



**CITY OF**  
**McALLEN, TEXAS**

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended September 30, 2016**

**Prepared by:**  
**Department of Finance**

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CITY OF McALLEN, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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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  
RICHARD F. CORTEZ, Commissioner District 1  
TREY PEBLEY, Commissioner District 2  
JOHN J. INGRAM, Commissioner District 5  
VERONICA VELA WHITACRE, Commissioner District 6

ROEL RODRIGUEZ, P.E., City Manager

March 22, 2017

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, 2016.

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, 2016. 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 Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 Uniform Guidance 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, 2015 and 2016 the population has grown to 139,776 and 142,940 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 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.

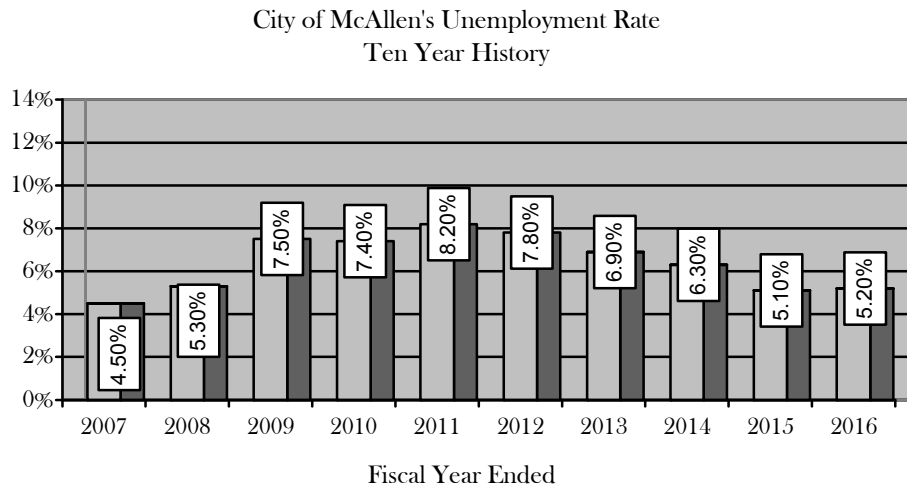
According to the Texas Workforce Commission, over the last 10 years the McAllen-Edinburg-Mission MSA employment has grown from 262,344 in 2006 to 338,493 in 2016—a 29.02% increase. At this level, the unemployment rate is 7.9%. Some of the more significant employment numbers by industry, include government; 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 2016, the latest year available, which on a calendar year basis, the McAllen Economic Development Corporation has been responsible for bringing 317 new companies, which including expansions, has created 32,866 jobs in McAllen. Its efforts have also resulted in 362 new companies, which including expansions, has created 137,239 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 2015 Texas exported \$92.5 billion to Mexico, which represented over 37.3% of Texas' total exports—making Mexico its Number One Trading Partner. 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 steadily declined at 8.2% in 2011, decreasing down to 7.8% in 2012 and declining

further in 2013 and 2014 to 6.9% and 6.3% respectively. This past year unemployment stood at 5.1% prior to inching up to the present level of 5.2%.



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, September 2016, the economic index for the McAllen Area increased from 182.5 in September 2015 to 189.1 in September 2016. This index reflects, for the McAllen area economy, a decrease in retail sales of -2.9%, a decrease in lodging tax receipts -7.1%, airline boarding's -9.9%, and home sales price -8.1%. Vehicle purchases increased 7.0%, as well as bridge crossings by 4.4%.

Some of the City's more significant statistics, reflective of its economy, have been somewhat mixed. Property values have increased. After two years of gradual increase in sales tax, this past year the City experienced a gradual decrease. Sales tax increased by 5% in 2013, 1% in 2014, and 2% in 2015 but decreased 3.5% in 2016. There was a 14.1% increase in the Mexican Peso exchange in relation to the US Dollar, which possibly had an impact in the sales tax decrease.

### **LONG-TERM FINANCIAL PLANNING**

As of September 30, 2016 the City's General Fund unassigned fund balance amounted to \$44.3M, which represents 152 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 2015-16**

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 2015-16, as well as the status, 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 1,300 cars. The first parking garage is scheduled to be completed in late November 2016.

- Facilitate redevelopment of old Civic Center site  
**Management's Response:** Contract awarded on August 2016 with a completion date of 50 days from award on razing buildings and clearing site.
- Continue retail recruitment efforts nationwide  
**Management's Response:** Two nationwide chain retail business will begin construction.
- Continue to bring new manufacturing to the region  
**Management's Response:** Two new companies creating 220 new jobs opened this year.

*Complete City assets currently in design*

- Construct new two level parking structure at the McAllen Public Safety Building  
**Management's Response:** Architectural services awarded May 2016.
- Repurpose existing previous law enforcement building  
**Management's Response:** Professional services contract awarded on May 2016 for repurposing and modernizing the structure for usage by various law enforcement agencies.
- Construction of a South Waste Water Treatment Plant (SWWTP) Project  
**Management's Response:** Construction commenced and funding in place for the construction. Presently in design phase.

*Improve City Traffic flow and Storm Drainage*

- Traffic management Improvements - cabinets replacement  
**Management's Response:** Traffic cabinets replaced in various locations.
- Regional storm water improvements – Harvey & 4<sup>th</sup>-6<sup>th</sup>; Quince & Redwood, and Quince & 27<sup>th</sup>-31.  
**Management's Response:** South McAllen site improvements completed January, April, and July 2016, respectively.
- Mile 5 phase I improvements  
**Management's Response:** Construction completed.

*Leisure, Cultural and Entertainment*

- Begin construction of Performing Arts Center  
**Management's Response:** Construction 95% completed with a scheduled grand opening of November 2016.
- McAllen Annual City Parade.  
**Management's Response:** City held its inaugural parade on December 5, 2015 with dignitaries present and will start the tradition with private sector sponsors.
- McAllen City Marathon.  
**Management's Response:** City annual marathon held December 13, 2015. Renamed McAllen Marathon Scott Crane Memorial Run and is scheduled for January 15, 2017.

## 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, 2015. This was the twenty-ninth consecutive year and the thirtieth 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.

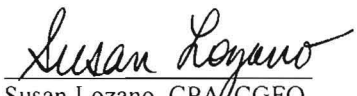
In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget dated October 1, 2015. The budget for October 1, 2016 has been submitted for review and notification of an award is awaited. In order to qualify for the Distinguished Budget Presentation 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 "Roy" Rodriguez, P.E.  
City Manager



Susan Lozano, CPA, CGFO  
Finance Director

# CITY OF McALLEN, TEXAS

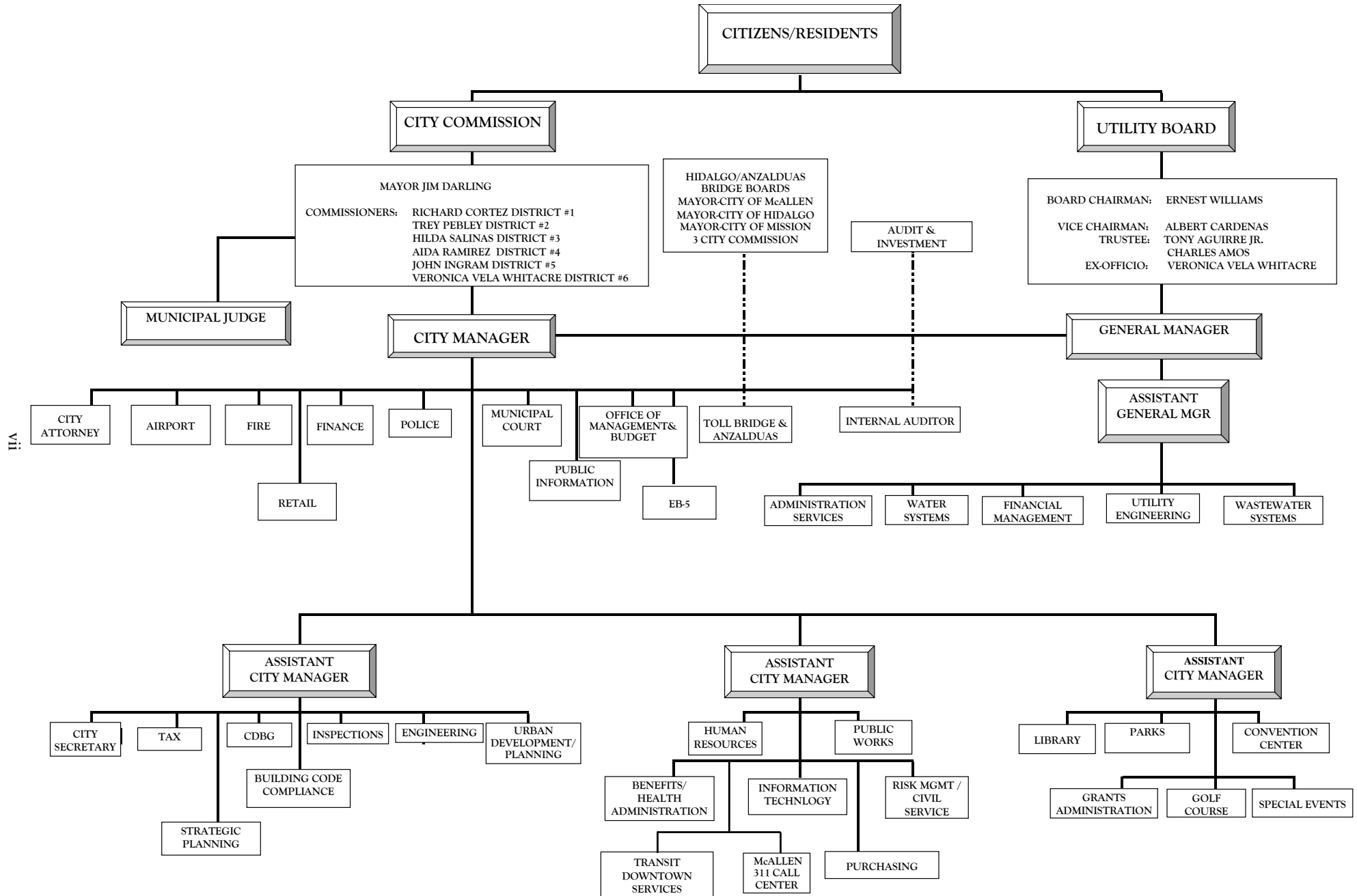
## LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2016

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 .....	Richard Cortez
Commissioner District 5 .....	John J. Ingram
Commissioner District 6 .....	Veronica Vela Whitacre
Public Utility Board Chairman .....	Ernest Williams
Public Utility Board Vice-Chairman .....	Albert Cardenas
Trustee Place B .....	Tony Aguirre
Trustee Place C .....	Charles Amos
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
Finance Director .....	Susan A. Lozano
Administrator of Urban Development .....	Julianne Rankin
Aviation Director .....	Elizabeth Suarez
Bridge Superintendent .....	Rigoberto Villarreal
City Secretary .....	Perla Lara
Fire Chief .....	Rafael Balderas
Director Parks and Recreation .....	Miguel Hernandez Jr.
Human Resources Director.....	Christina Flores
Police Chief.....	Victor Rodriguez



# CITY OF McALLEN, TEXAS





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
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Reporting**

Presented to

**City of McAllen  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2015**

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

### **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, 2016, 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 did not audit the financial statements of the Firemen’s Relief and Retirement Fund, a fiduciary fund of the City of McAllen, which represents 28.3%, 29.7%, and 7.4%, respectively, of the assets, net position/fund balance, and revenues/additions, of the aggregate remaining fund information. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for that fund, is based on the report of the other auditor. 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, based on our audit and the reports of the other auditor, 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, 2016, 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.

### Other matters

#### *Required supplementary information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Texas Municipal Retirement System schedules of changes in net pension liability and related ratios, Texas Municipal Retirement System schedules of contributions, Firemen's Relief and Retirement Fund schedules of changes in net pension liability and related ratios, Firemen's Relief and Retirement Fund schedules of contributions and post-employment benefit plan schedule of funding process, as listed in the table of contents, 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 and other auditors 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, and the schedule of expenditures of federal and state awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State of Texas Single Audit Circular, respectively, 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 21, 2017, 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.



Houston, Texas  
March 21, 2017

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**City of McAllen, Texas**  
**Management Discussion and Analysis**  
**September 30, 2016**

This discussion and analysis is intended to provide an overview of the City's financial performance for the fiscal year ended September 30, 2016 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 \$1.9M as a result of this year's operations. Governmental activities decreased \$3.6M with business-type activities contributing \$1.7M.

- **Governmental Activities – Revenues and Expenses Compared to Last Year** – Total revenues in the aggregate decreased \$2M under last year. The decreases/increases were in the following categories: sales taxes decreased \$3.0M, which was offset by an increase in property tax, \$2.0M, and other miscellaneous revenues increased by \$800K. Expenses increased \$25M or 19% over last year, which is primarily due to depreciation expense, \$14M, and pension expense, \$6M, as well as \$5M for street repaving maintenance expenses. The net increase in program function expenses were the result of a \$11M increase in general government, \$5.8M increase in public safety, \$1M increase in highways and streets, \$8M increase in culture and recreation, which is offset with a \$2M decrease in health and welfare.
- **Business-Type Activities – Revenues and Expenses Compared to Last Year** – Total revenues reflected an increase of \$14M from last year. Charges for services increased by \$7M, which can be attributed to an increase in Water residential and commercial sales, Bridge toll rates, Sewer Fund's commodity rates, as well as an increase in the Sanitation Fund's brush collection charges. Grants and contributions decreased by \$2M, with the majority of the decrease noted in the Airport Capital Improvement Fund and Transit System Fund. Expenses increased \$9M or 11% over last year with the more significant increase coming from the Water Fund-\$3M, Sewer Fund-\$1M, and Sanitation Fund-\$2M, as well as the Anzalduas International Crossing project, which financed the construction of one additional lane and equipment on the Mexico side of the Anzalduas Bridge for a total cost of \$1.3M.
- **City as a Whole – Revenues and Expenses Compared to Last Year** –Governmental revenues reflected a decrease of \$2M and business-type activity revenues increased by \$14M, thus generating revenues of \$12M or 5% more over last year while expenses increased by \$35M or 16% 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.

**City of McAllen, Texas**  
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**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 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



**City of McAllen, Texas**  
**Management Discussion and Analysis**  
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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 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**  
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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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 165	\$ 170	\$ 136	\$ 161	\$ 301	\$ 331
Capital assets	326	296	434	414	760	710
Total assets	491	466	570	575	1,061	1,041
Deferred outflows of resources	19.6	8.5	11.2	1.5	30.8	10.0
Long-term debt outstanding	106.6	82.5	170.7	179.7	277.3	262.2
Other liabilities	63.2	47.2	25	18	88	65
Total liabilities	169.8	129.7	195.7	197.8	365.5	327.5
Deferred inflows of resources	3.3	3.6	5.1	0.6	8.4	4.2
Net position:						
Net investment in capital assets	278	271	269	245	547	516
Restricted	24	24	62	53	86	77
Unrestricted	36	46	49	80	85	126
Total net position	\$ 338	\$ 341	\$ 380	\$ 378	\$ 718	\$ 719

Net position of the City's governmental activities decreased by \$3M or less than 1% under last year; primarily as a result of a decrease in EB-5 investor deposits who obtained immigration approval, as well as the transfer of the General Fund's street cleaning department to the Sanitation Fund in the amount of \$1M. 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 increased \$2M or 1% more than last year's amount, which is due to an increase in Bridge toll revenues and the sale and close out of the Civic Center land, buildings, and equipment. Generally, the City can only use this net position to finance continuing operations and capital expenses of the enterprise funds.

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The table below presents more detail on revenues and expenses.

Changes in Net Position Information (in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 9	\$ 12	\$ 84	\$ 77	\$ 93	\$ 89
Grants and contributions	6	5	12	14	18	19
General revenues:					-	-
Property taxes	41	39	-	-	41	39
Sales tax	61	64	-	-	61	64
Other taxes	12	12	-	-	12	12
Gain on sale of capital assets	-	-	10	1	10	1
Other general revenues	7	6	2	2	9	8
Total revenues	136	138	108	94	244	232
Program expenses						
General government	38	27	-	-	38	27
Public safety	63	57	-	-	63	57
Highways and streets	24	23	-	-	24	23
Health and welfare	6	8	-	-	6	8
Culture and recreation	22	14	-	-	22	14
Interest on long term debt	2	2	-	-	2	2
Water	-	-	20	17	20	17
Sewer	-	-	16	15	16	15
Sanitation	-	-	18	16	18	16
Golf	-	-	1	1	1	1
Transit terminal	-	-	2	1	2	1
Bus	-	-	4	4	4	4
Civic center	-	-	1	1	1	1
Convention center	-	-	6	6	6	6
Airport	-	-	9	8	9	8
Anzalduas international crossing	-	-	6	5	6	5
McAllen Int'l toll bridge	-	-	7	7	7	7
Total expenses	155	130	90	81	245	211
Excess (Loss) before transfers	(19)	8	18	13	(1)	21
Transfers	16	3	(16)	(3)	-	-
Change in net position	(3)	11	2	10	(1)	21
Beginning net position, October 1	341	353	378	368	719	721
Impact of change in accounting principle	-	(23)	-	-	-	(23)
Ending net position, September 30	\$ 338	\$ 341	\$ 380	\$ 378	\$ 718	\$ 719

**City of McAllen, Texas**  
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Total revenues generated from both governmental and business-type activities this year amounted to \$244M, representing an increase of \$12M or 5% over last year due primarily to charges for services, property taxes, and gain on sale of capital assets. Sales tax decreased \$3M or 5%. Expenses came in at \$245M, or \$34M over last year, as FY 15-16 included an increase in pension expense, maintenance expenses, as well as depreciation expense, which resulted in no change 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 \$136M. Expenses came in at \$155M, leaving a \$19M decrease before transfers-in of \$16M, thus decreasing net position by \$3M.

The cost of all governmental activities this year was \$155M. 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 \$137M. The other \$17M to finance these programs was paid by those who directly benefited from them and by other governments that subsidized certain programs with grants.

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. The increase noted in Police and Fire was attributed to pension expense.

**Governmental Activities**  
**(in Millions)**

	Net Cost of Services	
	2016	2015
Police	\$ 31	\$ 26
Fire	23	19
Street maintenance	8	6
Parks	7	15
Drainage	2	3
Total	<u>\$ 71</u>	<u>\$ 69</u>

**Business-type Activities**

Total revenues generated from business-type activities this year amounted to \$108M. Expenses came in at \$90M leaving \$18M before transfers out of \$16M, which, resulted in a net increase to net position of \$2M. More details will be provided about governmental and business-type activities' operations later in this discussion and analysis.

**City of McAllen, Texas**  
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**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 \$122M or a decrease of \$2.8M from last year. Current revenues, including net transfers in, were not sufficient to cover current expenditures, thus, resulting in a decrease to fund balance by \$2.8M.

**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, 2016 and 2015.

Revenues, transfers-in and Other Financing Sources	2016 Amount	% of Total	2015 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
Taxes	\$ 113,666,622	58.95%	\$ 114,763,015	\$ (1,096,393)	-0.96%
Licenses and permits	1,808,701	0.94%	1,613,397	195,304	12.11%
Intergovernmental	2,760,398	1.43%	3,502,500	(742,102)	-21.19%
Charges for services	6,001,013	3.11%	5,767,795	233,218	4.04%
Fines and forfeitures	1,808,320	0.94%	5,415,137	(3,606,817)	-66.61%
Investment income	1,006,394	0.52%	876,393	130,001	14.83%
Miscellaneous	4,710,326	2.44%	4,348,725	361,601	8.32%
Proceeds from capital debt	29,459,480	15.28%	16,316,031	13,143,449	80.56%
Transfers-in	31,581,149	16.38%	26,945,098	4,636,051	17.21%
Totals	<u>\$ 192,802,403</u>	<u>100.00%</u>	<u>\$ 179,548,091</u>	<u>\$ 13,254,312</u>	<u>7.38%</u>

The \$1.1M decrease in taxes is primarily due to a decrease in sales taxes of \$2.8M, which was offset by an increase in property tax collections of \$1.4M. Licenses and permits and charges for services increase were attributable to an increase in rate charges for building, electrical, and plumbing permits. The decrease of \$3.6M in fines and forfeitures was largely due to a decrease in seized funds forfeitures, as well as municipal court fines. Funding from federal and state assistance decreased by \$742K due to a decline in grant revenue for public safety projects as reflected in intergovernmental revenues' category. Investment earnings also reflect a modest increase as compared to last year. The increase of \$362K in the miscellaneous category is a result of governmental reimbursements, \$150K, and an increase in several miscellaneous items and grant funding requests. The increase of \$4.6M in transfers-in was the result of an increase of transfers to the Performing Arts Construction Fund from the Civic Center Fund, \$11.7M, for funding assistance towards the Performing Arts Center, as well as transfers in from the Development Corp Fund of \$2M and the Convention Center Fund of \$1M to also assist with construction costs for the Performing Arts Construction Fund. This year the City issued \$24.5M in Combination Tax and Assessment Revenue Certificates of Obligation Bonds, Series 2016 for the purpose of acquiring, constructing, and equipping public infrastructure improvements within the Tres Lagos Public Improvement District, and Sales Tax Revenue Bonds in the amount of \$5.12M to finance a portion of a new parking garage at the La Plaza Mall in the City.

**City of McAllen, Texas**  
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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, 2016 and 2015.

