

CAMERON COUNTY, TEXAS

INTERNATIONAL TOLL BRIDGE SYSTEM

FINANCIAL STATEMENTS AND

INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED

SEPTEMBER 30, 2014

INTERNATIONAL TOLL BRIDGE SYSTEM
SEPTEMBER 30, 2014
TABLE OF CONTENTS

Title Page	i
Table of Contents	iii
Letter of Introduction	v
Independent Auditor's Report	vii
Management's Discussion and Analysis	ix
International Toll Bridge System Statement of Net Position	1
International Toll Bridge System Statement of Revenues, Expenses and Changes in Net Position	3
International Toll Bridge Systems Statement of Cash Flows	4
International Toll Bridge System Notes to the Financial Statements	5
Independent Auditor's Report on Supplementary Information	15
International Toll Bridge System Schedule of Insurance Coverage	17
Gateway International Toll Bridge Statement of Net Position	19
Gateway International Toll Bridge Statement of Revenues, Expenses and Changes in Net Position	21
Free Trade Bridge at Los Indios Bridge Statement of Net Position	22
Free Trade Bridge at Los Indios Bridge Statement of Revenues, Expenses and Changes in Net Position	24
Veterans International Toll Bridge Statement of Net Position	25
Veteran's International Toll Bridge Statement of Revenues, Expenses and Changes in Net Position	27
Cameron County International Toll Bridge System Schedule of Combined Debt Service Requirements	29
\$7,950,000 International Toll Bridge System Revenue Bonds, Series 1998	30
\$4,005,000 International Toll Bridge System Revenue Refunding Bonds, Series 2007	31
\$9,100,000 Certificates of Obligation, Series 2008	32
\$4,494,300 Certificates of Obligation, Series 2011	33
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Governmental Auditing Standards	35



**COUNTY AUDITOR
CAMERON COUNTY, TEXAS
1100 MONROE ST.
P.O. BOX 3846
BROWNSVILLE, TEXAS 78520
(956) 544-0822**

**Martha Galarza, CPA
COUNTY AUDITOR**

March 25, 2015

Hon. County Judge, Carlos H. Cascos, CPA
Hon. Commissioner Pct. 1, Sofia Benavides
Hon. Commissioner Pct. 2, Alex Dominguez
Hon. Commissioner Pct. 3, David Garza
Hon. Commissioner Pct. 4, Dan Sanchez
Cameron County Courthouse
Brownsville, Texas

Honorable County Judge and Commissioners:

The Cameron County International Toll Bridge System Annual Financial Report for the fiscal year ended September 30, 2014 is hereby submitted in compliance with Chapter 114 of Vernon's Texas Annotated Code, Local Government. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosure, rests with the County Auditor, as Chief Finance Officer of the County. To the best of my knowledge, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of Cameron County, including all disclosures necessary to enable the reader to gain an understanding of the Cameron County International Toll Bridge System's financial activities.

The management of the Cameron County International Toll Bridge System is responsible for maintaining an internal control system designed to insure that the assets of the System are protected from loss or misuse and to provide reasonable assurance as to the integrity and reliability of the financial statements. The system of internal control provides for segregation of duties and is documented by written policies and procedures. The Cameron County Auditor's Office also has an internal audit function to review the operations of the system for effective internal control and compliance with statutory requirements.

The Cameron County International Toll Bridge System financial statements have been audited by Long Chilton, L.L.P., Independent Certified Public Accountants who were engaged by the Cameron County Commissioners Court for the purpose of expressing an opinion on those financial statements. County management has made available to the independent auditors direct access to County officers and employees and all of the County's financial records and related data.

Sincerely,



Martha Galarza, CPA
County Auditor



For additional information regarding the
Cameron County International Toll Bridge System

Please contact:

Pete Sepulveda, Jr.
Cameron County International Toll Bridge System Director
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INDEPENDENT AUDITOR'S REPORT

To the Honorable County Judge and
Commissioners' Court
Cameron County, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the International Toll Bridge System of Cameron County, Texas as of and for the year ended September 30, 2014, and the related notes to the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the International Toll Bridge System of Cameron County, Texas as of September 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the International Toll Bridge System of Cameron County, Texas and do not purport to, and do not, present fairly the financial position of the Cameron County, Texas, as of September 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reported dated March 25, 2015, on our consideration of the International Toll Bridge System of Cameron County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grand 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 do not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the International Toll Bridge System of Cameron County, Texas' internal control over financial reporting and compliance.



LONG CHILTON, LLP
Certified Public Accountants

Brownsville, Texas
March 25, 2015

CAMERON COUNTY INTERNATIONAL TOLL BRIDGE SYSTEM

Management's Discussion and Analysis

September 30, 2014

This discussion and analysis of the Cameron County International Toll Bridge System's financial performance provides an overview of the financial activities for the fiscal year ended September 30, 2014 and 2013. The MD&A should be read in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements. The Cameron County International Toll Bridge System is an enterprise fund of Cameron County and is self-sustaining for all of its operations as well as serving as a valuable funding tool for the County. This system is composed of three international bridges concentrated for the most part in the southernmost part of the county. Cameron County purchased Gateway International Toll Bridge on April 14, 1962 and operated it as its only bridge until November 2, 1992, when the Free Trade Bridge at Los Indios became operational. The Veterans International Bridge at Los Tomates commenced operation on April 30, 1999. Two of the bridges, Gateway International Bridge and the Veterans International Bridge at Los Tomates are located in the City of Brownsville, while the Free Trade Bridge at Los Indios is located eight miles south of Harlingen and San Benito. The County owns the north half of each bridge and collects tolls from vehicles going southbound into Mexico. While Gateway International Bridge serves exclusively as a consumer bridge, with both passenger vehicles and pedestrians, the Free Trade Bridge at Los Indios and Veterans International Bridge at Los Tomates are designed for both consumer and commercial traffic. In FY2014, the Cameron County International Toll Bridge System generated \$16,062,979 in revenues, of which \$4,293,451 provided for general operations, \$7,330,880 was transferred to Cameron County's general fund and \$2,201,102 provided aid to other governments per interlocal agreements with municipalities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The International Toll Bridge System's financial statements consists of the statement of net position, statement of revenues, expenses, and changes in net position, and the statement of cash flows. These financial statements are supported by the notes to the financial statements and debt schedules. This overview and analysis is intended to serve as an overview to the International Toll Bridge System financial statements.

Condensed Financial Position Statement

The Bridge's assets, liabilities and net position are presented in the statement of net position. The difference between assets and liabilities is the net position. Increases or decreases to net position may indicate an improvement or deterioration of the Bridge's financial condition.

	<u>FY2014</u>	<u>FY2013</u>
Current and other assets	\$ 20,789,841	\$ 22,592,824
Capital assets (net of depreciation)	<u>26,336,090</u>	<u>24,944,766</u>
Total Assets	47,125,931	47,537,590
Current and other liabilities	7,809,922	10,175,230
Long term liabilities	<u>16,721,389</u>	<u>18,071,484</u>
Total Liabilities	24,531,311	28,246,714
Net position:		
Net investment in capital assets	14,023,606	12,844,938
Restricted	8,233,650	10,086,152
Unrestricted	<u>337,364</u>	<u>(3,640,214)</u>
Total net position	<u>\$ 22,594,620</u>	<u>\$ 19,290,876</u>

Fiscal Year 2014 Analysis

Bridge system assets exceeded its liabilities by \$22,594,620. Total net position increased by \$3,303,744 (17%) in comparison to FY2013. This increase in net position is due to assistance provided by TxDOT through an Advance Funding Agreement in construction costs to Veteran's Bridge expansion project completion and a decrease in debt principal payments. Revenue from bridge traffic increased 5.47% in FY14.

The Bridge system restricted assets includes \$4,357,044 for capital improvements to the system. Cameron County construction on the Veteran's International Bridge expansion has increased the traffic lanes from four to eight lanes. This international bridge currently operates both a SENTRI lane and a FAST lane thus exhausting the prior 4 lane bridge capacity. A Presidential Permit was issued; expansion has been completed and the bridge expansion project is fully operational. Coordinated Infrastructure Funds (CIF) totaling \$6.25 million were provided by TxDOT with the engineering phase reimbursement at 80% assisting in this expansion project. With the completion of this project, commercial traffic is now separated from passenger traffic. Connectivity on the southbound side of Veteran's Bridge is in a highly commercial and retail area of the community. This bridge ties directly into the city's inner and outer loops facilitating airport travel and connectivity to Monterrey highway. The City of Matamoros has funded significant infrastructure improvements thus alleviating pedestrian and vehicular mobility in this area and improving access for border crossing traffic.

The system's net investment in capital assets (toll bridge and approaches, toll booths and equipment, administration buildings, furniture, fixtures and equipment, and vehicles) is \$14,023,606. Net investment in capital assets have increased in comparison for FY2013 figures of \$12,844,938 due to ongoing capital projects.

The Bridge system has other restricted assets of \$3,876,606 for bond debt service, bond debt reserve and general operating reserve.

Unrestricted assets increased from a negative (\$3,640,214) to \$337,364. This increase in unrestricted assets is due to construction projects, partially funded by TxDOT that were completed this year and the pending completion of capital projects completion.

Summary of Operations and Changes in Net Position

The statement of revenues, expenses, and changes in net position reflect a comparison for FY2014 and 2013. Changes in revenues and expenses are monitored monthly and compared to budgetary data. Any operating modifications are addressed by the Bridge Director. This table summarizes the operations for FY2014 and 2013.

	FY 2014	FY 2013
Revenues:		
Operating Revenues		
Tolls	\$15,603,896	\$ 14,795,319
Rental income	459,083	439,341
Operating grants & contributions	-	-
Investment earnings	50,230	59,248
Total Revenues	<u>16,113,209</u>	<u>15,293,908</u>
Expenses:		
Personnel services	3,052,303	3,127,245
Operations & maintenance	501,930	644,300
Depreciation	739,218	736,441
Total expenses	<u>4,293,451</u>	<u>4,507,986</u>
Increase (decrease) in net position before transfers	11,819,758	10,785,922
Aid to other governments	(2,201,102)	(1,549,504)
Grant Revenue	2,422,354	-
Transfers Out	(7,904,111)	(6,293,379)
Interest and fiscal fees	<u>(833,155)</u>	<u>(1,062,473)</u>
Increase (decrease) in net assets	3,303,744	1,880,566
Net Position - beginning	19,290,876	17,556,729
Prior Period Adjustment	-	(146,419)
Total net position - end of year	<u>\$ 22,594,620</u>	<u>\$ 19,290,876</u>

Fiscal Year 2014 Analysis

Total operating revenues were \$16,062,979, an increase of \$828,319 over fiscal year 2013. Toll revenue increased 5.44% due to infrastructure improvements and traffic fluctuations in both passenger and commercial traffic. Concessionaire and rental income increased by 4.5%.

