

CAMERON COUNTY, TEXAS

INTERNATIONAL TOLL BRIDGE SYSTEM

FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED

SEPTEMBER 30, 2016



COUNTY AUDITORS OFFICE
1100 MONROE
BROWNSVILLE, TEXAS 78520
(956) 544-0822

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
SEPTEMBER 30, 2016

INTERNATIONAL TOLL BRIDGE SYSTEM

SEPTEMBER 30, 2016

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COUNTY AUDITOR
CAMERON COUNTY, TEXAS
1100 MONROE ST.
P.O. BOX 3846
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Martha Galarza, CPA
COUNTY AUDITOR

March 22, 2017

Hon. County Judge, Eddie Trevino
Hon. Commissioner Pct. 1, Sofia Benavides
Hon. Commissioner Pct. 2, Alex Dominguez
Hon. Commissioner Pct. 3, David Garza
Hon. Commissioner Pct. 4, Gus Ruiz
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, 2016 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

INDEPENDENT AUDITORS' 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, an enterprise fund of Cameron County, as of and for the year ended September 30, 2016, and the related notes to the financial statements which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 auditors

consider 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, 2016, and the respective 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reported dated March 22, 2017, 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Brownsville, Texas
March 22, 2017

CAMERON COUNTY INTERNATIONAL TOLL BRIDGE SYSTEM

Management's Discussion and Analysis

September 30, 2016

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, 2016 and 2015. 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 FY2016, the Cameron County International Toll Bridge System generated \$18,381,954 in revenues, of which \$5,784,074 provided for general operations, \$8,100,338 was transferred to Cameron County's general fund and \$3,037,382 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.

	FY2016	FY2015
Current and other assets	\$ 18,007,603	\$ 20,541,658
Capital assets (net of depreciation)	25,107,745	25,798,699
Deferred outflow of resources	1,025,834	133,930
Total Assets	44,141,182	46,474,287
Current and other liabilities	5,827,703	7,807,678
Long term liabilities	14,625,972	15,431,694
Deferred inflow of resources	159,738	16,387
Total Liabilities	20,613,413	23,255,759
Net position:		
Net investment in capital assets	14,482,232	14,351,529
Restricted	6,753,716	7,532,900
Unrestricted	2,291,821	1,334,099
Total net position	\$ 23,527,769	\$ 23,218,528

Summary of Operations and Changes in Net Position

The statement of revenues, expenses, and changes in net position reflect a comparison for FY2016 and 2015. 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 FY2016 and 2015.

	FY 2016	FY 2015
Revenues		
Tolls	\$17,941,681	\$ 15,900,609
Rental income	437,351	488,580
Gain on sale and miscellaneous	2,922	10,032
Investment earnings	<u>46,439</u>	<u>42,562</u>
Total Revenues	<u>18,428,393</u>	<u>16,441,783</u>
Expenses:		
Personnel services	3,801,128	3,689,467
Operations & maintenance	560,646	489,701
Depreciation	<u>1,422,300</u>	<u>1,221,234</u>
Total expenses	<u>5,784,074</u>	<u>5,400,402</u>
Increase (decrease) in net position before transfers	12,644,319	11,041,381
Aid to other governments	(3,037,382)	(2,295,389)
Grant Revenue	-	-
Transfers Out	(8,677,775)	(7,621,386)
Interest and fiscal fees	<u>(619,921)</u>	<u>(600,022)</u>
Increase (decrease) in net assets	309,241	524,584
Net Position - beginning	23,218,528	22,594,620
Prior Period Adjustment	-	99,324
Total net position - end of year	<u>\$ 23,527,769</u>	<u>\$ 23,218,528</u>

Total operating revenues were \$18,379,032, an increase of \$1,989,843 over fiscal year 2015. Toll revenue increased 12.8% due to infrastructure improvements and traffic fluctuations in both passenger and commercial traffic. Concessionaire and rental income decreased by 10% due to reduced pedestrian traffic.

