Hidalgo Bridge has financed the development costs for the Anzalduas International Crossing (Anzalduas Bridge) from

**McAllen International Toll Bridge**  
Notes to the Financial Statements  
Years Ended September 30, 2017 and 2016

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

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, 2017, the Anzalduas Special and Start Up Fund advance receivable from the Anzalduas Bridge amounts to \$13,186,444, (\$12,577,163 in 2016) of which the City of McAllen's portion is \$8,439,324 and the City of Hidalgo's portion is \$4,747,120. During this fiscal year, the balance was increased by accrued interest in the amount of \$609,281.

*Board Advances Receivable from Anzalduas International Crossing*

The 2003 Agreement also provides for advances to be made between the Hidalgo Bridge and the Anzalduas Bridge as the need arises. The agreement provides that advances will accrue interest at a rate equal to the City of McAllen's bank depository rate. This advance is to be repaid from the net revenues of the Anzalduas Bridge after all bond ordinance requirements have been met and the Anzalduas Special and Start Up Fund advance receivable has been paid. As of September 30, 2017 the board advance receivable to the Hidalgo Bridge amounts to \$4,447,449, (\$4,425,272 in 2016) of which the City of McAllen's portion is \$2,846,367 and the City of Hidalgo's portion is \$1,601,082. During this fiscal year, the balance was increased by accrued interest of \$22,177. No board advances were made during the year.

*Board Advance "B"*

During this fiscal year, the Hidalgo Bridge also transferred \$914,417 (\$949,755 in 2016) to the Anzalduas Bridge in support of City of McAllen Series 2017B Bonds debt service requirements. The 2003 Agreement provides that advances will accrue interest at a rate equal to the City of McAllen's bank depository rate. This advance is deducted from the City of McAllen's share of unallocated net surplus revenues of the Hidalgo Bridge. The City of Mission is responsible for repaying directly to the City of McAllen for its prorata share from its share of the net revenues of the Anzalduas Bridge after all bond ordinance requirements have been met and the Anzalduas Special and Start Up Fund advance and the board advances for Series 2017A have been paid.

As of September 30, 2017 the board advance owed by the City of Mission to the City of McAllen amounts to \$2,920,130, increasing from \$2,592,340 for the year ended September 30, 2016. This board advance is recorded in the General fund of the City of McAllen.

**McAllen International Toll Bridge**  
Notes to the Financial Statements  
Years Ended September 30, 2017 and 2016

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

**Long-Term Obligations**

As of September 30, 2017, the Hidalgo Bridge has one outstanding long-term debt obligation. A loan from the General Depreciation and General Insurance funds in the amount of \$910,958 was issued on May 1, 2015 for the purpose of financing capital improvements to the port of entry (shell improvements) at a rate of 4.5%, with monthly installment payments of \$16,983 and a maturity date of May 1, 2020. Total interest paid as of September 30, 2017 was \$27,335, and total principal paid was \$176,460.

**Accumulated Unpaid Compensated Absences**

Accumulated unpaid compensated absences, consisting of vested accrued vacation and sick leave, are recorded in accordance with Governmental Accounting Standards Board Statement No. 16.

**Income Distributions**

Pursuant to the Hidalgo-Mission-McAllen Interlocal Government Agreement, executed April 1, 2003, whereby the Cities of McAllen and Hidalgo each will share in the unallocated balance of surplus net revenues at the following percentages: City of McAllen, 64% and the City of Hidalgo, 36%. The agreement also stipulates that as long as the City of McAllen owns and operates the Hidalgo Bridge, it will guarantee that the City of Hidalgo share will be no less than \$2,300,000, provided that there is no natural or man-made disaster causing damage to the bridge facilities, which substantially decreases tolls; no major peso devaluation substantially curtailing the bridge usage; no Mexican political insurrection or terrorist activities or policy changes, which substantially curtail the bridge usage; or unforeseen changes in transportation usage or infrastructure which substantially curtails bridge usage, with the exception of redirection of traffic to the Anzalduas Bridge.

**Restricted Assets**

Restricted assets represent interest-bearing checking accounts, investments, and related accrued interest receivable, which are restricted for current debt service, contingency, capital improvements fund, and distribution of net surplus revenues to the City of McAllen. The debt service and contingency accounts arose as a result of bond agreements signed by the "Bridge" and are thus restricted by provisions of the agreements. Net position is restricted to the extent of such legally imposed restrictions.

**Goodwill**

The amount reflected as Goodwill under capital assets represents the excess of purchase price over assets acquired when the City purchased the Hidalgo Bridge. Since this asset

**McAllen International Toll Bridge**  
Notes to the Financial Statements  
Years Ended September 30, 2017 and 2016

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

has no limited term of existence and was acquired prior to November 1, 1970, no amortization is reflected.

**Cash and Cash Equivalents**

For purpose of the Statement of Cash Flows, cash and cash equivalents are considered to be cash on hand and demand deposits. All certificates of deposit transactions, regardless of original maturity, are considered investing activities and, thus, are not considered cash equivalents.

**2. Cash and Investments**

State statutes authorize the Hidalgo Bridge to invest in obligations of the U.S. Treasury, U.S. government agency securities, direct obligations of the State of Texas or any other state, or its agencies, certificates of deposit, banker's acceptance, commercial paper, repurchase agreements, mutual funds and qualified investment pools. The City's Investment policy, which governs investments within the Hidalgo Bridge, however, limits investments to U.S. Treasuries, U.S. government agencies, investment pools, commercial paper, no-load mutual funds, money market funds, municipal bonds, fully collateralized repurchase agreements, as well as certificates of deposit. Investments are stated at fair value, as required under Governmental Accounting Standards Board Statement No. 72.