Operating expenses decreased by \$217,312 from FY2013 levels, a decrease of 5.7%. Personnel, fringe costs and operations and maintenance expenses decreased due to general operation adjustments. Depreciation expense remained stable to FY13 non-operating cost. Changes in net position of \$3,303,744 were due to the ability to control operating expenses, the increase in bridge crossings and the relative stability of non-operating revenues/expenses in comparison to the FY13 levels.

Aid to other governments increased by \$651,598 per interlocal agreements; transfers to General Fund increased by \$1,610,732 and interest and fiscal fees decreased by \$229,318, an increase due to debt obligations.

Notes to the Financial Statements

The notes to the Toll Bridge's financial statements can be found on pages 5 – 14 of this report. These notes provide additional information that is essential to a full understanding of the financial statements.

Capital Assets and Debt Administration

Capital Assets

The Bridge's investment in capital assets, net of accumulated depreciation as of September 30, 2014 and 2013 is as follows:
SUMMARY OF CAPITAL ASSETS, NET

	<u>FY 2014</u>	<u>FY 2013</u>
Toll bridges and approaches	\$ 32,083,373	\$ 21,916,139
Toll booths and equipment	2,030,764	2,030,764
Administration building	3,524,688	3,524,688
Furniture, fixtures and equipment	1,174,283	1,133,629
Vehicles	<u>252,413</u>	<u>252,413</u>
	39,065,521	28,857,633
Less accumulated depreciation	<u>(21,134,782)</u>	<u>(20,395,565)</u>
Net depreciable assets	17,930,739	8,462,068
Land	4,038,791	4,038,791
Construction work in progress	<u>4,366,560</u>	<u>12,443,907</u>
TOTAL CAPITAL ASSETS	<u>\$ 26,336,090</u>	<u>\$ 24,944,766</u>

The Bridge's investment in capital assets consists of toll bridges and approaches, booths and equipment, buildings, furniture, fixtures, equipment, vehicles and land. The increase in toll bridges and approaches is due to the completion of the Veteran's Bridge expansion which has added 4 new lanes dedicated to commercial traffic. Ongoing capital improvements are a software upgrade for all locations and canopy improvements which will greatly enhance pedestrian traffic. Completion of these projects is expected in FY15.

Capital Improvements

Cameron County has completed expansion of the Veterans Bridge from four lanes to eight lanes. The capacity at the existing bridge had been exhausted since the Veterans Bridge operates both a SENTRI lane and a FAST lane. The U.S. Department of State issued an amended Presidential Permit for this project and TxDOT provided Coordinated Border Infrastructure funds totaling \$6.25 million. The expansion has provided much needed capacity to the Veterans Bridge at Los Tomates. On the U.S. side, Veteran's Bridge is the connecting point to I-69E. TxDOT has invested over \$35 million in highway improvements to connect the bridge and to provide access. The I-69E corridor is booming with many new retail establishments. I-69E is now considered the heart of Brownsville, the border city to Matamoros. Veteran's Bridge provides direct access to traffic for northbound Mexican traffic and other surrounding communities in Mexico. Retail development along this corridor has expanded exponentially with major department establishments that continue to attract all residents. Growth along this corridor has exploded from Sun Rise Mall northward and this highly commercial area has much land available for development. Commercial establishments continue to develop at a very rapid pace. Retail and commercial development between Brownsville and Harlingen is expected to continue. Bass Pro Shop has opened in Harlingen serving as a major attraction for Mexican customers; enhancing this development further is a retail shopping area that includes hotels and restaurants – all of this traffic uses the Cameron County International Toll Bridges. Sam's Club held a groundbreaking in April 2013 and this establishment opened its doors in March 2014. All of this development is centrally located off of I-69E in a highly commercial area.

Debt Administration

Long - Term Debt		
	FY 2014	FY 2013
Revenue Bonds	\$ 4,595,000	\$ 5,485,000
Certificates of Obligation	<u>12,138,879</u>	<u>12,894,270</u>
Total long-term debt	16,733,879	18,379,270
Less current portion	<u>(1,448,890)</u>	<u>(1,645,537)</u>
Total long-term debt, net of current portion	<u>\$ 15,284,989</u>	<u>\$ 16,733,733</u>

Cameron County International Toll Bridge System bonds have a rating of A+ with A&P, Fitch and A1 with Moody's.

The Bridge's total long-term debt decreased by \$1,645,391 due to FY2014 debt payments.

REPORT ON BRIDGE OPERATIONS

GATEWAY INTERNATIONAL BRIDGE

Gateway International Bridge links the downtown business districts of Brownsville and Matamoros and is primarily used for local traffic, maquiladora employees, tourists and pedestrian traffic. Eighty percent of the pedestrian traffic in Brownsville uses this bridge to go from downtown Brownsville to Matamoros and vice versa. Today due to security issues in Mexico, pedestrian traffic has dropped significantly. Gateway International Bridge is the only bridge in the system that is operational twenty-four hours a day and is 100% owned and operated by Cameron County. Duty Free stores operate close to the bridge attracting pedestrians to this bridge. East Loop Road by the University of Texas connects Gateway Bridge with the Southmost area in Brownsville, which is one of the fastest growing areas in the County. This road provides a good connection between Gateway International Bridge and the Veterans International Bridge at Los Tomates. Texas Department of Transportation (TxDOT), the City of Brownsville, Cameron County and the Cameron County Regional Mobility Authority continue to work on expanding East Loop from the Veterans International Bridge at Los Tomates to the Port of Brownsville. The project is in the environmental assessment phase and construction is expected to commence within the next fifteen months. This new corridor will serve as the overweight corridor connecting the Veterans Bridge with the Port of Brownsville and will add significant capacity to passenger vehicular traffic in southeast Brownsville.

FREE TRADE BRIDGE AT LOS INDIOS

The Free Trade Bridge at Los Indios is an international border crossing located eight miles south of Harlingen and San Benito. Cameron County owns and operates the bridge; however the cities of Harlingen and San Benito each receive 25% of the net revenues. The U.S. Border Station and Federal Inspection Facility is owned by the General Services Administration and operated by U.S. Customs, Immigration and Naturalization Service, and U.S. Department of Agriculture Animal and Plant Health Inspection Service, which in March of 2003 all became the Department of Homeland Security. The bridge facilities are located on a 127 acre tract of land and include the bridge structure, border station import and export inspection areas, impound lot, toll plaza, parking areas, duty free stores, money exchange houses, restaurants, and parking. Two custom brokers, a duty free store and a logistics company currently serve the area and are housed near the bridge area. Increases in vehicular traffic are partially attributed to the Duty Free store operations. Penske Logistics operates a 125,000 and 208,000 square foot facility, employing approximately 225 employees. Penske is a third party logistics company that handles the logistics and distribution for Delphi's operations in Matamoros and Reynosa. Penske has constructed an additional 150,000 square foot warehouse that is fully operational and Panasonic has a 150,000 square foot facility.

The Free Trade Commerce Center is a 755 acre industrial park adjacent to the Free Trade Bridge and is designated as a foreign trade zone, providing the cities of Harlingen and San Benito an excellent marketing tool. Presently one company has activated 10,000 square feet as a Foreign Trade Zone.

The State of Tamaulipas has invested substantially in their highway infrastructure contributing directly to the increased traffic. The Autopista providing direct access to Monterrey has now been operational for over ten years. This provides a direct link between the Free Trade Bridge at Los Indios and the highly industrial area of Monterrey and its suburbs. With the road improvements to Highway 99/101 which goes to Ciudad Victoria, the route to Ciudad Victoria is much safer and faster. These road improvements have made the Free Trade Bridge at Los Indios very attractive to tourist traffic headed to the interior of Mexico. Travelers now can potentially save over four hours of travel time from the interior of Mexico to Cameron County. The Free Trade Bridge at Los Indios is significantly contributing to the growth of international trade in the Cameron County area. Because of the above-mentioned reasons the Free Trade Bridge at Los Indios continues to attract both tourist and international commercial traffic.

VETERANS INTERNATIONAL BRIDGE AT LOS TOMATES

Cameron County owns and operates the Veterans International Bridge at Los Tomates; however, the City of Brownsville receives 50% of the net surplus revenues. The Veterans Bridge at Los Tomates operates eighteen hours a day. The on-going security issues in Mexico have caused bridge traffic to decline. Traffic and Revenue Analysis projected 3,500 vehicles daily; however, with limited hours of operation, Veterans International Toll Bridge at Los Tomates quickly surpassed traffic projections. Today, however due to on-going security concerns, average daily traffic is down to about 4,000 vehicles including about 700 trucks. This bridge has improved the movement of goods and services on NAFTA highway trade routes. Reducing future time delays at the border will result in economic benefits in Brownsville and in other parts of the state and nation. Directly across the border in Matamoros, the bridge is located in a highly commercial and retail area of the community connecting directly into the city's inner and outer loops. Continuing improvements have reduced travel time to the Matamoros airport to just fifteen minutes from the Veterans International Bridge at Los Tomates. The City of Matamoros has also completed construction of the last phase of the outer loop that would continue to the west side of Matamoros and connect to the Monterrey highway; construction of two overpasses on the Manuel Cavazos Periferico that has shifted more traffic to the Veterans International Bridge at Los Tomates and a 1,500 foot portion of Accion Civica that goes from Avenida Lauro Villar to Roberto Guerra Street thus reducing daily traffic congestion. Additionally overpass construction over Roberto Guerra Street has allowed users to avoid this busy intersection. Three additional overpass improvements are funded and planned throughout the main route that will allow for a better flow of traffic.

On the U.S. side the Veterans International Bridge at Los Tomates connects directly to U.S. 77/83 (Future Interstate 69). TxDOT has invested over thirty five million dollars in highway improvements to connect to the bridge and to provide access. Cameron County has completed construction on the expansion of the Veterans International Bridge from four lanes to eight lanes. Capacity at the existing bridge had been exhausted due to operations of both a SENTRI lane and a FAST lane. The U.S. Department of State issued an amended Presidential Permit for the expansion and TxDOT approved the expansion. TxDOT provided Coordinated Border Infrastructure funds totaling \$6.25 million for this project. Mexico built the four lanes on their side of the bridge and this project is fully functional. This expansion will provide much needed capacity to the bridge. The area along U.S. 77/83 is booming with new retail businesses. The Veterans International Bridge at Los Tomates provides a direct access to this retail corridor for people coming from Matamoros and other surrounding communities in Mexico. Indications are that the growth in this part of the community will continue at a rapid pace. Along this corridor major retail developments are Super Wal-Mart, Target, Home Depot, Lowe's, Academy and Sam's Club, eating establishments, auto dealerships and financing agencies. Additional retail and commercial development between Brownsville and Harlingen is expected to continue. Commercial traffic has seen an increase over the last 12 months. If that trend continues then that will alleviate some of the loss in passenger vehicle traffic.