Expenditures and Transfers-out	2016 Amount	% of Total	2015 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
General government	\$ 37,765,082	19.31%	\$ 27,655,376	\$ 10,109,706	36.56%
Public safety	56,512,051	28.89%	57,159,580	(647,529)	-1.13%
Highways and streets	19,672,725	10.06%	18,950,050	722,675	3.81%
Health and welfare	5,596,042	2.86%	7,666,200	(2,070,158)	-27.00%
Culture and recreation	52,026,665	26.60%	32,905,919	19,120,746	58.11%
Debt service:					
Principal	4,765,000	2.44%	19,853,534	(15,088,534)	-76.00%
Interest and fiscal		0.00%			
charges	2,567,009	1.31%	3,803,374	(1,236,365)	-32.51%
Transfers-out	<u>16,700,887</u>	<u>8.54%</u>	<u>15,923,896</u>	<u>776,991</u>	<u>4.88%</u>
Totals	<u>\$ 195,605,461</u>	<u>100.00%</u>	<u>\$ 183,917,929</u>	<u>\$ 11,687,532</u>	<u>6.35%</u>

The increase of \$12M in total expenditures was primarily due to an increase of \$10M in the general government function for bond construction costs for public infrastructure improvements associated with Tax Increment Zone #1 (TIRZ #1). Health and welfare decreased \$2M, as this year there was no payment to the Doctor's Hospital medical district, which occurred in FY 14-15. Culture and recreation functions increased \$19M due to the Performing Arts Construction Fund expenditures. Public Safety functions decreased \$647K, which was due to a reduction in compensation and maintenance expenditures. Highways and streets function increased \$722K, which can be attributed to drainage, infrastructure, and street maintenance. Additionally, expenditures decreased in principal payments—\$15M, as well as a decrease for interest and fiscal charges—\$1.2M primarily as there were no refunding activity in FY 15-16. As indicated, transfers-out increased by \$777K compared to last year—primarily due to an increase of transfers from the Hotel Venue Fund—\$529K to the Performing Arts Construction Fund; as well as the Hotel Occupancy Fund—\$292K to the Performing Arts Maintenance and Operation Fund, which began operations in FY 15-16.

**Fund Balances**

The governmental fund balances decreased by \$3M, from \$125M in the prior year to \$122M in the current year, which is attributed to the spend down of general obligation and certificate of obligation proceeds received for street improvements, sports facility complex, and the new Performing Arts facility, as well as an increase in the street repaving project expenditures, which were a carry-over of the unused portion in FY 14-15. Fund balances by major funds are discussed on the following page.

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**General Fund**

As a result of this year's operations, total fund balance decreased by \$1.7M—to \$47.5M. Several factors played a role for the reduction in fund balance and can be attributed to two main factors. In FY 15-16, the City's sales tax revenue decreased approximately \$2M compared to last year with the peso devaluation as the main contributor. In addition, the General Fund spent \$5M and aggressively brought its streets repaving program up-to-date, as the prior year received minimal assistance. Fund balance categories reflect \$2.6M in non-spendable, \$457K in restricted, leaving \$44M unassigned. For FY 15-16, paving expenditures totaled \$5M against a budget of \$5.9M. 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 152 days, which is 12 days in excess of the minimum requirement.

**Development Corp Fund**

The fund balance in the Development Corporation Fund reflected a decrease of \$687K, leaving the ending restricted fund balance at \$13.8M, which is partially due to a transfer out to the Performing Arts Construction Fund for \$2M and was offset by miscellaneous revenue, \$400K.

**Capital Improvement Fund**

The Capital Improvement Fund, whose main funding source is a transfer in from the General Fund from oil and gas royalty proceeds, ended the year with a net decrease, amounting to \$1.1M, leaving the assigned fund balance at \$2.7M. As expenditures were more than revenue, a portion of fund balance was used to complete some of the capital projects.

**Performing Arts Construction Fund**

The Performing Arts Construction Fund, which is responsible for the construction expenditures for the Performing Arts Center, is in the final stages of completion and expected to open in November 2016. This fund ended the year with a net decrease, amounting to \$13.6M, leaving the restricted fund balance at \$5.3M.

**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 \$2.1M increase to net position. Of that amount, the Water and Sewer Funds accounted for approximately \$3.2M; the Sanitation Fund, \$757K; the McAllen International Airport, \$2.2M; the McAllen International Toll Bridge, \$3.1M. The Convention Center Fund, the Anzalduas International Crossing, and non-major proprietary funds combined generated a net decrease amounting to \$7.2M.

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**McAllen Public Utilities (MPU) – Water and Sewer Funds**

**Water Fund**

Operating revenues increased by 18% as compared to last year due to less rainfall throughout the year and summer months, elimination of the city wide water conservation program, and an increase to the monthly minimum base rate. With operating expenses held to last year's totals, the decrease to net position amounted to \$37K. Combined 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 consumption as noted above, operating revenues increased by 11% from last year due to an increase to the monthly minimum base rate in FY 15-16. Operating expenses increased 14% over last year, mainly due to salary/compensation expense and depreciation expense. The net impact to net position was an increase of \$3.2M, leaving combined Water and Sewer Fund working capital in excess of the board policy of 120 days of operating expenses.

**Sanitation Fund**

This year's operating revenues, representing charges for services, increased \$622K or 4% over prior year, which primarily represents a small increase in growth in the customer base, as well an increase in brush pickup revenue. As a whole, operating expenses increased \$1.6M or 10% over last year, which is due to the addition of the street cleaning department from the General Fund, \$432K, as well as increases in wages/compensation and contractual expenses, leaving an operating income of \$365K. The effect of non-operating revenues and capital contributions were reported at \$751K. Consequently, the net position increased by \$757K. Working capital as of year-end amounted to \$8.4M.

**Convention Center Fund**

Operating revenues were \$2.5M and operating expenses were \$6.4M, leaving an operating loss of \$3.8M, which was partially covered by transfers-in from the Hotel Occupancy Tax Fund in the amount of \$2M, as well as a gain of \$820K from the sale of capital assets. As a result, the Convention Center reported a decrease in net position of \$1.9M, after a transfer out of \$1M. Working capital is now reported at \$1.6M.

**McAllen International Airport Fund**

Operating revenues increased this year by 3% from last year's levels due to an increase in parking and car rental fees. Operating expenses increased by 13%. Even with the increased revenue, the Airport Fund sustained an operating loss of \$1.2M before capital contributions and transfers out. Capital contributions from the Passenger Facility Charge as well as the FAA amounted to \$4.8M. 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 \$2.2M is reported. This year's working capital is reflected at \$8M, not considering liabilities payable from restricted assets, which are included in current liabilities.



**City of McAllen, Texas**  
**Management Discussion and Analysis**  
**September 30, 2016**

**McAllen International Toll Bridge Fund**

The table below reflects three types of crossings for 2016, as well as 2015. With the exception of non-commercial trucks and bus crossings, all other categories reflect increases.

Category	FY 15-16	FY 14-15	Increase (Decrease)	% Increase (Decrease)
Cars	2,896,421	2,822,746	73,675	2.60%
Non-Commercial Trucks & Buses	28,884	33,211	(4,327)	-13.00%
Passengers in cars	7,241,053	7,056,865	184,188	2.60%

Southbound car crossings increased 2.60% and revenues came in at \$12M or an increase of \$900K over last year. Rental income increased \$137K, however, other income remained relatively flat. Operating expenses increased by \$303K over last year due to the increase of facility maintenance personnel and depreciation expense. After considering all other non-operating revenues and expenses, changes in this year's increase in net position totaled \$3.1M.

The Bridge's assets exceed liabilities by \$36M at September 30, 2016. Working capital, not considering liabilities payable from restricted assets, which are included in current liabilities, at year end amounted to \$2M.

**Anzalduas International Crossing**

The table below reflects four types of crossings for 2016, as well as 2015. All other categories of crossings reflect increases, which are noted below.

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

Southbound car crossings increased 40K or 4.13% with revenues coming in at \$3.5M, an increase of \$356K over last year. Operating expenses increased by \$1.1M over last year, as the Bridge agreed to finance the construction of one additional lane on the Mexico side of the Anzalduas Bridge. After a transfer in of \$949K, the change in net position was a negative \$1.0M. This resulted in an ending net position deficit of \$2M.

Unrestricted net position is reflected as a deficit in the amount of \$15.5M, largely the consequence of advances made to it by the McAllen International Toll Bridge Fund.

**City of McAllen, Texas**  
**Management Discussion and Analysis**  
**September 30, 2016**

**General Fund Budgetary Highlights**

During the year, the City Commission amended the budget several times. The decrease from the original appropriations to the final budget appropriations was approximately \$343K. This decrease was primarily due to a reduction in the contingency section for budgeted personnel.

**Pensions and Retiree Healthcare**

Effective for fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" created specific reporting requirements for pensions that are different than that used for funding purposes. Valuations are important as the reporting valuation provides a rigorous standard measure that can be used to compare the City's pension liabilities to other governments from around the nation. The funding valuation is important as the actuarial methods used including strategies for repaying any unfunded actuarial accrued liabilities combined with the City's history of making those contributions provides insights regarding the City's commitment to and the effectiveness of its funding strategy. Information contained in the financial statements themselves including the first schedule of Required Supplementary Information (RSI), Schedule of Changes in Net Pension Liability and Related Ratios, is based on the reporting valuation. The second schedule in the RSI, Schedule of Contributions, is based on the funding valuation. On a reporting basis, the City's financial statements reflect a Net Pension Liability as of September 30, 2016 of \$ 25,966,824, which is 39.93% of the City's annual covered payroll of \$65,030,992.

The Firemen's Relief & Retirement Fund (the Plan) reflects a Net Pension Liability as of September 30, 2016 of \$26,846,019, which is 233% of the Plan's annual covered payroll of \$11,515,311. Information contained in the financial statements themselves including the third schedule of Required Supplementary Information (RSI), Schedule of Changes in Net Pension Liability and Related Ratios, is based on the reporting valuation. The fourth schedule in the RSI, Schedule of Contributions, is based on the funding valuation.

Retiree health care's net OPEB liability has been calculated in accordance with GASB Statement No.45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," to be \$1,329,600, as of September 30, 2016.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of the fiscal year, the City had \$759M in net capital assets, which is reflected on the following page.

**City of McAllen, Texas**  
**Management Discussion and Analysis**  
**September 30, 2016**

Capital Assets at Year-end  
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 58	\$ 56	\$ 21	\$ 21	\$ 79	\$ 77
Buildings and improvements	147	134	550	532	697	666
Equipment	89	84	66	61	155	145
Infrastructure	216	203	-	-	216	203
Construction in progress	62	50	60	42	122	92
Capitalized interest	-	-	-	1	-	1
Water rights	-	-	8	7	8	7
Accumulated depreciation	<u>(247)</u>	<u>(231)</u>	<u>(271)</u>	<u>(251)</u>	<u>(518)</u>	<u>(482)</u>
Net Capital Assets	<u>\$ 325</u>	<u>\$ 296</u>	<u>\$ 434</u>	<u>\$ 413</u>	<u>\$ 759</u>	<u>\$ 709</u>

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

Performing Arts Center Construction	\$30
Street projects financed by the City directly and dedicated by developers	3
Drainage projects	2
Public Safety Building Improvements	1
Airport projects	5
Water and Sewer improvement projects	<u>22</u>
Total	<u>\$63</u>

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

**Debt**

At the end of the fiscal year, the City had \$252M in bonds outstanding—as shown in the following table:

Outstanding Debt at Year-end  
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
General/certificate of obligation bonds/note (backed by the City)	\$ 88	\$ 56	\$ -	\$ -	\$ 88	\$ 56
Revenue bonds backed by Specific tax and fee revenues	<u>5</u>	<u>12</u>	<u>159</u>	<u>170</u>	<u>164</u>	<u>182</u>
Totals	<u>\$ 93</u>	<u>\$ 68</u>	<u>\$ 159</u>	<u>\$ 170</u>	<u>\$ 252</u>	<u>\$ 238</u>

For more detailed information on long term debt activity, refer to the notes to financial statements (refer to page 91).

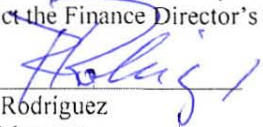
**City of McAllen, Texas**  
**Management Discussion and Analysis**  
**September 30, 2016**

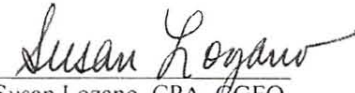
**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

During the budget process for fiscal year 2016-17 the elected and appointed officials considered many factors including the forces driving the economy—among which were slowing of job growth, bank deposits, retail sales growth, the unemployment rate, peso devaluation, and inflation. As a result of the deliberations, within the General Fund, revenues budgeted to increase from last year's budget by \$2.5M or more than 2.29%. Expenditures were budgeted with a \$649K increase or .62% over this year's budget.

**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 Rodríguez  
City Manager

  
\_\_\_\_\_  
Susan Lozano, CPA, CGFO  
Finance Director

**CITY OF McALLEN, TEXAS**  
**STATEMENT OF NET POSITION**  
**September 30, 2016**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash	\$ 5,496,483	\$ 2,218,482	\$ 7,714,965
Certificate of deposits	32,730,150	-	32,730,150
Investments	105,744,229	28,290,764	134,034,993
Receivables	19,588,193	7,692,746	27,280,939
Internal balances	(1,039,917)	1,039,917	-
Inventories	-	416,554	416,554
Prepaid items	81,043	95,424	176,467
Notes receivable	-	162,698	162,698
Restricted assets	-	95,875,097	95,875,097
Capital assets not being depreciated:			
Land	58,197,423	20,660,918	78,858,341
Construction in progress	61,875,843	59,641,019	121,516,862
Water rights (perpetual)	-	4,923,100	4,923,100
Goodwill	-	609,713	609,713
Capital assets being depreciated:			
Buildings and systems	90,837,346	297,419,039	388,256,385
Equipment	88,675,730	66,141,507	154,817,237
Improvements	56,279,484	252,111,542	308,391,026
Infrastructure	216,458,805	-	216,458,805
Water rights	-	3,200,000	3,200,000
Accumulated depreciation	(246,507,080)	(270,756,614)	(517,263,694)
Other long term assets	2,592,340	-	2,592,340
Total assets	491,010,072	569,741,906	1,060,751,978
<b>Deferred outflows of resources:</b>			
Deferred charges on refunding	-	3,985,532	3,985,532
Deferred charges-pensions	19,617,970	7,271,424	26,889,394
Total deferred outflows	19,617,970	11,256,956	30,874,926
Total assets and deferred outflows of resources	\$ 510,628,042	\$ 580,998,862	\$ 1,091,626,904
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 13,759,849	\$ 15,152,363	\$ 28,912,212
Unearned revenues	632,322	1,149,485	1,781,807
Other	1,590,661	400,607	1,991,268
Non-current liabilities:			
Due within one year	10,383,440	9,929,844	20,313,284
Due in more than one year	96,229,664	161,153,930	257,383,594
Net OPEB obligation	1,329,600	-	1,329,600
Net pension obligation -Firemen's Pension	27,828,153	-	27,828,153
Net pension obligation-TMRS	18,028,374	7,938,450	25,966,824
Total liabilities	169,782,063	195,724,679	365,506,742
<b>Deferred inflows of resources:</b>			
Deferred charges on refunding	283,963	5,086,253	5,370,216
Deferred charges-pensions	3,034,158	-	3,034,158
Total deferred inflows	3,318,121	5,086,253	8,404,374
Total liabilities and deferred inflows of resources	173,100,184	200,810,932	373,911,116
<b>NET POSITION</b>			
Net investment in capital assets	277,919,085	269,347,294	547,266,379
Restricted for:			
Capital projects	-	49,160,692	49,160,692
Federal and state grant awards	5,621,465	-	5,621,465
Hotel Tourism	124,501	-	124,501
Parks	1,729,231	-	1,729,231
Debt service	1,053,495	6,655,666	7,709,161
Economic development	13,826,181	-	13,826,181
Distribution of net surplus revenues	-	5,700,472	5,700,472
Other purposes	1,190,219	-	1,190,219
Unrestricted	36,063,681	49,323,806	85,387,487
Total net position	337,527,858	380,187,930	717,715,788
Total liabilities, deferred inflows of resources, and net position	\$ 510,628,042	\$ 580,998,862	\$ 1,091,626,904

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

**CITY OF McALLEN, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2016**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 38,778,497	\$ 2,343,536	\$ 341,357	\$ -
Public safety	63,079,739	3,991,057	462,767	426,766
Highways and streets	24,136,943	1,087,905	-	3,629,807
Health and welfare	5,693,042	366,471	1,183,306	-
Culture and recreation	22,500,569	1,363,071	102,572	70,898
Interest on long-term debt	2,066,207	-	-	-
Total governmental activities	156,254,997	9,152,040	2,090,002	4,127,471
<b>Business-type activities:</b>				
Water services	20,135,477	18,558,428	-	1,484,976
Sewer services	16,431,643	17,147,746	-	2,318,479
Sanitation services	17,976,533	18,220,367	695	-
Golf course services	1,448,965	1,343,588	-	-
Civic center services	162,176	243,570	-	-
Convention center services	6,400,139	2,503,519	-	-
Airport services	8,856,156	7,156,640	-	4,839,136
Transit services	1,551,484	5,968	586,705	317,998
Bus services	3,795,560	1,053,797	935,984	2,643
Bridge services--anzalduas	5,642,196	3,621,256	-	-
Bridge services	7,310,552	14,512,742	-	1,944,222
Total business-type activities	89,710,881	84,367,621	1,523,384	10,907,454
Total primary government	245,965,878	93,519,661	3,613,386	15,034,925
General revenues:				
Property taxes				
Hotel occupancy tax				
Sales taxes				
Franchise taxes				
Unrestricted investment earnings				
Royalties				
Gain on sale of capital assets				
Miscellaneous				
Transfers				
Total general revenues, special items, and transfers				
Change in net position				
Net position - at beginning of year				
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
\$ (36,093,604)	\$ -	\$ (36,093,604)
(58,199,149)	-	(58,199,149)
(19,419,231)	-	(19,419,231)
(4,143,265)	-	(4,143,265)
(20,964,028)	-	(20,964,028)
(2,066,207)	-	(2,066,207)
(140,885,484)	-	(140,885,484)
-	(92,073)	(92,073)
-	3,034,582	3,034,582
-	244,529	244,529
-	(105,377)	(105,377)
-	81,394	81,394
-	(3,896,620)	(3,896,620)
-	3,139,620	3,139,620
-	(640,813)	(640,813)
-	(1,803,136)	(1,803,136)
-	(2,020,940)	(2,020,940)
-	9,146,412	9,146,412
-	7,087,578	7,087,578
(140,885,484)	7,087,578	(133,797,906)
40,459,314	-	40,459,314
5,253,476	-	5,253,476
61,301,698	-	61,301,698
6,716,262	-	6,716,262
1,354,865	689,307	2,044,172
490,736	-	490,736
-	9,899,884	9,899,884
5,179,301	520,372	5,699,673
16,485,677	(16,485,677)	-
137,241,329	(5,376,114)	131,865,215
(3,644,155)	1,711,464	(1,932,691)
341,172,013	378,476,466	719,648,479
\$ 337,527,858	\$ 380,187,930	\$ 717,715,788

**CITY OF McALLEN, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2016**

	<u>General</u>	<u>Development Corp.</u>
<b>ASSETS</b>		
Cash	\$ 4,089,106	\$ 1,312
Certificates of deposit	-	-
Investments	43,414,640	12,854,940
Receivables, net:		
Taxes	11,783,683	2,473,229
Accounts	1,611,801	50,000
Accrued interest	108,095	25,063
Other	647,782	-
Due from other funds	908,253	70,333
Due from other governments	31,869	-
Inventories	-	-
Prepays	53,979	27,064
Board advances	2,592,340	-
	<u>65,241,548</u>	<u>15,501,941</u>
Total assets	<u>\$ 65,241,548</u>	<u>\$ 15,501,941</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 2,794,469	\$ 289,117
Accrued liabilities	1,023,014	4,174
Due to other funds	3,116	78,375
Unearned revenues	632,322	-
Other	985,661	-
	<u>5,438,582</u>	<u>371,666</u>
Total liabilities	5,438,582	371,666
Deferred inflows of resources	<u>12,352,896</u>	<u>1,302,778</u>
Total liabilities and deferred inflows of resources	<u>17,791,478</u>	<u>1,674,444</u>
Fund balances:		
Nonspendable	2,646,319	27,064
Restricted	-	13,800,433
Committed	-	-
Assigned	457,022	-
Unassigned	44,346,729	-
	<u>47,450,070</u>	<u>13,827,497</u>
Total fund balances	<u>47,450,070</u>	<u>13,827,497</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 65,241,548</u>	<u>\$ 15,501,941</u>

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



<b>Performing Arts Construction</b>	<b>Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 11,552	\$ 73,143	\$ 766,887	\$ 4,942,000
8,288,830	-	24,441,320	32,730,150
1,791,996	2,586,943	28,950,424	89,598,943
-	-	-	-
-	-	164,522	14,421,434
-	-	1,331,122	2,992,923
5,199	4,259	38,606	181,222
-	4,612	300	652,694
48,871	-	3,116	1,030,573
-	293,911	476,260	802,040
-	-	-	-
-	-	-	81,043
-	-	-	2,592,340
<u>\$ 10,146,448</u>	<u>\$ 2,962,868</u>	<u>\$ 56,172,557</u>	<u>\$ 150,025,362</u>
\$ 2,714,681	\$ 256,679	\$ 679,604	\$ 6,734,550
2,147,940	9,186	184,032	3,368,346
-	-	556,790	638,281
-	-	-	632,322
-	-	605,000	1,590,661
4,862,621	265,865	2,025,426	12,964,160
-	-	1,088,750	14,744,424
<u>4,862,621</u>	<u>265,865</u>	<u>3,114,176</u>	<u>27,708,584</u>
-	-	-	2,673,383
5,283,827	-	52,468,906	71,553,166
-	-	297,145	297,145
-	2,697,003	292,330	3,446,355
-	-	-	44,346,729
<u>5,283,827</u>	<u>2,697,003</u>	<u>53,058,381</u>	<u>122,316,778</u>
<u>\$ 10,146,448</u>	<u>\$ 2,962,868</u>	<u>\$ 56,172,557</u>	<u>\$ 150,025,362</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, 2016**

