



CITY OF
McALLEN, TEXAS

**Comprehensive Annual
Financial Report**

**For the Fiscal Year Ended
September 30, 2014**



CITY OF **McALLEN,** **Texas**

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2014

Prepared by:
Department of Finance

CITY OF McALLEN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
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JAMES E. DARLING, Mayor
HILDA SALINAS, Mayor Pro-Tem and Commissioner District 3
AIDA RAMIREZ, Mayor Pro-Tem and Commissioner District 4
SCOTT C. CRANE, Commissioner District 1
TREY PEBLEY, Commissioner District 2
JOHN J. INGRAM, Commissioner District 5
VERONICA VELA WHITACRE, Commissioner District 6

March 11, 2015

ROEL RODRIGUEZ, P.E., City Manager

To the Honorable Mayor, Members of the City Commission, Members of the Public Utility Board of Trustees and Citizens of the City of McAllen:

State and local law requires that the City of McAllen publish annually a complete set of audited financial statements. This report, the Comprehensive Annual Financial Report of the City of McAllen, is published to meet that requirement for the fiscal year ended September 30, 2014.

Management assumes full responsibility for the completeness and reliability of the information presented in this report, based upon a comprehensive internal control framework that it has established for this purpose. Since the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The firm of Grant Thornton, L.L.P., Certified Public Accountants, was selected by the City to perform the audit and have issued an unmodified ("clean") opinion on the City of McAllen's financial statements for the year ended September 30, 2014. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Single Audit Act and OMB Circular A-133. Generally accepted auditing standards and the standards set forth in the Government Accountability Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The auditors' report on the basic financial statements and required supplementary information as well as the individual fund statements and schedules are included in the financial section of this report. The auditors' reports on internal controls and compliance with applicable laws and regulations can be found in the single audit section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

The City of McAllen is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* and the *State of Texas Single Audit Circular*. Information related to this single audit, including a schedule of expenditures of federal and state awards, the independent auditors' reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in the single audit section of this report.

PROFILE OF THE GOVERNMENT

The City of McAllen, incorporated in 1911 and the largest city in Hidalgo County, is located at the intersection of U. S. Highway 83 and State Highway 336. It is approximately 230 miles south of San Antonio, 150 miles north of Monterrey, Nuevo Leon, Mexico, a city with a population of over 5.9 million including the surrounding suburbs, and just 7 miles north of Reynosa, Tamps. Mexico. Within a 150-mile radius of McAllen, its trade area represents approximately 10 million people. According to the 2010 census, McAllen's estimated population was 129,877, increasing 23,463 or 22% over that of the 2000 census, 106,414. Using the latest census number as a new base, it is estimated that as of September 30, 2013 and 2014 the population has grown to 135,435 and 137,358 respectively. The City is empowered to levy a property tax on both real and business personal property located within its boundaries. The City also has the power by state statute to extend its corporate limits by annexation, which it has done from time to time, as deemed appropriate by the City Commission.

The City has operated under the council-manager form of government since 1911. Policymaking and legislative authority is vested in the City Commission, which currently consists of a mayor and a six-member commission. The City

Commission is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager, City Secretary, Police Chief, Fire Chief, the City Attorney and the Municipal Judges. The City Manager is responsible for carrying out the policies and ordinances of the City Commission, for overseeing the day-to-day operations of the City, and for appointing the heads of the City's departments. The City Commission is elected on a non-partisan basis. In May 2000 the voters decided in favor of single member district representation. Under this system, City Commission members are elected to four-year staggered terms with three elected every two years. The Mayor was and will continue to be elected at large to four-year terms.

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City of McAllen as legally defined). The City of McAllen provides a full range of services including public safety (primarily police and fire protection), highways and streets, health and welfare, recreational and cultural activities, water, sewer, sanitation and recycling services, a municipal golf course, a civic center, a convention center, an international airport, intermodal transit terminal, a transit system and two international toll bridge operations.

The City acts in the capacity of fiduciary for the Firemen's Relief and Retirement Fund, Developer's Fund, and Communications Group; therefore, these activities are included in the reporting entity. However, the McAllen Independent School District (MISD), McAllen Chamber of Commerce (MCC), McAllen Economic Development Corporation (MEDC), McAllen Affordable Homes of South Texas, Inc., and the Texas Municipal Retirement System (TMRS) do not meet the established criteria for inclusion in the reporting entity, and accordingly are excluded from this report.

The City Commission is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of McAllen financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The legal level of control is at the department level.

LOCAL ECONOMY

Over the last 15 to 20 years, the City's economy has undergone a significant transformation, characterized by a decreasing reliance on agriculture. As a consequence of this transformation, the City has experienced substantial economic growth that has spurred an increase in employment and a decline in its unemployment rate despite brisk growth in the labor force—until it began to experience a slowdown during the last year period. Although the City's economy did not decline to the extent of that experienced by other cities, in both the nation and to a lesser extent the state, it did present some very real challenges during the budget process last year, which persisted, if not more difficult this year compared to the 15 years prior.

According to the Texas Workforce Commission, over the last 10 years the McAllen-Edinburg-Mission MSA employment has grown from 231,999 in 2004 to 284,640 in 2014—a 22.69% increase. At this level, the unemployment rate is 9.8%. Some of the more significant employment numbers by industry, include government; trade, transportation and utilities; education and health services; and leisure and hospitality.

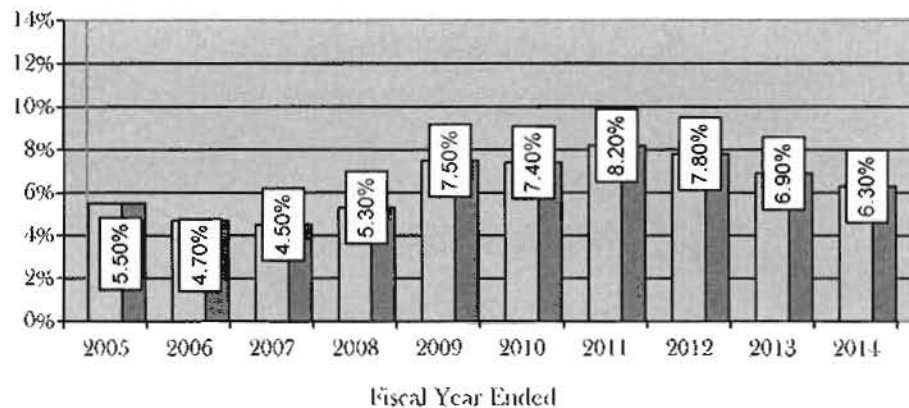
The City's location has positioned it to take advantage of The Maquiladora "Twin Plant" Program, under which U.S. firms locate manufacturing facilities in Mexico accompanied by warehousing facilities in McAllen's foreign trade zone in order to cut labor costs and remain competitive, has been responsible for a large part of the job growth. Since 1988 through 2014, the latest year available, which on a calendar year basis, the McAllen Economic Development Corporation has been responsible for bringing 307 new companies, which including expansions, has created 29,924 jobs in McAllen. Its efforts have also resulted in 357 new companies, which including expansions, has created 133,719 new jobs in Reynosa, Mexico.

The impact of the North American Free Trade Agreement (NAFTA), as it continues to develop, has also played a major role in increased trade with Mexico for the City as well as the State of Texas. During 2013 Texas exported \$101B to Mexico, which represented over 36% of Texas' total exports—making Mexico its Number One Trading Partner. This new level of trade represents a 39% increase from 2010. As NAFTA continues to mature, the City of McAllen's international toll bridge, connecting Hidalgo, Texas with Reynosa, will continue to facilitate trade between Mexico and the U. S.; and, more particularly the City with its proximity to Mexico and strong social, economic and cultural ties with the people of Mexico. The Anzalduas International Crossing also provides another bridge to connect the peoples of the U.S. and Mexico and facilitate economic development opportunities between the two countries.

The City's unemployment rate has declined 1.90% over the last 10 fiscal years with its unemployment rate, in the 5% range during 2005, rising to 7.5% in 2009, decreasing in 2010 to 7.4%, increasing back up to 8.2% in 2011, decreasing

to 7.85 in 2012, before decreasing down to 6.9% in 2013 and further down to 6.3% this year. Although the unemployment rate decreased due to job growth resulting from a decline in the unemployed while the labor market increased.

City of McAllen's Unemployment Rate
Ten Year History



Source: Texas Workforce Commission

Another useful source of information for assessing the City's economy is the *McAllen Area Economic Pulse* report, published by the McAllen Chamber of Commerce. This year's report indicates a marginal improvement over last year. According to the latest report available, August 2014, the economic index for the McAllen Area increased from 179.2 in August 2013 to 183.3 in August 2014. This index reflects, for the McAllen area economy, an increase in retail sales, an increase in lodging tax receipts, airline boarding's, motor vehicle purchases, construction permit values, and average home sales price although bridge crossings were down.

LONG-TERM FINANCIAL PLANNING

As of September 30, 2014 the City's General Fund unassigned fund balance amounted to \$41.2M, which represents 150 days of operating expenses appropriated in next year's budget. This amount exceeds the City's 140 day policy.

RELEVANT FINANCIAL POLICIES

During this fiscal year, the City adopted no new financial policies, which would have a significant impact on the current year's financial statements.

MAJOR INITIATIVES For the Year 2013-14

The City's staff, following specific directives of the City Commission and the City Manager, has been involved in a variety of projects throughout the year. These projects reflect the City's commitment of ensuring that its citizens are able to live and work in a highly desirable community and include the following:

The goals adopted by the Mayor and City Commission for FY 2013-14 as well as each's status as follows:

Continue to implement City Business Plan

- Continue Incentive programs for "Destination" Retail Projects including La Plaza Mall
Management's Response: Completed agreement with Simon at La Plaza Mall for construction of Parking Decks for 1300 cars.
- Public Art to City
Management's Response: Veteran's Spire under construction for opening on Veteran's Day. Vaquero statue under construction for 2015 installation at new Vaquero park site at Performing arts building.

- Continue to Market McAllen-Miller Airport for Additional flights to Mexico and Domestic Market
Management's Response: Aeromar began flight to Mexico City, San Luis Potosi began on November 2013, Completed SIXIL air service meeting with American United and working of Denver-McAllen non-stop service with airline.

Complete City assets currently in design

- Phase One of Morris/Perez Park
Management's Response: Installation of Irrigation system, trees and new turf completed. Phase II will commence this year.
- Complete construction on Airport Terminal Expansion
Management's Response: Construction 95% complete with a schedule completion date- February, 2015. Landscape and lighting improvements underway with completion date for January 2015.
- One-stop Development Center City business affairs.
Management's Response: Development Center completed with departments functional on November 2013.
- Bentsen-Pecan to 3 mile Reconstruction
Management's Response: Roadway completed. Design completed for a Hike/Bike for construction in F.Y. 14-15.
- Bicentennial: Nolana to Trenton and hike/bike trail
Management's Response: Roadway completed and Hike/Bike Trail completed. IMAS building façade revised and completed as well as an addition of left turn lane by widening bridge.

Improve City Traffic flow and Storm Drainage

- Traffic Management Improvements
Management's Response: Traffic Signal installation completed on Business 83 and 15th, 16th and Main street; and 10th and Wisconsin.
- Regional Storm water improvements – Retiree Haven
Management's Response: South McAllen site. Improvements completed September 2014.
- Construction of storm water projects.
Management's Response: East McAllen site being acquired. 2 of 3 parcels purchased. Kendlewood: 19th to 22nd street completed. Design underway for Quince & Redwood: 49th to 51st and Quince and NW Blue line to 27th. 4th & 6th: Harvey to Fern 75% complete.

Leisure, Cultural and Entertainment

- Begin design and financing plan of performing Arts Center
Management's Response: Design development by Architects approved on 03/25/2013. Bond was approved November 5, 2013 for additional funding of project.
- New Year's Bash.
Management's Response: Upgrade with Private Sector sponsor and moving it to Convention Center.
- McAllen City Marathon.
Management's Response: First City marathon held December 15, 2013 with next year scheduled on December 14, 2014.
- Motorcross Course.
Management's Response: Received grant from Texas Parks and Wildlife and will construct the course south of Airport runway.

- Hike & Bike Trail on Bentsen Road.

Management's Response: Received grant from Texas Parks and Wildlife and will construct the trail from Pecan to 3 Mile line.

AWARDS AND ACKNOWLEDGEMENTS

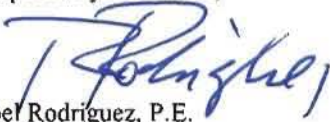
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the year ended September 30, 2013. This was the twenty-seven consecutive year and the twenty-eight overall that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget dated October 1, 2013. The budget for October 1, 2014 has been submitted for review and notification of an award is awaited. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document is judged on proficiency in several categories including policy documentation, financial planning and organization.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire Finance Department staff. Due credit also should be given to the Mayor, City Commission, McAllen Public Utilities Board of Trustees, the Bridge Board, Development Corp Board and management for their interest and support in planning and conducting the operations of the City in a responsible and progressive manner.

Respectfully submitted,



Roel Rodriguez, P.E.
City Manager



Susan Lozano, CPA CGFO
Interim-Finance Director

CITY OF McALLEN, TEXAS

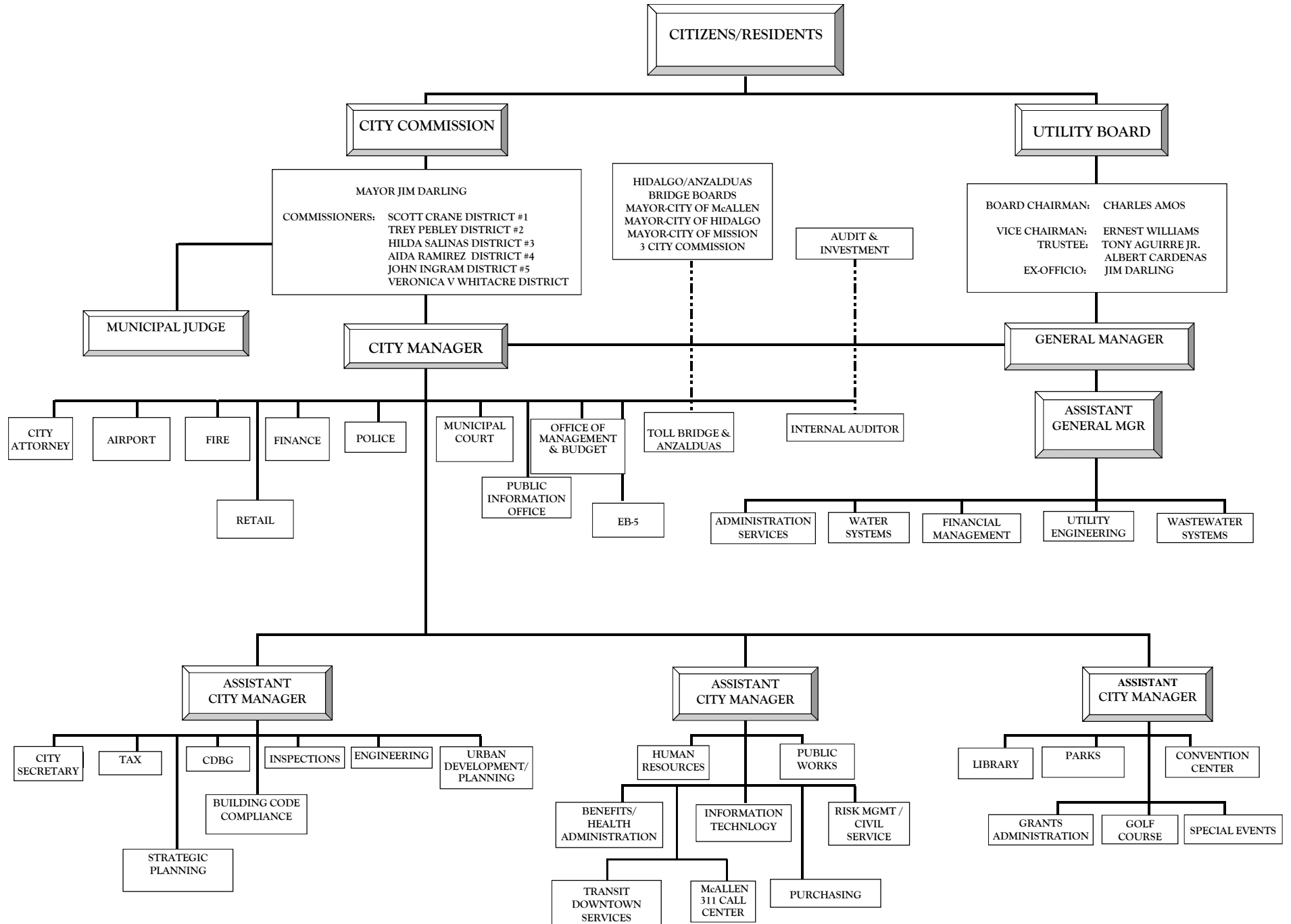
LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2014

Mayor.....	James E. Darling
Mayor Pro-Tem - Commissioner District 3	Hilda Salinas
Mayor Pro-Tem - Commissioner District 4	Aida Ramirez
Commissioner District 2	Trey Pebley
Commissioner District 1	Scott Crane
Commissioner District 5	John J. Ingram
Commissioner District 6	Veronica Vela Whitacre
Public Utility Board Chairman	Charles Amos
Public Utility Board Vice-Chairman	Ernest R. Williams
Trustee Place B	Tony Aguirre
Trustee Place C	Albert Cardenas
Ex-Officio Member.....	Veronica Vela Whitacre
City Manager	Roel Rodriguez, P.E.
MPU General Manager	Marco A. Vega, P.E.
Assistant City Manager.....	Jeff Johnston
Assistant City Manager.....	Joe Vera
Assistant City Manager.....	Michelle Leftwich
Attorney	Kevin D. Pagan
Interim Finance Director.....	Susan A. Lozano
Administrator of Urban Development	Julianne Rankin
Aviation Director	Elizabeth Suarez
Bridge Superintendent	Rigoberto Villarreal
City Secretary	Annette Villarreal
Fire Chief	Rafael Balderas
Director Parks and Recreation	Sally Gavlik
Human Resources Director.....	Juan Gonzalez
Police Chief.....	Victor Rodriguez

CITY OF McALLEN, TEXAS

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of McAllen
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Honorable Mayor, Members of the City Commission
and Public Utility Board of Trustees
City of McAllen, Texas

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Houston, TX 77002-2848
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F 713.655.8741
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twitter.com/GrantThorntonUS

Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of McAllen, Texas (the "City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express opinions 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 City'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 City'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of McAllen, Texas as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Development Corporation Fund 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, the City adopted new guidance in 2014 related to the accounting for bond issuance costs as current period expenses. Our opinion is not modified with respect to this matter.

Other Matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 5 through 17, schedules of funding progress on pages 106 through 108, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining fund financial statements, individual budget schedules and other, the schedule of expenditures of federal

awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*,) and the schedule of expenditures of state awards as required by the State of Texas Single Audit Circular as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

The introductory section and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated March 13, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Grant Thornton LLP

Houston, Texas
March 13, 2015

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**City of McAllen, Texas
Management Discussion and Analysis
September 30, 2014**

This discussion and analysis is intended to provide an overview of the City's financial performance for the fiscal year ended September 30, 2014 and the related effect on the City's financial condition. Please read it in conjunction with the transmittal letter on pages i-v and the City's financial statements, which begin on page 19.

FINANCIAL HIGHLIGHTS

City's Change in Net Position – Governmental and Business-Type Activities

Total government-wide net position decreased \$4M as a result of this year's operations. Governmental activities decreased \$8M with business-type activities contributing \$4M. In compliance with GASB Statement 65, \$2M in issuance cost were restated to prior year's net position.

- **Governmental Activities – Revenues and Expenses Compared to Last Year** – Total revenues in the aggregate increased \$4M over last year. The increases were in the following categories: property tax increased \$2M, and other taxes and other general revenues increased by \$1M each. Expenses increased \$21M or 18% over last year, which is primarily as a result of construction projects during the year. The net increase is the result of a \$14M increase in general government, \$4M increase in public safety, and \$3M increase in culture and recreation. Highways and streets as well as health and welfare were unchanged from last year.
- **Business-Type Activities – Revenues and Expenses Compared to Last Year** – Total revenues reflected an increase of \$6M from last year. Charges for services increased by \$2M, grants and contributions also increased by \$2M, and \$2M in proceeds from the sale of capital assets. Expenses increased \$5M or 6.8% over last year with the more significant increases coming from the Sewer Fund–\$1M; the Sanitation Fund–\$1M; the McAllen Express Transit Fund–\$1M; Convention Center Fund–\$1M; McAllen International Toll Bridge Fund–\$1M;
- **City as a Whole – Revenues and Expenses Compared to Last Year** –Governmental revenues reflected an increase of \$4M and business-type activity revenues increased by \$6M, thus generating revenues of \$10M or 4.9% more over last year while expenses increased by \$26M or 13.5% more than last year.

USING THE ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 19 and 20-21) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 22. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the central concerns in assessing any City's finances could be summarized in the question, "Is the City as a whole better off or worse off as a result of the year's activities?" Our analysis addressing this

City of McAllen, Texas
Management Discussion and Analysis
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question begins on page 8-9. The analysis includes a condensed summary of the government-wide financial statements—The Statement of Net Position and the Statement of Activities, which present information about the City in a way that facilitates answering this question. These statements are presented much like the private-sector companies—including *all* assets and liabilities using the *accrual basis of accounting*. All revenues and expenses for the current year are reported without regard to when cash is received or paid.

These government-wide financial statements report both net position and changes thereto. Net position is reported in the Statement of Net Position. The City's net position, which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one indicator of the City's financial well-being or *financial position* at one point in time. Increases or decreases to net position over a period of time is an indication whether its financial well-being is improving or deteriorating. Of course, other non-financial considerations enter into the determination of the City's overall health, which would include such things as changes in the City's property tax base and the condition of its streets.

Changes to net position are reported in the Statement of Activities, which divides all City functions into two categories:

Governmental activities—Most of the City's basic services are reported in this category, which includes public safety (including police and fire), highways and streets, health and welfare, culture and recreation and general administration. These activities are primarily supported by sales and property taxes and franchise fees.

Business-type activities—Certain services that the City provides are paid for from fees that are charged to customers. Water, sewer, garbage collection, civic center, convention center, golf course, airport, transit terminal, transit services and the bridges are activities that are reported in this category.

Reporting the City's Most Significant Funds
Fund Financial Statements

Our analysis of the City's major funds commences on page 11. The fund financial statements are presented on pages 22 through 49. These statements present detailed information about the City's more significant funds as opposed to the City as a whole. Funds are established for various reasons—some are required by state law; others, by bond covenants. Some funds are established by the City Commission to assist in managing money that is to be spent for particular purposes. For example, the Community Development Block Grant Fund was established to demonstrate that the money received from the U. S. Department of Housing and Urban Development was used for purposes established by the federal government. The City has two categories of funds, which can be used for public purpose—*governmental* and *proprietary*. Each category uses a different accounting approach.

Governmental funds—Most of the City's basic services are reported in governmental funds. These funds focus on the flow of money into and out of the funds and the balance left over at the end of the year that is available for future spending. Governmental funds use a method of accounting called modified accrual. The purpose of this method is to measure cash and other *financial* assets that can readily be converted to cash. This approach provides a detailed short-term perspective of the City's general government operations and the basic services it provides. This view of the City's operations provides information that helps to determine the extent to which financial resources are available to spend in the near future to finance City programs. The relationship between these governmental fund financial

City of McAllen, Texas
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statements and the governmental activities column shown in the government-wide financial statements is shown in the form of a reconciliation presented on the page following each governmental fund financial statement.

Proprietary funds—Services provided to either outside customers or to another unit of the City, where a fee is charged, are generally reported in proprietary funds. Proprietary funds are reported the same way that is used in the government-wide financial statements. Matter of fact, the City's enterprise funds (a component of proprietary funds) are substantially the same as the business-type activities column of the government-wide financial statements but provide more detail including cash flows. The other component of proprietary funds is internal service funds. These funds are used to report services that are provided for other City funds—such as the Fleet and Materials Management Fund, which reports maintenance activities for all City vehicles.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for the Firemen's Pension Fund, Developers' Fund, Communications Group Fund and Payroll Fund. This activity is reported in separate Statements of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position on pages 50-51. These activities are not included with the City's other government-wide financial information since the City cannot use these assets to finance its programs or operations. The City's is responsible for ensuring that these funds are used for their intended purpose.

City of McAllen, Texas
Management Discussion and Analysis
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THE CITY AS A WHOLE

The City's Condensed Net Position Information is presented in the table below.

Net Position Information
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 187	\$ 154	\$ 132	\$ 136	\$ 319	\$ 292
Capital assets	281	266	397	393	678	659
Deferred outflows of resources	-	-	0.5	-	0.5	-
Total assets and deferred outflows of resources	\$ 468	\$ 420	\$ 529	\$ 529	\$ 997	\$ 951
Long-term debt outstanding	\$ 87	\$ 34	\$ 146	\$ 150	\$ 233	\$ 184
Other liabilities	16	24	15	11	31	39
Deferred inflows of resources	12	-	-	-	12	-
Total liabilities and deferred inflows of resources	115	58	161	161	276	223
Net position:						
Net investment in capital assets	261	244	264	264	525	504
Restricted	24	33	55	50	79	83
Unrestricted	68	85	49	56	117	141
Total net position	\$ 353	\$ 362	\$ 368	\$ 370	\$ 721	\$ 728

Net position of the City's governmental activities decreased by \$9M or 2.21% over last year; primarily as a result of increase in net investment in capital assets by \$17M, with a corresponding decrease of \$26M from restricted and unrestricted. Unrestricted net position is the portion of net position, which can be utilized to finance day-to-day operations, free of any constraints established by debt covenants, enabling legislation or other legal requirements.

The net position of the City's business-type activities decreased \$2M or .50% less than last year's amount. Generally the City can only use this net position to finance continuing operations and capital expenses of the enterprise funds.

The table on the following page presents more detail on revenues and expenses.

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Changes in Net Position Information (in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services	\$ 9	\$ 9	\$ 74	\$ 72	\$ 83	\$ 81
Grants and contributions	8	8	10	8	18	16
General revenues:					-	-
Property taxes	35	33	-	-	35	33
Sales tax	61	61	-	-	61	61
Other taxes	12	11	-	-	12	11
Proceeds from sale of capital asse	-	-	2	-	2	-
Other general revenues	3	2	1	1	4	3
Total revenues	<u>128</u>	<u>124</u>	<u>87</u>	<u>81</u>	<u>215</u>	<u>205</u>
Program expenses						
General government	35	21	-	-	35	21
Public safety	58	54	-	-	58	54
Highways and streets	20	20	-	-	20	20
Health and welfare	5	5	-	-	5	5
Culture and recreation	21	18	-	-	21	18
Interest on long term debt	1	1	-	-	1	1
Water	-	-	17	17	17	17
Sewer	-	-	15	14	15	14
Sanitation	-	-	16	15	16	15
Golf	-	-	1	1	1	1
Transit terminal	-	-	1	1	1	1
Bus	-	-	4	3	4	3
Civic center	-	-	-	-	-	-
Convention center	-	-	6	5	6	5
Airport	-	-	7	7	7	7
Anzalduas international crossing	-	-	5	5	5	5
McAllen Int'l toll bridge	-	-	7	6	7	6
Total expenses	<u>140</u>	<u>119</u>	<u>79</u>	<u>74</u>	<u>219</u>	<u>193</u>
Excess (Loss) before transfers	(12)	5	8	7	(4)	12
Transfers	<u>4</u>	<u>2</u>	<u>(4)</u>	<u>(2)</u>	<u>-</u>	<u>-</u>
Change in net position	(8)	7	4	5	(4)	12
Net position, beginning	361	354	366	361	727	715
Restatement of beginning net posit	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>(2)</u>	<u>-</u>
Net position, ending	<u>\$ 353</u>	<u>\$ 361</u>	<u>\$ 368</u>	<u>\$ 366</u>	<u>\$ 721</u>	<u>\$ 727</u>

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Total revenues generated from both governmental and business-type activities this year amounted to \$215M, representing an increase of \$10M or 2.44% over last year due primarily to charges for services, property taxes, and grants and contributions. Sales tax remained flat, which was offset by an increase of \$1M in other taxes. Expenses came in at \$219M, \$26M more or 13% over last year, leaving -\$4M as a decrease to net position. The following analysis considers separately the operations of governmental and business-type activities.

Governmental Activities

Total revenues generated from governmental activities this year amounted to \$128M. Expenses came in at \$140M, leaving -\$12M as a decrease before transfers-in of \$4M, thus decreasing net position by -\$8M.

The cost of all governmental activities this year was \$140M. However, as shown on the Statement of Activities on pages 20-21, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$124M. The other \$16M to finance these programs was paid by those who directly benefited from them (\$9M) and by other governments that subsidized certain programs with grants (\$7M).

The table below presents the cost of each of the City's five largest programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Governmental Activities
(in Millions)

	Total Cost of Services		Net Cost of Services	
	2014	2013	2013	2013
Police	\$ 33	\$ 32	\$ 25	\$ 26
Fire	19	17	19	17
Street maintenance	10	9	10	3
Parks	13	6	12	6
Drainage	3	3	3	2
Total	\$ 78	\$ 67	\$ 69	\$ 54

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$87M. Expenses came in at \$79M leaving \$8M before transfers out of \$4M, which, resulted in a net increase to net position of \$4M, before a restatement of 2M to the prior year. The restatement was the result of removing \$2M issuance cost.

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More details will be provided about governmental and business-type activities' operations later in this discussion and analysis.

GOVERNMENTAL FUNDS – A Detailed Discussion
(General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds)

As a result of this year's operations, governmental funds (as reflected in the balance sheet on page 22-23) combined fund balance totaled \$129M or an increase of \$42M from last year. Current revenues, including net transfers in, were sufficient to cover current expenditures, thus, resulting in an increase to net assets by \$42M.

Revenues and Transfers-In and Other Financing Sources

The following table presents a summary of general fund, special revenue funds, debt service fund and capital projects funds revenues and transfers-in and other financing sources for the years ended September 30, 2014 and 2013.

Revenues, transfers-in and Other Financing Sou	2014 Amount	% of Total	2013 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
Taxes	\$ 107,695,530	52.99%	\$ 105,293,773	\$ 2,401,757	2.28%
Licenses and permits	1,447,712	0.71%	1,429,150	18,562	1.30%
Intergovernmental	7,376,849	3.63%	6,782,631	594,218	8.76%
Charges for services	5,220,385	2.57%	5,279,159	(58,774)	-1.11%
Fines and forfeitures	2,556,904	1.26%	2,548,733	8,171	0.32%
Investment income	739,885	0.36%	69,628	670,257	962.63%
Miscellaneous	1,784,518	0.88%	2,101,208	(316,690)	-15.07%
Proceeds from capital debt	57,723,908	28.40%	-	57,723,908	N/A
Transfers-in	18,703,155	9.20%	22,353,826	(3,650,671)	-16.33%
Totals	\$ 203,248,846	100.00%	\$ 145,858,108	\$ 57,390,738	39.35%

The \$2.4M increase in taxes is primarily an increase in property tax of \$400K and an increase of \$2M in hotel and venue tax due to an approved 2% rate increase (from 7% to 9%). Licenses and permits and charges for services were relatively flat. The increase of \$8K in fines and forfeitures was largely due to increased collection efforts. Funding from federal and state assistance increased marginally this year as reflected in intergovernmental revenues' category. Investment earnings also reflect a substantial increase as compared to last year. The decline of \$317K in the miscellaneous category is a result of a decrease in several miscellaneous items and grant funding requests. The decrease of \$4M in transfers-in was the result of a decrease of transfers from the General Fund for funding capital improvement projects.

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Expenditures and Transfers-Out

The following table presents a summary of general fund, special revenue funds, debt service fund and capital projects funds expenditures, transfers-out for the years ended September 30, 2014 and 2013.

Expenditures and Transfers-out	2014 Amount	% of Total	2013 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
General government	\$ 36,318,600	22.58%	\$ 21,967,597	\$ 14,351,003	65.33%
Public safety	58,295,032	36.24%	52,646,894	5,648,138	10.73%
Highways and streets	17,311,957	10.76%	21,573,945	(4,261,988)	-19.76%
Health and welfare	4,563,154	2.84%	5,208,427	(645,273)	-12.39%
Culture and recreation	27,296,284	16.97%	22,124,895	5,171,389	23.37%
Debt service:					
Principal	2,765,000	1.72%	2,645,000	120,000	4.54%
Interest and fiscal		0.00%			
charges	774,407	0.48%	896,365	(121,958)	-13.61%
Transfers-out	13,544,283	8.42%	20,697,182	(7,152,899)	-34.56%
Totals	<u>\$ 160,868,717</u>	<u>100.00%</u>	<u>\$ 147,760,305</u>	<u>\$ 13,108,412</u>	<u>8.87%</u>

The increase of \$13.1M in total expenditures was primarily due to an increase of \$14.6M in general government, \$5.6M in public safety, as well as culture and recreation functions, \$5.2M, offset by a decrease of \$4.3M in highways and streets and a decrease of \$645K in health and welfare. Additionally, expenditures slightly increased in: principal payments—\$120K and decreased in interest and fiscal payments—\$122K. As indicated, transfers-out decreased by \$7.1M compared to last year—primarily due to a decrease of transfers: from General Fund—\$5.9M to Capital Improvement Fund; from Civic Center and Convention Center Funds—\$1.0M to Capital Improvement Fund; and to a lesser extent \$ 300K within governmental funds.

Fund Balances

The governmental fund balances increased by \$42M, from \$87M in the prior year to \$129M in the current year, which is attributed to the general obligation and certificate of obligation proceeds received for street improvements, sports facility complex, and the new Performing Arts facility. Fund balances by major funds are discussed below.

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General Fund

As a result of this year's operations, total fund balance decreased by \$45K—to \$43.8M. Fund balance categories reflect \$2.1M in non-spendable, \$447K in restricted, leaving \$41M unassigned. During fiscal year 1997-98, the City adopted, by resolution, a financial policy requiring a minimum of 140 days of operating expenses in fund balance. Based upon next year's operating budget, exclusive of capital outlay and transfers-out, unassigned fund balance represents 150 days, which is 10 days in excess of the minimum requirement.

Development Corp Fund

The fund balance in the Development Corporation Fund reflected a decrease of \$9.8M, leaving the ending restricted fund balance at \$15M.

Capital Improvement Fund

The Capital Improvement Fund ended the year with a net decrease, amounting to \$4.4M, leaving the assigned fund balance at \$4.7M.

**PROPRIETARY FUND TYPES
(Enterprise Funds and Internal Service Funds)**

Enterprise Funds

The City's enterprise operations consist of the McAllen Public Utility (Water and Sewer Funds), Sanitation Fund, Palm View Golf Course Fund, Transit Terminal Fund, McAllen International Civic Center Fund, McAllen Convention Center, McAllen International Airport Fund, McAllen Express Transit Fund, McAllen International Toll Bridge Fund and the Anzalduas International Crossing Fund. In the aggregate, the proprietary funds reported a \$4M increase to net position. Of that amount, the Water and Sewer Funds accounted for approximately -\$200K; the Sanitation Fund, \$1M; the McAllen International Airport, \$3M; the McAllen International Toll Bridge's, \$1M. The Convention Center Fund, the Anzalduas International Crossing, and non-major proprietary funds combined generated a net decrease amounting to \$1M.

McAllen Public Utilities (MPU) – Water and Sewer Funds

Water Fund

Operating revenues decreased by 2.6% as compared to last year. With operating expenses held to last year's totals, the decrease to net position amounted to \$1.4M. Combine Water and Sewer Fund working capital is in excess of the board policy of 120 days of operating expenses.

Sewer Fund

Since sewer revenues are impacted by water consumptions and as noted above, operating revenues increased by 1% from last year. Operating expenses increased 12% over last year, mainly due to an increase in depreciation. The net impact to net position was an increase of \$1.2M, leaving combined Water and Sewer Fund working capital in excess of the board policy of 120 days of operating expenses.

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Sanitation Fund

This year's operating revenues, representing charges for services, slightly increased \$230K or 1.4% over prior year, which primarily represents a small increase in growth in the customer base. As a whole, operating expenses increased \$681K or 5% over last year—leaving an operating income of \$1.4M. The effect of non-operating revenues and capital contributions were minimal. Consequently, the net position increased by \$1.2M. Working capital as of year-end amounted to \$9.4M.

Convention Center Fund

Operating revenues were \$2.2M and operating expenses were \$5.6M, leaving an operating loss of \$3.4M, which was partially covered by transfers-in from the Hotel Occupancy Tax Fund in the amount of \$2.4M and \$1.8M in gain from sale of capital assets leaving a decrease in net position of \$1.3M, after a transfer out of \$2.0M. Working capital is now reported at \$2.1M.

McAllen International Airport Fund

Operating revenues marginally increased this year by 9% from last year's levels. Operating expenses increased by 9%. As a result, the loss amounted to \$1.5M before capital contributions and transfers out. Capital contributions from the Passenger Facility Charge as well as the FAA amounted to \$5.6M. Transfers-out to the City amounted to \$1M to reimburse for public safety personnel assigned to the Airport. As a result, an increase in net position of \$3M is reported. This year's working capital is reflected at \$5.4M, not considering liabilities payable from restricted assets, which are included in current liabilities.

McAllen International Toll Bridge Fund

The table in the following page reflects four types of crossings for 2013, as well as 2012. With the exception of truck crossings, all other categories reflect decreases.

Category	FY 13-14	FY 12-13	Increase (Decrease)	% Increase (Decrease)
Cars	2,834,249	2,908,166	(73,917)	-2.50%
Trucks	13,075	9,119	3,956	43.40%
Buses	19,933	16,160	3,773	23.30%
Passengers in cars	7,085,623	7,270,415	(184,792)	-2.50%

Despite a decline in southbound car crossings of 74K or 2.5%, revenues came in at \$10.6M or a slight increase of \$373K over last year. Rental and other income remained relatively flat. Operating expenses increased slightly by \$180K over last year. After considering all other non-operating revenues and expenses, changes in this year's increase in net position totaled \$1.0M.

Net position, and its components, over time serve as a meaningful measure of the Bridge's financial position. The Bridge's assets exceed liabilities by \$32M at September 30, 2014. Working capital, not considering liabilities payable from restricted assets, which are included in current liabilities, at year end amounted to \$1.4M.

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Anzalduas International Crossing

The table below reflects four types of crossings for 2014, as well as 2013. With the exception of truck crossings, all other categories of crossings reflect increases.

<u>Category</u>	<u>FY 13-14</u>	<u>FY 12-13</u>	<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Cars	950,143	933,694	16,449	1.80%
Trucks	859	960	(101)	-10.52%
Buses	1,922	4,417	(2,495)	-56.50%
Passengers in cars	2,375,358	2,334,235	41,123	1.76%

Southbound car crossings increased 16K or 2.0% with revenues coming in at \$3.0M or a slight increase of \$165K over last year. Operating expenses increased slightly by \$48K over last year. After a transfer in of \$947K and implementation of GASB Statement 65, the change in net position was a negative \$543K. This resulted in an ending net position deficit of \$700K.

Unrestricted net position is reflected as a deficit in the amount of \$14.8M, largely the consequence of advances made to it by the McAllen International Toll Bridge Fund.

General Fund Budgetary Highlights

During the year the City Commission amended the budget several times. The increase from the original appropriations to the final budget appropriations was approximately \$1.5M. This increase was primarily to cover: personnel services—\$643K; miscellaneous services—\$507K; and another \$350K for other agencies.

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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$678M in net capital assets.

	Capital Assets at Year-end (Net of Depreciation, in Millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land	\$ 59	\$ 49	\$ 21	\$ 21	\$ 80	\$ 70
Buildings and improvements	90	92	301	276	391	368
Equipment	22	21	19	18	41	39
Infrastructure	86	90	-	-	86	90
Construction in progress	24	13	49	64	73	77
Capitalized interest	-	-	1	8	1	8
Water rights	-	-	6	6	6	6
Totals	<u>\$ 281</u>	<u>\$ 265</u>	<u>\$ 397</u>	<u>\$ 393</u>	<u>\$ 678</u>	<u>\$ 658</u>

This year's major additions included the following projects (in millions):

City hall improvements	\$ 1
Public safety building improvements	2
Street projects financed by the City directly and dedicated by developers	2
Drainage projects	2
Water and sewer improvement projects	7
Airport projects	9
Total	<u>\$23</u>

For more detailed information on capital asset activity, refer to the notes to financial statements (refer to pages 75 and 77).

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Debt

At the end of the fiscal year, the City had \$212M in bonds outstanding—as shown in the following table:

	Outstanding Debt at Year-end (in Millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
General/certificate of obligation bonds/note (backed by the City)	\$ 31	\$ 22	\$ -	\$ -	\$ 31	\$ 22
Revenue bonds backed by Specific tax and fee revenues	42	-	139	146	181	146
Totals	\$ 73	\$ 22	\$ 139	\$ 146	\$ 212	\$ 168

For more detailed information on long term debt activity, refer to the notes to financial statements (refer to page 90).

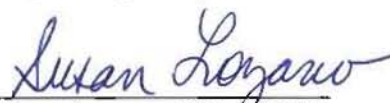
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2014-15 the elected and appointed officials considered many factors including the forces driving the economy—among which were slowing of job growth, lack of growth in new housing, bank deposits, retail sales growth, the unemployment rate, and inflation. As a result of the deliberations, within the General Fund, revenues budgeted to increase from this year's actual by \$2.43M or more than 3%. Expenditures were budgeted with a \$1.7M increase or 2% over this year's actual.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to inform the citizens, taxpayers and customers of the City of McAllen as well as its investors and creditors about the City's finances and to provide accountability for the public support that it receives. If you have any questions about the report or need additional financial information, contact the Finance Director's Office at the City of McAllen, 1300 Houston, McAllen, Texas 78501.