Operating expenses increased by \$182,606 from FY2015 levels, an increase of 4.3%. This increase in operating expenses is attributable to implementation of GASB 68 which requires new reporting standards for public pension plans and participating employers and general operational increases. Actuarial assumptions for determining the pension liability as of December 31, 2015 were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2014, except where required to be different per GASB 68. Recognition of costs per GASB 68 were allocated to International Toll Bridge system based on census data as of the report date. Non-operating cost of depreciation increased by \$201,066 due to asset additions depreciation expense. Changes in net position of \$309,241 were due to the ability to leverage increased operating expenses to the conservative increase in bridge crossings.

Aid to other governments increased by \$741,993 per interlocal agreements; transfers to General Fund increased by \$1,056,389 and interest and fiscal fees increased by \$19,899.

Debt Administration

Long - Term Debt		
	FY 2016	FY 2015
Revenue Bonds	\$ 2,690,000	\$ 3,660,000
Certificates of Obligation	<u>10,865,715</u>	<u>11,500,097</u>
Total long-term debt	13,555,715	15,160,097
Less current portion	<u>(1,820,441)</u>	<u>(1,604,382)</u>
Total long-term debt, net of current portion	<u>\$ 11,735,274</u>	<u>\$ 13,555,715</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 \$1,604,382 due to FY2016 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. The West/East University Blvd. parallel to Texas Southmost College and the newly created University of Texas Rio Grande Valley (UTRGV) connects Gateway Bridge with the Southmost area in Brownsville, which is one of the fastest growing areas in the County. This road is an excellent 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 are now working on expanding the East Loop (SH32) 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 on August 2017. 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 on the U.S. side. 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.

AUTOMATED VEHICLE IDENTIFICATION SYSTEM (AVI)

All County owned bridges offer an automated vehicle identification system (AVI). The customer using the AVI system 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 400 accounts with over 3,000 users. This fiscal year we collected \$3,605,137 in revenues which represents 20.1% of the total toll 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, 2016:

Classification	Sept. 30, 2015	Sept. 30, 2016	Oct. 1, 2016
	Rate	Rate	Rate
Pedestrian	\$ 1.00	\$ 1.00	\$ 1.00
Motorcycle	3.25	3.50	3.50
Passenger	3.25	3.50	3.50
Commercial Vehicles			
Two Axle	8.50	9.50	9.50
Three Axle	12.50	13.50	13.50
Four Axle	14.75	15.75	15.75
Five Axle	19.50	20.50	20.50
Six Axle	22.50	23.50	23.50

CROSSINGS

As of the end of September 30, 2016 a total of 5,562,510 vehicles and pedestrians crossed into Mexico through the County's International Bridges. Total Crossings increased by 5.5% from Year 2015 totals. Total crossings have increased 11.0% since 2012, however, pedestrian crossings have increased 16.0% since 2012, whereas vehicle crossing increased by 6.8% for that same period.

Historical Bridge System Crossing Summary				Revenue Summary		
	Vehicle	Pedestrian	Total	Vehicle	Pedestrian	Total Revenue
	Crossings	Crossings	Crossings	Revenue	Revenue	
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
2015	2,942,287	1,961,924	5,273,613	\$ 9,562,433	\$ 1,961,924	\$ 15,900,709
2016	3,104,092	2,030,564	5,562,510	\$10,864,322	\$ 2,030,564	\$ 17,941,681

for the Free Trade Bridge at Los Indios and the Veterans International Bridge at Los Tomates that can increase commercial traffic. Cameron County has entered into an agreement with the Cities of Harlingen and San Benito to construct a \$500,000 cold storage facility on GSA property at the Free Trade Bridge to attract shippers and carriers moving their product into the United States. This cold storage facility will allow northbound trucks storage of their product pending their final customs inspection to enter the United States. It is anticipated this cold storage facility will increase commercial traffic at this bridge. Harlingen's Economic Development Corporation will manage the construction of this facility. Construction is scheduled to begin early 2017. 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, 2015 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 generate additional commercial traffic. With SpaceX locating in Cameron County it is anticipated that Mexican tourism and traffic will result in more international crossings.