Cameron County has acquired the necessary right of way for the future Flor de Mayo bridge. Additionally, the necessary right of way for the General Services Administration was also acquired for this future bridge.

AUTOMATED VEHICLE IDENTIFICATION SYSTEM (AVI)

All County owned bridges offer an automated vehicle identification system (AVI). The customer using the AVI can use any county owned bridge. This program has been very attractive to our maquiladora customers, both for commercial traffic carrying their goods and products and for their employees that go back and forth every day. We presently have 330 accounts with over 3,000 users. This fiscal year we collected \$3,093,022 in revenues- 20% of the total revenues collected.

TOLL RATES

The following schedule illustrates the change in tolls over the past two years and the tolls that are in effect as of October 1, 2014:

Classification	Sept. 30, 2013	Sept. 30, 2014	Oct. 1, 2014
	Rate	Rate	Rate
Pedestrian	\$ 1.00	\$ 1.00	\$ 1.00
Motorcycle	3.00	3.25	3.25
Passenger	3.00	3.25	3.25
Commercial Vehicles			
Two Axle	8.50	8.50	8.50
Three Axle	12.50	12.50	12.50
Four Axle	14.75	14.75	14.75
Five Axle	19.50	19.50	19.50
Six Axle	22.50	22.50	22.50

CROSSINGS

As of the end of September 30, 2014 a total of 5,056,644 vehicles and pedestrians crossed into Mexico through the County's International Bridges. Total Crossings increased by 2% from Year 2013 totals. Total crossings have averaged a 1% decrease each year since 1989, however, pedestrian crossings have declined 42% since 1989, whereas vehicle crossing decreased by 21% for that same period.

Historical Bridge System Crossing Summary				Revenue Summary		
	Vehicle	Pedestrian	Total	Vehicle	Pedestrian	Total Revenue
	Crossings	Crossings	Crossings	Revenue	Revenue	
2011	2,966,918	1,823,715	5,140,363	\$ 8,900,754	\$ 1,392,855	\$ 14,604,292
2012	2,906,727	1,750,867	5,013,411	\$ 8,720,181	\$ 1,750,867	\$ 15,136,751
2013	2,816,848	1,794,070	4,966,219	\$ 8,450,544	\$ 1,794,070	\$ 14,795,318
2014	2,854,303	1,844,292	5,056,644	\$ 9,276,485	\$ 1,844,292	\$ 15,603,890

CROSSINGS BY CATEGORY

CAMERON COUNTY INTERNATIONAL BRIDGE SYSTEM

SOUTHBOUND CROSSINGS

	FY 2014		FY 2013	
Autos & Motorcycles	2,854,303	56%	2,816,848	57%
Commercial Vehicle	212,872	4%	212,630	4%
Bikes	59,879	2%	49,389	1%
Buses	8,027	0%	8,766	0%
Misc. & Extra Axle	77,271	2%	84,516	2%
Pedestrian	1,844,292	36%	1,794,070	36%
Total	5,056,644	100%	4,966,219	100%

Over the past year, passenger vehicle crossings decreased by 1%, while commercial truck crossings and pedestrian traffic remained the same.

KEY ISSUES OF CONCERN

Security

This fiscal year the waiting times at the County owned bridges continue to be above normal waiting times. The major contributing factor for the current traffic trend is the continuation of the security issues and drug cartel situation in Mexico. Current traffic trends indicate the flow of traffic has stabilized; however, not to the levels that we had in previous years. As the inspections by Customs become more thorough and border violence continues, the general public continues to avoid travel to Mexico.

Major developments that could have a negative impact on the bridge crossings next fiscal year is the continuation of the security issues in Mexico. As the United States continues the military conflict in the Middle East, we will continue to experience the thorough inspections from the Department of Homeland Security, and that has proven to have a negative impact on our bridge system. Additionally, because of the drug cartels problems, the Mexican military's presence continues along the U.S./Mexico border.

The implementation of the Western Hemisphere Travel Initiative caused concern on potential travelers and this too has caused a decrease in crossings. The requirement to have a passport or a passport card has negatively impacted crossings at our international bridges. As people begin to comply with this requirement by either having a passport or a passport card, it is anticipated that traffic crossings will eventually start to increase.

Competition

Cameron County's competition for passenger vehicles is provided by the Brownsville & Matamoros (B&M) Bridge Company. During 1997 the B&M Bridge Company expanded their bridge to provide four lanes for vehicles and commercial traffic. Gateway International Bridge and the B&M Bridge stopped handling commercial vehicles since 1999. The B&M Bridge Company lost its 100 year concession they had from the Mexican Government. The B&M Bridge Company now operates on a month to month concession with Mexico. It is highly unlikely that they will receive a long term concession from Mexico. Mexico is in the process of selecting a Concessionaire for their half of the bridge operations; thus bringing an end to the B&M Bridge Company collecting tolls on both the U.S. and Mexican sides. Competition for commercial traffic comes from the Pharr-Reynosa International Bridge. Opened on January 1995, this bridge provides another avenue for commercial traffic crossing from Monterrey and the interior of Mexico. The toll road from Monterrey feeds directly into this bridge. The Pharr-Reynosa Bridge has been able to attract custom brokers to invest in facilities in and around the bridge. The Pharr-Reynosa Bridge is a direct competition to the Free Trade Bridge at Los Indios, however, the waiting time for commercial vehicles is much longer at the Pharr-Reynosa Bridge. The Pharr-Reynosa Bridge is approximately 30 miles west of the Free Trade Bridge at Los Indios. The opening of the produce industry and market area to the whole southwest border presents an excellent opportunity for the Veterans International Bridge at Los Tomates that can increase commercial traffic. Cameron County and the Cameron County Regional Mobility Authority have completed Border Master Plan with our counterparts in Mexico. The plan identifies projects and opportunities within our bridge system.

The Brownsville Navigation District (BND) has a U.S. Presidential Permit for the construction of a commercial bridge at the Port of Brownsville. As of September 30, 2014 Mexico had not issued any permits on their side, thus, it is not known if the proposed bridge will be constructed. The Donna – Rio Bravo Bridge opened in December 2010. The Anzalduas Bridge in Mission is now in operation handling only passenger vehicle traffic.

CONCLUSION

The bridges in our system offer the most efficient routes for the distribution of products anywhere along the U.S./Mexico border, while also being the most efficient connection to international shippers and optimal distribution logistics. This has allowed Cameron County to be highly successful in promoting trade and in attracting greater flows of international traffic. It is not unusual at other international bridges on the Southwest border for people to take hours to cross into the United States. And just like in other border areas, on the average, people waiting on Cameron County owned bridges will take about forty five minutes to an hour to cross into the United States. The Cameron County International Bridge System has an excellent working relationship with the Department of Homeland Security and continues to look for ways and measures to reduce the waiting time for our international bridge customers. New trade routes between Mazatlan and Matamoros will provide excellent opportunities for our bridge system to general additional commercial traffic. With SpaceX locating in Cameron County it is anticipated that Mexican tourism and traffic will increase.

The approval of the deepening of the ship channel at the Port of Brownsville will provide opportunities for increases in commercial traffic. Infrastructure developments planned by Cameron County Regional Mobility Authority will allow for increases in commercial traffic as well.

Cameron County and the State of Tamaulipas have commitments for long term infrastructure planning that will allow our bridge system to keep up with the fast paced growth and the economic base that Brownsville and Matamoros share. Cameron County makes it easy to cross goods and products through its bridges and by having modern highways that connect our bridges to major markets in the United States and Mexico, more companies will start taking advantage of the County's labor force and infrastructure. In closing, it is evident that the future of our Cameron County International Bridge System has substantial growth potential and will continue to experience great success.

Requests for Information

This financial report is designed to provide a general overview of the Cameron County International Toll Bridge System's finances for persons or entities interested in this area. Questions concerning information on this report or finances should be directed to Cameron County Auditor, 1100 E. Monroe, Brownsville, Texas 78520.



CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
 STATEMENT OF NET POSITION
 Year Ended September 30, 2014

ASSETS

CURRENT ASSETS

Cash & Cash Equivalents	\$ 9,250,363
Accounts receivable - trade	83,138
Prepaid expenses	90,613
Due from other Funds	3,382,077
Due from other governments	-
TOTAL CURRENT ASSETS	<u>12,806,191</u>

RESTRICTED ASSETS

Gateway Debt Service Fund:	
Cash & cash equivalents	394,402
Gateway Bond Debt Reserve:	
Cash & cash equivalents	441,916
Gateway Capital Improvements Fund	
Cash & cash equivalents	1,172,971
Free Trade Bridge Debt Reserve:	
Cash\Cash Equivalents	283,235
Free Trade Bridge Debt Service	
Cash\Cash Equivalents	230,243
Free Trade Bridge Capital Improvements Fund	
Cash\Cash Equivalents	308,291
Veteran's International Toll Bridge Debt Service Fund:	
Cash & cash equivalents	946,873
Veteran's International Toll Bridge Debt Reserve:	
Cash & cash equivalents	1,329,937
Capital Improvements Fund:	
Cash and cash equivalents	2,875,782
TOTAL RESTRICTED ASSETS	<u>7,983,650</u>

CAPITAL ASSETS

Depreciable Assets:	
Toll bridge and approaches	32,083,373
Toll booths and equipment	2,030,764
Administration building	3,524,688
Furniture, fixtures and equipment	1,174,283
Vehicles	252,413
	<u>39,065,521</u>
Less: accumulated depreciation	(21,134,782)
Net depreciable assets	17,930,739
Land	4,038,791
Construction Work in Progress	4,366,560
TOTAL CAPITAL ASSETS	<u>26,336,090</u>

TOTAL ASSETS	<u>\$ 47,125,931</u>
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CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
 STATEMENT OF NET POSITION
 Year Ended September 30, 2014

LIABILITIES AND NET POSITION

LIABILITIES

Current Liabilities (payable from Current Assets):

Accounts payable	\$ 208,685
Wages & Fringes Payable	73,499
Retainage Payable	151,156
Accrued Uncompensated Absences	8,316
Deposits	198,065
Due to Other Funds	5,142,417
Due to Other Governments	406,083
Total Current Liabilities (payable from Current Assets)	<u>6,188,221</u>

Current Liabilities (payable from Restricted Assets):

Leasehold deposits	15,317
Reserve	75,688
Current maturities of revenue bonds & CO's	1,448,890
Accrued bond interest payable	81,806
Total Current Liabilities (payable from Restricted Assets)	<u>1,621,701</u>

Long-term Liabilities:

Revenue bonds payable (net of current portion)	3,660,000
Certificates of Obligation	11,624,989
Less: Unamortized discount and issue costs	64,351
Unfunded Actuarial Accrued Liability	1,372,049
Total Long-term Liabilities	<u>16,721,389</u>

TOTAL LIABILITIES 24,531,311

NET POSITION

Net investment in capital assets	14,023,606
Restricted For:	
Capital Improvements	4,357,044
Revenue Bond Debt Service	1,571,518
Revenue Bond Debt Reserve	2,055,088
Revenue Bond Operating Reserve	250,000
Unrestricted	<u>337,364</u>

TOTAL NET POSITION \$ 22,594,620

The notes to the financial statements are an integral part of this statement.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended September 30, 2014

<u>OPERATING REVENUES</u>	
Tolls	\$ 15,603,896
Rental Income	459,083
TOTAL OPERATING REVENUES	<u>16,062,979</u>
<u>OPERATING EXPENSES</u>	
Salaries	2,097,058
Employee benefits	645,947
Supplies	82,117
Uniforms	25,190
Audit and legal	18,000
Other Pension Costs	104,193
Retirement Expense	205,105
Other professional services	17,000
Repairs and maintenance	50,422
Travel	6,833
Utilities	108,057
Advertising	1,740
Insurance	120,780
Contractual	18,884
Depreciation	739,218
Other	52,907
TOTAL OPERATING EXPENSES	<u>4,293,451</u>
OPERATING INCOME (LOSS)	<u>11,769,528</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Intergovernmental agreement	(2,201,102)
Grant & Program Revenue	2,422,354
Interest on investments and receivables	50,230
Interest and fiscal fees on revenue bonds	(833,155)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(561,673)</u>
INCOME BEFORE TRANSFERS	
Transfer Out - General Fund	(7,330,880)
Transfer out - I & S Fund	<u>(573,231)</u>
CHANGE IN NET POSITION	3,303,744
Net Position - beginning	19,290,876
Prior Period Adjustment	<u>-</u>
Net Position - ending	<u>\$ 22,594,620</u>

The notes to the financial statements are an integral part of this statement

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
STATEMENT OF CASH FLOWS
Year Ended September 30, 2014

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash Flows From Operating Activities:	
Cash received from customers	\$ 15,172,227
State Funding	
Cash received from other operating activities	459,083
Cash payments for goods and services	(635,473)
Cash payments to employees	(2,951,284)
Net Cash Provided by Operating Activities	<u>12,044,553</u>
Cash Flows From Non-Capital Financing Activities:	
Operating transfers out	(7,904,111)
Net Cash Used for Non-Capital Financing Activities	<u>(7,904,111)</u>
Cash Flows From Capital and Related Financing Activities:	
Intergovernmental agreement	(2,201,102)
Payments for capital acquisitions	(2,130,541)
Financing for Bridge Improvements	2,422,354
Principal payments	(1,888,886)
Interest and fiscal agent fees paid	(929,633)
Net Cash Used for Capital and Related Financing Activities	<u>(4,727,808)</u>
Cash Flows From Investing Activities:	
Receipts of interest	50,230
Net Cash Provided by Investing Activities	<u>50,230</u>
Net increase (decrease) in cash and cash equivalents	(537,136)
Cash and cash equivalents at beginning of year	<u>17,771,149</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 17,234,013</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 11,769,528
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	739,218
Changes in Current Assets and Liabilities:	
(Increase) decrease in accounts receivable	175,083
(Increase) decrease in prepaids and other assets	(413)
(Increase) decrease in due from other Funds	1,532,049
(Increase) decrease in due from other Governments	-
Increase (decrease) in accounts payable	123,337
Increase (decrease) in wages and fringe payable	10,710
Increase (decrease) in compensated absences payable	(13,884)
Increase (decrease) in retainage payable	27,516
Increase (decrease) in accrued interest payable	(96,478)
Increase (decrease) in due to other funds	(56,209)
Increase (decrease) in due to other governments	(2,173,549)
Increase(decrease) in deposits	7,645
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 12,044,553</u></u>

The notes to the financial statements are an integral part of this statement

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 1 - Summary of Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

A. Operations

Cameron County, Texas, (County) through its International Toll Bridge System (System), owns and operates three (3) international toll bridges connecting the United States and Mexico. Two international bridges connect Brownsville, Texas with Matamoros, Mexico and one located five miles south of the cities of Harlingen and San Benito, Texas. The Veteran's International Toll Bridge at Los Tomates and the Free-Trade Bridge at Los Indios surplus bridge revenues are distributed according to interlocal agreements between Cameron County and certain municipalities within the county.

B. Basis of Accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Government Accounting Standards Board (GASB). For the year ended September 30, 2003, the International Toll Bridge System of Cameron County, Texas adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments* (GASB 34) as amended by GASB Statement 37 and applied those standards on a retroactive basis. GASB Statement No. 34 established standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposed into the following four net position categories:

- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted:
 - Nonexpendable - - Net assets subject to externally imposed stipulations that the International Toll Bridge System maintains them permanently. For the fiscal year ended 2014 and 2013, the International Toll Bridge System does not have nonexpendable net assets.
 - Expendable - - Net position whose use by the International Toll Bridge System is subject to externally imposed stipulations that can be fulfilled by actions of the International Toll Bridge System is subject to externally imposed stipulations that can be fulfilled by actions of the International Toll Bridge System pursuant to those stipulations or that expire by the passage of time. Such assets include the International Toll Bridge System's bond debt service reserves on hand.
- Unrestricted: Net position not subject to externally imposed stipulations.

The provisions of GASB Statement No. 34 have been applied to the years presented. The accompanying financial statements have been prepared on the accrual basis. The International Toll Bridge System reports as a Business Type Activity, as defined by GASB Statement No. 34. Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The provisions of GASB Statement No. 45 have been applied as of fiscal year ended September 30, 2009. GASB 45 created accounting standards for Other Post Employment Benefits (OPEB) provided by governmental entities separately from a pension plan. This Statement establishes standards for measurement, recognition and display of OPEB expenditures and related liabilities/assets disclosure.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 1 - Summary of Accounting Policies (continued)

C. Capital Assets and Depreciation

Purchased assets are recorded at historical costs. Depreciation is provided over the estimated useful lives, on a straight-line basis.

<u>ASSETS</u>	<u>YEARS</u>
Buildings	30
Furniture and Fixtures	5
General Equipment	5
Trucks	6
Computer Hardware	5
Infrastructure	20

Depreciation expense for all activities totaled \$739,218.

D. Retirement Plan

All employees who work in excess of 900 hours per year are members of the Texas County and District Retirement System under which the employee contributes seven percent (7%) and the System contributes 9.87%, (9.54% after January 1, 2015) of the qualified employees' earnings. Retirement plan expense is funded as accrued, and includes amortization of prior service cost over a 20-year period. Retirement plan expense totaled \$205,105 for the year ended September 30, 2014.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the System considers cash on hand and deposits at banks as well as all highly liquid investments purchased with maturities of three (3) months or less or with no stated maturity to be cash equivalents.

F. Comparative Data

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the International Toll Bridge System's financial position and operations.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 1 - Summary of Accounting Policies (continued)

H. Net Position

Net position represents the residual interest in the International Toll Bridge System's assets after liabilities are deducted and consists of three sections: Net investment in capital assets, restricted and unrestricted. The net investment in capital assets is the capital assets, restricted and unrestricted, net of accumulated depreciation, reduced by outstanding debt. Net position is reported as restricted when constraints are imposed by third parties or enabling legislation. The International Toll Bridge System's restricted assets are expendable. All other net position is unrestricted.

I. Subsequent Events

Management has evaluated subsequent events through March 25, 2015, which is the date the financial statements were available to be issued.

Note 2 - Bond Indenture Requirements

During the period in which the bonds are outstanding, the International Toll Bridge Bond Resolution and Order require the County to create and maintain certain accounts or "funds" to receive the gross revenues derived from the operations of the System. In accordance with the terms of the Bond Resolution, these assets can be used 1) to pay the maintenance and operating expenses of the System, 2) to pay the debt service costs of the System's revenue bonds and 3) to pay for any ordinary maintenance, repairs, or replacements to the System's property. Any remaining revenues may be transferred to other County funds or used for the purchase of the System's outstanding revenue bonds at a price less than par and accrued interest.

Note 3 - Insurance Coverage

The System maintains insurance coverage for fire, extended coverage, malicious mischief, terrorism including use and occupancy and toll equipment coverage. Vehicles are self-insured as to comprehensive collision coverage; however, auto liability coverage is provided through the Texas Association of Counties in amounts above the legal requirements. The County insures both sides of the bridge spans for property damage in amounts significantly less than the historical cost of each bridge. The Gateway International Bridge has \$3,300,000 in coverage for the bridge span property damage and \$5,500,000 for use and occupancy coverage protecting from loss of revenues. The Free Trade Bridge at Los Indios has \$4,900,000 to cover property damage to the bridge spans and \$2,500,000 for use and occupancy coverage protecting from loss of revenues. The Veteran's International Toll Bridge at Los Tomates also has \$4,900,000 to cover property damage to the bridge spans and \$6,500,000 for use and occupancy coverage protecting from loss of revenues. Losses of revenue due to acts of terrorism are covered under the terms of this insurance. In addition, the International Toll Bridge System has acquired flood insurance, fire-windstorm, auto liability, general liability, and workers compensation insurance in amounts depicted in the "Schedule of Insurance Coverage" on page 17, with the exception of Gateway Bridge that does not have terrorism included.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 4 - Long-Term Debt

A. Combination Tax and Revenue Bonds

\$4,005,000; International Toll Bridge System Revenue Refunding Bonds, Series 2007; due in annual principal installments of \$335,000 to \$475,000 through November 1, 2017; plus interest at the rate of 3.76%. \$ 1,790,000

\$7,950,000; International Toll Bridge System Revenue Bonds, Series 1998; due in annual Principal installments of \$270,000 to \$615,000 through November 1, 2019; plus interest at 4.60%. 2,805,000

\$9,100,000 Certificates of Obligation Series 2008; due in annual Principal payments of \$832,822 to 323,233 thru February 2028; plus interest at the rates ranging from 5.0% to 6.0% 7,783,774

\$4,494,000 Certificates of Obligation Series 2011; due in annual principal installments of \$345,291 to 28,638 through February 2031; plus interest at the rates ranging from 2.0% to 5.0% 4,355,105

TOTAL BONDS PAYABLE \$ 16,733,879

Less: Current Maturities 1,448,890

TOTAL LONG-TERM BONDS PAYABLE \$ 15,284,989

Interest is paid each February 15th, May 1st, August 15th, and November 1st. Principal and interest payments constitute direct obligations of the County payable from a combination of a pledge of net revenues from the operations of the Cameron County International Toll Bridge System and the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the County. The annual requirements to amortize all revenue bonds outstanding as of September 30, 2014 including interest payments of \$5,920,960 are illustrated below:

<u>YEAR ENDING SEPTEMBER 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>AMOUNT</u>
2015	\$ 1,448,890	\$ 792,207	\$ 2,241,097
2016	1,604,382	727,768	2,332,150
2017	1,682,160	656,756	2,338,916
2018	1,700,879	582,649	2,283,528
2019-2022	3,513,055	1,798,041	5,311,096
2023-2026	3,604,572	1,077,525	4,682,097
2027-2031	3,179,941	286,014	3,465,955
<u>TOTAL</u>	<u>\$ 16,733,879</u>	<u>\$ 5,920,960</u>	<u>\$22,654,839</u>

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 4 - Long-Term Debt (continued)
B. Advance Refunding

On August 1, 2005 the County issued Limited Tax Refunding Bonds, Series 2005 in the amount of \$21,420,000 of which \$6,347,256 were issued to refund the International Toll Bridge Combination Tax & Revenue Refunding Bonds, Series 1996A and the International Toll Bridge Combination Tax & Revenue Certificates of Obligation, Series 1996B in the amounts of \$5,010,000 and \$2,315,000, respectively. The 2005 refunding bonds carried an initial principal amount of \$6,347,256 but were sold at a premium of \$221,566 with accrued interest of \$37,381. After the County contributed \$993,012 and after paying issuance cost of \$106,296 and \$37,381 of accrued interest the net proceeds were \$7,455,538.