 Roel Rodriguez
 City Manager


 Susan Lozano, CPA, CGFO
 Interim-Finance Director

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CITY OF McALLEN, TEXAS
STATEMENT OF NET POSITION
September 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 1,717,022	\$ 3,450,126	\$ 5,167,148
Certificates of deposits	47,203,040	2,380,140	49,583,180
Investments	116,909,536	25,734,747	142,644,283
Receivables, net	20,023,506	6,840,475	26,863,981
Internal balances	(1,821,872)	1,821,872	-
Inventories	-	487,373	487,373
Notes receivable	-	168,702	168,702
Restricted assets:			
Cash	-	1,599,305	1,599,305
Investments	-	84,116,419	84,116,419
Receivables	-	3,684,885	3,684,885
Due from governments	-	1,150,390	1,150,390
Capital assets not being depreciated:			
Land	59,311,047	21,027,005	80,338,052
Construction in progress	24,504,725	49,439,369	73,944,094
Water rights (perpetual)	-	4,923,100	4,923,100
Goodwill	-	609,713	609,713
Capital assets being depreciated:			
Buildings and systems	84,276,241	273,844,906	358,121,147
Equipment	79,809,206	55,869,714	135,678,920
Improvements	48,760,671	220,276,078	269,036,749
Infrastructure	201,402,089	-	201,402,089
Water rights	-	2,200,000	2,200,000
Accumulated depreciation	(216,429,855)	(231,150,144)	(447,579,999)
Other long term assets	1,918,716	-	1,918,716
Deferred outflows of resources-			
Deferred charges on refundings	-	611,692	611,692
Total assets and deferred outflows of resources	\$ 467,584,072	\$ 529,085,867	\$ 996,669,939
LIABILITIES			
Accounts payable and accrued liabilities	\$ 4,539,631	\$ 11,730,590	\$ 16,270,221
Unearned revenues	583,633	2,331,756	2,915,389
Other	8,028,241	388,149	8,416,390
Non-current liabilities:			
Due within one year	9,966,653	7,847,805	17,814,458
Due in more than one year	77,549,157	139,009,638	216,558,795
Net pension obligation	1,131,455	-	1,131,455
Net OPEB obligation	814,623	-	814,623
Deferred inflows of resources	12,332,889	-	12,332,889
Total liabilities and deferred inflows of resources	114,946,282	161,307,938	276,254,220
NET POSITION			
Net investment in capital assets	261,002,031	263,527,417	524,529,448
Restricted for:			
Economic development	15,189,766	-	15,189,766
Capital projects	-	44,221,773	44,221,773
Federal and state grant awards	4,458,546	-	4,458,546
Hotel-Tourism	1,994,638	-	1,994,638
Parks	963,184	-	963,184
Debt service	296,800	5,405,400	5,702,200
Distribution of net surplus revenues	-	5,148,916	5,148,916
Other purposes	430,720	-	430,720
Unrestricted	68,302,105	49,474,423	117,776,528
Total net position	352,637,790	367,777,929	720,415,719
Total liabilities, deferred inflows of resources, and net position	\$ 467,584,072	\$ 529,085,867	\$ 996,669,939

CITY OF McALLEN, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 35,315,069	\$ 1,918,951	\$ 1,251,467	\$ -
Public safety	58,432,712	4,366,315	500,492	3,119,278
Highways and streets	20,457,888	1,160,689	160	2,035,699
Health and welfare	4,604,866	271,722	970,755	-
Culture and recreation	20,996,431	1,213,111	13,726	148,458
Interest on long-term debt	816,650	-	-	-
Total governmental activities	140,623,616	8,930,788	2,736,600	5,303,435
Business-type activities:				
Water services	17,474,327	15,689,054	-	90,369
Sewer services	15,251,999	14,976,046	-	1,194,153
Sanitation services	15,756,027	16,968,558	-	-
Golf course services	1,401,051	1,152,130	-	-
Civic center services	438,233	357,716	-	-
Convention center services	5,591,643	2,105,417	-	-
Airport services	7,385,213	5,771,738	-	5,638,758
Transit services	965,054	142,420	1,125,504	1,597,244
Bus services	3,973,485	984,508	462,295	-
Bridge services--Anzalduas bridge	4,558,948	3,053,711	-	-
Bridge services--Toll bridge	6,530,689	12,694,038	-	-
Total business-type activities	79,326,669	73,895,336	1,587,799	8,520,524
Total primary government	219,950,285	82,826,124	4,324,399	13,823,959
General revenues:				
Property taxes				
Hotel occupancy tax				
Sales taxes				
Franchise taxes				
Unrestricted investment earnings				
Royalties				
Sale of Property				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - at beginning of year, as restated				
Net position - ending				

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

Net (Expenses) Revenues and		
Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (32,144,651)	\$ -	\$ (32,144,651)
(50,446,627)	-	(50,446,627)
(17,261,340)	-	(17,261,340)
(3,362,389)	-	(3,362,389)
(19,621,136)	-	(19,621,136)
(816,650)	-	(816,650)
(123,652,793)	-	(123,652,793)
-	(1,694,904)	(1,694,904)
-	918,200	918,200
-	1,212,531	1,212,531
-	(248,921)	(248,921)
-	(80,517)	(80,517)
-	(3,486,226)	(3,486,226)
-	4,025,283	4,025,283
-	1,900,114	1,900,114
-	(2,526,682)	(2,526,682)
-	(1,505,237)	(1,505,237)
-	6,163,349	6,163,349
-	4,676,990	4,676,990
(123,652,793)	4,676,990	(118,975,803)
35,037,958	-	35,037,958
5,343,765	-	5,343,765
61,331,004	-	61,331,004
6,707,787	-	6,707,787
944,609	467,440	1,412,049
938,877	-	938,877
-	2,098,640	2,098,640
718,857	288,076	1,006,933
4,158,872	(4,158,872)	-
115,181,729	(1,304,716)	113,877,013
(8,471,064)	3,372,274	(5,098,790)
361,108,854	364,405,655	725,514,509
\$ 352,637,790	\$ 367,777,929	\$ 720,415,719

CITY OF McALLEN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2014

	General	Development Corp.
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Cash	\$ 370,496	\$ 63,402
Certificates of deposit	-	975,100
Investments	44,390,879	14,585,069
Receivables, net:		
Taxes	11,916,253	2,554,971
Accounts	1,789,882	28,750
Accrued interest	98,516	29,694
Other	652,639	-
Due from other funds	1,156,673	-
Due from other governments	49,315	-
Prepays	51,826	-
Advances to other funds	190,000	-
Board advances	1,918,717	-
Total assets	<u>\$ 62,585,196</u>	<u>\$ 18,236,986</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Liabilities:		
Accounts payable	\$ 3,216,028	\$ 1,285,781
Accrued liabilities	3,076,870	398,616
Due to other funds	-	-
Unearned revenues	566,325	-
Advances from other funds	-	-
Other	943,224	-
Total liabilities	7,802,447	1,684,397
Deferred inflows of resources	<u>10,952,968</u>	<u>1,358,215</u>
Total liabilities and deferred inflows of resources	<u>18,755,415</u>	<u>3,042,612</u>
Fund balances:		
Nonspendable	2,160,543	-
Restricted	447,859	15,194,374
Committed	-	-
Assigned	-	-
Unassigned	41,221,379	-
Total fund balances	<u>43,829,781</u>	<u>15,194,374</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 62,585,196</u>	<u>\$ 18,236,986</u>

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

<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 452,875	\$ 486,713	\$ 1,373,486
700,000	44,217,820	45,892,920
5,002,685	31,093,941	95,072,574
-	21,706	14,492,930
-	394,925	2,213,557
11,839	33,179	173,228
4,244	600	657,483
-	-	1,156,673
1,607,213	509,703	2,166,231
-	-	51,826
352,716	-	542,716
-	-	1,918,717
<u>\$ 8,131,572</u>	<u>\$ 76,758,587</u>	<u>\$ 165,712,341</u>
\$ 1,240,117	\$ 2,539,881	\$ 8,281,807
119,510	446,551	4,041,547
-	729,541	729,541
-	17,308	583,633
2,035,009	190,000	2,225,009
-	7,085,017	8,028,241
3,394,636	11,008,298	23,889,778
-	21,706	12,332,889
<u>3,394,636</u>	<u>11,030,004</u>	<u>36,222,667</u>
-	-	2,160,543
-	64,336,217	79,978,450
-	387,626	387,626
4,736,936	1,004,740	5,741,676
-	-	41,221,379
<u>4,736,936</u>	<u>65,728,583</u>	<u>129,489,674</u>
<u>\$ 8,131,572</u>	<u>\$ 76,758,587</u>	<u>\$ 165,712,341</u>

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CITY OF McALLEN, TEXAS
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
September 30, 2014

Total governmental fund balances (refer to page 23) \$ 129,489,674

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 266,574,111

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. The amount consists of the following: property taxes-\$3,577,352; sales and franchise taxes-\$5,406,299; weed and lot cleaning-\$769,336; others; \$661,185; and Mission repayment on Series B Bridge bonds, \$1,918,717. 12,332,890

Internal service funds are used by management to charge the costs of certain activities, such as fleet management and insurance, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position. 34,295,945

Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds, including unpaid compensated absences, (\$10,270,983), sales tax revenue bonds payable, (\$100,000), accrued interest, (\$625,208), certificate of obligations, (\$30,845,000), general obligations, (\$42,380,000), premium, (\$3,887,561), Firemen's pension obligation, (\$814,623), and net OPEB obligation, (\$1,131,455). (90,054,830)

Net position of governmental activities \$ 352,637,790

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

CITY OF McALLEN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	<u>General</u>	<u>Development Corp</u>
REVENUES		
Taxes	\$ 87,011,170	\$ 15,332,751
Licenses and permits	1,432,814	-
Intergovernmental	774,044	-
Charges for services	4,034,571	-
Fines and forfeitures	1,580,780	-
Investment earnings	313,838	120,876
Net increase (decrease) in the fair value of investments	69,455	41,551
Other	1,284,641	1,153
Total revenues	<u>96,501,313</u>	<u>15,496,331</u>
EXPENDITURES		
Current:		
General government	19,274,383	13,219,392
Public safety	51,596,339	69,001
Highways and streets	12,318,457	784,839
Health and welfare	2,090,442	1,501,957
Culture and recreation	16,550,251	5,116,189
Debt service:		
Principal	-	25,000
Interest and fiscal charges	-	6,444
Total expenditures	<u>101,829,872</u>	<u>20,722,822</u>
Excess of revenues over (under) expenditures	<u>(5,328,559)</u>	<u>(5,226,491)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	9,790,207	636,884
Transfers out	(4,507,424)	(5,224,304)
Issuance of debt	-	-
Bond premium	-	-
Net other financing sources (uses)	<u>5,282,783</u>	<u>(4,587,420)</u>
Net change in fund balances	(45,776)	(9,813,911)
Fund balances at beginning of year	<u>43,875,557</u>	<u>25,008,285</u>
Fund balances at end of year	<u><u>\$ 43,829,781</u></u>	<u><u>\$ 15,194,374</u></u>

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

Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 5,351,609	\$ 107,695,530
-	14,898	1,447,712
1,562,399	5,040,406	7,376,849
-	1,185,814	5,220,385
-	976,124	2,556,904
38,178	129,790	602,682
26,194	3	137,203
94,715	404,010	1,784,519
<u>1,721,486</u>	<u>13,102,654</u>	<u>126,821,784</u>
1,408,546	2,416,279	36,318,600
691,009	5,938,683	58,295,032
2,895,568	1,313,093	17,311,957
-	970,755	4,563,154
2,323,242	3,306,603	27,296,285
-	2,740,000	2,765,000
-	767,963	774,407
<u>7,318,365</u>	<u>17,453,376</u>	<u>147,324,435</u>
<u>(5,596,879)</u>	<u>(4,350,722)</u>	<u>(20,502,651)</u>
1,150,000	7,126,064	18,703,155
-	(3,812,555)	(13,544,283)
-	54,230,001	54,230,001
-	3,493,907	3,493,907
<u>1,150,000</u>	<u>61,037,417</u>	<u>62,882,780</u>
(4,446,879)	56,686,695	42,380,129
<u>9,183,815</u>	<u>9,041,888</u>	<u>87,109,545</u>
<u>\$ 4,736,936</u>	<u>\$ 65,728,583</u>	<u>\$ 129,489,674</u>

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CITY OF McALLEN, TEXAS
Reconciliation of the Statement of Revenues
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended September 30, 2014

Net change in fund balances--total governmental funds (refer to page 27)	\$ 42,380,129
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$21,104,192 exceeded depreciation, net of depreciation (\$14,400,755) in the current period.	6,703,437
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	386,127
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	2,765,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds of which (\$848,144) is compensated absences, (\$521,772) accrued interest expense, bond amortization expense, \$479,518, and (\$267,867) Firemen's Fund net pension obligation.	(1,158,265)
Internal service funds are used by management to charge the costs of certain activities, such as fleet management and insurance, to individual funds. The net revenue (expense) of certain internal service funds reported with governmental activities.	(1,823,585)
Certificates of obligations, (\$11,850,000), premium, (\$464,567), general obligations, (\$42,380,000), and premium, (\$3,029,340), provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	(57,723,907)
Change in net position of governmental activities	<u>\$ (8,471,064)</u>

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

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CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 34,482,076	\$ 34,482,076	\$ 34,305,130	\$ (176,946)
Sales	47,479,064	47,479,064	45,998,253	(1,480,811)
Franchise	6,514,000	6,514,000	6,707,787	193,787
Total taxes	88,475,140	88,475,140	87,011,170	(1,463,970)
Licenses and permits:				
Business licenses and permits	55,750	55,750	58,693	2,943
Occupational	252,225	252,225	257,062	4,837
Non-business licenses and permits	1,139,150	1,139,150	1,117,059	(22,091)
Total licenses and permits	1,447,125	1,447,125	1,432,814	(14,311)
Intergovernmental revenues:				
State shared revenues	560,000	560,000	774,044	214,044
Total intergovernmental revenues	560,000	560,000	774,044	214,044
Charges for services:				
General government	1,592,420	1,592,420	1,575,701	(16,719)
Public safety	715,400	715,400	728,177	12,777
Highways and streets	500	500	4,875	4,375
Health	586,200	586,200	579,316	(6,884)
Culture and recreation	1,293,500	1,293,500	1,146,502	(146,998)
Total charges for services	4,188,020	4,188,020	4,034,571	(153,449)
Fines and forfeitures:				
Corporations court	1,650,000	1,686,507	1,514,171	(172,336)
Other fines	50,000	50,000	66,609	16,609
Total fines and forfeitures	1,700,000	1,736,507	1,580,780	(155,727)
Investment earnings	265,001	265,001	313,838	48,837

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Net increase in fair value of investments	\$ -	\$ -	\$ 69,455	\$ 69,455
Other:				
Royalties	1,000,000	1,000,000	938,877	(61,123)
Rents and concessions	20,000	20,000	6,906	(13,094)
Other	24,800	24,800	338,857	314,057
Total other revenues	1,044,800	1,044,800	1,284,640	239,840
Total revenues	97,680,086	97,716,593	96,501,312	(1,215,281)
EXPENDITURES				
General government:				
City commission	163,309	164,941	208,725	(43,784)
Special service	871,800	1,046,800	1,015,136	31,664
City manager	1,112,059	1,129,128	1,476,829	(347,701)
City secretary	474,024	485,001	483,052	1,949
Vital statistics	158,441	161,699	165,328	(3,629)
Passport facility	86,773	88,187	83,717	4,470
Audit office	206,768	211,844	262,150	(50,306)
Municipal court	1,330,522	1,397,023	1,263,452	133,571
Finance	1,185,073	1,216,694	1,087,718	128,976
Budget & management	295,151	295,151	275,290	19,861
Tax office	964,676	971,571	899,214	72,357
Purchasing and contracting	510,105	584,967	475,968	108,999
Legal	1,251,003	1,625,338	1,781,255	(155,917)
Grant administration	405,525	414,260	413,072	1,188
Right of way	191,806	195,234	170,083	25,151
Human resources	793,989	909,545	877,983	31,562
Risk management	651,761	651,761	651,761	-
Planning	1,121,919	1,142,232	869,398	272,834
Information technology	2,565,550	2,605,594	2,379,524	226,070
Public information office	594,166	608,626	483,739	124,887
311 Call center	173,473	173,473	162,796	10,677
City hall	633,978	636,532	589,516	47,016
Development Center	89,527	89,527	37,408	52,119
Building maintenance	627,161	638,808	650,711	(11,903)
Non-departmental activities	2,150,435	2,150,435	2,510,558	(360,123)
Contingency	446,712	(958,068)	-	(958,068)
Total general government	19,055,706	18,636,303	19,274,383	(638,080)

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Public safety:				
Police	\$ 30,713,744	\$ 31,356,655	\$ 30,382,930	\$ 973,725
Animal control	359,710	364,245	256,186	108,059
Communication technology	323,343	328,700	230,306	98,394
Fire	16,643,591	16,821,501	17,505,025	(683,524)
Traffic operations	2,341,756	2,374,305	2,212,115	162,190
Building code compliance	1,024,022	1,045,289	1,009,777	35,512
Total public safety	51,406,166	52,290,695	51,596,339	694,356
Highways and streets:				
Engineering services	1,934,132	1,972,404	1,667,860	304,544
Street cleaning	430,011	434,354	407,055	27,299
Street maintenance	6,185,034	6,212,841	6,070,042	142,799
Street lighting	1,977,001	2,277,001	2,575,771	(298,770)
Sidewalk construction	338,424	343,160	335,194	7,966
Drainage	1,359,562	1,403,738	1,262,535	141,203
Total highways and streets	12,224,164	12,643,498	12,318,457	325,041
Health and welfare:				
Health code compliance	1,117,923	1,143,405	1,220,210	(76,805)
Graffiti cleaning	165,342	167,850	171,348	(3,498)
Other agencies	267,662	617,662	698,884	(81,222)
Total health and welfare	1,550,927	1,928,917	2,090,442	(161,525)
Culture and recreation:				
Parks and recreation administration	540,199	551,262	533,686	17,576
Parks	6,604,364	6,678,495	6,253,133	425,362
Recreation	1,583,946	1,621,873	1,301,843	320,030
Pools	855,715	881,241	821,178	60,063
Las palmas community center	425,442	432,519	347,422	85,097
Recreation center-Lark	507,113	511,886	465,988	45,898
Recreation center-Palmview	509,091	517,422	509,730	7,692

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Quinta mazatlan	\$ 525,939	\$ 534,779	\$ 511,969	\$ 22,810
Library	3,275,824	3,333,267	3,117,514	215,753
Library branch-Lark	432,741	442,556	456,411	(13,855)
Library branch-Palmview	428,880	437,991	443,718	(5,727)
Other agencies	995,259	995,259	995,258	1
Museums	792,400	792,400	792,400	-
Total culture and recreation	17,476,913	17,730,950	16,550,250	1,180,700
Total expenditures	101,713,876	103,230,363	101,829,871	1,400,492
Excess of revenues over expenditures	(4,033,790)	(5,513,770)	(5,328,559)	185,211
OTHER FINANCING SOURCES (USES)				
Transfers in	9,630,300	9,630,300	9,790,207	159,907
Transfers out	(4,507,424)	(4,507,424)	(4,507,424)	-
Net other financing sources (uses)	5,122,876	5,122,876	5,282,783	159,907
Net change in fund balances	1,089,086	(390,894)	(45,776)	345,118
Fund balances at beginning of year	43,876,557	43,876,557	43,876,557	-
Fund balances at end of year	\$ 44,965,643	\$ 43,485,663	\$ 43,830,781	\$ 345,118

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

CITY OF McALLEN, TEXAS
DEVELOPMENT CORPORATION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Sales tax	\$ 15,826,355	\$ 15,826,355	\$ 15,332,751	\$ (493,604)
Intergovernmental revenues	1,020,265	1,020,265	-	(1,020,265)
Investment earnings	100,000	100,000	120,876	20,876
Net increase in the fair value of investments	-	-	41,551	41,551
Other	-	-	1,153	1,153
	<u>16,946,620</u>	<u>16,946,620</u>	<u>15,496,331</u>	<u>(1,450,289)</u>
EXPENDITURES				
Current:				
General government	14,366,583	20,273,123	13,219,392	7,053,731
Public safety	100,000	100,000	69,001	30,999
Highways and streets	2,627,749	2,627,749	784,839	1,842,910
Health and welfare	1,502,000	1,502,000	1,501,957	43
Culture and recreation	7,518,819	7,610,719	5,116,189	2,494,530
Debt service:				
Principal	25,000	25,000	25,000	-
Interest and fiscal charges	5,906	5,906	6,444	(538)
	<u>26,146,057</u>	<u>32,144,497</u>	<u>20,722,822</u>	<u>11,421,675</u>
Excess (deficiency) of revenues over expenditures	<u>(9,199,437)</u>	<u>(15,197,877)</u>	<u>(5,226,491)</u>	<u>9,971,380</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	636,884	636,884
Transfers out	(5,718,323)	(5,718,323)	(5,224,304)	494,019
	<u>(5,718,323)</u>	<u>(5,718,323)</u>	<u>(4,587,420)</u>	<u>1,130,903</u>
Net changes in fund balances	(14,917,760)	(20,916,200)	(9,813,911)	11,102,283
Fund balances--beginning	<u>25,008,285</u>	<u>25,008,285</u>	<u>25,008,285</u>	<u>-</u>
Fund balances--ending	<u>\$ 10,090,525</u>	<u>\$ 4,092,085</u>	<u>\$ 15,194,374</u>	<u>\$ 11,102,283</u>

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

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2014

	Business Type Activities-Enterprise Funds				
	Water	Sewer	Sanitation	Convention Center	McAllen International Airport
ASSETS					
Current assets:					
Cash	\$ 401,972	\$ 459,488	\$ 345,246	\$ 75,389	\$ 204,789
Certificate of deposit	487,550	105,000	700,000	-	557,550
Investments	3,099,700	718,746	7,737,108	2,730,066	4,778,828
Receivables, net:					
Accounts	1,682,398	1,679,886	1,966,678	37,306	413,593
Accrued interest	6,036	2,259	13,974	4,031	8,382
Other	2,419	12,117	197	50,455	-
Due from other funds	-	-	-	184,760	-
Due from other governments	-	-	-	-	157,044
Inventories, at cost	40,246	-	-	-	-
Restricted assets:					
Cash and cash equivalents	188,934	715,742	8,663	950	559,276
Total current assets	5,909,255	3,693,238	10,771,866	3,082,957	6,679,462
Noncurrent assets:					
Restricted assets:					
Investments	13,608,571	45,182,299	8,771,122	1,213,459	5,995,725
Interfund loan receivable	3,684,885	-	-	-	-
Other	-	21,933	-	-	1,128,457
Total noncurrent restricted assets	17,293,456	45,204,232	8,771,122	1,213,459	7,124,182
Capital assets:					
Land	3,039,265	1,983,995	1,101,490	5,909,420	3,251,781
Buildings and systems	57,450,720	104,387,880	2,241,785	56,281,224	32,480,501
Improvements other than buildings	60,079,592	37,561,736	461,219	6,733,381	54,443,243
Machinery and equipment	7,426,813	7,321,280	22,978,150	2,873,219	2,658,783
Construction in progress	7,497,585	13,171,453	9,153	-	27,675,809
Goodwill	-	-	-	-	-
Water rights	7,123,100	-	-	-	-
Less accumulated depreciation and amortization	(59,429,074)	(61,360,486)	(17,478,120)	(12,138,300)	(48,845,068)
Total capital assets (net of accumulated depreciation and amortization)	83,188,001	103,065,858	9,313,677	59,658,944	71,665,049
Other noncurrent assets					
Loans receivable	84,351	84,351	-	-	-
Board advances	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Total other noncurrent assets	84,351	84,351	-	-	-
Total noncurrent assets	100,565,808	148,354,441	18,084,799	60,872,403	78,789,231
Total assets	106,475,063	152,047,679	28,856,665	63,955,360	85,468,693
Deferred outflows of resources- deferred charge on refunding	383,431	228,261	-	-	-
Total assets and deferred outflows of resources	\$ 106,858,494	\$ 152,275,940	\$ 28,856,665	\$ 63,955,360	\$ 85,468,693

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

Business-type Activities-Enterprise Funds				Governmental Activities
McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 476,144	\$ 84,066	\$ 390,946	\$ 2,438,040	\$ 1,355,622
-	-	530,040	2,380,140	1,310,120
1,879,533	971,348	3,819,418	25,734,747	21,836,962
1,485	-	6,476	5,787,822	278,103
-	-	5,110	39,792	36,533
-	-	-	65,188	8,506
-	-	46,190	230,950	-
150,985	-	584,754	892,783	-
-	-	-	40,246	447,127
55,934	19,200	50,606	1,599,305	-
2,564,081	1,074,614	5,433,540	39,209,013	25,272,973
7,062,508	1,671,462	611,272	84,116,418	-
-	-	-	3,684,885	-
-	-	-	1,150,390	-
7,062,508	1,671,462	611,272	88,951,693	-
573,798	2,936,598	2,230,658	21,027,005	9,381,216
10,698,086	2,997,470	7,285,171	273,822,837	-
3,422,281	47,783,199	9,599,256	220,083,907	214,238
1,844,042	937,579	9,236,734	55,276,600	22,851,087
869,930	54,659	160,780	49,439,369	-
609,713	-	-	609,713	-
-	-	-	7,123,100	-
(9,961,478)	(7,248,012)	(14,235,490)	(230,696,028)	(17,033,291)
8,056,372	47,461,493	14,277,109	396,686,503	15,413,250
-	-	-	168,702	-
15,821,468	-	-	15,821,468	-
-	-	-	-	2,035,009
15,821,468	-	-	15,990,170	2,035,009
30,940,348	49,132,955	14,888,381	501,628,366	17,448,259
33,504,429	50,207,569	20,321,921	540,837,379	42,721,232
-	-	-	611,692	-
\$ 33,504,429	\$ 50,207,569	\$ 20,321,921	\$ 541,449,071	\$ 42,721,232

Continued

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2014

	Business Type Activities-Enterprise Funds				
	Water	Sewer	Sanitation	Convention Center	McAllen International Airport
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 876,036	\$ 1,237,739	\$ 871,497	\$ 357,018	\$ 1,119,690
Accrued expenses	498,518	476,601	222,629	77,059	1,112,286
Due to other funds	657,649	-	-	-	-
Due to other government agencies	-	-	-	-	-
Customer deposits payable	2,443,512	-	-	59,390	-
Compensated absences	338,173	228,344	255,202	68,467	89,633
Current portion of revenue bonds	1,583,751	3,594,249	-	-	385,000
Other	16,684	100,000	300	239,492	31,634
Total current liabilities	6,414,323	5,636,933	1,349,628	801,426	2,738,243
Other noncurrent liabilities:					
Advances from other funds	-	-	-	-	-
Revenue bonds payable, net	19,308,076	73,362,000	-	-	8,365,000
Compensated absences	122,570	116,523	108,932	38,609	1,462
Interfund notes payable	-	-	-	-	3,684,885
Unearned revenues	163,678	1,197,093	451,132	109,973	-
Board advances	-	-	-	-	-
Total other noncurrent liabilities	19,594,324	74,675,616	560,064	148,582	12,051,347
Total liabilities	<u>\$ 26,008,647</u>	<u>\$ 80,312,549</u>	<u>\$ 1,909,692</u>	<u>\$ 950,008</u>	<u>\$ 14,789,590</u>
NET POSITION					
Net investment in capital assets	62,864,008	37,126,189	9,313,677	59,658,944	59,307,804
Restricted for:					
Capital projects	12,943,355	22,346,860	-	1,214,410	5,303,080
Debt service	525,700	3,191,890	-	-	286,019
Distribution of net surplus revenues	-	-	-	-	-
Unrestricted	4,516,784	9,298,452	17,633,296	2,131,998	5,782,200
Total net position	80,849,847	71,963,391	26,946,973	63,005,352	70,679,103
Total liabilities and net position	<u>\$ 106,858,494</u>	<u>\$ 152,275,940</u>	<u>\$ 28,856,665</u>	<u>\$ 63,955,360</u>	<u>\$ 85,468,693</u>

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

Business-type Activities-Enterprise Funds				Governmental Activities
McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 49,783	\$ 22,144	\$ 410,886	\$ 4,944,793	\$ 1,663,269
46,376	154,857	128,646	2,716,972	2,901,083
433	-	-	658,082	-
925,525	-	-	925,525	-
-	-	-	2,502,902	-
36,904	-	18,082	1,034,805	-
-	1,250,000	-	6,813,000	-
-	-	39	388,149	-
1,059,021	1,427,001	557,653	19,984,228	4,564,352
-	-	352,716	352,716	-
-	33,641,417	-	134,676,493	-
68,056	16,347	148,758	621,257	59,270
-	-	-	3,684,885	-
322,845	-	87,035	2,331,756	-
-	15,821,468	-	15,821,468	-
390,901	49,479,232	588,509	157,488,575	59,270
<u>\$ 1,449,922</u>	<u>\$ 50,906,233</u>	<u>\$ 1,146,162</u>	<u>\$ 177,472,803</u>	<u>\$ 4,623,622</u>
8,056,372	12,570,076	14,277,109	263,174,179	15,413,250
1,466,250	647,320	300,498	44,221,773	-
502,844	898,947	-	5,405,400	-
5,148,916	-	-	5,148,916	-
16,880,125	(14,815,007)	4,598,152	46,026,000	22,684,360
32,054,507	(698,664)	19,175,759	363,976,268	38,097,610
<u>\$ 33,504,429</u>	<u>\$ 50,207,569</u>	<u>\$ 20,321,921</u>	<u>\$ 541,449,071</u>	<u>\$ 42,721,232</u>
				Concluded

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CITY OF MCALLEN, TEXAS
Reconciliation of the Statement of Net Position of the Proprietary Funds
to the Government-Wide Statement of Net Position
September 30, 2014

Fund equity - total proprietary funds (page 39)	\$ 363,976,268
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Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business-type activities.

3,801,661

Net position of business-type activities

\$ 367,777,929

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended September 30, 2014

	Water	Sewer	Sanitation	Convention Center
Operating revenues				
Charges for services	\$ 15,327,198	\$ 14,555,861	\$ 16,885,461	\$ 950,214
Rentals	-	-	-	1,094,350
Other	821,858	420,185	83,098	160,853
Total operating revenues	16,149,056	14,976,046	16,968,559	2,205,417
Operating expenses				
Salaries, wages and employee benefits	5,896,419	3,844,685	5,575,308	1,564,178
Supplies	3,025,504	687,718	258,656	83,899
Contractual and other services	2,627,653	3,101,264	4,348,963	2,066,425
Repairs and maintenance	765,817	504,832	3,233,325	342,023
Depreciation and amortization	4,182,203	5,754,548	2,162,719	1,580,750
Self insurance claims	-	-	-	-
Total operating expenses	16,497,596	13,893,047	15,578,971	5,637,275
Operating income (loss)	(348,540)	1,082,999	1,389,588	(3,431,858)
Non operating revenues (expenses)				
Investment earnings	95,266	142,014	91,900	19,114
Net increase (decrease) in fair value of investments	25,798	10,684	10,202	3,467
Interest expense	(1,237,641)	(1,231,629)	-	-
Interest on board advances	-	-	-	-
Capitalized interest	-	-	-	-
Gain (loss) on sale of capital assets	(3,915)	185	10,175	1,805,282
Other	3,029	-	-	-
Net non-operating revenues (expenses)	(1,117,463)	(1,078,746)	112,277	1,827,863
Income (loss) before contributions and transfers	(1,466,003)	4,253	1,501,865	(1,603,995)
Capital contributions	90,369	1,194,153	-	-
Transfers in	-	-	-	2,374,937
Transfers out	-	-	(270,000)	(2,098,640)
Change in net position	(1,375,634)	1,198,406	1,231,865	(1,327,698)
Total net position at beginning of year, restated	82,225,481	70,764,985	25,715,108	64,333,050
Total net position at end of year	\$ 80,849,847	\$ 71,963,391	\$ 26,946,973	\$ 63,005,352

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

Business Type Activites-Enterprise Funds					Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 2,535,607	\$ 10,673,408	\$ 2,998,333	\$ 1,631,511	\$ 65,557,593	\$ 5,867,929
2,862,939	1,892,738	18,276	93,800	5,962,103	-
373,192	127,892	37,102	911,463	2,935,643	13,188,886
5,771,738	12,694,038	3,053,711	2,636,774	74,455,339	19,056,815
1,678,543	1,191,046	427,126	2,661,824	22,839,129	1,437,216
54,543	90,115	16,994	167,551	4,384,980	23,344
1,587,136	956,369	292,872	1,461,647	16,442,329	5,702,719
383,219	213,699	60,812	997,648	6,501,375	1,368,134
3,553,819	606,661	1,543,678	1,396,178	20,780,556	1,816,394
-	-	-	-	-	12,608,493
7,257,260	3,057,890	2,341,482	6,684,848	70,948,369	22,956,300
(1,485,522)	9,636,148	712,229	(4,048,074)	3,506,970	(3,899,485)
52,006	1,591	870	13,996	416,757	179,708
4,257	-	-	(3,725)	50,683	25,015
(414,038)	-	(1,652,502)	-	(4,535,810)	-
-	550,445	(550,445)	-	-	-
348,230	-	-	-	348,230	-
-	-	-	21,510	1,833,237	14,521
-	(3,428,995)	-	-	(3,425,966)	2,085,382
(9,545)	(2,876,959)	(2,202,077)	31,781	(5,312,869)	2,304,626
(1,495,067)	6,759,189	(1,489,848)	(4,016,293)	(1,805,899)	(1,594,859)
5,638,758	-	-	3,185,043	10,108,323	-
-	-	947,075	1,860,614	5,182,626	-
(1,103,965)	(5,718,893)	-	(150,000)	(9,341,498)	(1,000,000)
3,039,726	1,040,296	(542,773)	879,364	4,143,552	(2,594,859)
67,639,377	31,014,211	(155,891)	18,296,395	359,832,716	40,692,469
\$ 70,679,103	\$ 32,054,507	\$ (698,664)	\$ 19,175,759	\$ 363,976,268	\$ 38,097,610

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CITY OF MCALLEN, TEXAS
Reconciliation of the Statement Revenues, Expenses and Changes in Fund Net Position of the Proprietary Funds
to the Government-Wide Statement of Activities
For The Year Ended September 30, 2014

Change in net position - total proprietary funds (page 43)	\$ 4,143,552
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.	<u>(771,278)</u>
Net position of business-type activities	<u><u>\$ 3,372,274</u></u>

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

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2014

	Business Type Activities			
	Water	Sewer	Sanitation	McAllen Convention Center
Cash flows from operating activities:				
Receipts from customers	\$ 16,041,530	\$ 15,128,029	\$ 16,974,614	\$ 2,140,425
Payments to employees	(5,838,890)	(3,798,693)	(5,514,831)	(1,538,549)
Payments to suppliers	(5,823,012)	(5,497,743)	(7,500,834)	(2,269,378)
Net cash provided (used) by operating activities	4,379,628	5,831,593	3,958,949	(1,667,502)
Cash flows from noncapital financing activities:				
Transfers from other funds	-	-	-	2,374,937
Transfers to other funds	-	-	(270,000)	(2,098,640)
Subsidy from federal grant	-	-	-	-
Board advances	-	-	-	-
Distribution of income to City of Hidalgo	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	(270,000)	276,297
Cash flows from capital and related financing activities:				
Capital contributions	-	1,181,575	-	-
Purchases of capital assets	(4,525,064)	(4,904,266)	(1,813,535)	(246,274)
Proceeds from sale of capital assets	-	-	10,175	2,098,640
Proceeds interfund loan	-	-	-	-
Interfund loan disbursed	(3,465,376)	-	-	-
Proceeds from loan forgiveness	-	2,165,000	-	-
Principal repayments-bonds and notes	(1,514,610)	(3,313,390)	-	-
Interest paid	(1,223,383)	(1,397,476)	-	-
Net cash provided (used) by capital and related financing activities	(10,728,433)	(6,268,557)	(1,803,360)	1,852,366
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	7,253,496	5,599,830	998,274	(719,241)
Purchase of investments	(1,041,357)	(6,063,643)	(2,769,479)	-
Receipt of interest	112,336	129,857	89,535	19,913
Net cash provided (used) by investing activities	6,324,475	(333,956)	(1,681,670)	(699,328)
Net increase (decrease) in cash	(24,330)	(770,920)	203,919	(238,167)
Cash at beginning of year	615,236	1,946,150	149,990	314,506
Cash at end of year	\$ 590,906	\$ 1,175,230	\$ 353,909	\$ 76,339

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

					Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 5,865,357 (1,656,092) (3,227,779)	\$ 12,570,459 (1,193,722) (1,313,010)	\$ 3,053,711 (419,280) (372,659)	\$ 2,627,846 (2,653,776) (2,411,598)	\$ 74,401,971 (22,613,833) (28,416,013)	\$ 19,168,169 (1,375,506) (18,790,169)
981,486	10,063,727	2,261,772	(2,437,528)	23,372,125	(997,506)
- (1,103,965)	- (4,772,635)	-	1,860,614 (150,000)	4,235,551 (8,395,240)	- (1,000,000)
-	-	-	2,679,739	2,679,739	-
-	(947,075)	947,075	-	-	-
-	(3,274,663)	-	-	(3,274,663)	-
(1,103,965)	(8,994,373)	947,075	4,390,353	(4,754,613)	(1,000,000)
6,212,325 (9,920,336)	- (179,383)	- (55,817)	- (1,691,366)	7,393,900 (23,336,041)	- (11,262,927)
-	-	-	21,510	2,130,325	49,086
3,465,376	-	-	-	3,465,376	-
-	-	-	-	(3,465,376)	-
-	-	-	-	2,165,000	-
(375,000)	-	(1,200,000)	-	(6,403,000)	-
(402,583)	-	(1,686,895)	-	(4,710,337)	-
(1,020,218)	(179,383)	(2,942,712)	(1,669,856)	(22,760,153)	(11,213,841)
3,672,396 (2,472,524) 49,146	17,035,234 (17,883,191) 1,593	3,509,890 (3,804,977) 870	7,813,035 (7,964,072) 6,241	45,162,914 (41,999,243) 409,491	20,451,890 (7,365,936) 200,258
1,249,018	(846,364)	(294,217)	(144,796)	3,573,162	13,286,212
106,321	43,607	(28,082)	138,173	(569,479)	74,865
657,744	488,471	131,348	303,379	4,606,824	1,280,757
\$ 764,065	\$ 532,078	\$ 103,266	\$ 441,552	\$ 4,037,345	\$ 1,355,622

Continued

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS-(Continued)
For the Year Ended September 30, 2014

	Business Type Activities			
	Water	Sewer	Sanitation	McAllen Convention Center
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (348,540)	\$ 1,082,999	\$ 1,389,588	\$ (3,431,858)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	4,182,203	5,754,458	2,162,719	1,580,750
(Increase) decrease in accounts receivable	(108,137)	(23,824)	6,259	(11,427)
(Increase) decrease in intergovernmental receivables	-	178,067	-	-
(Increase) decrease in due from other funds	-	-	-	(21,728)
(Increase) decrease in prepaid items	(2,419)	(2,200)	(197)	(31,837)
(Increase) decrease in inventories	(26,494)	-	-	-
Increase (decrease) in accounts payable	34,083	75,675	320,907	157,595
Increase (decrease) in customer deposits payable	54,016	-	-	41,055
Increase (decrease) in compensated absences payable	21,649	13,666	34,655	12,757
Increase (decrease) in accrued liabilities	70,573	(87,484)	25,822	24,638
Increase (decrease) in due to other funds	553,176	-	-	-
Increase (decrease) in other current liabilities	-	59,881	-	(26,270)
Increase (decrease) in unearned revenues	(50,482)	(1,219,645)	19,196	38,823
Total adjustments	4,728,168	4,748,594	2,569,361	1,764,356
Net cash provided by (used) by operating activities	\$ 4,379,628	\$ 5,831,593	\$ 3,958,949	\$ (1,667,502)
Noncash investing, capital and financing activities:				
Contributions of capital assets	90,369	12,577	-	-
Decrease in fair value of investments	25,798	10,684	10,202	3,467

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

Business Type Activities					Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ (1,485,522)	\$ 9,636,148	\$ 712,229	\$ (4,048,074)	\$ 3,506,970	\$ (3,899,485)
3,553,819	606,661	1,543,678	1,396,178	20,780,466	1,816,829
(10,854)	(152,470)	-	(3,497)	(303,950)	(11,225)
-	-	-	-	178,067	-
104,473	-	-	(5,432)	77,313	-
-	-	-	-	(36,653)	-
-	-	-	-	(26,494)	(100,235)
(1,738,779)	(52,826)	5,865	196,634	(1,000,846)	582,077
-	-	-	-	95,071	-
15,070	(7,741)	-	(6,174)	83,882	3,152
534,194	-	-	34,037	601,780	611,381
-	-	-	-	553,176	-
9,085	5,065	-	-	47,761	-
-	28,890	-	(1,200)	(1,184,418)	-
2,467,008	427,579	1,549,543	1,610,546	19,865,155	2,901,979
\$ 981,486	\$ 10,063,727	\$ 2,261,772	\$ (2,437,528)	\$ 23,372,125	\$ (997,506)
-	-	-	-	102,946	-
4,257	-	-	(1,145)	53,263	25,015

Concluded

CITY OF McALLEN , TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2014

	<u>Pension Trust</u> <u>Firemen's Relief</u> <u>and Retirement</u> <u>Fund</u>	<u>Agencies</u>
ASSETS		
Cash and cash equivalents	\$ 850,969	\$ 1,652,167
Receivables:		
Interest	39,439	4,668
Other	-	13,074
Investments, at fair value:		
TexPool	-	715,287
Certificates of deposit	-	487,550
Domestic and international equities	26,473,203	-
Treasury and corporate bonds	11,105,348	1,749,925
Alternative investments	6,814,878	-
	<u>44,393,429</u>	<u>2,952,762</u>
Total investments		
	<u>44,393,429</u>	<u>2,952,762</u>
Total assets	<u>45,283,837</u>	<u>4,622,671</u>
LIABILITIES		
Accounts payable	-	848,257
Due agency	-	807,480
Escrow payables	-	2,966,934
	<u>-</u>	<u>2,966,934</u>
Total liabilities	<u>-</u>	<u>\$ 4,622,671</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 45,283,837</u>	

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

CITY OF McALLEN , TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended September 30, 2014

	<u>Pension Trust Firemen's Relief and Retirement Fund</u>
ADDITIONS	
Contributions:	
Member	\$ 1,214,786
Employer	<u>1,435,293</u>
Total contributions	<u>2,650,079</u>
Investment earnings:	
Interest and dividends	946,178
Gain on sale of investments	578,714
Net appreciation in fair value of investments	<u>1,333,576</u>
Total investment earnings	2,858,468
Less: investment expense	<u>332,517</u>
Net investment earnings	<u>2,525,951</u>
Total additions	<u>5,176,030</u>
DEDUCTIONS	
Benefits	2,210,191
Refund of contributions	26,742
DROP payments	351,653
Administrative expense	<u>23,959</u>
Total deductions	<u>2,612,545</u>
Changes in net fiduciary position	2,563,485
Net fiduciary position--beginning	<u>42,720,352</u>
Net fiduciary position--ending	<u><u>\$ 45,283,837</u></u>

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

CITY OF McALLEN , TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended September 30, 2014

	<u>Pension Trust Firemen's Relief and Retirement Fund</u>
ADDITIONS	
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The notes to the financial statements are an integral part of this statement.

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CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

I. Summary of significant accounting policies

(A) Reporting entity

The City of McAllen, Texas (the City) is a municipal corporation, which was incorporated February 20, 1911 under Article XI, Section 5 of the Texas Constitution. The City operates under the commission-manager form of government and provides a full range of municipal services as authorized by its charter. The governing body consists of an elected mayor and a six-member commission. Services provided include those typically provided by general-purpose local governments, namely public safety (principally police and fire,) highways and streets, health and welfare, culture and recreation (principally library, parks and recreation). Other services provided include water and sewer utilities, sanitation, civic center, convention center, international airport, international toll bridge linking Hidalgo, Texas with downtown Reynosa, Tamaulipas, Mexico, international toll bridge linking south of the City of Mission with the west side of Reynosa, Tamaulipas, Mexico, golf course, bus transit system, and intermodal transit terminal.

The accompanying financial statements present the reporting entity, which consists of the primary government. Financial reporting standards also require the City to include, if any, legally-separate entities or organizations for which the primary government is financially accountable and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion could cause the City's basic financial statements to be misleading or incomplete.

Financial accountability exists if a primary government appoints a voting majority of an organization's governing Board and either is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing Board, a governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the primary government.

Applying these tests to other entities and activities for possible inclusion in the reporting entity, the City has determined that the Development Corporation meets the financial accountability tests and, therefore is included as a blended component unit. Its Board is appointed by the City Commission and serves as an advisory board to the City Commission.