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Total governmental fund balances (refer to page 23) \$ 122,316,778

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. 309,998,934

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-\$3,816,687; sales and franchise taxes-\$5,370,373; weed and lot cleaning-\$708,386; others; \$2,256,638, and Mission repayment on Series B Bridge bonds, \$2,592,340. 14,744,424

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position. 28,437,145

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, (\$10,359,164), sales tax revenue bonds payable, (\$5,120,000), accrued interest, (\$493,232), certificates of obligation, (\$35,715,000), general obligations (\$52,555,000), premium, (\$2,999,467), deferred inflows of resources, (\$3,318,121), Firemen's pension obligation, (\$27,728,153), OPEB obligation, (\$1,329,600), deferred outflows of resources, \$19,617,970, discount, \$158,718, and TMRS pension liability, (\$18,028,374). (137,969,423)

Net position of governmental activities \$ 337,527,858

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, 2016**

	<u>General</u>	<u>Development Corp</u>
<b>REVENUES</b>		
Taxes	\$ 89,776,328	\$ 15,112,381
Licenses and permits	1,791,626	-
Intergovernmental	3,000	-
Charges for services	4,916,066	-
Fines and forfeitures	1,250,027	-
Investment earnings	521,959	108,969
Net increase (decrease) in the fair value of investments	(7,901)	(8,125)
Other	2,224,693	1,624,262
Total revenues	<u>100,475,798</u>	<u>16,837,487</u>
<b>EXPENDITURES</b>		
Current:		
General government	19,351,706	7,196,206
Public safety	54,301,624	-
Highways and streets	13,633,076	3,329,439
Health and welfare	2,185,964	2,229,772
Culture and recreation	17,983,062	2,540,257
Debt service:		
Principal	-	75,000
Interest and fiscal charges	-	4,587
Total expenditures	<u>107,455,432</u>	<u>15,375,261</u>
Excess of revenues over (under) expenditures	<u>(6,979,634)</u>	<u>1,462,226</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	10,894,176	-
Transfers out	(5,587,000)	(7,269,717)
Issuance of debt	-	5,120,000
Bond discount	-	-
Net other financing sources (uses)	<u>5,307,176</u>	<u>(2,149,717)</u>
Net change in fund balances	(1,672,458)	(687,491)
Fund balances at beginning of year	<u>49,122,528</u>	<u>14,514,988</u>
Fund balances at end of year	<u><u>\$ 47,450,070</u></u>	<u><u>\$ 13,827,497</u></u>

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

<b>Performing Arts Construction</b>	<b>Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 8,777,913	\$ 113,666,622
-	-	17,075	1,808,701
-	-	2,757,398	2,760,398
-	-	1,084,947	6,001,013
-	-	558,293	1,808,320
98,261	21,848	272,145	1,023,182
-	371	(1,133)	(16,788)
3	(3,031)	864,399	4,710,326
<u>98,264</u>	<u>19,188</u>	<u>14,331,037</u>	<u>131,761,774</u>
	734,614	10,482,556	37,765,082
-	206,520	2,003,907	56,512,051
-	241,373	2,468,837	19,672,725
-	-	1,180,306	5,596,042
30,260,563	470,501	772,282	52,026,665
-	-	4,690,000	4,765,000
-	-	2,562,422	2,567,009
<u>30,260,563</u>	<u>1,653,008</u>	<u>24,160,310</u>	<u>178,904,574</u>
<u>(30,162,299)</u>	<u>(1,633,820)</u>	<u>(9,829,273)</u>	<u>(47,142,800)</u>
16,545,562	490,736	3,650,675	31,581,149
-	-	(3,844,170)	(16,700,887)
-	-	24,500,000	29,620,000
-	-	(160,520)	(160,520)
<u>16,545,562</u>	<u>490,736</u>	<u>24,145,985</u>	<u>44,339,742</u>
(13,616,737)	(1,143,084)	14,316,712	(2,803,058)
<u>18,900,564</u>	<u>3,840,087</u>	<u>38,741,669</u>	<u>125,119,836</u>
<u>\$ 5,283,827</u>	<u>\$ 2,697,003</u>	<u>\$ 53,058,381</u>	<u>\$ 122,316,778</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, 2016**

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

Net change in fund balances--total governmental funds (refer to page 27)	\$	(2,803,058)
--	----	-------------

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 \$37,341,341 exceeded depreciation, (\$15,332,822), in the current period.		22,008,519
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,466,980
--	--	-----------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		4,765,000
--	--	-----------

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 \$32,236 is compensated absences, (\$156,768) accrued interest expense, \$657,570 bond amortization expense, (\$3,264.658) Firemen's Fund net pension obligation, and (\$4,133,682), pension expense.		(6,865,302)
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		7,243,186
--	--	-----------

Certificates of obligation, \$24,500,000, sale tax revenue bonds, \$5,120,000, and discount \$160,520 provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		(29,459,480)
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Change in net position of governmental activities	\$	<u>(3,644,155)</u>
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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**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes:				
Property	\$ 36,280,702	\$ 37,180,702	\$ 37,052,902	\$ (127,800)
Sales	49,224,050	45,555,645	45,337,142	(218,503)
Franchise	7,311,500	7,311,500	7,386,284	74,784
Total taxes	92,816,252	90,047,847	89,776,328	(271,519)
Licenses and permits:				
Business licenses and permits	55,000	55,000	66,568	11,568
Occupational	254,100	254,100	244,856	(9,244)
Non-business licenses and permits	1,066,500	1,066,500	1,480,202	413,702
Total licenses and permits	1,375,600	1,375,600	1,791,626	416,026
Intergovernmental revenues:				
State shared revenues	-	-	3,000	3,000
Total intergovernmental revenues	-	-	3,000	3,000
Charges for services:				
General government	2,300,500	2,300,500	2,288,437	(12,063)
Public safety	663,000	663,000	668,491	5,491
Highways and streets	3,500	3,500	2,958	(542)
Health	586,200	586,200	646,255	60,055
Culture and recreation	1,101,200	1,295,238	1,309,925	14,687
Total charges for services	4,654,400	4,848,438	4,916,066	67,628
Fines and forfeitures:				
Corporations court	1,550,000	1,398,445	1,196,881	(201,564)
Other fines	65,000	65,000	53,146	(11,854)
Total fines and forfeitures	1,615,000	1,463,445	1,250,027	(213,418)
Investment earnings	420,000	420,000	521,959	101,959

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Decrease in the fair value of investments	\$ -	\$ -	\$ (7,901)	\$ (7,901)
Other:				
Royalties	865,000	350,000	490,736	140,736
Rents and concessions	5,500	5,500	61,400	55,900
Reimbursements	350,000	350,000	1,034,475	684,475
Other	18,100	18,100	638,082	619,982
Total other revenues	1,238,600	723,600	2,224,693	1,501,093
Total revenues	102,119,852	98,878,930	100,475,798	1,596,868
<b>EXPENDITURES</b>				
General government:				
City commission	163,176	165,028	178,847	(13,819)
Special service	787,411	787,411	757,557	29,854
City manager	1,280,251	1,312,705	1,314,709	(2,004)
City secretary	490,472	499,906	450,915	48,991
Vital statistics	181,125	184,972	156,693	28,279
Passport facility	90,173	91,922	94,798	(2,876)
Audit office	231,552	236,422	206,685	29,737
Municipal court	1,474,375	1,555,389	1,370,193	185,196
Finance	1,244,582	1,267,527	1,213,584	53,943
Budget & management	375,463	390,030	376,334	13,696
Tax office	1,087,345	1,125,829	1,049,608	76,221
Purchasing and contracting	576,249	591,045	538,969	52,076
Legal	1,360,126	1,385,890	1,537,271	(151,381)
Grant administration	432,447	442,002	437,078	4,924
Right of way	196,603	200,135	161,310	38,825
Human resources	816,985	840,171	817,167	23,004
Risk management	457,085	457,085	457,085	-
Planning	1,186,727	1,207,925	934,600	273,325
Information technology	2,862,106	2,906,033	2,865,721	40,312
Public information office	750,906	746,045	609,426	136,619
311 Call center	191,252	176,450	196,036	(19,586)
City hall	613,014	571,646	516,933	54,713
Development Center	112,012	112,307	103,425	8,882
Building maintenance	809,122	822,217	734,874	87,343
Non-departmental activities	2,101,784	2,101,784	2,271,888	(170,104)
Contingency	(20,840)	(3,311,017)	-	(3,311,017)
Total general government	19,851,503	16,866,859	19,351,706	(2,484,847)

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public safety:				
Police	\$ 32,830,812	\$ 33,068,396	\$ 32,660,480	407,916
Animal control	354,319	356,878	321,745	35,133
Radio Shop	383,961	388,730	377,881	10,849
Fire	17,087,930	17,002,558	17,866,447	(863,889)
Traffic operations	2,416,306	2,401,487	2,016,872	384,615
Building code compliance	<u>1,044,487</u>	<u>1,061,087</u>	<u>1,058,199</u>	<u>2,888</u>
Total public safety	<u>54,117,815</u>	<u>54,279,136</u>	<u>54,301,624</u>	<u>(22,488)</u>
Highways and streets:				
Engineering services	1,815,405	1,841,053	1,592,651	248,402
Street maintenance	6,552,299	8,678,487	8,056,237	622,250
Street lighting	1,977,001	1,977,001	2,365,429	(388,428)
Sidewalk construction	343,790	338,065	298,324	39,741
Drainage	<u>1,461,580</u>	<u>1,372,318</u>	<u>1,320,435</u>	<u>51,883</u>
Total highways and streets	<u>12,150,075</u>	<u>14,206,924</u>	<u>13,633,076</u>	<u>573,848</u>
Health and welfare:				
Health code compliance	1,212,862	1,223,804	1,376,453	(152,649)
Graffiti cleaning	148,756	144,102	141,823	2,279
Other agencies	<u>467,662</u>	<u>467,662</u>	<u>667,688</u>	<u>(200,026)</u>
Total health and welfare	<u>1,829,280</u>	<u>1,835,568</u>	<u>2,185,964</u>	<u>(350,396)</u>
Culture and recreation:				
Parks and recreation administration	555,104	561,773	528,532	33,241
Parks	6,899,699	6,940,982	6,808,166	132,816
Recreation	1,441,426	1,476,341	1,672,202	(195,861)
Pools	908,797	931,315	874,183	57,132
Las palmas community center	354,591	364,110	374,553	(10,443)
Recreation center-Lark	509,315	517,984	477,255	40,729
Recreation center-Palmview	<u>506,602</u>	<u>513,884</u>	<u>488,479</u>	<u>25,405</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Quinta mazatlan	\$ 736,300	\$ 904,716	\$ 913,367	\$ (8,651)
Library	3,417,308	3,472,375	3,102,574	369,801
Library branch-Lark	450,636	482,062	471,871	10,191
Library branch-Palmview	466,577	498,071	479,021	19,050
Other agencies	1,006,459	1,006,459	1,006,459	-
Museums	786,400	786,400	786,400	-
Total culture and recreation	18,039,214	18,456,472	17,983,062	473,410
Total expenditures	105,987,887	105,644,959	107,455,432	(1,810,473)
Excess of revenues over expenditures	(3,868,035)	(6,766,029)	(6,979,634)	(213,605)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	10,095,867	10,863,504	10,894,176	30,672
Transfers out	(5,961,264)	(5,446,264)	(5,587,000)	(140,736)
Net other financing sources (uses)	4,134,603	5,417,240	5,307,176	(110,064)
Net change in fund balances	266,568	(1,348,789)	(1,672,458)	(323,669)
Fund balances at begining of year	49,122,528	49,122,528	49,122,528	-
Fund balances at end of year	\$ 49,389,096	\$ 47,773,739	\$ 47,450,070	\$ (323,669)

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 Fiscal Year Ended September 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Sales tax	\$ 16,436,667	\$ 16,436,667	\$ 15,112,381	\$ (1,324,286)
Intergovernmental revenues	8,427,965	6,060,265	-	(6,060,265)
Investment earnings	50,000	50,000	108,969	58,969
Decrease in the fair value of investments	-	-	(8,125)	(8,125)
Other	700,000	2,399,700	1,624,262	(775,438)
Total revenues	25,614,632	24,946,632	16,837,487	(8,109,145)
<b>EXPENDITURES</b>				
Current:				
General government	11,743,439	11,755,322	7,196,206	4,559,116
Highways and streets	2,881,210	6,234,948	3,329,439	2,905,509
Health and welfare	2,761,998	2,761,998	2,229,772	532,226
Culture and recreation	5,217,986	5,083,527	2,540,257	2,543,270
Debt service:				
Principal	25,000	25,000	75,000	(50,000)
Interest and fiscal charges	3,281	3,281	4,587	(1,306)
Total expenditures	22,632,914	25,864,076	15,375,261	10,488,815
Excess (deficiency) of revenues over expenditures	2,981,718	(917,444)	1,462,226	2,379,670
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(7,700,906)	(7,700,906)	(7,269,717)	431,189
Issuance of debt	-	-	5,120,000	5,120,000
Total other financing sources (uses)	(7,700,906)	(7,700,906)	(2,149,717)	5,551,189
Net changes in fund balances	(4,719,188)	(8,618,350)	(687,491)	7,930,859
Fund balances--beginning	14,514,988	14,514,988	14,514,988	-
Fund balances--ending	\$ 9,795,800	\$ 5,896,638	\$ 13,827,497	\$ 7,930,859

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

**CITY OF McALLEN, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**September 30, 2016**

	<b>Business Type Activities-Enterprise Funds</b>				
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Convention Center</b>	<b>McAllen International Airport</b>
<b>ASSETS</b>					
Current assets:					
Cash	\$ 313,247	\$ 163,661	\$ 539,617	\$ 51,168	\$ -
Investments	2,620,464	545,522	8,344,765	1,903,877	8,403,549
Receivables, net:					
Accounts	2,039,994	1,848,691	2,013,734	30,110	85,076
Accrued interest	11,673	-	17,966	6,887	22,624
Other	-	15,270	-	-	-
Due from other funds	-	-	-	180,242	-
Due from other governments	-	-	291	-	750,873
Interfund loan	-	-	-	-	-
Inventories, at cost	52,995	-	-	-	-
Other	-	-	-	-	-
Prepaid expense	3,695	-	1,253	89,096	880
Restricted assets:					
Cash and cash equivalents	104,127	563,689	2,731	24,381	87,375
<b>Total current assets</b>	<b>5,146,195</b>	<b>3,136,833</b>	<b>10,920,357</b>	<b>2,285,761</b>	<b>9,350,377</b>
Noncurrent assets:					
Restricted assets:					
Investments	15,884,624	51,710,980	8,956,141	1,708,070	6,562,848
Accrued interest	19,859	48,415	26,161	3,522	15,939
Due from other governments	-	-	-	-	216,402
<b>Total noncurrent restricted assets</b>	<b>15,904,483</b>	<b>51,759,395</b>	<b>8,982,302</b>	<b>1,711,592</b>	<b>6,795,189</b>
Capital assets:					
Land	3,070,465	2,288,495	1,101,490	5,579,529	3,251,781
Buildings and systems	66,699,089	116,556,325	2,411,238	56,281,224	32,480,501
Improvements other than buildings	61,766,320	37,549,994	532,748	6,733,381	83,712,891
Machinery and equipment	8,133,426	8,011,271	27,770,192	3,663,534	2,828,756
Construction in progress	1,327,603	46,756,723	62,723	-	11,052,440
Goodwill	-	-	-	-	-
Water rights	8,123,100	-	-	-	-
Less accumulated depreciation and amortization	(68,074,518)	(73,152,483)	(19,885,441)	(15,582,349)	(56,856,571)
<b>Total capital assets (net of accumulated depreciation and amortization)</b>	<b>81,045,485</b>	<b>138,010,325</b>	<b>11,992,950</b>	<b>56,675,319</b>	<b>76,469,798</b>
Other noncurrent assets					
Loans receivable	81,349	81,349	-	-	-
Board advances	-	-	-	-	-
<b>Total other noncurrent assets</b>	<b>81,349</b>	<b>81,349</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total noncurrent assets</b>	<b>97,031,317</b>	<b>189,851,069</b>	<b>20,975,252</b>	<b>58,386,911</b>	<b>83,264,987</b>
<b>Total assets</b>	<b>\$ 102,177,512</b>	<b>\$ 192,987,902</b>	<b>\$ 31,895,609</b>	<b>\$ 60,672,672</b>	<b>\$ 92,615,364</b>
Deferred outflow of resources					
Deferred charges on refundings	3,985,532	-	-	-	-
Deferred charges - pensions	1,775,223	1,099,837	1,908,277	521,870	455,737
<b>Total assets and deferred outflows of resources</b>	<b>107,938,267</b>	<b>194,087,739</b>	<b>33,803,886</b>	<b>61,194,542</b>	<b>93,071,101</b>

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
\$ 175,857	\$ 131,417	\$ 270,517	\$ 1,645,484	\$ 1,127,481
1,722,362	1,485,264	3,264,960	28,290,763	16,145,286
310	-	14,770	6,032,685	517,870
-	2,104	1,742	62,996	43,942
-	-	-	15,270	67,701
157,359	-	24,436	362,037	-
175,497	-	332,429	1,259,090	12,309
-	-	-	-	4,372,560
-	-	-	52,995	363,559
-	-	-	-	286,464
500	-	-	95,424	-
246,100	101,500	434	1,130,337	-
2,477,985	1,720,285	3,909,288	38,947,081	22,937,172
7,999,064	1,284,613	300,518	94,406,858	-
7,604	-	-	121,500	-
-	-	-	216,402	-
8,006,668	1,284,613	300,518	94,744,760	-
573,798	2,922,772	1,872,588	20,660,918	8,128,636
14,162,628	10,415,086	5,830,564	304,836,655	-
4,292,858	40,452,704	9,520,207	244,561,103	132,823
2,365,260	970,334	11,574,001	65,316,774	26,564,527
228,417	213,113	-	59,641,019	-
609,713	-	-	609,713	-
-	-	-	8,123,100	-
(11,301,079)	(10,309,654)	(14,973,925)	(270,136,020)	(18,670,405)
10,931,595	44,664,355	13,823,435	433,613,262	16,155,581
-	-	-	162,698	-
17,002,435	-	-	17,002,435	-
17,002,435	-	-	17,165,133	-
35,940,698	45,948,968	14,123,953	545,523,155	16,155,581
\$ 38,418,683	\$ 47,669,253	\$ 18,033,241	\$ 584,470,236	\$ 39,092,753
-	-	-	3,985,532	-
355,841	126,213	754,072	6,997,070	274,354
<b>38,774,524</b>	<b>47,795,466</b>	<b>18,787,313</b>	<b>595,452,838</b>	<b>39,367,107</b>

Continued

**CITY OF McALLEN, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**September 30, 2016**

	<b>Business Type Activities-Enterprise Funds</b>				
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Convention Center</b>	<b>McAllen International Airport</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 512,848	\$ 5,179,167	\$ 1,550,734	\$ 230,231	\$ 687,829
Accrued expenses	303,852	2,135,648	99,240	31,044	78,036
Due to other funds	-	-	500,903	-	-
Due to other government agencies	-	-	-	-	-
Customer deposits payable	2,554,372	-	-	36,985	-
Compensated absences	378,763	226,487	364,202	79,155	83,670
Current portion of revenue bonds	1,316,800	4,049,200	-	-	405,000
Current portion of note payable	-	-	-	-	696,530
Other	38	100,000	-	262,998	37,571
Total current liabilities	5,066,673	11,690,502	2,515,079	640,413	1,988,636
Other noncurrent liabilities:					
Revenue bonds, net of current portion	19,940,789	99,217,378	-	-	7,565,000
Compensated absences	137,302	108,919	125,254	45,299	60,800
Interfund notes payable	-	-	-	-	2,988,355
Unearned revenues	234,892	415,000	123,237	126,819	-
Board advances	-	-	-	-	-
Net pension liability	1,938,072	1,200,735	2,083,294	569,742	497,544
Total other noncurrent liabilities	22,251,055	100,942,032	2,331,785	741,860	11,111,699
Total liabilities	27,317,728	112,632,534	4,846,864	1,382,273	13,100,335
Deferred inflows of resources-refunding	329,611	4,756,642	-	-	-
Total liabilities and deferred inflows of resources	\$ 27,647,339	\$ 117,389,176	\$ 4,846,864	\$ 1,382,273	\$ 13,100,335
<b>NET POSITION</b>					
Net investments in capital assets	59,523,516	35,092,535	11,992,950	56,675,318	68,581,114
Restricted for:					
Capital projects	12,665,024	18,672,322	8,405,914	1,473,988	5,960,265
Debt service	499,543	4,297,837	-	-	298,661
Distribution of net surplus revenues	-	-	-	-	-
Unrestricted	7,602,845	18,635,869	8,558,158	1,662,963	5,130,726
Total net position	80,290,928	76,698,563	28,957,022	59,812,269	79,970,766
Total liabilities, deferred inflows of resources and net position	<u>\$ 107,938,267</u>	<u>\$ 194,087,739</u>	<u>\$ 33,803,886</u>	<u>\$ 61,194,542</u>	<u>\$ 93,071,101</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
\$ 108,528	\$ 65,336	\$ 145,566	\$ 8,480,239	\$ 545,710
22,924	189,020	33,615	2,893,379	2,869,798
16,540	157,359	9,193	683,995	138,034
935,601	-	-	935,601	-
-	-	-	2,591,357	-
71,516	-	27,503	1,231,296	34,583
-	1,360,000	-	7,131,000	-
176,461	-	-	872,991	-
-	-	-	400,607	-
1,331,570	1,771,715	215,877	25,220,465	3,588,125
-	30,914,488	-	157,637,655	-
27,615	15,484	156,008	676,681	23,191
511,213	-	-	3,499,568	-
125,339	5,000	119,198	1,149,485	-
-	17,002,435	-	17,002,435	-
388,483	137,794	823,269	7,638,933	299,517
1,052,650	48,075,201	1,098,475	187,604,757	322,708
2,384,220	49,846,916	1,314,352	212,825,222	3,910,833
-	-	-	5,086,253	-
\$ 2,384,220	\$ 49,846,916	\$ 1,314,352	\$ 217,911,475	\$ 3,910,833
10,931,595	12,389,867	13,823,435	269,010,330	16,155,581
1,983,179	-	-	49,160,692	-
504,561	1,055,064	-	6,655,666	-
5,700,472	-	-	5,700,472	-
17,270,497	(15,496,381)	3,649,526	47,014,203	19,300,693
36,390,304	(2,051,450)	17,472,961	377,541,363	35,456,274
<b>\$ 38,774,524</b>	<b>\$ 47,795,466</b>	<b>\$ 18,787,313</b>	<b>\$ 595,452,838</b>	<b>\$ 39,367,107</b>

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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, 2016**

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Fund equity - total proprietary funds (page 39)	\$ 377,541,362
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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.