The net proceeds from the issuance of the Limited Tax Refunding Bonds, Series 2005 were used to purchase U.S. government securities, and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the International Toll Bridge Combination Tax & Revenue Refunding Bonds, Series 1996A and the International Toll Bridge Combination Tax & Revenue Certificates of Obligation, Series 1996B are redeemed on November 1, 2005. The advance refunding met the requirements of an in-substance debt defeasance and the refunded part of the Series 1996A and 1996B bonds were removed from long-term debt. The Limited Tax Refunding Bonds, Series 2005 that refunded the 1996 Series 1996A and Series 1996B obligation has been fulfilled.

C. Certificates of Obligation

Cameron County issued \$23,570,000 Certificates of Obligation, Series 2011 dated June 9, 2011 to pay for contractual obligations to be incurred in connection with the design, planning, acquisition, construction, equipping, expansion, and/or renovation of certain public property, specifically being the roof renovations/replacements at Detention Center 1 and 2 and other County buildings, as well as terra cotta improvements at the Dancy Courthouse; air condition units or a chiller system for the Carrizales Rucker Detention Center, County Jail shower replacements; County Sheriff's Office chiller system; improvements to the old County Jail, Lucio Clinic renovation; Judicial Courthouse improvements and County Judicial computer system software; expansion costs for the Veteran's Trade Bridge; planning, traffic and revenue studies, schematic and environmental studies for the future Flor de Mayo Bridge; sidewalk and canopy improvements at the Gateway International Bridge; toll collection system upgrade for the international bridge system; acquisition of land and construction of a County Annex Building in Los Fresnos; acquisition of land and construction of a Community Center in Olmito; street light infrastructure improvements; improvements at the Pedro "Pete" Benavides County Park and Browne Road Social Service Center; constructing road improvements including improvements to Primera Road, San Jose Ranch Road, Old Alice Road, Vermillion Road, the U.S. 77 Parallel Corridor Project; acquisition of the Pacheco Building across the Dancy Courthouse and renovations to said building; improvements to the Laiseca Store Building and the payment of contractual obligations for professional services in connection with such projects (including, but not limited to, architectural and engineering); and to pay costs of issuance of the Certificates. Capital improvement costs for the International Toll Bridge System projects are \$4,494,300. Proceeds of this issuance were received by the International Bridge System for capital expenditures; this debt is an obligation of the International Toll Bridge System and is recorded as a Certificate of Obligation Bond Payable from this enterprise fund.

Cameron County issued \$16,075,000 Certificates of Obligation, Series 2008 dated October 15, 2008 to pay for obligations to be incurred in connection with the design, planning, acquisition, construction, equipping, expansion, and/or renovation of certain public property, specifically being the Carrizalez Rucker Detention Center; district courtroom improvements and judicial computer system software; engineering and construction costs for the Veteran's and Free Trade Bridges; design, planning, acquisition, construction of right-of-ways for the Flor de Mayo Bridge; renovation of county buildings located across the Dancy County Courthouse; and the payment of contractual obligations for professional services in connection with such projects (including, but not limited to, financial

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 4 - Long-Term Debt (continued)

C. Certificates of Obligation (continued)

advisory, legal, architectural, and engineering). Capital improvement costs for the International Toll Bridge System are \$9,100,000. Proceeds of this issuance were received by the International Bridge System for capital expenditures; this debt is an obligation of the International Toll Bridge System and is recorded as a Certificate of Obligation Bond Payable from this enterprise fund.

D. Revenue Refunding

On October 15, 2007, Cameron County authorized the issuance of Cameron County, Texas International Toll Bridge System Revenue Refunding Bonds, Series 2007 to refund the International Toll Bridge System Revenue Improvement Bonds, Series 1997, \$6,125,000. These bonds are payable from and secured by the net revenues of the Toll Bridge System. The 2007 Refunding Bonds were sold at par (\$4,005,000) with an additional Toll Bridge contribution of \$167,508 for bond issuance costs. Present Value savings on this Revenue Refunding 2007 issue were \$206,932.

Note 5 - Commitments

A. Free Trade Bridge at Los Indios

On June 3, 1991, Cameron County executed interlocal agreements with the City of San Benito, Texas and the City of Harlingen, Texas, whereby the County would finance and construct an international bridge. This Free Trade Bridge at Los Indios is located approximately eight miles south of the cities of Harlingen and San Benito.

The County is the legal owner and operator of the bridge on the United States side of the border; however, in event of a revenue shortfall, the Cities have obligated themselves to pay twenty-five percent (25%) each, not to exceed the sum of \$200,000 each annually, of any deficiencies in the annual debt service requirements for the Los Indios International Toll Bridge revenue bonds, any capital expenditures not paid from bond proceeds, and any net losses before transfers excluding depreciation and including or excluding interlocal agreement revenues (or expenses) of the Free Trade International Bridge at Los Indios. Any surplus revenues remaining after payment of the debt service requirements, maintenance and operating costs will be shared between the Cities and the County as per interlocal agreements.

The results of operations for the Free Trade Bridge at Los Indios for the period ending September 30, 2014 produced a \$750,776 surplus as defined by the interlocal agreement between the entities and the County. The County's share of the interlocal agreement proceeds is \$375,388. Each participating entity has received a total of \$187,694 for their share of the year's operations as defined under the interlocal agreement.

On January 12, 1990, Cameron County executed an interlocal agreement with the City of Brownsville, Texas whereby the County would finance, construct and operate an international toll bridge located in Southeast Brownsville, Texas, approximately two miles east of Gateway International Toll Bridge, herein referred to as "Los Tomates International Bridge", located between Brownsville, Texas and Matamoros, Tamaulipas, Mexico. The Revenue Bonds were issued on parity with any additional International Toll Bridge Bonds, and are outstanding from the revenues of the County's Toll Bridge System. Cameron County, Texas is the legal owner and operator of this bridge; however, the City of Brownsville has obligated itself to pay fifty percent (50%), not to exceed the sum of \$400,000 annually, of any deficiencies in the annual debt service requirements for the proposed revenue bonds issued to finance the Los Tomates International Bridge. Any surplus revenues remaining after payment of the debt service requirements, maintenance and operation costs, and an amount equal to one hundred forty percent (140%) of the average annual debt service requirements of all outstanding bonds will be shared equally between the City and the County.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

Note 5 – Commitments (continued)

B. Veteran's International Toll Bridge at Los Tomates

The City of Brownsville does not retain an equity interest in the project, which is considered a cooperative arrangement between the governments rather than a joint venture. In accordance with the interlocal agreement between Cameron County and the City of Brownsville, each entity was allocated \$1,825,714 in surplus from operations through September 30, 2014 as defined by their governing interlocal agreement.

The following is a summary of the interlocal transactions between the City of Brownsville and the County:

<u>Year Ended</u> <u>September 30,</u>	<u>Cameron County</u>	<u>City of</u> <u>Brownsville</u>	<u>Total Surplus</u> <u>(Deficiency)</u>
2014	\$ 1,825,714	\$ 1,825,714	\$ 3,651,428
2013	1,288,520	1,288,520	2,577,040
2012	1,554,861	1,554,861	3,109,722
2011	1,528,935	1,528,935	3,057,870
2010	1,468,453	1,468,453	2,936,906
2009	1,243,111	1,243,111	2,486,222
2008	2,004,538	2,004,538	4,009,076
2007	2,716,305	2,716,305	5,432,610
2006	2,930,652	2,930,652	5,861,304
2005	2,496,070	2,496,070	4,992,140
2004	2,457,949	2,457,949	4,915,898
2003	2,219,659	2,219,659	4,439,318
2002	1,868,996	1,868,996	3,737,992
Totals	<u>\$25,603,763</u>	<u>\$25,603,763</u>	<u>\$51,207,526</u>

The Debt Reserve funds set aside to provide for the Veteran's International Toll Bridge at Los Tomates (VITB) for the portion not covered under the 2005 Refunding issue, is funded at the 140% of the highest annual debt service level. Unless additional debt is incurred, further allocation of bridge proceeds to fund the VITB Debt Reserve is unnecessary.

Note 6 - Accrued Compensated Absences

The Cameron County Personnel Policy provides employees with vacation leave and nonvesting accumulating rights to sick pay benefits. The policy requires all employees to take vacation time prior to the fiscal year-end, however it allows a vacation carryover period of three months. Vacation Pay is recognized as a part of salary compensation. Salary and wages earned, yet unpaid is recognized as accrued compensation time. Sick leave does not vest and unused balances are not paid at the time of employee termination, thus an accrual for this is not made. The Bridge System's employees compensated liabilities at September 30, 2014 were \$8,316.

Custodial Credit Risk - Deposits

International Toll Bridge System's deposits at year end were covered either by Federal depository insurance or collateral held by the Cameron County Treasurer in the System's name. Cameron County adopted an investment policy in January 1997, that reinforces the County's investment practices that remain in compliance with V.T.C.A, Title 10, Government Code, Section 2256.