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 accessible 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, 2016

ASSETS

CURRENT ASSETS

Cash & Cash Equivalents	\$ 7,938,148
Accounts receivable - trade	120,254
Prepaid expenses	78,991
Due from other Funds	3,366,494
Due from other governments	-
TOTAL CURRENT ASSETS	<u><u>11,503,887</u></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	61,549
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	15,802
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	2,799,759
TOTAL RESTRICTED ASSETS	<u><u>6,503,716</u></u>

CAPITAL ASSETS

Depreciable Assets:	
Toll bridges and approaches	33,741,959
Toll booths and equipment	2,118,400
Administration building	3,715,428
Furniture, fixtures and equipment	1,212,017
Vehicles	389,368
	<u>41,177,172</u>
Less: accumulated depreciation	<u>(23,778,316)</u>
Net depreciable assets	17,398,856
Land	4,037,468
Construction Work in Progress	3,671,421
TOTAL CAPITAL ASSETS	<u><u>25,107,745</u></u>

DEFERRED OUTFLOW OF RESOURCES

Differences between projected and actual earnings	1,025,834
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u><u>1,025,834</u></u>

TOTAL ASSETS	<u><u>\$ 44,141,182</u></u>
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CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended September 30, 2016

<u>OPERATING REVENUES</u>	
Tolls	\$ 17,941,681
Rental Income	437,351
Miscellaneous	2,922
Gain on Sale of Property	-
TOTAL OPERATING REVENUES	<u>18,381,954</u>
<u>OPERATING EXPENSES</u>	
Salaries	2,482,249
Employee benefits	817,678
Supplies	95,958
Uniforms	39,181
Audit and legal	20,941
Other Pension Costs	269,705
Retirement Expense	231,496
Other professional services	48,300
Repairs and maintenance	53,944
Travel	6,428
Utilities	106,374
Advertising	1,000
Insurance	109,386
Contractual	22,990
Depreciation	1,422,300
Other	56,144
TOTAL OPERATING EXPENSES	<u>5,784,074</u>
OPERATING INCOME (LOSS)	<u>12,597,880</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Intergovernmental agreement	(3,037,382)
Interest on investments and receivables	46,439
Interest and fiscal fees on revenue bonds	(619,921)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(3,610,864)</u>
INCOME BEFORE TRANSFERS	
Transfer Out - General Fund	(8,100,338)
Transfer Out - I & S Fund	<u>(577,437)</u>
CHANGE IN NET POSITION	309,241
Net Position - beginning	23,218,528
Net Position - ending	<u>\$ 23,527,769</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, 2016

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 2015, 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, 2016

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 22, 2017, 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 \$5,000,000 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 \$4,500,000 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 \$5,000,000 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 19, 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, 2016

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

On February 12, 2015 Cameron County issued \$18,100,000 Limited Tax Refunding Bonds, Series 2015 with interest rates ranging from 3.0% to 5.0%. The proceeds were used to refund \$525,000 Unlimited Tax Road Bonds, Series 2005, \$5,645,000 Certificates of Obligation, Series 2007, \$10,490,000 Certificates of Obligation, Series 2008 and \$1,675,000 Unlimited Tax Road Bonds, Series 2008 with interest rates ranging from 4.00% to 6.125%. The 2014 Limited Tax Refunding Bonds carried an initial principal amount of \$18,335,000 but were sold at a net premium of \$2,338,519. Cameron County cash contribution of \$177,529 and incurred issuance cost, insurance premium and underwriting fees of 283,639 the net proceeds were \$20,332,410.

The net proceeds from the issuance of the Limited Tax Refunding Bonds, Series 2015 have been deposited in the Escrow Fund to refund the Refunding Obligations. The accuracy and sufficiency of such deposits to make payments has been confirmed by The Financial Advisor and such amounts will be held in an escrow fund under an Escrow Agreement dated March 1, 2015 between the Issuer and the Escrow Agent. Funds held by the Escrow Agent are irrevocably pledged to the payment of principal and interest on the Refunded Obligations and will be used to purchase certain United States obligations and obligations of agencies or instrumentalities of the United States. The advance refunding by Cameron County has effected the defeasance of the Refunded Obligations in accordance with Law. The Refunded Obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the Federal Securities and funds as provided for in the Escrow Agreement. The purpose of this Refunding was to restructure debt service payments, to obtain net present value savings of \$1,587,781 and for the payment of related Refunding Bond issuance costs.