2,646,568
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Net position of business-type activities	<u>\$ 380,187,930</u>
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**CITY OF McALLEN, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**For the Year Ended September 30, 2016**

	<b>Business Type Activities-Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Convention Center</b>
<b>Operating revenues</b>				
Charges for services	\$ 18,003,010	\$ 16,653,720	\$ 17,942,179	\$ 1,272,325
Rentals	-	-	-	1,172,271
Other	1,015,418	494,026	278,188	71,421
Total operating revenues	19,018,428	17,147,746	18,220,367	2,516,017
<b>Operating expenses</b>				
Salaries, wages and employee benefits	6,971,883	4,358,427	7,627,408	2,072,794
Supplies	1,343,359	694,200	342,109	130,031
Contractual and other services	5,726,515	3,528,428	4,756,729	2,190,633
Repairs and maintenance	617,489	433,074	2,876,872	379,514
Depreciation and amortization	4,706,122	6,151,898	2,251,806	1,606,054
Self insurance claims	-	-	-	-
Other	-	-	-	-
Total operating expenses	19,365,368	15,166,027	17,854,924	6,379,026
Operating income (loss)	(346,940)	1,981,719	365,443	(3,863,009)
<b>Non operating revenues (expenses)</b>				
Investment earnings	124,207	234,757	161,431	34,552
Net increase (decrease) in fair value of investments	(4,719)	(10,512)	(9,573)	(2,219)
Interest expense	(953,584)	(1,081,472)	-	-
Interest on board advances	-	-	-	-
Bond related charges--issuance cost	(199,461)	(124,022)	-	-
Gain (loss) on sale of capital assets	17,935	2,703	74,276	820,340
Intergovernmental	-	-	-	-
Other	24,782	-	-	-
Net non-operating revenues (expenses)	(990,840)	(978,546)	226,134	852,673
Income (loss) before contributions and transfers	(1,337,780)	1,003,173	591,577	(3,010,336)
Capital contributions	1,484,976	2,318,479	525,561	47,672
Transfers in	-	-	-	2,042,603
Transfers out	(183,961)	(112,603)	(360,129)	(1,000,989)
Change in net position	(36,765)	3,209,049	757,009	(1,921,050)
Total net position-- beginning	80,327,693	73,489,514	28,200,013	61,733,318
Total net position--ending	\$ 80,290,928	\$ 76,698,563	\$ 28,957,022	\$ 59,812,268

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
\$ 2,718,215	\$ 11,911,240	\$ 3,538,359	\$ 1,714,766	\$ 73,753,814	\$ 6,362,072
4,303,895	2,447,657	18,067	398,442	8,340,332	-
134,530	153,845	64,830	533,715	2,745,973	14,491,424
7,156,640	14,512,742	3,621,256	2,646,923	84,840,119	20,853,496
1,794,150	1,401,984	489,085	3,019,888	27,735,619	1,750,614
92,269	91,822	16,949	158,961	2,869,700	31,811
1,688,176	1,063,779	1,393,777	1,170,167	21,518,204	6,401,923
361,978	197,417	56,960	821,630	5,744,934	52,712
4,426,045	734,904	1,531,255	1,773,818	23,181,902	2,262,120
-	-	-	-	-	11,480,240
-	-	-	-	-	19,784
8,362,618	3,489,906	3,488,026	6,944,464	81,050,359	21,999,204
(1,205,978)	11,022,836	133,230	(4,297,541)	3,789,760	(1,145,708)
119,362	13,867	9,712	27,548	725,436	354,194
(9,413)	-	1,113	(806)	(36,129)	(5,723)
(465,085)	(65,478)	(1,544,954)	-	(4,110,573)	-
-	604,807	(604,807)	-	-	-
-	-	-	-	(323,483)	-
1,205	-	57,385	8,926,040	9,899,884	93,220
-	-	-	-	-	20,611
91,705	(3,740,752)	-	-	(3,624,265)	592,640
(262,226)	(3,187,556)	(2,081,551)	8,952,782	2,530,870	1,054,942
(1,468,204)	7,835,280	(1,948,321)	4,655,241	6,320,630	(90,766)
4,839,136	1,944,222	-	1,843,330	13,003,376	5,375,134
-	-	949,755	1,250,842	4,243,200	2,386,952
(1,154,250)	(6,680,398)	(12,331)	(11,961,910)	(21,466,571)	(43,843)
2,216,682	3,099,104	(1,010,897)	(4,212,497)	2,100,635	7,627,477
77,754,084	33,291,200	(1,040,553)	21,685,458	375,440,727	27,828,797
\$ 79,970,766	\$ 36,390,304	\$ (2,051,450)	\$ 17,472,961	\$ 377,541,362	\$ 35,456,274

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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, 2016**

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Change in net position - total proprietary funds (page 43)	\$ 2,100,635
Some amounts reported for business-type activities in the statement of activity are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.	<u>(389,171)</u>
Change in net position of business-type activities	<u><u>\$ 1,711,464</u></u>

**CITY OF McALLEN, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended September 30, 2016**

	<b>Business Type Activities</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>McAllen Convention Center</b>
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 18,817,447	\$ 16,912,931	\$ 17,695,881	\$ 2,497,362
Payments to employees	(6,635,515)	(3,154,851)	(7,318,688)	(1,996,814)
Payments to suppliers	(8,092,089)	(1,780,839)	(6,690,897)	(2,659,174)
Net cash provided (used) by operating activities	4,089,843	11,977,241	3,686,296	(2,158,626)
<b>Cash flows from noncapital financing activities:</b>				
Transfers from other funds	-	3,002	-	2,037,488
Transfers to other funds	(183,961)	(112,603)	(360,129)	(1,000,989)
Subsidy from federal grant	-	-	-	-
Other revenue received	-	-	-	-
Board advances	-	-	-	-
Distribution of income to City of Hidalgo	-	-	-	-
Net cash provided (used) by noncapital financing activities	(183,961)	(109,601)	(360,129)	1,036,499
<b>Cash flows from capital and related financing activities:</b>				
Capital contributions	-	736,000	525,561	47,672
Purchases of capital assets	(2,138,381)	(27,735,566)	(4,301,850)	(320,859)
Proceeds from gain on sale of capital assets	17,935	2,703	74,276	820,340
Bond issuance cost	(2,580)	(72,005)	-	-
Principal repayments-bonds and notes	(1,642,500)	(4,493,500)	-	-
Interest paid	(953,584)	(1,610,537)	-	-
Net cash provided (used) by capital and related financing activities	(4,719,110)	(33,172,905)	(3,702,013)	547,153
<b>Cash flows from investing activities:</b>				
Collection of interfund loan principal and interest	3,734,901	-	-	-
Proceeds from sales and maturities of investments	39,727,896	96,154,032	41,720,957	9,022,866
Purchase of investments	(43,006,669)	(75,408,265)	(41,168,211)	(8,481,297)
Receipt of interest	90,185	176,858	121,192	22,730
Net cash provided (used) by investing activities	546,313	20,922,625	673,938	564,299
Net increase (decrease) in cash	(266,915)	(382,640)	298,092	(10,675)
Cash at beginning of year	684,289	1,109,990	244,256	86,224
Cash at end of year	\$ 417,374	\$ 727,350	\$ 542,348	\$ 75,549

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
\$ 7,299,328	\$ 14,503,576	\$ 3,626,256	\$ 2,652,699	\$ 84,005,480	\$ 20,639,050
(2,870,697)	(1,352,507)	(471,349)	(3,054,112)	(26,854,533)	(1,315,128)
(2,156,061)	(2,293,491)	(1,307,736)	(2,911,064)	(27,891,351)	(18,897,743)
2,272,570	10,857,578	1,847,171	(3,312,477)	29,259,596	426,179
-	1,944,222	-	1,589,608	5,574,320	343,699
(1,154,250)	(5,730,643)	(12,331)	(11,961,910)	(20,516,816)	(43,843)
-	-	-	-	-	13,664
57,617	-	-	-	57,617	593,030
-	(949,755)	949,755	-	-	-
-	(3,755,217)	-	-	(3,755,217)	-
(1,096,633)	(8,491,393)	937,424	(10,372,302)	(18,640,096)	906,550
5,579,042	-	-	2,280,427	9,168,702	5,375,134
(3,584,011)	(2,439,984)	(138,445)	(438,399)	(41,097,495)	(8,697,139)
1,205	-	57,385	9,951,000	10,924,844	2,837,530
-	-	-	-	(74,585)	-
(395,000)	(1,497,333)	(1,305,000)	-	(9,333,333)	-
(465,085)	(65,478)	(1,581,076)	-	(4,675,760)	-
1,136,151	(4,002,795)	(2,967,136)	11,793,028	(35,087,627)	(484,475)
-	-	-	-	3,734,901	-
30,725,744	15,927,867	7,237,960	20,337,596	260,854,918	38,873,494
(33,572,863)	(14,327,414)	(7,025,876)	(18,813,402)	(241,803,997)	(40,074,363)
75,257	6,263	8,721	26,938	528,144	315,713
(2,771,862)	1,606,716	220,805	1,551,132	23,313,966	(885,156)
(459,774)	(29,894)	38,264	(340,619)	(1,154,161)	(36,902)
547,149	451,851	194,653	611,570	3,929,982	1,164,383
\$ 87,375	\$ 421,957	\$ 232,917	\$ 270,951	\$ 2,775,821	\$ 1,127,481

Continued

**CITY OF McALLEN, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS-(Continued)**  
**For the Year Ended September 30, 2016**

	<b>Business Type Activities</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>McAllen Convention Center</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income (loss)	\$ (346,940)	\$ 1,981,719	\$ 365,443	\$ (3,863,009)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	4,706,122	6,151,898	2,251,806	1,606,054
(Increase) decrease in deferred outflows of resources - pension	(1,403,249)	(866,260)	(1,530,129)	(413,313)
(Increase) decrease in accounts receivable	(241,784)	(154,815)	(178,563)	(8,059)
(Increase) decrease in intergovernmental receivables	-	-	(44)	-
(Increase) decrease in due from other funds	-	-	-	-
(Increase) decrease in prepaid items	(3,695)	2,200	(1,253)	(51,155)
(Increase) decrease in inventories	(10,406)	-	-	-
Increase (decrease) in accounts payable	(390,625)	2,872,663	785,163	92,159
Increase (decrease) in customer deposits payable	38,079	-	(300)	(4,266)
Increase (decrease) in compensated absences payable	47,229	(9,140)	50,964	229
Increase (decrease) in accrued liabilities	(122,890)	955,348	(170,577)	(44,842)
Increase (decrease) in due to other funds	-	-	500,903	-
Increase (decrease) in net pension liability	1,815,278	1,123,628	1,958,462	533,906
Increase (decrease) in unearned revenue	2,724	(80,000)	(345,579)	(6,330)
<b>Total adjustments</b>	<b>4,436,783</b>	<b>9,995,522</b>	<b>3,320,853</b>	<b>1,704,383</b>
<b>Net cash provided by (used) by operating activities</b>	<b>\$ 4,089,843</b>	<b>\$ 11,977,241</b>	<b>\$ 3,686,296</b>	<b>\$ (2,158,626)</b>
<b>Noncash investing, capital and financing activities:</b>				
Contributions of capital assets	1,484,976	1,582,479	-	-
Increase (decrease) in fair value of investments	(4,719)	(10,512)	(9,573)	(2,219)

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
\$ (1,205,978)	\$ 11,022,836	\$ 133,230	\$ (4,297,541)	\$ 3,789,760	\$ (1,145,708)
4,426,045	734,904	1,531,255	1,773,818	23,181,902	2,262,120
(360,042)	(281,755)	(98,431)	(583,263)	(5,536,442)	(219,818)
136,051	7,878	-	(11,288)	(450,580)	(146,745)
-	(24,828)	-	-	(24,872)	-
-	(157,359)	-	-	(157,359)	(67,701)
(880)	(500)	-	-	(55,283)	-
-	(804,912)	-	-	(815,318)	3,361
(12,758)	-	2,591	(769,499)	2,579,694	(1,052,668)
6,637	-	-	(39)	40,111	-
26,284	654	(1,162)	31,820	146,878	11,885
(1,208,743)	(27,148)	(11,294)	(249,663)	(879,809)	361,905
-	15,298	157,359	9,193	682,753	138,034
465,954	364,026	128,623	766,882	7,156,759	281,514
-	8,484	5,000	17,103	(398,598)	-
3,478,548	(165,258)	1,713,941	985,064	25,469,836	1,571,887
<u>\$ 2,272,570</u>	<u>\$ 10,857,578</u>	<u>\$ 1,847,171</u>	<u>\$ (3,312,477)</u>	<u>\$ 29,259,596</u>	<u>\$ 426,179</u>
-	-	-	-	3,067,455	-
(9,413)	-	1,113	(806)	(36,129)	(5,723)

Concluded

**CITY OF McALLEN , TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**September 30, 2016**

	<u>Pension Trust</u>	
	<u>Firemen's Relief and Retirement Fund</u>	<u>Agencies</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 224,091	\$ 302,758
Receivables:		
Interest	15,067	4,901
Other	41,139	-
Investments, at fair value:		
TexPool Prime	-	3,206,482
Domestic and international equities	26,744,450	-
Treasury, corporate bonds, & mutual funds	10,230,679	2,198,207
Alternative investments	<u>7,503,629</u>	<u>-</u>
 Total investments	 <u>44,478,758</u>	 <u>5,404,689</u>
 Total assets	 <u>44,759,055</u>	 <u>5,712,348</u>
<b>LIABILITIES</b>		
Accounts payable	-	279,389
Due agency	-	1,929,589
Escrow payables	<u>-</u>	<u>3,503,370</u>
 Total liabilities	 <u>-</u>	 <u>\$ 5,712,348</u>
<b>NET POSITION</b>		
Held in trust for pension benefits	<u>\$ 44,759,055</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, 2016**

	<u>Pension Trust</u> <u>Firemen's Relief</u> <u>and Retirement</u> <u>Fund</u>
<b>ADDITIONS</b>	
Contributions:	
Member	\$ 1,265,734
Employer	<u>1,554,567</u>
Total contributions	<u>2,820,301</u>
Investment earnings:	
Interest and dividends	970,338
Gain on sale of investments	44,998
Net appreciation (depreciation) in fair value of investments	<u>2,852,383</u>
Total investment earnings	3,867,719
Less: investment expense	<u>296,057</u>
Net investment earnings	<u>3,571,662</u>
Total additions	<u>6,391,963</u>
<b>DEDUCTIONS</b>	
Benefits	2,886,958
Refund of contributions	39,524
DROP payments	950,484
Administrative expense	<u>56,906</u>
Total deductions	<u>3,933,872</u>
Changes in net position	2,458,091
<b>NET POSITION RESTRICTED FOR PENSION</b>	
Net position--beginning	<u>42,300,964</u>
Net position--ending	<u><u>\$ 44,759,055</u></u>

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, 2016**

### **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. Specifically, management of the primary government has operational responsibility for the Development Corporation. 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, enterprise funds of the City, 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, 2016**

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. These financials are audited and issued separately.

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 pronouncements, which are relevant to the City, and became effective this fiscal year and have been implemented:

*GASB Statement No. 72, Fair Value Measurement and Application*

This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

*GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB Statement 68, and Amendments to Certain Provisions to GASB Statements 67 and 68.*

The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

*GASB Statement No. 79, Certain External Investment Pools and Pool Participants.*

This Statement establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost. This Statement became effective for reporting periods beginning after December 15, 2015. The City early implemented the standard on October 1, 2015. There was no impact to the financial statements.



# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

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The GASB has issued the following statements, which will become effective for the City in future years.

*GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

This statement changes the focus of accounting of postemployment benefits other than pensions from whether they are responsibly funding the benefits over time to a point-in-time liability that is reflected on the employer's financial statements for any actuarially unfunded portion of benefits earned to date. This statement will become effective for the City in fiscal year 2018. The City has not determined the impact of the implementation of this standard.

*GASB Statement No. 77, Tax Abatement Disclosures.*

This statement requires governments that enter into tax abatement agreements to provide certain disclosures regarding those commitments. This statement will become effective for the City in fiscal year 2017. The City has not determined the impact of the implementation of this standard.

*GASB Statement No. 80, Blending Requirements for Certain Component Units.*

This Statement establishes an additional blending requirement for the financial presentation of component units. The objective of this Statement is improve financial reporting by clarifying the financial statement presentation requirement for certain component units. The additional criterion requires blending of a component unit incorporated as not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The City has not determined the impact of the implementation of this standard.

*GASB Statement No. 82, Pension Issues.*

This objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No.68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The City has not determined the impact of the implementation of this standard.

The more significant accounting policies of the City are described on the following pages.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

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### (B) Government-wide and fund financial statements

#### *Government-wide Financial Statements*

The government-wide financial statements consist of the statement of net position and the statement of activities, which is 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.

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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

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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 major governmental fund types, as well as related non-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 *Performing Arts Construction Fund*, a major governmental fund, is used to account for all of the expenditures for construction of a new Performing Arts Facility, as funded with General Obligation bond and Certificates of Obligation proceeds. The fund balance of the Performing Arts Construction fund is restricted to signify the amounts are restricted exclusively for construction 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

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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, property and casualty, 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, 2016

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) Authorized Investments**

Assets of the City may be invested only in the following instruments in accordance with the City's Investment Policy and further defined by the Public Funds Investment Act for the state of Texas.

- Obligations of the U.S. Government, its agencies and instrumentalities, including pass-through mortgage-backed securities and collateralized mortgage obligations (CMO).

## **CITY OF McALLEN, TEXAS**

### **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2016**

- FDIC insured or collateralized depository certificates of deposit of state and national banks doing business in Texas to include CDARS initiated through a Texas bank.
- Local government investment pools.
- AAA-rated, SEC registered money market mutual funds.
- No-load bond mutual fund.
- FDIC insured or collateralized interest bearing and money market accounts from any FDIC insured bank in Texas to include depository spread money market funds initiated in a Texas bank.
- Debt obligations of any state or political subdivision in any US state.
- Fully collateralized repurchase agreements.
- A1/P1 commercial paper
- FDIC insured brokered certificate of deposit securities from U.S. banks

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

- Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security and pays no principal.
- Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
- Collateralized mortgage obligations that have a stated final maturity date of greater than ten (10) years.
- Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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.

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2016**

### **(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. The noncurrent portion of interfund loans is reflected as interfund loans on the fund financial statements. With respect to the 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 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 unearned 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.

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2016**

### **(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 statement of net position 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 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 Sewer Fund has incurred \$529K of capitalized interest. 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 statement of net position and in both the governmental activities and business-type activities column of the government-wide statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method.



# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

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The estimated useful lives are as follows:

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

### **(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. 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 non-spendable, 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. 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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

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

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

	Major Funds				Non-major	
	General	Development Corp.	Capital Improvements	Performing Arts Construction	Funds Other	Total
<b>Fund balances:</b>						
<b>Nonspendable:</b>						
Board advances	\$ 2,592,340	\$ -	\$ -	\$ -	\$ -	\$ 2,592,340
Prepays	53,979	27,064	-	-	-	81,043
<b>Restricted for:</b>						
Law enforcement	-	-	-	-	5,638,059	5,638,059
Debt service	-	-	-	-	1,052,179	1,052,179
Economic development	-	13,800,433	-	-	198,690	13,999,123
Tourism	-	-	-	-	124,501	124,501
Capital improvements	-	-	-	5,283,827	43,048,456	48,332,283
Radio communication system	457,022	-	-	-	677,790	1,134,812
Parks	-	-	-	-	1,729,231	1,729,231
<b>Committed to:</b>						
Downtown services parking	-	-	-	-	297,145	297,145
<b>Assigned to:</b>						
Information technology projects	-	-	-	-	292,330	292,330
Other capital projects	-	-	2,697,003	-	-	2,697,003
<b>Unassigned</b>	<b>44,346,729</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,346,729</b>
Total fund balances	\$ 47,450,070	\$ 13,827,497	\$ 2,697,003	\$ 5,283,827	\$ 53,058,381	\$ 122,316,778

The amount of fund balance restricted by enabling legislation totaled \$16,530,645, as of September 30, 2016.