Concentration Risk:

Cameron County has investments with Lone Star Investment Pool, managed by First Public, LLC., the State of Texas investment pool available to governmental entities. Lone Star is neither a registered investment pool with the SEC nor backed by pledged collateral, but the underlying investments are AAA-rated no-load money market

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

Note 7 – Deposits and Investments
Concentration Risk: (continued)

mutual funds, government agency securities and repurchase agreements collateralized by U.S. government securities, allowed under the Public Funds Investment Act as described by V.T.C.A., Title 10, Government Code, Section 2256. All Lone Star investments have earned Standard & Poor's highest rating – AAA – which meets the standards set by the Public Funds Investment Act. Investments are stated at cost which approximates market value. Lone Star's portfolio has low market risk due to restrictions on weighted average maturity and maximum maturity of any one investment. State Street Bank and Trust serves as custodian and valuation services and settles trades for Lone Star, securing and valuing its assets daily. Lone Star's investments maintain weighted average maturity of the portfolio at sixty days or less, with no security exceeding thirteen months in maturity. Lone Star's investment portfolio is required to maintain a stable \$1.00 net asset value.

As of September 30, 2014, the International Bridge System's carrying amount of deposits and investments was \$17,234,013 and the bank balance was \$17,152,343.

<u>Current Assets:</u>	<u>Fair Value</u>
Cash and equivalents	\$9,000,363
<u>Restricted Assets:</u>	
Revenue Bond Debt Service Fund	
Cash and equivalents	1,571,518
Revenue Bond Debt Reserve Fund	
Cash and equivalents	2,055,088
Capital Improvements Fund	
Cash and cash equivalents	4,357,044
Operating Reserve Fund	
Cash and equivalents	250,000
TOTAL	<u>\$17,234,013</u>

Note 8 – Capital Assets

Capital assets consisted of the following at September 30, 2014:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Assets being depreciated				
Toll bridge and approaches	\$ 21,916,139	\$10,167,234	-	\$ 32,083,373
Toll booths and equipment	2,030,764	-	-	2,030,764
Administration building	3,524,688	-	-	3,524,688
Furniture, fixtures and equipment	1,133,629	40,654	-	1,174,283
Vehicles	252,413	-	-	252,413
Assets not being depreciated				
Land	4,038,791	-	-	4,038,791
Construction Work in Progress	12,443,907	-	8,077,347	4,366,560
Less: accumulated depreciation	(20,395,564)	(739,218)	-	(21,134,782)
TOTAL CAPITAL ASSETS	<u>\$ 24,944,767</u>	<u>\$ 9,468,670</u>	<u>8,077,347</u>	<u>\$ 26,336,090</u>

Depreciation expense for all activities totaled \$739,218.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

Note 9 – Other Post Employment Benefits

Cameron County implemented the requirements of Statement No. 45 during fiscal year 2008; the plan provisions allow members to retire upon attaining age 60 with 8 or more years of service or when the sum of their age and years of service equals 75 or more. Dependents of retirees who are not eligible for Medicare are also eligible for medical insurance coverage while retiree is alive. Effective 10/1/07, retirees are not eligible for medical benefits after age 65. Participants under disability are eligible for continued medical coverage under COBRA but must pay the full premium. Cameron County does not offer dental, vision, hearing or life insurance benefits to retirees. Local Government Code Section 157.101 assigns the authority to establish and amend benefit provisions to Commissioner's Court. Monthly medical contributions required by retirees are as follows:

	<u>Retiree</u>	<u>Retiree & Spouse</u>	<u>Retiree & 1 Child</u>	<u>Retiree & Children</u>	<u>Retiree & Family</u>
Medical/Tx	\$ 250.78	\$460.78	\$400.78	\$425.78	\$525.78

Membership in the plan at 10/1/13, the date of the latest actuarial valuation, consists of the following:

Active Members:	1,531 members
Retirees and beneficiaries receiving benefits:	44 members

For 2014 the Annual OPEB costs (expense) for the post employment healthcare plan was \$2,674,781. The County's annual OPEB cost, the % of annual OPEB cost contributed to the plan, and the net OPEB obligation for the prior 3 years is listed in the following table:

*	<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	9/30/12	\$ 4,048,102	12.3%	\$ 20,395,756
	9/30/13	\$ 4,187,637	15.2%	\$ 23,948,174
	9/30/14	\$ 2,674,781	24.5%	\$ 25,967,410

* Information presented is inclusive for the local government of Cameron County.

Funded Status and Funding Progress: The following table shows the schedules of Funding Progress required under GASB45:
 Unfunded 4.0% Discount Rate

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
10/1/11	\$ 0	\$21,378,645	\$21,378,645	0.0%	\$50,560,206	42%
10/1/12	\$ 0	\$21,378,645	\$21,378,645	0.0%	\$50,560,206	42%
10/1/13	\$ 0	\$20,309,475	\$20,309,475	0.0%	\$53,554,133	38%

Information presented is inclusive for the local government of Cameron County.

Cameron County's actuarial study was completed as of 10/1/13. The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. Under this methodology, the actuarial present value of projected benefits is the value of benefits expected to be paid for current employees and retirees and is calculated based on the assumptions and census data included in this actuarial study. The Actuarial Accrued Liability (AAL) is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The present value of benefits multiplied by a fraction equal to service to date over service at expected retirement is the AAL. The Normal Cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

Note 9 – Other Post Employment Benefits (continued)

retirement. It is presumed that retirees are not accruing anymore service, therefore their normal cost is zero. In determining the Annual Required Contribution (ARC), the Unfunded AAL is calculated as a level dollar over the remaining amortization years on a fresh-start basis as of the subsequent valuation. This method is easy to understand and widely used for the valuation of post employment benefits other than pensions and the benefits were allocated by a consistent formula over the years. The County's annual OPEB cost and the net OPEB obligation is based on a 4.0% discount rate and amortizing the initial unfunded actuarial liability over a closed 30 year amortization base. Information presented in Note 9 is inclusive for the local government of Cameron County. Financial disclosure as presented for International Toll Bridge Financial Statements is limited to recognition for this enterprise fund.

Additional Disclosures

Texas Local Government Code, Chapter 175 requires counties make available continued health benefits coverage to retirees and their dependents beyond the end of an individual's employment with County. Texas Law does not require counties to fund all or any portion of such coverage. Effective October 1, 2007, Cameron County discontinued medical coverage after age 65. The County may incur a debt obligation to pay for OPEB for its retired employees so long as the County follows the constitutional requirement that it have sufficient taxing authority available at the time such debt is incurred to provide the payment of the debt and has levied a tax for such purpose. Cameron County has not incurred a legal debt obligation for OPEB nor has it levied a tax for the same. Currently, the County funds costs associated with OPEB on a current "pay as you go" basis for each single year through annual appropriations authorized by Commissioners Court during the annual County Budget Adoption Process.

GASB 45 was implemented during fiscal year 2008. Information and amounts presented in the County's Comprehensive Annual Financial Report relative to OPEB expense/expenditures, related liabilities (assets), note disclosures, and supplementary information are only intended to achieve compliance with the requirements of generally accepted accounting principles (GASB 45) and does not constitute or imply that the County has made a commitment or is legally obligated to provide OPEB benefits.

Note 10 – Interfund Receivables and Payables

The Cameron County International Toll Bridge System operates three international toll bridges: 1) Veteran's International Toll Bridge at Los Tomates (V.I.T.B), 2) Free Trade Bridge at Los Indios (Free Trade); and 3) Gateway International Toll Bridge (Gateway). Each bridge has an operating fund which funds the long-term debt as well as the debt reserve requirements.

Intra-system transfers are reflected in the individual bridge statements; however, the intra-system transfers and loans are not reflected in the System-wide statements provided on pages 1 through 4 in this report.

Interfund Fund	Interfund Receivable	Payable
Veterans Operating	\$ 583,028	\$ 4,317,890
Free Trade Operating	4,341,182	3,815,553
Gateway Operating	<u>3,588,793</u>	<u>379,560</u>
	<u>\$8,513,003</u>	<u>\$8,513,003</u>

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

To the Honorable County Judge and
Commissioners' Court
Cameron County, Texas

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as of and for the year ended September 30, 2014 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Long Chilton LLP