The City of McAllen issues separate publicly available audited financial statements of the McAllen International Toll Bridge and the Anzalduas International Crossing, which may be obtained by writing to City of McAllen Finance Department, 1300 Houston, P.O. Box 220, McAllen, Texas 78505.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

The Firemen's Relief and Retirement Fund is included as a pension trust fund, and reported as a fiduciary fund in the accompanying financial statements.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP) applicable to states and local governments. US GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governments.

Governmental Accounting Standards Board has issued the following pronouncement, which is relevant to the City, became effective this fiscal year and has been implemented:

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities.

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. For the City, this affects the presentation of debt issuance costs as an expense versus a capitalized cost. See Note 12 for the impact to beginning net position.

The following statements will become effective in future years. Management has not yet determined the effect of these statements, however, the impact is expected to be significant as it related to GASB 68, as this statement will require the recognition of a previously unrecorded liability.

GASB Statement No. 68, Accounting and Financial Reporting for Pension Plans—an amendment of GASB Statement No.27

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

GASB Statement No. 69, Government Combinations and Disposals of Government operations

The objective of this Statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term *government combinations* is used in this Statement to refer to a variety of arrangements including mergers and acquisitions. Government combinations also include transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services. This Statement is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.

GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees

Some governments extend financial guarantees for the obligations of another government, a not-for-profit organization, a private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity or individual that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of the Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a nonexchange financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a nonexchange financial guarantee may be applied prospectively.

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68

The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended,

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

continues to require that beginning balances for other deferred outflows or resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine *all* such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

The more significant accounting policies of the City are described below.

(B) Government-wide and fund financial statements

Government-wide Financial Statements

The government-wide financial statements consist of the statement of net position, a statement of financial position, and the statement of activities, a statement of results of operations. These statements report information on all the activities of the reporting entity with the exception of fiduciary activity. Generally, the effect of inter-fund activity has been eliminated from these statements. *Governmental activities*, normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which primarily rely on fees and charges.

The statement of activities reflects the extent to which direct expenses of each function are offset by program revenues. *Direct expenses* are those that are attributable to a specific function and are clearly identifiable. *Program revenues* include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a specific function as well as grants and contributions that are restricted to meeting the operational or capital requirements of a specific function. Taxes and other items not appropriately included with program revenues are shown as *general revenues*.

Fund Financial Statements

In addition to and apart from the government-wide financial statements, fund financial statements are presented for governmental funds, proprietary funds and fiduciary funds. In each of these financial statements, major funds are presented in separate columns.

(C) Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*; consistent with the presentation of the proprietary fund and fiduciary fund financial statements, with the exception that agency funds do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, without regard to the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon all eligibility requirements imposed by the provider have been met.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period, except for property taxes, which is 60 days required by GAAP. Expenditures generally are recorded when a liability is incurred, consistent with accrual accounting. However, debt service expenditures, as well as those related to compensated absences and claims and judgments are recognized only when payment is made.

Revenues derived from federal or state grants are recognized when earned at the end of the current fiscal year and are reflected as due from other governments. Because of their nature, the availability period has a longer duration of six months to a year.

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following governmental fund types and related major governmental funds:

The *General Fund* is the primary operating fund. It accounts for all of the financial resources of the general government, except those required to be accounted for in another fund.

The *Special Revenue Funds* are used to account for and report the proceeds of specific revenue sources, other than for debt service or major capital projects that are legally restricted or committed to expenditure for specified purposes. The only special revenue fund reported as a major fund is the *Development Corp. Fund*, a blended component unit. It is used to account for the additional ½¢ sales tax for economic development.

The *Debt Service Fund* is used to account for and report financial resources that are restricted, committed or assigned for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service fund is restricted to signify the amounts that are restricted exclusively for debt service expenditures.

The *Capital Projects Funds* are used to account for and report financial resources that are restricted, committed or assigned for the acquisition and/or construction of capital facilities except those financed by proprietary fund types. The *Capital Improvement Fund* is the only fund of this type that is reported as a major fund.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

The governing body has adopted the policy that the Development Corp. Fund and the Capital Improvement Fund are to be considered major funds, without regard to the major fund criteria, due to them being particularly important to the users of these financial statements.

The City reports the following major *proprietary fund types* and related funds:

The following *enterprise funds* are used to account for City operations for which a fee is charged to external users for goods or services. These funds must be used for activities, whose debt is backed solely by fees and charges or there is a legal requirement to recover cost, including capital cost, or a policy decision has been made to recover cost, including capital cost. Enterprise funds, which are reported as major funds include:

The *Water Fund*, which accounts for the activities of the City's water system.

The *Sewer Fund*, which accounts for the activities of the City's sewer system.

The *Sanitation Fund*, which accounts for the activities of the City-owned residential and commercial garbage and brush collection as well as recycling systems.

The *Convention Center Fund*, which accounts for the activities of the City's convention center.

The *McAllen International Airport Fund*, which accounts for the activities of the City-owned international airport.

The *McAllen International Toll Bridge Fund*, which accounts for the operations of the City-owned international bridge connecting the City of Hidalgo, Texas with downtown Reynosa, Mexico.

The *Anzalduas International Crossing Fund*, which accounts for the operations of the international bridge connecting south of the City of Mission, Texas with the west side of Reynosa, Mexico.

The City also reports, although not as major funds, the *internal service funds as proprietary funds*. These fund types were established to finance and account for goods and services provided to various departments of the City, and on a limited basis to other local agencies, on a cost-reimbursement basis. They account for fleet management, health insurance, retiree health insurance, and general insurance services provided to other operating funds of the City, as well as a general depreciation fund for rolling stock used within departments of the General Fund. In the statement of net position, only fleet management is reported in the business-type column, because the predominant user is determined to be the Sanitation Fund, a proprietary fund.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

The City reports *fiduciary fund types*, in which the City accounts for assets received and held by the City in the capacity of trustee, agent or custodian. Expenditures are made only in accordance with the purpose for which the assets are received and cannot be used to support the City's programs. Within this category of fund types, the *pension trust fund* accounts for the activities of the *Firemen's Relief and Retirement Fund*, this accumulates resources for pension benefit payments to qualified firefighters. It also accounts for developers' contributions for future infrastructure development in the *Developers' Fund*, an agency fund. Additionally, it accounts for *Communications Group Fund*, an agency fund, which was established for the purpose of accounting for the operations and maintenance of a consolidated regional public safety services communication system. The City also includes the *Payroll Fund* as an agency fund.

Generally, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general statement are charges between the City's water and sewer function and various other functions of the City. Eliminating these charges would distort the direct costs and program revenues reported by the respective functions.

Amounts reported in *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues*, which include all taxes, as opposed to program revenues.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses typically are the result from activities specific to a particular proprietary fund's operations. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel and depreciation. All other revenues and expenses are reported as non-operating revenues and expenses.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the City typically first applies restricted resources, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

(D) Assets, liabilities, and net position

(1) Deposits and investments

The City's cash and cash equivalents are considered to be all cash in its operating accounts and money market accounts with an original maturity date of 90 days or less for the statements of cash flows. The Public Funds Investment Act for the state of Texas allows municipalities to invest in the following:

- Obligations of, or guaranteed by governmental entities, including:

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

- Obligations of the United States or its agencies or instrumentalities
 - Direct obligations of this state or its agencies and instrumentalities
 - Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.
 - Other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities
 - Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent
 - Bonds issued, assumed, or guaranteed by the State of Israel
- Certificates of deposit
 - Fully collateralized repurchase agreements
 - Bankers' acceptances
 - Commercial paper
 - No-load mutual funds
 - Guaranteed investment contracts
 - Investment pools

The City's investment policy further restricts investments to the following:

- U.S. Treasury obligations and government agency securities, specifically those issued by the Federal Home Land Bank, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Federal Farm Credit Bank, excluding mortgage-backed securities (i.e., those issued by the Government National Mortgage Association (Ginnie Mae), Student Loan Marketing Association (Sallie Mae) and Tennessee Valley Authority (TVA).
- Certificates of Deposit
- Local government investment pools

The City's investments are reported at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

(2) Receivables and payables

Lending/borrowing between funds that results in amounts outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds". "Due to/from other funds" represents the current portion of interfund loans. "Advances to/from other funds" represents the non-current portion of interfund loans. With respect to the

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

government-wide financial statements, any residual balances outstanding between the governmental activities and business-type activities are reported as “internal balances.”

Advance receivables between funds, reported in the fund financial statements, are offset by a restricted category of fund balance in the applicable governmental fund(s) to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectible.

Property taxes are levied on October 1 based on the assessed value of property as listed on the previous January 1, on which date a tax lien attaches. Assessed values are an approximation of market value. A valuation of all property must be made at least every three (3) years. However, due to growth, the appraisal district conducts annual valuation by property category. Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are levied. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and, therefore, susceptible to accrual in accordance with GAAP have been recognized as revenue. Taxes are due on October 1, the levy date, and are delinquent after the following January 31. Tax liens are automatic on January 1 each year. The tax lien is part of a lawsuit for property that can be filed any time after taxes become delinquent (February 1). The City usually waits until after May 1 and July 1 to file suits on business personal property and real property, respectively.

(3) Inventories and prepaid items

Inventories for all governmental funds are valued at the lower of cost or market on the first-in, first-out basis. The consumption method is used to account for inventories. Under the consumption method, all inventory purchases are recorded as inventory acquisitions (current assets) at the time of purchase and expended when used.

Inventories of proprietary funds are valued at the lower of cost or market on the first-in, first-out basis as well.

Payments to vendors, reflecting costs applicable to future accounting periods, are recorded as prepaid items in both government-wide and fund financial statements.

(4) Restricted assets

Proceeds from the issuance of bonds, primarily related to enterprise funds and sales tax revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet due to their use being limited by applicable bond covenants. The “revenue bond current debt service” account is used to report segregated assets accumulated for debt service payments over the next twelve months. The “revenue

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

bond contingency” account is used to report resources set aside to subsidize potential deficiencies from the McAllen International Toll Bridge Fund and/or the Anzalduas International Crossing Fund operation that could adversely affect debt service payments. In addition to assets restricted by bond covenants, others are restricted by enabling legislation for replacement and/or acquisition of capital assets.

(5) Capital assets

Capital assets, which includes property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$2,500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated assets are reflected at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the assets life are not capitalized.

Gains or losses on dispositions of capital assets are included in income within the proprietary fund financial statements and in the governmental activities and business-type activities columns of the government-wide financial statements. In the governmental fund financial statements only the proceeds from the disposition are reported. Within the proprietary funds, interest cost, less interest earned on investments acquired with proceeds of related borrowing, is capitalized during the construction of capital projects when material. The Airport Fund has incurred \$927K of capitalized interest and will be re-classed at the end of the next fiscal year. Interest expense is not capitalized on general capital assets.

Depreciation of capital assets used by proprietary funds, including those acquired by contributed capital, is charged as an expense against their operations in the fund financial statements as well as the government-wide financial statements. Depreciation of general capital assets used by funds categorized as governmental activities is not provided in the fund financial statements, however is included in the gross expense by function in the government-wide Statement of Activities. Capital assets, accumulated depreciation as well as the net amount are reported on proprietary fund balance sheets and in both the governmental activities and business-type activities column of the government-wide statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	10 – 50 years
Equipment	5 – 15 years
Infrastructure	15 – 40 years

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(6) Compensated absences

Accumulated unpaid compensated absences are accrued when incurred in all funds reported within the proprietary fund financial statements as well as the governmental activities and business-type activities columns of the government-wide statements. The expense is recognized in the governmental fund financial statements when paid or expected to be paid with current financial resources.

(7) Long-term obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental/business-type activities or the specific proprietary fund to which each relates, as applicable. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources and discounts are reported as other financing uses. Issuance costs, whether or not withheld from debt proceeds, are reported as debt service expenditures.

(8) Fund balances

Fund balance, reported in governmental funds, which has some level of constraint placed on it, is classified as nonspendable, restricted, committed, or assigned. The amount remaining, which can be spent for any lawful purpose is classified as unassigned. Amounts classified as restricted have constraints placed on the use by law, regulations of other governments, creditors, grantors or by enabling legislation. Those classified as committed are constrained by the City Commission through an ordinance for specific purposes, but are neither restricted nor committed. Reversing a commitment would require City Commission approval through an ordinance. Non-spendable amounts cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The City Commission has delegated the authority to make assignments to the City Manager with Commission direction. For the purposes of classifying governmental fund balances, the City typically considers expenditure to be made from the most restrictive first when more than one classification is available, however reserves the right to selectively defer the use thereof to future expenditure. During the budget process, the City Manager designates the assignment of

CITY OF McALLEN, TEXAS

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fund balances and makes recommendations to the City Commission for their consent and approval.

The table below outlines the composition of the City's governmental fund balances classifications.

	Major Funds			Non-major	
	General	Development Corp.	Capital Improvements	Funds Other	Total
Fund balances:					
Nonspendable:					
Board advances	\$ 1,918,717	\$ -	\$ -	\$ -	\$ 1,918,717
Advances to other funds	190,000	-	-	-	190,000
Prepays	51,826	-	-	-	51,826
Restricted for:					
Law enforcement	-	-	-	4,476,724	4,476,724
Debt service	-	-	-	292,192	292,192
Economic development	-	15,194,374	-	4,095	15,198,469
Tourism	-	-	-	2,019,554	2,019,554
Capital improvements	-	-	-	56,580,468	56,580,468
Public access network	447,859	-	-	-	447,859
Parks	-	-	-	963,184	963,184
Committed to:					
Downtown services parking	-	-	-	387,626	387,626
Assigned to:					
Information technology projects	-	-	-	1,004,740	1,004,740
Other capital projects	-	-	4,736,936	-	4,736,936
Unassigned	41,221,379	-	-	-	41,221,379
 Total fund balances	 <u>\$ 43,829,781</u>	 <u>\$ 15,194,374</u>	 <u>\$ 4,736,936</u>	 <u>\$ 65,728,583</u>	 <u>\$ 129,489,674</u>

(9) Minimum fund balance policy

In order to maintain a margin of safety in the General Fund balance in anticipation of economic downturns or natural disasters, the City Commission has adopted an ordinance, requiring a minimum fund balance of 140 days of expenditures.

(10) Deficit Unrestricted Net Position

The unrestricted portion of net position reflects a deficit in the amount of \$14,815,009 primarily as a result of advances from the Hidalgo Bridge, as authorized by the board of trustees. These advances supported the annual debt service requirements and interest on the

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advances. The Hidalgo Bridge Board of trustees has no intention of calling these advances, which will be repaid once the resources are available. In addition, the Employee Benefits Fund reflects a deficit fund balance in the amount of \$1,070,528. It is estimated that this temporary shortfall will be covered by a health insurance premium rate increase in addition to a transfer in from the General Insurance Fund during the next fiscal year.

(11) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charges on refundings reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At the governmental fund level, revenues that have been billed but not yet collected or collected within the availability period are reported as unavailable revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City has five categories that qualifies as deferred inflows of resources. The following table describes the items and amounts:

<u>Deferred Inflows</u>	<u>Amount</u>
Property taxes	\$ 3,577,352
Weedy lots	769,336
Mission Repayment on Series B	1,918,717
Sales taxes	5,412,939
Other	<u>654,545</u>
Totals	<u>\$ 12,332,889</u>

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(12) Restatement of Net Position at Beginning of Year

As a result of implementing GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, debt issuance costs in the amount of \$1,911,167 were eliminated from the statement of activities, thus resulting in a restatement of prior year net position. The following governmental activities and business type activities were impacted: governmental-\$241,743; Water Fund-\$318,075; Sewer Fund-\$410,778; Airport Fund-\$150,137; and Anzalduas International Crossing-\$790,434.

	Fund Level				Government Wide
	Water	Sewer	McAllen International Airport	Anzalduas International Crossing	Governmental Activities
Net position, as previously reported at 10/01/2013	\$ 82,543,556	\$ 71,175,763	\$ 67,789,514	\$ 634,543	\$ 361,350,597
Change in reporting debt issuance costs	(318,075)	(410,778)	(150,137)	(790,434)	(241,743)
Restated net position at 10/01/2013	<u>\$ 82,225,481</u>	<u>\$ 70,764,985</u>	<u>\$ 67,639,377</u>	<u>\$ (155,891)</u>	<u>\$ 361,108,854</u>

II. Stewardship, compliance and accountability

(A) Budgetary information

The City adheres to the following procedures in establishing the budgetary data reflected in the basic financial statements:

1. Prior to August 1 of each year, the City Manager is required to submit to the City Commission a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted by the City Commission through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between accounts within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Commission. Budgeted amounts include transfers and revisions to the original appropriations ordinance.

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5. Annual appropriated budgets are adopted for all governmental funds with the exception of less significant grants, which are included in the Miscellaneous Government Grants fund.
6. The budget and actual comparisons include the General Fund and the Development Corp Fund. Budgets for these funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (US GAAP) applicable to state and local governments. Budgets for proprietary funds have been prepared on a non-US GAAP basis, which excludes depreciation but includes capital outlay and debt principal payments.
7. Annual budgeted expenditures are adopted at the department level within funds. As previously noted, the City Manager is authorized to make transfers within a department. Accordingly, the level at which expenditures cannot legally exceed appropriations is the department level. During the year, several supplementary appropriations were necessary.

(B) Excess of expenditures over appropriations

For the year ended September 30, 2014, expenditures in certain general fund departments exceeded appropriations. These expenditures over appropriations are the result of underestimating actual expenditures for the year. Revenue sufficient to provide for the excess was made available through the use of available surplus from current and prior years. The related departments and the excess of expenditures over appropriations are reflected in the table that follows:

<u>Department:</u>	
City commission	\$ 43,784
City manager	347,701
Vital statistics	3,629
Audit office	50,306
Legal	155,917
Building maintenance	11,903
Non-departmental activities	360,123
Fire	683,524
Street lighting	298,770
Health code compliance	76,805
Graffiti cleaning	3,498
Library - Lark	13,855
Library - Palmview	5,727
Total general fund	<u>\$ 2,055,542</u>

CITY OF McALLEN, TEXAS

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III. Detailed notes on all funds

(A) Deposits and investments

It is the City's policy as well as a requirement in its Depository Agreement for deposits plus accrued interest thereon to be 110% secured by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation insurance. At September 30, 2014, the City's deposits were entirely covered by federal deposit insurance or were secured by collateral held by the City's agent in the City's name pursuant to the City's Investment Policy and its Depository Agreement.

Investments at fair value, including accrued interest, as of September 30, 2014 are reflected in the table that follows:

Investment Maturities (in Years)				
	Fair Value	1 or less	2	3+
Tex Pool	\$ 77,032,963	\$ 77,032,963	\$ -	\$ -
Money Market	7,524,561	7,524,561	-	-
Certificates of deposit	54,514,629	40,514,511	14,000,118	-
U.S. Government securities	137,509,201	19,760,606	14,997,560	102,551,703
	<u>\$ 276,581,354</u>	<u>\$ 144,832,641</u>	<u>\$ 28,997,678</u>	<u>\$ 102,551,703</u>

Public funds investment pools

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

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

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The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at amortized cost. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

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

The City believes TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value. The City believes that TexPool operates as a 2a-7 like pool as described in GASB Statement No. 59, Financial Instrument Omnibus.

Interest rate risk. The investment policy states that no investment shall exceed seven years in maturity. By limiting the exposure of its investments by no more than three years as reflected in the schedule below, the City reduces its risk to rising interest rates. The table in the following page reflects the allocation of the investment portfolio.

	<u>Government Agencies</u>	<u>Certificates of Deposit</u>
< 1 Year	\$ 19,760,606	\$ 40,514,511
1-3 Years	<u>117,748,595</u>	<u>14,000,118</u>
Total	<u>\$ 137,509,201</u>	<u>\$ 54,514,629</u>
Weighted Average Maturity	757 Days	271 Days

Credit risk. As of September 30, 2014, the investments in the State's investment pool was rated AAAM by Standards and Poor's. Available funds were invested in certificates of deposit, all of which are under the Federal Deposit Insurance Corporation limit, as well as with the City's depository bank, PlainsCapital Bank, an independently owned bank.

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However, the collateral pledged against the certificates of deposit with PlainsCapital Bank is comprised of government securities, which carry AAA rating from Moody's and AA+ from S&P. The government securities consist of instruments issued by the Federal Home Loan Bank and Federal National Mortgage Association, both of which are rated AAA Moody's Investors Service and AA+ by S&P. The City's investment policy limits authorized investments to TexPool, certificates of deposits, U.S. Treasuries and federal government agencies, excluding Student Loan Marketing Association and Tennessee Valley Authority and mortgage backed securities.

Concentration of credit risk. The certificate of deposits holdings at September 30, 2014 represents 19.73% of the total portfolio. The U.S. government agencies category represents 49.66% of the total portfolio. Within this category, securities issued by the Federal Home Loan Bank represent 30% of the portfolio, those issued by the Federal Home Loan Mortgage Corporation represent 63%, and those issued by Federal National Mortgage Association represent 7%. The investment policy is silent in the concentration of holding in the various types of securities and investments.

Firemen's Relief and Retirement Fund Investments

The Firemen's Relief and Retirement Fund Investments (Plan) are recorded at fair value as of September 30, 2014. The table below reflects the composition of these investments.

Firemen's Relief and Retirement Fund Investments:		Investment Policy	
	Fair Value	% of Portfolio	Asset Allocation
Equities:			
Domestic	\$ 20,426,727	46.01%	30-60%
International	6,046,476	13.62%	10-30%
Equities total	26,473,203		
Fixed income			
Treasury/corporate bonds	11,105,348		
Fixed income total	11,105,348	25.02%	20-50%
Alternative investments	6,814,878	15.35%	0-20%
Total portfolio	\$ 44,393,429	100.00%	

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Because of the complexity of the portfolio, the firemen's board of trustees relies on its consultant to provide the necessary guidance to accomplish the Plan's objectives. The Board also understands that return objectives can be achieved while assuming "market" volatility. The Board is willing to forgo potential return in strong markets in return for protection against a severe decline during weak periods.

Concentration of credit risk. As noted in the above schedule, none of the sectors exceed their percentage of asset allocation. The Plan is well diversified; with no one issue exceeding 5%. With the exception of the alternative investments, the portfolio can be liquidated within one to two days if so desired. Alternative investments can only be liquidated quarterly.

Interest rate risk. Only the fixed income securities of the Plan are subject to interest rate risk due to the possibility that prevailing interest rates could change before the securities reach maturity. Securities that are subject to interest rate risk as of September 30, 2014 amount to \$10,071,089 and have weighted-average duration of 2.47 years. Duration is defined as the change in the value of a fixed income security that will result from a 1% change in interest rates. Duration is stated in years. For example, 5 year duration means the bond will decrease in value by 5% if interest rates rise 1% and increase in value by 5% if interest rates fall 1%. Securities that are subject to interest rate risk are shown in the following table. The investment policy is silent on the subject.

Investment Type	Fair Value	Percentage of Total	Weighted-Average Duration (Years)
Corporate bonds	\$ 3,550,582	35.26%	3.90
Government agencies	1,392,936	13.83%	1.87
Government bonds	1,613,507	16.02%	5.03
Government MBS	514,687	5.11%	5.61
Sub-pranationals	6,103	0.06%	0.02
Municipal & derivatives	2,993,274	29.72%	0
Total interest rate sensitive bonds	<u>\$ 10,071,089</u>	100.00%	<u>2.47</u>

Credit risk. Using Standard and Poor's rating system for fixed income securities as of September 30, 2013 the Plan's bonds were rated as noted below. The investment policy is silent on the subject.

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	<u>Fair Value</u>	<u>Percentage of Total</u>	<u>S&P Rating</u>
	\$ 2,159,162	21.44%	AAA
	373,268	3.71%	AA
	2,624,380	26.06%	A
	838,232	8.32%	BBB
	1,546,878	15.36%	BB
	2,099,523	20.85%	B
	361,012	3.58%	CCC
	<u>68,634</u>	<u>0.68%</u>	Not rated
Total credit sensitive bonds	<u>\$ 10,071,089</u>	100.00%	

Foreign currency risk. The Plan has one equity investment manager that has direct foreign currency exposure. The table in the following page represents a summary of the country/currency allocations as of September 30, 2014. The investment policy is silent on the subject.

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Country	Fair Value	Percentage of Total
Australia	\$ 136,271	2.2%
Austria	10,192	0.2%
Brazil	135,599	2.2%
Canada	587,450	9.5%
China	375,355	6.1%
Denmark	48,358	0.8%
Egypt	15,722	0.3%
France	279,912	4.5%
Germany	185,674	3.0%
India	151,321	2.4%
Indonesia	68,782	1.1%
Ireland	264,527	4.3%
Italy	88,910	1.4%
Japan	114,065	1.8%
Korea	290,851	4.7%
Luxemburg	99,321	1.6%
Malaysia	68,782	1.1%
Mexico	112,017	1.8%
Netherlands	226,668	3.7%
Norway	3,547	0.1%
Phillippines	41,269	0.7%
Poland	13,756	0.2%
Russia	84,504	1.4%
South Africa	172,938	2.8%
Spain	96,717	1.6%
Sweden	69,176	1.1%
Switzerland	455,512	7.4%
Taiwan	251,547	4.1%
Thailand	104,156	1.7%
Turkey	78,608	1.3%
United States	28,408	0.5%
United Kingdom	885,481	14.3%
Other Developed Markets	193,320	3.1%
Other Emerging Markets	168,613	2.7%
Cash	272,969	4.4%
Totals	<u>\$ 6,180,298</u>	<u>100%</u>

CITY OF McALLEN, TEXAS

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(B) Receivables

Receivables for the City's governmental activities and business type activities at year end are reflected in the following table:

	Accounts	Taxes	Interest	Inter- governmental	Other	Net Receivables
Governmental activities:						
General	\$ 1,789,882	\$ 11,916,253	\$ 98,516	\$ 49,315	\$ 704,465	\$ 14,558,431
Development corp.	28,750	2,554,971	29,694	-	-	2,613,415
Capital Improvement	-	-	11,839	1,607,213	4,244	1,623,296
Nonmajor governmental and internal services	618,137	21,706	69,712	509,703	9,106	1,228,364
Total governmental	<u>\$ 2,436,769</u>	<u>\$ 14,492,930</u>	<u>\$ 209,761</u>	<u>\$ 2,166,231</u>	<u>\$ 717,815</u>	<u>\$ 20,023,506</u>
Business-type activities:						
Water	\$ 1,682,398	\$ -	\$ 6,036	\$ -	\$ 2,419	\$ 1,690,853
Sewer	1,679,886	-	2,259	21,933	12,117	1,716,195
Sanitation	1,966,678	-	13,974	-	197	1,980,849
Convention center	37,306	-	4,031	-	50,455	91,792
McAllen international airport	413,593	-	8,382	1,285,501	-	1,707,476
McAllen international toll bridge	1,484	-	-	150,985	-	152,469
Nonmajor enterprise and fleet	61,367	-	5,110	584,754	-	651,231
Total business type	<u>\$ 5,842,712</u>	<u>\$ -</u>	<u>\$ 39,792</u>	<u>\$ 2,043,173</u>	<u>\$ 65,188</u>	<u>\$ 7,990,865</u>

Within the City's water, sewer, and sanitation funds, an estimated amount has been recorded for services rendered but not yet billed as of the close of the year. The receivable was determined by prorating the cycle billings sent to customers in October 2014 based on the number of days applicable to the prior fiscal year. The receivable balances in the water, sewer, and sanitation have been reduced by estimated allowances for doubtful accounts. Water accounts were reduced by \$57,109; sewer accounts by \$52,364; and sanitation accounts by \$68,046.

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of

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deferred inflows of resources and unearned revenue reported in the fund financial statements are reflected below:

	<u>Unavailable</u>	<u>Unearned</u>
Governmental funds:		
Delinquent property taxes receivable (general fund)	\$ 3,577,352	\$ -
Sales tax (general fund)	4,054,724	-
Sales tax (development corp fund)	1,351,575	-
Other	<u>3,349,238</u>	<u>583,633</u>
 Total deferred/unearned revenues for governmental funds	 <u>\$ 12,332,889</u>	 <u>\$ 583,633</u>

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(C) Capital assets

Capital asset activity for the year ended September 30, 2014 was as follows:

	Beginning Balance	Increases	Transfers/ Retirement	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 49,271,274	\$ 10,039,773	-	\$ 59,311,047
Construction in progress	13,244,155	11,260,570	-	24,504,725
Total capital assets, not being depreciated	62,515,429	21,300,343	-	83,815,772
Capital assets, being depreciated:				
Buildings and improvements	129,830,071	3,206,840	-	133,036,911
Equipment	75,416,120	5,541,104	(1,148,018)	79,809,206
Infrastructure	199,164,675	2,237,414	-	201,402,089
Total capital assets being depreciated	404,410,866	10,985,358	(1,148,018)	414,248,206
Less accumulated depreciation for:				
Buildings and improvements	(38,560,321)	(4,387,642)	-	(42,947,963)
Equipment	(54,121,146)	(5,123,406)	1,113,249	(58,131,303)
Infrastructure	(108,711,229)	(6,639,360)	-	(115,350,589)
Total accumulated depreciation	(201,392,696)	(16,150,408)	1,113,249	(216,429,855)
Total capital assets being depreciated, net	203,018,170	(5,165,050)	(34,769)	197,818,351
Governmental activities capital assets, net	\$ 265,533,599	\$ 16,135,293	\$ (34,769)	\$ 281,634,123

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Depreciation expense, exclusive of \$1,113,249 in depreciation retirement, was charged to governmental functions as follows:

General government	\$ 1,484,729
Public safety	2,513,395
Highways and streets, which includes the depreciation of general infrastructure assets	6,918,766
Health and welfare	14,178
Culture and recreation	3,469,490
In addition, depreciation on capital assets held by the City's internal service funds is charged to the various functions based on their usage of the assets	<u>1,749,850</u>
Total depreciation-governmental activities	<u><u>\$ 16,150,408</u></u>

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Business-type activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers/ Retirements</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 21,147,150	\$ 173,213	\$ (293,358)	\$ 21,027,005
Construction in progress	63,926,008	18,430,619	(32,917,258)	49,439,369
Water rights (perpetual)	4,923,100	-	-	4,923,100
Goodwill	609,713	-	-	609,713
Total capital assets, not being depreciated	<u>90,605,971</u>	<u>18,603,832</u>	<u>(33,210,616)</u>	<u>75,999,187</u>
Capital assets, being depreciated:				
Buildings and systems	281,649,220	171,709	32,810,566	314,631,495
Improvements other than buildings	170,848,747	1,141,710	-	171,990,457
Machinery and equipment	52,669,618	4,873,670	(1,592,157)	55,951,131
Development cost	7,417,616	-	-	7,417,616
Water rights (non-perpetual)	<u>2,200,000</u>	<u>-</u>	<u>-</u>	<u>2,200,000</u>
Total capital assets being depreciated	<u>514,785,201</u>	<u>6,187,089</u>	<u>31,218,409</u>	<u>552,190,699</u>
Less accumulated depreciation for:				
Buildings and systems	(99,305,203)	(8,439,586)	-	(107,744,789)
Improvement other than buildings	(77,050,664)	(7,785,553)	-	(84,836,217)
Machinery and equipment	(34,211,513)	(4,326,958)	1,592,156	(36,946,315)
Development cost	(694,886)	(185,440)	-	(880,326)
Water rights	<u>(632,499)</u>	<u>(109,999)</u>	<u>-</u>	<u>(742,498)</u>
Total accumulated depreciation	<u>(211,894,765)</u>	<u>(20,847,536)</u>	<u>1,592,156</u>	<u>(231,150,145)</u>
Total capital assets being depreciated, net	<u>302,890,436</u>	<u>(14,660,447)</u>	<u>32,810,565</u>	<u>321,040,554</u>
Business-type activities				
Capital assets net	<u>\$ 393,496,407</u>	<u>\$ 3,943,385</u>	<u>\$ (400,051)</u>	<u>\$ 397,039,741</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

Depreciation expense, exclusive of \$1,592,157 in depreciation retirement, was charged to business type activity functions as follows:

Water	\$ 4,182,203
Sewer	5,754,548
Sanitation	2,162,719
Golf course	318,774
Civic center	70,856
Convention center	1,580,750
McAllen international airport	3,553,819
McAllen express	669,795
Transit terminal	336,753
McAllen international toll bridge	606,661
Anzalduas international crossing	1,543,678
In addition, depreciation on capital assets held by the City's Fleet management funds is charged to the various functions based on their usage of the assets	<u>66,980</u>
Total depreciation-business type activities	<u>\$ 20,847,536</u>

At September 30, 2014, the City had the following significant remaining contractual commitments for various construction and improvement projects:

<u>Project Description</u>	<u>Remaining Commitment</u>	<u>Financing Sources</u>
Paving and drainage	\$ 887,797	Local and grant
Public safety building renovation	1,538,679	Local
Sewer improvements	1,973,458	Local
Park improvements	867,500	Local
Water improvements	106,534	Local
Airport improvements	157,710	Local, bond funds and grants
City hall renovations	422,004	Local
Roof restorations	225,600	Local
Performing arts center	42,855,576	Local and grant
Minor repairs	<u>4,940</u>	Local
	<u>\$49,039,798</u>	

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

(D) Interfund receivables/loans, advances and transfers

The compositions of inter-fund balances as of September 30, 2014 are reflected below.

<u>Receivable Fund:</u>	<u>Payable Fund:</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	\$ 498,591
	Water Fund	657,649
	McAllen Bridge Fund	<u>433</u>
	Total Governmental Funds	<u>\$ 1,156,673</u>
Civic Center Fund	Non-Major Governmental Fund	<u>\$ 46,190</u>
Convention Center Fund	Non-Major Governmental Fund	<u>\$ 184,760</u>
Airport Fund	Water Fund	<u>\$ 3,684,885</u>
	Total Proprietary Funds	<u>\$ 3,915,835</u>
	Combined totals	<u><u>\$ 5,072,508</u></u>

A loan arrangement between the Water Fund and the Airport Fund for the airport building expansion was agreed in the amount of \$4,500,000. The prior year the ending "note payable" was \$219,509. This year the Water Fund issued an additional amount of \$3,465,376, thus the current outstanding amount is \$3,684,885. The previous amount of \$219,509 was reflected in the long-term liabilities section (F). It is now disclosed in this section of the notes, since it is not a third party transaction. Payment terms and conditions of this arrangement are to be determined later.

The due to/from other funds primarily represent temporary short-term borrowings for working capital, which are intended to be satisfied soon after year end.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	EB-5 Fund	\$ 190,000
General Insurance Fund	Capital Improvement Fund	2,035,009
Capital Improvement Fund	Transit Terminal Fund	<u>352,716</u>
	Total	<u><u>\$2,577,725</u></u>

The General Fund advanced to the EB-5 Fund \$190,000 to finance the initial funding for operations.

The General Insurance Fund advanced to the Capital Improvement Fund \$2,035,009 to assist in funding the preliminary expenditures of the performing arts facility. The Capital Improvement Fund advanced the Transit Terminal Fund \$352,716 to assist in funding the acquisition and construction of the transit terminal building.

Transfers are used to 1) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds, and 2) move revenues from the fund that the budget requires to collect them to the fund that the budget requires to expend them. The table below reflects the transfer activity at year end.

Transfer In:

	General <u>Fund</u>	Capital Imprv and Development <u>Corp.</u>	Convention <u>Center</u>	Nonmajor <u>Governmental</u>	Nonmajor <u>Proprietary</u>	Anzalduas Int'l Crossing <u>Fund</u>	<u>Total</u>
Transfer out:							
General fund	\$ -	\$1,000,000	\$ -	\$ 3,507,424	\$ -	\$ -	\$ 4,507,424
Development corp.	3,707,424	-	-	250,000	1,266,880	-	5,224,304
Nonmajor prop. funds	-	150,000	-	-	-	-	150,000
Nonmajor gov. funds	207,000	636,884	2,374,937	-	593,734	-	3,812,555
Convention center fur	-	-	-	2,098,640	-	-	2,098,640
General insurance func	-	-	-	1,000,000	-	-	1,000,000
Sanitation fund	-	-	-	270,000	-	-	270,000
McAllen int'l toll bridg	4,771,818	-	-	-	-	947,075	5,718,893
McAllen int'l airport	1,103,965	-	-	-	-	-	1,103,965
Total	<u>\$ 9,790,207</u>	<u>\$1,786,884</u>	<u>\$2,374,937</u>	<u>\$ 7,126,064</u>	<u>\$ 1,860,614</u>	<u>\$ 947,075</u>	<u>\$ 23,885,781</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

During the year, the General Fund transferred \$1,000,000 of surplus revenues to the Capital Improvement Fund to assist in funding some major projects contemplated in next year's budget. It also provided funding in the amount of \$3,507,424 to the Debt Service Fund, a non major governmental fund. This funding is to cover the debt service requirements of the existing Tax and Revenue Certificates of Obligation Series 2010.

The Development Corporation provided funding for operating costs to the McAllen Express Fund and Transit System Fund in the amounts of \$921,127 and \$345,753 respectively, as reflected in the non-major proprietary column. It also transferred \$3,707,424 to the General Fund for operating expenditures associated with the public safety building, which was originally a project of the Development Corporation Fund, as well as \$250,000 to the EB-5 Fund to cover startup costs of the fund.

The transfers of \$2,374,937 and \$593,734 from the Hotel Occupancy Tax Fund, a non-major governmental fund, to the Convention Center and Civic Center. The transfer of \$207,000 from the Downtown Service Parking Fund, a non-major governmental fund, to the General Fund is a reimbursement for debt service requirements on the debt related to the downtown parking garage. The transfer of \$636,884 from the Certificate of Obligation Library Construction Fund, a non-major governmental fund, to the Development Corporation Fund, represents the final closing of the Certificate of Obligation Library Construction fund.

The General Insurance Fund and the Sanitation Fund transferred \$1,000,000 and \$270,000, respectively, to the Information Technology Fund, a non-major governmental fund, to cover the costs associated with the purchase of technology equipment and software.

The transfer of \$1,103,965 from the Airport Fund to the General Fund represents reimbursement for public safety personnel assigned to the airport.

The Convention Center Fund transferred \$2,098,640 to the Performing Arts-General Obligation Fund for funding expenditures related to the Performing Arts Center.

The Civic Center Depreciation Fund, a non-major proprietary fund, transferred \$150,000 to the Capital Improvement Fund for expenditures related to the Performing Arts Center.

The amount reflected from the McAllen International Toll Bridge Fund to the General Fund of \$4,771,818 represents the City's share of surplus net revenue from operation of the international toll bridge. Additionally, it transferred \$947,075 to the Anzalduas International Crossing Fund for debt service requirements on the International Toll Bridge System Revenue Bonds, Series 2007B.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

(E) Operating leases

The McAllen International Toll Bridge Fund leases property and buildings to the United States Government, the State of Texas, and various commercial dealers under operating leases. The leases range from monthly leases with commercial dealers to a 15-year lease with the General Service Administration (GSA).

Estimated future minimum lease payments to be received under the non-cancellable operating lease with GSA are as follows:

<u>Year Ending</u>	<u>Amount</u>
2015	\$ 2,118,988
2016	2,118,988
2017	2,118,988
2018	2,118,988
2019	2,118,988
2020-2024	10,594,940
2025-2029	<u>10,594,940</u>
Totals	<u>\$31,784,820</u>

(F) Long-term liabilities

(1) **General obligation bonds and other**

The City issues general obligation bonds to finance the acquisition and construction of major capital facilities, generally for governmental activities and are direct obligations, for which the City has pledged the full faith and credit of the government. These bonds generally are serial bonds and carry a term of 20 years or more with varying amounts of principal maturing each year. All outstanding general obligation bonds have been retired, leaving only sales tax revenue bonds and combination tax and revenue certificates of obligation bond indebtedness.

The schedule that follows presents an analysis of general long-term debt outstanding, followed by a schedule of the debt service requirements on those bonds.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

Governmental activities

\$25,000,000 Development Corporation of McAllen, Inc. Sales Tax Revenue Bonds, Series 1998 due in annual installments of \$25,000 per year through February 15, 2018; interest at 4.80% to 5.25%	\$ 100,000
\$29,030,000 Combination Tax and Revenue Certificates of Obligation, Series 2010 due in annual installments ranging from \$2,170,000 to \$3,450,000 per year through February 15, 2020, with a final installment of \$3,450,000; interest at 2.00% to 5.00%	18,995,000
\$42,380,000 General Obligation Bonds, Series 2014 due in annual installments ranging from \$600,000 to \$3,085,000 per year through February 15, 2034, with a final installment of \$3,085,000; interest at 3.00% to 5.00%	42,380,000
\$11,850,000 Combination Tax and Revenue Certificates of Obligation, Series 2014 due in annual installments ranging from \$205,000 to \$840,000 per year through February 15, 2034, with a final installment of \$840,000; interest at 3.00% to 4.00%	11,850,000
Unamortized bond premium	3,887,561
Net OPEB obligation	1,131,455
Net pension obligation	814,623
Unpaid accumulated compensated absences	<u>10,303,250</u>
Total general long-term liabilities	<u>\$ 89,461,889</u>

The annual debt service requirements to maturity on sales tax bonds payable and combination tax and revenue certificates of obligation as of September 30, 2014, including interest, are reflected in following page.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2015	3,695,000	3,846,685
2016	4,935,000	2,602,401
2017	5,115,000	2,418,263
2018	5,295,000	2,241,400
2019	5,450,000	2,059,457
2020-2024	15,670,000	7,850,244
2025-2029	15,015,000	4,993,197
2030-2034	<u>18,150,000</u>	<u>1,855,756</u>
Totals	<u>\$ 73,325,000</u>	<u>\$ 27,867,403</u>

(2) Revenue bonds and other

The City also issues bonds, for which it pledges revenue, derived from the activity using the bond-financed assets, to pay debt service. The following schedule is an analysis of the business-type activity long-term debt, including related revenue bonds.