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, 2016

B. Veteran's International Toll Bridge at Los Tomates (continued)

Note 5 – Commitments (continued)

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.

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 \$2,411,486 in surplus from operations through September 30, 2016 as defined by their governing interlocal agreement.

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

Year Ended September 30,	Cameron County	City of Brownsville	Total Surplus (Deficiency)
2016	\$ 2,411,486	\$ 2,411,486	\$ 4,822,972
2015	1,876,662	1,876,662	3,753,324
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
Totals	<u>\$25,803,256</u>	<u>\$25,803,256</u>	<u>\$51,606,512</u>

The Debt Reserve funds set aside to provide for the Veteran's International Toll Bridge at Los Tomates (VITB) is funded at 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, 2016 were \$20,377.

Note 7 – Deposits and Investments
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.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2016

Note 9 – Net Pension Liability

Governmental Accounting Standards Board issued Statement No. 68 which are new reporting standards for public pension plans and participating employers which address specifics of reporting public pension plan obligations for employers. Net pension liability (NPL) for Cameron County was determined on an actuarial valuation as of the valuation date. The International Toll Bridge System recognized pension expense costs of \$171,322 as a result of this implementation.

Note 10 – 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:	1,643 members
Retirees and beneficiaries receiving benefits:	54 members

For 2016 the Annual OPEB costs (expense) for the post employment healthcare plan was \$1,639,712. 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>
	9/30/14	\$ 2,674,781	24.5%	\$ 25,967,410
	9/30/15	\$ 4,326,235	16.8%	\$ 29,568,978
	9/30/16	\$ 2,092,561	21.6%	\$ 31,208,690

* 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 as of 10/1/13, Discount Rate of 3% as of 10/1/15

<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>
10/1/13	\$ 0	\$20,309,475	\$20,309,475	0.0%	\$53,554,133	38%
10/1/14	\$ 0	\$20,309,475	\$20,309,475	0.0%	\$53,554,133	38%
10/1/15	\$ 0	\$19,889,957	\$19,889,957	0.0%	\$64,721,103	31%

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

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2016

Note 11 – 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	Interfund Payable
Veterans Operating Bridge	\$ -	\$ 384,682
Free Trade Bridge	222,206	-
Gateway Bridge	162,476	-
	<u>\$ 384,682</u>	<u>\$ 384,682</u>

**INDEPENDENT AUDITORS' 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, 2016 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.