**Investments**

*Fair Value Measurement:*

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

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

**McAllen International Toll Bridge**  
Notes to the Financial Statements  
Years Ended September 30, 2017 and 2016

**2. Cash and Investments-Continued**

Investments at fair value, including accrued interest, for the year ended September 30, 2017 and September 30, 2016 are presented in the following tables:

2017	Carrying Value	Fair Value	Fair Value Measurements Using		
			(Level 1)	(Level 2)	(Level 3)
<b>Investments by fair value level</b>					
Debt Securities					
United States government agency securities	\$ 4,290,590	\$ 4,290,590	\$ -	\$ 4,290,590	\$ -
Total investments by fair value level	\$ 4,290,590	\$ 4,290,590	\$ -	\$ 4,290,590	\$ -

2016	Carrying Value	Fair Value	Fair Value Measurements Using		
			in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>					
Debt Securities					
United States government agency securities	\$ 4,201,796	\$ 4,201,796	\$ -	\$ 4,201,796	\$ -
Total investments by fair value level	\$ 4,201,796	\$ 4,201,796	\$ -	\$ 4,201,796	\$ -

The total amount excludes investments in local government pools which are recorded at amortized cost. These investments total \$5,591,077 and \$5,527,234 as of September 30, 2017 and September 30, 2016 respectively.

*Public funds investment pools*

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

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

TexPool Prime is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Act. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool Prime. Oversight includes the ability to significantly influence operations, designation of

**McAllen International Toll Bridge**  
Notes to the Financial Statements  
Years Ended September 30, 2017 and 2016

**2. Cash and Investments-Continued**

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

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

	<b>Government Agencies and Treasuries</b>	
	<u>\$</u>	<u></u>
< 1 Year	\$	-
1-3 Years	\$	4,290,590
	<hr/>	
Total	\$	4,290,590
	<hr/> <hr/>	
Weighted Average Maturity	860 days	

*Credit risk.* As of September 30, 2017 and 2016, the investments in the TexPool Prime investment pool are rated AAAM by Standards and Poor's. The City's investment policy limits authorized investments to local government investment pools of political subdivisions in the State of Texas that invest in instruments and follow practices allowed by current law and that maintains as an investment objective a \$1.00 net asset value, certificates of deposits, U.S. Treasuries and U.S. government agencies, commercial paper, no-load mutual funds, money market mutual funds, municipal bonds, fully collateralized repurchase agreements.

*Concentration of credit risk.* The Hidalgo Bridge investment holdings at September 30, 2017 and 2016 were confined to TexPool Prime and U.S. governments. The investment policy is silent in the concentration of holdings in the various types of securities and investments.



**McAllen International Toll Bridge**  
Notes to the Financial Statements  
Years Ended September 30, 2017 and 2016

**3. Capital Assets**

Capital assets activities for the year ended September 30, 2017 and September 30, 2016 are presented in the following tables:

	Balance at September 30, 2016	Additions	(Retirement)/ Transfer	Balance at September 30, 2017
Capital assets not being depreciated:				
Land	\$ 573,798	\$ -	235,435	\$ 809,233
Construction in progress	228,417	1,285,716	(63,980)	1,450,153
Goodwill	609,713	-	-	609,713
Capital assets net of accumulated depreciation:				
Buildings	14,162,628	226,042	26,830	14,415,500
Improvements other than buildings	4,292,858	29,409	(198,285)	4,123,982
Machinery and equipment	2,365,260	115,472	-	2,480,732
Total capital assets	22,232,674	1,656,639	-	23,889,313
Less accumulated depreciation	11,301,079	986,388	-	12,287,467
Net capital assets	<u>\$ 10,931,595</u>	<u>\$ 670,251</u>	<u>\$ -</u>	<u>\$ 11,601,846</u>

	Balance at September 30, 2015	Additions	(Retirement)/ Transfer	Balance at September 30, 2016
Capital assets not being depreciated:				
Land	\$ 573,798	\$ -	\$ -	\$ 573,798
Construction in progress	1,147,685	177,111	(1,096,379)	228,417
Goodwill	609,713	-	-	609,713
Capital assets net of accumulated depreciation:				
Buildings	11,015,806	2,086,148	1,060,674	14,162,628
Improvements other than buildings	4,215,438	77,420	-	4,292,858
Machinery and equipment	2,230,250	135,010	-	2,365,260
Total capital assets	19,792,690	2,475,689	(35,705)	22,232,674
Less accumulated depreciation	10,566,175	734,904	-	11,301,079
Net capital assets	<u>\$ 9,226,515</u>	<u>\$ 1,740,785</u>	<u>\$ (35,705)</u>	<u>\$ 10,931,595</u>

**McAllen International Toll Bridge**  
Notes to the Financial Statements  
Years Ended September 30, 2017 and 2016

**4. Long Term Liabilities**

Long-term liability activities for the year ended September 30, 2017 and September 30, 2016 are reflected in the following tables:

	Balance at September 30, 2016	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2017	Amounts Due Within One Year
Note Payable - Bridge Shell Improvements	\$ 687,674	\$ -	\$ (176,460)	\$ 511,214	\$ 184,567
Net pension liability	388,483	13,942	-	402,425	-
Compensated absences	71,516	36,416	-	107,932	103,787
	<u>\$ 1,147,673</u>	<u>\$ 50,358</u>	<u>\$ (176,460)</u>	<u>\$ 1,021,571</u>	<u>\$ 288,354</u>

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

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

Year ending September 30,	Principal	Interest	Totals
2018	\$ 184,567	\$ 19,229	\$ 203,796
2019	193,046	10,750	203,796
2020	133,601	2,264	135,865
Totals	<u>\$ 511,214</u>	<u>\$ 32,243</u>	<u>\$ 543,457</u>

**McAllen International Toll Bridge**  
Notes to the Financial Statements  
Years Ended September 30, 2017 and 2016

**5. Operating Leases**

The Hidalgo Bridge leases property and buildings to the United States Government, the state of Texas, and various commercial dealers under operating leases. The leases range from monthly leases with commercial dealers to a 15-year lease with the General Service Administration (GSA) and a 5-year lease with three additional 5-year extension options with the United Export Traders Association (UETA) of Texas, Inc. UETA exercised their first of three options to extend their lease commencing on December 1, 2017. The lease extension is for five years through November 30, 2022.