### (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.

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2016**

### **(10) Deficit Net Position/Fund Balance**

The Anzalduas Bridge Fund's net position reflects a deficit in the amount of \$2,051,450 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 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 net position in the amount of \$1,092,093. It is estimated that this temporary shortfall will be covered by a health insurance premium rate increase, plan design changes to reduce expenses, and negotiations with several vendors to ensure lower fees.

### **(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 has several deferred outflows of resources classifications that qualifies for reporting in this category for business-type activities and government wide activities: deferred charges on refundings, pension contributions made after measurement date, deferred charges on actuarial losses, and differences in projected and actual earnings on pension assets. 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. The other categories of deferred outflows of resources pertain to GASB 68.

In addition to liabilities, the 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 at the governmental fund level. The following table describes the items and amounts:

## CITY OF McALLEN, TEXAS

### NOTES TO FINANCIAL STATEMENTS

September 30, 2016

<u>Deferred Inflows</u>	<u>Amount</u>
Property taxes	\$ 3,816,687
Weedy lots	708,386
Mission Repayment on Series B	2,592,340
Sales taxes	5,370,373
Other	<u>2,256,638</u>
Totals	<u>\$ 14,744,424</u>

On the statement of net position, the deferred inflows of resources category includes deferred inflows related to refundings, differences in investment experience/assumptions related to pensions, and differences in expected and actual pension experiences. See Note D for further information on pension related deferred inflows of resources.

## 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.
5. Annual appropriated budgets are adopted for most governmental funds per legal requirements, while others are appropriated for management purposes.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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, 2016, 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:

#### Department:

City manager	\$ 2,004
City commission	13,819
Passport facility	2,876
Legal	151,381
Call center	19,586
Economic development	183,091
Fire	863,889
Street lighting	388,428
Code compliance	152,649
Humane society	142,358
Recreation	195,861
Las palmas	10,443
Quinta mazatlan	8,651
Total general fund	<u>\$ 2,135,036</u>

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

### 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, 2016, 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.

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

The City uses quoted prices (Level 1 inputs) in active markets to measure the fair value of government treasuries and a matrix pricing model (Level 2 inputs) to measure the fair market value of its money market mutual funds and government agency security investments.

Investments at fair value, as of September 30, 2016 are reflected in the table that follows:

			Fair Value Measurements Using			
2016	Cost	Fair Value	(Level 1)	(Level 2)	(Level 3)	
<b>Investments by fair value level</b>						
Debt Securities						
United States government agency securities	\$ 131,294,856	\$ 131,323,243	\$ -	\$ 131,323,243	\$ -	
Money market mutual funds	16,722,478	16,722,478	-	16,722,478	-	
United States treasuries	10,016,400	10,015,350	-	10,015,350	-	
Total debt securities	158,033,734	158,061,071	-	158,061,071	-	

The total amount above excludes investments in local government pools, which are reported at amortized cost in the amount of \$70,380,777, as of September 30, 2016.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

### *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.

The City's investments in Pools are reported at amortized cost.

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

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. This Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rate risk.

*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 four years as reflected in the schedule below, the City reduces its risk to rising interest rates. The table that follows reflects the allocation of the investment portfolio.

	<u>Government Agencies and Treasuries</u>	<u>Certificates of Deposit</u>
< 1 Year	\$ 33,542,247	\$ 32,751,549
1-3 Years	<u>107,796,346</u>	<u>-</u>
Total	<u>\$ 141,338,593</u>	<u>\$ 32,751,549</u>
Weighted Average Maturity	651 Days	124 Days

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2016**

*Credit risk.* As of September 30, 2016, 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. The government securities consist of instruments issued by the U.S. Treasury, Federal Home Loan Bank, Federal Home Loan Mortgage Association and Federal Farm Credit Bank, all of which are rated AAA by Moody's Investors Service and AA+ by S&P. The City's investment policy limits authorized investments to TexPool Prime, certificates of deposits, U.S. Treasuries, federal government agencies, including mortgage backed securities, commercial paper, municipal bonds, and money market mutual funds.

*Concentration of credit risk.* The certificate of deposits holdings at September 30, 2016 represents 12.53% of the total portfolio. The U.S. government agencies category represents 54.11% of the total portfolio. Within this category, securities issued by the Federal Home Loan Bank represent 11% of the portfolio, those issued by the Federal Home Loan Mortgage Corporation represent 56%, and those issued by Federal Farm Credit Bank represent 17%. Those issued by the Federal National Mortgage Association represent 10% and those issued by the U.S. Treasury 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, 2016. The table on the following page reflects the composition of these investments.



# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

	<u>Fair Value</u>	<u>% of Portfolio</u>	<u>Investment Policy Asset Allocation</u>
Equities:			
Domestic	\$ 19,460,930	44%	30-60%
International	<u>7,283,520</u>	16%	10-30%
Equities total	<u>26,744,450</u>		
Fixed income			
Treasury and agency securities			
corporate bonds and mutual funds	<u>10,230,679</u>		
Fixed income total	<u>10,230,679</u>	23%	20-50%
Alternative investments	<u>7,503,629</u>	17%	0-20%
Total portfolio	<u><u>\$ 44,478,758</u></u>	100%	

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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

Investment Type	Total Fair Value	Level 1	Level 2	Level 3
Equities				
Domestic Equity	\$ 10,793,053	\$ 10,068,717	\$ 724,336	\$ -
International Equity	5,451,987	5,451,987	-	-
Mutual Fund	2,112,358	2,112,358	-	-
Fixed Income				
Fixed Income Mutual Fund	5,754,695	5,754,695	-	-
US Treasury Notes	1,626,082	1,557,195	68,888	-
Mortgage Backed Securities	314,793	-	314,793	-
Corporate Bonds	269,364	-	269,364	-
Municipal Bonds	153,387	-	153,387	-
Total Investments at Fair Value	\$ 26,475,719	\$ 24,944,952	\$ 1,530,768	\$ -

### Investments measured at the net asset value (NAV)

Equity Growth Fund	8,667,877			
Emerging Markets Equity Fund	1,831,533			
		<b>Unfunded</b>	<b>Redemption</b>	<b>Redemption</b>
		<b>Commitments</b>	<b>Frequency</b>	<b>Notice</b>
Hedge Funds				
Courage Credit Opportunities Offshore Fund III LP	880,578	1,262,482		
Ironwood	2,078,122	-	Semi-annual	95 days
Titan	2,164,405	-	Quarterly	65 days
Cielo	321,027	-	N/A	N/A
Terracap	2,059,497	-	N/A	N/A
Total of Investments Measured at NAV	18,003,039			
Total Investments	<u>\$ 44,478,758</u>			

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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

maturity. Securities that are subject to interest rate risk as of September 30, 2016 amount to \$8,118,321 and have weighted-average duration of 4.76 years. Durations 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	\$ 269,364	3.32%	9.66
US Treasury notes	1,626,082	20.03%	0.91
Mutual fund bonds	5,754,696	70.89%	3.23
Government mortgag back securities	314,793	3.88%	0.17
Municipals/bonds	153,386	1.89%	6.80
Total fixed income investments	\$ 8,118,321	100.00%	4.76

*Credit risk.* Using Standard and Poor's rating system for fixed income securities as of September 30, 2016 the Plan's bonds were rated as noted below. The investment policy is silent on the subject.

	Fair Value	S & P Ratings		
		AA	A	Not Rated
Fixed Income Mutual Fund	\$ 5,754,695	\$ -	\$ -	\$ 5,754,695
US Treasury Notes	1,626,082	1,626,082	-	-
Mortgage Backed Securities	314,793	314,793	-	-
Corporate Bonds	269,364	39,942	229,422	-
Municipal Bonds	153,387	-	17,852	135,535
	\$ 8,118,321	\$ 1,980,817	\$ 247,274	\$ 5,890,230

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2016**

### **(B) Receivables**

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

	Accounts	Taxes	Interest	Inter- governmental	Other	Net Receivables
Governmental activities:						
General	\$ 1,611,801	\$ 11,783,683	\$ 108,095	\$ 31,869	\$ 647,782	\$ 14,183,230
Development corp.	50,000	2,473,229	25,063	-	-	2,548,292
Capital Improvement	-	-	4,259	293,911	4,612	302,782
Performing Arts Const.	-	-	5,199	-	-	5,199
Nonmajor governmental and internal service funds	1,526,287	164,522	82,548	488,569	286,764	2,548,690
Total governmental	<u>\$ 3,188,088</u>	<u>\$ 14,421,434</u>	<u>\$ 225,164</u>	<u>\$ 814,349</u>	<u>\$ 939,158</u>	<u>\$ 19,588,193</u>
Business-type activities:						
Water	\$ 2,039,994	\$ -	\$ 11,673	\$ -	\$ -	\$ 2,051,667
Sewer	1,848,691	-	-	-	15,270	1,863,961
Sanitation	2,013,734	-	17,966	291	-	2,031,991
Convention center	30,110	-	6,887	-	-	36,997
McAllen international airport	85,076	-	22,624	750,873	-	858,573
McAllen international toll bridge	310	-	-	175,497	-	175,807
Anzalduas international crossing	-	-	2,104	-	-	2,104
Nonmajor enterprise and fleet fund	337,475	-	1,742	332,429	-	671,646
Total business type	<u>\$ 6,355,390</u>	<u>\$ -</u>	<u>\$ 62,996</u>	<u>\$ 1,259,090</u>	<u>\$ 15,270</u>	<u>\$ 7,692,746</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 2016 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 \$81,539 sewer accounts by \$72,433; and sanitation accounts by \$77,214.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2016**

### **(C) Capital assets**

Capital asset activity for the year ended September 30, 2016 was as follows:

	Beginning				Ending
<b>Governmental activities:</b>	Balance	Increases	Transfers	Retirements	Balance
Capital assets, not being depreciated:					
Land	\$ 55,958,562	\$ 5,980,093	\$ (784,037)	\$ (2,957,195)	\$ 58,197,423
Construction in progress	50,044,063	33,931,060	(19,827,186)	(2,272,094)	61,875,843
Total capital assets, not being depreciated	106,002,625	39,911,153	(20,611,223)	(5,229,289)	120,073,266
Capital assets, being depreciated:					
Buildings and improvements	133,932,190	1,365,351	11,819,289	-	147,116,830
Equipment	84,475,951	6,297,426	(550,349)	(1,547,298)	88,675,730
Infrastructure	203,512,586	4,663,942	8,282,277	-	216,458,805
Total capital assets being depreciated	421,920,727	12,326,719	19,551,217	(1,547,298)	452,251,365
Less accumulated depreciation for:					
Buildings and improvements	(47,365,460)	(5,187,551)	-	370,218	(52,182,793)
Equipment	(62,559,733)	(5,707,522)	534,792	1,547,298	(66,185,165)
Infrastructure	(121,539,600)	(6,599,522)	-	-	(128,139,122)
Total accumulated depreciation	(231,464,793)	(17,494,595)	534,792	1,917,516	(246,507,080)
Total capital assets being depreciated, net	190,455,934	(5,167,876)	20,086,009	370,218	205,744,285
Governmental activities capital assets, net	\$ 296,458,559	\$ 34,743,277	\$ (525,214)	\$ (4,859,071)	\$ 325,817,551

**CITY OF McALLEN, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2016**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 2,023,587
Public safety	2,568,014
Highways and streets, which includes the depreciation of general infrastructure assets	6,880,730
Health and welfare	9,430
Culture and recreation	3,851,062
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>2,161,772</u>
Total depreciation-governmental activities	<u>\$ 17,494,595</u>

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2016**

	Beginning Balance	Increases	Transfers/ Retirements	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 21,102,311	\$ 62,400	\$ (503,793)	\$ 20,660,918
Construction in progress	41,890,742	31,906,755	(14,156,478)	59,641,019
Water rights (perpetual)	4,923,100	-	-	4,923,100
Goodwill	609,713	-	-	609,713
Total capital assets, not being depreciated	<u>68,525,866</u>	<u>31,969,155</u>	<u>(14,660,271)</u>	<u>85,834,750</u>
Capital assets, being depreciated:				
Buildings and systems	321,796,290	5,089,899	11,319,440	338,205,629
Improvements other than buildings	203,200,620	1,228,090	(521,374)	203,907,336
Machinery and equipment	60,493,019	5,676,483	(27,995)	66,141,507
Development cost	7,417,616	-	-	7,417,616
Water rights (non-perpetual)	3,200,000	-	-	3,200,000
Total capital assets being depreciated	<u>596,107,545</u>	<u>11,994,472</u>	<u>10,770,071</u>	<u>618,872,088</u>
Less accumulated depreciation for:				
Buildings and systems	(118,352,110)	(11,515,793)	1,428,688	(128,439,215)
Improvement other than buildings	(90,422,156)	(6,420,272)	705,798	(96,136,630)
Machinery and equipment	(40,423,353)	(5,050,745)	1,507,549	(43,966,549)
Development cost	(1,066,282)	(185,440)	-	(1,251,722)
Water rights	(852,498)	(110,000)	-	(962,498)
Total accumulated depreciation	<u>(251,116,399)</u>	<u>(23,282,250)</u>	<u>3,642,035</u>	<u>(270,756,614)</u>
Total capital assets being depreciated, net	<u>344,991,146</u>	<u>(11,287,778)</u>	<u>14,412,106</u>	<u>348,115,474</u>
Business-type activities				
Capital assets net	<u>\$ 413,517,012</u>	<u>\$ 20,681,377</u>	<u>\$ (248,165)</u>	<u>\$ 433,950,224</u>

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Depreciation expense was charged to business type activity functions as follows:

Water	\$ 4,706,122
Sewer	6,151,898
Sanitation	2,251,806
Golf course	295,649
Civic center	23,737
Convention center	1,606,054
McAllen international airport	4,426,045
McAllen express	655,758
Transit terminal	798,674
McAllen international toll bridge	734,904
Anzalduas international crossing	1,531,255
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>100,348</u>
Total depreciation-business type activities	<u>\$ 23,282,250</u>

At September 30, 2016, the City had the following significant remaining contractual commitments for various construction and improvement projects:

<b><u>Project Description</u></b>	<b><u>Remaining Commitment</u></b>	<b><u>Financing Sources</u></b>
Paving and drainage	\$ 536,871	Local and grant
Public safety building renovation	215,089	Local
Sewer improvements	20,802,685	Local and bond funds
Water improvements	80,430	Local
Gateway monuments	87,056	Local
Performing arts center	<u>1,987,918</u>	Local and bond funds
	<u>\$ 23,710,049</u>	



# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

### (D) Interfund receivables/loans and transfers

The compositions of inter-fund balances as of September 30, 2016 are reflected below.

<u>Receivable Fund:</u>	<u>Payable Fund:</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	\$ 312,435
	McAllen Toll Bridge	16,540
	Development Corp. Fund	78,375
	Sanitation Fund	500,903
	Total General Fund	908,253
Development Corp. Fund	General Depreciation Fund	70,333
Performing Arts Construction Fund	Non-Major Gov. Fund	48,871
Non-Major Gov. Fund	General Fund	3,116
	Total Governmental Funds	1,030,573
Non-Major Proprietary Fund	Non-Major Governmental Fund	24,436
Convention Center Fund	Non-Major Governmental Fund	180,242
McAllen Toll Bridge Fund	Anzalduas Intl. Crossing Fund	157,359
General Depreciation Fund	McAllen Toll Bridge	343,837
General Depreciation Fund	Airport Fund	1,842,443
General Insurance	McAllen Toll Bridge	343,837
General Insurance	Airport Fund	1,842,443
	Total Proprietary Funds	4,734,597
	Combined totals	\$ 5,765,170

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

A loan arrangement among the General Depreciation Fund and General Insurance Funds between the Airport Fund was agreed upon in the combined total amount of \$3,684,886. This agreement was executed at year end to assist with the terminal expansion project. In addition, the General Insurance and General Depreciation Funds initiated long term note payable arrangement to provide tenant improvements and port of entry upgrades in the amount of \$856,384 for the Toll Bridge. The current outstanding balance totals \$687,674. It is disclosed in this section of the notes, since it is not a third party transaction.

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:								Total
	General Fund	Capital Imprv Fund	Performing arts Const.	Convention Center	Nonmajor Governmental	Nonmajor Proprietary	Anzalduas Int'l Crossing Fund	Internal Service	
<b>Transfer out:</b>									
General fund	\$ -	\$ 490,736	\$ -	\$ -	\$ 3,510,675	\$ -	\$ -	\$ 1,585,589	\$ 5,587,000
Sanitation fund	167,637	-	-	-	-	-	-	192,492	360,129
Development corp	3,710,675	-	2,600,000	-	-	959,042	-	-	7,269,717
Nonmajor prop.	-	-	11,880,375	-	-	-	-	81,535	11,961,910
Nonmajor gov.	237,000	-	1,112,941	2,042,603	140,000	291,800	-	19,826	3,844,170
Water fund	-	-	-	-	-	-	-	183,961	183,961
Sewer fund	-	-	-	-	-	-	-	112,603	112,603
Convention center	-	-	952,246	-	-	-	-	48,743	1,000,989
Internal service	-	-	-	-	-	-	-	43,843	43,843
Anzalduas Int'l bridge	-	-	-	-	-	-	-	12,331	12,331
McAllen int'l toll bridg	5,674,899	-	-	-	-	-	949,755	55,744	6,680,398
McAllen int'l airport	1,103,965	-	-	-	-	-	-	50,285	1,154,250
<b>Total</b>	<b>\$10,894,176</b>	<b>\$ 490,736</b>	<b>\$ 16,545,562</b>	<b>\$ 2,042,603</b>	<b>\$ 3,650,675</b>	<b>\$ 1,250,842</b>	<b>\$ 949,755</b>	<b>\$2,386,952</b>	<b>\$ 38,211,301</b>

During the year, the General Fund transferred \$490,736 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 \$3,510,675 to the Debt Service Fund, a non-major governmental fund. This funding is to cover the debt service requirements of the General Obligation Refunding Bonds, Series 2015. It also provided funding in the amount of \$1,585,589 to the Employee Benefits Fund to provide additional assistance with rising health care expenses.

The Development Corporation provided funding for operating costs to the McAllen Express Fund and Transit System Fund in the amounts of \$803,372 and \$155,669, respectively. It also transferred \$3,710,675 to the General Fund for operating expenditures associated with the public safety building. It also transferred \$2,600,000 to the Performing Arts Construction Fund for assistance in the completion of the building.

The Hotel Occupancy Tax Fund, a non-major governmental fund, transferred collections of \$2,042,603 to the Convention Center. It also transferred \$583,600 and \$291,800 to the Performing Arts Construction Fund and Performing Arts M&O Fund, respectively.

## **CITY OF McALLEN, TEXAS**

### **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2016**

The transfer of \$237,000 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. It also provided funding in the amounts of \$140,000 and \$19,826 to the Information Technology Fund and the Employee Benefits Fund, respectively.

The transfer of \$1,103,965 from the Airport Fund to the General Fund represents reimbursement for public safety personnel assigned to the airport. It also provided \$50,285 to the Employee Benefits Fund to provide additional assistance with rising health care expenses.

The Sanitation Fund transferred \$167,637 to the General Fund and \$192,492 to the Employee Benefits Fund to provide additional assistance with rising health care expenses.

The Civic Center Fund and the Performing Arts M&O Fund, non-major proprietary funds, transferred \$11,680,375 and \$200,000 respectively to the Performing Arts Construction Fund to assist with construction expenditures for the Performing Arts Center.

The Convention Center Fund transferred \$952,246 to the Performing Arts Construction Fund Center to assist with construction expenditures. It also provided funding to the Employee Benefits Fund in the amount of \$48,743 to provide additional assistance with rising health care expenses.

The amount reflected from the McAllen International Toll Bridge Fund to the General Fund of \$5,674,899 represents the City's share of surplus net revenue from operation of the international toll bridge. Additionally, it transferred \$949,755 to the Anzalduas International Crossing Fund for debt service requirements on the International Toll Bridge System Revenue Bonds, Series 2007B. Additionally, it transferred \$55,744 to the Employee Benefits Fund to provide additional assistance with rising health care expenses.

The Employee Benefits Fund was provided operating funding from various sources. These sources, in addition to those previously mentioned above, were received from the following funds: Water Fund--\$183,961; Sewer Fund--\$112,603; Palm View Golf Course Fund--\$14,303; Transit System Fund--\$10,481; McAllen Express Fund--\$56,751; Anzalduas International Crossing Fund--\$12,331; Fleet Materials Management Fund--\$35,767; and General Insurance Fund--\$8,076.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

### **(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) and a 5-year lease with three additional 5-year extension options with the United Export Traders Association (UETA) of Texas, Inc.