Brownsville, Texas
March 25, 2015

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
SCHEDULE OF INSURANCE COVERAGE
SEPTEMBER 30, 2014

INSURER	COVERAGE	AMOUNT OF COVERAGE	LATEST POLICY EXPIRATION DATE	ASSETS COVERED	PREMIUM	DEDUCTIBLE
Star Surplus Insurance Company AM Best rating: A XV #MASSNY00003814	Gateway Bridge property damage	\$ 3,300,000	7/1/2015	Bridge physical damage	32,943	\$25,000 all covered losses incl. earth movement & water (Higher of 3% or \$100,000 each occurrence caused by Wind & Hail)
HISCOX INSURANCE CO. - AM Best Rating: A XII Policy #UTS232436514 Terrorism	Gateway Bridge use and occupancy coverage	5,500,000	7/1/2015	Lost business income		48 hrs business interruption waiting period; 72 hrs business interruption waiting period caused by Wind & Hail; payable up to scheduled limit
Star Surplus Insurance Company AM Best rating: A XV #MASSNY00003814	Free Trade Bridge property damage terrorism incl.	4,900,000	7/1/2015	Bridge physical damage	27,695	\$25,000 all covered losses incl. earth movement & water (Higher of 3% or \$100,000 each occurrence caused by Wind & Hail)
HISCOX INSURANCE CO. - AM Best Rating: A XII Policy #UTS232436514 Terrorism	Free Trade Bridge use and occupancy	2,500,000	7/1/2015	Lost business income		48 hrs business interruption waiting period; 72 hrs business interruption waiting period caused by Wind & Hail; payable up to scheduled limit
Star Surplus Insurance Company AM Best rating: A XV #MASSNY00003814	Veterans Int. Bridge property damage terrorism incl.	4,900,000	7/1/2015	Bridge physical damage	42,682	\$25,000 all covered losses incl. earth movement & water (Higher of 3% or \$100,000 each occurrence caused by Wind & Hail)
HISCOX INSURANCE CO. - AM Best Rating: A XII Policy #UTS232436514 Terrorism	Veterans Int. Bridge use and occupancy terrorism incl.	6,500,000	7/1/2015	Lost business income		48 hrs business interruption waiting period; 72 hrs business interruption waiting period caused by Wind & Hail; payable up to scheduled limit
Harleysville Insurance Co	Gateway Flood Insurance Standard NFIP Policy	133,100	8/24/2015	Building (toll booths)		
Harleysville Insurance Co	Gateway Flood Insurance Preferred Risk NFIP Policy	250,000	8/24/2015	Administration building		1,000
Harleysville Insurance Co	Gateway Flood Insurance Preferred Risk NFIP Policy	50,000	8/24/2015	Administration building content	2,801	1,000
National Union Fire Ins Co 7/1/14 to 7/1/2015 Policy # 01-277-24-44	Government Crime Policy Employee Crime Policy Form F	500,000 - 150,000	7/1/2015	Employee dishonesty - crime	8,851	7500-1500
Policy # 01-277-24-44	Employee Theft, forgery, alteration, robbery, computer fraud	500,000 Form F money orders & counterfeit currency 500,000 Form F wire funds	7/1/2014 7/1/2014			
Continental Casualty Co.	Veterans Bridge Fire, extended coverage, malicious mischief, excess flood, named storm	1,725,002	7/1/2015	Building	7,153	\$10,000 all covered losses except \$25,000 earthquake & flood; 2% of insured value subject to \$10,000 minimum named storm
Policy # OP0000037	Veterans Bridge Fire, extended coverage, malicious mischief, excess flood, named storm	45,784	7/1/2015	Contents		as above
	Veterans Bridge Fire, extended coverage, malicious mischief, excess flood, named storm	270,000	7/1/2015	EDP		as above
Star Surplus Insurance Company	Los Indios Bridge Fire, extended coverage, malicious mischief, excess flood, named storm	600,027	7/1/2015	Building	2,708	\$10,000 all covered losses except \$25,000 earthquake & flood; 2% of insured value subject to \$10,000 minimum named storm
Policy # OP0000037	Los Indios Bridge Fire, extended coverage, malicious mischief, excess flood, named storm	53,608	7/1/2015	Contents		as above
	Los Indios Bridge Fire, extended coverage, malicious mischief, excess flood, named storm	119,000	7/1/2015	EDP		as above
Hiscox (Lloyds)	Gateway Bridge Fire, extended coverage, malicious mischief, excess flood, named storm	521,500	7/1/2015	Building	2,245	\$10,000 all covered losses except \$25,000 earthquake & flood; 2% of insured value subject to \$10,000 minimum named storm
Policy # OP0000037	Gateway Bridge Fire, extended coverage, malicious mischief, excess flood, named storm	25,000	7/1/2015	Contents		as above
	Gateway Bridge Fire, extended coverage, malicious mischief, excess flood, named storm	94,000	7/1/2015	EDP		as above
Texas Association of Counties	Automobile Liability - International Toll Bridge System	100,000/200,000	7/1/2014	Bodily Injury per person/per occurrence	3,573	1,000
		100,000		Property Damage		
TAC	Automobile physical damage	Cash value or cost of repair	7/1/2015	Vehicles		1,000
Texas Association of Counties	General Liability	100,000/300,000	7/1/2015	Bodily Injury per person/per occurrence		
		100,000/100,000		Property damage per occurrence/aggregate		
		50,000		Rented Premise Damages to named Member		
		100,000/100,000		Employee benefit per claim/aggregate		
		100,000/200,000		Person & Advertising Injury Liability		
		5,000,000		Medical Payment per person		
Texas Association of Counties	Workers Compensation	Unlimited	12/31/2013	On the job injuries		



CAMERON COUNTY, TEXAS
International Toll Bridge system
GATEWAY INTERNATIONAL TOLL BRIDGE
STATEMENT OF NET POSITION
Year Ended September 30, 2014

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 4,070,149
Accounts Receivable	80,684
Prepaid expenses	30,300
Due from other funds	3,588,793
Due from other Governments	<u>3,341,687</u>

TOTAL CURRENT ASSETS	<u>11,111,613</u>
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RESTRICTED ASSETS

Revenue Bond Debt Service Fund:	
Cash & cash equivalents	394,402
Revenue Bond Operating Reserve Fund:	
Cash & cash equivalents	441,916
Capital Improvements Fund:	
Cash & Cash Equivalents	<u>1,172,971</u>

TOTAL RESTRICTED ASSETS	<u>2,009,289</u>
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CAPITAL ASSETS

Depreciable Assets:	
Toll bridge and approaches	2,065,384
Toll booths and equipment	1,349,296
Administration building	437,137
Furniture, fixtures, and equipment	24,972
Vehicles	<u>67,097</u>
	3,943,886
Less: accumulated depreciation	<u>(3,923,428)</u>
Net depreciable assets	20,458
Land	2,549,290
Construction in Process	<u>3,382,688</u>

TOTAL CAPITAL ASSETS	<u>5,952,436</u>
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TOTAL ASSETS	<u>\$ 19,073,338</u>
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CAMERON COUNTY, TEXAS
International Toll Bridge system
GATEWAY INTERNATIONAL TOLL BRIDGE
STATEMENT OF NET POSITION
Year Ended September 30, 2014

LIABILITIES

LIABILITIES

Current Liabilities (payable from Current Assets):	
Accounts payable	\$ 60,368
Wages and fringe benefits payable	23,800
Accrued Uncompensated Absences	780
Due to Other Governments	2,776,787
Due to Other Funds	379,560
Total Current Liabilities (payable from Current Assets)	<u>3,241,295</u>
Current Liabilities (payable from Restricted Assets):	
Deposits	13,250
Current maturities of Certificates of Obligation	148,133
Total Current Liabilities (payable from Restricted Assets)	<u>161,383</u>
Long-Term Liabilities:	
Revenue Bonds Payable (net of current portion)	-
Certificates of Obligation	3,583,853
Less: Unamortized discount	25,336
Unfunded Actuarial Accrued Liability	500,566
Total Long-Term Liabilities	<u>4,109,755</u>
TOTAL LIABILITIES	<u><u>7,512,433</u></u>

NET POSITION

Net investment in capital assets	3,418,757
Restricted For:	
Capital Improvements	1,172,971
Revenue Bond Debt Service	394,402
Revenue Bond Debt Reserve	441,916
Revenue Bond Operating Reserve	250,000
Unrestricted	<u>5,882,859</u>
TOTAL NET POSITION	<u><u>\$ 11,560,905</u></u>

The notes to the financial statements are an integral part of this statement

CAMERON COUNTY, TEXAS
International Toll Bridge system
GATEWAY INTERNATIONAL TOLL BRIDGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended September 30, 2014

<u>OPERATING REVENUES</u>	
Tolls	\$ 6,403,243
Rental income	225,732
Miscellaneous	-
TOTAL OPERATING REVENUES	<u>6,628,975</u>
<u>OPERATING EXPENSES</u>	
Salaries	660,355
Employee benefits	284,154
Supplies	11,317
Uniforms	19,331
Audit and legal	6,000
Other Pension Costs	38,700
Other Professional Services	-
Repairs and maintenance	10,150
Travel	64
Utilities	24,601
Insurance	35,698
Contractual	5,890
Depreciation	1,511
Other	6,179
TOTAL OPERATING EXPENSES	<u>1,103,950</u>
OPERATING INCOME (LOSS)	<u>5,525,025</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest on investments and receivables	20,301
Interest and fiscal fees on revenue bonds	<u>(199,706)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(179,405)</u>
INCOME BEFORE TRANSFERS	5,345,620
Transfer In	-
Transfer Out General Fund	(4,954,779)
Transfer Out I&S Fund	<u>(247,750)</u>
CHANGE IN NET POSITION	143,091
Net Position - beginning	11,417,814
Prior Period Adjustment	<u>-</u>
Net Position - ending	<u>\$ 11,560,905</u>

The notes to the financial statements are an integral part of this statement.

CAMERON COUNTY, TEXAS
International Toll Bridge System
FREE TRADE BRIDGE AT LOS INDIOS
STATEMENT OF NET POSITION
Year Ended September 30, 2014

ASSETS

CURRENT ASSETS

Cash & Cash Equivalents	\$ 201,549
Accounts Receivable	102
Due from other funds	4,341,182
Prepaid expenses	22,238
TOTAL CURRENT ASSETS	<u>4,565,071</u>

RESTRICTED ASSETS

Revenue Bond Debt Service Fund:	
Cash & Cash Equivalents	230,243
Revenue Bond Debt Reserve Fund:	
Cash & Cash Equivalents	283,235
Capital Improvements Fund:	
Cash & Cash Equivalents	308,291
TOTAL RESTRICTED ASSETS	<u>821,769</u>

CAPITAL ASSETS

Depreciable Assets:	
Toll bridge and approaches	5,648,048
Toll booths and equipment	681,468
Administration building	490,321
Furniture, fixtures, and equipment	13,511
Vehicles	59,256
	<u>6,892,604</u>
Less: accumulated depreciation	(6,257,262)
Net depreciable assets	635,342
Land	912,098
Construction in Process	387,442
	<u>1,934,882</u>
TOTAL CAPITAL ASSETS	<u>1,934,882</u>
TOTAL ASSETS	<u>\$ 7,321,722</u>

CAMERON COUNTY, TEXAS
International Toll Bridge System
FREE TRADE BRIDGE AT LOS INDIOS
STATEMENT OF NET POSITION
Year Ended September 30, 2014

LIABILITIES

LIABILITIES

Current Liabilities (payable from current assets)	
Accounts payable	\$ 40,657
Wages and fringe benefits payable	12,631
Retainage Payable	7,197
Deposits	49,252
Due to other Governments	1,753,714
Due to other funds	3,815,552
Total Current Liabilities (payable from Current Assets)	<u>5,679,003</u>
Current Liabilities (payable from Restricted Assets):	
Deposits	2,067
Current Maturities of Certificate of Obligation	20,640
Total Current Liabilities (payable from Restricted Assets)	<u>22,707</u>
Long-Term Liabilities:	
Certificates of Obligation	407,040
Unfunded Actuarial Accrued Liability	251,313
Total Long-Term Liabilities	<u>658,353</u>
TOTAL LIABILITIES	<u>6,360,063</u>

NET POSITION

Net investment in capital assets	1,815,493
Restricted For:	
Capital Improvements	308,291
Restricted for Revenue Bond Debt Service	230,243
Restricted for Revenue Bond Debt Reserve	283,235
Unrestricted	<u>(1,675,603)</u>
TOTAL NET POSITION	<u>\$ 961,659</u>

The notes to the financial statements are an integral part of this statement

CAMERON COUNTY, TEXAS
International Toll Bridge System
FREE TRADE BRIDGE AT LOS INDIOS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended September 30, 2014

<u>OPERATING REVENUES</u>	
Tolls	\$ 1,794,124
Rental Income	46,294
TOTAL OPERATING REVENUES	<u>1,840,418</u>
<u>OPERATING EXPENSES</u>	
Salaries	384,016
Employee benefits	156,358
Supplies	10,229
Uniforms	2,934
Audit and legal	5,000
Other Pension Costs	17,862
Other Professional Service	10,000
Repairs and maintenance	12,650
Travel and Training	3,011
Utilities	47,239
Insurance	30,648
Contractual	5,874
Depreciation	64,392
Other	17,385
TOTAL OPERATING EXPENSES	<u>767,598</u>
OPERATING INCOME (LOSS)	<u>1,072,820</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Intergovernmental agreement-Hgn. & San Benito	(375,388)
Interest on investments and receivables	1,804
Interest on revenue bonds & fiscal fees	<u>(86,171)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(459,755)</u>
INCOME BEFORE TRANSFERS	<u>613,065</u>
Transfer Out General Fund	(375,387)
Transfer Out I&S Fund	<u>(71,024)</u>
CHANGE IN NET POSITION	166,654
Net Position - beginning	<u>795,005</u>
Net Position - ending	<u>\$ 961,659</u>