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

Year ending September 30,	GSA	UETA	Total
2018	\$ 2,116,056	\$ 240,000	\$ 2,356,056
2019	2,116,056	240,000	2,356,056
2020	2,116,056	240,000	2,356,056
2021	2,116,056	240,000	2,356,056
2022	2,116,056	240,000	2,356,056
2023-2027	10,580,281	40,000	10,620,281
2028-2029	2,116,056	-	2,116,056

**6. Retirement Plan**

The City and Hidalgo Bridge provide pension benefits for all full-time employees, except firefighters, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (the “TMRS”), an agent multiple-employer public employee retirement system.

TMRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 1-877-634-8595; in addition, the report is available on TMRS’ website at [www.TMRS.com](http://www.TMRS.com).

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

**McAllen International Toll Bridge**  
Notes to the Financial Statements  
Years Ended September 30, 2017 and 2016

**6. Retirement Plan-Continued**

The table below 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	0%	0%
Annuity Increase (to retire)	0% of CPI	0% of CPI

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member’s projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases. The City contributes to the TMRS at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. Since the Hidalgo Bridge is a component of the overall financial City wide audit report, additional pension disclosures are reflected in the City’s Comprehensive Annual Financial Report. Included in the financial statements are Hidalgo Bridge’s allocable share of the net pension liability of \$402,425, deferred outflow of resources – pension of \$303,117, and deferred inflow of resources – pension of \$209.

**7. Accounting for Postemployment Benefits Other Than Pensions**

The City, as an entity wide, will report all required disclosures of GASB Statement Number 45 in the City’s Comprehensive Annual Financial Report. The City instituted an internal service fund to account for health benefits related to current and future retirees. The Hidalgo Bridge has thirty-four full time employees. For the current year, the fund contributed \$12,827 towards the annual required contribution. Since the current staffing represents a fraction of total City employees, management believes that any future requirements will have minimal impact on the Hidalgo Bridge.

## **Supplemental Information**

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

	Year Ended September 30,			
	2008	2009	2010	2011
Bridge revenues (1)	\$ 14,571,541	\$ 12,950,583	\$ 11,059,465	\$ 10,810,639
Deductible operating expenses (1)	<u>2,478,982</u>	<u>2,339,137</u>	<u>2,217,135</u>	<u>2,277,894</u>
	12,092,559	10,611,446	8,842,330	8,532,745
Surplus from contingency, construction, and debt service funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	12,092,559	10,611,446	8,842,330	8,532,745
Less:				
Required transfers to restricted assets (2)	294,467	295,996	296,661	297,615
Transfers to Anzalduas International Bridge Fund (3)	-	-	-	-
Transfers to Capital Improvement Fund	-	-	-	243,527
Transfer to Health Insurance Fund	-	-	-	-
Long term note principal	-	-	-	-
Increase working capital	-	-	-	-
Transfer to start up fund	-	-	-	-
Deductions for Capital Assets Acquisitions (3)	-	10,434	3,045	3,995
Board advance Series "A" 2007 Bonds	<u>1,272,986</u>	<u>1,455,414</u>	<u>815,000</u>	<u>326,833</u>
Base revenues	<u>10,525,106</u>	<u>\$ 8,849,602</u>	<u>\$ 7,727,624</u>	<u>\$ 7,660,775</u>
Distributions and reservations of surplus revenues:				
City of Hidalgo	<u>3,789,038</u>	<u>\$ 3,185,856</u>	<u>\$ 2,781,945</u>	<u>\$ 2,757,879</u>
Net distribution to City of Hidalgo	<u>3,789,489</u>	<u>3,185,885</u>	<u>2,781,964</u>	<u>2,757,893</u>
City of McAllen:	6,736,068	5,663,746	4,945,679	4,902,896
Less: Series "B" Bonds debt service	(607,836)	(776,829)	(770,276)	(734,467)
Less: Implied interest expense on Series "B" Bonds	<u>(451)</u>	<u>(29)</u>	<u>(19)</u>	<u>(14)</u>
Distribution to City of McAllen	<u>6,127,781</u>	<u>4,886,888</u>	<u>4,175,384</u>	<u>4,168,415</u>
<b>Base Revenue Only</b>	<u>10,525,106</u>	<u>\$ 8,849,602</u>	<u>\$ 7,727,624</u>	<u>\$ 7,660,775</u>