Payable from Water Fund:

\$14,263,200 Waterworks and Sewer System Improvement Revenue
and Refunding Bonds, Series 2005 due in annual installments from
\$30,000 to \$2,005,000 through February 1, 2030: interest at 3.00% to 5.25% \$ 11,261,600

\$12,029,050 Waterworks and Sewer System Improvement Revenue
and Refunding Bonds, Series 2006 due in annual installments from \$685,000
to \$1,960,000 through February 1, 2031: interest at 3.00% to 5.00% 9,004,559

Unamortized bond premium 625,668

Unpaid accumulated compensated absences 460,743

Total water fund \$ 21,352,570

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

Payable from Sewer Fund:

\$11,206,800 Waterworks and Sewer System Improvement Revenue and Refunding Bonds, Series 2005 due in annual installments from \$30,000 to \$2,005,000 through February 1, 2030: interest at 3.00% to 5.25%	\$ 8,848,400
\$26,525,950 Waterworks and Sewer System Improvement Revenue and Refunding Bonds, Series 2006 due in annual installments from \$685,000 to \$1,960,000 through February 1, 2031: interest at 3.00% to 5.00%	21,470,441
\$39,485,000 Waterworks and Sewer System Revenue Bonds, Series 2009 due in annual installments from \$1,090,000 to \$1,350,000 through February 1, 2040: with no interest	35,125,000
\$1,190,000 Waterworks and Sewer System Improvement Revenue Series 2012 due in annual installments from \$95,000 to \$1,135,000 through February 1, 2022: interest at 0.240% to 0.850%; with interest commencing February 1, 2019	995,000
\$6,655,000 Waterworks and Sewer System Revenue Bonds, Series 2013 due in annual installments from \$175,000 to \$285,000 through February 1, 2043: interest at 1.60%.	6,480,000
\$217,000 Waterworks and Sewer System Revenue Bonds, Series 2013A due in annual installments from \$18,000 to \$25,000 through February 1, 2043: interest at 2.43%.	199,000
\$2,995,000 Waterworks and Sewer System Revenue Bonds, Series 2013B due in annual installments from \$270,000 to \$310,000 through February 1, 2043: interest at 0.52%.	2,725,000
Unamortized bond premium	1,113,406
Unpaid accumulated compensated absences	<u>344,867</u>
Total sewer fund	<u>\$ 77,301,114</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

Payable from Sanitation Fund:

Unpaid accumulated compensated absences	\$ 364,134
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Payable from Palm View Golf Course Fund:

Unpaid accumulated compensated absences	\$ 76,041
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Payable from Convention Center Fund:

Unpaid accumulated compensated absences	\$ 107,076
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Payable from McAllen International Airport Fund:

\$9,820,000 Combination Tax and Revenue Certificate of Obligation Bonds, Series 2011 due in annual installments from \$325,000 to \$710,000 through September 30, 2031: interest at 2.00% to 4.75%	\$ 8,750,000
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Unpaid accumulated compensated absences	91,095
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Total airport fund	\$ 8,841,095
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Payable from McAllen Express Fund:

Unpaid accumulated compensated absences	\$ 81,756
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Payable from Transit System Fund:

Unpaid accumulated compensated absences	\$ 9,043
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Payable from McAllen International Toll Bridge Fund:

Unpaid accumulated compensated absences	\$ 104,960
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CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

Payable from Anzalduas International Crossing Fund:

\$26,000,000 International Toll Bridge System Revenue Bonds, Series 2007A
due in annual installments from \$415,000 to \$1,895,000 through
March 1, 2032: interest at 4.50% to 4.65% \$ 23,135,000

Payable from Anzalduas International Crossing Fund (Continued):

\$13,160,000 International Toll Bridge System Revenue Bonds, Series 2007B
due in annual installments from \$340,000 to \$915,000 through 11,310,000
March 1, 2032: interest at 4.00% to 5.00%

Unpaid accumulated compensated absences 16,347

Unamortized bond premium 446,417

Total Anzalduas International Crossing Fund \$ 34,907,764

Payable from Fleet Materials Management Fund (an internal service fund
treated as BTA):

Unpaid accumulated compensated absences \$ 27,003

Total Proprietary Fund Debt \$ 143,172,556

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

The table below reflects the revenue bond debt service requirements to maturity.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 6,813,000	\$ 4,728,161
2016	7,141,000	4,537,645
2017	7,381,000	4,287,368
2018	7,652,000	4,024,982
2019	7,977,000	3,744,822
2020-2024	35,565,000	14,656,105
2025-2029	34,445,000	6,827,328
2030-2034	21,870,000	1,137,127
2035-2039	8,010,000	168,929
2040-2043	<u>2,450,000</u>	<u>43,954</u>
Total bonds outstanding	<u>\$ 139,304,000</u>	<u>\$ 44,156,421</u>

Defeased Bonds Outstanding

In prior years, the City issued refunding bonds to defease certain outstanding bonds for the purpose of consolidation and to achieve debt service savings. The City had placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds.

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. Although defeased, the refunded debt from these earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. On September 30, 2014, \$16,130,000 of Combination and Tax and Revenue Certificates of Obligation bonds and \$18,960,400 of Waterworks and Sewer System Improvement Revenue bonds outstanding are considered defeased.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

(3) Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2014 is shown in the table below:

	Balance at September 30, 2013	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2014	Amounts Due Within One Year
Governmental activities:					
Sales tax revenue bonds	\$ 125,000	\$ -	\$ (25,000)	\$ 100,000	\$ 25,000
Certificates of obligation	21,735,000	11,850,000	(2,740,000)	30,845,000	3,070,000
General obligation bonds	-	42,380,000	-	42,380,000	600,000
Bond premium	873,183	3,082,885	(68,507)	3,887,561	1,432,653
Compensated absences	9,454,720	5,816,764	(4,968,234)	10,303,250	4,839,000
Net OPEB obligation	1,131,455	-	-	1,131,455	-
Net pension obligation	546,756	267,867	-	814,623	-
Total general long-term	33,866,114	63,397,516	(7,801,741)	89,461,889	9,966,653
Business-Type activities:					
Revenue bonds payable	145,707,002	-	(6,403,002)	139,304,000	6,813,000
Compensated absences	1,590,781	1,286,269	(1,193,985)	1,683,065	1,034,805
Bond premium	2,432,444	-	(246,953)	2,185,491	-
Total proprietary fund debt	149,949,736	1,286,269	(7,843,940)	143,172,556	7,847,805
Total debt	<u>\$ 183,815,850</u>	<u>\$ 64,683,785</u>	<u>\$ (15,645,681)</u>	<u>\$ 232,634,445</u>	<u>\$ 17,814,458</u>

With respect to governmental activities, compensated absences and net OPEB obligation are liquidated by the General Fund. The exception to this is net pension obligation, which is reflected as \$814,623. Under business-type activities, a note payable of \$219,509 was reflected at the end of September 30, 2013. This was an inter-fund transaction between Airport Fund and Water Fund. This amount of \$219,509 and an additional amount of \$3,465,376, which totals \$3,648,885, is now reflected in section (D) interfund receivables/loans, advances, and transfers.

(4) Debt covenants

The City is required to comply with various provisions included in the trust indenture for issued bonds (including bonds issued through the Texas Water Development Board). The City has complied with all significant provisions of the trust indenture.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

Bonds issued by the City for the construction of the toll bridge located in the City of Mission are secured by the net revenues of both international bridges. Also, bonds issued by the City for water and sewer improvements are secured by pledging the net revenues of the water and sewer utilities systems.

IV. Other information

(A) Risk Management

The City is exposed to various risks or torts; theft of, damage to, and destruction of assets; injuries to employees, citizens and the general public; and natural disasters. During fiscal year 2014, the City self-funded group health insurance, life insurance, general liability insurance, and workmen's compensation insurance. The City purchased insurance coverage for fire and extended coverage on buildings and contents; and fire, lightning, and windstorm insurance for its vehicles for damages in excess of certain limits.

The group health insurance program is reported in the Employee Benefits Fund, an internal service fund. General liability and workmen's compensation insurance programs are reported in the General Insurance Fund, an internal service fund, and the Retiree Health Insurance Fund, an internal service fund.

The health insurance excess coverage policy covers individual claims in excess of \$150,000. Third-party coverage is currently maintained for workmen's compensation claims in excess of \$400,000. Third-party coverage is also currently maintained for general liability claims in excess of \$10,000.

The City estimates the liabilities for its self-funded insurance programs on a case-by-case basis based on historical claims experience. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss is reasonably estimable. Accruals for claims are adjusted on a regular basis based on the latest information available on each case. Claims incurred but not reported have been considered in determining the accrual for claims, and City management believes adequate accruals have been provided at September 30, 2014. Inter-fund premiums are based primarily on claims experience and are reported as interfund services provided and used.

There were no significant reductions in insurance coverage from coverage in the prior year by major category of risk. In addition, there were no insurance settlements exceeding insurance coverage in any of the past three years. Changes in claims payable amounts for the most recent two years are reflected in the following page.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

	<u>Employee Benefits</u>	<u>Retiree Health Insurance</u>	<u>General Insurance</u>	<u>Total</u>
Claims payable at September 30, 2012	<u>\$(1,750,000)</u>	<u>\$ (240,000)</u>	<u>\$ (367,475)</u>	<u>\$(2,357,475)</u>
Current period claims and changes in estimate	(7,860,316)	(1,129,610)	(1,098,620)	(10,088,546)
Current period claims paid	<u>7,860,316</u>	<u>1,129,610</u>	<u>1,054,917</u>	<u>10,044,843</u>
Claims payable at September 30, 2013	<u>(1,750,000)</u>	<u>(240,000)</u>	<u>(411,178)</u>	<u>(2,401,178)</u>
Current period claims and changes in estimate	(9,053,786)	(1,049,307)	(3,131,226)	(13,234,319)
Current period claims paid	<u>9,053,786</u>	<u>1,049,307</u>	<u>3,212,046</u>	<u>13,315,139</u>
Claims payable at September 30, 2014	<u><u>\$(1,750,000)</u></u>	<u><u>\$ (240,000)</u></u>	<u><u>\$ (330,358)</u></u>	<u><u>\$(2,320,358)</u></u>

(B) Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's management and legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City has been granted authority from U.S. Citizenship and Immigration Service to operate an EB-5 Visa (also known as the Employment Based 5th Preference Visa) Regional Center, which attracts foreign investment for jobs creation in exchange for expediting applicants for permanent residency. This activity is accounted for in a non-major governmental fund. Under this program a foreign national deposits with the City—in addition to \$10,000 application fee, \$540,000, which is held in deposit pending approval of permanent residency, at which time \$40,000 is released to the City as an administrative fee and the remaining \$500,000 to the investment project selected by applicant. As of September 30, 2014, the deposit amount totaled \$7,085,000.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

(C) Accounting for post-employment benefits other than pensions

Prior to the implementation of GASB 45 “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”, the City reported retiree’s health benefits in the Employee Benefits Fund. The City created an internal service fund entitled “Retiree Health Insurance Fund” to accommodate the provisions of GASB 45.

- (1) Plan Description: The City provides post-employment health care benefits for eligible retirees and their dependents. To be eligible to elect retiree medical coverage, a City employee retiring at age 60 or over must have at least 10 years of service with the City. City employees retiring before age 60 must have at least 25 year of service with the City. Members of the City’s Fire Department are eligible to retire on or after age 50 with at least 20 years of service with the City.

Effective October 1, 2008, spouses must have been covered for at least three years prior to retirement, Retirees less than age 65 will have a one-time option to drop coverage and to be reinstated once the retiree reached age 65 and has enrolled in Medicare Parts A and B. Retirees are required to pay 100% of the blended (active and retiree) premium cost for both single and dependent coverage. However, police officers who retired prior to October 1, 2010 with 25 or more years of service pay 50% of the blended premium cost for both single and dependent coverage. As of year end, there were 116 employees who had retired: 59 with single coverage; 38 single coverage with one dependent; and 19 with family coverage.

- (2) Funding Policy: The policy of the City is to fund the plan on a pay-as-you-go basis.
- (3) Annual OPEB Cost and Net OPEB Obligation: The Retiree Health Insurance Fund’s (Fund) ARC is actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The most current actuarial valuation was October 1, 2012. The following table shows the Fund’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Fund’s net OPEB obligation. This net OPEB obligation in the amount of \$1,131,455 is recorded in the governmental activities column of the statement of net position.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

Net OPEB Obligation

Annual required contribution	\$ 859,964
Interest on net OPEB obligation	57,710
Adjustment to annual required contribution	<u>(72,214)</u>
Annual OPEB cost	845,460
Contributions made	<u>(763,275)</u>
Increase in net OPEB obligation	82,185
Net OPEB obligation at beginning of year (revised)	<u>1,049,270</u>
Net OPEB obligation at end of year	<u><u>\$ 1,131,455</u></u>

The City's annual OPEB cost and the percentage cost contributed to the plan for the year ended September 30, 2014 is as follows:

Year Ended September 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset) at Year End
2008	\$ 548,770	136.6%	\$ (201,098)
2009	551,544	96.2%	(179,896)
2010	882,368	51.5%	248,430
2011	882,368	62.2%	572,194
2012	862,625	44.7%	1,049,270
2013	845,460	90.3%	1,131,455

- (4) **Funded Status and Funding Progress:** The funding of the plan was based on the actuarial valuation dated October 1, 2012. The study reported the unfunded actuarial accrued liability (UAAL) at \$7,165,857 with an annual required cost of \$859,964. The actuarial value of assets was \$0, resulting in an UAAL of \$7,165,857. The City contributed \$736,157 at year end. The City will also be required to have an actuarial valuation performed at least every two years. The next actuarial valuation will be performed at the end of September 30, 2014. The table in the following page reflects the funding progress.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/08	\$ -	\$ 7,253,404	\$ 7,253,404	0.0%	\$ 60,443,815	12.0%
10/01/10	-	8,076,583	8,076,583	0.0%	62,858,165	12.8%
10/01/12	-	7,165,857	7,165,857	0.0%	71,155,679	10.1%

- (5) Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefits costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations. For the fiscal year ended September 30, 2014, the actuarial valuation date was October 1, 2012. The actuarial method used was the “projected unit credit” method, the amortization method used was the “level dollar open” method, and the remaining amortization period was 30 years. The asset valuation method was market value and the assumed investment rate of return was 5.5%. The healthcare initial inflation rate was 9%, with an ultimate goal of 5.0%. Assumptions such as projected salary increases and post-retirement benefit increases are not applicable to the plan.

(D) Retirement Plans

(1) Texas Municipal Retirement System

a). Plan Description

The City provides pension benefits for all of its eligible employees, except City Fire Department personnel, for whom there is a separate retirement plan, through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used the System. This report may be obtained by writing to Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS’ website at www.TMRS.com.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2012	Plan Year 2013
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age/years of service)	60/10,0/20	60/10,0/20
Updated Service Credit	0%	100%, Transfers
Annuity Increase (to retirees)	0% of CPI	0% of CPI

b). Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to-year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. For the current year the contribution rate was 6.64%. The annual pension cost and the net pension obligation/ (asset) are reflected in the table below.

Fiscal Year Ended	Annual Pension Cost	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation/(Asset)
09/30/2012	\$3,414,628	\$3,414,628	100%	\$0
09/30/2013	\$3,559,374	\$3,559,374	100%	\$0
09/30/2014	\$4,011,094	\$4,011,094	100%	\$0

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 2012, is reflected below.

Actuarial Valuation Date	12/31/12
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percent of Payroll
GASB 25 Equivalent Single	3.4 Years
Amortization period	Closed period
Amortization Period for new	
Gains/Losses	25 Years
Asset valuation method	10-yr Smoothed Market
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases –	Varies by
	age and service
includes inflation at	3.0%
cost-of-living adjustments	None
Actuarial value of assets	\$174,613,086
Actuarial accrued liability	\$175,375,668
Percentage funded	99.6%
Unfunded actuarial accrued	
liability (asset) (UAAL)	\$762,582
Annual covered payroll	\$57,320,330
UAAL as a percentage of covered	
payroll	1.3%

The funded status as of December 31, 2012, the most recent actuarial valuation date is as follows (unaudited):

Actuarial accrued liability (AAL)	\$175,375,668
Actuarial value of Assets	<u>174,613,086</u>
Unfunded actuarial accrued liability (Asset) (UAAL)	<u>\$ 762,582</u>
Funded ratio (actuarial value of Assets/AAL)	99.6%
Annual covered payroll	\$57,320,330
UAAL as a percentage of covered payroll	1.3%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year end

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(2) Firemen's Relief & Retirement Fund

a). Plan Description

Firemen's Relief & Retirement Fund, a single-employer defined benefit plan (the "Plan"), was created pursuant to the Texas Local Fire Fighter's Retirement Act ("TLFFRA") and is administered by the Board of Trustees of the fund. The fund provides pension, disability, death, and severance benefits to employees of the City's fire department and former volunteer firemen eligible to receive benefits.

The City issues a publicly-available financial report that includes financial statements and required supplementary information for the Firemen's Relief & Retirement Fund. This financial report may be obtained by writing to the City of McAllen Finance Director, P.O. Box 220, McAllen, Texas 78505-0220 or by calling (956) 681-1064.

b). Summary of Significant Accounting Policies

Basis of Accounting – The financial statements of the Firemen's Relief & Retirement Fund are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan document.

Plan Benefits – Benefit provisions are established under authority of the TLFFRA. Specific plan provisions are governed by a Plan document and a trust agreement executed by the Board of Trustees. The Plan document may be amended as provided in Section 7 of the TLFFRA (Article 6243e. V.T.C.S.) Amending the Plan requires approval of any proposed change by an eligible actuary and a majority of the participating members of the Plan. Both the City and the members of the Plan have specific authority to appoint members of the Board under TLFFRA.

Pension Benefits – Pension benefits become fully vested after 20 years of credited service. Employees may retire at age 50 with 20 years of service ("normal retirement age"). A partially vested benefit is also provided for employees who terminate employment with at least 10 but less than 20 years of service. The monthly benefit at normal retirement age, payable in an annuity, is equal to 58% of the compensation base, as defined, plus \$58.00 per month for each year of service in excess of 20 years.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

Death Benefits – Duty related death benefits payable to a member's spouse equals the sum of 38.67% of the member's compensation base, as defined, plus two-thirds of the member's accrued retirement benefit at death. Non-duty related benefits will equal the duty related death benefit to which the member's beneficiary was eligible multiplied by the member's vested percentage based on the member's years of service at death. In addition to the spouse's benefit, each unmarried child of the member under age 18 will receive a monthly benefit of 7.73% of the firefighter's average monthly salary. The sum of all benefits payable as a result of the death of an active plan member may not exceed the disability or retirement benefit such member had earned as of the date of death.

Severance Benefits – Members who terminate employment with less than 10 years of service will be entitled to the return of the excess of his/her contributions to the fund over the amount of any benefits received from the Plan. Such refunds will not include any interest on the member's contribution. If a member terminates on or after the date of completing 10 years of service but prior to the date of completing 20 years of service, he/she will be entitled to receive a monthly benefit, starting on the date he/she would have both completed 20 years of service and attained age 50, had he/she remained in the service of the fire department. The amount the member will receive will equal the monthly service retirement benefit accumulated on the date the member separated from service with the fire department, multiplied by the member's vested percentage.

Method Used to Value Investments – Fund investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. The fair value of the Fund's investments is based on the quoted value of each investment on the last business day of the Fund year. The Plan's investments are stated at fair value and, accordingly, unrealized appreciation and depreciation are reported in the statements of changes in plan net position. The fair values of United States Government securities, corporate and foreign bonds, common stocks, and foreign equities are based on quoted market prices. Plan values in investments in alternative investments is based on its percentage investment in each such fund. The estimated fair value of each fund is based on market conditions and information reported by the fund managers, and is generally based on the estimated fair value of each funds' underlying investments at the end of the reporting period. No investment in any one organization (other than the U.S. Government or mutual funds) represents 5% or more of Fund assets.

Purchases and sales of investments are recorded on a trade-date basis and, accordingly, the related receivables and payables for any unsettled trades are recorded. Interest income and dividends are recorded on the accrual basis.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

c). Annual Pension Cost

For 2010, the City's annual pension cost was equal to the City's actual and required contributions. The required contribution was established as part of the September 30, 2012 actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, compounded annually (b) projected salary increases of 4.25% per year, compounded annually, (c) inflation rate of 3.00% and (d) the amortization period is calculated from the rate contributed by the City. The plan receives a fixed percentage of pay contribution from the City each year. Thus, the City's contribution is not expressed as a dollar amount. This procedure is permitted under the *Guide to Implementation of GASB Statements 25, 26 and 27 on Pension Reporting and Disclosure by State and Local Government Plans and Employers*. The investment rate of return and the projected salary increases both used the same assumptions with regard to inflation. The actuarial value of assets was determined using the smoothed market value technique, a technique that smoothes the effect of short-term volatility in the market value over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of projected payrolls on an open basis. The net pension obligation and the annual pension cost were developed using a 30-year amortization of the unfunded actuarial accrued liability. The most recent actuarial valuation was done as of September 30, 2012 with update disclosures under governmental accounting standards board statement number 25, number 27, and number 50 as of September 30, 2014. The amounts of the actuarial value of assets represent estimates based upon the assumptions described above. Changes in those estimates will result in changes in such estimates in the future. The amount of benefits ultimately to be paid could differ materially from the current estimates.

The schedule of actuarial funding progress is presented in the following page.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

Schedule of Actuarial Funding Progress

Actuarial Valuation Date	09/30/12
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Projected Payroll
Remaining amortization period	30 Years open period
Asset valuation method	5yr Smooth Market Value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases – includes inflation at	4.25%
cost-of-living adjustments	None
Actuarial value of assets	\$37,857,152
Actuarial accrued liability	\$57,217,569
Percentage funded	66.2%
Unfunded actuarial accrued liability (UAAL)	\$19,360,417
Annual covered payroll	\$9,361,646
UAAL as a percentage of covered payroll	206.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the profitability of occurrence of events far into the future. Examples include assumptions about future rates of retirement, mortality, and salary increases. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The accompanying Schedule of Employer Contributions presents trend information about the amount contributed to the Plan by the employer in comparison to the annual required contributions (“ARC”), an amount that is actuarially determined.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

Schedule of Employer Contributions

Annual pension cost	09/30/14	09/30/13	09/30/12
Annual required contribution (ARC)	\$ 1,609,159	\$ 1,602,925	\$ 1,376,033
Interest on NPO	43,740	22,041	14,610
Adjustments to the ARC	50,261	(15,807)	10,478
Total annual pension cost (APC)	\$ 1,703,160	\$ 1,609,159	\$ 1,380,165
Percentage of annual pension cost contributed	84.3%	83.1%	93.3%
Contributions made	\$ 1,435,293	\$ 1,337,910	\$ 1,287,288
Increase in NPO	\$ 267,867	\$ 271,249	\$ 92,877
NPO at the end of the period	\$ 814,623	\$ 546,756	\$ 275,507

d). Contributions

The Plan's minimum required contribution provisions are established under Title 8, Subtitle A, Chapter 802, Subchapter B, Section 802.101 of the Texas Government Code and under Texas Pension Review Board Guidelines for Actuarial Soundness. Specific Plan contribution rates are governed by the Plan document. Changes in the members' or the City's contribution rate requires a plan amendment.

The contribution rates of the Plan members and the City are established under the terms of the Plan. An actuarial valuation is performed biennially to verify that Plan benefits and Plan contributions are in balance. Costs of administering the fund are paid from Plan assets.

Pursuant to the Plan document, a legal instrument binding both the City and its firefighters, the City of McAllen is required to match employee contributions. Benefits paid to former volunteer firefighters are funded by the City when paid to the former volunteer firefighters or beneficiaries. The City's contribution rate for the fiscal year ended September 30, 2014 was 13.00% of annual compensation. Contributions required and paid into the fund as of September 30, 2014 were members, \$1,214,786 and employer, \$1,435,293.

e). Other pension information

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

In September 2003, Texas voters approved an amendment to the Texas Constitution, which provided that once certain benefits are granted to retirees, those benefits may not be subsequently reduced. It was codified as Article XVI, Section 66, of the Texas Constitution. The amendment applies only to the City of McAllen Firefighters' Relief and Retirement Plan. It further provided that the City and the retirement system that finance benefits under the retirement system are jointly responsible for ensuring that benefits are not reduced or otherwise impaired, which could potentially require the City to involuntarily increase its funding due to under-performing investments, plan improvements as well as other factors outside the control of the City. The amendment also permitted the City to be exempt from its requirements upon holding an election in which the majority of the votes favored the exemption. On May 15, 2004, a special City election was held, in which the majority of the voters voted in favor of exempting the City of McAllen and the McAllen Firefighters' Relief and Retirement Plan from the application of this amendment, Article XVI, Section 66 of the Texas Constitution.

(E) Subsequent events

- A parcel of land was sold to a local hospital at a sale price of \$4,453,211 for anticipated expansion by the hospital. Land was originally purchased during the current fiscal year from the General Insurance Fund in anticipation of a medical school. The development of a state of the art research facility and student housing complex located on the campus is expected to have a local economic impact for the area after development of the land.
- The City refunded two long term issues: Refunding Series 2010 Certificate of Obligations and Refunding Water & Sewer Series 2005. The current outstanding principal for the Series 2010 is \$18,995,000 and the estimated interest is \$2,053,913. The current outstanding principal for the Series 2005 is \$20,110,000 and the estimated interest is \$7,409,248. The potential interest savings after the reissuance is estimated to be \$1,119,104 for the 2010 Series and \$3,932,078 for the 2005 Series.

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Required Supplementary Information

CITY OF McALLEN, TEXAS
REQUIRED SUPPLEMENTAL INFORMATION ON-(Unaudited)
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/07	\$ 90,516,206	\$ 91,916,258	\$ 1,400,052	98.5%	\$ 47,258,770	3.0%
12/31/08	97,604,499	100,472,137	2,867,638	97.1%	53,770,371	5.3%
12/31/09	105,016,856	118,250,995	13,234,139	88.8%	57,440,380	23.0%
12/31/10	149,600,330	148,677,672	(922,658)	100.6%	58,890,846	-1.6%
12/31/11	161,885,479	159,194,692	(2,690,787)	101.7%	56,625,910	-4.8%
12/31/12	174,613,086	175,375,668	762,582	99.6%	57,320,330	1.3%

Refer to page 92 of the notes to financial statements for the actuarial assumptions of the plan. These are a required part of RSI.

CITY OF McALLEN, TEXAS
REQUIRED SUPPLEMENTAL INFORMATION ON-(Unaudited)
FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
09/30/02	\$ 21,116,716	\$ 28,141,949	\$ 7,025,233	75.0%	\$ 5,190,836	135.3%
09/30/04	25,443,339	33,227,793	7,794,454	76.6%	5,818,893	133.8%
09/30/06	29,226,476	38,659,974	9,433,498	75.6%	6,817,267	138.4%
09/30/08	34,588,465	45,073,090	10,484,625	76.7%	8,199,849	127.9%
09/30/10	36,651,357	51,565,906	14,914,549	71.1%	8,996,407	165.8%
09/30/12	37,857,152	57,217,569	19,360,417	66.2%	9,361,646	206.8%

Refer to page 101 of the notes to financial statements for the actuarial assumptions of the plan. These are a required part of RSI

The next actuarial valuation will be performed as of September 30, 2012.

The City issues a publicly-available financial report that includes financial statements and required supplementary information for the Firemen's Fund.

This financial report may be obtained by writing to the City of McAllen Finance Director, P.O. Box 220, McAllen, Texas 78505-0220 or by calling (956) 681-1064.

CITY OF McALLEN, TEXAS
REQUIRED SUPPLEMENTAL INFORMATION ON-(Unaudited)
POST EMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/06	\$ -	\$ 4,568,795	\$ 4,568,795	0.0%	\$ 51,690,160	8.8%
10/01/08	-	7,253,404	7,253,404	0.0%	60,443,815	12.0%
10/01/10	-	8,076,583	8,076,583	0.0%	62,858,165	12.8%
10/01/12	-	7,165,857	7,165,857	0.0%	71,155,679	10.1%

Refer to page 95 of the notes to financial statements for the actuarial assumptions of the plan.

This is a "single-employer" plan and no separate financial report is issued by the City.

Non Major Governmental Funds

Special Revenue Funds are used to account for resources allocated to specific purposes. A special revenue fund continues in existence as long as governmental resources are allocated to its specific purposes:

The Hotel Occupancy Tax Fund was established to account for the hotel-motel occupancy tax levied. This tax revenue is allocated to the promotion of tourism and conventions, promotion of the arts, support of convention center and civic center management, and other expenditures.

The Hotel Venue Tax Fund was established to account for funding under Ordinance 2012-69 for a 2% Hotel Occupancy tax for a Performing Arts Facility.

The McAllen EB5 Regional Center Fund was established to account for revenues and expenditures to operate an EB-Regional Center under the U.S. Citizenship and Immigration Services (USCIS).

The Park Development Fund was established to account for land acquired for future park development.

The Community Development Fund was established to account for receipt and disbursement of Federal Program revenues.

The Miscellaneous Government Grants Fund was established to account for all grant programs applicable to the City for which a separate fund is not established.

The PD Seized Fund was established to account for court awarded funds and use for purchase of police department capital assets .

The Debt Service Fund was established to retired general government debt.

Capital Projects Funds:

Information Technology Fund was established to account for all expenses related to the implementation of strategic technology projects.

Certificate of Obligation Reservior Fund was established to account for all expenses related to the improvements of and extensions to the City's Waterworks System.

Certificate of Obligation Library Fund was established to account for all expenses related to the construction of the City's Main Library.

CITY OF McALLEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2014

	Special Revenue						
	Hotel Occupancy Tax	Hotel Venue Project	McAllen EB-5 Regional Center	Park Development	Community Development	Miscellaneous Government Grants	Downtown Services Parking
ASSETS							
Cash	\$ 15,911	\$ 5,308	\$ 207,403	\$ 56,807	\$ -	\$ 67,166	\$ 35,943
Certificate of deposit	-	-	-	487,550	-	-	97,510
Investments	25,171	1,901,569	7,078,892	418,598	-	-	301,682
Receivables:							
Accounts	307,164	87,761	-	-	-	-	-
Taxes	-	-	-	-	-	-	-
Accrued interest	-	-	-	229	-	-	46
Other	-	-	-	-	-	-	600
Due from other governments	-	-	-	-	116,008	393,695	-
Total assets	348,246	1,994,638	7,286,295	963,184	116,008	460,861	435,781
Deferred outflows of resources	-	-	-	-	-	-	-
Total assets and deferred outflows	\$ 348,246	\$ 1,994,638	\$ 7,286,295	\$ 963,184	\$ 116,008	\$ 460,861	\$ 435,781
LIABILITIES							
Accounts payable	\$ 92,380	\$ -	\$ -	\$ -	\$ 66,888	\$ 33,404	\$ 23,990
Accrued liabilities	-	-	7,200	-	11,051	-	24,148
Due to other funds	230,950	-	-	-	38,069	391,971	-
Unearned revenues	-	-	-	-	-	17,308	-
Advances from other funds	-	-	190,000	-	-	-	-
Other liabilities	-	-	7,085,000	-	-	-	17
Total liabilities	323,330	-	7,282,200	-	116,008	442,683	48,155
Deferred inflows of resources	-	-	-	-	-	-	-
Total liabilities and deferred inflows	323,330	-	7,282,200	-	116,008	442,683	48,155
FUND BALANCES							
Restricted	24,916	1,994,638	4,095	963,184	-	18,178	-
Committed	-	-	-	-	-	-	387,626
Assigned	-	-	-	-	-	-	-
Total fund balances	24,916	1,994,638	4,095	963,184	-	18,178	387,626
Total liabilities and fund balances	\$ 348,246	\$ 1,994,638	\$ 7,286,295	\$ 963,184	\$ 116,008	\$ 460,861	\$ 435,781

Special Revenue			Capital Projects						Total Nonmajor Governmental Funds
PD Seized	Total	Debt Service	Information Technology	Certificate of Obligation Library	Street Improvements	Performing Arts-G.O.	Performin Arts- C.O.	Sports Facilities	
\$ 79,072	\$ 467,610	\$ 200	\$ -	\$ -	\$ -	\$ 5,764	\$ 6,994	\$ 6,145	\$ 486,713
975,100	1,560,160	-	97,510	-	10,839,150	13,780,200	7,840,800	10,100,000	44,217,820
4,249,020	13,974,932	500,168	1,279,915	-	4,139,778	2,579,948	4,259,217	4,359,983	31,093,941
-	394,925	-	-	-	-	-	-	-	394,925
-	-	21,706	-	-	-	-	-	-	21,706
8,647	8,922	-	400	-	5,277	4,104	6,606	7,870	33,179
-	600	-	-	-	-	-	-	-	600
-	509,703	-	-	-	-	-	-	-	509,703
5,311,839	16,916,852	522,074	1,377,825	-	14,984,205	16,370,016	12,113,617	14,473,998	76,758,587
-	-	-	-	-	-	-	-	-	-
\$ 5,311,839	\$ 16,916,852	\$ 522,074	\$ 1,377,825	\$ -	\$ 14,984,205	\$ 16,370,016	\$ 12,113,617	\$ 14,473,998	\$ 76,758,587
\$ 761,875	\$ 978,537	\$ -	\$ 320,107	\$ -	\$ 851	\$ 1,238,996	\$ 562	\$ 828	\$ 2,539,881
91,418	133,817	208,176	-	-	-	104,558	-	-	446,551
-	660,990	-	52,978	-	15,573	-	-	-	729,541
-	17,308	-	-	-	-	-	-	-	17,308
-	190,000	-	-	-	-	-	-	-	190,000
-	7,085,017	-	-	-	-	-	-	-	7,085,017
853,293	9,065,669	208,176	373,085	-	16,424	1,343,554	562	828	11,008,298
-	-	21,706	-	-	-	-	-	-	21,706
853,293	9,065,669	229,882	373,085	-	16,424	1,343,554	562	828	11,030,004
4,458,546	7,463,557	292,192	-	-	14,967,781	15,026,462	12,113,055	14,473,170	64,336,217
-	387,626	-	-	-	-	-	-	-	387,626
-	-	-	1,004,740	-	-	-	-	-	1,004,740
4,458,546	7,851,183	292,192	1,004,740	-	14,967,781	15,026,462	12,113,055	14,473,170	65,728,583
\$ 5,311,839	\$ 16,916,852	\$ 522,074	\$ 1,377,825	\$ -	\$ 14,984,205	\$ 16,370,016	\$ 12,113,617	\$ 14,473,998	\$ 76,758,587

CITY OF McALLEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	Special Revenue						
	Hotel Occupancy Tax	Hotel Venue Project	McAllen EB-5 Regional Center	Park Development	Community Development	Miscellaneous Government Grants	Downtown Services Parking
REVENUES							
Hotel taxes	\$ 4,156,141	\$ 1,187,625	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	14,898
Intergovernmental	-	-	-	-	1,581,605	3,458,801	-
Charges for services	-	-	30,000	-	-	-	1,155,814
Fines and forfeitures	-	-	-	-	-	-	195,092
Investment earnings	8	369	-	3,012	-	-	619
Net increase (decrease) in the fair value of investments	-	-	-	-	-	-	-
Other	-	-	-	85,123	-	225,636	8,859
Total revenues	4,156,149	1,187,994	30,000	88,135	1,581,605	3,684,437	1,375,282
EXPENDITURES							
Current:							
General government	1,187,469	-	97,925	-	342,367	-	-
Public safety	-	-	-	-	-	3,600,010	-
Highways and streets	-	-	-	-	190,730	-	935,446
Health and welfare	-	-	-	-	970,755	-	-
Culture and recreation	-	-	-	-	77,753	84,430	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	1,187,469	-	97,925	-	1,581,605	3,684,440	935,446
Excess (deficiency) of revenues over (under) expenditures	2,968,680	1,187,994	(67,925)	88,135	-	(3)	439,836
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	250,000	-	-	-	-
Transfers out	(2,968,671)	-	-	-	-	-	(207,000)
Debt issuance	-	-	-	-	-	-	-
Bond premium	-	-	-	-	-	-	-
Net other financing sources (uses)	(2,968,671)	-	250,000	-	-	-	(207,000)
Net change in fund balances	9	1,187,994	182,075	88,135	-	(3)	232,836
Fund balances (deficits) at beginning of year	24,907	806,644	(177,980)	875,049	-	18,181	154,790
Fund balances (deficits) at end of year	\$ 24,916	\$ 1,994,638	\$ 4,095	\$ 963,184	\$ -	\$ 18,178	\$ 387,626

Special Revenue		Capital Projects							Total Nonmajor Governmental Funds
PD Seized	Total	Debt Service	Information Technology	Certificate of Obligation Library	Street Improvements	Performing Arts-G.O.	Performing Arts-C.O.	Sports Facilities	
\$ -	\$ 5,343,766	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,343,766
-	-	7,843	-	-	-	-	-	-	7,843
-	14,898	-	-	-	-	-	-	-	14,898
-	5,040,406	-	-	-	-	-	-	-	5,040,406
-	1,185,814	-	-	-	-	-	-	-	1,185,814
781,032	976,124	-	-	-	-	-	-	-	976,124
37,609	41,617	278	3,000	154	23,013	22,856	16,202	22,670	129,790
-	-	-	3	-	-	-	-	-	3
-	319,618	-	83,313	1,079	-	-	-	-	404,010
818,641	12,922,243	8,121	86,316	1,233	23,013	22,856	16,202	22,670	13,102,654
-	1,627,761	-	788,518	-	-	-	-	-	2,416,279
2,338,673	5,938,683	-	-	-	-	-	-	-	5,938,683
-	1,126,176	-	-	-	186,917	-	-	-	1,313,093
-	970,755	-	-	-	-	-	-	-	970,755
-	162,183	-	-	4,516	4,762	2,231,481	217,714	685,947	3,306,603
-	-	2,740,000	-	-	-	-	-	-	2,740,000
-	-	767,963	-	-	-	-	-	-	767,963
2,338,673	9,825,558	3,507,963	788,518	4,516	191,679	2,231,481	217,714	685,947	17,453,376
(1,520,032)	3,096,685	(3,499,842)	(702,202)	(3,283)	(168,666)	(2,208,625)	(201,512)	(663,277)	(4,350,722)
-	250,000	3,507,424	1,270,000	-	-	2,098,640	-	-	7,126,064
-	(3,175,671)	-	-	(636,884)	-	-	-	-	(3,812,555)
-	-	-	-	-	14,126,667	14,126,667	11,850,000	14,126,667	54,230,001
-	-	-	-	-	1,009,780	1,009,780	464,567	1,009,780	3,493,907
-	(2,925,671)	3,507,424	1,270,000	(636,884)	15,136,447	17,235,087	12,314,567	15,136,447	61,037,417
(1,520,032)	171,014	7,582	567,798	(640,167)	14,967,781	15,026,462	12,113,055	14,473,170	56,686,695
5,978,578	7,680,169	284,610	436,942	640,167	-	-	-	-	9,041,888
\$ 4,458,546	\$ 7,851,183	\$ 292,192	\$ 1,004,740	\$ -	\$ 14,967,781	\$ 15,026,462	\$ 12,113,055	\$ 14,473,170	\$ 65,728,583

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NonMajor Enterprise Funds

These funds are used to account for City operations that are financed and/or operated in a manner similar to private business enterprises. Included in this category are: Palm View Golf Course; Civic Center; Transit Terminal; and McAllen Express.

The Palm View Golf Course Fund is utilized to account for the operations of the City's golf course.

The Civic Center Fund is utilized to account for the operations of a cultural center.

The Transit Terminal Fund is utilized to account for the operations of the Intermodal Transportation System

The McAllen Express Fund is utilized to account for the operations of the Bus Transportation System.

CITY OF McALLEN , TEXAS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
September 30, 2014

	Palm View Golf Course	Civic Center	McAllen Express Transit	Transit Terminal	Total
ASSETS					
Current assets:					
Cash	\$ 70,844	\$ 154,391	\$ 124,690	\$ 41,021	\$ 390,946
Certificate of deposit	237,510	97,510	195,020	-	530,040
Investments	388,908	1,269,073	924,108	1,237,329	3,819,418
Receivables, net:					
Accounts	24	-	5,584	868	6,476
Accrued interest	969	1,914	1,593	634	5,110
Due from other funds	-	46,190	-	-	46,190
Due from other governments	-	-	104,644	480,110	584,754
Total currents assets	698,255	1,569,078	1,355,639	1,759,962	5,382,934
Restricted assets:					
Cash	50,606	-	-	-	50,606
Investments	310,774	300,498	-	-	611,272
Total restricted assets	361,380	300,498	-	-	661,878
Capital assets:					
Land	187,995	358,070	-	1,684,593	2,230,658
Buildings and systems	228,345	1,454,607	-	5,602,219	7,285,171
Improvements other than buildings	7,717,383	1,283,398	468,923	129,552	9,599,256
Machinery and equipment	1,259,908	552,758	5,341,003	2,083,065	9,236,734
Construction in progress	-	-	20,220	140,560	160,780
Total capital assets	9,393,631	3,648,833	5,830,146	9,639,989	28,512,599
Less accumulated depreciation	(6,074,770)	(2,532,161)	(3,112,193)	(2,516,366)	(14,235,490)
Net capital assets	3,318,861	1,116,672	2,717,953	7,123,623	14,277,109
Total assets	4,378,496	2,986,248	4,073,592	8,883,585	20,321,921
Deferred outflows of resources	-	-	-	-	-
Total assets and deferred outflows of resources	\$ 4,378,496	\$ 2,986,248	\$ 4,073,592	\$ 8,883,585	\$ 20,321,921

CITY OF McALLEN , TEXAS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
September 30, 2014

	<u>Palm View Golf Course</u>	<u>Civic Center</u>	<u>McAllen Express Transit</u>	<u>Transit Terminal</u>	<u>Total</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 63,533	\$ 137,381	\$ 116,157	\$ 93,815	\$ 410,886
Accrued expenses	29,954	-	74,071	24,621	128,646
Compensated absences	18,082	-	-	-	18,082
Other	-	39	-	-	39
Total current liabilities	<u>111,569</u>	<u>137,420</u>	<u>190,228</u>	<u>118,436</u>	<u>557,653</u>
Other noncurrent liabilities:					
Unearned revenues	72,507	14,528	-	-	87,035
Unpaid compensated absences	57,959	-	81,756	9,043	148,758
Advances from other funds	-	-	-	352,716	352,716
Total other noncurrent liabilities	<u>130,466</u>	<u>14,528</u>	<u>81,756</u>	<u>361,759</u>	<u>588,509</u>
Total liabilities	<u>242,035</u>	<u>151,948</u>	<u>271,984</u>	<u>480,195</u>	<u>1,146,162</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>\$ 242,035</u>	<u>\$ 151,948</u>	<u>\$ 271,984</u>	<u>\$ 480,195</u>	<u>\$ 1,146,162</u>
NET POSITION					
Net investment in capital assets	3,318,861	1,116,672	2,717,953	7,123,623	14,277,109
Restricted for improvements	-	300,498	-	-	300,498
Unrestricted	<u>817,600</u>	<u>1,417,130</u>	<u>1,083,655</u>	<u>1,279,767</u>	<u>4,598,152</u>
Total net position	<u>4,136,461</u>	<u>2,834,300</u>	<u>3,801,608</u>	<u>8,403,390</u>	<u>19,175,759</u>
Total liabilities, deferred inflows and net position	<u>\$ 4,378,496</u>	<u>\$ 2,986,248</u>	<u>\$ 4,073,592</u>	<u>\$ 8,883,585</u>	<u>\$ 20,321,921</u>

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CITY OF McALLEN , TEXAS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended September 30, 2014

	<u>Palm View Golf Course</u>	<u>Civic Center</u>	<u>McAllen Express Transit</u>	<u>Transit Terminal</u>	<u>Total</u>
Operating revenues:					
Charges for services	\$ 842,872	\$ 248,794	\$ 526,778	\$ 13,067	\$ 1,631,511
Rentals	-	93,800	-	-	93,800
Other	309,258	15,122	457,730	129,353	911,463
Total operating revenues	<u>1,152,130</u>	<u>357,716</u>	<u>984,508</u>	<u>142,420</u>	<u>2,636,774</u>
Operating expenses:					
Salaries, wages and employee benefits	706,348	-	1,862,851	92,625	2,661,824
Supplies	109,031	14,397	44,123	-	167,551
Contractual and other services	156,146	333,282	715,659	256,560	1,461,647
Repairs and maintenance	89,682	18,296	614,629	275,041	997,648
Depreciation and amortization	318,774	70,856	669,795	336,753	1,396,178
Total operating expenses	<u>1,379,981</u>	<u>436,831</u>	<u>3,907,057</u>	<u>960,979</u>	<u>6,684,848</u>
Operating loss	<u>(227,851)</u>	<u>(79,115)</u>	<u>(2,922,549)</u>	<u>(818,559)</u>	<u>(4,048,074)</u>
Nonoperating revenues:					
Investment earnings	1,827	3,923	6,271	1,975	13,996
Net increase (decrease) in the fair value of investments	(240)	(1,220)	(1,290)	(975)	(3,725)
Other	-	-	21,510	-	21,510
Nonoperating revenues	<u>1,587</u>	<u>2,703</u>	<u>26,491</u>	<u>1,000</u>	<u>31,781</u>
Loss before contributions and transfers	<u>(226,264)</u>	<u>(76,412)</u>	<u>(2,896,058)</u>	<u>(817,559)</u>	<u>(4,016,293)</u>
Capital contributions	-	-	462,295	2,722,748	3,185,043
Transfers in	-	593,734	921,127	345,753	1,860,614
Transfers out	-	(150,000)	-	-	(150,000)
Change in net position	<u>(226,264)</u>	<u>367,322</u>	<u>(1,512,636)</u>	<u>2,250,942</u>	<u>879,364</u>
Total net position--beginning	<u>4,362,725</u>	<u>2,466,978</u>	<u>5,314,244</u>	<u>6,152,448</u>	<u>18,296,395</u>
Total net position--ending	<u>\$ 4,136,461</u>	<u>\$ 2,834,300</u>	<u>\$ 3,801,608</u>	<u>\$ 8,403,390</u>	<u>\$ 19,175,759</u>

CITY OF McALLEN, TEXAS
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF CASH FLOW
For the Year Ended September 30, 2014

	Palm View Golf Course	McAllen International Civic Center	McAllen Express Transit	Transit Terminal	Total
Cash flows from operating activities:					
Receipts from customers	\$ 1,152,231	\$ 352,285	\$ 978,923	\$ 144,407	\$ 2,627,846
Payments to employees	(705,355)	-	(1,799,335)	(149,086)	(2,653,776)
Payments to suppliers	(390,207)	(247,636)	(1,331,724)	(442,031)	(2,411,598)
Net cash provided (used) by operating activities	56,669	104,649	(2,152,136)	(446,710)	(2,437,528)
Cash flows from noncapital financing activities:					
Transfers from other funds	-	593,734	921,127	345,753	1,860,614
Transfers to other funds	-	(150,000)	-	-	(150,000)
Subsidy from federal grant	-	-	427,596	2,252,143	2,679,739
Net cash provided by noncapital financing activities	-	443,734	1,348,723	2,597,896	4,390,353
Cash flows from capital and related financing activities:					
Payments for capital acquisitions	-	-	-	(1,691,366)	(1,691,366)
Gain on sale of capital assets	-	-	21,510	-	21,510
Cash provided (used) by capital and related financing activities	-	-	21,510	(1,691,366)	(1,669,856)
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	601,269	2,059,255	3,557,503	1,595,008	7,813,035
Purchase of investments	(740,232)	(2,530,441)	(2,668,247)	(2,025,152)	(7,964,072)
Receipt of interest	652	916	3,907	766	6,241
Net cash provided (used) by investing activities	(138,311)	(470,270)	893,163	(429,378)	(144,796)
Net increase (decrease) in cash	(81,642)	78,113	111,260	30,442	138,173
Cash at beginning of year	203,092	76,278	13,430	10,579	303,379
Cash at end of year	\$ 121,450	\$ 154,391	\$ 124,690	\$ 41,021	\$ 441,552

Continued

CITY OF McALLEN, TEXAS
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF CASH FLOW
For the Year Ended September 30, 2014

	Palm View Golf Course	McAllen International Civic Center	McAllen Express Transit	Transit Terminal	Total
Reconciliation of operating loss to net cash provided (used) by operating activities					
Operating loss	\$ (227,851)	\$ (79,115)	\$ (2,922,549)	\$ (818,559)	\$ (4,048,074)
Adjustment to reconcile operating loss to net cash provided (used) by operating activities:					
Depreciation	318,774	70,856	669,795	336,753	1,396,178
Accounts receivable	102	-	(5,584)	1,985	(3,497)
Due from other funds	-	(5,432)	-	-	(5,432)
Accounts payable	(32,012)	116,203	42,686	69,757	196,634
Compensated absences payable	(847)	-	32,678	(38,005)	(6,174)
Accrued expenses	1,840	-	30,838	1,359	34,037
Unearned revenue	(3,337)	2,137	-	-	(1,200)
Total adjustments	284,520	183,764	770,413	371,849	1,610,546
Net cash provided (used) by operating activities	<u>\$ 56,669</u>	<u>\$ 104,649</u>	<u>\$ (2,152,136)</u>	<u>\$ (446,710)</u>	<u>\$ (2,437,528)</u>
Noncash investing, capital and financing activities:					
Increase (decrease) in fair value of investments	(240)	(1,220)	1,290	(975)	(1,145)

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Internal Service Funds

The **Internal Service Funds** were established to finance and account for services, materials, and supplies furnished to the various departments of the City, and on a limited basis, to other local governmental agencies. These services are provided on a cost reimbursement basis.