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

<u>Year Ending</u>	<u>GSA</u>	<u>UETA</u>	<u>Total</u>
2017	\$ 2,118,988	\$ 240,000	\$ 2,358,988
2018	2,118,988	40,000	2,158,988
2019	2,118,988	-	2,118,988
2020	2,118,988	-	2,118,988
2021	2,118,988	-	2,118,988
2022-2026	10,594,940	-	10,594,940
2027-2029	<u>6,356,964</u>	<u>-</u>	<u>6,356,964</u>
Totals	<u>\$ 27,546,844</u>	<u>\$ 280,000</u>	<u>\$ 27,826,844</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, 2016

### Governmental activities

\$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%	40,300,000
\$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%	11,215,000
\$15,035,000 General Obligation Refunding Bonds, Series 2015 due in annual installments ranging from \$3,000,000 to \$3,450,000 per year through February 15, 2020, with a final installment of \$3,450,000; interest at 3.50% to 4.00%	12,255,000
\$24,500,000 Combination Tax & Assessment Revenue Certificates of Obligation, Taxable Series 2016 due in annual installments ranging from \$650,000 to \$1,149,000 per year through February 15, 2046, with a final installment of \$1,149,000; interest at 3.75% to 3.82%	24,500,000
\$5,120,000 Development Corporation of McAllen, Inc. Sales Tax Revenue Bonds, Taxable Series 2016 due in annual installments ranging from \$250,000 to \$380,000 per year through August 15, 2036; interest at 3.14% to 3.30%	5,120,000
Unamortized bond premium & discount	2,840,748
Net OPEB obligation	1,329,600
Firemen's net pension liability	27,828,153
TMRS net pension liability	18,028,374
Unpaid accumulated compensated absences	<u>10,359,164</u>
Total general long-term liabilities	<u>\$ 153,776,039</u>

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

The annual debt service requirements to maturity on sales tax bonds payable, combination tax and revenue certificates of obligation, general obligations, and certificates of obligation, as of September 30, 2016, including interest, are reflected below:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 4,830,000	\$ 3,665,588
2018	5,030,000	3,277,646
2019	5,265,000	3,045,546
2020	5,725,000	2,835,621
2021	2,575,000	2,691,071
2022-2026	18,100,000	11,467,745
2027-2031	21,595,000	7,967,179
2032-2036	17,740,000	3,815,135
2037-2041	5,645,000	1,943,334
2042-2046	<u>6,885,000</u>	<u>704,640</u>
Totals	<u>\$ 93,390,000</u>	<u>\$ 41,413,505</u>

### (2) Revenue bonds and other

The City also issues revenue bonds which are repaid from the revenues derived from operating activity of the borrowing fund(s). The total amount of interest expense paid on revenue bonds in the current period was \$4,639,638. The following schedule is an analysis of the business-type activity long-term debt, including related revenue bonds.

**CITY OF McALLEN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

Business-type activities:

Payable from Water Fund:

\$9,363,200 Waterworks and Sewer System Revenue and Refunding Bonds, Series 2015 due in annual installments from \$380,000 to \$1,825,000 through February 1, 2030: interest at 2.00% to 5.00%	\$ 8,696,800
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\$9,937,300 Waterworks and Sewer System Revenue and Refunding Bonds, Series 2016 due in annual installments from \$1,480,000 to \$1,960,000 through February 1, 2031: interest at 2.00% to 5.00%	9,937,300
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Unamortized bond premium	2,623,489
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TMRS net pension liability	1,938,072
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Unpaid accumulated compensated absences	<u>516,065</u>
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Total water fund	<u><u>\$ 23,711,726</u></u>
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# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Payable from Sewer Fund:

\$13,172,700 Waterworks and Sewer System Revenue  
and Refunding Bonds, Series 2016 due in annual installments from \$1,480,000  
to \$1,960,000 through February 1, 2031: interest at 2.00% to 5.00% \$ 13,172,700

\$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 32,485,000

\$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 755,000

\$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%. 6,155,000

\$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%. 160,000

\$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%. 2,145,000

\$7,356,800 Waterworks and Sewer System Revenue  
and Refunding Bonds, Series 2015 due in annual installments from \$380,000  
to \$1,825,000 through February 1, 2030: interest at 2.00% to 5.00% 6,833,200

\$40,000,000 Waterworks and Sewer System Revenue Bonds  
Series 2015 (loan) due in annual installments from \$710,000  
to \$1,730,000 through September 30, 2045: interest at 0.14% to 1.62% 39,290,000

Unamortized bond premium, \$2,813,437, & bond discount, \$542,759 2,270,678



**CITY OF McALLEN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

Payable from Sewer Fund (Continued):

TMRS net pension liability	\$ 1,200,735
Unpaid accumulated compensated absences	<u>335,406</u>
Total sewer fund	<u>\$ 104,802,719</u>

Payable from Sanitation Fund:

TMRS net pension liability	\$ 2,083,294
Unpaid accumulated compensated absences	<u>489,456</u>
Total sanitation fund	<u>\$ 2,572,750</u>

Payable from Palm View Golf Course Fund:

TMRS net pension liability	\$ 223,824
Unpaid accumulated compensated absences	<u>63,707</u>
Total palm view golf course fund	<u>\$ 287,531</u>

Payable from Convention Center Fund:

TMRS net pension liability	\$ 569,742
Unpaid accumulated compensated absences	<u>124,454</u>
Total convention center fund	<u>\$ 694,196</u>

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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% \$ 7,970,000

TMRS net pension liability 497,544

Unpaid accumulated compensated absences 144,470

Total airport fund \$ 8,612,014

Payable from McAllen Express Fund:

TMRS net pension liability \$ 540,231

Unpaid accumulated compensated absences 92,301

Total McAllen Express Fund \$ 632,532

Payable from Transit System Fund:

TMRS net pension liability \$ 59,214

Unpaid accumulated compensated absences 3,037

Total Transit System Fund \$ 62,251

Payable from McAllen International Toll Bridge Fund:

TMRS net pension liability \$ 388,483

Unpaid accumulated compensated absences 99,131

Total McAllen International Toll Bridge Fund \$ 487,614

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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% \$ 21,430,000

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  
March 1, 2032: interest at 4.00% to 5.00% 10,460,000

TMRS net pension liability 137,794

Unpaid accumulated compensated absences 15,484

Unamortized bond premium 384,488

Total Anzalduas International Crossing Fund \$ 32,427,766

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

TMRS net pension liability \$ 299,517

Unpaid accumulated compensated absences 34,583

Total Fleet Materials Management Fund \$ 334,100

Total Proprietary Fund Long Term Liabilities \$ 174,625,199

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 7,131,000	\$ 4,106,925
2018	7,362,000	3,877,030
2019	7,557,000	3,690,066
2020	7,758,000	3,479,599
2021	7,983,000	3,254,074
2022-2026	41,349,000	12,335,482
2027-2031	40,655,000	5,932,801
2032-2036	17,920,000	1,714,963
2037-2041	14,470,000	969,753
2042-2045	<u>7,305,000</u>	<u>230,814</u>
Total bonds outstanding	<u>\$ 159,490,000</u>	<u>\$ 39,591,507</u>

### General Obligation and Revenue Bonds Refunding

Due to favorable interest rates, during fiscal year 2016, \$26,331,122, including premium, of Series 2016 Waterworks and Sewer System Refunding Bonds were issued to refund \$26,820,282 of the City's previously issued and outstanding 2006 Waterworks and Sewer System Refunding Bonds, plus accrued interest and interest costs. The proceeds were deposited with an escrow agent for redemption on August 1, 2016.

As a result of the refunding, the City reduced its aggregate debt service payments to maturity by \$3,623,334 for the Waterworks and Sewer System bonds and obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$3,450,404 for Waterworks and Sewer bonds.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2016**

### **(3) Changes in long-term liabilities**

Long-term liability activity for the year ended September 30, 2016 is shown on the following table:

	Balance at September 30, 2015	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2016	Amounts Due Within One Year
<b>Governmental activities:</b>					
Sales tax revenue bonds	\$ 75,000	\$ 5,120,000	\$ (75,000)	\$ 5,120,000	\$ -
Certificates of obligation	11,645,000	24,500,000	(430,000)	35,715,000	445,000
General obligation bonds	56,815,000	-	(4,260,000)	52,555,000	4,385,000
Bond premium	3,590,847	-	(591,380)	2,999,467	525,719
Bond discount	-	(160,520)	1,801	(158,719)	(5,403)
Compensated absences	10,391,400	1,035,328	(1,067,564)	10,359,164	5,033,124
TMRS net pension liability	1,198,224	16,830,150	-	18,028,374	-
Net OPEB obligation	1,142,521	187,079	-	1,329,600	-
Fire net pension liability	26,152,623	1,675,530	-	27,828,153	-
Total general long-term	111,010,615	49,187,567	(6,422,143)	153,776,039	10,383,440
<b>Business-Type activities:</b>					
Revenue bonds payable	170,251,000	23,110,000	(33,871,000)	159,490,000	7,131,000
Note payable	856,384	3,684,885	(168,710)	4,372,559	872,991
Compensated absences	1,789,610	976,234	(823,284)	1,942,560	1,265,879
Bond premium	3,820,803	3,240,593	(1,239,982)	5,821,414	785,114
Bond discount	-	(676,652)	133,893	(542,759)	(125,140)
TMRS net pension liability	500,177	7,438,273	-	7,938,450	-
Total proprietary fund debt	177,217,974	37,773,333	(35,969,083)	179,022,224	9,929,844
Total debt	<u>\$ 288,228,589</u>	<u>\$ 86,960,900</u>	<u>\$ (42,391,226)</u>	<u>\$ 332,798,263</u>	<u>\$ 20,313,284</u>

With respect to governmental activities; compensated absences, TMRS net pension liability, net OPEB obligation and the Fire net pension liability are liquidated by the General Fund. Under business-type activities, the TMRS net pension liabilities are liquidated by the respective proprietary funds and Fleet fund. In addition, interfund notes payable of \$4,372,559 was reflected at the end of September 30, 2016 under the business-type activities and will be liquidated by the Airport and Toll Bridge Funds. This amount is reflected in section (D) interfund receivables/loans, and transfers.

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2016**

### **(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.

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 2016, 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, 2016. Inter-fund premiums are based primarily on claims experience and are reported as interfund services provided and used.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2016**

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 below:

	<b>Employee Benefits</b>	<b>Retiree Health Insurance</b>	<b>General Insurance</b>	<b>Total</b>
Claims payable at September 30, 2014	\$ (1,750,000)	\$ (240,000)	\$ (330,358)	\$ (2,320,358)
Current period claims and changes in estimate	(11,223,481)	(1,226,471)	(1,151,416)	(13,601,368)
Current period claims paid	11,223,481	1,226,471	1,076,062	13,526,014
Claims payable at September 30, 2015	(1,750,000)	(240,000)	(405,712)	(2,395,712)
Current period claims and changes in estimate	(9,870,903)	(1,098,422)	(923,373)	(11,892,698)
Current period claims paid	9,870,903	1,098,422	923,373	11,892,698
Claims payable at September 30, 2016	<u>\$ (1,750,000)</u>	<u>\$ (240,000)</u>	<u>\$ (405,712)</u>	<u>\$ (2,395,712)</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 5<sup>th</sup> 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,

## CITY OF McALLEN, TEXAS

### NOTES TO FINANCIAL STATEMENTS

September 30, 2016

\$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, 2016, the deposit amount totaled \$605,000.

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

- (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 20 years 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 125 employees who had retired: 61 with single coverage and 64 dependent subscribers.

- (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, 2014. 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 \$1,329,600 is recorded in the governmental activities column of the statement of net position.



# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

### Net OPEB Obligation

Annual required contribution	\$ 843,745
Interest on net OPEB obligation	51,413
Adjustment to annual required contribution	<u>(70,136)</u>
Annual OPEB cost	825,022
Contributions made	(637,943)
Increase in net OPEB obligation	187,079
Net OPEB obligation at beginning of year	<u>1,142,521</u>
Net OPEB obligation at end of year	<u>\$ 1,329,600</u>

The City's annual OPEB cost and the percentage cost contributed to the plan for the year ended September 30, 2016 is as follows:

<u>Year Ended September 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset) at Year End</u>
2014	\$ 736,159	87.2%	\$ 1,225,918
2015	734,852	111.3%	1,142,521
2016	825,022	77.32%	1,329,600

- (4) **Funded Status and Funding Progress:** The funding of the plan was based on the actuarial valuation dated October 1, 2014. The study reported the unfunded actuarial accrued liability (UAAL) at \$8,137,801 with an annual required contribution of \$843,745. The actuarial value of assets was \$0, resulting in an UAAL of \$8,137,801. The City contributed \$637,943 at year end. The City will also be required to have an actuarial valuation performed at least every two years.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

The next actuarial valuation will be performed at the end of September 30, 2016. The table below reflects the 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)
10/01/10	-	8,076,583	8,076,583	0.0%	62,858,165	12.8%
10/01/12	-	7,165,857	7,165,857	0.0%	62,616,631	11.4%
10/01/14	-	8,137,801	8,137,801	0.0%	67,484,896	12.1%

- (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, 2016, the actuarial valuation date was October 1, 2014. 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 year open period. The asset valuation method was market value and the assumed investment rate of return was 4.5%. The healthcare initial inflation rate was 5.2%, with an ultimate goal of 4.2%. 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 participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of 201 Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

All eligible employees of the city are required to participate in TMRS. Fire department personnel, except clerical staff, have a separate pension plan and are not covered by TMRS.

### b). Benefits provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Plan provisions for the City are as follows:

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

Employees covered by benefit terms –

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	451
Inactive employees entitled to but not yet receiving benefits	359
Active employees	<u>1,529</u>
Total	<u>2,339</u>

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2016**

**c). Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employees gross earnings, and the city matching are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of McAllen were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2016, the City made contributions of 6.66%.

**d). Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial assumptions--**

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75% per year composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Health Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. This experience study was for the period December 31, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation.

## CITY OF McALLEN, TEXAS

### NOTES TO FINANCIAL STATEMENTS

September 30, 2016

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and the long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments were determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.65%
Real Return	10.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	8.00%
Total	100.00%	

#### Discount Rate—

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed the employee contributions will remain at the current 7% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2016**

Changes in the Net Pension Liability—

	Increase (Decrease)		
	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension <u>Liability</u>
	(a)	(b)	(a) - (b)
Balance at 12/31/2014	\$ 213,114,436	\$ 211,416,035	\$ 1,698,401
Changes for the year:			
Service cost	7,407,030	-	7,407,030
Interest	15,035,551	-	15,035,551
Changes of benefit terms	2,340,034		2,340,034
Difference between expected and actual experience	385,103	-	385,103
Changes in assumptions	8,087,143	-	8,087,143
Contributions-employer	-	4,278,578	(4,278,578)
Contributions-employee	-	4,595,301	(4,595,301)
Net investment income	-	311,957	(311,957)
Benefit payments, including refunds of employee contributions	(8,728,811)	(8,728,811)	-
Administrative expense		(190,013)	190,013
Other	-	(9,385)	9,385
Net Changes	<u>24,526,050</u>	<u>257,627</u>	<u>24,268,423</u>
Balance at 12/31/2015	<u>\$ 237,640,486</u>	<u>\$ 211,673,662</u>	<u>\$ 25,966,824</u>

Sensitivity of the net pension liability to changes in the discount rate—

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase in Discount Rate <u>(7.75%)</u>
City's net pension liability	\$ 61,090,920	\$ 25,966,824	\$ (2,793,897)

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

### Pension Plan Fiduciary Net Position—

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

### e). Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2016, the City recognized pension expense of \$10,255,065.

At September 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 337,125
Difference in assumption changes	6,889,048
Difference between projected and actual investment earnings	13,128,887
Contributions subsequent to the measurement date	<u>3,429,615</u>
Total	<u>\$ 23,784,675</u>

\$3,429,615 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ending September 30, 2017.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Other amounts reported as deferred outflows of resources related to pensions will be recognized in future pension expense as follows:

Year ended	
<u>Dec 31</u>	
2016	\$ 4,667,475
2017	4,667,475
2018	4,667,477
2019	4,154,424
2020	1,256,845
Thereafter	<u>941,364</u>
Total	<u>\$ 20,355,060</u>

(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.

At the September 30, 2016 valuation and measurement date, the following members were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	102
Terminated employees entitled to but not yet receiving benefits	5
Active members	<u>164</u>
Total	271

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) 681-1081.



# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2016**

### **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** – A member is eligible for service retirement upon completion of 20 years of service and attainment of age 50. A member who retires under the service retirement provisions of the fund will receive a monthly benefit equal to the sum of (a), (b), and (c) where: (a) equal to 2.9 percent of the member’s highest 60-month average salary for each of the member’s years of service up to and including the 20th year of service and (b) equals the greater of 2.9 percent of the member’s highest 60-month average salary, or \$58.00 per month for each of the member’s 21st and 22nd years of service, and (c) equals \$58.00 per month for each year of service in excess of 22 years.

**Disability Benefits** – An active member who becomes disabled as defined in the plan will receive a monthly disability benefit. Separate disability benefits are provided for duty-related and off-duty disabilities. Disability benefits are payable in the same joint-and-survivor form as service retirement benefits. However, disability benefits stop if the member recovers to the point that he no longer meets the definition of disability under the fund. If the total monthly amount a disabled member receives from (a) the fund, (b) workers compensation, and (c) the City of McAllen, exceeds the member’s monthly rate of pay as of his date of disability, the amount payable from the fund will be reduced so that the member’s benefit from all three sources, combined, does not exceed such rate of pay.

**Death Benefits** – Duty-related death benefits, payable to a member’s spouse for as long as they are living, equal the sum of (a) 38.67% of the member’s highest 60-month average salary, (b) plus two-thirds of any additional service benefit earned by the member as of the date of their death. The death benefit is payable for life, but it ceases upon remarriage. Effective January 1, 2006 the widowed spouse of a member who completed 10 or more years of service prior to their death will have the death

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2016**

benefit payments terminated in the event of remarriage. In addition to the above spousal death benefit, each unmarried child of the member will receive a monthly benefit of 7.73 percent of the fire fighter's highest 60-month average salary. Orphan benefits continue until the child reaches age 18. However, benefits will continue until age 22 for a child who is a full-time student. If the member's spouse dies or remarries, or if the member has no spouse on the date of their death, each eligible orphan will receive a monthly benefit of 15.47 percent of the member's highest 60-month average salary. Orphan benefits are continued for life to disabled children. The total of all benefits paid as a result of the death of an active fund member may not exceed the disability or retirement benefits such member had earned as of the date of their death. The total of all benefits paid as a result of the death of a retired member may not exceed the retirement benefit the member was receiving as of the date of their death. Benefits are reduced pro rata, if necessary, in order to satisfy these limitations.

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

The Deferred Retirement Option Plan (DROP) – A member is eligible to receive their benefits under the plan's DROP provision after they have both completed 20 years of service and attained age 53. The election to participate in the DROP may be made at the time the member elects to retire. The monthly retirement income payable to a member who retires under the DROP will equal their service retirement benefits under the plan based on highest 60-month average salary and years of service as of the member's DROP Eligibility Date. The member's benefit will be calculated, however using the benefit formula in effect on the member's actual date of retirement. A members DROP Eligibility Date is the later of (a) the date the member meets the eligibility requirements for the DROP or (b) the date which is two years prior to the member's actual retirement date: Upon retirement, the member will receive—in addition to their monthly retirement benefit—a single payment equal to the sum of: (a.) the total of the monthly retirement benefits the member would have received between his DROP Eligibility Date and the time they retired under the plan, and (b.) the amount of monthly contributions that the member has made to the fund between their DROP Eligibility Date and the time they retired under the plan.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Method Used to Value Investments – The Plan’s investments are stated at fair value and, accordingly, unrealized appreciation and depreciation are reported in the statement of changes in fiduciary net position. The fair value of money market funds is considered to be the same as the cost of these investments due to their nature. The fair value of common stocks and foreign equities are based on quoted market prices. The fair value of United States Government securities and corporate and foreign bonds are based on quotes from broker dealers. The Plan values investments in alternative funds 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 manager, and is generally based on the estimated fair value of each funds’ underlying investments at the end of the reporting period.

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.

### d). Net Pension Liability

Total pension liability is developed by subtracting the present value of future service costs from the present value of future benefits. The net pension liability is calculated by subtracting the plan fiduciary net position from the pension liability. The components of the net pension liability of the Plan at September 30, 2016 were as follows:

Total pension liability	\$ 72,587,208
Plan fiduciary net position	<u>44,759,055</u>
Net pension liability	<u>\$ 27,828,153</u>
Fiduciary net position	
as a percentage of total pension liability	61.66%
Covered payroll	11,515,311
Net pension liability as a % of covered payroll	241.66%

## CITY OF McALLEN, TEXAS

### NOTES TO FINANCIAL STATEMENTS

September 30, 2016

#### Actuarial Assumptions -

The total pension liability was determined by an actuarial valuation as of October 1, 2014 and rolled forward to the measurement date of September 30, 2016, the Plan's fiscal year end.

Valuation date	October 1, 2014
Measurement date	September 30, 2016
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Actuarial assumptions:	
Investment rate of return	7.50% per annum, compounded annually
Projected salary increases	4.00% to 8.60%, including inflation based on service at attained age (fund specific)
Inflation	3.00% per year
Cost-of-living adjustment	None
Mortality	Employee and health annuitant combined rates from the RP-2000 Mortality Table, projected to 2024 using Scale AA, with separate rates for males and females
Other information	There have been no benefit changes since the October 1, 2014 valuation date

## CITY OF McALLEN, TEXAS

### NOTES TO FINANCIAL STATEMENTS

September 30, 2016

The investment rate of return and the projected salary increases both used the same assumptions with regard to inflation. Best estimates of long-term real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016 are summaries in the table below:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Cash	0.00%	0.68%
Fixed income	29.00%	3.00%
Equities		
(a) Domestic	39.00%	7.36%
(b) International	16.00%	5.25%
Alternative investments	16.00%	3.00%

#### Discount Rate—

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the City will be made at contractually required rates. Based on this assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2016**

### Changes in the Net Pension Liability– Firemen’s Relief and Retirement Fund Plan

	Increase (Decrease)		
	Total Pension <u>Liability</u> (a)	Plan Fiduciary <u>Net Position</u> (b)	Net Pension <u>Liability</u> (a) - (b)
Balance at 9/30/2015	\$ 68,453,587	\$ 42,300,964	\$ 26,152,623
Changes for the year:			
Service cost	2,879,641	-	2,879,641
Interest	5,130,946	-	5,130,946
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Benefit payments, including refunds of member contributions	(3,876,966)	(3,876,966)	-
Contributions-employer	-	1,554,567	(1,554,567)
Contributions-members	-	1,265,734	(1,265,734)
Expected net investment income	-	3,119,711	(3,119,711)
Gain or (loss) due to difference in projected vs actual earnings	-	748,008	(748,008)
Expected administrative expense		(352,963)	352,963
Other	-	-	-
Net Changes	<u>4,133,621</u>	<u>2,458,091</u>	<u>1,675,530</u>
Balance at 9/30/2016	<u>\$ 72,587,208</u>	<u>\$ 44,759,055</u>	<u>\$ 27,828,153</u>

### Sensitivity of the net pension liability to changes in the discount rate–

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.50%, as well as what the Plan’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease in Discount Rate <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase in Discount Rate <u>(8.5%)</u>
Plan's net pension liability	\$ 36,722,681	\$ 27,828,153	\$ 20,387,242

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2016, the Plan recognized pension expense of \$1,823,253.