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

Year Ended September 30,

2012	2013	2014	2015	2016	2017
11,915,379	\$ 12,015,083	\$ 12,684,779	\$ 13,601,940	\$ 14,521,021	\$ 14,761,094
<u>2,464,251</u>	<u>2,326,352</u>	<u>2,451,232</u>	<u>2,548,148</u>	<u>2,653,694</u>	<u>2,791,331</u>
9,451,128	9,688,732	10,233,547	11,053,792	11,867,327	11,969,763
-	-	-	-	-	-
9,451,128	9,688,732	10,233,547	11,053,792	11,867,327	11,969,763
124,776	-	-	-	-	-
-	-	-	-	-	-
745,052	727,042	708,562	705,687	1,251,894	1,431,298
-	-	-	-	55,744	8,443
-	-	-	-	168,710	176,460
-	-	-	-	-	-
-	-	-	-	-	-
4,206	-	-	-	-	-
326,280	-	-	-	-	-
<u>8,250,814</u>	<u>\$ 8,961,690</u>	<u>\$ 9,524,985</u>	<u>\$ 10,348,105</u>	<u>\$ 10,390,979</u>	<u>\$ 10,353,562</u>
<u>2,970,293</u>	<u>\$ 3,226,208</u>	<u>\$ 3,428,995</u>	<u>\$ 3,725,318</u>	<u>\$ 3,740,752</u>	<u>\$ 3,727,282</u>
<u>2,970,293</u>	<u>3,226,208</u>	<u>3,428,995</u>	<u>3,725,318</u>	<u>3,740,752</u>	<u>3,727,282</u>
5,280,521	5,735,482	6,095,990	6,622,787	6,650,227	6,626,280
(671,868)	(963,664)	(947,075)	(947,888)	(949,755)	(914,417)
-	-	-	-	-	-
<u>4,608,653</u>	<u>4,771,818</u>	<u>5,148,915</u>	<u>5,674,899</u>	<u>5,700,472</u>	<u>5,711,863</u>
<u>8,250,814</u>	<u>\$ 8,961,690</u>	<u>\$ 9,524,985</u>	<u>\$ 10,348,105</u>	<u>\$ 10,390,979</u>	<u>\$ 10,353,562</u>

**McAllen International Toll Bridge**  
Schedule of Rental Income  
Year Ended September 30, 2017

<u>Lessee</u>	<u>Amount</u>
General Services Administration	\$ 2,106,754
Texas Alcoholic Beverage Commission	27,675
United Export Traders Association	339,072
Sprint	25,431
AT&T	51,920
Verizon	3,000
ATM	3,720
PALBA	29,550
	<u>\$ 2,587,122</u>



**McAllen International Toll Bridge**  
**Schedule of Expenses by Department**  
**Years Ended September 30, 2017 and 2016**

	Department		Total 2017	Total 2016
	Administration	Bridge Operations		
<b>Personnel Services</b>				
Exempt salaries	\$ 145,846	\$ 58,326	\$ 204,172	\$ 204,620
Nonexempt wages and part time	46,676	802,677	849,353	712,407
Board of trustees fees	2,400	-	2,400	2,650
Overtime	1,300	81,363	82,663	77,237
Total salaries and wages	<u>196,222</u>	<u>942,366</u>	<u>1,138,588</u>	<u>996,914</u>
<b>Payroll Taxes and Benefits</b>				
Social security and unemployment tax	13,839	69,288	83,127	78,039
Employee retirement	15,346	71,857	87,203	66,251
Employee benefits	120,141	159,527	279,668	206,790
Transportation and telephone allowance	7,632	3,120	10,752	10,572
Total payroll taxes and benefits	<u>156,958</u>	<u>303,792</u>	<u>460,750</u>	<u>361,652</u>
<b>Materials and Supplies</b>				
Janitorial	-	39,436	39,436	45,458
Office supplies	6,515	-	6,515	4,469
Clothing and uniforms	1,991	15,503	17,494	5,161
Operating supplies	14,192	14,612	28,804	36,734
Total materials and supplies	<u>22,698</u>	<u>69,551</u>	<u>92,249</u>	<u>91,822</u>
<b>Maintenance</b>				
Vehicles	4,485	-	4,485	3,592
Buildings	-	98,635	98,635	102,655
Fuel	3,065	-	3,065	3,535
Equipment	1,527	66,601	68,128	87,635
Total maintenance	<u>9,077</u>	<u>165,236</u>	<u>174,313</u>	<u>197,417</u>
<b>Other Services and Charges</b>				
Auditing services	10,197	-	10,197	9,900
Advertising	36,962	-	36,962	35,031
Dues and subscription	28,750	-	28,750	34,071
Management fee	135,000	-	135,000	135,000
Postage	1,066	-	1,066	280
Professional services	70,176	-	70,176	86,019
Photocopier rental	2,455	-	2,455	1,954
Rental and contractual	10,775	149,519	160,294	232,812
Bridge security	-	280,701	280,701	299,012
Travel and training	12,327	-	12,327	15,736
Telephone	3,613	-	3,613	6,113
Utilities	-	63,832	63,832	54,415
General insurance	23,171	-	23,171	23,171
Miscellaneous	71,618	25,549	97,167	102,649
Total other services and charges	<u>406,110</u>	<u>519,601</u>	<u>925,711</u>	<u>1,036,163</u>
Total expenses before depreciation	791,065	2,000,546	2,791,611	2,683,968
Depreciation and amortization	<u>986,388</u>	<u>-</u>	<u>986,388</u>	<u>734,904</u>
Total operating expenses	<u>\$ 1,777,453</u>	<u>\$ 2,000,546</u>	<u>\$ 3,777,999</u>	<u>\$ 3,418,872</u>

**Toll Bridge System**  
**McAllen International Toll Bridge and Anzalduas International Crossing**  
**Combining Schedule of Net Position**  
September 30, 2017