The **Fleet Materials Management Fund** sales and services are accounted for in two Interdepartmental Service Fund departments: Fleet Operations and Materials Management.

The **Employee Benefits Fund** was established to account for all expenses related to health insurance premiums and claims for City employees. Primary funding sources are transfers in from General Fund and Enterprise Funds.

The **General Insurance Fund** was established to account for all expenses related to workmen's compensation claims and general liability insurance. Primary funding sources are transfers in from General Fund and Enterprise Funds.

The **General Depreciation Fund** which was established for the sole purpose of replacing fixed assets of the General Fund. Funding has been provided by a rental charge to the appropriate department in the General Fund

The **Retiree Health Insurance Fund** was established to account for all expenses related to health insurance premiums and claims for retired City employees.

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
September 30, 2014

	Fleet Materials Management	Employee Benefits	Retiree Health Insurance
ASSETS			
Current assets:			
Cash	\$ 1,012,086	\$ 58,584	\$ 19,589
Certificates of deposit	-	195,020	-
Investments	-	891,544	2,153,736
Receivables, net:			
Accounts	54,891	43,142	8,566
Accrued interest	-	2,891	4,910
Other	-	8,506	-
Inventories	447,127	-	-
Total current assets	1,514,104	1,199,687	2,186,801
Capital assets	807,353	40,998	-
Less accumulated depreciation	(454,115)	(7,020)	-
Net capital assets	353,238	33,978	-
Advances to other funds	-	-	-
Total assets	\$ 1,867,342	\$ 1,233,665	\$ 2,186,801
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 606,225	\$ 506,559	\$ 51,046
Accrued expense	34,169	1,778,645	240,000
Total current liabilities	640,394	2,285,204	291,046
Other non-current liabilities:			
Accumulated unpaid compensated absences	27,003	18,989	-
Total other non-current liabilities	27,003	18,989	-
Total liabilities	667,397	2,304,193	291,046
NET POSITION			
Net investment in capital assets	353,238	33,978	-
Unrestricted	846,707	(1,104,506)	1,895,755
Total net position	1,199,945	(1,070,528)	1,895,755
Total liabilities and net position	\$ 1,867,342	\$ 1,233,665	\$ 2,186,801

General Insurance	General Depreciation	Total
\$ 259,944	\$ 5,419	\$ 1,355,622
975,100	140,000	1,310,120
4,090,773	14,700,909	21,836,962
171,504	-	278,103
5,285	23,447	36,533
-	-	8,506
-	-	447,127
<u>5,502,606</u>	<u>14,869,775</u>	<u>25,272,973</u>
9,399,405	22,198,785	32,446,541
(18,189)	(16,553,967)	(17,033,291)
<u>9,381,216</u>	<u>5,644,818</u>	<u>15,413,250</u>
<u>2,035,009</u>	<u>-</u>	<u>2,035,009</u>
<u>\$ 16,918,831</u>	<u>\$ 20,514,593</u>	<u>\$ 42,721,232</u>
\$ 245,188	\$ 254,251	\$ 1,663,269
848,269	-	2,901,083
<u>1,093,457</u>	<u>254,251</u>	<u>4,564,352</u>
13,278	-	59,270
<u>13,278</u>	<u>-</u>	<u>59,270</u>
1,106,735	254,251	4,623,622
<u>9,381,216</u>	<u>5,644,818</u>	<u>15,413,250</u>
6,430,880	14,615,524	22,684,360
<u>15,812,096</u>	<u>20,260,342</u>	<u>38,097,610</u>
<u>\$ 16,918,831</u>	<u>\$ 20,514,593</u>	<u>\$ 42,721,232</u>

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended September 30, 2014

	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>	<u>Retiree Health Insurance</u>
Operating revenues:			
Charges for services	\$ 3,761,917	\$ -	\$ -
Contributions	<u>-</u>	<u>8,800,682</u>	<u>489,242</u>
Total operating revenues	<u>3,761,917</u>	<u>8,800,682</u>	<u>489,242</u>
Operating expenses:			
Salaries, wages and employee benefits	873,182	269,736	-
Supplies and materials	16,226	3,106	-
Contractual and other services	2,708,414	1,456,494	82,351
Repairs and maintenance	31,887	-	-
Depreciation and amortization	66,980	5,320	-
Self insurance claims	<u>-</u>	<u>9,083,296</u>	<u>313,151</u>
Total operating expenses	<u>3,696,689</u>	<u>10,817,952</u>	<u>395,502</u>
Operating income (loss)	<u>65,228</u>	<u>(2,017,270)</u>	<u>93,740</u>
Non operating revenues (expenses):			
Investment earnings	-	13,865	12,390
Net increase (decrease) in fair value of investments	-	(3)	(704)
Other	<u>17,085</u>	<u>105,495</u>	<u>-</u>
Net non-operating revenues (expenses)	<u>17,085</u>	<u>119,357</u>	<u>11,686</u>
Income (loss) before contributions and transfers	82,313	(1,897,913)	105,426
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	82,313	(1,897,913)	105,426
Total net position--beginning	<u>1,117,632</u>	<u>827,385</u>	<u>1,790,329</u>
Total net position--ending	<u><u>\$ 1,199,945</u></u>	<u><u>\$ (1,070,528)</u></u>	<u><u>\$ 1,895,755</u></u>

General Insurance	General Depreciation	Total
\$ -	\$ 2,106,012	\$ 5,867,929
3,898,962	-	13,188,886
3,898,962	2,106,012	19,056,815
294,298	-	1,437,216
4,012	-	23,344
1,455,460	-	5,702,719
1,336,247	-	1,368,134
-	1,744,094	1,816,394
3,212,046	-	12,608,493
6,302,063	1,744,094	22,956,300
(2,403,101)	361,918	(3,899,485)
64,983	88,470	179,708
13,572	12,150	25,015
1,962,802	14,521	2,099,903
2,041,357	115,141	2,304,626
(361,744)	477,059	(1,594,859)
(1,000,000)	-	(1,000,000)
(1,361,744)	477,059	(2,594,859)
17,173,840	19,783,283	40,692,469
\$ 15,812,096	\$ 20,260,342	\$ 38,097,610

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2014

	Fleet Materials Management	Employee Benefits	Retiree Health Insurance
Cash flows from operating activities:			
Receipts from customers	\$ 3,758,284	\$ 8,915,103	\$ 485,219
Payments to employees	(868,443)	(267,526)	-
Payments to suppliers	(2,714,534)	(10,571,659)	(377,910)
Net cash provided (used) by operating activities	175,307	(1,924,082)	107,309
Cash flows from non-capital financing activities:			
Transfer to other funds	-	-	-
Cash provided by non-capital financing activities	-	-	-
Cash flows from capital and related financing activities:			
Payments for capital acquisitions	(81,416)	(14,471)	-
Proceeds from sale of capital assets	-	-	-
Net cash used by capital and related financing activities	(81,416)	(14,471)	-
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	-	4,783,323	2,762,330
Purchase of investments	-	(2,939,999)	(2,868,022)
Receipt of interest	-	12,372	7,482
Net cash provided (used) by investing activities	-	1,855,696	(98,210)
Net increase (decrease) in cash	93,891	(82,857)	9,099
Cash at beginning of year	918,195	141,441	10,490
Cash at end of year	\$ 1,012,086	\$ 58,584	\$ 19,589

General Insurance	General Depreciation	Totals
\$ 3,903,551	\$ 2,106,012	\$ 19,168,169
(239,537)	-	(1,375,506)
<u>(5,344,067)</u>	<u>218,001</u>	<u>(18,790,169)</u>
<u>(1,680,053)</u>	<u>2,324,013</u>	<u>(997,506)</u>
<u>(1,000,000)</u>	<u>-</u>	<u>(1,000,000)</u>
<u>(1,000,000)</u>	<u>-</u>	<u>(1,000,000)</u>
(9,381,216)	(1,785,824)	(11,262,927)
<u>-</u>	<u>49,086</u>	<u>49,086</u>
<u>(9,381,216)</u>	<u>(1,736,738)</u>	<u>(11,213,841)</u>
12,350,318	555,919	20,451,890
(327,544)	(1,230,371)	(7,365,936)
<u>89,815</u>	<u>90,589</u>	<u>200,258</u>
<u>12,112,589</u>	<u>(583,863)</u>	<u>13,286,212</u>
51,320	3,412	74,865
<u>208,624</u>	<u>2,007</u>	<u>1,280,757</u>
<u>\$ 259,944</u>	<u>\$ 5,419</u>	<u>\$ 1,355,622</u>

Continued

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2014

	Fleet Materials Management	Employee Benefits	Retiree Health Insurance
Operating income (loss)	\$ 65,228	\$ (2,017,270)	\$ 93,740
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	66,980	5,320	-
Accounts receivable	(20,718)	8,927	(4,023)
Inventories	(100,235)	-	-
Accounts payable	159,313	71,656	17,592
Compensated absences payables	2,767	2,189	-
Accrued expense	1,972	5,096	-
Total adjustments	110,079	93,188	13,569
Net cash provided (used) by operating activities	\$ 175,307	\$ (1,924,082)	\$ 107,309
Noncash investing, capital, and financing activities:			
Increase (decrease) in fair value of investments	-	(3)	(704)

<u>General Insurance</u>	<u>General Depreciation</u>	<u>Totals</u>
\$ (2,403,101)	\$ 361,918	\$ (3,899,485)
-	1,744,529	1,816,829
4,589	-	(11,225)
-	-	(100,235)
115,950	217,566	582,077
(1,804)	-	3,152
604,313	-	611,381
<u>723,048</u>	<u>1,962,095</u>	<u>2,901,979</u>
<u>\$ (1,680,053)</u>	<u>\$ 2,324,013</u>	<u>\$ (997,506)</u>
13,572	12,150	25,015

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Agency Funds

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or funds.

Agency Fund: - to account for funds which are custodial in nature and for which the City is acting as an agent. The City has established the following agency fund based upon the above definition:

The Developers Fund was established to account for developers' contributions for future infrastructure development.

The Communications Group was established to account for operation and maintenance of a consolidated regional public safety services communications system.

The Payroll Fund was established to account for the processing of employees payroll.

CITY OF McALLEN , TEXAS
COMBINING STATEMENT OF NET POSITION
AGENCY FUNDS
September 30, 2014

	<u>Developers Fund</u>	<u>Communication Group Fund</u>	<u>Payroll Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 9,504	\$ 808,170	834,493	\$ 1,652,167
Receivables:				
Accounts	-	-	13,074	13,074
Interest	4,669	-	-	4,669
Investments, at fair value:				
TexPool	715,287	-	-	715,287
Certificate of deposits	487,550	-	-	487,550
US government securities	1,749,925	-	-	1,749,925
	<u>2,966,935</u>	<u>808,170</u>	<u>847,567</u>	<u>4,622,672</u>
Total assets	<u>\$ 2,966,935</u>	<u>\$ 808,170</u>	<u>\$ 847,567</u>	<u>\$ 4,622,672</u>
LIABILITIES				
Accounts payable	\$ -	\$ 690	\$ 847,567	\$ 848,257
Due agency	-	807,480	-	807,480
Escrow payables	2,966,935	-	-	2,966,935
	<u>2,966,935</u>	<u>-</u>	<u>-</u>	<u>2,966,935</u>
Total liabilities	<u>\$ 2,966,935</u>	<u>\$ 808,170</u>	<u>\$ 847,567</u>	<u>\$ 4,622,672</u>

CITY OF McALLEN, TEXAS
AGENCY FUND
DEVELOPER'S FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended September 30, 2014

	Balance 09/30/13	ADDITIONS	DEDUCTIONS	Balance 09/30/14
<u>Assets:</u>				
Cash and equivalents	\$ 3,189	\$ 3,430,730	\$ 3,424,415	\$ 9,504
Investments:				
Tex-pool	718,111	1,611,201	1,614,025	715,287
Certificate of deposits	487,550	-	-	487,550
Government securities	1,496,316	1,504,207	1,250,598	1,749,925
Receivables:				
Accrued interest	2,479	19,725	17,536	4,668
	<u>2,479</u>	<u>19,725</u>	<u>17,536</u>	<u>4,668</u>
Total current assets	<u>\$ 2,707,645</u>	<u>\$ 6,565,863</u>	<u>\$ 6,306,574</u>	<u>\$ 2,966,934</u>
<u>Liabilities:</u>				
Escrow payables	<u>\$ 2,707,645</u>	<u>\$ 642,335</u>	<u>\$ 901,624</u>	<u>\$ 2,966,934</u>
Total liabilities	<u>\$ 2,707,645</u>	<u>\$ 642,335</u>	<u>\$ 901,624</u>	<u>\$ 2,966,934</u>

CITY OF McALLEN, TEXAS
AGENCY FUND
COMMUNICATIONS GROUP
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended September 30, 2014

	<u>Balance</u> <u>09/30/13</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>Balance</u> <u>09/30/14</u>
<u>Assets:</u>				
Cash and equivalents	\$ 287,068	\$ 537,294	\$ 16,192	\$ 808,170
Total current assets	<u>\$ 287,068</u>	<u>\$ 537,294</u>	<u>\$ 16,192</u>	<u>\$ 808,170</u>
<u>Liabilities:</u>				
Payables	\$ 224	\$ 9,909	\$ 10,375	\$ 690
Due Agency	<u>286,844</u>	<u>520,636</u>	<u></u>	<u>807,480</u>
Total liabilities	<u>\$ 287,068</u>	<u>\$ 530,545</u>	<u>\$ 10,375</u>	<u>\$ 808,170</u>

CITY OF McALLEN, TEXAS
AGENCY FUND
PAYROLL FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended September 30, 2014

	<u>Balance</u> <u>09/30/13</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>Balance</u> <u>09/30/14</u>
<u>Assets:</u>				
Cash and equivalents	\$ 817,740	\$ 144,289,955	\$ 144,273,202	\$ 834,493
Receivables:				
Other	<u>14,855</u>	<u>113,306</u>	<u>115,087</u>	<u>13,074</u>
Total current assets	<u>\$ 832,595</u>	<u>\$ 144,403,261</u>	<u>\$ 144,388,289</u>	<u>\$ 847,567</u>
<u>Liabilities:</u>				
Payables	<u>\$ 832,595</u>	<u>\$ 49,469,823</u>	<u>\$ 49,454,851</u>	<u>\$ 847,567</u>
Total liabilities	<u>\$ 832,595</u>	<u>\$ 49,469,823</u>	<u>\$ 49,454,851</u>	<u>\$ 847,567</u>

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Individual Budget Schedules and Other

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 34,482,076	\$ 34,482,076	\$ 34,305,130	\$ (176,946)
Sales	47,479,064	47,479,064	45,998,253	(1,480,811)
Franchise	6,514,000	6,514,000	6,707,787	193,787
Total taxes	88,475,140	88,475,140	87,011,170	(1,463,970)
Licenses and permits:				
Business licenses and permits	55,750	55,750	58,693	2,943
Occupational	252,225	252,225	257,062	4,837
Non-business licenses and permits	1,139,150	1,139,150	1,117,059	(22,091)
Total licenses and permits	1,447,125	1,447,125	1,432,814	(14,311)
Intergovernmental revenues:				
State shared revenues	560,000	560,000	774,044	214,044
Total intergovernmental revenues	560,000	560,000	774,044	214,044
Charges for services:				
General government	1,592,420	1,592,420	1,575,701	(16,719)
Public safety	715,400	715,400	728,177	12,777
Highways and streets	500	500	4,875	4,375
Health	586,200	586,200	579,316	(6,884)
Culture and recreation	1,293,500	1,293,500	1,146,502	(146,998)
Total charges for services	4,188,020	4,188,020	4,034,571	(153,449)
Fines and forfeitures:				
Corporations court	1,650,000	1,686,507	1,514,171	(172,336)
Other fines	50,000	50,000	66,609	16,609
Total fines and forfeitures	1,700,000	1,736,507	1,580,780	(155,727)
Investment earnings	265,001	265,001	313,838	48,837

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Net increase (decrease) in the fair value of investments	\$ -	\$ -	\$ 69,455	\$ 69,455
Other:				
Royalties	1,000,000	1,000,000	938,877	(61,123)
Rents and concessions	20,000	20,000	6,906	(13,094)
Other	24,800	24,800	338,858	314,058
Total other revenues	1,044,800	1,044,800	1,284,641	239,841
Total revenues	97,680,086	97,716,593	96,501,313	(1,215,280)
EXPENDITURES				
General government:				
City commission:				
Personal services	109,176	110,808	122,432	(11,624)
Supplies	4,680	4,680	4,495	185
Miscellaneous services	49,453	49,453	81,798	(32,345)
Total city commission	163,309	164,941	208,725	(43,784)
Special service:				
Miscellaneous services	871,800	1,046,800	1,015,136	31,664
Total special service	871,800	1,046,800	1,015,136	31,664
City manager:				
Personal services	1,036,090	1,053,159	1,393,809	(340,650)
Supplies	2,430	2,430	5,022	(2,592)
Miscellaneous services	46,859	65,859	70,158	(4,299)
Maintenance	1,680	1,680	200	1,480
Capital outlay	25,000	6,000	7,640	(1,640)
Total city manager	1,112,059	1,129,128	1,476,829	(347,701)
City secretary:				
Personal services	428,891	439,868	436,290	3,578
Supplies	4,500	4,500	4,827	(327)
Miscellaneous services	17,446	17,446	18,488	(1,042)
Maintenance	23,187	23,187	23,447	(260)
Total city secretary	474,024	485,001	483,052	1,949

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Audit office:				
Personal services	\$ 194,223	\$ 199,299	\$ 251,509	\$ (52,210)
Supplies	1,342	1,342	1,050	292
Miscellaneous services	11,203	11,203	9,591	1,612
Total audit office	206,768	211,844	262,150	(50,306)
Vital statistics:				
Personal services	125,883	129,141	140,689	(11,548)
Supplies	7,200	7,200	8,430	(1,230)
Miscellaneous services	25,358	25,358	15,365	9,993
Capital outlay	-	-	844	(844)
Total vital statistics	158,441	161,699	165,328	(3,629)
Passport facility:				
Personal services	76,763	78,177	76,258	1,919
Supplies	4,990	4,990	1,062	3,928
Miscellaneous services	4,820	4,820	6,397	(1,577)
Maintenance	200	200	-	200
Total passport facility	86,773	88,187	83,717	4,470
Municipal court:				
Personal services	1,184,228	1,214,222	1,125,811	88,411
Supplies	8,910	8,910	8,708	202
Miscellaneous services	79,542	81,242	56,111	25,131
Maintenance	47,642	45,942	29,496	16,446
Capital outlay	10,200	46,707	43,326	3,381
Total municipal court	1,330,522	1,397,023	1,263,452	133,571
Finance:				
Personal services	1,034,786	1,066,407	970,934	95,473
Supplies	18,520	18,520	18,520	-
Miscellaneous services	112,404	109,404	83,319	26,085
Maintenance	19,363	19,363	9,461	9,902
Capital outlay	-	3,000	5,484	(2,484)
Total finance	1,185,073	1,216,694	1,087,718	128,976

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budget & management:				
Personal service	\$ 275,051	\$ 275,051	\$ 257,993	\$ 17,058
Supplies	5,000	3,400	1,993	1,407
Miscellaneous services	8,300	8,500	7,229	1,271
Maintenance	5,600	5,400	5,299	101
Capital outlay	1,200	2,800	2,776	24
Total budget & management	295,151	295,151	275,290	19,861
Tax office:				
Personal services	266,234	273,129	269,027	4,102
Supplies	4,334	9,784	8,413	1,371
Miscellaneous services	674,405	668,955	613,234	55,721
Maintenance	9,307	9,307	8,540	767
Capital outlay	10,396	10,396	-	10,396
Total tax office	964,676	971,571	899,214	72,357
Purchasing and contracting:				
Personal services	490,957	565,819	449,099	116,720
Supplies	7,020	4,368	6,215	(1,847)
Miscellaneous services	8,228	4,380	17,015	(12,635)
Capital outlay	3,900	10,400	3,639	6,761
Total purchasing and contracting	510,105	584,967	475,968	108,999
Legal:				
Personal services	979,442	1,003,777	1,038,208	(34,431)
Supplies	3,078	3,078	3,268	(190)
Miscellaneous services	268,483	618,483	739,779	(121,296)
Total legal	1,251,003	1,625,338	1,781,255	(155,917)
Grant administration:				
Personal services	323,250	331,985	329,735	2,250
Supplies	8,347	19,172	21,080	(1,908)
Miscellaneous services	73,928	63,103	62,257	846
Total grant administration	405,525	414,260	413,072	1,188
Right of way:				
Personal services	133,553	136,981	134,393	2,588
Supplies	1,454	1,454	1,600	(146)
Miscellaneous services	56,799	55,781	33,231	22,550
Capital outlay	-	1,018	859	159
Total right of way	191,806	195,234	170,083	25,151

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Human resources:				
Personal services	\$ 580,036	\$ 592,592	\$ 592,046	\$ 546
Supplies	23,165	19,994	19,967	27
Miscellaneous services	161,476	263,201	249,385	13,816
Maintenance	7,812	7,812	7,389	423
Capital outlay	21,500	25,946	9,196	16,750
Total human resources	793,989	909,545	877,983	31,562
Risk management:				
Liability insurance	651,761	651,761	651,761	-
Total risk management	651,761	651,761	651,761	-
Planning:				
Personal services	1,048,447	1,068,760	804,320	264,440
Supplies	17,695	24,095	19,772	4,323
Miscellaneous services	55,807	49,407	36,102	13,305
Maintenance	18,970	12,270	3,493	8,777
Other	(19,000)	(19,000)	-	(19,000)
Capital outlay	-	6,700	5,711	989
Total planning	1,121,919	1,142,232	869,398	272,834
Information technology:				
Personal services	1,550,939	1,590,983	1,508,576	82,407
Supplies	17,548	17,548	24,573	(7,025)
Miscellaneous services	299,254	299,254	211,627	87,627
Maintenance	424,809	424,809	395,189	29,620
Capital outlay	273,000	273,000	239,559	33,441
Total information technology	2,565,550	2,605,594	2,379,524	226,070
Public information office:				
Personal services	508,393	522,853	406,636	116,217
Supplies	17,500	17,500	9,532	7,968
Miscellaneous services	37,921	37,921	58,204	(20,283)
Maintenance	10,352	10,352	4,786	5,566
Capital outlay	20,000	20,000	4,581	15,419
Total public information office	594,166	608,626	483,739	124,887

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
311 Call center/enter:				
Personal services	\$ 139,473	\$ 139,473	\$ 162,476	\$ (23,003)
Supplies	2,000	2,000	290	1,710
Miscellaneous services	2,000	2,000	30	1,970
Maintenance	30,000	30,000	-	30,000
Total 311 Call center	173,473	173,473	162,796	10,677
City hall:				
Personal services	102,424	104,978	99,951	5,027
Supplies	20,257	20,257	22,823	(2,566)
Miscellaneous services	357,632	357,632	357,540	92
Maintenance	147,465	147,465	109,202	38,263
Capital outlay	6,200	6,200	-	6,200
Total city hall	633,978	636,532	589,516	47,016
Building maintenance:				
Personal services	516,988	528,635	583,334	(54,699)
Supplies	13,132	13,132	14,556	(1,424)
Miscellaneous services	18,045	18,045	14,476	3,569
Maintenance	39,996	39,996	34,519	5,477
Capital outlay	39,000	39,000	3,826	35,174
Total building maintenance	627,161	638,808	650,711	(11,903)
Development center				
Personal services	32,577	32,577	219	32,358
Miscellaneous services	42,700	42,700	37,189	5,511
Maintenance	14,250	14,250	-	14,250
Total development center	89,527	89,527	37,408	52,119
Economic development:				
McAllen Economic Development Corp.	1,383,195	1,383,195	1,383,195	-
Chambers of commerce	644,200	644,200	669,200	(25,000)
Total economic development	2,027,395	2,027,395	2,052,395	(25,000)
Non-departmental activities	123,040	123,040	458,163	(335,123)
Contingency	446,712	(958,068)	-	(958,068)
Total general government	19,055,706	18,636,303	19,274,383	(638,080)

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Public safety:				
Police:				
Personal services	\$ 27,270,581	\$ 27,913,492	\$ 27,214,723	\$ 698,769
Supplies	414,841	414,841	449,758	(34,917)
Miscellaneous services	1,393,572	1,393,572	1,373,904	19,668
Maintenance	1,634,750	1,634,750	1,619,713	15,037
Other	(350,000)	(350,000)	(575,556)	225,556
Capital outlay	350,000	350,000	300,388	49,612
Total police	30,713,744	31,356,655	30,382,930	973,725
Animal control:				
Personal services	223,675	228,210	198,039	30,171
Supplies	12,000	12,000	(5,811)	17,811
Miscellaneous services	29,035	29,035	27,153	1,882
Maintenance	65,000	65,000	36,805	28,195
Capital outlay	30,000	30,000	-	30,000
Total animal control	359,710	364,245	256,186	108,059
Communication technology:				
Personal services	216,417	221,774	221,844	(70)
Supplies	8,257	8,257	8,179	78
Miscellaneous services	94,294	94,294	85,619	8,675
Maintenance	4,375	4,375	2,436	1,939
Other	-	-	(87,772)	87,772
Total communication technology	323,343	328,700	230,306	98,394
Fire:				
Personal services	14,570,860	14,638,770	15,254,696	(615,926)
Supplies	260,678	267,678	220,087	47,591
Miscellaneous services	1,057,020	1,042,020	1,179,426	(137,406)
Maintenance	450,933	568,933	621,277	(52,344)
Capital outlay	304,100	304,100	229,539	74,561
Total fire	16,643,591	16,821,501	17,505,025	(683,524)

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Traffic operations:				
Personal services	\$ 1,433,851	\$ 1,466,400	\$ 1,372,439	\$ 93,961
Supplies	115,492	115,492	115,350	142
Miscellaneous services	335,867	335,867	331,189	4,678
Maintenance	350,596	350,596	333,960	16,636
Capital outlay	105,950	105,950	59,177	46,773
Total traffic operations	2,341,756	2,374,305	2,212,115	162,190
Building code compliance:				
Personal services	900,277	921,544	914,308	7,236
Supplies	12,487	12,487	12,094	393
Miscellaneous services	90,713	90,713	62,187	28,526
Maintenance	20,545	20,545	21,188	(643)
Total building code compliance	1,024,022	1,045,289	1,009,777	35,512
Total public safety	51,406,166	52,290,695	51,596,339	694,356
Highways and streets:				
Engineering services:				
Personal services	1,725,941	1,764,213	1,471,581	292,632
Supplies	21,032	21,032	11,273	9,759
Miscellaneous services	129,146	129,146	120,752	8,394
Maintenance	44,838	44,838	52,943	(8,105)
Capital outlay	13,175	13,175	11,311	1,864
Total engineering	1,934,132	1,972,404	1,667,860	304,544
Street cleaning:				
Personal services	182,172	186,515	192,504	(5,989)
Supplies	3,330	3,330	1,803	1,527
Miscellaneous services	106,509	106,509	105,922	587
Maintenance	134,000	134,000	102,093	31,907
Capital outlay	4,000	4,000	4,733	(733)
Total street cleaning	430,011	434,354	407,055	27,299
Street maintenance:				
Personal services	1,548,292	1,576,099	1,381,899	194,200
Supplies	37,515	37,515	36,160	1,355
Miscellaneous services	234,980	234,980	235,284	(304)
Maintenance	4,346,347	4,346,347	4,380,729	(34,382)
Capital outlay	17,900	17,900	35,970	(18,070)
Total street maintenance	6,185,034	6,212,841	6,070,042	142,799

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Street lighting:				
Miscellaneous services	\$ 1,904,326	\$ 2,204,326	\$ 2,504,925	\$ (300,599)
Maintenance	72,675	72,675	70,846	1,829
Total street lighting	1,977,001	2,277,001	2,575,771	(298,770)
Sidewalk construction:				
Personal services	224,212	228,948	223,771	5,177
Supplies	36,200	36,200	36,736	(536)
Miscellaneous services	27,575	27,575	27,590	(15)
Maintenance	39,037	39,037	39,106	(69)
Capital outlay	11,400	11,400	7,991	3,409
Total sidewalk construction	338,424	343,160	335,194	7,966
Drainage:				
Personal services	673,249	687,426	608,172	79,254
Supplies	23,412	23,412	18,928	4,484
Miscellaneous services	316,737	316,737	312,084	4,653
Maintenance	327,164	327,164	275,469	51,695
Capital outlay	19,000	48,999	47,882	1,117
Total drainage	1,359,562	1,403,738	1,262,535	141,203
Total highways and streets	12,224,164	12,643,498	12,318,457	325,041
Health and welfare:				
Health code compliance:				
Personal services	913,549	939,031	993,689	(54,658)
Supplies	29,385	29,385	31,808	(2,423)
Miscellaneous services	126,032	123,832	111,638	12,194
Maintenance	48,957	48,957	83,075	(34,118)
Capital outlay	-	2,200	-	2,200
Total health code compliance	1,117,923	1,143,405	1,220,210	(76,805)
Graffiti cleaning:				
Personal services	103,527	106,035	106,307	(272)
Supplies	10,181	10,181	9,366	815
Miscellaneous services	12,551	12,551	12,558	(7)
Maintenance	22,783	22,783	27,426	(4,643)
Capital outlay	16,300	16,300	15,691	609
Total graffiti cleaning	165,342	167,850	171,348	(3,498)
Other agencies:				
Humane society	237,662	587,662	629,230	(41,568)
Other health and welfare agencies	30,000	30,000	69,654	(39,654)
Total other agencies	267,662	617,662	698,884	(81,222)
Total health and welfare	1,550,927	1,928,917	2,090,442	(161,525)

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Culture and recreation:				
Parks and recreation administration:				
Personal services	\$ 384,881	\$ 395,944	\$ 393,679	\$ 2,265
Supplies	7,050	7,050	5,905	1,145
Miscellaneous services	107,973	107,973	104,517	3,456
Maintenance	20,295	20,295	19,198	1,097
Capital outlay	20,000	20,000	10,387	9,613
Total parks and recreation administration	540,199	551,262	533,686	17,576
Parks:				
Personal services	3,594,726	3,668,857	3,266,726	402,131
Supplies	184,854	184,854	183,970	884
Miscellaneous services	2,105,773	2,055,773	2,005,517	50,256
Maintenance	453,896	453,896	600,751	(146,855)
Capital outlay	265,115	315,115	196,169	118,946
Total parks	6,604,364	6,678,495	6,253,133	425,362
Recreation:				
Personal services	1,179,297	1,217,224	990,296	226,928
Supplies	47,960	47,960	48,061	(101)
Miscellaneous services	342,688	342,688	237,064	105,624
Maintenance	4,801	4,801	11,706	(6,905)
Capital outlay	9,200	9,200	14,716	(5,516)
Total recreation	1,583,946	1,621,873	1,301,843	320,030
Pools:				
Personal services	606,041	631,567	569,259	62,308
Supplies	85,705	85,705	76,577	9,128
Miscellaneous services	103,237	103,237	114,025	(10,788)
Maintenance	46,617	46,617	52,487	(5,870)
Capital outlay	14,115	14,115	8,830	5,285
Total pools	855,715	881,241	821,178	60,063
Las palmas community center:				
Personal services	292,692	299,769	252,971	46,798
Supplies	14,987	14,987	11,095	3,892
Miscellaneous services	75,276	75,276	73,814	1,462
Maintenance	15,287	15,287	7,605	7,682
Capital outlay	27,200	27,200	1,937	25,263
Total las palmas community center	425,442	432,519	347,422	85,097
Recreation center-Lark:				
Personal services	345,355	350,128	302,790	47,338
Supplies	26,795	26,795	19,582	7,213
Miscellaneous services	111,563	111,563	130,583	(19,020)
Maintenance	14,550	14,550	7,773	6,777
Capital outlay	8,850	8,850	5,260	3,590
Total recreation center-Lark	507,113	511,886	465,988	45,898

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Recreation center-Palmview:				
Personal services	\$ 341,153	\$ 349,484	\$ 347,409	\$ 2,075
Supplies	23,945	23,945	15,114	8,831
Miscellaneous services	119,144	119,144	127,747	(8,603)
Maintenance	10,559	10,559	16,930	(6,371)
Capital outlay	14,290	14,290	2,530	11,760
Total recreation center-Palmview	509,091	517,422	509,730	7,692
Quinta mazatlan:				
Personal services	347,924	356,764	305,299	51,465
Supplies	20,855	20,855	25,779	(4,924)
Miscellaneous services	113,177	113,177	132,581	(19,404)
Maintenance	22,483	22,483	24,821	(2,338)
Capital outlay	21,500	21,500	23,489	(1,989)
Total quinta mazatlan	525,939	534,779	511,969	22,810
Library:				
Personal services	2,271,122	2,328,565	2,072,960	255,605
Supplies	101,950	101,950	95,300	6,650
Miscellaneous services	636,115	636,115	683,465	(47,350)
Maintenance	83,637	83,637	83,436	201
Capital outlay	183,000	183,000	182,353	647
Total library	3,275,824	3,333,267	3,117,514	215,753
Library branch-Lark:				
Personal services	366,220	376,035	403,428	(27,393)
Supplies	17,203	17,203	10,940	6,263
Miscellaneous services	10,913	12,413	9,364	3,049
Maintenance	16,905	16,905	13,394	3,511
Capital outlay	21,500	20,000	19,285	715
Total library branch-Lark	432,741	442,556	456,411	(13,855)
Library branch-Palmview:				
Personal services	377,325	386,436	402,739	(16,303)
Supplies	8,937	8,937	9,357	(420)
Miscellaneous services	10,913	12,413	9,096	3,317
Maintenance	10,205	10,205	2,526	7,679
Capital outlay	21,500	20,000	20,000	-
Total library branch-Palmview	428,880	437,991	443,718	(5,727)
Other agencies	995,259	995,259	995,259	-
Museums	792,400	792,400	792,400	-
Total culture and recreation	17,476,913	17,730,950	16,550,251	1,180,699
Total expenditures	101,713,876	103,230,363	101,829,872	1,400,491
Excess of revenues over expenditures	(4,033,790)	(5,513,770)	(5,328,559)	185,211

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 9,630,300	\$ 9,630,300	\$ 9,790,207	\$ 159,907
Transfers out	<u>(4,507,424)</u>	<u>(4,507,424)</u>	<u>(4,507,424)</u>	<u>-</u>
Net other financing sources (uses)	<u>5,122,876</u>	<u>5,122,876</u>	<u>5,282,783</u>	<u>159,907</u>
Net change in fund balances	1,089,086	(390,894)	(45,776)	345,118
Fund balances at beginning of year	<u>43,875,557</u>	<u>43,875,557</u>	<u>43,875,557</u>	<u>-</u>
Fund balances at end of year	<u>\$ 44,964,643</u>	<u>\$ 43,484,663</u>	<u>\$ 43,829,781</u>	<u>\$ 345,118</u>

CITY OF McALLEN, TEXAS
HOTEL OCCUPANCY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Hotel tax	\$ 3,500,000	\$ 3,500,000	\$ 4,156,141	\$ 656,141
Investment earnings	<u>-</u>	<u>-</u>	<u>8</u>	<u>8</u>
Total revenues	<u>3,500,000</u>	<u>3,500,000</u>	<u>4,156,149</u>	<u>656,149</u>
EXPENDITURES				
Current:				
General government	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,187,469</u>	<u>(187,469)</u>
Total expenditures	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,187,469</u>	<u>(187,469)</u>
Excess (deficiency) of revenues over expenditures	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,968,680</u>	<u>468,680</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,500,000)</u>	<u>(2,500,000)</u>	<u>(2,968,671)</u>	<u>(468,671)</u>
Total other financing sources (uses)	<u>(2,500,000)</u>	<u>(2,500,000)</u>	<u>(2,968,671)</u>	<u>(468,671)</u>
Net changes in fund balances	-	-	9	9
Fund balances--beginning	<u>24,907</u>	<u>24,907</u>	<u>24,907</u>	<u>-</u>
Fund balances--ending	<u>\$ 24,907</u>	<u>\$ 24,907</u>	<u>\$ 24,916</u>	<u>\$ 9</u>

CITY OF McALLEN, TEXAS
McALLEN EB-5 REGIONAL CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Charges for services	\$ -	\$ -	\$ 30,000	\$ 30,000
Other	-	-	250,000	250,000
Total revenues	-	-	280,000	280,000
EXPENDITURES				
Current:				
General government	-	-	97,925	(97,925)
Total expenditures	-	-	97,925	(97,925)
Excess (deficiency) of revenues over expenditures	-	-	182,075	182,075
Net changes in fund balances	-	-	182,075	182,075
Fund balances--beginning	(177,980)	(177,980)	(177,980)	-
Fund balances--ending	<u>\$ (177,980)</u>	<u>\$ (177,980)</u>	<u>\$ 4,095</u>	<u>\$ 182,075</u>

CITY OF McALLEN, TEXAS
COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	<u>\$ 2,143,764</u>	<u>\$ 2,143,764</u>	<u>\$ 1,581,604</u>	<u>\$ (562,160)</u>
Total revenues	<u>2,143,764</u>	<u>2,143,764</u>	<u>1,581,604</u>	<u>(562,160)</u>
EXPENDITURES				
Current:				
General government	347,953	347,953	342,367	5,586
Highways and streets	96,000	96,000	190,730	(94,730)
Health and welfare	1,157,611	1,157,611	970,755	186,856
Culture and recreation	<u>542,200</u>	<u>542,200</u>	<u>77,752</u>	<u>464,448</u>
Total expenditures	<u>2,143,764</u>	<u>2,143,764</u>	<u>1,581,604</u>	<u>562,160</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	-	-	-	-
Fund balances--beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances--ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF McALLEN, TEXAS
DOWNTOWN SERVICES PARKING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Fiscal Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Licenses and permits	\$ 12,000	\$ 12,000	\$ 14,898	\$ 2,898
Charges for services	1,117,747	1,117,747	1,155,814	38,067
Fines and forfeitures	230,000	230,000	195,092	(34,908)
Investment earnings	-	-	619	619
Other	7,200	7,200	8,859	1,659
	<u>1,366,947</u>	<u>1,366,947</u>	<u>1,375,282</u>	<u>8,335</u>
Total revenues				
EXPENDITURES				
Current:				
Highways and streets	1,064,673	1,079,493	935,446	144,047
	<u>1,064,673</u>	<u>1,079,493</u>	<u>935,446</u>	<u>144,047</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	302,274	287,454	439,836	152,382
Transfers out	(207,000)	(207,000)	(207,000)	-
Total other financing sources (uses)	(207,000)	(207,000)	(207,000)	-
Net changes in fund balances	95,274	80,454	232,836	152,382
Fund balances--beginning	154,790	154,790	154,790	-
Fund balances--ending	<u>\$ 250,064</u>	<u>\$ 235,244</u>	<u>\$ 387,626</u>	<u>\$ 152,382</u>