Carr, Riggs & Ingram, LLC

CARR, RIGGS & INGRAM, LLC

Brownsville, Texas
March 22, 2017

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
SCHEDULE OF INSURANCE COVERAGE
SEPTEMBER 30, 2016

INSURER	COVERAGE	AMOUNT OF COVERAGE	LATEST POLICY DATE	EXPIRATION DATE	ASSETS COVERED	PREMIUM	DEDUCTIBLE
Zurich American Insurance Company	Gateway Bridge property damage	\$	7/1/2017		Bridge physical damage	18,574	\$25,000 all covered losses incl. covered property, surveillance equipment and earthquake, \$100,000 Flood, \$250,000 named storm
Zurich American Insurance Company	Gateway Bridge use and occupancy	6,685,600	7/1/2017		Lost business income	8,264	7 Day waiting period
Zurich American Insurance Company	Maximum per occurrence by earthquake, flood, storm	61,389,110					\$25,000 all covered losses incl. covered property, surveillance equipment and earthquake, \$100,000 Flood, \$250,000 named storm
Zurich American Insurance Company	Free Trade Bridge property damage	\$	7/1/2017		Bridge physical damage	18,574	7 Day waiting period
Zurich American Insurance Company	Free Trade Bridge use and occupancy	15,000,000	7/1/2017		Lost business income	1,971	
Zurich American Insurance Company	Maximum per occurrence by earthquake, flood, storm	61,389,110					
Zurich American Insurance Company	Veracruz Int. Bridge property damage	\$	7/1/2017		Bridge physical damage	18,574	\$25,000 all covered losses incl. covered property, surveillance equipment and earthquake, \$100,000 Flood, \$250,000 named storm
Zurich American Insurance Company	Veracruz Int. Bridge use and occupancy	15,000,000	7/1/2017		Lost business income	8,855	7 Day waiting period
Zurich American Insurance Company	Maximum per occurrence by earthquake, flood, storm	61,389,110					
Hiscox, Hannover Group/Continental Casualty	Buildings, Ext Coverage, Mischief/Flood	399,500	7/1/2017		Administrative Bldg, Toll Booths		10,000 each occurrence combined for all- repair/replacement cost as listed above
Hiscox, Hannover Group/Continental Casualty	Buildings, Ext Coverage, Mischief/Flood	94,000	7/1/2017		Electronic Data Equipment		
Hiscox, Hannover Group/Continental Casualty	Buildings, Ext Coverage, Mischief/Flood	25,000	7/1/2017		Administration building content	1,222	
Hannover Insurance Group							
		500,000	7/1/2017		Public Employee Theft	6,397.00	7,500 per loss
		250,000	7/1/2017		Forgery or Alteration		
		150,000	7/1/2017		Inside Premises Security/Money Theft		
		150,000	7/1/2017		Outside Premises		
		500,000	7/1/2017		Money Orders/Counterfeit Car		
Hiscox, Hannover Group/Continental Casualty	Buildings, Ext Coverage, Mischief/Flood	582,027	7/1/2017		Building	1,779	10,000 each occurrence combined for all- repair/replacement cost as listed above
Hiscox, Hannover Group/Continental Casualty	Buildings, Ext Coverage, Mischief/Flood	53,668	7/1/2017		Contents		
Hiscox, Hannover Group/Continental Casualty	Buildings, Ext Coverage, Mischief/Flood	119,000	7/1/2017		EDP		
Hiscox, Hannover Group/Continental Casualty	Buildings, Ext Coverage, Mischief/Flood	1,735,002	7/1/2017		Building	4,812	10,000 each occurrence combined for all- repair/replacement cost as listed above
Hiscox, Hannover Group/Continental Casualty	Buildings, Ext Coverage, Mischief/Flood	45,784	7/1/2017		Contents		
Hiscox, Hannover Group/Continental Casualty	Buildings, Ext Coverage, Mischief/Flood	270,000	7/1/2017		EDP		
Texas Association of Counties	Automobile Liability - International Toll Bridge System	100,000/300,000	7/1/2017		Bodily Injury per person/per occurrence	3,573	
		100,000			Property Damage		
TAC	Automobile physical damage	Cash value or cost of repair	7/1/2017		Vehicles		1,000
Texas Association of Counties	General Liability	100,000/300,000	7/1/2017		Bodily Injury per person/per occurrence		
		100,000/100,000			Property damage per occurrence/aggregate		
		50,000			General Kitchens Liability		
		100,000/100,000			Employee Benefits Liability		
		100,000/300,000			Person & Advertising Injury Liability/Aggregate		
		5,000			Medical payment per person		
Total Association of Counties	Workers Compensation - self insured	1,000,000	1/1/2018		Death by accident per accident	299,421	\$100,000/\$1,000,000
		1,000,000			Death by disease cash claimant		\$100,000/\$1,000,000
		2,000,000			Aggregate per coverage period		\$100,000/\$1,000,000

CAMERON COUNTY, TEXAS
International Toll Bridge system
GATEWAY INTERNATIONAL TOLL BRIDGE
STATEMENT OF NET POSITION
Year Ended September 30, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 5,234,721
Accounts Receivable	109,685
Prepaid expenses	24,479
Due from other funds	162,476
Due from other Governments	<u>3,366,494</u>
TOTAL CURRENT ASSETS	<u>8,897,855</u>