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
<b>Current Assets</b>			
Cash	\$ 214,560	\$ 145,352	\$ 359,912
Investments	1,849,333	1,647,336	3,496,669
Accrued interest receivable	-	2,585	2,585
Due from other governments	175,493	-	175,493
Other receivables	310	-	310
	<u>2,239,696</u>	<u>1,795,273</u>	<u>4,034,969</u>
<b>Restricted Assets</b>			
Cash (all interest-bearing):			
Capital improvement	117,677	50,895	168,572
	<u>117,677</u>	<u>50,895</u>	<u>168,572</u>
Investments- reserved for distribution	5,711,863	-	5,711,863
Investments	2,337,642	1,782,101	4,119,743
Due from other governments	86,424	-	86,424
Total restricted assets – excluding current bond installments	<u>8,253,606</u>	<u>1,832,996</u>	<u>10,086,602</u>
<b>Capital Assets – at cost</b>			
Capital assets not being depreciated:			
Land	809,233	2,922,773	3,732,006
Construction in progress	1,450,153	244,528	1,694,681
Goodwill	609,713	-	609,713
Capital assets net of accumulated depreciation:			
Buildings	14,415,500	2,997,470	17,412,970
Improvements other than buildings	4,123,982	47,891,073	52,015,055
Machinery and equipment	2,480,732	970,334	3,451,066
	<u>23,889,313</u>	<u>55,026,178</u>	<u>78,915,491</u>
Less accumulated depreciation	<u>(12,287,467)</u>	<u>(11,843,120)</u>	<u>(24,130,587)</u>
	<u>11,601,846</u>	<u>43,183,058</u>	<u>54,784,904</u>
<b>Other Assets</b>			
Board advances	17,633,893	-	17,633,893
	<u>39,729,041</u>	<u>46,811,327</u>	<u>86,540,368</u>
<b>Deferred outflows of resources - pension</b>	<u>303,117</u>	<u>106,128</u>	<u>409,245</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 40,032,158</u>	<u>\$ 46,917,455</u>	<u>\$ 86,949,613</u>

**Toll Bridge System**  
**McAllen International Toll Bridge and Anzalduas International Crossing**  
**Combining Schedule of Net Position (continued)**  
September 30, 2017

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
<b>Current Liabilities</b>			
Due to City of Hidalgo	\$ 861,148	\$ -	\$ 861,148
Accounts payable	48,528	28,678	77,206
Compensated absences	103,787	16,764	120,551
Current Note Payable	184,567	-	184,567
Other payables	19,570	-	19,570
Unearned revenues	135,528	5,000	140,528
	<u>1,353,128</u>	<u>50,442</u>	<u>1,403,570</u>
<b>Liabilities Payable From Restricted Assets</b>			
Accounts payable	166,838	8,990	175,828
Due to City of McAllen-interest on investments	16,822	-	16,822
Current installments of revenue bonds	-	1,470,000	1,470,000
Accrued revenue bond interest	-	93,682	93,682
	<u>183,660</u>	<u>1,572,672</u>	<u>1,756,332</u>
<b>Long-Term Liabilities</b>			
Revenue bonds – excluding current installments	-	29,732,924	29,732,924
Compensated absences	4,145	-	4,145
Unearned revenue	-	-	-
Other long term payables	326,647	17,633,893	17,960,540
Net pension liability	402,425	142,720	545,145
	<u>733,217</u>	<u>47,509,537</u>	<u>48,242,754</u>
	<u>2,270,005</u>	<u>49,132,651</u>	<u>51,402,656</u>
Deferred inflows of resources-refunding	-	356,272	356,272
Deferred inflows of resources-pension	209	74	283
	<u>209</u>	<u>356,346</u>	<u>356,555</u>
	<u>2,270,214</u>	<u>49,488,997</u>	<u>51,759,211</u>
<b>Net Assets</b>			
Net investment in capital assets	11,601,846	11,623,863	23,225,709
Restricted per revenue bond ordinances	509,649	1,175,148	1,684,797
Restricted for improvements	1,865,256	554,587	2,419,843
Restricted for distribution to the City of McAllen	5,711,863	-	5,711,863
Unrestricted (deficit)	18,073,330	(15,925,140)	2,148,190
	<u>37,761,944</u>	<u>(2,571,542)</u>	<u>35,190,402</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 40,032,158</u>	<u>\$ 46,917,455</u>	<u>\$ 86,949,613</u>

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**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, 2017

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
Operating revenues:			
Tolls	\$ 11,856,205	\$ 3,555,823	\$ 15,412,028
Rental income	2,587,122	-	2,587,122
Other income	284,973	144,843	429,816
	<u>14,728,300</u>	<u>3,700,666</u>	<u>18,428,966</u>
Total operating revenues			
Operating expenses:			
Salaries	1,138,588	363,499	1,502,087
Payroll taxes and benefits	460,750	129,966	590,716
Insurance	23,171	20,964	44,135
Materials and supplies	92,249	14,750	106,999
Maintenance	174,313	48,161	222,474
Bridge security	280,701	-	280,701
Miscellaneous services	621,839	296,378	918,217
Depreciation	986,388	1,533,466	2,519,854
	<u>3,777,999</u>	<u>2,407,184</u>	<u>6,185,183</u>
Total operating expenses			
Operating income	<u>10,950,301</u>	<u>1,293,482</u>	<u>12,243,783</u>
Nonoperating revenues (expenses):			
Distribution of income to the City of Hidalgo	(3,727,282)	-	(3,727,282)
Interest income	53,791	23,278	77,069
Interest income-restricted accounts	-	5,947	5,947
Other income	-	8,653	8,653
Interest expense	(27,335)	(1,537,019)	(1,564,354)
Bond related charges - issuance cost	-	(594,890)	(594,890)
Interest on Board advances	631,458	(631,458)	-
	<u>(3,069,368)</u>	<u>(2,725,489)</u>	<u>(5,794,857)</u>
Total nonoperating expenses, net			
Income (loss) before transfers and contributions	7,880,933	(1,432,007)	6,448,926
Capital contributions	86,424	-	86,424
Transfers to the City of McAllen	(5,700,472)	-	(5,700,472)
Transfers to/from debt service Series "B" 2007 bonds	(914,417)	914,417	-
Transfers to Health Insurance Fund	(8,443)	(2,502)	(10,945)
	<u>1,344,025</u>	<u>(520,092)</u>	<u>823,933</u>
Changes in net position			
Total net position at beginning of year	<u>36,417,919</u>	<u>(2,051,450)</u>	<u>34,366,469</u>
Total net position at end of year	<u>\$ 37,761,944</u>	<u>\$ (2,571,542)</u>	<u>\$ 35,190,402</u>