CITY OF McALLEN, TEXAS
DEVELOPMENT CORPORATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Sales tax	\$ 15,826,355	\$ 15,826,355	\$ 15,332,751	\$ (493,604)
Intergovernmental revenues	1,020,265	1,020,265	-	(1,020,265)
Investment earnings	100,000	100,000	120,876	20,876
Net increase in the fair value of investments	-	-	41,551	41,551
Other	-	-	1,153	1,153
Total revenues	<u>16,946,620</u>	<u>16,946,620</u>	<u>15,496,331</u>	<u>(1,450,289)</u>
EXPENDITURES				
Current:				
General government	14,366,583	20,273,123	13,219,392	7,053,731
Public safety	100,000	100,000	69,001	30,999
Highways and streets	2,627,749	2,627,749	784,839	1,842,910
Health and welfare	1,502,000	1,502,000	1,501,957	43
Culture and recreation	7,518,819	7,610,719	5,116,189	2,494,530
Debt service:				
Principal	25,000	25,000	25,000	-
Interest and fiscal charges	5,906	5,906	6,444	(538)
Total expenditures	<u>26,146,057</u>	<u>32,144,497</u>	<u>20,722,822</u>	<u>11,421,675</u>
Excess (deficiency) of revenues over expenditures	<u>(9,199,437)</u>	<u>(15,197,877)</u>	<u>(5,226,491)</u>	<u>9,971,380</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	636,884	636,884
Transfers out	<u>(5,718,323)</u>	<u>(5,718,323)</u>	<u>(5,224,304)</u>	<u>494,019</u>
Total other financing uses	<u>(5,718,323)</u>	<u>(5,718,323)</u>	<u>(4,587,420)</u>	<u>1,130,903</u>
Net changes in fund balances	(14,917,760)	(20,916,200)	(9,813,911)	11,102,283
Fund balances--beginning	<u>25,008,285</u>	<u>25,008,285</u>	<u>25,008,285</u>	<u>-</u>
Fund balances--ending	<u>\$ 10,090,525</u>	<u>\$ 4,092,085</u>	<u>\$ 15,194,374</u>	<u>\$ 11,102,283</u>

CITY OF McALLEN, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Property tax	\$ -	\$ -	\$ 7,843	\$ 7,843
Interest	-	-	278	278
Total revenues	-	-	8,121	8,121
EXPENDITURES				
Current:				
Debt service:				
Principal	2,740,000	2,740,000	2,740,000	-
Interest and fiscal charges	978,516	978,516	767,963	210,553
Total expenditures	3,718,516	3,718,516	3,507,963	210,553
Excess (deficiency) of revenues over expenditures	(3,718,516)	(3,718,516)	(3,499,842)	218,674
OTHER FINANCING SOURCES (USES)				
Transfers in	3,718,516	3,718,516	3,507,424	(211,092)
Total other financing sources (uses)	3,718,516	3,718,516	3,507,424	(211,092)
Net changes in fund balances	-	-	7,582	7,582
Fund balance--beginning	284,610	284,610	284,610	-
Fund balance--ending	\$ 284,610	\$ 284,610	\$ 292,192	\$ 7,582

CITY OF McALLEN, TEXAS
CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 1,562,399	\$ 1,562,399
Investment earnings	-	-	38,178	38,178
Net increase in the fair value of investments	-	-	26,194	26,194
Other	<u>3,281,342</u>	<u>3,281,342</u>	<u>94,715</u>	<u>(3,186,627)</u>
Total revenues	<u>3,281,342</u>	<u>3,281,342</u>	<u>1,721,486</u>	<u>(1,559,857)</u>
EXPENDITURES				
Current:				
General government	1,227,100	1,747,100	1,408,546	338,554
Public safety	2,251,500	2,464,624	691,009	1,773,615
Highways and streets	6,374,082	6,761,082	2,895,568	3,865,514
Culture and recreation	<u>5,434,241</u>	<u>5,077,765</u>	<u>2,323,242</u>	<u>2,754,523</u>
Total expenditures	<u>15,286,923</u>	<u>16,050,571</u>	<u>7,318,365</u>	<u>8,732,206</u>
Deficiency of revenues over expenditures	<u>(12,005,581)</u>	<u>(12,769,229)</u>	<u>(5,596,879)</u>	<u>7,172,349</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,150,000</u>	<u>-</u>
Total other financing sources (uses)	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,150,000</u>	<u>-</u>
Net changes in fund balances	(10,855,581)	(11,619,229)	(4,446,879)	7,172,349
Fund balances--beginning	<u>9,183,815</u>	<u>9,183,815</u>	<u>9,183,815</u>	<u>-</u>
Fund balances--ending	<u>\$ (1,671,766)</u>	<u>\$ (2,435,414)</u>	<u>\$ 4,736,936</u>	<u>\$ 7,172,349</u>

CITY OF McALLEN, TEXAS
INFORMATION TECHNOLOGY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Other	\$ -	\$ -	\$ 83,313	\$ 83,313
Net increase in the fair value of investments	-	-	3	3
Investment earnings	-	-	3,000	3,000
Total revenues	-	-	86,316	86,316
EXPENDITURES				
Current:				
General government	1,105,000	1,105,000	788,518	316,482
Total expenditures	1,105,000	1,105,000	788,518	316,482
Excess (deficiency) of revenues over expenditures	(1,105,000)	(1,105,000)	(702,202)	402,798
OTHER FINANCING SOURCES (USES)				
Transfers in	1,270,000	1,270,000	1,270,000	-
Net changes in fund balances	165,000	165,000	567,798	402,798
Fund balances--beginning	436,942	436,942	436,942	-
Fund balances--ending	\$ 601,942	\$ 601,942	\$ 1,004,740	\$ 402,798

CITY OF McALLEN, TEXAS
CERTIFICATE OF OBLIGATION LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Other	\$ -	\$ -	\$ 1,079	\$ 1,079
Investment earnings	-	-	154	154
Total revenues	-	-	1,233	1,233
EXPENDITURES				
Current:				
Culture and recreation	100,000	130,000	4,516	125,484
Total expenditures	100,000	130,000	4,516	125,484
Excess (deficiency) of revenues over expenditures	(100,000)	(130,000)	(3,283)	126,717
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(636,884)	(636,884)
Net changes in fund balances	(100,000)	(130,000)	(640,167)	(510,167)
Fund balances--beginning	640,167	640,167	640,167	-
Fund balances--ending	<u>\$ 540,167</u>	<u>\$ 510,167</u>	<u>\$ -</u>	<u>\$ (510,167)</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Operating revenues:				
Water sales				
Residential customers	\$ 10,451,807	\$ 10,451,807	\$ 9,101,372	\$ (1,350,435)
Commercial accounts	5,500,275	5,500,275	5,159,498	(340,777)
Industrial customers	664,907	664,907	483,294	(181,613)
Total water sales	16,616,989	16,616,989	14,744,164	(1,872,825)
Service charges:				
Tap fees	250,000	250,000	279,150	29,150
Connect fees	110,000	110,000	146,465	36,465
Reconnect fees	160,000	160,000	126,155	(33,845)
Other services	725,500	725,500	853,120	127,620
Total service charges	1,245,500	1,245,500	1,404,890	159,390
Total operating revenues	17,862,489	17,862,489	16,149,054	(1,713,435)
Non-operating revenues:				
Investment earnings	48,820	48,820	95,266	46,446
Net increase (decrease) in the fair value of investment	-	-	25,798	25,798
Other	-	-	89,484	89,484
Total non-operating revenues	48,820	48,820	210,548	161,728
Total revenues	17,911,309	17,911,309	16,359,602	(1,551,707)
Expenses:				
Water plant:				
Salaries and benefits	1,582,574	1,628,249	1,550,104	78,145
Supplies and raw water purchases	3,520,410	3,466,850	2,897,467	569,383
Contractual and other services	1,504,155	1,520,980	1,426,685	94,295
Repairs and maintenance	365,832	386,057	389,875	(3,818)
Total water plant	6,972,971	7,002,136	6,264,131	738,005

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Water lab:				
Salaries and benefits	\$ 252,213	\$ 267,774	\$ 261,274	\$ 6,500
Supplies	31,130	31,130	24,901	6,229
Contractual and other services	37,770	38,510	34,531	3,979
Repairs and maintenance	20,990	12,490	8,308	4,182
Total water lab	342,103	349,904	329,014	20,890
Transmission and distribution:				
Salaries and benefits	1,692,139	1,752,118	1,598,780	153,338
Supplies	31,500	31,500	25,297	6,203
Contractual and other services	93,795	97,735	178,447	(80,712)
Repairs and maintenance	285,751	263,031	218,288	44,743
Total Transmission and distribution	2,103,185	2,144,384	2,020,812	123,572
Water meters:				
Salaries and benefits	757,088	773,246	729,290	43,956
Supplies	24,965	24,965	24,077	888
Contractual and other services	64,017	65,052	29,563	35,489
Repairs and maintenance	98,857	93,962	66,527	27,435
Total water meters	944,927	957,225	849,457	107,768
Utility billing:				
Salaries and benefits	373,759	383,539	367,278	16,261
Supplies	38,000	38,000	30,603	7,397
Contractual and other services	344,472	344,472	338,959	5,513
Repairs and maintenance	100	100	-	100
Total utility billing	756,331	766,111	736,840	29,271

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Customer relations:				
Salaries and benefits	\$ 662,475	\$ 682,962	\$ 671,753	\$ 11,209
Supplies	15,560	14,985	15,102	(117)
Contractual and other services	81,951	104,816	49,612	55,204
Repairs and maintenance	40,000	40,000	34,401	5,599
Total customer relations	799,986	842,763	770,868	71,895
Administration:				
Salaries and benefits	943,509	822,439	717,940	104,499
Supplies	5,000	7,685	8,057	(372)
Contractual and other services	484,059	511,624	479,783	31,841
Repairs and maintenance	32,980	32,980	48,418	(15,438)
Total administration	1,465,548	1,374,728	1,254,198	120,530
Non-departmental expenses:				
Liability insurance	90,073	90,073	90,073	-
Interest and fiscal charges	1,222,634	1,222,634	1,211,163	11,471
Bond principal requirements	1,508,250	1,508,250	-	1,508,250
Other	-	-	26,477	(26,477)
Capital outlay	6,728,380	8,633,177	4,787,022	3,846,155
Total non-departmental expenses	9,549,337	11,454,134	6,114,735	5,339,399
Total expenses	22,934,388	24,891,385	18,340,055	6,551,330

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CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Excess (deficiency) of revenues over budget	<u>\$ (5,023,079)</u>	<u>\$ (6,980,076)</u>	<u>\$ (1,980,453)</u>	<u>\$ 4,999,623</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(4,182,203)	(4,182,203)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	4,787,022	4,787,022
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as a reduction of bonds payable per GAAP basis	<u>1,508,250</u>	<u>1,508,250</u>	<u>-</u>	<u>1,508,250</u>
Net income-GAAP basis	<u><u>\$ (6,531,329)</u></u>	<u><u>\$ (8,488,326)</u></u>	<u><u>\$ (1,375,634)</u></u>	<u><u>\$ 7,112,692</u></u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2014

	<u>Current Debt Service</u>	<u>Customer Deposits</u>	<u>Depreciation</u>
Cash, certificates of deposit, and investments at September 30, 2013	<u>\$ 715,163</u>	<u>\$ 2,373,955</u>	<u>\$ 8,797,197</u>
Cash receipts:			
Transfers in	2,740,243	-	1,425,001
Operating activities	-	971,138	-
Due to other funds	-	-	-
Interest received	<u>267</u>	<u>-</u>	<u>100,056</u>
Total cash receipts	<u>2,740,510</u>	<u>971,138</u>	<u>1,525,057</u>
Total cash available	<u>3,455,673</u>	<u>3,345,093</u>	<u>10,322,254</u>
Cash disbursements:			
Other	-	-	10,123
Due from other funds	-	-	104,473
Transfers out	275	-	-
Refunds	-	917,122	-
Capital acquisition	-	-	2,641,153
Principal payments	1,508,250	-	-
Interest and fiscal charges (net)	<u>1,223,383</u>	<u>-</u>	<u>-</u>
Total cash disbursements	<u>2,731,908</u>	<u>917,122</u>	<u>2,755,749</u>
Cash, certificates of deposit, and investments at September 30, 2014	<u><u>\$ 723,765</u></u>	<u><u>\$ 2,427,971</u></u>	<u><u>\$ 7,566,505</u></u>
Cash, certificates of deposit, and investments at September 30, 2014 is comprised of the following:			
Cash	\$ 750	\$ -	\$ 3,781
Certificates of deposit	-	2,427,971	1,007,550
Investments (net)	723,015	-	3,539,986
Accrued Interest	-	-	15,188
Note receivable	<u>-</u>	<u>-</u>	<u>3,000,000</u>
Totals	<u><u>\$ 723,765</u></u>	<u><u>\$ 2,427,971</u></u>	<u><u>\$ 7,566,505</u></u>

<u>Capital Improvement</u>	<u>Water Revenue Bonds</u>	<u>Total</u>
<u>\$ 7,368,997</u>	<u>\$ 182,575</u>	<u>\$ 19,437,887</u>
480,375	-	4,645,619
-	-	971,138
657,649	-	657,649
<u>46,068</u>	<u>1,828</u>	<u>148,219</u>
<u>1,184,092</u>	<u>1,828</u>	<u>6,424,453</u>
<u>8,553,089</u>	<u>184,403</u>	<u>25,862,340</u>
93,347	-	103,470
-	-	104,473
-	-	275
-	-	917,122
1,879,996	-	4,521,149
-	-	1,508,250
<u>-</u>	<u>-</u>	<u>1,223,383</u>
<u>1,973,343</u>	<u>-</u>	<u>8,378,122</u>
<u>\$ 6,579,746</u>	<u>\$ 184,403</u>	<u>\$ 17,482,390</u>
\$ -	\$ 184,403	\$ 188,934
350,000	-	3,785,521
5,531,797	-	9,794,798
13,064	-	28,252
<u>684,885</u>	<u>-</u>	<u>3,684,885</u>
<u>\$ 6,579,746</u>	<u>\$ 184,403</u>	<u>\$ 17,482,390</u>

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CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Sewer service charges	\$ 14,735,067	\$ 14,735,067	\$ 14,259,029	\$ (476,038)
Industrial surcharges	433,472	433,472	296,832	(136,640)
Other services	<u>225,500</u>	<u>225,500</u>	<u>420,185</u>	<u>194,685</u>
Total operating revenues	<u>15,394,039</u>	<u>15,394,039</u>	<u>14,976,046</u>	<u>(417,993)</u>
Non-operating revenues:				
Investment earnings	54,612	54,612	142,016	87,404
Net increase (decrease) in the fair value of investment	-	-	10,684	10,684
Other	<u>37,308,511</u>	<u>37,308,511</u>	<u>1,194,335</u>	<u>(36,114,176)</u>
Total non-operating revenues	<u>37,363,123</u>	<u>37,363,123</u>	<u>1,347,035</u>	<u>(36,016,088)</u>
Total revenues	<u>52,757,162</u>	<u>52,757,162</u>	<u>16,323,081</u>	<u>(36,434,081)</u>
Expenses:				
Sewer plant:				
Salaries and benefits	1,962,164	2,037,612	1,948,055	89,557
Supplies	177,200	168,315	168,019	296
Contractual and other services	1,746,623	2,000,823	2,123,217	(122,394)
Repairs and maintenance	<u>207,766</u>	<u>200,501</u>	<u>201,316</u>	<u>(815)</u>
Total sewer plant	<u>4,093,753</u>	<u>4,407,251</u>	<u>4,440,607</u>	<u>(33,356)</u>
Sewer lab:				
Salaries and benefits	354,387	365,804	322,624	43,180
Supplies	51,347	51,347	47,842	3,505
Contractual and other services	8,880	8,880	7,155	1,725
Repairs and maintenance	<u>8,410</u>	<u>8,410</u>	<u>5,927</u>	<u>2,483</u>
Total sewer lab	<u>423,024</u>	<u>434,441</u>	<u>383,548</u>	<u>50,893</u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Sewer collection:				
Salaries and benefits	\$ 981,412	\$ 1,014,188	\$ 997,496	\$ 16,692
Supplies	480,500	471,500	468,149	3,351
Contractual and other services	268,790	248,390	284,376	(35,986)
Repairs and maintenance	393,143	263,243	264,308	(1,065)
Total sewer collection	2,123,845	1,997,321	2,014,329	(17,008)
Administration:				
Salaries and benefits	563,905	578,384	576,510	1,874
Supplies	9,806	9,806	3,708	6,098
Contractual and other services	670,474	658,421	614,315	44,106
Repairs and maintenance	50,335	50,335	33,281	17,054
Total administration	1,294,520	1,296,946	1,227,814	69,132
Non-departmental expenses:				
Employee benefits	109,217	-	-	-
Liability insurance	72,201	72,201	72,201	-
Interest and fiscal charges	1,391,026	1,391,026	1,402,322	(11,296)
Bond principal requirements	3,319,750	3,319,750	-	3,319,750
Other	-	-	(170,693)	170,693
Capital outlay	63,670,937	64,518,037	5,451,877	59,066,160
Total non-departmental expenses	68,563,131	69,301,014	6,755,707	62,545,307
Total expenses	76,498,273	77,436,973	14,822,005	62,614,968

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Excess (deficiency) of revenues over budget	\$ (23,741,111)	\$ (24,679,811)	\$ 1,501,076	\$ 26,180,887
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(5,754,548)	(5,754,548)
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as reduction of bonds payable per GAAP basis	3,319,750	3,319,750	-	3,319,750
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>5,451,878</u>	<u>5,451,878</u>
Net income-GAAP basis	<u>\$ (27,060,861)</u>	<u>\$ (27,999,561)</u>	<u>\$ 1,198,406</u>	<u>\$ 29,197,967</u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2014

	Current Debt Service	Bond Reserve	Reserve for Improvements	TWDB Debt Service	Depreciation
Cash, certificates of deposit, and investments at September 30, 2013	<u>\$ 776,500</u>	<u>\$ 1,008,846</u>	<u>\$ 11,289,469</u>	<u>\$ 796,708</u>	<u>\$ 9,862,735</u>
Cash receipts:					
Transfers from operating cash	2,986,391	360,101	-	2,208,325	2,878,051
Transfers from internal funds	-	-	-	-	-
Due sewer fund	-	-	-	-	75,974
Interest received	290	399	845	306	67,680
Valuation allowance	-	-	-	-	-
Capital contributions	-	-	-	-	-
Total cash receipts	<u>2,986,681</u>	<u>360,500</u>	<u>845</u>	<u>2,208,631</u>	<u>3,021,705</u>
Total cash available	<u>3,763,181</u>	<u>1,369,346</u>	<u>11,290,314</u>	<u>3,005,339</u>	<u>12,884,440</u>
Cash disbursements:					
Other	-	-	-	-	-
Due sewer fund and internal funds	298	-	3,765,752	300	-
Principal payments	1,666,750	-	-	1,653,000	-
Interest and fiscal charges (net)	1,304,358	-	-	93,421	-
Capital acquisitions	-	-	-	-	1,785,078
Total cash disbursements	<u>2,971,406</u>	<u>-</u>	<u>3,765,752</u>	<u>1,746,721</u>	<u>1,785,078</u>
Cash, certificates of deposit, and investments at September 30, 2014	<u><u>\$ 791,775</u></u>	<u><u>\$ 1,369,346</u></u>	<u><u>\$ 7,524,562</u></u>	<u><u>\$ 1,258,618</u></u>	<u><u>\$ 11,099,362</u></u>
Cash, certificates of deposit, and investments at September 30, 2014 is comprised of the following:					
Cash	\$ 750	\$ -	\$ -	\$ -	\$ -
Cash-escrow agent	-	-	-	-	-
Certificates of deposit	-	-	-	-	592,550
Investments (net)	791,025	1,369,346	7,524,562	1,258,618	10,488,460
Accrued Interest	-	-	-	-	18,352
Other receivables	-	-	-	-	-
Totals	<u><u>\$ 791,775</u></u>	<u><u>\$ 1,369,346</u></u>	<u><u>\$ 7,524,562</u></u>	<u><u>\$ 1,258,618</u></u>	<u><u>\$ 11,099,362</u></u>

Capital Improvement	Sewer Revenue Bonds	Sewer Series 2012	Sewer 2009-TWDB	Total
<u>\$ 8,716,763</u>	<u>\$ 10,981,952</u>	<u>\$ 1,369,217</u>	<u>\$ -</u>	<u>44,802,190</u>
704,295	-	2,606,108	2,265,000	14,008,271
3,854,392	-	-	-	3,854,392
127,910	-	-	-	203,884
63,090	10,475	-	-	143,085
(1,262)	-	-	-	(1,262)
<u>-</u>	<u>-</u>	<u>1,181,576</u>	<u>-</u>	<u>1,181,576</u>
<u>4,748,425</u>	<u>10,475</u>	<u>3,787,684</u>	<u>2,265,000</u>	<u>21,654,946</u>
<u>13,465,188</u>	<u>10,992,427</u>	<u>5,156,901</u>	<u>2,265,000</u>	<u>66,457,136</u>
4,750	-	-	-	4,750
-	-	2,614,081	2,265,000	4,879,381
-	-	-	-	3,319,750
-	-	-	-	1,397,779
<u>1,205,694</u>	<u>-</u>	<u>1,913,679</u>	<u>-</u>	<u>4,904,451</u>
<u>1,210,444</u>	<u>-</u>	<u>4,527,760</u>	<u>2,265,000</u>	<u>14,506,111</u>
<u>\$ 12,254,744</u>	<u>\$ 10,992,427</u>	<u>\$ 629,141</u>	<u>\$ -</u>	<u>\$ 45,919,975</u>
\$ 104,966	\$ 2,818	\$ -	\$ -	\$ 108,534
-	-	607,209	-	607,209
627,550	1,346,670	-	-	2,566,770
11,502,660	9,642,305	-	-	42,576,976
19,568	634	-	-	38,554
<u>-</u>	<u>-</u>	<u>21,932</u>	<u>-</u>	<u>21,932</u>
<u>\$ 12,254,744</u>	<u>\$ 10,992,427</u>	<u>\$ 629,141</u>	<u>\$ -</u>	<u>\$ 45,919,975</u>

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Solid waste collections	\$ 16,651,122	\$ 16,651,122	\$ 16,885,461	\$ 234,339
Other services	<u>50,000</u>	<u>50,000</u>	<u>83,098</u>	<u>33,098</u>
Total operating revenues	<u>16,701,122</u>	<u>16,701,122</u>	<u>16,968,559</u>	<u>267,437</u>
Non-operating revenues:				
Investment earnings	-	-	91,900	91,900
Net increase in the fair value of investments	-	-	10,202	10,202
Other	<u>-</u>	<u>-</u>	<u>10,175</u>	<u>10,175</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>112,277</u>	<u>112,277</u>
Total revenues	<u>16,701,122</u>	<u>16,701,122</u>	<u>17,080,836</u>	<u>379,714</u>
Expenses:				
Facilities administration:				
Salaries and benefits	811,131	830,167	725,461	104,706
Supplies	15,750	15,750	14,081	1,669
Contractual and other services	1,101,220	1,101,220	1,274,938	(173,718)
Repairs and maintenance	54,751	54,751	19,147	35,604
Capital outlay	<u>498,000</u>	<u>671,119</u>	<u>194,524</u>	<u>476,595</u>
Total facilities administration	<u>2,480,852</u>	<u>2,673,007</u>	<u>2,228,151</u>	<u>444,856</u>
Brush collection:				
Salaries and benefits	1,352,236	1,380,348	1,119,453	260,895
Supplies	256,570	256,570	121,460	135,110
Contractual and other services	125,225	125,225	148,236	(23,011)
Repairs and maintenance	523,437	523,437	525,110	(1,673)
Capital outlay	<u>29,000</u>	<u>29,000</u>	<u>22,069</u>	<u>6,931</u>
Total brush collection	<u>2,286,468</u>	<u>2,314,580</u>	<u>1,936,328</u>	<u>378,252</u>

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Residential collection:				
Salaries and benefits	\$ 1,249,085	\$ 1,276,415	\$ 1,226,588	\$ 49,827
Supplies	34,359	34,359	27,920	6,439
Contractual and other services	550,840	550,840	658,852	(108,012)
Repairs and maintenance	850,300	850,300	950,309	(100,009)
Capital outlay	83,500	83,500	-	83,500
Total residential collection	2,768,084	2,795,414	2,863,669	(68,255)
Commercial box collection:				
Salaries and benefits	1,131,186	1,154,629	1,076,784	77,845
Supplies	41,479	41,479	38,805	2,674
Contractual and other services	1,213,780	1,213,780	1,297,714	(83,934)
Repairs and maintenance	972,711	972,711	1,133,509	(160,798)
Capital outlay	89,700	89,700	-	89,700
Total commercial box collection	3,448,856	3,472,299	3,546,812	(74,513)
Roll offs:				
Salaries and benefits	287,945	295,659	278,890	16,769
Supplies	5,750	5,750	4,705	1,045
Contractual and other services	258,450	258,450	262,906	(4,456)
Repairs and maintenance	215,054	215,054	287,551	(72,497)
Capital outlay	28,000	28,000	9,152	18,848
Total roll offs	795,199	802,913	843,204	(40,291)
Recycling:				
Salaries and benefits	1,026,131	1,044,348	842,440	201,908
Supplies	41,606	41,606	32,289	9,317
Contractual and other services	253,943	253,943	366,151	(112,208)
Repairs and maintenance	136,784	136,784	167,634	(30,850)
Capital outlay	184,500	260,446	106,723	153,723
Total recycling	1,642,964	1,737,127	1,515,237	221,890

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Composting:				
Salaries and benefits	\$ 312,517	\$ 320,092	\$ 305,693	\$ 14,399
Supplies	26,000	26,000	19,396	6,604
Contractual and other services	232,375	232,375	235,268	(2,893)
Repairs and maintenance	86,233	86,233	150,065	(63,832)
Capital outlay	5,800	58,800	53,000	5,800
Total composting	662,925	723,500	763,422	(39,922)
Non-departmental expenses:				
Depreciation fund-capital outlay	1,335,000	1,805,320	1,428,066	377,254
Liability insurance	104,898	104,898	104,898	-
Total non-departmental expenses	1,439,898	1,910,218	1,532,964	377,254
Total expenses	15,525,246	16,429,058	15,229,787	1,199,271
Excess (deficiency) of revenues over expenses (budget basis) before transfers	1,175,876	272,064	1,851,049	1,578,985
Transfers out	(270,000)	(270,000)	(270,000)	-
Net transfers	(270,000)	(270,000)	(270,000)	-
Excess (deficiency) of revenues over budget	905,876	2,064	1,581,049	1,578,985
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(2,162,719)	(2,162,719)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	1,813,535	1,813,535
Net income-GAAP basis	\$ 905,876	\$ 2,064	\$ 1,231,865	\$ 1,229,801

CITY OF McALLEN, TEXAS
PALM VIEW GOLF COURSE FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Green fees	\$ 630,670	\$ 630,670	\$ 563,452	\$ (67,218)
Membership sales	176,059	176,059	174,887	(1,172)
Cart rental	282,402	282,402	265,540	(16,862)
Rentals and other sales	<u>161,016</u>	<u>161,016</u>	<u>148,251</u>	<u>(12,765)</u>
Total operating revenues	<u>1,250,147</u>	<u>1,250,147</u>	<u>1,152,130</u>	<u>(98,017)</u>
Non-operating revenues:				
Investment earnings	1,000	1,000	1,827	827
Net decrease in the fair value of investments	<u>-</u>	<u>-</u>	<u>(240)</u>	<u>(240)</u>
Total non-operating revenues	<u>1,000</u>	<u>1,000</u>	<u>1,587</u>	<u>587</u>
Total revenues	<u>1,251,147</u>	<u>1,251,147</u>	<u>1,153,717</u>	<u>(97,430)</u>
Expenses:				
Salaries and benefits	771,035	785,617	706,348	79,269
Supplies	116,733	116,733	109,031	7,702
Contractual and other services	218,025	218,025	156,146	61,879
Repairs and maintenance	93,953	93,953	89,682	4,271
Capital outlay	<u>89,000</u>	<u>89,000</u>	<u>-</u>	<u>89,000</u>
Total expenses	<u>1,288,746</u>	<u>1,303,328</u>	<u>1,061,207</u>	<u>242,121</u>
Excess (deficiency) of revenues over budget	<u>(37,599)</u>	<u>(52,181)</u>	<u>92,510</u>	<u>144,691</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	<u>-</u>	<u>-</u>	<u>(318,774)</u>	<u>(318,774)</u>
Net income-GAAP basis	<u>\$ (37,599)</u>	<u>\$ (52,181)</u>	<u>\$ (226,264)</u>	<u>\$ (174,083)</u>

CITY OF McALLEN, TEXAS
TRANSIT TERMINAL FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ -	\$ -	\$ 6,117	\$ 6,117
Concessions-other	-	-	6,950	6,950
Other services	-	-	129,353	129,353
Total operating revenues	-	-	142,420	142,420
Non-operating revenues:				
Investment earnings	-	-	1,975	1,975
Net decrease in the fair value of investments	-	-	(975)	(975)
Intergovernmental	7,410,585	7,410,585	2,722,748	(4,687,837)
Total non-operating revenues	7,410,585	7,410,585	2,723,748	(4,686,837)
Total revenues	7,410,585	7,410,585	2,866,168	(4,544,417)
Expenses:				
Salaries and benefits	298,892	316,222	92,625	223,597
Contractual and other services	600,515	600,515	256,560	343,955
Repairs and maintenance	236,877	236,877	275,041	(38,164)
Capital outlay	7,429,105	7,429,105	1,691,366	5,737,739
Total expenses	8,565,389	8,582,719	2,315,592	6,267,127
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(1,154,804)	(1,172,134)	550,576	1,722,710
Transfers:				
Transfers in	1,089,772	1,089,772	345,753	(744,019)
Excess (deficiency) of revenues over budget	(65,032)	(82,362)	896,329	978,691
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(336,753)	(336,753)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	1,691,366	1,691,366
Net income-GAAP basis	<u>\$ (65,032)</u>	<u>\$ (82,362)</u>	<u>\$ 2,250,942</u>	<u>\$ 2,333,304</u>

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL CIVIC CENTER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 116,800	\$ 116,800	\$ 93,800	\$ (23,000)
Concessions-other	131,770	131,770	248,794	117,024
Other services	<u>14,000</u>	<u>14,000</u>	<u>15,122</u>	<u>1,122</u>
Total operating revenues	<u>262,570</u>	<u>262,570</u>	<u>357,716</u>	<u>95,146</u>
Non-operating revenues:				
Investment earnings	551	551	3,923	3,372
Net decrease in the fair value of investments	<u>-</u>	<u>-</u>	<u>(1,220)</u>	<u>(1,220)</u>
Total non-operating revenues	<u>551</u>	<u>551</u>	<u>2,703</u>	<u>2,152</u>
Total revenues	<u>263,121</u>	<u>263,121</u>	<u>360,419</u>	<u>97,298</u>
Expenses:				
Supplies	10,500	10,500	14,397	(3,897)
Contractual and other services	310,631	310,631	333,282	(22,651)
Repairs and maintenance	<u>16,900</u>	<u>16,900</u>	<u>18,296</u>	<u>(1,396)</u>
Total expenses	<u>338,031</u>	<u>338,031</u>	<u>365,975</u>	<u>(27,944)</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(74,910)	(74,910)	(5,556)	69,354
Transfers:				
Transfers in	500,000	500,000	593,734	93,734
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>275,090</u>	<u>275,090</u>	<u>438,178</u>	<u>163,088</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(70,856)	(70,856)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income-GAAP basis	<u>\$ 275,090</u>	<u>\$ 275,090</u>	<u>\$ 367,322</u>	<u>\$ 92,232</u>

CITY OF McALLEN, TEXAS
McALLEN CONVENTION CENTER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 1,030,000	\$ 1,030,000	\$ 1,094,350	\$ 64,350
Concessions-other	921,000	921,000	950,214	29,214
Other services	175,750	175,750	160,853	(14,897)
Total operating revenues	2,126,750	2,126,750	2,205,417	78,667
Non-operating revenues:				
Investment earnings	5,000	5,000	19,114	14,114
Net increase (decrease) in the fair value of investments	-	-	3,467	3,467
Other	-	2,098,640	1,805,282	(293,358)
Total non-operating revenues	5,000	2,103,640	1,827,863	(275,777)
Total revenues	2,131,750	4,230,390	4,033,280	(197,110)
Expenses:				
Salaries and benefits	1,648,135	1,685,711	1,564,178	121,533
Supplies	70,675	70,675	83,899	(13,224)
Contractual and other services	1,461,815	1,461,815	2,066,425	(604,610)
Repairs and maintenance	299,582	299,582	342,023	(42,441)
Capital outlay	500,000	542,500	246,274	296,226
Total expenses	3,980,207	4,060,283	4,302,799	(242,516)
Excess (deficiency) of revenues over over expenses (budget basis) before transfers	(1,848,457)	170,107	(269,519)	(439,626)
Transfers:				
Transfers in	2,000,000	2,000,000	2,374,937	374,937
Transfers out	-	(2,098,640)	(2,098,640)	-
Excess (deficiency) of revenues over budget	151,543	71,467	6,778	(64,689)
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,580,750)	(1,580,750)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	246,274	246,274
Net income-GAAP basis	\$ 151,543	\$ 71,467	\$ (1,327,698)	\$ (1,399,165)

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL AIRPORT FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 2,246,000	\$ 3,146,000	\$ 2,535,607	\$ 610,393
Rentals	2,745,000	2,745,000	2,862,939	(117,939)
Other services	<u>213,500</u>	<u>213,500</u>	<u>373,192</u>	<u>(159,692)</u>
Total operating revenues	<u>5,204,500</u>	<u>6,104,500</u>	<u>5,771,738</u>	<u>332,762</u>
Non-operating revenues:				
Intergovernmental	13,357,046	23,246,945	5,638,758	17,608,187
Investment earnings	30,000	30,000	52,006	(22,006)
Net increase in the fair value of investments	<u>-</u>	<u>-</u>	<u>4,257</u>	<u>(4,257)</u>
Total non-operating revenues	<u>13,387,046</u>	<u>23,276,945</u>	<u>5,695,021</u>	<u>(17,581,924)</u>
Total revenues	<u>18,591,546</u>	<u>29,381,445</u>	<u>11,466,759</u>	<u>(17,914,686)</u>
Expenses:				
Salaries and benefits	1,821,926	1,863,840	1,678,543	185,297
Supplies	67,500	67,500	54,543	12,957
Contractual and other services	1,526,985	1,526,985	1,587,136	(60,151)
Repairs and maintenance	398,168	398,168	383,219	14,949
Capital outlay	<u>19,491,256</u>	<u>30,281,155</u>	<u>9,920,336</u>	<u>20,360,819</u>
Total administrative expenses	<u>23,305,835</u>	<u>34,137,648</u>	<u>13,623,777</u>	<u>20,513,871</u>
Non-departmental expenses (income):				
Interest and fiscal charges	419,249	419,249	414,038	5,211
Capitalized interest	<u>-</u>	<u>-</u>	<u>(348,230)</u>	<u>348,230</u>
Total non-departmental expenses	<u>419,249</u>	<u>419,249</u>	<u>65,808</u>	<u>353,441</u>
Total expenses	<u>23,725,084</u>	<u>34,556,897</u>	<u>13,689,585</u>	<u>20,867,312</u>

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL AIRPORT FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	\$ (5,133,538)	\$ (5,175,452)	\$ (2,222,826)	\$ 2,952,626
Transfers:				
Transfers out	<u>(1,103,965)</u>	<u>(1,103,965)</u>	<u>(1,103,965)</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(6,237,503)</u>	<u>(6,279,417)</u>	<u>(3,326,791)</u>	<u>2,952,626</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(3,553,819)	(3,553,819)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>9,920,336</u>	<u>9,920,336</u>
Net income-GAAP basis	<u><u>\$ (6,237,503)</u></u>	<u><u>\$ (6,279,417)</u></u>	<u><u>\$ 3,039,726</u></u>	<u><u>\$ 9,319,143</u></u>

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL TOLL BRIDGE FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 9,998,842	\$ 9,998,842	\$ 10,673,408	\$ 674,566
Rentals	2,100,000	2,100,000	1,892,738	(207,262)
Other	<u>110,000</u>	<u>110,000</u>	<u>127,892</u>	<u>17,892</u>
Total operating revenues	<u>12,208,842</u>	<u>12,208,842</u>	<u>12,694,038</u>	<u>485,196</u>
Non-operating revenues:				
Investment earnings	<u>-</u>	<u>-</u>	<u>1,591</u>	<u>1,591</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>1,591</u>	<u>1,591</u>
Total revenues	<u>12,208,842</u>	<u>12,208,842</u>	<u>12,695,629</u>	<u>486,787</u>
Expenses:				
Administration:				
Salaries and benefits	193,638	201,367	233,206	(31,839)
Supplies	24,800	24,800	12,976	11,824
Contractual and other services	352,325	352,325	315,028	37,297
Repairs and maintenance	9,000	9,000	17,527	(8,527)
Capital outlay	<u>137,000</u>	<u>550,119</u>	<u>179,383</u>	<u>370,736</u>
Total administration	<u>716,763</u>	<u>1,137,611</u>	<u>758,120</u>	<u>379,491</u>
Operations :				
Salaries and benefits	1,198,670	1,220,140	957,841	262,299
Supplies	85,000	85,000	77,138	7,862
Contractual and other services	494,500	494,500	590,974	(96,474)
Repairs and maintenance	<u>170,000</u>	<u>170,000</u>	<u>196,171</u>	<u>(26,171)</u>
Total operations	<u>1,948,170</u>	<u>1,969,640</u>	<u>1,822,124</u>	<u>147,516</u>

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL TOLL BRIDGE FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Non-departmental expenses:				
Liability insurance	\$ 50,368	\$ 50,368	\$ 50,368	\$ -
Interest and fiscal charges	180,451	180,451	-	180,451
Bond principal requirement	149,549	149,549	-	149,549
Other	2,915,907	2,915,907	3,428,995	(513,088)
Total non-departmental expenses	3,296,275	3,296,275	3,479,363	(183,088)
Total expenses	5,961,208	6,403,526	6,059,607	343,919
Excess (deficiency) of revenues over expenses (budget basis) before transfers	6,247,634	5,805,316	6,636,022	830,706
Transfers:				
Transfers out	(5,183,834)	(5,183,834)	(5,718,893)	(535,059)
Net transfers	(5,183,834)	(5,183,834)	(5,718,893)	(535,059)
Excess (deficiency) of revenues over budget	1,063,800	621,482	917,129	295,647
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(606,661)	(606,661)
Interest on board advances	-	-	550,445	550,445
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	179,383	179,383
Net income-GAAP basis	<u>\$ 1,063,800</u>	<u>\$ 621,482</u>	<u>\$ 1,040,296</u>	<u>\$ 418,814</u>

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL TOLL BRIDGE FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2014

	<u>Reserved for City Distribution</u>	<u>Contingency</u>	<u>Bridge Capital Improvement</u>	<u>Total</u>
Cash and investments at September 30, 2013	\$ 4,773,067	\$ 502,674	\$ 962,026	\$ 6,237,767
Add:				
Transfers in	5,147,667	-	708,562	5,856,229
Other	-	-	10,471	10,471
Interest earned	433	169	380	982
Total additions	5,148,100	169	719,413	5,867,682
Less payments:				
Capital assets	-	-	215,188	215,188
Interfund transfers	4,771,818	-	-	4,771,818
Total payments	4,771,818	-	215,188	4,987,006
Cash and investments at September 30, 2014	<u>\$ 5,149,349</u>	<u>\$ 502,843</u>	<u>\$ 1,466,251</u>	<u>\$ 7,118,443</u>
Cash and investments at September 30, 2014 are comprised of the following:				
Cash	\$ -	\$ -	\$ 55,934	\$ 55,934
Investments	5,149,349	502,674	1,410,317	7,062,340
Accrued interest	-	169	-	169
	<u>\$ 5,149,349</u>	<u>\$ 502,843</u>	<u>\$ 1,466,251</u>	<u>\$ 7,118,443</u>

CITY OF McALLEN, TEXAS
ANZALDUAS INTERNATIONAL CROSSING FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 2,765,886	\$ 2,765,886	\$ 2,998,333	\$ 232,447
Rentals	-	-	18,276	18,276
Other	117,000	117,000	37,102	(79,898)
Total operating revenues	<u>2,882,886</u>	<u>2,882,886</u>	<u>3,053,711</u>	<u>170,825</u>
Non-operating revenues:				
Investment earnings	<u>1,600</u>	<u>1,600</u>	<u>870</u>	<u>(730)</u>
Total non-operating revenues	<u>1,600</u>	<u>1,600</u>	<u>870</u>	<u>(730)</u>
Total revenues	<u>2,884,486</u>	<u>2,884,486</u>	<u>3,054,581</u>	<u>170,095</u>
Expenses:				
Administration:				
Salaries and benefits	147,440	148,556	135,561	12,995
Supplies	8,200	8,200	6,667	1,533
Contractual and other services	265,577	265,577	241,854	23,723
Repairs and maintenance	1,000	1,000	1,248	(248)
Capital outlay	<u>-</u>	<u>87,448</u>	<u>61,845</u>	<u>25,603</u>
Total administration	<u>422,217</u>	<u>510,781</u>	<u>447,175</u>	<u>63,606</u>
Operations :				
Salaries and benefits	373,190	379,323	291,566	87,757
Supplies	15,000	15,000	10,327	4,673
Contractual and other services	58,028	58,028	39,018	19,010
Repairs and maintenance	<u>41,094</u>	<u>41,094</u>	<u>59,563</u>	<u>(18,469)</u>
Total operations	<u>487,312</u>	<u>493,445</u>	<u>400,474</u>	<u>92,971</u>

CITY OF McALLEN, TEXAS
ANZALDUAS INTERNATIONAL CROSSING FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Non-departmental expenses:				
Liability insurance	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Interest and fiscal charges	1,685,820	1,685,820	1,682,645	3,175
Interest on board advances	-	-	550,445	(550,445)
Bond related charges	-	-	(30,143)	30,143
Bond principal requirement	1,200,000	1,200,000	-	1,200,000
Total non-departmental expenses	2,897,820	2,897,820	2,214,947	682,873
Total expenses	3,807,349	3,902,046	3,062,596	839,450
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(922,863)	(1,017,560)	(8,015)	1,009,545
Transfers:				
Transfers in	939,204	939,204	947,075	7,871
Net transfers	939,204	939,204	947,075	7,871
Excess (deficiency) of revenues over budget	16,341	(78,356)	939,060	1,017,416
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,543,678)	(1,543,678)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	61,845	61,845
Net income-GAAP basis	\$ 16,341	\$ (78,356)	\$ (542,773)	\$ (464,417)

CITY OF McALLEN, TEXAS
ANZALDUAS INTERNATIONAL CROSSING FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2014

	Contingency Reserve	Current Debt Service Series A-\$26M	Current Debt Service Series B-\$13M
Cash and investments at September 30, 2013	\$ 123,922	\$ 564,226	\$ 279,096
Add:			
Transfers	45,000	1,964,732	947,075
Interest earned	49	-	113
Total additions	45,049	1,964,732	947,188
Less payments:			
Principal payments	-	800,000	400,000
Capital assets	-	-	-
Other	-	-	-
Interest and fiscal charges	-	1,147,153	539,741
Total payments	-	1,947,153	939,741
Cash and investments at September 30, 2014	\$ 168,971	\$ 581,805	\$ 286,543
Cash and investments at September 30, 2014 are comprised of the following:			
Cash	\$ -	\$ -	\$ -
Investments	168,971	581,805	286,543
	\$ 168,971	\$ 581,805	\$ 286,543