The notes to the financial statements are an integral part of this statement

CAMERON COUNTY, TEXAS
International Toll Bridge System
VETERANS INTERNATIONAL TOLL BRIDGE
STATEMENT OF NET POSITION
Year Ended September 30, 2014

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 4,978,665
Accounts Receivable	2,352
Prepaid Expenses	38,075
Due from other funds	583,028
Due from other Governments	40,390
	<hr/>
TOTAL CURRENT ASSETS	5,642,510

RESTRICTED ASSETS

Revenue Bond Debt Service Fund:	
Cash and cash equivalents	946,873
Revenue Bond Debt Reserve Fund:	
Cash and cash equivalents	1,329,937
Capital Improvements Fund:	
Cash and cash equivalents	2,875,782
	<hr/>
TOTAL RESTRICTED ASSETS	5,152,592

CAPITAL ASSETS

Depreciable Assets:	
Toll bridge and approaches, and toll booths	24,369,941
Administration building	2,597,230
Furniture, fixtures, and equipment	1,135,800
Vehicles	126,060
	<hr/>
	28,229,031
Less: accumulated depreciation	(10,954,092)
Net depreciable assets	<hr/>
	17,274,939
Land	577,403
Construction in Progress	596,430
	<hr/>
TOTAL CAPITAL ASSETS	18,448,772

TOTAL ASSETS	<hr/> \$ 29,243,874
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CAMERON COUNTY, TEXAS
International Toll Bridge System
VETERANS INTERNATIONAL TOLL BRIDGE
STATEMENT OF NET POSITION
Year Ended September 30, 2014

LIABILITIES

LIABILITIES

Current Liabilities (payable from Current Assets):	
Accounts payable	\$ 107,660
Wages & Fringes Payable	37,068
Retainage Payable	143,959
Accrued Uncompensated Absences	7,536
Deposits	148,813
Due to Other governments	1,017,999
Due to Other Funds	4,317,891
Total Current Liabilities (payable from Current Assets)	<u>5,780,926</u>

Current Liabilities (payable from Restricted Assets):	
Reserve	75,688
Current Maturities of Revenue & CO Bonds	1,280,117
Accrued bond interest payable	<u>81,806</u>
Total Current Liabilities (payable from Restricted Assets)	<u>1,437,611</u>

Long-Term Liabilities:	
Revenue Bonds Payable (net of current portion)	3,660,000
Certificates of Obligation	7,634,096
Less: Unamortized discount and issue costs	39,015
Unfunded Actuarial Accrued Liability	620,170
Total Long-Term Liabilities	<u>11,953,281</u>
TOTAL LIABILITIES	<u>19,171,818</u>

NET POSITION

Net investment in capital assets	8,789,356
Restricted For:	
Capital Improvements	2,875,782
Revenue Bond Debt Service	946,873
Revenue Bond Debt Reserve	1,329,937
Unrestricted	<u>(3,869,892)</u>
TOTAL NET POSITION	<u>\$ 10,072,056</u>

The notes to the financial statements are an integral part of this statement

International Toll Bridge System
VETERANS INTERNATIONAL TOLL BRIDGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended September 30, 2014

<u>OPERATING REVENUES</u>	
Tolls	\$ 7,406,529
Rental Income	187,000
Miscellaneous	57
TOTAL OPERATING REVENUES	<u>7,593,586</u>
<u>OPERATING EXPENSES</u>	
Salaries	1,052,687
Employee benefits	410,540
Supplies	60,571
Uniforms	2,925
Audit and legal	7,000
Other Pension Costs	47,631
Other professional services	7,000
Repairs and maintenance	27,622
Travel and Training	3,758
Utilities	36,217
Advertising	1,740
Insurance	54,434
Contractual	7,120
Depreciation	673,315
Other	29,343
TOTAL OPERATING EXPENSES	<u>2,421,903</u>
OPERATING INCOME (LOSS)	<u>5,171,683</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Intergovernmental agreement-City of Brownsville	(1,825,714)
Grant and Program Revenue	2,422,354
Interest on investments and receivables	28,125
Interest on revenue bonds & fiscal fees	(547,278)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>77,487</u>
INCOME BEFORE TRANSFERS	<u>5,249,170</u>
Transfer Out General Fund	(2,000,714)
Transfer Out I&S Fund	(254,457)
CHANGE IN NET POSITION	<u>2,993,999</u>
Net Position - beginning	<u>7,078,057</u>
Net Position - ending	<u>\$ 10,072,056</u>

The notes to the financial statements are an integral part of this statement.



Cameron County, Texas
International Toll Bridge System
Schedule of Combined Debt Service Requirements

<u>DUE</u>	<u>Principal February/November</u>	<u>Interest February/November</u>	<u>Interest August/November</u>	<u>Fiscal Year Requirements</u>
2015	\$ 1,448,890	\$ 411,347	\$ 380,860	\$ 2,241,097
2016	1,604,382	380,860	346,908	2,332,150
2017	1,682,160	346,908	309,848	2,338,916
2018	1,700,879	309,848	272,801	2,283,528
2019	1,285,849	272,801	241,776	1,800,426
2020	703,731	241,776	224,333	1,169,840
2021	740,478	224,333	204,998	1,169,809
2022	782,997	204,998	183,026	1,171,021
2023	827,423	183,026	159,441	1,169,890
2024	875,767	159,441	135,735	1,170,943
2025	924,110	135,735	110,686	1,170,531
2026	977,272	110,686	82,775	1,170,733
2027	1,034,300	82,775	54,314	1,171,389
2028	1,138,858	54,313	23,091	1,216,262
2029	320,340	23,091	15,884	359,315
2030	335,595	15,884	8,333	359,812
2031	350,848	8,332	-	359,180
TOTAL	<u>\$ 16,733,879</u>	<u>\$ 3,166,154</u>	<u>\$ 2,754,809</u>	<u>\$ 22,654,842</u>

Cameron County, Texas
\$7,950,000 International Toll Bridge System
Revenue Bonds, Series 1998

<u>DUE</u>	<u>Principal November 1</u>	<u>Interest November 1</u>	<u>Interest May 1</u>	<u>Fiscal Year Requirements</u>
2015	\$ 510,000	\$ 64,515	\$ 52,785	627,300
2016	535,000	52,785	40,480	628,265
2017	560,000	40,480	27,600	628,080
2018	585,000	27,600	14,145	626,745
2019	615,000	14,145		629,145
TOTAL	<u><u>\$ 2,805,000</u></u>	<u><u>\$ 199,525</u></u>	<u><u>\$ 135,010</u></u>	<u><u>\$ 3,139,535</u></u>

MBIA Insured, S&P "AAA"

Private Placement to Nationsbank, N.A.

Dated August 1, 1998 Delivery September 10, 1998

Cameron County, Texas
\$4,005,000 International Toll Bridge System
Revenue Refunding Bonds, Series 2007

<u>DUE</u>	<u>Principal November 1</u>	<u>Interest November 1</u>	<u>Interest May 1</u>	<u>Fiscal Year Requirements</u>
2015	425,000	33,652	25,662	484,314
2016	435,000	25,662	17,484	478,146
2017	455,000	17,484	8,930	481,414
2018	475,000	8,930	-	483,930
<u>TOTAL</u>	<u>\$ 1,790,000</u>	<u>\$ 85,728</u>	<u>\$ 52,076</u>	<u>\$ 1,927,804</u>

Cameron County, Texas
\$9,100,000 Certificates of Obligation, Series 2008

	<u>PRINCIPAL FEBRUARY 15</u>	<u>INTEREST FEBRUARY 15</u>	<u>INTEREST AUGUST 15</u>	<u>FISCAL YEAR REQUIREMENTS</u>
2015	\$ 375,648	\$ 221,564	\$ 212,179	\$ 809,391
2016	396,033	212,179	202,285	810,497
2017	416,417	202,285	191,674	810,376
2018	439,713	191,674	180,030	811,417
2019	463,009	180,030	167,306	810,345
2020	489,217	167,306	153,617	810,140
2021	518,337	153,617	138,725	810,679
2022	550,369	138,725	122,569	811,663
2023	582,401	122,569	105,109	810,079
2024	620,257	105,109	86,514	811,880
2025	658,113	86,514	66,785	811,412
2026	698,881	66,785	45,833	811,499
2027	742,561	45,833	23,572	811,966
2028	832,818	23,571	-	856,389
TOTAL	<u><u>\$ 7,783,774</u></u>	<u><u>\$ 1,917,761</u></u>	<u><u>\$ 1,696,198</u></u>	<u><u>\$ 11,397,733</u></u>

Cameron County, Texas
\$4,494,300 Certificates of Obligation, Series 2011

	<u>PRINCIPAL FEBRUARY 15</u>	<u>INTEREST FEBRUARY 15</u>	<u>INTEREST AUGUST 15</u>	<u>FISCAL YEAR REQUIREMENTS</u>
2015	\$ 138,242	\$ 91,616	\$ 90,234	\$ 320,092
2016	238,349	90,234	86,659	415,242
2017	250,743	86,659	81,644	419,046
2018	201,166	81,644	78,626	361,436
2019	207,840	78,626	74,470	360,936
2020	214,514	74,470	70,716	359,700
2021	222,141	70,716	66,273	359,130
2022	232,628	66,273	60,457	359,358
2023	245,022	60,457	54,332	359,811
2024	255,510	54,332	49,221	359,063
2025	265,997	49,221	43,901	359,119
2026	278,391	43,901	36,942	359,234
2027	291,739	36,942	30,742	359,423
2028	306,040	30,742	23,091	359,873
2029	320,340	23,091	15,884	359,315
2030	335,595	15,884	8,333	359,812
2031	350,848	8,332	-	359,180
TOTAL	<u>\$ 4,355,105</u>	<u>\$ 963,140</u>	<u>\$ 871,525</u>	<u>\$ 6,189,770</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the Honorable County Judge and
Commissioners' Court
Cameron County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the International Toll Bridge System of Cameron County, Texas, and have issued our report thereon dated March 25, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the International Toll Bridge System of Cameron County, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the International Toll Bridge System of Cameron County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the International Toll Bridge System of Cameron County, Texas' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Long Chilton LLP", is written in a cursive style.

LONG CHILTON, LLP

Brownsville, Texas
March 25, 2015