**Toll Bridge System**  
**McAllen International Toll Bridge and Anzalduas International Crossing**  
Combining Schedule of Cash Flows  
Year Ended September 30, 2017

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
<b>Cash Flows From Operating Activities</b>			
Receipts from customers	\$ 14,652,569	\$ 3,700,666	\$ 18,353,235
Payments to employees	(934,794)	(465,849)	(1,400,643)
Payments to suppliers	(1,492,401)	(626,240)	(2,118,641)
Net cash provided by operating activities	<u>12,225,374</u>	<u>2,608,577</u>	<u>14,833,951</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Distribution of income to the City of Hidalgo	(3,801,735)	-	(3,801,735)
Operating transfers to the City of McAllen	(5,700,472)	-	(5,700,472)
Transfer to/from McAllen International Toll Bridge-Board B	(914,417)	914,417	-
Transfer to Health Insurance Fund	(8,443)	(2,502)	(10,945)
Net cash provided (used) by noncapital financing activities	<u>(10,425,067)</u>	<u>911,915</u>	<u>(9,513,152)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(1,656,639)	(52,169)	(1,708,808)
Capital contributions	86,424	-	86,424
Bond issuance cost	-	(103,831)	(103,831)
Principal paid on long-term debt	(176,460)	(1,360,000)	(1,536,460)
Interest paid	(27,335)	(1,410,346)	(1,437,681)
Net cash (used) by capital and related financing activities	<u>(1,774,010)</u>	<u>(2,926,346)</u>	<u>(4,700,356)</u>
<b>Cash Flows From Investing Activities</b>			
Receipt of interest	53,259	28,744	82,003
Proceeds from sales and maturities of investments	16,161,214	5,275,504	21,436,718
Purchase of investments	(16,330,490)	(5,935,064)	(22,265,554)
Net cash used by investing activities	<u>(116,017)</u>	<u>(630,816)</u>	<u>(746,833)</u>
Net decrease in cash	(89,720)	(36,670)	(126,390)
Cash at beginning of year	<u>421,957</u>	<u>232,917</u>	<u>654,874</u>
Cash at end of year	<u>\$ 332,237</u>	<u>\$ 196,247</u>	<u>\$ 528,484</u>

**Toll Bridge System**  
**McAllen International Toll Bridge and Anzalduas International Crossing**  
Combining Schedule of Cash Flows  
Year Ended September 30, 2017  
(Continued)

	McAllen Int'l Toll Bridge	Anzalduas Int'l Crossing	Total
<b>Reconciliation of Cash Per Statements of Cash Flows to the Statements of Net Position</b>			
Unrestricted cash	\$ 214,560	\$ 145,352	\$ 359,912
Restricted cash	117,677	50,895	168,572
	<u>\$ 332,237</u>	<u>\$ 196,247</u>	<u>\$ 528,484</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
	<u>\$ 10,950,301</u>	<u>\$ 1,293,482</u>	<u>\$ 12,243,783</u>
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation	986,388	1,533,466	2,519,854
(Increase) decrease in deferred outflows of resources	52,724	20,085	72,809
Increase (decrease) in deferred inflows of resources	209	74	283
Changes in assets and liabilities:			
(Increase) decrease due from other funds	157,359	-	157,359
(Increase) decrease in accounts receivable	(85,920)	-	(85,920)
Increase (decrease) due to other funds	282	(157,359)	(157,077)
Increase (decrease) in accounts payable	106,838	(88,628)	18,210
Increase (decrease) in other payables	(3,354)	1,251	(2,103)
Increase (decrease) in net pension liability	13,942	4,926	18,868
Increase (decrease) in compensated absences payable	36,416	1,280	37,696
Increase (decrease) in unearned revenue	10,189	-	10,189
	<u>1,275,073</u>	<u>1,315,095</u>	<u>2,590,168</u>
	<u>\$ 12,225,374</u>	<u>\$ 2,608,577</u>	<u>\$ 14,833,951</u>
<b>Noncash capital and financing activities:</b>			
Capital assets additions in accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Year Ended September 30,			
	2008	2009	2010	2011
Vehicular traffic southbound:				
Cars	5,005,822	4,493,785	3,564,188	2,997,696
Trucks	5,295	4,383	2,629	1,641
Buses	29,837	28,890	20,433	17,464
Total vehicles	(1) 5,040,954 (1)	4,527,058 (1)	3,587,250 (1)	3,016,801
Passenger traffic southbound:				
Passengers in cars	(2) 12,514,555 (2)	11,234,463 (2)	8,910,470 (2)	7,494,240
Pedestrians	1,547,848	1,575,193	1,578,295	1,540,559
Passengers and drivers – buses and trucks	865,273	837,810	592,557	506,456
Total persons	14,927,676	13,647,466	11,081,322	9,541,255

(1) Source: McAllen International Toll Bridge Traffic Count Report.