CITY OF McALLEN, TEXAS
ANZALDUAS INTERNATIONAL CROSSING FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2014

	Contingency Reserve	Current Debt Service Series A-\$26M	Current Debt Service Series B-\$13M
Cash and investments at September 30, 2013	\$ 123,922	\$ 564,226	\$ 279,096
Add:			
Transfers	45,000	1,964,732	947,075
Interest earned	49	-	113
Total additions	45,049	1,964,732	947,188
Less payments:			
Principal payments	-	800,000	400,000
Capital assets	-	-	-
Other	-	-	-
Interest and fiscal charges	-	1,147,153	539,741
Total payments	-	1,947,153	939,741
Cash and investments at September 30, 2014	\$ 168,971	\$ 581,805	\$ 286,543
Cash and investments at September 30, 2014 are comprised of the following:			
Cash	\$ -	\$ -	\$ -
Investments	168,971	581,805	286,543
	\$ 168,971	\$ 581,805	\$ 286,543

Capital Improvement	Total
\$ 487,988	\$ 1,455,232
235,426	3,192,233
179	341
235,605	3,192,574
-	1,200,000
55,818	55,818
14,432	14,432
-	1,686,894
70,250	2,957,144
\$ 653,343	\$ 1,690,662
\$ 19,200	\$ 19,200
634,143	1,671,462
\$ 653,343	\$ 1,690,662

Capital Improvement	Total
\$ 487,988	\$ 1,455,232
235,426	3,192,233
179	341
235,605	3,192,574
-	1,200,000
55,818	55,818
14,432	14,432
-	1,686,894
70,250	2,957,144
\$ 653,343	\$ 1,690,662
\$ 19,200	\$ 19,200
634,143	1,671,462
\$ 653,343	\$ 1,690,662

CITY OF McALLEN, TEXAS
McALLEN EXPRESS FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 565,568	\$ 565,568	\$ 526,778	\$ (38,790)
Other services	<u>615,887</u>	<u>615,887</u>	<u>457,730</u>	<u>(158,157)</u>
Total operating revenues	<u>1,181,455</u>	<u>1,181,455</u>	<u>984,508</u>	<u>(196,947)</u>
Non-operating revenues:				
Intergovernmental	1,448,079	1,448,079	462,295	(985,784)
Investment earnings	-	-	6,271	6,271
Net decrease in the fair value of investments	-	-	(1,290)	(1,290)
Other	<u>-</u>	<u>-</u>	<u>21,510</u>	<u>21,510</u>
Total non-operating revenues	<u>1,448,079</u>	<u>1,448,079</u>	<u>488,786</u>	<u>(959,293)</u>
Total revenues	<u>2,629,534</u>	<u>2,629,534</u>	<u>1,473,294</u>	<u>(1,156,240)</u>
Expenses:				
Salaries and benefits	2,100,990	2,127,758	1,862,851	264,907
Supplies	49,629	49,629	44,123	5,506
Contractual and other services	758,028	758,028	715,659	42,369
Repairs and maintenance	<u>642,803</u>	<u>642,803</u>	<u>614,629</u>	<u>28,174</u>
Total expenses	<u>3,551,450</u>	<u>3,578,218</u>	<u>3,237,262</u>	<u>340,956</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(921,916)	(948,684)	(1,763,968)	(815,284)
Transfers:				
Transfers in	<u>921,127</u>	<u>921,127</u>	<u>921,127</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(789)</u>	<u>(27,557)</u>	<u>(842,841)</u>	<u>(815,284)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	<u>-</u>	<u>-</u>	<u>(669,795)</u>	<u>(669,795)</u>
Net income-GAAP basis	<u>\$ (789)</u>	<u>\$ (27,557)</u>	<u>\$ (1,512,636)</u>	<u>\$ (1,485,079)</u>

CITY OF McALLEN, TEXAS
FLEET MATERIALS MANAGEMENT FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Fleet billings	\$ 3,116,000	\$ 3,116,000	\$ 3,448,355	\$ 332,355
Materials management	<u>280,000</u>	<u>280,000</u>	<u>313,562</u>	<u>33,562</u>
Total operating revenues	<u>3,396,000</u>	<u>3,396,000</u>	<u>3,761,917</u>	<u>365,917</u>
Non-operating revenues:				
Other	<u>-</u>	<u>-</u>	<u>17,085</u>	<u>17,085</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>17,085</u>	<u>17,085</u>
Total revenues	<u>3,396,000</u>	<u>3,396,000</u>	<u>3,779,002</u>	<u>383,002</u>
Expenses:				
Materials management:				
Salaries and benefits	117,900	121,149	131,442	(10,293)
Supplies	2,150	2,150	2,017	133
Contractual and other services	2,100	2,100	2,086	14
Repairs and maintenance	<u>3,817</u>	<u>3,817</u>	<u>3,001</u>	<u>816</u>
Total materials management	<u>125,967</u>	<u>129,216</u>	<u>138,546</u>	<u>(9,330)</u>
Fleet operations :				
Salaries and benefits	884,540	903,665	741,740	161,925
Supplies	22,614	22,614	14,209	8,405
Contractual and other services	1,608,300	1,608,300	2,735,590	(1,127,290)
Repairs and maintenance	36,234	36,234	28,886	7,348
Capital outlay	<u>50,000</u>	<u>150,364</u>	<u>81,415</u>	<u>68,949</u>
Total fleet operations	<u>2,601,688</u>	<u>2,721,177</u>	<u>3,601,840</u>	<u>(880,663)</u>

CITY OF McALLEN, TEXAS
FLEET MATERIALS MANAGEMENT FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Non-departmental expenses:				
Liability insurance	\$ 12,493	\$ 12,493	\$ 12,493	\$ -
Other	-	-	(41,755)	41,755
Total non-departmental expenses	12,493	12,493	(29,262)	41,755
Total expenses	2,740,148	2,862,886	3,711,124	(848,238)
Excess (deficiency) of revenues over expenses (budget basis)	655,852	533,114	67,878	(465,236)
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(66,980)	(66,980)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	81,415	81,415
Net income-GAAP basis	<u>\$ 655,852</u>	<u>\$ 533,114</u>	<u>\$ 82,313</u>	<u>\$ (450,801)</u>

CITY OF McALLEN, TEXAS
EMPLOYEE BENEFITS FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 8,475,301</u>	<u>\$ 8,475,301</u>	<u>\$ 8,800,682</u>	<u>\$ 325,381</u>
Non-operating revenues:				
Investment earnings	-	-	13,865	13,865
Net decrease in the fair value of investments	-	-	(3)	(3)
Other	<u>153,354</u>	<u>153,354</u>	<u>105,495</u>	<u>(47,859)</u>
Total non-operating revenues	<u>153,354</u>	<u>153,354</u>	<u>119,357</u>	<u>(33,997)</u>
Total revenues	<u>8,628,655</u>	<u>8,628,655</u>	<u>8,920,039</u>	<u>291,384</u>
Expenses:				
Salaries and benefits	256,781	263,230	269,736	(6,506)
Supplies	3,000	3,000	3,106	(106)
Contractual and other services	1,475,567	1,475,567	1,456,494	19,073
Self insurance claims	8,123,903	8,123,903	9,083,296	(959,393)
Capital outlay	<u>38,700</u>	<u>38,700</u>	<u>14,471</u>	<u>24,229</u>
Total expenses	<u>9,897,951</u>	<u>9,904,400</u>	<u>10,827,103</u>	<u>(922,703)</u>
Excess (deficiency) of revenues over budget	<u>(1,269,296)</u>	<u>(1,275,745)</u>	<u>(1,907,064)</u>	<u>(631,319)</u>
Depreciation expense, not budgeted	-	-	(5,320)	(5,320)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>14,471</u>	<u>14,471</u>
Net income-GAAP basis	<u><u>\$ (1,269,296)</u></u>	<u><u>\$ (1,275,745)</u></u>	<u><u>\$ (1,897,913)</u></u>	<u><u>\$ (622,168)</u></u>

CITY OF McALLEN, TEXAS
RETIREE HEALTH INSURANCE FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 1,312,370</u>	<u>\$ 1,312,370</u>	<u>\$ 489,242</u>	<u>\$ (823,128)</u>
Non-operating revenues:				
Investment earnings	-	-	12,390	12,390
Net decrease in the fair value of investments	<u>-</u>	<u>-</u>	<u>(704)</u>	<u>(704)</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>11,686</u>	<u>11,686</u>
Total revenues	<u>1,312,370</u>	<u>1,312,370</u>	<u>500,928</u>	<u>(811,442)</u>
Expenses:				
Contractual and other services	81,206	81,206	82,351	(1,145)
Self insurance claims	<u>970,000</u>	<u>970,000</u>	<u>313,151</u>	<u>656,849</u>
Total expenses	<u>1,051,206</u>	<u>1,051,206</u>	<u>395,502</u>	<u>655,704</u>
Excess (deficiency) of revenues over budget	<u>261,164</u>	<u>261,164</u>	<u>105,426</u>	<u>(155,738)</u>
Net income-GAAP basis	<u>\$ 261,164</u>	<u>\$ 261,164</u>	<u>\$ 105,426</u>	<u>\$ (155,738)</u>

CITY OF McALLEN, TEXAS
GENERAL INSURANCE FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:				
Operating-contributions	\$ 3,640,526	\$ 3,640,526	\$ 3,898,962	\$ 258,436
Non-operating revenues:				
Investment earnings	87,177	87,177	64,983	(22,194)
Net increase (decrease) in the fair value of investments	(4,386)	(4,386)	13,572	17,958
Other	215,593	215,593	1,962,802	1,747,209
Total non-operating revenues	298,384	298,384	2,041,357	1,742,973
Total revenues	3,938,910	3,938,910	5,940,319	2,001,409
Expenses:				
Salaries and benefits	243,208	251,177	294,298	(43,121)
Supplies	4,000	4,000	4,012	(12)
Contractual and other services	1,549,902	1,549,902	1,455,460	94,442
Self insurance	1,600,000	1,600,000	3,212,046	(1,612,046)
Repairs and maintenance	1,448	551,448	1,336,247	(784,799)
Capital outlay	4,500	9,385,720	9,381,216	4,504
Total expenses	3,403,058	13,342,247	15,683,279	(2,341,032)
Excess (deficiency) of revenues over expenses (budget basis) before transfers	535,852	(9,403,337)	(9,742,960)	(339,623)
Operating transfers:				
Transfers out	(1,000,000)	(1,000,000)	(1,000,000)	-
Excess (deficiency) of revenues over budget	(464,148)	(10,403,337)	(10,742,960)	(339,623)
GAAP basis adjustments:				
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	9,381,216	9,381,216
Net income-GAAP basis	\$ (464,148)	\$ (10,403,337)	\$ (1,361,744)	\$ 9,041,593

CITY OF McALLEN, TEXAS
GENERAL DEPRECIATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-charges for services	\$ 2,106,012	\$ 2,106,012	\$ 2,106,012	\$ -
Non-operating revenues:				
Investment earnings	-	-	88,470	88,470
Net increase in the fair value of investments	-	-	12,150	12,150
Other	-	-	14,521	14,521
Total non-operating revenues	-	-	115,141	115,141
Total revenues	2,106,012	2,106,012	2,221,153	115,141
Expenses:				
Capital outlay	3,810,384	4,041,753	1,785,823	2,255,930
Total expenses	3,810,384	4,041,753	1,785,823	2,255,930
Excess (deficiency) of revenues over expenses (budget basis)	(1,704,372)	(1,935,741)	435,330	2,371,071
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,744,094)	(1,744,094)
Capital outlay-amounts budgeted as expenses				
per budget basis, capitalized per GAAP basis	-	-	1,785,823	1,785,823
Net income-GAAP basis	\$ (1,704,372)	\$ (1,935,741)	\$ 477,059	\$ 2,412,800

Statistical Section

This part of the City of McAllen's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report related to the services the government provides and the activities it performs.

Other Information

Information that City considers useful to its citizens is included in this section.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

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City of McAllen, Texas
 Net Position by Component (1)
 Last Ten Years
 (accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 151,721,693	\$ 171,986,623	\$ 186,857,015	\$ 201,811,831	\$ 219,839,458	\$ 230,172,991	\$ 243,869,333	\$ 234,246,829	\$ 243,681,893	\$ 261,002,031
Restricted	11,778,142	17,921,869	24,738,888	55,854,614	47,710,091	29,019,666	32,491,873	33,420,883	33,151,044	23,333,654
Unrestricted	89,869,113	87,922,212	93,419,084	74,118,438	76,581,779	93,995,308	85,628,563	87,384,447	84,517,660	68,302,105
Total governmental activities net position	<u>\$ 253,368,948</u>	<u>\$ 277,830,704</u>	<u>\$ 305,014,987</u>	<u>\$ 331,784,883</u>	<u>\$ 344,131,328</u>	<u>\$ 353,187,965</u>	<u>\$ 361,989,769</u>	<u>\$ 355,052,159</u>	<u>\$ 361,350,597</u>	<u>\$ 352,637,790</u>
Business-type activities										
Net investment in capital assets	\$ 140,687,796	\$ 209,134,340	\$ 220,785,257	\$ 230,416,888	\$ 235,021,510	\$ 245,458,038	\$ 254,006,517	\$ 269,408,160	\$ 259,339,759	\$ 263,527,417
Restricted	78,363,358	44,571,692	46,163,426	45,494,800	52,423,804	27,626,738	28,751,369	49,320,757	50,319,574	54,776,089
Unrestricted	15,542,753	19,168,546	29,769,032	32,304,928	33,396,959	59,404,414	58,277,207	42,513,303	56,415,746	49,474,423
Total business-type activities net position	<u>\$ 234,593,907</u>	<u>\$ 272,874,578</u>	<u>\$ 296,717,715</u>	<u>\$ 308,216,616</u>	<u>\$ 320,842,273</u>	<u>\$ 332,489,190</u>	<u>\$ 341,035,093</u>	<u>\$ 361,242,220</u>	<u>\$ 366,075,079</u>	<u>\$ 367,777,929</u>
Primary government										
Net investment in capital assets	\$ 292,409,489	\$ 381,120,963	\$ 407,642,272	\$ 432,228,719	\$ 454,860,968	\$ 475,631,029	\$ 497,875,850	\$ 503,654,989	\$ 503,021,652	\$ 524,529,448
Restricted	90,141,500	62,493,561	70,902,314	101,349,414	100,133,895	56,646,404	61,243,242	82,741,640	83,470,618	78,109,743
Unrestricted	105,411,866	107,090,758	123,188,116	106,423,366	109,978,738	153,399,722	143,905,770	129,897,750	140,933,406	117,776,528
Total primary government activities net position	<u>\$ 487,962,855</u>	<u>\$ 550,705,282</u>	<u>\$ 601,732,702</u>	<u>\$ 640,001,499</u>	<u>\$ 664,973,601</u>	<u>\$ 685,677,155</u>	<u>\$ 703,024,862</u>	<u>\$ 716,294,379</u>	<u>\$ 727,425,676</u>	<u>\$ 720,415,719</u>

(1) As per GASB 63

Source: Comprehensive Annual Financial Reports

City of McAllen, Texas
Changes in Net Position (1)
Last Ten Years
(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 16,625,820	\$ 17,758,574	\$ 18,902,664	\$ 21,534,637	\$ 20,045,996	\$ 17,117,884	\$ 21,733,177	\$ 22,505,316	\$ 20,817,432	\$ 35,315,069
Public safety	41,608,209	41,964,290	43,294,659	46,437,593	48,085,324	49,869,325	51,471,980	51,714,002	53,799,148	58,432,712
Highways and streets	14,884,137	18,056,177	17,842,276	19,206,764	20,408,868	19,540,947	18,068,891	22,060,953	19,620,592	20,457,888
Health and welfare	4,024,532	3,322,904	4,108,795	5,967,509	5,244,236	5,315,188	5,204,340	5,424,919	5,247,302	4,604,866
Culture and recreation	12,478,352	14,182,788	15,241,701	15,581,730	16,141,618	19,345,749	16,291,072	16,468,099	18,061,633	20,996,431
Interest on long-term debt	17,377	29,704	223,639	218,719	292,661	543,168	1,108,959	900,520	780,778	816,650
Total governmental activities expenses	<u>89,638,427</u>	<u>95,314,437</u>	<u>99,613,734</u>	<u>108,946,952</u>	<u>110,218,703</u>	<u>111,732,261</u>	<u>113,878,419</u>	<u>119,073,809</u>	<u>118,326,885</u>	<u>140,623,616</u>
Business-type activities:										
Water services	11,829,462	13,011,620	12,953,033	15,068,788	15,716,736	15,273,917	16,687,578	16,492,817	17,390,301	17,474,327
Sewer services	8,644,246	9,110,829	10,066,916	11,290,032	10,207,047	13,001,407	13,002,414	12,704,012	13,787,604	15,251,999
Sanitation services	10,053,540	10,960,409	11,522,697	12,862,854	12,550,573	13,146,685	13,522,383	13,808,444	14,799,650	15,756,027
Golf course services	1,336,992	1,419,748	1,381,746	1,423,536	1,435,269	1,534,412	1,468,387	1,464,808	1,451,413	1,401,051
Civic center services	1,463,999	1,481,792	1,160,949	441,880	441,900	475,155	452,980	398,739	423,632	438,233
Convention center services	-	-	2,269,201	4,619,870	4,960,887	5,311,447	5,223,853	4,970,522	5,097,875	5,591,643
Airport services	4,497,261	4,655,977	5,040,685	5,269,306	5,882,936	6,329,579	5,964,651	6,672,164	6,867,863	7,385,213
Transit services	634,498	748,048	773,448	802,198	936,081	1,019,435	1,153,729	1,155,996	1,314,193	965,054
Bus services	768,139	1,051,887	1,309,375	1,915,380	1,759,980	1,631,623	2,194,468	2,553,618	2,877,020	3,973,485
Anzalduas crossing	-	-	200,293	1,493,759	599,426	3,913,017	4,504,328	4,140,909	4,571,611	4,558,948
Bridge services	5,868,513	6,105,402	6,462,091	9,013,061	6,018,329	5,584,690	5,773,631	6,004,265	6,111,267	6,530,689
Total business-type activities expenses	<u>45,096,650</u>	<u>48,545,712</u>	<u>53,140,434</u>	<u>64,200,664</u>	<u>60,509,164</u>	<u>67,221,367</u>	<u>69,948,402</u>	<u>70,366,294</u>	<u>74,692,429</u>	<u>79,326,669</u>
Total primary government expenses	<u>\$ 134,735,077</u>	<u>\$ 143,860,149</u>	<u>\$ 152,754,168</u>	<u>\$ 173,147,616</u>	<u>\$ 170,727,867</u>	<u>\$ 178,953,628</u>	<u>\$ 183,826,821</u>	<u>\$ 189,440,103</u>	<u>\$ 193,019,314</u>	<u>\$ 219,950,285</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,608,627	\$ 1,861,027	\$ 2,347,975	\$ 2,254,601	\$ 2,094,534	\$ 2,187,610	\$ 1,938,393	\$ 1,862,654	\$ 2,079,410	\$ 1,918,951
Public safety	3,768,756	3,950,042	4,210,066	4,058,995	3,849,128	3,665,263	4,922,835	7,358,779	4,358,385	4,366,315
Highways and streets	555,666	609,428	897,697	1,257,667	1,168,774	1,132,893	1,164,718	1,140,683	1,178,562	1,160,689
Health and welfare	54,613	71,060	68,585	525,182	526,815	123,730	85,343	241,620	308,515	271,722
Culture and recreation	676,694	773,555	860,332	924,944	935,219	975,677	1,032,525	1,206,028	1,187,176	1,213,111
Operating grants and contributions	3,935,159	1,917,181	1,920,712	2,022,022	2,016,915	1,955,046	3,326,439	2,579,065	3,592,660	2,736,600
Capital grants and contributions	7,067,128	8,946,949	7,059,478	7,441,811	3,984,011	7,871,082	7,152,106	5,065,923	4,306,512	5,303,435
Total governmental activities program revenues	<u>17,666,643</u>	<u>18,129,242</u>	<u>17,364,845</u>	<u>18,485,222</u>	<u>14,575,396</u>	<u>17,911,301</u>	<u>19,622,359</u>	<u>19,454,752</u>	<u>17,011,220</u>	<u>16,970,823</u>
Business-type activities:										
Charges for services:										
Water services	13,548,751	15,209,812	13,170,730	15,658,843	15,877,792	13,468,048	16,510,355	15,964,657	16,125,777	15,689,054
Sewer services	10,506,385	11,552,515	12,519,001	14,291,219	14,490,145	13,369,937	14,799,266	14,568,552	14,840,659	14,976,046
Sanitation services	11,171,374	11,483,355	13,349,134	14,706,767	15,103,546	15,431,922	15,903,096	16,669,790	16,738,683	16,968,558
Bridge services	12,571,155	12,939,661	12,445,997	14,447,459	12,916,479	12,816,588	13,194,421	14,559,743	14,902,453	15,747,749
Other	5,898,270	5,580,798	6,502,957	8,824,954	9,191,418	9,571,114	9,709,773	9,536,557	9,870,476	10,513,929
Operating grants and contributions	193,415	240,975	869,975	862,086	999,981	747,606	710,754	784,314	853,095	1,587,799
Capital grants and contributions	4,244,204	4,514,298	6,766,010	5,624,181	4,514,464	10,226,872	7,959,050	4,323,382	7,161,439	8,520,524
Total business-type activities program revenues	<u>58,133,554</u>	<u>61,521,414</u>	<u>65,623,804</u>	<u>74,415,509</u>	<u>73,093,825</u>	<u>75,632,087</u>	<u>78,786,715</u>	<u>76,406,995</u>	<u>80,492,582</u>	<u>84,003,659</u>
Total primary government program revenues	<u>\$ 75,800,197</u>	<u>\$ 79,650,656</u>	<u>\$ 82,988,649</u>	<u>\$ 92,900,731</u>	<u>\$ 87,669,221</u>	<u>\$ 93,543,388</u>	<u>\$ 98,409,074</u>	<u>\$ 95,861,747</u>	<u>\$ 97,503,802</u>	<u>\$ 100,974,482</u>

(Continued)

City of McAllen, Texas
Changes in Net Position (1)
Last Ten Years
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense) Revenue										
Governmental activities	\$ (71,971,784)	\$ (77,185,195)	\$ (82,248,889)	\$ (90,461,730)	\$ (95,643,307)	\$ (93,820,960)	\$ (94,256,060)	\$ (99,619,057)	\$ (101,315,665)	\$ (123,652,793)
Business-type activities	13,036,904	12,975,702	12,483,370	10,214,845	12,584,661	8,410,720	8,838,313	6,040,701	5,800,153	4,676,990
Total primary government net expense	<u>\$ (58,934,880)</u>	<u>\$ (64,209,493)</u>	<u>\$ (69,765,519)</u>	<u>\$ (80,246,885)</u>	<u>\$ (83,058,646)</u>	<u>\$ (85,410,240)</u>	<u>\$ (85,417,747)</u>	<u>\$ (93,578,356)</u>	<u>\$ (95,515,512)</u>	<u>\$ (118,975,803)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities										
Taxes										
Property taxes, levied for general purposes	\$ 22,967,254	\$ 24,666,561	\$ 26,590,140	\$ 30,840,205	\$ 32,183,867	\$ 33,061,162	\$ 32,631,332	\$ 33,445,701	\$ 32,783,760	\$ 35,037,958
Hotel occupancy taxes	3,309,317	3,475,170	3,923,740	4,079,224	3,514,817	3,470,995	3,257,935	3,503,985	4,784,757	5,343,765
Sales tax	48,590,129	53,449,062	56,976,350	58,893,175	54,669,746	53,550,307	54,652,192	58,407,779	60,825,866	61,331,004
Franchise taxes	6,046,640	6,246,017	6,242,578	6,475,882	6,266,684	6,130,317	6,349,157	6,348,331	6,457,397	6,707,787
Unrestricted investment earnings	2,406,266	4,926,087	6,573,818	5,720,841	4,308,531	1,087,577	944,557	675,810	123,546	938,877
Royalties	5,635,649	4,773,487	3,507,509	2,909,479	1,864,867	2,217,798	2,706,824	1,138,925	936,278	944,609
Gain on sale of capital assets	-	81,418	-	-	-	-	-	-	-	-
Exchange (out) of capital assets to BTA	-	-	-	-	-	-	-	(15,829,693)	-	-
Miscellaneous	2,284,804	3,992,983	2,719,664	2,407,391	2,250,367	382,604	1,223,334	1,727,591	1,188,002	718,857
Transfers	(1,109,118)	36,166	2,899,373	5,905,429	2,930,873	(610,088)	1,292,533	2,120,871	1,656,644	4,158,872
Total governmental activities	<u>90,130,941</u>	<u>101,646,951</u>	<u>109,433,172</u>	<u>117,231,626</u>	<u>107,989,752</u>	<u>99,290,672</u>	<u>103,057,864</u>	<u>91,539,300</u>	<u>108,756,250</u>	<u>115,181,729</u>
Business-type activities										
Unrestricted investment earnings	2,053,804	3,396,648	5,200,991	5,560,052	2,444,095	639,242	515,713	456,604	157,213	467,440
Gain on sale of capital assets	-	16,296,038	31,744	1,629,433	-	-	-	-	-	2,098,640
Miscellaneous	1,284,401	5,648,449	1,608,789	-	527,774	489,538	484,409	1,001	532,137	288,076
Recovery of development costs	-	-	7,417,616	-	-	-	-	-	-	-
Transfers	1,109,118	(36,166)	(2,899,373)	(5,905,429)	(2,930,873)	610,088	(1,292,533)	13,708,822	(1,656,644)	(4,158,872)
Total business-type activities	<u>4,447,323</u>	<u>25,304,969</u>	<u>11,359,767</u>	<u>1,284,056</u>	<u>40,996</u>	<u>1,738,868</u>	<u>(292,411)</u>	<u>14,166,427</u>	<u>(967,294)</u>	<u>(1,304,716)</u>
Total primary government	<u>\$ 94,578,264</u>	<u>\$ 126,951,920</u>	<u>\$ 120,792,939</u>	<u>\$ 118,515,682</u>	<u>\$ 108,030,748</u>	<u>\$ 101,029,540</u>	<u>\$ 102,765,453</u>	<u>\$ 105,705,727</u>	<u>\$ 107,788,956</u>	<u>\$ 113,877,013</u>
Change in Net Position										
Governmental activities	\$ 18,159,157	\$ 24,461,756	\$ 27,184,283	\$ 26,769,896	\$ 12,346,445	\$ 5,469,712	\$ 8,801,804	\$ (8,079,757)	\$ 7,440,585	\$ (8,471,064)
Business-type activities	17,484,227	38,280,671	23,843,137	11,498,901	12,625,657	10,149,588	8,545,902	20,207,128	4,832,859	3,372,274
Total primary government net expense	<u>\$ 35,643,384</u>	<u>\$ 62,742,427</u>	<u>\$ 51,027,420</u>	<u>\$ 38,268,797</u>	<u>\$ 24,972,102</u>	<u>\$ 15,619,300</u>	<u>\$ 17,347,706</u>	<u>\$ 12,127,371</u>	<u>\$ 12,273,444</u>	<u>\$ (5,098,790)</u>

(1) As per GASB 63

(Concluded)

Source: Comprehensive Annual Financial Reports

City of McAllen, Texas
Fund Balances - Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 400,000	\$ 1,396,791	\$ 1,774,762	\$ 2,160,543
Reserved/Assigned	1,556,584	1,610,164	6,540,485	5,580,194	5,253,567	3,449,615	2,925,598	1,552,643	1,730,634	447,859
Unreserved/Unassigned	53,332,096	37,695,319	43,546,755	45,909,209	44,182,058	47,422,976	39,649,659	42,860,830	40,370,161	41,221,379
Total General Fund	<u>\$ 54,888,680</u>	<u>\$ 39,305,483</u>	<u>\$ 50,087,240</u>	<u>\$ 51,489,403</u>	<u>\$ 49,435,625</u>	<u>\$ 50,872,591</u>	<u>\$ 42,975,257</u>	<u>\$ 45,810,264</u>	<u>\$ 43,875,557</u>	<u>\$ 43,829,781</u>
All Other Governmental Funds										
Reserved-other purposes	\$ 5,497,255	\$ 15,054,620	\$ 23,367,311	\$ 34,502,750	\$ 27,576,520	\$ 38,291,958	\$ -	\$ -	\$ -	\$ -
Reserved-debt service	-	-	83,605	104,000	134,456	175,923	-	-	-	-
Unreserved, reported in:										
Special revenue funds	6,255,048	3,078,131	2,834,331	3,088,393	2,866,137	792,646	-	-	-	-
Information technology fund	-	-	-	-	-	1,398,522	-	-	-	-
Development corporation fund	-	-	-	-	-	20,049,897	-	-	-	-
Capital projects funds	18,062,511	34,036,926	21,395,178	18,159,471	17,132,979	11,855,332	-	-	-	-
Nonspendable	-	-	-	-	-	-	352,716	352,716	352,716	-
Restricted	-	-	-	-	-	-	38,387,750	34,171,127	33,636,421	79,530,591
Committed	-	-	-	-	-	-	179,755	217,989	154,790	387,626
Assigned	-	-	-	-	-	-	12,054,227	8,459,646	9,090,061	5,741,676
Total all other governmental funds	<u>\$ 29,814,814</u>	<u>\$ 52,169,677</u>	<u>\$ 47,680,425</u>	<u>\$ 55,854,614</u>	<u>\$ 47,710,092</u>	<u>\$ 72,564,278</u>	<u>\$ 50,974,448</u>	<u>\$ 43,201,478</u>	<u>\$ 43,233,988</u>	<u>\$ 85,659,893</u>

Note: The City implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" fiscal year 2011.

City of McAllen, Texas
 Changes in Fund Balances - Governmental Funds
 Last Ten Years
 (modified accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 80,911,770	\$ 87,632,429	\$ 93,364,798	\$ 99,953,473	\$ 96,848,195	\$ 96,048,168	\$ 97,069,725	\$ 101,438,055	\$ 105,293,773	\$ 107,695,530
Licenses and permits	1,481,650	1,486,878	1,633,047	1,591,862	1,393,010	1,331,758	1,373,972	1,536,902	1,429,150	1,447,712
Intergovernmental	5,985,818	3,261,927	4,367,134	4,868,657	4,304,941	7,277,287	8,801,979	6,734,270	6,782,631	7,376,849
Charges for services	3,385,392	3,969,257	4,719,193	5,417,637	5,249,637	5,350,634	4,867,779	5,026,625	5,279,159	5,220,385
Fines and forfeitures	2,204,354	2,214,624	2,311,181	2,240,518	2,170,771	1,901,986	3,185,630	5,422,628	2,548,733	2,556,904
Investment earnings	2,067,760	4,177,110	5,577,715	4,635,946	3,675,833	807,932	728,330	508,483	69,628	739,885
Other	7,998,219	9,210,805	6,949,566	7,389,981	3,265,362	3,591,386	3,979,302	2,686,826	2,101,208	1,784,519
Total revenues	104,034,963	111,953,030	118,922,634	126,098,074	116,907,749	116,309,151	120,006,717	123,353,789	123,504,282	126,821,784
Expenditures										
General government	16,575,551	17,695,852	18,796,014	18,604,824	19,969,671	16,942,447	20,836,539	19,601,840	19,550,411	34,649,924
Public safety	39,195,430	40,954,974	42,044,757	44,721,496	47,689,420	47,498,138	49,529,997	49,272,439	50,041,327	51,912,722
Highways and streets	10,522,513	13,370,846	13,016,782	12,365,458	14,983,473	12,496,418	11,827,035	18,169,966	13,414,722	13,318,011
Health and welfare	4,007,202	3,333,002	4,110,388	5,964,095	5,255,632	5,285,260	5,168,679	5,388,416	5,208,427	4,552,904
Culture and recreation	11,283,389	12,944,311	13,637,582	13,978,939	14,688,034	17,456,529	14,170,021	14,601,437	15,410,540	17,194,648
Capital outlay	17,132,311	21,677,783	25,285,595	26,157,346	25,276,574	23,274,673	42,517,494	19,836,269	19,896,331	22,156,819
Debt service:										
Principal	25,000	25,000	440,000	435,000	2,855,000	511,213	5,560,741	2,530,000	2,645,000	2,765,000
Interest	17,472	15,762	198,387	199,993	319,116	178,148	1,510,338	1,012,256	896,365	774,407
Total expenditures	98,758,868	110,017,530	117,529,505	122,427,151	131,036,920	123,642,826	151,120,844	130,412,623	127,063,123	147,324,435
Excess of revenues over (under) expenditures	5,276,095	1,935,500	1,393,129	3,670,923	(14,129,171)	(7,333,675)	(31,114,127)	(7,058,834)	(3,558,841)	(20,502,651)
Other Financing Sources (Uses)										
Bond proceeds	-	4,800,000	-	-	-	29,030,000	-	-	-	54,230,001
Other	-	-	-	-	-	1,117,990	-	-	-	-
Transfers in	15,644,414	37,747,066	20,941,598	42,201,877	26,783,190	9,790,572	22,378,622	15,970,624	22,353,826	18,703,155
Bond Premium	-	-	-	-	-	-	-	-	-	3,493,907
Transfers out	(16,753,532)	(37,710,900)	(16,042,225)	(36,296,448)	(22,852,317)	(9,900,660)	(20,751,659)	(13,849,753)	(20,697,182)	(13,544,283)
Total other financing sources (uses)	(1,109,118)	4,836,166	4,899,373	5,905,429	3,930,873	30,037,902	1,626,963	2,120,871	1,656,644	62,882,780
Net change in fund balances	\$ 4,166,977	\$ 6,771,666	\$ 6,292,502	\$ 9,576,352	\$ (10,198,298)	\$ 22,704,227	\$ (29,487,164)	\$ (4,937,963)	\$ (1,902,197)	\$ 42,380,129
Debt service as a percentage of noncapital expenditures	0.05%	0.05%	0.69%	0.66%	3.00%	0.69%	6.51%	3.20%	3.30%	2.83%

Source: Comprehensive Annual Financial Reports

City of McAllen, Texas
Tax Revenues by Source - Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property</u>	<u>Sales</u>	<u>Franchise</u>	<u>Hotel</u>	<u>Total</u>
				<u>7%</u>	<u>2%</u>
2005	\$ 22,965,684	\$ 48,590,129	\$ 6,046,640	\$ 3,309,317	\$ -
2006	24,462,180	53,449,062	6,246,017	3,475,170	-
2007	26,222,130	56,976,350	6,242,578	3,923,740	-
2008	30,505,191	58,893,175	6,475,882	4,079,225	-
2009	32,396,948	54,669,746	6,266,684	3,514,817	-
2010	32,896,549	53,550,307	6,130,317	3,470,995	-
2011	32,810,441	54,652,192	6,349,157	3,257,935	-
2012	33,177,960	58,407,780	6,348,331	3,503,985	-
2013	33,225,753	60,825,866	6,457,397	3,978,186	806,571
2014	34,312,973	61,331,004	6,707,787	4,156,141	1,187,625
Change 2005-2014	49.41%	26.22%	10.93%	25.59%	100.00%
					33.10%

City of McAllen, Texas
Taxable Sales by Category
Last Ten Years
(in Millions)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Retail	\$ 1,765	\$ 1,897	\$ 2,138	\$ 2,211	\$ 2,018	\$ 1,735	\$ 1,710	\$ 1,789	\$ 1,844	\$ 1,423
Services	188	157	180	170	153	114	170	181	196	158
Wholesale	154	149	65	76	68	70	100	122	109	88
Other	126	210	178	140	115	311	446	469	491	380
Total - All Industries	<u>\$ 2,233</u>	<u>\$ 2,413</u>	<u>\$ 2,561</u>	<u>\$ 2,597</u>	<u>\$ 2,354</u>	<u>\$ 2,374</u>	<u>\$ 2,426</u>	<u>\$ 2,561</u>	<u>\$ 2,640</u>	<u>\$ 2,049</u>

(1)

Other includes Agricultural/Forestry, Mining, Construction, Manufacturing, Transportation/Utilities, Financial Services, and Other

Percent Allocation of Taxable Sales - Retail Only

Building Materials	8%	8%	7%	7%	6%	5%	6%	6%	5%	5%
General Merchandise	27%	27%	27%	32%	31%	28%	27%	28%	28%	28%
Food Stores	6%	6%	5%	5%	5%	6%	6%	6%	6%	6%
Automotive	4%	3%	3%	5%	5%	6%	6%	5%	5%	6%
Clothing	16%	16%	16%	17%	17%	15%	15%	16%	17%	17%
Home Furnishings	11%	12%	11%	12%	12%	13%	13%	13%	13%	12%
Restaurants	13%	13%	12%	13%	14%	17%	17%	17%	17%	17%
Miscellaneous Retail	10%	10%	8%	9%	10%	10%	10%	9%	9%	9%
Total	<u>93%</u>	<u>94%</u>	<u>89%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(1) Represents only three quarters of fiscal year.

N/A data not available

Source: State Comptroller's Office

The State Comptroller's Office does not report detail of the Retail category at the city level due to confidentiality issues. The allocation presented, which is by MSA is intended to give some indication.

City of McAllen, Texas
Assessed Value and Actual Value of Taxable Property (1)
Last Ten Fiscal Years

<u>Fiscal Year Ended September 30</u>	<u>Tax Roll Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Minerals</u>	<u>Other</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Net Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
2005	2004	\$ 2,867,999,139	\$ 1,395,082,178	\$ 76,302,577	\$ 145,037,761	\$ 1,248,335,732	\$ 544,310,822	\$ 5,188,446,565	0.42
2006	2005	3,012,119,776	1,524,395,866	77,484,714	159,146,526	1,290,466,084	536,338,311	5,527,274,655	0.42
2007	2006	4,034,338,716	1,568,016,882	79,479,396	146,936,440	1,023,232,516	948,864,893	5,903,139,057	0.42
2008	2007	5,223,070,568	1,824,887,008	96,386,085	138,350,623	1,059,350,233	1,427,513,149	6,914,531,368	0.42
2009	2008	5,342,975,502	1,811,694,737	108,693,602	134,182,390	1,157,900,178	1,448,502,453	7,106,943,956	0.42
2010	2009	5,470,285,311	2,077,102,840	115,185,930	133,174,260	1,257,860,959	1,531,608,214	7,522,001,086	0.42
2011	2010	5,491,264,094	2,160,760,863	121,679,009	28,213,093	1,257,885,005	1,549,344,920	7,510,457,144	0.42
2012	2011	5,492,004,364	2,213,159,640	53,492,220	13,149,573	1,286,916,306	1,557,190,079	7,501,532,024	0.42
2013	2012	4,327,680,248	3,343,176,312	137,187,071	68,824,902	1,013,294,611	1,326,819,524	7,563,343,620	0.43
2014	2013	4,475,282,922	3,503,723,046	132,720,411	71,783,017	1,011,927,424	1,360,010,810	7,835,426,010	0.43

(1) The assessed value and actual value of properties is the same amount. The appraisal district appraises all property at market value.
A column for the actual value is not reflected.

Source: City of McAllen Tax Office & Hidalgo County Appraisal District Tax Roll

City of McAllen, Texas
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$100 of assessed value)

Fiscal Year Ended September 30	Tax Roll Year	City Direct Rates			Overlapping Rates								
		General Obligation			School Districts							Hidalgo County Drainage	Hidalgo County
		Basic Rate	Debt Service	Total Direct	McAllen	Sharvland	P.S.J.A	So. Tx College	Hidalgo	Edinburg	District No.1		
2005	2004	\$ 0.42	\$ -	\$ 0.42	\$ 1.54	\$ 1.57	\$ 1.61	\$ 0.02	\$ 1.59	\$ 1.58	\$ 0.04	\$ 0.59	
2006	2005	0.42	-	0.42	1.54	1.57	1.61	0.15	1.59	1.59	0.04	0.59	
2007	2006	0.42	-	0.42	1.61	1.57	1.61	0.15	1.61	1.58	0.05	0.59	
2008	2007	0.41	0.01	0.42	1.48	1.55	1.52	0.15	1.54	1.45	0.07	0.59	
2009	2008	0.41	0.01	0.42	1.15	1.19	1.21	0.15	1.32	1.12	0.07	0.59	
2010	2009	0.41	0.01	0.42	1.17	1.19	1.27	0.15	1.35	1.19	0.07	0.59	
2011	2010	0.41	0.01	0.42	1.17	1.19	1.27	0.15	1.35	1.19	0.07	0.59	
2012	2011	0.41	0.01	0.42	1.17	1.20	1.36	0.15	1.44	1.24	0.07	0.59	
2013	2012	0.43	-	0.43	1.17	1.29	1.36	0.15	1.56	1.24	0.08	0.59	
2014	2013	0.43	-	0.43	1.17	1.29	1.36	0.15	1.56	1.24	0.07	0.59	

City of McAllen, Texas
Principal Property Tax Payers
Current Year and Nine Years Ago

<u>Taxpayer</u>	2013			2005		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Simon Property Group	\$ 61,802,878	1	0.79%	\$ 44,669,232	3	0.81%
Rio Grande Regional Hospital	56,328,437	2	0.72%	52,356,100	2	0.95%
Universal Health Services	52,246,584	3	0.67%	58,865,714	1	1.07%
Palms Crossing LP	41,915,932	4	0.53%	-	-	-
GE Engine Services	35,988,688	5	0.46%	-	-	-
AEP Texas Central Co.	31,146,500	6	0.40%	33,270,410	4	0.60%
H E Butt Grocery Company	24,437,376	7	0.31%	25,207,670	9	0.46%
Inland Western	22,025,172	8	0.28%	-	-	-
McAllen Medical Center	19,185,516	9	0.24%	-	-	-
Weingarten Las Tiendas JV	17,952,261	10	0.23%	-	-	-
Wal-Mart Stores Texas LP	-		n/a	32,796,026	5	0.59%
Total E & P USA, Inc.	-		n/a	31,427,090	6	0.57%
Texas State Bank	-		n/a	29,114,847	7	0.53%
Black & Decker	-		n/a	26,635,378	8	0.48%
Emerson Energy System	-		n/a	22,763,496	10	0.41%
	<u>\$ 363,029,344</u>		4.63%	<u>\$ 357,105,963</u>		6.46%

Data Source: City of McAllen - Tax Office

CITY OF McALLEN, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year	Tax Roll Year	Taxes Levied Within the Fiscal Year of the Levy	Adjustments to Levy in the Fiscal Year	Adjusted Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections	
					Amount	Percentage of Levy		Amount	Percentage of Levy
2005	2004	\$ 21,858,925	\$ 368,559	\$ 22,227,484	\$ 20,938,827	94.20%	\$ 1,224,778	\$ 22,163,605	99.71%
2006	2005	23,248,262	370,471	23,618,733	22,358,944	94.67	1,174,814	23,533,758	99.64
2007	2006	24,788,834	487,091	25,275,925	23,920,313	94.64	1,246,523	25,166,836	99.57
2008	2007	28,896,119	926,195	29,822,314	27,625,803	92.63	2,020,937	29,646,740	99.41
2009	2008	29,639,988	2,067,032	31,707,020	29,325,155	92.49	2,162,164	31,487,319	99.31
2010	2009	31,356,112	668,253	32,024,365	30,347,810	94.76	1,368,982	31,716,792	99.04
2011	2010	31,313,663	163,882	31,477,545	30,120,972	95.69	1,054,095	31,175,067	99.04
2012	2011	31,996,395	15,446	32,011,841	30,858,609	96.40	831,717	31,690,326	99.00
2013	2012	32,234,649	(21,260)	32,213,389	31,076,068	96.47	613,218	31,689,286	98.37
2014	2013	33,395,738	154,588	33,550,326	32,474,873	96.79	-	32,474,873	96.79

Source: City of McAllen Tax Office

CITY OF McALLEN, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities						Business-Type Activities						
	General	Combination Tax	Sales	Tax	Lien	Water Revenue	Sewer Revenue	International	Anzalduas	Airport	Total	Percentage	Per
	Obligation	and Revenue	Tax Revenue						International				
	Bonds	Certificates of	Obligations	Note	Note	Bonds	Bonds	Bonds	Crossing	CO	Primary	of Personal	Capita ^a
		Obligation							Bonds	Bonds	Government	Income ^a	
2005	\$ -	\$ -	\$ 325,000	\$ -	\$ -	\$ 24,953,600	\$ 20,151,400	\$ 1,730,000	\$ -		\$ 47,160,000	2.34%	\$ 2,923
2006	-	-	300,000	4,800,000	-	24,200,400	19,014,600	1,520,000	-		49,835,000	2.25	2,912
2007	-	-	275,000	4,385,000	-	29,352,650	40,137,350	1,295,000	39,160,000		114,605,000	N/A	N/A
2008	-	-	250,000	3,975,000	2,400,000	28,364,250	39,360,750	1,060,000	39,160,000		114,570,000	N/A	N/A
2009	-	-	225,000	3,545,000	306,954	27,176,000	37,999,000	815,000	39,160,000		109,226,954	N/A	N/A
2010	-	29,030,000	200,000	3,100,000	265,741	25,926,500	49,073,500	555,000	38,405,000		146,555,741	5.53	7,178
2011	-	26,860,000	175,000	-	-	24,622,050	65,057,950	285,000	37,615,000		154,615,000	N/A	N/A
2012	-	24,355,000	150,000	-	-	23,229,672	69,610,330	-	36,795,000	9,495,000	163,635,002	6.30	1,227
2013	-	21,735,000	125,000	-	-	21,780,769	79,156,233	-	35,645,000	9,125,000	167,567,002	5.76	1,220
2014 *	45,855,815 *	31,256,746	100,000	-	- *	20,891,827 *	76,956,249	- *	34,891,417	8,750,000	218,702,054	7.61	1,592

* Includes premium

N/A Information not available

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^aSee Schedule 16 for personal income and population data.