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>61,549</u>
TOTAL RESTRICTED ASSETS	<u>897,867</u>

CAPITAL ASSETS

Depreciable Assets:	
Toll bridges and approaches	2,667,167
Toll booths and equipment	1,392,000
Administration building	437,137
Furniture, fixtures, and equipment	24,972
Vehicles	<u>67,097</u>
	4,588,373
Less: accumulated depreciation	<u>(4,024,522)</u>
Net depreciable assets	563,851
Land	2,549,290
Construction in Process	<u>3,615,421</u>
TOTAL CAPITAL ASSETS	<u>6,728,562</u>

DEFERRED OUTFLOW OF RESOURCES

Differences between projected and actual earnings	<u>379,558</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>379,558</u>
TOTAL ASSETS	<u>\$ 16,903,842</u>

CAMERON COUNTY, TEXAS
International Toll Bridge system
GATEWAY INTERNATIONAL TOLL BRIDGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended September 30, 2016

<u>OPERATING REVENUES</u>		
Tolls	\$	6,748,309
Rental income		206,150
Miscellaneous		2,922
TOTAL OPERATING REVENUES		<u>6,957,381</u>
<u>OPERATING EXPENSES</u>		
Salaries		810,822
Employee benefits		361,882
Supplies		19,123
Uniforms		15,966
Audit and legal		6,647
Other Pension Costs		100,774
Other Professional Service		12,500
Repairs and maintenance		6,951
Travel		840
Utilities		25,840
Advertising		-
Insurance		36,027
Contractual		6,217
Depreciation		66,516
Other		9,482
TOTAL OPERATING EXPENSES		<u>1,479,587</u>
OPERATING INCOME (LOSS)		<u>5,477,794</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest on investments and receivables		16,798
Interest and fiscal fees on revenue bonds		<u>(157,822)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)		<u>(141,024)</u>
INCOME BEFORE TRANSFERS		5,336,770
Transfer In		182,456
Transfer Out General Fund		(4,887,956)
Transfer Out I&S Fund		<u>(249,568)</u>
CHANGE IN NET POSITION		381,702
Net Position - beginning		11,944,335
Prior Period Adjustment		-
Net Position - ending	\$	<u><u>12,326,037</u></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, 2016

LIABILITIES

LIABILITIES

Current Liabilities (payable from current assets)	
Accounts payable	\$ 43,663
Wages and fringe benefits payable	2,111
Accrued Uncompensated Absences	1,759
Retainage Payable	-
Deposits	-
Due to other Governments	1,838,770
Due to other funds	-
Total Current Liabilities (payable from Current Assets)	<u>1,886,303</u>
Current Liabilities (payable from Restricted Assets):	
Deposits	2,067
Current Maturities of Certificate of Obligation	<u>31,899</u>
Total Current Liabilities (payable from Restricted Assets)	<u>33,966</u>
Long-Term Liabilities:	
Certificates of Obligation	323,025
Unfunded Actuarial Accrued Liability	308,806
Pension Liability	<u>249,290</u>
Total Long-Term Liabilities	<u>881,121</u>
DEFERRED INFLOW OF RESOURCES	
Differences between expected and actual experience	<u>33,545</u>
TOTAL DEFERRED INFLOW OF RESOURCES	<u>33,545</u>
TOTAL LIABILITIES	<u>2,834,935</u>
<u>NET POSITION</u>	
Net investment in capital assets	1,525,901
Restricted For:	
Capital Improvements	15,802
Restricted for Revenue Bond Debt Service	230,243
Restricted for Revenue Bond Debt Reserve	283,235
Unrestricted	<u>(1,284,324)</u>
TOTAL NET POSITION	<u>\$ 770,857</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, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,953,112
Accounts Receivable	10,480
Prepaid Expenses	31,058
Due from other funds	-
Due from other Governments	-