(2) Calculation based on historical average of 2.2  
For FY 07-08, 2.5 occupancy was used for  
passengers in cars



Year Ended September 30,

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
2,986,097	2,908,166	2,834,249	2,822,746	2,896,421	2,862,748
6,620	9,119	13,075	13,284	11,554	10,652
<u>16,680</u>	<u>16,160</u>	<u>19,933</u>	<u>19,927</u>	<u>17,330</u>	<u>15,979</u>
<u><u>3,009,397</u></u> (1)	<u><u>2,933,445</u></u> (1)	<u><u>2,867,257</u></u> (1)	<u><u>2,855,957</u></u> (1)	<u><u>2,925,305</u></u> (1)	<u><u>2,889,379</u></u> (1)
7,465,243 (2)	7,270,415 (2)	7,085,623 (2)	7,056,865 (2)	7,241,053 (2)	7,156,870 (2)
1,479,032	1,502,399	1,503,611	1,562,990	1,705,111	1,641,614
<u>483,720</u>	<u>468,640</u>	<u>578,057</u>	<u>577,883</u>	<u>502,570</u>	<u>463,379</u>
<u><u>9,427,995</u></u>	<u><u>9,241,454</u></u>	<u><u>9,167,291</u></u>	<u><u>9,197,738</u></u>	<u><u>9,448,734</u></u>	<u><u>9,261,863</u></u>

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

	Year Ended September 30,			
	2008	2009	2010	2011
Southbound traffic:				
Cars	5,005,822	4,493,785	3,564,188	2,997,696
Trucks	<u>5,295</u>	<u>4,383</u>	<u>2,629</u>	<u>1,641</u>
Total car and truck traffic	<u><u>5,011,117</u></u>	<u><u>4,498,168</u></u>	<u><u>3,566,817</u></u>	<u><u>2,999,337</u></u>
Truck traffic percentage	0.11%	0.10%	0.07%	0.05%
Car and truck revenue:				
Cars	\$ 11,161,245	\$ 10,111,016	\$ 8,325,166	\$ 7,982,692
Trucks	<u>37,003</u>	<u>30,669</u>	<u>19,325</u>	<u>11,487</u>
Total car and truck revenue	<u><u>\$ 11,198,248</u></u>	<u><u>\$ 10,141,685</u></u>	<u><u>\$ 8,344,491</u></u>	<u><u>\$ 7,994,179</u></u>
Truck revenue percentage	0.33%	0.30%	0.23%	0.14%
Average revenue per car	\$ 2.23	\$ 2.25	\$ 2.34	\$ 2.66
Average revenue per truck	\$ 6.99	\$ 7.00	\$ 7.35	\$ 7.00

Year Ended September 30,

2012	2013	2014	2015	2016	2017
2,986,097	2,908,166	2,834,249	2,822,746	2,886,421	2,862,748
6,620	9,119	13,075	13,284	11,554	10,652
<u>2,992,717</u>	<u>2,917,285</u>	<u>2,847,324</u>	<u>2,836,030</u>	<u>2,897,975</u>	<u>2,873,400</u>
0.22%	0.31%	0.46%	0.47%	0.40%	0.37%
\$ 8,820,614	\$ 8,724,498	\$ 8,910,274	\$ 9,447,892	\$ 10,125,250	\$ 10,019,618
46,384	63,833	91,525	92,988	80,878	74,564
<u>\$ 8,866,998</u>	<u>\$ 8,788,331</u>	<u>\$ 9,001,799</u>	<u>\$ 9,540,880</u>	<u>\$ 10,206,128</u>	<u>\$ 10,094,182</u>
0.52%	0.73%	1.02%	0.97%	0.79%	0.74%
\$ 2.95	\$ 3.00	\$ 3.14	\$ 3.35	\$ 3.51	\$ 3.50
\$ 7.01	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00

**McAllen International Toll Bridge**  
Schedule of Board Advances to Anzalduas International Crossing  
September 30, 2017  
(Unaudited)

Anzalduas Special & Startup Fund:

Balance at September 30, 2016	Additions		Balance at September 30, 2017
	Advances	Implied Interest	
\$ 12,577,163	\$ -	\$ 609,281	\$ 13,186,444

Board advance "A" to Anzalduas International Crossing:

Balance at September 30, 2016	Additions		Balance at September 30, 2017
	Advances	Implied Interest	
\$ 4,425,272	\$ -	\$ 22,177	\$ 4,447,449

Combined totals of advances to Anzalduas International Crossing:

Balance at September 30, 2016	Additions		Balance at September 30, 2017
	Advances	Implied Interest	
\$ 17,002,435	\$ -	\$ 631,458	\$ 17,633,893

**Distribution of Advances:**

City of McAllen- Share @ 64%	\$ 10,881,558	\$ -	\$ 404,133	\$ 11,285,691
City of Hidalgo- Share @ 36%	6,120,877	-	227,325	6,348,202
	\$ 17,002,435	\$ -	\$ 631,458	\$ 17,633,893

**McAllen International Toll Bridge**  
**Schedule of Board Advances to Anzalduas International Crossing**  
**September 30, 2017**  
**(Unaudited)**

Activity Schedule-Anzalduas Special & Startup Fund:

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

	<u>Bond Rate</u>	<u># Days</u>	<u>Advance</u>	<u>Interest</u>	<u>(Payment)</u>	<u>Balance</u>
10/1/2016	Opening balance →					\$ 12,577,163
10/31/2016	4.74%	31	-	50,633	-	12,627,796
11/30/2016	4.74%	30	-	49,197	-	12,676,993
12/31/2016	4.74%	31	-	51,034	-	12,728,027
1/31/2017	4.74%	31	-	51,240	-	12,779,267
2/28/2017	4.74%	28	-	46,468	-	12,825,735
3/31/2017	4.74%	31	-	51,633	-	12,877,368
4/30/2017	4.74%	30	-	50,169	-	12,927,537
5/31/2017	4.74%	31	-	52,043	-	12,979,580
6/30/2017	4.74%	30	-	50,567	-	13,030,147
7/31/2017	4.74%	31	-	52,456	-	13,082,603
8/31/2017	4.74%	31	-	52,667	-	13,135,270
9/30/2017	4.74%	30	-	51,174	-	13,186,444

**McAllen International Toll Bridge**  
**Schedule of Board Advances to Anzalduas International Crossing**  
**September 30, 2017**  
**(Unaudited)**

Activity Schedule-Board Advances "A":