CITY OF McALLEN, TEXAS
RATIO OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Actual Taxable Value of Property^a</u>	<u>Per Capita^b</u>
2005	\$ -	\$ -	N/A
2006	-	-	N/A
2007	-	-	N/A
2008	-	-	N/A
2009	-	-	N/A
2010	-	-	N/A
2011	26,860,000	0.36%	203
2012	24,355,000	0.32%	183
2013	21,735,000	0.29%	158
2014	77,112,561	0.98%	561

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

^aSee Schedule 7 for property value data.

^bSee Schedule 16 for population data.

CITY OF McALLEN, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2014

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Hidalgo County	\$ 162,385,000	28.13%	\$ 45,678,901
McAllen Independent School District	91,720,000	92.34%	84,694,248
Sharyland Independent School District	120,094,508	25.80%	30,984,383
P.S.J.A Independent School District	344,821,138	13.11%	45,206,051
Hidalgo County Drainage District #1	163,535,000	27.52%	45,004,832
South Texas College	88,834,991	13.80%	12,259,229
Hidalgo Independent School District	42,695,000	19.63%	8,381,029
Edinburg Independent School District	174,180,000	1.89%	<u>3,292,002</u>
Subtotal, overlapping debt			275,500,675
City of McAllen (direct debt)	77,112,561	100.00%	<u>77,112,561</u>
Total direct and overlapping debt			<u>\$ 352,613,236</u>

*The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the entities' taxable assessed value that is with the City's boundaries and dividing the entities' total taxable assessed value.

Source: Official statement dated February 24, 2014 issued by First Southwest

City of McAllen, Texas
Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value	\$ 7,835,426,010
Debt limit (5% of assessed value)	391,771,301
Debt applicable to limit:	
General obligation bonds	73,225,000
Less: amount set aside for repayment of general obligation debt	<u>(284,610)</u>
Total net debt applicable to limit	<u>72,940,390</u>
Legal debt margin	<u>\$ 318,830,911</u>

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt limit	\$ 259,422,328	\$ 276,363,733	\$ 295,156,953	\$ 345,726,568	\$ 355,347,198	\$ 343,935,483	\$ 348,892,264	\$ 350,989,886	\$ 356,700,467	\$ 391,771,301
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>685,351</u>	<u>32,164,571</u>	<u>26,630,593</u>	<u>24,086,715</u>	<u>21,466,714</u>	<u>72,940,390</u>
Legal debt margin	\$ 259,422,328	\$ 276,363,733	\$ 295,156,953	\$ 345,726,568	\$ 354,661,847	\$ 311,770,912	\$ 322,261,671	\$ 326,903,171	\$ 335,233,753	\$ 318,830,911
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.19%	10.32%	8.26%	7.37%	6.40%	22.88%

Note: State statutes do not prescribe a debt limit; however, by custom,
a practical economic debt limit of 5% of the assessed valuation is used.

CITY OF McALLEN, TEXAS
 PLEDGED-REVENUE COVERAGE
 Last Ten Fiscal Years

Fiscal Year	Water Revenue Bonds						Sewer Revenue Bonds					
	Total Revenues (a)	Less: Operating Expenses (b)	Net Available Revenue	Debt Service		Coverage	Total Revenues (a)	Less: Operating Expenses (b)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2005	\$ 15,080,924	\$ 8,595,829	\$ 6,485,095	\$ 597,600	\$ 1,105,234	3.81	\$ 11,470,919	\$ 5,586,088	\$ 5,884,831	\$ 1,172,400	\$ 1,044,476	2.65
2006	17,354,452	9,335,864	8,018,588	753,200	1,202,211	4.10	13,440,241	6,034,210	7,406,031	1,136,800	952,950	3.54
2007	15,720,963	9,225,416	6,495,547	940,800	1,243,423	2.97	15,342,714	5,550,727	9,791,987	739,200	1,908,863	3.70
2008	17,578,762	11,300,642	6,278,120	988,400	1,191,688	2.88	16,288,846	6,363,341	9,925,505	776,600	2,049,023	3.51
2009	17,273,180	11,989,744	5,283,436	1,188,250	1,136,605	2.27	15,806,052	5,173,309	10,632,743	1,361,750	2,000,014	3.16
2010	14,171,787	11,485,174	2,686,613	1,249,500	1,075,460	1.16	13,625,200	7,403,312	6,221,888	1,425,500	1,934,911	1.85
2011	17,171,510	12,654,063	4,517,447	1,383,900	1,348,650	1.65	15,035,929	7,364,113	7,671,816	2,616,100	1,446,363	1.89
2012	16,572,667	12,081,927	4,490,740	1,448,903	1,294,300	1.64	14,724,233	7,392,664	7,331,569	2,771,097	1,376,273	1.77
2013	16,634,518	12,613,800	4,020,718	1,514,610	1,227,162	1.47	14,899,235	8,092,635	6,806,600	3,313,390	1,386,497	1.45
2014	16,269,236	12,315,395	3,953,841	1,583,751	1,160,204	1.44	15,128,924	8,138,492	6,990,432	3,594,249	1,327,371	1.42

Note: (a) Includes operating revenues and non-operating revenues

(b) Operating expenses do not include interest, depreciation, or amortization expenses.

CITY OF McALLEN, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Years

Year	Estimated Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2005	125,000	\$ 2,017,000	\$ 16,136	28.7	24,276	5.50%
2006	129,650	2,218,830	17,114	30.3	24,531	4.70%
2007	130,700	2,294,046	17,552	30.0	24,814	4.50%
2008	132,075	2,504,009	18,959	29.5	25,047	5.30%
2009	133,197	Not Available	Not Available	*	25,154	7.50%
2010	129,877	2,651,569	20,416	32.2	25,164	7.40%
2011	132,338	Not Available	Not Available	N/A	25,263	8.20%
2012	133,333	2,598,660	19,490	30.7	25,310	7.80%
2013	137,608	2,906,693	21,123	32.5	24,500	10.70%
2014	137,358	2,874,354	20,926	32.0	25,217	8.50%
	(A)	(B)		(C)	(D)	(E)

SOURCE:

(A) U.S Census Bureau-2013 and local estimates; 2010 Official U.S. Census

(B) U.S Census Bureau-2013 community survey profile.

(C) U.S Census Bureau-2013 community survey profile.

(D) McAllen Independent School District

(E) U. S. Bureau of Labor Statistics

**City of McAllen, Texas
Principal Employers in the Area
Current Year and Nine Years Ago**

2014				2005			
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
McAllen Independent School District	3,265	1	5.49%	HEB Food & Drug Stores	Over 1,000	1	
McAllen Medical Center	2,800	2	4.71%	City of McAllen	Over 1,000	2	
South Texas College	2,200	3	3.70%	McAllen Medical Center	Over 1,000	3	
City of McAllen	1,804	4	3.03%	McAllen Independent School Dist.	Over 1,000	4	
Rio Grande Regional Hospital	1,100	5	1.85%	Wal Mart Stores	Over 1,000	5	
Wal-Mart	1,000	6	1.68%	Rio Grande Foods	Less than 1,000	6	
H-E-B	995	7	1.67%	Rio Grande Regional Hospital	Less than 1,000	7	
GE Engines	650	8	1.09%	Texas State Bank	Less than 1,000	8	
International Bank of Commerce	405	9	0.68%	Allison Manufacturing	Less than 1,000	9	
Dillards	354	10	0.60%	Central Power & Light Co.	Less than 1,000	10	
Total	<u>14,573</u>		<u>24.51%</u>		<u>-</u>		<u>0.00%</u>
	(A)		(B)		(C)		(D)

Unable to calculate these
columns due to insufficient
data

Source:

(A) McAllen Economic Development Corporation (MEDC)

(B) Texas Workforce Commission for total city employment - 59,454

CITY OF McALLEN, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM,
Last Ten Fiscal Years

	full time only	full time only	full time only	full time only	full time only	full time only	full time only	full time only	full time only	full time only
	Fiscal Year									
<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government	157	166	177	188	185	182	182	188	189	192
Public Safety:										
Police:										
Officers	259	261	264	269	275	275	275	275	281	285
Civilians	134	136	140	140	136	136	143	143	140	136
Fire:										
Fire fighters and officers	138	145	157	159	163	164	164	164	167	167
Civilians	11	11	11	12	13	13	13	12	11	11
Other	66	66	62	78	56	56	56	56	55	56
Highways and streets	112	112	111	112	112	100	100	96	97	97
Health and welfare	15	15	16	16	24	24	25	25	25	26
Culture and Recreational	171	173	177	180	187	186	186	189	192	195
Water services	119	120	126	130	131	135	135	135	138	137
Sewer services	68	68	74	74	81	81	81	81	82	84
Sanitation	115	123	126	128	133	136	136	138	145	148
Golf Course	15	14	13	12	12	12	12	12	15	12
Convention Center	-	-	47	37	38	38	38	37	38	38
Civic center	15	21	-	-	-	-	-	-	-	-
Airport	25	27	30	31	38	38	38	38	39	41
Transit terminal	11	12	13	13	12	12	12	12	13	8
Express transit	19	19	20	22	21	22	22	29	30	47
Bridge	40	42	43	43	31	33	33	33	44	32
Anzalduas Bridge	-	-	-	-	-	10	12	13	13	10
Fleet Services	20	21	25	25	25	25	25	21	24	21
Employee benefits	2	3	3	4	5	5	5	5	5	5
Risk Management	3	3	4	4	5	5	5	6	6	7
Total	<u>1,515</u>	<u>1,558</u>	<u>1,639</u>	<u>1,677</u>	<u>1,683</u>	<u>1,688</u>	<u>1,698</u>	<u>1,708</u>	<u>1,749</u>	<u>1,755</u>

Source: City's Budget Document

CITY OF McALLEN, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Police										
Number of employees-commissioned	259	260	264	267	262	270	275	280	281	285
Number of service calls	158,000	147,724	160,000	153,970	162,273	166,653	162,250	157,884	147,528	144,761
Fire										
Number of firemen	138	151	157	160	170	158	164	160	167	167
Total number of alarm responses	4,184	4,359	5,130	4,434	4,391	5,000	4,500	5,711	5,949	5,500
Code enforcement										
Number of employees	18	19	21	21	21	20	19	20	20	20
Number of building permits	2,012	1,987	1,794	1,341	1,308	1,562	1,584	1,869	1,671	1,562
Development services										
Street Resurfacing (linear miles)	18	25	26	28	29	21	25	10	26	48
Sidewalk Construction (linear feet)	42,240	43,084	30,000	36,960	37,100	11,480	10,560	23,930	7920	1065
Cultural and recreational										
Parks and recreation										
Participants in special event programs	250,000	418,000	418,000	458,250	425,000	93,250	440,000	440,000	245,000	104,500
Participants in athletic programs	11,500	8,196	9,500	16,400	6,800	17,045	7,500	14,500	16,000	8,145
Participants in after school programs	3,300	3,240	2,992	3,200	3,100	2,053	1,800	2,200	1,800	1,648
Library-main										
Volumes in collection	404,057	410,896	364,450	351,950	349,117	359,809	414,135	320,043	323019	281,643
Water and sewer system										
Number of water customers	37,658	39,060	40,074	40,876	41,607	42,052	42,792	43,306	44,068	44,708
Number of sewer customers	33,159	34,414	35,493	36,229	37,062	37,521	38,184	38,563	39,247	39,802
Average daily water consumption (gallons)	21,458,458	24,623,690	22,484,700	23,737,233	23,860,020	19,654,727	24,508,796	25,867,849	25,952,225	23,953,301
Maximum storage capacity (gallons) #2 plant	7,100,000	7,100,000	7,100,000	7,900,000	7,900,000	7,900,000	7,900,000	7,900,000	7,900,000	7,900,000
Maximum storage capacity (gallons)-north plant	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Rainfall (inches)	10.76	12.27	19.01	27.80	9.65	38.00	24.66	17.88	14.39	24.43
Sanitation										
Refuse collected (tons)	27,728	26,752	27,177	28,695	29,080	29,500	30,000	29,395	122,499	127,562
Bulky/brush pickups (tons)	200,000	200,000	202,000	67,274	19,879	5,500	4,703	30,527	44,187	22,265
Recyclables collected (cubic yds)	4,543	4,515	5,000	8,030	3,926	3,791	4,525	5,235	5,476	4,323
Golf course										
Total number of rounds	42,621	45,840	44,200	42,219	43,803	44,153	41,308	40,977	39,759	36,859
Source:	City Departments									
Notes:	N/A - Data not available.									
Estimates:	Fiscal Year 2014									

CITY OF McALLEN, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Police sub-stations	7	7	7	6	6	7	7	7	7	6
Fire stations	6	6	6	6	7	7	7	7	7	7
Fire hydrants	3,350	3,350	3,700	3,800	3,994	3,984	3,988	4,000	4,000	4,200
Development Services										
City area:										
Square miles	48.3	47.7 (1)	48.1	48.7	48.8	48.7	48.7	49.6	49.6	49.8
Acres	30,933	30,552 (1)	30,785	31,169	31,222	31,169	31,169	31,733	31,747	31,898
Streets- paved (miles)	626	645	567	565	495	486	487	464	464	480
Cultural and Recreational										
Developed parks (acres)	551	521	537	668	362	866	705	728	577	600
Parks (acres)-undeveloped	106	432	416	487	410	481	474	417	488	398
Swimming pools	4	4	4	4	4	4	4	4	4	4
Tennis courts	25	25	25	25	15	24	24	24	24	26
Lighted baseball diamonds/athletic fields	17	17	17	17	112	8	12	12	12	12
Municipal golf (18-hole course)	1	1	1	1	1	1	1	1	1	1
Water and Sewer										
Water mains (miles)	677	700	700	703	706	706	803	714	714	1,046
Sanitary sewers (miles)	475	470	470	489	489	489	503	489	500	500
Storm (miles)	238	239	265	268	283	273	273	315	315	315

(1) Revised by engineering.

Source: City Departments

**CITY OF MCALLEN, TEXAS
MISCELLANEOUS STATISTICAL DATA**

Schedule 21

Section I--water rates

The rate charged for water furnished and consumed under the standard water rate schedule by Section 106-82 of the City Ordinance, amended October 1, 2008 to all classes of customers is as follows:

(1) Inside City Minimum rate	Commodity Rate
--	---------------------------

\$5.65

(1) Per 1,000 gallons or any part thereof as follows: Residential-\$1.30/1,000 gallons for the first 13,000 gallons; plus \$1.60/1,000 for consumption between 13,000 and 18,000 gallons; and \$1.80 for consumption over 18,000 gallons.

Commercial, Multi-family, and Industrial-\$1.30/1,000 gallons for the first 12-month average base consumption; plus \$1.80/1,000 for consumption over the 12-month average base consumption.

Sprinkler-\$1.80/1,000 gallons

Section II--Estimated unaccounted gallons of water

<u>Class of customers</u>	<u>Number</u>	<u>Usage (gallons)</u>
Residential	37,558	4,509,786,400
Commercial	6,983	3,110,769,000
Industrial	167	335,793,100
Number of gallons shown to have passed through the master meters at the City's plants #2 and #3 during the period		8,742,955,000
Number of gallons billed		(7,956,348,500)
Estimated water used in fire hydrant testing, etc.		<u>(49,000,000)</u>
Estimated number of gallons unaccounted due to breaks, leaks, etc.		<u><u>737,606,500</u></u>

Single Audit Section

This section contains information regarding grant activity, which was audited under the guidelines of the United States Office of Management and Budget Circular A-133 Compliance Supplement.

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

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The Honorable Mayor, Members of the City Commission and
Public Utility Board of Trustees
City of McAllen, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of McAllen, Texas (the "City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 13, 2015.

Internal control over financial reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2014-001, 2014-002, 2014-003, and 2014-004 that we consider to be significant deficiencies in the City's internal control.

Compliance and other matters

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

City's response to findings

The City's response to our findings, which is described in the accompanying schedule of findings and questioned costs, was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the City's response.

Intended purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Houston, Texas
March 13, 2015



Grant Thornton

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

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The Honorable Mayor, Members of the City Commission and
Public Utility Board of Trustees
City of McAllen, Texas

Report on compliance for each major federal program

We have audited the compliance of the City of McAllen, Texas (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the City's federal programs.

Auditor's responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The above-mentioned standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Basis for qualified opinion on Equitable Sharing Program

As described in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding CFDA 16.922 Equitable Sharing Program as described in finding number 2014-005 for Davis Bacon. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified opinion on Equitable Sharing Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on the Equitable Sharing Program paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Equitable Sharing Program for the year ended September 30, 2014.

Unmodified opinion on each of the other major federal programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2014.

City's response to findings

The City's response to our noncompliance finding, which is described in the accompanying schedule of findings and questioned costs, was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the City's response.

Report on internal control over compliance

Management of the City is responsible for designing, implementing, and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal

control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2014-005 and 2014-008, that we consider to be material weaknesses in the City's internal control over compliance.

We identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2014-006, and 2014-007, that we consider to be significant deficiencies in the City's internal control over compliance.

The City's response to our findings on internal control over compliance, which is described in the accompanying schedule of findings and questioned costs, was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the City's response.

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Houston, Texas
March 13, 2015

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
STATE OF TEXAS SINGLE AUDIT CIRCULAR**

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The Honorable Mayor, Members of the City Commission and
Public Utility Board of Trustees
City of McAllen, Texas

Report on compliance for each major state program

We have audited the compliance of the City of McAllen, Texas (the "City") with the types of compliance requirements described in the *State of Texas Single Audit Circular* that could have a direct and material effect on each of its major state programs for the year ended September 30, 2014. The City's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the City's state programs.

Auditor's responsibility

Our responsibility is to express an opinion on compliance for each of the City's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State of Texas Single Audit Circular.

The above-mentioned standards and State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City's compliance.

Basis for qualified opinion on Equitable Sharing Program

As described in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding the Equitable Sharing Program as described in finding number 2014-009 for Suspension and Debarment and finding number 2014-010 for Equipment Management. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified opinion on Equitable Sharing Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on the Equitable Sharing Program paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Equitable Sharing Program for the year ended September 30, 2014.

City's response to findings

The City's response to our noncompliance findings, which is described in the accompanying schedule of findings and questioned costs, was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the City's response.

Report on internal control over compliance

Management of the City is responsible for designing, implementing, and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major state program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items, 2014-009 and 2014-010, that we consider to be material weaknesses in the City's internal control over compliance.

The City's response to our findings on internal control over compliance, which is described in the accompanying schedule of findings and questioned costs, was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the City's response.

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Houston, Texas
March 13, 2015

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CITY OF McALLEN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2014

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Disbursements/ Expenditures
U.S. Department of Housing and Urban Development				
Direct Program:				
Community Development Block Grant:				
38th Year Entitlement Grant	14.218	CB12MC48506	1,601,178	\$ 165,519
39th Year Entitlement Grant	14.218	CB13MC48506	1,535,436	890,428
40th Year Entitlement Grant	14.218	CB14MC48506	1,522,800	-
Home Investment Partnerships Programs	14.239	M10MC480506	664,307	112,869
Home Investment Partnerships Programs	14.239	M11MC480506	585,793	352,284
Home Investment Partnerships Programs	14.239	M12MC480506	465,925	-
Home Investment Partnerships Programs	14.239	M13MC480506	418,614	-
Home Investment Partnerships Programs	14.239	M14MC480506	434,914	-
Emergency Solutions Grant	14.231	S13MC480506	116,811	60,504
Total U.S. Department of Housing and Urban Development				<u>1,581,604</u>
U.S. Department of Transportation				
Direct Program:				
Airport Improvement Program	20.106	3-48-0144-42	4,318,852	2,406,894
Airport Improvement Program	20.106	3-48-0144-43	680,373	40,335
Airport Improvement Program	20.106	3-48-0144-44	762,352	759,436
Airport Improvement Program	20.106	3-48-0144-45	9,416,163	7,244
Small Community Air Service Development	20.930	2013-0120-0029	750,000	-
Federal Transit Capital Investments Grant *	20.500	TX-04-0010-00	495,000	-
Federal Transit Formula Grant *	20.507	TX-90-X733-00	1,823,797	243,122
Federal Transit Formula Grant *	20.507	TX-90-X778-00	1,679,250	166,924
Federal Transit Formula Grant *	20.507	TX-90-X830-01	1,337,939	8,682
Federal Transit Formula Grant *	20.507	TX-90-X906-00	1,962,520	407,945
Federal Transit Formula Grant *	20.507	TX-90-X937-00	5,207,372	949,100
Federal Transit Formula Grant *	20.507	TX-90-Y017-00	3,701,400	365,654
Federal Transit Formula Grant *	20.507	TX-90-Y048-00	3,171,640	709,155
Federal Transit Job Access & Reverse Community Program *	20.516	TX-37-X085-00	885,305	193,521
Federal Transit New Freedom Program *	20.521	TX-57-X030-00	108,087	18,254
Federal Transit Administration	20.523	TX-88-0001-00	1,906,908	-
Federal Highway Administration				
Passed through Texas Department of Transportation				
Highway Planning and Construction	20.205	STP 2014 (102) TE	1,020,265	-
State and Community Highway Safety	20.600	2014-McAllenP-S-1YG-0049	80,000	79,693
State and Community Highway Safety	20.600	2014-McAllenPD-1DM-00008	47,480	40,284
State and Community Highway Safety	20.600	2014-McAllenPD-CIOT-00020	5,001	5,001
Total U.S. Department of Transportation				<u>\$ 6,401,244</u>

CITY OF McALLEN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2014

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Disbursements/ Expenditures
U.S. Department of Justice				
Direct Program:				
Edward Byrne Memorial Justice Assistance Grant	16.738	2013-DJ-BX-0617	22,615	\$ 22,615
Edward Byrne Memorial Justice Assistance Grant	16.738	2014-DJ-BX-0466	19,614	-
Equitable Sharing Program	16.922		-	2,107,345
Total U.S. Department of Justice				2,129,960
U.S. Environmental Protection Agency				
Clean Water State Revolving Fund	66.458	TWDB #73633	1,700,000	782,865
Clean Water State Revolving Fund	66.458	TWDB #73640	7,808,511	544,629
Clean Water State Revolving Fund	66.458	TWDB #10435	434,000	256,188
Clean Water State Revolving Fund	66.458	TWDB #73659	3,245,393	2,910,524
Total U.S. Environmental Protection Agency				4,494,206
U.S. Department of Homeland Security				
Border Interoperability Demonstration Project	97.120	2011-PD-120-0007	1,881,800	231,856
Emergency Management Performance Grants	97.042	14TX-EMPG-0713	46,581	46,083
Pass through Assistance to Firefighters Grant Program				
Operations and Safety Program	97.044	EMW-2012-FR-00371	2,201,120	2,176,501
Pass through Division of Emergency Management				
Hazard Mitigation Grant Program	97.039	FEMA 1780-007	1,311,446	901,798
Hazard Mitigation Grant Program	97.039	FEMA-1931-DR-TX-11	507,532	87,171
Hazard Mitigation Grant Program	97.039	FEMA-1931-DR-TX-12	190,013	4,260
Hazard Mitigation Grant Program	97.039	FEMA-1931-DR-TX-13	636,717	577,874
Repetitive Flood Claims Program	97.092	RFC-FY12-003	311,050	26,582
Homeland Security Grant Program *	97.067	2013-SS-00045	94,929	77,928
Homeland Security Grant Program *	97.067	2013-SS-00045	37,921	-
Homeland Security Grant Program *	97.067	2014-SS-00029	87,677	-
Homeland Security Grant Program *	97.067	2014-SS-00029	12,323	-
Total U.S. Department Homeland Security				4,130,053
U.S. Department of Commerce (EDA)				
Investments for Public Works & Economic Development Facilities				
South Bentsen Road Industrial Park Improvements	11.300	08-01-04837	600,000	-
Total U.S. Department of Commerce				-
Total federal financial assistance expended				\$ 18,737,067

CITY OF McALLEN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2014

	<u>Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Disbursements/ Expenditures</u>
Texas Agencies			
Texas State University	Tobacco Compliance Grant 2014	6,150	\$ 6,150
Texas State Library and Archives Commission	475-14017	10,000	10,000
Texas Office of the Attorney General	VCLG '14	40,976	36,976
Texas Office of the Attorney General	VCLG '15	40,976	3,132
Texas Department of Public Safety	LBSP-14-49	75,000	74,164
Texas Department of Transportation:			
Routine Airport Maintenance Program	CSJ# M1421MCAL	50,000	50,000
Pass Through - City of Brownsville			
Auto Theft Prevention 2014	SA00T011004114	292,408	268,799
Auto Theft Prevention 2015	SA00T011004115	313,879	19,977
Texas Parks and Wildlife	RT13016	218,400	-
Equitable Sharing Program		-	<u>231,328</u>
Total state financial assistance expended			<u>700,526</u>
Total federal and state financial assistance expended			<u><u>\$ 19,437,593</u></u>

Denotes Stimulus Funding

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

CITY OF McALLEN, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2014

1. General

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal and state award programs of City of McAllen, Texas, for the year ended September 30, 2014. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Financial accountability exists if a primary government appoints a voting majority of an organization's governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing Board, a governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the primary government.

In accordance with Governmental Accounting Standards Board requirements, the City has reviewed other entities and activities for possible inclusion in the reporting entity and determined that there are none; however, federal financial assistance passed through other governmental agencies is included on the schedule.

2. Measurement Focus and Basis of Accounting

The federal and state grant funds are accounted for in the Special Revenue Fund, a component of the Governmental Fund type, and in an Enterprise Fund. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. With the Governmental Fund type measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of

CITY OF McALLEN, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2014

2. Measurement Focus and Basis of Accounting (continued)

revenues earned, costs incurred, and/or net income is necessary for management accountability. Enterprise Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Federal and state grant funds are generally considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

3. Subrecipients

Of the federal expenditures presented in the schedule, City of McAllen, Texas provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant -- Entitlement Grants	14.218	\$ 552,215
Home Investment Partnerships Program	14.239	425,045

4. Basis of Presentation:

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City of McAllen, Texas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations and the State of Texas Single Audit Circular. Therefore, some amounts presented in this schedule may differ from amounts presented in, or use in the preparation of the basic financial statements.

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CITY OF MCALLEN, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2014

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness identified? Yes
- Significant deficiencies identified that are not considered to be material weaknesses? Yes

Type of auditor’s report issued on compliance for major programs:

Unmodified for all major programs except for the Equitable Sharing Program which was qualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

Yes

Identification of major federal program:

CFDA Numbers

Name of Federal Program or Cluster

16.922

Equitable Sharing Program

20.106

Airport Improvement Program

20.507

Federal Transit Administration

97.039

Hazard Mitigation

97.044

Assistance to Firefighters Grant Program

Dollar threshold used to distinguish between Type A and Type B federal programs:

\$300,000

Auditee qualified as low-risk auditee?

No

CITY OF MCALLEN, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2014

State Awards

Internal control over major programs:

• Material weakness identified? Yes

• Significant deficiencies identified that are not
considered to be material weaknesses? No

Type of auditor's report issued on compliance for
major programs:

Unmodified for all major programs except for the
Equitable Sharing Program which was qualified

Any audit findings disclosed that are required
to be reported in accordance with
State of Texas Single Audit Circular?

Yes

Identification of major state program:

Grant Number

Name of State Program or Cluster

N/A

Equitable Sharing Program

Dollar threshold used to distinguish between Type A
and Type B state programs:

\$300,000

Auditee qualified as low-risk auditee?

Yes

CITY OF MCALLEN, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding #: 2014-001

Allowance for Doubtful Accounts

Type of Finding: Significant Deficiency

Criteria:

Generally accepted accounting principles (GAAP) prescribes that all receivables should be measured net of estimated uncollectible amounts.

Condition:

We noted that an analysis is not being performed to determine an appropriate allowance for doubtful accounts on all of the City's accounts receivables. Currently, an allowance is determined only for water, sewer and sanitation receivables. As an example, it was noted in the Airport fund there were a few receivables that had been outstanding for an extended period of time and related to vendors that were in bankruptcy.

Recommendation:

We recommend that management establish a policy and develop a method based on historical experience and other relevant factors to determine an appropriate allowance for doubtful accounts and consistently use it on a periodic basis, at least annually, to analyze whether an allowance should be recorded. This will allow management to assess the true collectability of outstanding receivables.

View of Responsible Officials and Planned Corrective Actions:

Management concurs and will establish an appropriate allowance for doubtful accounts policy in FY 14-15.

Target completion date:

June 30, 2015.

Finding #: 2014-002

Financial Statement and Supporting Schedules Reconciliation

Type of Finding: Significant Deficiency

Criteria:

Reconciliation of supporting schedules to amounts reported in the financial statements is a necessary component of a strong internal control.

Condition:

During the audit, we encountered inconsistencies in the supporting schedules of the capital assets and grants when auditing the numbers within the financial statements. We noted that there is a decentralized process regarding the underlying data and the data recorded in the financial statements. Complete and accurate supporting schedules are necessary for complete and accurate financial statements.

Recommendation:

We recommend that the City establish policies and procedures to ensure the supporting schedules are reconciled to the financial statements. This could include a detailed checklist identifying the supporting

CITY OF MCALLEN, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2014

schedules utilized to prepare the financial statements and related notes and assigning a person to be responsible for the accurate reconciliation.

Views of Responsible Officials and Planned Corrective Actions:

Management concurs and will establish detailed checklists for capital assets and grants.

Target Completion Date:

Ongoing and will be utilized for year-end process

Finding #: 2014-003

Accounts Payable Open Items Report

Type of Finding: Significant Deficiency

Criteria:

Understatement is the primary risk surrounding accounts payable; thus, a detail of the open payables balance at year-end is necessary to for underlying support of the financial statement balance.

Condition:

Based on our inquiries, management was unable to provide an open payables detail by fund to support the accounts payable balance. It was our understanding based on prior year response to this matter that the accounting system was going to be modified to allow for an open payables report to be created. Additionally, it was noted that the City engaged a consultant to assist in this matter during 2014 to create a report.

Recommendation:

If the City has this capability, we recommend the City have available the system generated report to appropriately monitor accounts payable activities of the City.

Views of Responsible Officials and Planned Corrective Actions:

Cogsdale, consultant for the City, has been unable to create the requested report. IT Director is checking other avenues to remedy this issue.

Target Completion Date

Ongoing. Status will be forthcoming

Finding #: 2014-004

Revenue Recognition

Type of Finding: Significant Deficiency

Criteria:

In accordance with the NCGA Statement 1 paragraph 110, governmental fund revenues should be classified in the statement of revenues, expenditures, and changes in fund balances by fund and major revenue source, such as taxes, licenses and permits, intergovernmental revenues, charges for services, fines and forfeits, and miscellaneous.

Condition:

During the audit, we noted that the City is recording grant revenue against expenditures in the general ledger for those grants included in the General fund. It was communicated that this practice is done to ensure for budgetary purposes there is an accurate picture of the grant.

CITY OF MCALLEN, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2014

Recommendation:

We recommend that the City properly reflect the grant revenue as intergovernmental revenues in the general fund or account for the grant activity of those specific grants in the Miscellaneous Grants Fund. In order to maintain the ability to monitor the grant for budgetary purposes, the City could create a grant revenue account that is linked to the grant expense account.

Views of Responsible Officials and Planned Corrective Action:

Management concurs and will set up revenue and expenditure account numbers on the general ledger to record them to the Miscellaneous Grants Fund (Fund 140).

Target Completion Date

Ongoing and will continue throughout the fiscal year.

CITY OF MCALLEN, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2014

SECTION III – FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

Federal Award Findings:

Finding #: 2014-005

CFDA Title: Equitable Sharing Program

CFDA Number: 16.922

Federal Award Number: N/A

Federal Award Year: 2014

Federal Agency: Department of Justice

Type of Finding: Material Weakness and Material Noncompliance

Davis Bacon

Criteria or Specific Requirement:

Title 29 CFR Part 5 states that a contract in the excess of \$2,000 which is entered into for the actual construction, alteration and or repair, financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agencies, are to pay minimum wages to all laborers and mechanics employed or working upon the site of the work and will be paid unconditionally and not less often than once a week and without subsequent deductions or rebate on any account. In addition non-federal entities shall include in their construction contracts subject to the Davis –Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis Bacon Act including the requirement for a contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and is statement of compliance (certified payrolls).

Condition:

We noted that the City did not include the provisions of Davis Bacon requirements in their contracts requiring the contractors to pay minimum wages to all laborers and mechanics. In addition the City did not require the contractors to submit weekly certified payrolls.

Questioned Costs:

None reported.

Context:

It was noted that City of McAllen did not include the Davis Bacon provisions in contracts occurred during the period.

Effect:

The City's lack of compliance with the requirements may cause the City to fail to require contractors to comply with the provisions of the Davis Bacon Act, which could potentially lead to loss or return of funding.

Cause:

The department did not indicate that the project was to be funded with federal dollars on the Request for Funding Availability form when requesting Purchasing and Contracts to procure contractors for specific construction renovations.

Recommendation:

We recommend the City strengthen their policies and procedures over the communication of federal requirements that all contracts funded with federal financial assistance to be subjected to the Davis Bacon Act requirements. The policies should consider defining federal financial assistance as outlined in OMB Circular

CITY OF MCALLEN, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2014

A-133 to ensure all departments are aware that is not just grants that are subject to OMB Circular A-133 requirements.

Views of Responsible Officials and Planned Corrective Actions:

Elizabeth Cabrera, Purchasing Director. Davis Bacon requirements were not implemented because the department was not aware that Seized fund (state and federal) were being used for this project. Since that time, Request for Availability forms have been revised. This form will require that each department notify Budget and Purchasing and Contracting of the type and name of funding to be used for the procurement of services, supplies, and goods. No solicitation will be advertised unless Request for Funding Availability form has been completed to its entirety.

Completion Date: April 1, 2015.

Finding #: 2014-006

CFDA Title: Federal - Equitable Sharing Program

CFDA Number: 16.922

Federal Award Number: N/A

Federal Award Year: 2014

Federal Agency: Department of Justice

Type of Finding: Significant Deficiency

Procurement, Suspension and Debarment

Criteria or Specific Requirement:

In accordance with 2 CFR section 180, nonfederal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g. grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220.

Condition:

The City did not perform an inspection of the vendor in System for Award Management (SAM) to ensure the vendor is not suspended or debarred from use for the Equitable Sharing Program. The inspection of the vendors was performed for another grant funded project in which the vendors were utilized, thus the City was in compliance with the requirements. The control over the process in general however failed.

Questioned Costs:

None reported.

Context:

Of the three vendors utilized, the City did not perform an inspection of the vendor in System for Award Management (SAM) to ensure the vendor is not suspended or debarred from use in federally funded projects for the Equitable Sharing Program.

Effect:

The City's lack of compliance with the requirement could potentially lead to loss or return of funding.

CITY OF MCALLEN, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2014

Cause:

The Police Department was unaware that the Equitable Sharing Program was subject to the federal regulations and therefore, did not communicate to the Contracts and Purchasing department that the project would be funded with federal forfeitures.

Recommendation:

We recommend the City of McAllen's Police department ensure all projects funded by federal forfeitures be communicated to the Contracts and Purchasing department to ensure the suspension and debarment inspection is performed.

Views of responsible officials and Planned Corrective Actions: Javier Rodriguez, Director of Fiscal Management (Police Department). We agree to implement the auditor's recommendations.

Completion Date: Ongoing.

Finding #: 2014-007

Program Title: Assistance to Firefighters Grant Program

CFDA Number: 97.044

Federal Award Number: EMW-2012-FR-00371

Federal Award Year: 2012

Federal Agency: Federal Emergency Management Agency

Pass-through Entity: N/A

Type of Finding: Significant Deficiency

Cash Management

Criteria or Specific Requirement:

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition:

The request for funds document is not reviewed prior to being submitted to the grantor agency.

Questioned Costs:

None reported.

Context:

Of the 3 reimbursement reports judgmentally selected for testing, there was no indication that a review of the report was performed prior to submission to the granting agency. It was noted that the City performs an after submission review when recording the journal entry however this is not a preventative control but a detective control.

Effect:

The City of McAllen's lack of review could cause errors to be reported to the granting agency thus causing a loss of funding.

Cause:

CITY OF MCALLEN, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2014

The City believes, as the reports are prepared electronically there is no opportunity for review prior to submission.

Recommendation:

We recommend the City of McAllen assign another individual with requisite knowledge to review the reimbursement requests for the Assistance to Firefighters Grant Program prior to submission.

Views of responsible officials and Planned Corrective Actions: Vidal Roman, Assistant Budget Director

The City of McAllen will assign the appropriate individual with knowledge of the granted funds to review the required reports prior to submission.

Completion Date: Effective immediately and going forward.

Finding #: 2014-008

Program Title: Assistance to Firefighters Grant Program

Federal Award Number: EMW-2012-FR-00371

Federal Agency: Federal Emergency Management Agency

Pass-through Entity: N/A

Type of Finding: Material Weakness

CFDA Number: 97.044

Federal Award Year: 2012

Reporting

Criteria or Specific Requirement:

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition:

The Federal Financial Report/SF-425 reports are not reviewed by anyone other than the preparer prior to being submitted to the grantor agency.

Questioned Costs:

None reported.

Context:

Of the 2 financial reports judgmentally selected for testing, there was no indication that a review of the reports was performed prior to submission to the granting agency.

Effect:

The City of McAllen's lack of review could cause errors to be reported to the granting agency thus causing a loss of funding.

Cause:

The City believes as the reports are prepared electronically there is no opportunity for review prior to submission.

CITY OF MCALLEN, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2014

Recommendation:

We recommend the City of McAllen assign another individual with requisite knowledge to review the required reports for the Assistance to Firefighters Grant Program prior to submission.

Views of Responsible Officials and Planned Corrective Actions:

Vidal Roman, Assistant Budget Director. The City of McAllen will implement a procedure that quarterly reports generated electronically will be printed out first so that a designated individual can review the report prior to submission to ensure accuracy of the data.

Completion Date: Effective immediately and going forward.

State Award Findings

Finding #: 2014-009

Program Title: Equitable Sharing Program

State Award Year: 2014

State Agency: Texas Attorney General

Type of Finding: Material Weakness and Material Noncompliance

Suspension and Debarment

Criteria or Specific Requirement:

Per the Uniform Grants Management Standards subpart c paragraph .35, Subawards to debarred and Suspended parties, Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs under Executive Order 12549, "Debarment and Suspension."

Condition:

The City did perform the review of the Parties Excluded from Procurement and Nonprocurement Programs listing to ensure the contractors are not suspended or debarred by the State of Texas.

Questioned Costs: None reported.

Context:

Of the three vendors utilized, the City did not review the Parties Excluded from Procurement and Nonprocurement Programs listing maintained by the State of Texas. In addition, the review of the Parties Excluded from Procurement and Nonprocurement document is not included within the established policies and procedures for review of Suspension and Debarment for state funded projects.

Effect:

The City's lack of compliance with the requirement could potentially lead to loss or return of funding.

Cause:

CITY OF MCALLEN, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2014

The City was unaware that the State of Texas maintained a Parties Excluded from Procurement and Nonprocurement Programs list and that the City was required to perform a review of the listing to ensure contractors are not suspended or debarred by the State of Texas.

Recommendation:

We recommend the City of McAllen perform a review of the Parties Excluded from Procurement and Nonprocurement Programs listing to ensure contractors are not suspended or debarred. In addition, we recommend that the City incorporate this review into its established policies and procedures in place for other government funded projects.

Views of Responsible Officials and Planned Corrective Actions:

Elizabeth Cabrera, Purchasing Director. Standard operating procedures have been developed (awaiting approval for Assistant City Manager) and all appropriate staff (Director, Assistant Director, Senior Buyer, Buyers II, and Contracts Compliance Officer) will be trained on these procedures.

Completion Date: April 1, 2015.

Finding #: 2014-010

Program Title: Equitable Sharing Program – State

State Award Number: N/A

State Award Year: 2014

State Agency: Texas Attorney General

Pass-through Entity: N/A

Type of Finding: Material Weakness and Material Noncompliance

Equipment Management

In accordance with the Uniform Grants Management Standards paragraph 32(d) (1) and (2) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of federal *or state* participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

Condition:

The City of McAllen did not meet the equipment requirement of taking a physical inventory of equipment at least once every two years as outlined in the Uniform Grants Management Standards.

Questioned Costs:

None reported.

Context:

There was no physical inventory of equipment in the last two years. In addition, a control system was not identified that ensures a physical inventory is performed as required.

CITY OF MCALLEN, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2014

Effect:

The City's lack of adhering to the equipment requirement of performing a physical inventory could result in a loss of funding from the granting agency.

Cause:

The department responsible for managing this program failed to perform the required inventory within the past two years.

Recommendation:

We recommend the City of McAllen establish physical inventory policies and procedures to ensure compliance with the equipment requirement. The policy and procedures should include details of preparing for and executing a physical inventory count, and resolving differences between quantities determined by the physical inspection and those shown in the accounting records.

Views of Responsible Officials and Planned Corrective Actions:

Javier Rodriguez, Director of Fiscal Management (Police Department). We agree to implement the auditor's recommendations.

Completion Date: Ongoing.