At September 30, 2016, the Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 196,745	\$ -
Changes in actuarial assumptions	-	3,034,158
Difference between projected and actual investment earnings	<u>2,907,974</u>	<u>-</u>
Total	<u>\$ 3,104,719</u>	<u>\$ 3,034,158</u>

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended <u>Sept 30</u>	
2017	\$ 841,119
2018	841,119
2019	841,120
2020	(327,672)
2021	(178,072)
2022-2026	(890,360)
2027-2031	(890,360)
2032	(166,332)
Total	<u>\$ 70,562</u>

### 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, 2016 was 13.50% of annual compensation. Contributions required and paid into the fund as of September 30, 2016 were members, \$1,265,734 and employer, \$1,554,567.

### e). Other pension information

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.



## **CITY OF McALLEN, TEXAS**

### **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2016**

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) Tax Increment Reinvestment Zone Number One**

On December 22, 2014, the City Commission passed a resolution establishing Tax Increment Reinvestment Zone Number One, City of McAllen, Texas (TIRZ#1) containing approximately 2,571 acres of land located in the northern most area of the City's jurisdictional limits and designating the area as a reinvestment zone being commonly referred to as the "Tres Lagos Development Project". On November 18, 2015, a resolution was passed by the Board of Directors of TIRZ#1, approving an amended supplemental project and financing plan providing for an effective date of December 14, 2015. The City has committed to contribute to the Tax Increment Fund created for TIRZ#1, 70% of its tax increment derived from the City's maintenance and operations ad valorem taxes generated therein for years 2015 through 2025, and 80% for years 2026 through 2044. The amount to be contributed to TIRZ #1 is based upon the incremental increase in the appraised value each January 1<sup>st</sup> compared to the base year appraised value of property in the Zone as of January 1, 2014. On April 7, 2016, the Commissioners Court of Hidalgo County passed and approved an amended interlocal agreement to participate in TIRZ#1 by pledging 67% of its maintenance and operation portion of the County's assessed and collected taxes for years 2015 through 2025, and 77% for years 2026 through 2044. The amount contributed by both taxing entities will be set aside for capital improvement projects within TIRZ #1 beginning with taxes levied after January 1, 2015. On June 1, 2016, the City issued Combination Tax and Assessment Revenue Certificates of Obligation-Taxable Series 2016 in the amount of \$24,500,000 to pay for public improvements for TIRZ#1. As of September 30, 2016, \$8.3M from these bonds proceeds were spent on infrastructure and drainage improvements within TIRZ#1.

**(F) Tax Increment Reinvestment Zone Number Two**

On December 14, 2015, the City created a second TIRZ known as Tax Increment Reinvestment Zone Number Two, City of McAllen, Texas (TIRZ #2). This second TIRZ covers approximately 1,702 acres located in the south central area of City. The City committed to contribute to the Tax Increment Fund created for TIRZ#2 60% of its tax increment derived from the City's maintenance and operations ad valorem taxes generated therein for 20 years. As of September 30, 2016, there was no activity to report for TIRZ #2.

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2016**

**(G) Public Improvement District (PID)**

On April 15, 2015, the City Commission adopted a resolution creating the Tres Lagos Public Improvement District (PID) for the purpose of financing the costs of maintaining improvements, and providing services within and/or related to the Tres Lagos Development Project. As of September 30, 2016, there was no activity to report for the Tres Lagos PID.

**(H) Disposal of Operations**

On February 26, 2016, the City sold the Civic Center land and assets for a recognized gain of \$8,926,040. The sale proceeds were transferred to the Performing Arts Construction Fund. The new Performing Arts Center was completed in November 2016 and will provide many of the same cultural events once provided at the Civic Center, but on a much grander scale.

**(I) Subsequent events**

On October 10, 2016, the City Commission approved the creation of a “local government corporation” known as the City of McAllen, Texas Local Government Finance Corporation” which will assist the City with utilizing the provisions in Chapter 1509 to finance its commitment to Texas A&M and will serve as the “Issuer” of approximately \$10,500,000 in principal amount of “Contract Revenue Bonds, Series 2017” (the “Contract Revenue Bonds”).

On December 12, 2016, the City Commission repealed ordinance 2015-109 dated December 14, 2015 which created a second TIRZ known as Tax Increment Reinvestment Zone Number Two, City of McAllen, Texas (TIRZ #2) and dissolved the original TIRZ#2.

On December 12, 2016, the City Commission passed a new ordinance authorizing the creation of TIRZ#2A. The City has committed to contribute to the Tax Increment Fund created for TIRZ#2A 60% of its tax increment derived from the City’s maintenance and operations ad valorem taxes generated therein for 20 years to support revitalization and development activities for TIRZ#2A. The County of Hidalgo has also agreed to participate in TIRZ#2A and contribute 50% of its tax increment derived from the County’s maintenance and operations ad valorem taxes generated therein for 20 years, with a maximum contribution of \$7,859,116.

On December 14, 2016, the City issued Texas Waterworks and Sewer System Revenue Bonds Series 2016 for \$7,110,000 as well as Series 2016 Waterworks and Sewer System Revenue Bonds (Loan Forgiveness) for \$1,239,567.

On January 18, 2017, the City issued Contract Revenue Bonds, Series 2017 for \$10,670,000 for the construction of a building that will be owned by the City and the Board of Regents of the Texas A&M University System, as tenants-in-common, and will be used by Texas A&M University as an academic building.

## **Required Supplementary Information**

**City of McAllen, Texas**  
**Required Supplementary Information-(Unaudited)**  
**Texas Municipal Retirement System**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last Two Fiscal Years (Previous years unavailable)**

	Measurement Year 2014	Measurement Year 2015
<b>Total pension liability:</b>		
Service cost	\$ 6,805,485	\$ 7,407,030
Interest(on the total pension liability)	14,011,751	15,035,551
Changes of benefit terms	-	2,340,034
Difference between expected and actual experience	12,762	385,103
Change in assumptions	-	8,087,143
Benefit payments, including refunds of employee contributions	<u>(8,961,369)</u>	<u>(8,728,811)</u>
Net change in total pension liability	11,868,629	24,526,050
Total pension liability - beginning	<u>201,245,807</u>	<u>213,114,436</u>
Total pension liability - ending (a)	<u><u>\$ 213,114,436</u></u>	<u><u>\$ 237,640,486</u></u>
<b>Plan fiduciary net position:</b>		
Contributions - employer	\$ 4,139,770	\$ 4,278,578
Contributions - employee	4,367,657	4,595,301
Net investment income	11,471,696	311,957
Benefit payments, including refunds of employee contributions	(8,961,369)	(8,728,811)
Administrative expense	(119,767)	(190,013)
Other	<u>(9,847)</u>	<u>(9,385)</u>
Net change in plan fiduciary net position	10,888,140	257,627
Plan fiduciary net position - beginning	<u>200,527,895</u>	<u>211,416,035</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 211,416,035</u></u>	<u><u>\$ 211,673,662</u></u>
Net pension liability - ending (a) - (b)	\$ 1,698,401	\$ 25,966,824
Plan fiduciary net position as a percentage of total pension liability	99.20%	89.07%
Covered employee payroll	\$ 62,261,492	\$ 65,030,992
Net pension liability as a percentage of covered employee payroll	2.73%	39.93%

Note: This is a 10-year schedule to be created prospectively commencing with Measurement Year 2014.

**City of McAllen, Texas**  
**Required Supplementary Information – (Unaudited)**  
**Texas Municipal Retirement System**  
**Schedule of Contributions**  
**Last Two Fiscal Years (Previous years unavailable)**

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Fiscal Year	(1) Actuarial determined contribution	(2) Contribution in relation to the actuarially determined contribution	(3) Contribution excess (deficiency) (2) -(1)	(4) Covered employee payroll	(5) Contributions as a percentage of covered employee payroll (2)/(4)
2015	\$ 4,200,690	\$ 4,200,685	\$ (5)	\$ 64,045,229	6.56%
2016	4,594,830	4,594,391	\$ (439)	69,339,611	6.63%

Note: This is a 10-year schedule to be created prospectively commencing with Fiscal Year 2015.

Valuation Date: Actuarial determined contribution rates are calculated as of December 31<sup>st</sup> and become effective in January, 13 months later.

**Methods and Assumptions Used to Determine Contribution Rate for 2016:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information:	Granted 100% ad hoc USC with transfer

**City of McAllen, Texas**  
**Required Supplementary Information – (Unaudited)**  
**Firemen's Relief and Retirement Fund**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last Two Fiscal Years (Previous years unavailable)**

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016
<b>Total pension liability:</b>			
Service cost	\$ 1,573,197	\$ 1,824,526	\$ 2,879,641
Interest(on the total pension liability)	4,841,219	4,884,830	5,130,946
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	221,439	-
Change in assumptions	-	(3,414,995)	-
Benefit payments, including refunds of member contributions	(2,588,586)	(3,170,707)	(3,876,966)
Net change in total pension liability	3,825,830	345,093	4,133,621
Total pension liability - beginning	64,282,664	68,108,494	68,453,587
Total pension liability - ending (a)	\$ 68,108,494	\$ 68,453,587	\$ 72,587,208
<b>Plan fiduciary net position:</b>			
Contributions - employer	\$ 1,435,293	\$ 1,477,483	\$ 1,554,567
Contributions - members	1,214,786	1,223,445	1,265,734
Benefit payments, including refunds of member contributions	(2,588,586)	(3,170,707)	(3,876,966)
Expected net investment income	2,525,951	3,376,943	3,119,711
Gain or (loss) due to difference in projected vs actual earnings	-	(5,843,966)	748,008
Expected Administrative expense	(23,961)	(46,070)	(352,963)
Net change in plan fiduciary net position	2,563,483	(2,982,872)	2,458,091
Plan fiduciary net position - beginning	42,720,353	45,283,836	42,300,964
Plan fiduciary net position - ending (b)	\$ 45,283,836	\$ 42,300,964	\$ 44,759,055
Net pension liability - ending (a) - (b)	\$ 22,824,658	\$ 26,152,623	\$ 27,828,153
Plan fiduciary net position as a percentage of total pension liability	66.49%	61.80%	61.66%
Covered employee payroll	\$ 11,043,509	\$ 11,365,262	\$ 11,515,311
Net pension liability as a percentage of covered employee payroll	206.68%	230.11%	241.66%

Note: This is a 10-year schedule to be created prospectively commencing with Measurement Year 2014.

**City of McAllen, Texas**  
**Required Supplementary Information – (Unaudited)**  
**Firemen's Relief and Retirement Fund**  
**Schedule of Contributions**  
**Last Two Fiscal Years (Previous years unavailable)**

<u>Fiscal Year</u>	<u>(1) Actuarial determined contribution</u>	<u>(2) Contribution in relation to the actuarially determined contribution</u>	<u>(3) Contribution excess (deficiency) (2) -(1)</u>	<u>(4) Covered employee payroll</u>	<u>(5) Contributions as a percentage of covered employee payroll (2)/(4)</u>
2014	\$ 1,435,293	\$ 1,435,293	\$ -	\$ 11,043,509	13.00%
2015	1,477,483	1,477,483	-	11,365,262	13.00%
2016	1,554,567	1,554,567	-	11,515,311	13.50%

Note: This is a 10-year schedule to be created prospectively commencing with Fiscal Year 2014.

Valuation Date: Actuarial determined contribution rates are calculated as of October 1<sup>st</sup>.

Methods and Assumptions Used to Determine Contribution Rate for 2016:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Pay, Open
Remaining Amortization Period	29 years
Asset Valuation Method	5 Year smoothed market; 20% soft corridor
Inflation	3.0%
Salary Increases	4.00% to 8.60% including inflation based on service at attained age.
Investment Rate of Return	7.5% per annum, compounded annually
Retirement Age	Experience-based table of rates that are specific to the Firemen's Relief and Retirement Fund
Mortality	Employee and healthy annuitant combined rates from RP-2000 Mortality Table, projected to 2024 using Scale AA, with separate rates for males and females.
Other Information:	There were no benefit changes during the year.

**City of McAllen, Texas**  
**Required Supplementary Information – (Unaudited)**  
**Post Employment Benefit Plan**  
**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
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%	62,616,631	11.4%
10/01/14	-	8,137,801	8,137,801	0.0%	67,484,896	12.1%

Refer to page 96 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 Project 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 Tax Increment Reinvestment Zone #1 Fund was established to account for a portion of the revenues derived from property taxes levied by the City and County to facilitate the provision of capital improvements within the zone.

The Parkland Zones 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 Downtown Services Parking Fund was established to account for revenues and disbursements associated with the activities of vehicular parking in the downtown district.

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

The Texas Anti-Gang Unit Fund was established to account for revenues and expenditures associated with the operations of a new anti-gang unit.

The PEG Fund (Public, Educational and Government) was established to account for the revenue and expenditures related to the programming fees provided by various cable subscribers.

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

## Capital Projects Funds:

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

Street Improvements Construction Fund was established to account for all expenditures related to the construction of intersections and street improvement projects.

Sports Facility Construction Fund was established to account for all expenditures related to the construction of 12 fields for youth and adult baseball.

CITY OF McALLEN, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
September 30, 2016

	Special Revenue							
	Hotel Occupancy Tax	Hotel Venue Project	McAllen EB-5 Regional Center	Tax Increment Zone #1	Park Development	Community Development	Miscellaneous Government Grants	Downtown Services Parking
<b>ASSETS</b>								
Cash	\$ 48,440	\$ 6,127	\$ 181,907	\$ 81	\$ 199,275	\$ -	\$ 17,561	\$ 5,989
Certificate of deposit	-	-	-	-	-	-	-	-
Investments	4	2,446	644,744	16,090,137	1,524,604	-	-	338,203
Receivables:								
Accounts	318,585	90,997	-	-	-	-	-	921,540
Taxes	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	5,352	-	-	-
Other	-	-	-	-	-	-	-	300
Due from other funds	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	282,062	124,166	-
Total assets	<u>\$ 367,029</u>	<u>\$ 99,570</u>	<u>826,651</u>	<u>16,090,218</u>	<u>1,729,231</u>	<u>282,062</u>	<u>141,727</u>	<u>1,266,032</u>
<b>LIABILITIES</b>								
Accounts payable	\$ 97,742	\$ -	\$ -	\$ 35,357	\$ -	\$ 124,186	\$ 1,400	\$ 38,808
Accrued liabilities	-	-	22,961	-	-	16,515	-	8,543
Due to other funds	244,356	-	-	-	-	141,361	121,041	-
Other liabilities	-	-	605,000	-	-	-	-	-
Total liabilities	<u>342,098</u>	<u>-</u>	<u>627,961</u>	<u>35,357</u>	<u>-</u>	<u>282,062</u>	<u>122,441</u>	<u>47,351</u>
Deferred inflows of resources	-	-	-	-	-	-	2,692	921,536
Total liabilities and deferred inflows of resources	<u>342,098</u>	<u>-</u>	<u>627,961</u>	<u>35,357</u>	<u>-</u>	<u>282,062</u>	<u>125,133</u>	<u>968,887</u>
<b>FUND BALANCES</b>								
Restricted	24,931	99,570	198,690	16,054,861	1,729,231	-	16,594	-
Committed	-	-	-	-	-	-	-	297,145
Assigned	-	-	-	-	-	-	-	-
Total fund balances	<u>24,931</u>	<u>99,570</u>	<u>198,690</u>	<u>16,054,861</u>	<u>1,729,231</u>	<u>-</u>	<u>16,594</u>	<u>297,145</u>
Total liabilities and fund balances	<u>\$ 367,029</u>	<u>\$ 99,570</u>	<u>\$ 826,651</u>	<u>\$ 16,090,218</u>	<u>\$ 1,729,231</u>	<u>\$ 282,062</u>	<u>\$ 141,727</u>	<u>\$ 1,266,032</u>

Special Revenue				Capital Projects				Total Nonmajor Governmental Funds
PD Seized	TX Anti Gang Unit	Public Education Governmental	Total	Debt Service	Information Technology	Street Improvements	Sports Facilities	
\$ 39,394	\$ -	\$ 115,986	\$ 614,760	\$ 65,509	\$ 61,790	\$ 13,867	\$ 10,961	\$ 766,887
-	-	-	-	-	-	11,546,670	12,894,650	24,441,320
5,749,701	-	561,804	24,911,643	986,670	367,435	1,601,967	1,082,709	28,950,424
-	-	-	1,331,122	-	-	-	-	1,331,122
-	-	-	-	164,522	-	-	-	164,522
16,207	-	-	21,559	-	847	6,516	9,684	38,606
-	-	-	300	-	-	-	-	300
3,116	-	-	3,116	-	-	-	-	3,116
-	70,032	-	476,260	-	-	-	-	476,260
5,808,418	70,032	677,790	27,358,760	1,216,701	430,072	13,169,020	13,998,004	56,172,557
\$ 50,940	\$ 20,000	\$ -	\$ 368,433	\$ -	\$ 137,742	\$ 172,354	\$ 1,075	\$ 679,604
136,013	-	-	184,032	-	-	-	-	184,032
-	50,032	-	556,790	-	-	-	-	556,790
-	-	-	605,000	-	-	-	-	605,000
186,953	70,032	-	1,714,255	-	137,742	172,354	1,075	2,025,426
-	-	-	924,228	164,522	-	-	-	1,088,750
186,953	70,032	-	2,638,483	164,522	137,742	172,354	1,075	3,114,176
5,621,465	-	677,790	24,423,132	1,052,179	-	12,996,666	13,996,929	52,468,906
-	-	-	297,145	-	-	-	-	297,145
-	-	-	-	-	292,330	-	-	292,330
5,621,465	-	677,790	24,720,277	1,052,179	292,330	12,996,666	13,996,929	53,058,381
\$ 5,808,418	\$ 70,032	\$ 677,790	\$ 27,358,760	\$ 1,216,701	\$ 430,072	\$ 13,169,020	\$ 13,998,004	\$ 56,172,557

**CITY OF McALLEN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2016**

	Special Revenue								
	Hotel Occupancy Tax	Hotel Venue Project	McAllen EB-5 Regional Center	Tax Increment Zone #1	Park Development	Community Development	Miscellaneous Government Grants	Downtown Services Parking	PD Seized
<b>REVENUES</b>									
Hotel taxes	\$ 4,085,205	\$ 1,168,272	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-	-	-	-	-
Franchise taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	17,075	-
Intergovernmental	-	-	-	-	-	1,990,707	696,659	-	-
Charges for services	-	-	-	-	-	-	-	1,084,947	-
Fines and forfeitures	-	-	-	-	-	-	-	174,738	383,555
Investment earnings	-	69	867	25,945	10,949	-	-	1,276	51,717
Net increase (decrease) in the fair value of investments	-	-	-	-	(1,144)	-	-	-	-
Other	-	-	80,121	1,112	510,000	9	173,466	8,150	-
Total revenues	4,085,205	1,168,341	80,988	27,057	519,805	1,990,716	870,125	1,286,186	435,272
<b>EXPENDITURES</b>									
Current:									
General government	1,167,200	-	63,418	8,311,676	-	316,236	-	-	-
Public safety	-	-	-	-	-	-	864,803	-	1,069,072
Highways and streets	-	-	-	-	-	326,026	-	1,105,776	-
Health and welfare	-	-	-	-	-	1,180,306	-	-	-
Culture and recreation	-	-	-	-	36	168,148	5,321	-	-
Debt service:									
Principal	-	430,000	-	-	-	-	-	-	-
Interest and fiscal charges	-	383,685	-	-	-	-	-	-	-
Total expenditures	1,167,200	813,685	63,418	8,311,676	36	1,990,716	870,124	1,105,776	1,069,072
Excess (deficiency) of revenues over (under) expenditures	2,918,005	354,656	17,570	(8,284,619)	519,769	-	1	180,410	(633,800)
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	(2,918,004)	(529,340)	-	-	-	-	-	(396,826)	-
Debt issuance	-	-	-	24,500,000	-	-	-	-	-
Bond premium	-	-	-	-	-	-	-	-	-
Bond discount	-	-	-	(160,520)	-	-	-	-	-
Net other financing sources (uses)	(2,918,004)	(529,340)	-	24,339,480	-	-	-	(396,826)	-
Net change in fund balances	1	(174,684)	17,570	16,054,861	519,769	-	1	(216,416)	(633,800)
Fund balances at beginning of year	24,930	274,254	181,120	-	1,209,462	-	16,593	513,561	6,255,265
Fund balances at end of year	\$ 24,931	\$ 99,570	\$ 198,690	\$ 16,054,861	\$ 1,729,231	\$ -	\$ 16,594	\$ 297,145	\$ 5,621,465