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

	<u>Bank Rate</u>	<u># Days</u>	<u>Advance</u>	<u>Interest</u>	<u>(Payment)</u>	<u>Balance</u>
Opening balance						\$ 4,425,272
10/1/2016				-	-	4,425,272
10/31/2016	0.50%	31		1,879	-	4,427,151
11/1/2016				-	-	4,427,151
11/30/2016	0.50%	30		1,819	-	4,428,971
12/1/2016				-	-	4,428,972
12/31/2016	0.50%	31		1,881	-	4,430,851
1/1/2017				-	-	4,430,851
1/31/2017	0.50%	31		1,882	-	4,432,733
2/1/2017				-	-	4,432,733
2/28/2017	0.50%	28		1,700	-	4,434,433
3/1/2017				-	-	4,434,433
3/31/2017	0.50%	31		1,883	-	4,436,316
4/1/2017				-	-	4,436,317
4/30/2017	0.50%	30		1,823	-	4,438,139
5/1/2017				-	-	4,438,139
5/31/2017	0.50%	31		1,885	-	4,440,024
6/1/2017				-	-	4,440,024
6/30/2017	0.50%	30		1,825	-	4,441,849
7/1/2017				-	-	4,441,849
7/31/2017	0.50%	31		1,886	-	4,443,735
8/1/2017				-	-	4,443,735
8/31/2017	0.50%	31		1,887	-	4,445,622
9/1/2017				-	-	4,445,622
9/30/2017	0.50%	30		1,827	-	4,447,449

**McAllen International Toll Bridge**  
**Schedule of Board Advances to Anzalduas International Crossing**  
**September 30, 2017**  
**(Unaudited)**

Activity Schedule-Board Advances "B":

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

	<u>Bank Rate</u>	<u># Days</u>	<u>Advance</u>		<u>Interest</u>	<u>(Payment)</u>	<u>Balance</u>
			<u>Total</u>	<u>Applicable to Mission</u>			
Opening balance							\$ 2,592,340
10/1/2016			79,132	\$ 27,166	-	-	2,619,506
10/31/2016	0.500%	31	-	-	1,112	-	2,620,618
11/1/2016			79,132	\$ 27,166	-	-	2,647,784
11/30/2016	0.500%	30	-	-	1,088	-	2,648,872
12/1/2016			79,132	\$ 27,166	-	-	2,676,038
12/31/2016	0.500%	31	-	-	1,136	-	2,677,174
1/1/2017			79,132	\$ 27,166	-	-	2,704,340
1/31/2017	0.500%	31	-	-	1,148	-	2,705,488
2/1/2017			79,131	\$ 27,166	-	-	2,732,654
2/28/2017	0.500%	28	-	-	1,048	-	2,733,702
3/1/2017			101,673	\$ 34,904	-	-	2,768,606
3/31/2017	0.500%	31	-	-	1,176	-	2,769,782
4/1/2017			67,746	\$ 23,257	-	-	2,793,039
4/30/2017	0.500%	30	-	-	1,148	-	2,794,187
5/1/2017			75,539	\$ 25,933	-	-	2,820,119
5/31/2017	0.500%	31	-	-	1,198	-	2,821,317
6/1/2017			67,746	\$ 23,257	-	-	2,844,573
6/30/2017	0.500%	30	-	-	1,169	-	2,845,742
7/1/2017			67,746	\$ 23,257	-	-	2,868,999
7/31/2017	0.500%	31	-	-	1,218	-	2,870,217
8/1/2017			67,746	\$ 23,257	-	-	2,893,474
8/31/2017	0.500%	31	-	-	1,229	-	2,894,703
9/1/2017			70,565	\$ 24,225	-	-	2,918,930
9/30/2017	0.500%	30	-	-	1,200	-	2,920,130

**McAllen International Toll Bridge**  
**Schedule of Insurance Coverage**  
**September 30, 2017**  
**(Unaudited)**

<u>Coverage</u>	<u>Insurance Company</u>	<u>Policy Period</u>	<u>Type of Coverage</u>	<u>Occurrence</u>	<u>Limit</u> <u>Aggregate</u>	<u>Retention/ Deductible</u>
Property Insurance	Texas Municipal League	10-01-16/17	Real & Personal Property	\$ 49,735,882		\$ 500,000 *
-Bridge & Surrounding Area			Loss of Revenue/ Extra Expense	14,864,728 **		
*\$50,000 Food & Earthquake Deductible						
**Loss of Revenue/Extra Expense/Rental Value for all City owned locations						
Excess Workers' Compens:	Safety National Casualty	10-01-16/17	Workers Compensation		Statutory	\$ 750,000
			Employer's liability		\$ 2,000,000	\$ 750,000
-Third Party Claims Admin	Tristar Risk Management					
All Lines Aggregate	Princeton Excess & Surplus	10-01-16/17				
-General Liability				\$ 2,500,000	\$ 4,000,000	\$ 500,000
-Automobile Liability				Not Covered	Not Covered	N/A
-Errors & Omissions Liability				2,500,000	\$ 4,000,000	\$ 500,000
-Employee Benefits Liability				2,500,000	\$ 4,000,000	\$ 500,000
Crimes Insurance	Texas Municipal League	10-01-16/17	Employee Dishonesty	\$ 1,000,000	Not Applicable	\$ 5,000
			Forgery or Alteration	50,000	Not Applicable	\$ 1,000
			Theft, Disappearance & Destruction	50,000	Not Applicable	\$ 1,000
			Computer Fraud	1,000,000	Not Applicable	\$ 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  
McAllen International Toll Bridge

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the McAllen International Toll Bridge (the “Bridge”) as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Bridge’s basic financial statements, and have issued our report thereon dated February 1, 2018.

**Internal control over financial reporting**

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

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

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

**Compliance and other matters**

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

**Intended purpose**

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



Houston, Texas  
February 1, 2018