TOTAL CURRENT ASSETS

1,994,650

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	2,799,759

TOTAL RESTRICTED ASSETS

5,076,569

CAPITAL ASSETS

Depreciable Assets:	
Toll bridges and approaches, and toll booths	25,041,274
Administration building	2,686,013
Furniture, fixtures, and equipment	1,173,534
Vehicles	263,015
	29,163,836
Less: accumulated depreciation	(13,227,079)
Net depreciable assets	15,936,757
Land	577,403
Construction in Progress	-

TOTAL CAPITAL ASSETS

16,514,160

DEFERRED OUTFLOW OF RESOURCES

Differences between projected and actual earnings	430,851
TOTAL DEFERRED OUTFLOW OF RESOURCES	430,851

TOTAL ASSETS

\$ 24,016,230

International Toll Bridge System
VETERANS INTERNATIONAL TOLL BRIDGE
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 Year Ended September 30, 2016

<u>OPERATING REVENUES</u>	
Tolls	\$ 8,960,933
Rental Income	187,000
Miscellaneous	-
TOTAL OPERATING REVENUES	<u><u>9,147,933</u></u>
<u>OPERATING EXPENSES</u>	
Salaries	1,197,775
Employee benefits	485,972
Supplies	59,488
Uniforms	18,564
Audit and legal	7,647
Other Pension Costs	113,276
Other professional services	17,500
Repairs and maintenance	37,812
Travel and Training	5,518
Utilities	44,210
Advertising	1,000
Insurance	44,633
Contractual	5,059
Depreciation	1,184,229
Other	27,999
TOTAL OPERATING EXPENSES	<u><u>3,250,682</u></u>
OPERATING INCOME (LOSS)	<u><u>5,897,251</u></u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Intergovernmental agreement-City of Brownsville	(2,411,486)
Grant and Program Revenue	-
Interest on investments and receivables	26,420
Interest on revenue bonds & fiscal fees	(414,742)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u><u>(2,799,808)</u></u>
INCOME BEFORE TRANSFERS	<u><u>3,097,443</u></u>
Transfer Out General Fund	(2,586,486)
Transfer Out I&S Fund	(256,324)
Transfer (Operating)	(182,456)
CHANGE IN NET POSITION	<u><u>72,177</u></u>
Net Position - beginning	10,358,698
Prior Period Adjustment	-
Net Position - ending	<u><u>\$ 10,430,875</u></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>
2017	\$ 1,820,441	\$ 316,188	\$ 253,073	\$ 2,389,702
2018	1,845,824	264,717	224,772	2,335,313
2019	1,279,336	224,772	195,058	1,699,166
2020	696,000	195,058	179,267	1,070,325
2021	760,273	179,267	161,371	1,100,911
2022	799,082	161,371	141,393	1,101,846
2023	839,799	141,393	120,399	1,101,591
2024	880,276	120,399	99,669	1,100,344
2025	922,418	99,669	77,938	1,100,025
2026	938,144	77,938	54,485	1,070,567
2027	979,814	54,485	37,964	1,072,263
2028	787,525	37,965	23,091	848,581
2029	320,340	23,091	15,884	359,315
2030	335,595	15,884	8,333	359,812
2031	350,848	8,333	-	359,181
TOTAL	<u>\$ 13,555,715</u>	<u>\$ 1,920,530</u>	<u>\$ 1,592,697</u>	<u>\$ 17,068,942</u>

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>
2017	\$ 455,000	\$ 17,484	\$ 8,930	\$ 481,414
2018	475,000	8,930	-	483,930
<u>TOTAL</u>	<u>\$ 930,000</u>	<u>\$ 26,414</u>	<u>\$ 8,930</u>	<u>\$ 965,344</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>
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	320,340	15,884	8,333	344,557
2031	320,340	8,333	-	328,673
TOTAL	<u>\$ 3,932,751</u>	<u>\$ 781,291</u>	<u>\$ 694,632</u>	<u>\$ 5,408,674</u>

INDEPENDENT AUDITORS' 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 22, 2017.

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.

Carr, Riggs & Ingram, LLC

CARR, RIGGS & INGRAM, LLC

Brownsville, Texas

March 22, 2017