Special Revenue			Capital Projects				Total Nonmajor Governmental Funds
TX Anti Gang Unit	Public Education Government	Total	Debt Service	Information Technology	Street Improvements	Sports Facilities	
\$ -	\$ -	5,253,477	\$ -	\$ -	\$ -	\$ -	\$ 5,253,477
-	-	-	3,342,284	-	-	-	3,342,284
-	182,152	182,152	-	-	-	-	182,152
-	-	17,075	-	-	-	-	17,075
70,032	-	2,757,398	-	-	-	-	2,757,398
-	-	1,084,947	-	-	-	-	1,084,947
-	-	558,293	-	-	-	-	558,293
-	1,623	92,446	5,254	2,495	84,184	87,766	272,145
-	-	(1,144)	-	11	-	-	(1,133)
-	-	772,858	-	91,541	-	-	864,399
70,032	183,775	10,717,502	3,347,538	94,047	84,184	87,766	14,331,037
-	71,363	9,929,893	-	552,663	-	-	10,482,556
70,032	-	2,003,907	-	-	-	-	2,003,907
-	-	1,431,802	-	-	1,037,035	-	2,468,837
-	-	1,180,306	-	-	-	-	1,180,306
-	-	173,505	-	-	-	598,777	772,282
-	-	430,000	4,260,000	-	-	-	4,690,000
-	-	383,685	2,178,737	-	-	-	2,562,422
70,032	71,363	15,533,098	6,438,737	552,663	1,037,035	598,777	24,160,310
-	112,412	(4,815,596)	(3,091,199)	(458,616)	(952,851)	(511,011)	(9,829,273)
-	-	-	3,510,675	140,000	-	-	3,650,675
-	-	(3,844,170)	-	-	-	-	(3,844,170)
-	-	24,500,000	-	-	-	-	24,500,000
-	-	-	-	-	-	-	-
-	-	(160,520)	-	-	-	-	(160,520)
#	-	20,495,310	3,510,675	140,000	-	-	24,145,985
-	112,412	15,679,714	419,476	(318,616)	(952,851)	(511,011)	14,316,712
-	565,378	9,040,563	632,703	610,946	13,949,517	14,507,940	38,741,669
\$ -	\$ 677,790	\$ 24,720,277	\$ 1,052,179	\$ 292,330	\$ 12,996,666	\$ 13,996,929	\$ 53,058,381

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# Non Major 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; Performing Arts; 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 Performing Arts Fund is utilized to account for the operations of a performing arts 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, 2016**

	<b>Palm View Golf Course</b>	<b>Civic Center</b>	<b>Performing Arts Center</b>	<b>McAllen Express Transit</b>	<b>Transit Terminal</b>	<b>Total</b>
<b>ASSETS</b>						
Current assets:						
Cash	\$ 23,358	\$ -	67,364	\$ 18,576	\$ 161,219	\$ 270,517
Investments	815,312	349,123	-	679,640	1,420,885	3,264,960
Receivables, net:						
Accounts	26	-	-	14,744	-	14,770
Accrued interest	1,311	-	-	122	309	1,742
Due from other funds	-	-	24,436	-	-	24,436
Due from other governments	-	-	-	159,479	172,950	332,429
<b>Total currents assets</b>	<b>840,007</b>	<b>349,123</b>	<b>91,800</b>	<b>872,561</b>	<b>1,755,363</b>	<b>3,908,854</b>
Restricted assets:						
Cash	434	-	-	-	-	434
Investments	300,518	-	-	-	-	300,518
<b>Total restricted assets</b>	<b>300,952</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>300,952</b>
Capital assets:						
Land	187,995	-	-	-	1,684,593	1,872,588
Buildings and systems	228,345	-	-	-	5,602,219	5,830,564
Improvements other than buildings	7,717,383	-	-	489,143	1,313,681	9,520,207
Machinery and equipment	1,568,298	-	-	5,380,849	4,624,854	11,574,001
<b>Total capital assets</b>	<b>9,702,021</b>	<b>-</b>	<b>-</b>	<b>5,869,992</b>	<b>13,225,347</b>	<b>28,797,360</b>
Less accumulated depreciation	(6,661,347)	-	-	(4,430,592)	(3,881,986)	(14,973,925)
<b>Net capital assets</b>	<b>3,040,674</b>	<b>-</b>	<b>-</b>	<b>1,439,400</b>	<b>9,343,361</b>	<b>13,823,435</b>
<b>Total assets</b>	<b>4,181,633</b>	<b>349,123</b>	<b>91,800</b>	<b>2,311,961</b>	<b>11,098,724</b>	<b>18,033,241</b>
Deferred outflows of resources-pensions	205,012	-	-	494,820	54,240	754,072
<b>Total assets and deferred outflows of resources</b>	<b>\$ 4,386,645</b>	<b>\$ 349,123</b>	<b>\$ 91,800</b>	<b>\$ 2,806,781</b>	<b>\$ 11,152,964</b>	<b>\$ 18,787,313</b>



**CITY OF McALLEN, TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**September 30, 2016**

	<b>Palm View Golf Course</b>	<b>Civic Center</b>	<b>Performing Arts Center</b>	<b>McAllen Express Transit</b>	<b>Transit Terminal</b>	<b>Total</b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 37,642	\$ 89	-	\$ 35,846	\$ 71,770	\$ 145,347
Accrued expenses	8,820	-	-	22,120	2,675	33,615
Due to other funds	-	9,193	-	-	-	9,193
Compensated absences	24,466	-	-	-	3,037	27,503
Total current liabilities	70,928	9,282	-	57,966	77,482	215,658
Liabilities(payable from restricted assets):						
Accounts payable	219	-	-	-	-	219
Total liabilities(payable from restricted assets)	219	-	-	-	-	219
Other noncurrent liabilities:						
Unearned revenues	79,198	-	-	40,000	-	119,198
Compensated absences	63,707	-	-	92,301	-	156,008
Net pension liability	223,824	-	-	540,231	59,214	823,269
Total other noncurrent liabilities	366,729	-	-	672,532	59,214	1,098,475
Total liabilities	<u>\$ 437,876</u>	<u>\$ 9,282</u>	<u>\$ -</u>	<u>\$ 730,498</u>	<u>\$ 136,696</u>	<u>\$ 1,314,352</u>
<b>NET POSITION</b>						
Net investment in capital assets	3,040,674	-	-	1,439,400	9,343,361	13,823,435
Unrestricted	908,095	339,841	91,800	636,883	1,672,907	3,649,526
Total net position	3,948,769	339,841	91,800	2,076,283	11,016,268	17,472,961
Total liabilities, deferred inflows of resources and net position	<u>\$ 4,386,645</u>	<u>\$ 349,123</u>	<u>\$ 91,800</u>	<u>\$ 2,806,781</u>	<u>\$ 11,152,964</u>	<u>\$ 18,787,313</u>

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

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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, 2016**

	<b>Palm View Golf Course</b>	<b>Civic Center</b>	<b>Performing Arts Center</b>	<b>McAllen Express Transit</b>	<b>Transit Terminal</b>	<b>Total</b>
Operating revenues:						
Charges for services	\$ 984,994	\$ 172,405	\$ -	\$ 557,367	\$ -	\$ 1,714,766
Rentals	-	61,800	-	336,642	-	398,442
Other	358,594	9,365	-	159,788	5,968	533,715
Total operating revenues	1,343,588	243,570	-	1,053,797	5,968	2,646,923
Operating expenses:						
Salaries, wages and employee benefits	802,224	-	-	2,005,048	212,616	3,019,888
Supplies	113,234	2,608	-	43,119	-	158,961
Contractual and other services	136,469	132,768	-	768,948	131,982	1,170,167
Repairs and maintenance	91,598	3,063	-	321,129	405,840	821,630
Depreciation and amortization	295,649	23,737	-	655,758	798,674	1,773,818
Total operating expenses	1,439,174	162,176	-	3,794,002	1,549,112	6,944,464
Operating income (loss)	(95,586)	81,394	-	(2,740,205)	(1,543,144)	(4,297,541)
Nonoperating revenues:						
Investment earnings	4,501	8,519	-	3,647	10,881	27,548
Net increase (decrease) in the fair value of investments	66	(214)	-	376	(1,034)	(806)
Gain on sale of assets	-	8,926,040	-	-	-	8,926,040
Nonoperating revenues	4,567	8,934,345	-	4,023	9,847	8,952,782
Income (Loss) before contributions and transfers	(91,019)	9,015,739	-	(2,736,182)	(1,533,297)	4,655,241
Capital contributions	-	-	-	938,627	904,703	1,843,330
Transfers in	-	-	291,800	803,373	155,669	1,250,842
Transfers out	(14,303)	(11,680,375)	(200,000)	(56,751)	(10,481)	(11,961,910)
Change in net position	(105,322)	(2,664,636)	91,800	(1,050,933)	(483,406)	(4,212,497)
Total net position--beginning	4,054,091	3,004,477	-	3,127,216	11,499,674	21,685,458
Total net position--ending	\$ 3,948,769	\$ 339,841	\$ 91,800	\$ 2,076,283	\$ 11,016,268	\$ 17,472,961

**CITY OF McALLEN, TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**STATEMENT OF CASH FLOW**  
**For the Year Ended September 30, 2016**

	<b>Palm View Golf Course</b>	<b>McAllen International Civic Center</b>	<b>Performing Arts Center</b>	<b>McAllen Express Transit</b>	<b>Transit Terminal</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>						
Receipts from customers	\$ 1,337,890	\$ 226,358	\$ -	\$ 1,082,483	\$ 5,968	\$ 2,652,699
Payments to employees	(771,605)	-	-	(1,903,911)	(378,596)	(3,054,112)
Payments to suppliers	(367,672)	(142,568)	-	(1,216,650)	(1,184,174)	(2,911,064)
Net cash provided (used) by operating activities	198,613	83,790	-	(2,038,078)	(1,556,802)	(3,312,477)
<b>Cash flows from noncapital financing activities:</b>						
Transfers from other funds	-	43,782	267,364	803,373	475,089	1,589,608
Transfers to other funds	(14,303)	(11,680,375)	(200,000)	(56,751)	(10,481)	(11,961,910)
Net cash provided by noncapital financing activities	(14,303)	(11,636,593)	67,364	746,622	464,608	(10,372,302)
<b>Cash flows from capital and related financing activities:</b>						
Capital contributions	-	-	-	896,271	1,384,156	2,280,427
Payments for capital acquisitions	(59,299)	-	-	-	(379,100)	(438,399)
Gain on sale of capital assets	-	9,951,000	-	-	-	9,951,000
Cash used by capital and related financing activities	(59,299)	9,951,000	-	896,271	1,005,056	11,793,028
<b>Cash flows from investing activities:</b>						
Proceeds from sales and maturities of investments	1,246,779	13,477,474	-	2,486,391	3,126,952	20,337,596
Purchase of investments	(1,657,354)	(11,953,775)	-	(2,155,557)	(3,046,716)	(18,813,402)
Receipt of interest	3,256	9,277	-	4,387	10,018	26,938
Net cash provided (used) by investing activities	(407,319)	1,532,976	-	335,221	90,254	1,551,132
Net increase (decrease) in cash	(282,308)	(68,827)	67,364	(59,964)	3,116	(340,619)
Cash at beginning of year	306,100	68,827	-	78,540	158,103	611,570
Cash at end of year	\$ 23,792	\$ -	\$ 67,364	\$ 18,576	\$ 161,219	\$ 270,951

Continued

**CITY OF McALLEN, TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**STATEMENT OF CASH FLOW**  
**For the Year Ended September 30, 2016**

	<b>Palm View Golf Course</b>	<b>McAllen International Civic Center</b>	<b>Performing Arts Center</b>	<b>McAllen Express Transit</b>	<b>Transit Terminal</b>	<b>Total</b>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>						
Operating income (loss)	\$ (95,586)	\$ 81,394	\$ -	\$ (2,740,205)	\$ (1,543,144)	\$ (4,297,541)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	295,649	23,737	-	655,758	798,674	1,773,818
(Increase) decrease in deferred outflows of resources - pension	(159,222)	-	-	(380,090)	(43,951)	(583,263)
(Increase) decrease in accounts receivable	26	-	-	(11,314)	-	(11,288)
Increase (decrease) in accounts payable	(26,371)	(13,322)	-	(83,454)	(646,352)	(769,499)
Increase (decrease) in customer deposits payable	-	(39)	-	-	-	(39)
Increase (decrease) in compensated absences payable	5,397	-	-	25,269	1,154	31,820
Increase (decrease) in accrued liabilities	(24,264)	-	-	(46,399)	(179,000)	(249,663)
Increase (decrease) in due to other funds	-	9,193	-	-	-	9,193
Increase (decrease) net pension liability	208,708	-	-	502,357	55,817	766,882
Increase (decrease) in unearned revenue	(5,724)	(17,173)	-	40,000	-	17,103
Total adjustments	294,199	2,396	-	702,127	(13,658)	985,064
Net cash provided (used) by operating activities	<u>\$ 198,613</u>	<u>\$ 83,790</u>	<u>\$ -</u>	<u>\$ (2,038,078)</u>	<u>\$ (1,556,802)</u>	<u>\$ (3,312,477)</u>
<b>Noncash investing, capital and financing activities:</b>						
Increase (decrease) in fair value of investments	66	(214)	-	376	(1,034)	(806)

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

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 **Property & Casualty Insurance Fund** was established to account for all expenses related to general liability insurance personal and property claims. 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

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**September 30, 2016**

	<b>Fleet Materials Management</b>	<b>Employee Benefits</b>	<b>Retiree Health Insurance</b>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 572,998	\$ 109,128	\$ 4,568
Investments	-	678,863	901,359
Receivables, net:			
Accounts	322,705	64,812	-
Accrued funds	-	1,750	243
Due from other funds	-	-	-
Due from other governments	-	-	-
Interfund loan	-	-	-
Other	-	286,464	-
Inventories	363,559	-	-
Total current assets	1,259,262	1,141,017	906,170
Capital assets			
Land	-	-	-
Improvement other than buildings	132,823	-	-
Machinery and equipment	824,733	40,998	-
Less accumulated depreciation	(620,592)	(23,419)	-
Net capital assets	336,964	17,579	-
Total assets	\$ 1,596,226	\$ 1,158,596	\$ 906,170
Deferred outflows of resources-pension	274,354	-	-
Total Assets and Deferred Outflows of Resources	\$ 1,870,580	\$ 1,158,596	\$ 906,170
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 236,732	\$ 232,196	\$ 8,692
Accrued expense	15,055	2,004,537	240,000
Due to other funds	-	-	-
Compensated absences	34,583	-	-
Total current liabilities	286,370	2,236,733	248,692
Other non-current liabilities:			
Net pension liability	299,517	-	-
Compensated absences	-	13,956	-
Total other non-current liabilities	299,517	13,956	-
Total liabilities	585,887	2,250,689	248,692
<b>NET POSITION</b>			
Net investment in capital assets	336,964	17,579	-
Unrestricted	947,729	(1,109,672)	657,478
Total net position	1,284,693	(1,092,093)	657,478
Total liabilities and net position	\$ 1,870,580	\$ 1,158,596	\$ 906,170



<u>General Insurance</u>	<u>Property &amp; Casualty Insurance</u>	<u>General Depreciation</u>	<u>Total</u>
\$ 368,001	\$ 72,786	\$ -	\$ 1,127,481
9,881,767	-	4,683,297	16,145,286
130,353	-	-	517,870
24,831	-	17,118	43,942
-	67,701	-	67,701
12,309	-	-	12,309
2,186,280	-	2,186,280	4,372,560
-	-	-	286,464
-	-	-	363,559
<u>12,603,541</u>	<u>140,487</u>	<u>6,886,695</u>	<u>22,937,172</u>
2,158,303	-	5,970,333	8,128,636
-	-	-	132,823
43,416	-	25,655,380	26,564,527
(18,489)	-	(18,007,905)	(18,670,405)
<u>2,183,230</u>	<u>-</u>	<u>13,617,808</u>	<u>16,155,581</u>
<u>\$ 14,786,771</u>	<u>\$ 140,487</u>	<u>\$ 20,504,503</u>	<u>\$ 39,092,753</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>274,354</u>
<u><u>\$ 14,786,771</u></u>	<u><u>\$ 140,487</u></u>	<u><u>\$ 20,504,503</u></u>	<u><u>\$ 39,367,107</u></u>
\$ 62,151	\$ 5,939	\$ -	\$ 545,710
476,278	133,928	-	2,869,798
-	-	138,034	138,034
-	-	-	34,583
<u>538,429</u>	<u>139,867</u>	<u>138,034</u>	<u>3,588,125</u>
-	-	-	299,517
8,615	620	-	23,191
<u>8,615</u>	<u>620</u>	<u>-</u>	<u>322,708</u>
<u>547,044</u>	<u>140,487</u>	<u>138,034</u>	<u>3,910,833</u>
2,183,230	-	13,617,808	16,155,581
12,056,497	-	6,748,661	19,300,693
14,239,727	-	20,366,469	35,456,274
<u><u>\$ 14,786,771</u></u>	<u><u>\$ 140,487</u></u>	<u><u>\$ 20,504,503</u></u>	<u><u>\$ 39,367,107</u></u>

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**For the Year Ended September 30, 2016**

	<b>Fleet Materials Management</b>	<b>Employee Benefits</b>	<b>Retiree Health Insurance</b>
Operating revenues:			
Charges for services	\$ 4,100,398	\$ -	\$ -
Contributions	-	10,067,837	565,857
Total operating revenues	4,100,398	10,067,837	565,857
Operating expenses:			
Salaries, wages and employee benefits	1,078,357	292,372	-
Supplies and materials	23,148	3,616	-
Contractual and other services	3,006,323	1,901,900	105,377
Repairs and maintenance	52,398	-	-
Depreciation and amortization	100,348	8,199	-
Self insurance claims	-	10,302,189	254,678
Other	19,784	-	-
Total operating expenses	4,280,358	12,508,276	360,055
Operating income (loss)	(179,960)	(2,440,439)	205,802
Non operating revenues (expenses):			
Intergovernmental	-	-	-
Investment earnings	-	3,632	2,743
Net increase (decrease) in fair value of investments	-	994	199
Other	15,245	219,687	126
Net non-operating revenues (expenses)	15,245	224,313	3,068
Income (loss) before contributions and transfers	(164,715)	(2,216,126)	208,870
Capital contributions	-	-	-
Transfers in	-	2,386,952	-
Transfers out	(35,767)	-	-
Income (loss) after contributions and transfers	(35,767)	2,386,952	-
Change in net position	(200,482)	170,826	208,870
Total net position--beginning	1,485,175	(1,262,919)	448,608
Total net position--ending	\$ 1,284,693	\$ (1,092,093)	\$ 657,478

<b>General Insurance</b>	<b>Property &amp; Casualty Insurance</b>	<b>General Depreciation</b>	<b>Total</b>
\$ -	\$ -	\$ 2,261,674	\$ 6,362,072
3,057,730	800,000	-	14,491,424
3,057,730	800,000	2,261,674	20,853,496
319,844	60,041	-	1,750,614
3,923	1,124	-	31,811
649,488	738,835	-	6,401,923
314	-	-	52,712
300	-	2,153,273	2,262,120
923,373	-	-	11,480,240
-	-	-	19,784
1,897,242	800,000	2,153,273	21,999,204
1,160,488	-	108,401	(1,145,708)
20,611	-	-	20,611
251,879	-	95,940	354,194
(4,939)	-	(1,977)	(5,723)
358,096	-	92,706	685,860
625,647	-	186,669	1,054,942
1,786,135	-	295,070	(90,766)
-	-	5,375,134	5,375,134
-	-	-	2,386,952
(8,076)	-	-	(43,843)
(8,076)	-	5,375,134	7,718,243
1,778,059	-	5,670,204	7,627,477
12,461,668	-	14,696,265	27,828,797
\$ 14,239,727	\$ -	\$ 20,366,469	\$ 35,456,274

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Year Ended September 30, 2016**

	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>	<u>Retiree Health Insurance</u>
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 4,000,129	\$ 10,024,242	\$ 562,976
Payments to employees	(1,034,838)	(62,879)	-
Payments to suppliers	<u>(3,181,403)</u>	<u>(12,773,075)</u>	<u>(390,078)</u>
Net cash provided (used) by operating activities	<u>(216,112)</u>	<u>(2,811,712)</u>	<u>172,898</u>
<b>Cash flows from non-capital financing activities:</b>			
Transfer from other funds	-	2,531,253	-
Transfer to other funds	(35,767)	-	-
Subsidy from federal grant	-	-	-
Other revenue received	<u>15,245</u>	<u>219,687</u>	<u>126</u>
Cash provided by non-capital financing activities	<u>(20,522)</u>	<u>2,750,940</u>	<u>126</u>
<b>Cash flows from capital and related financing activities:</b>			
Capital contributions	-	-	-
Payments for capital acquisitions	(46,408)	-	-
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(46,408)</u>	<u>-</u>	<u>-</u>
<b>Cash flows from investing activities:</b>			
Proceeds from sales and maturities of investments	-	4,839,496	1,120,220
Purchase of investments	-	(4,719,981)	(1,293,919)
Receipt of interest	<u>-</u>	<u>2,876</u>	<u>2,699</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>122,391</u>	<u>(171,000)</u>
Net increase (decrease) in cash	(283,042)	61,619	2,024
Cash at beginning of year	<u>856,040</u>	<u>47,509</u>	<u>2,544</u>
Cash at end of year	<u><u>\$ 572,998</u></u>	<u><u>\$ 109,128</u></u>	<u><u>\$ 4,568</u></u>

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<u>General Insurance</u>	<u>Property &amp; Casualty</u>	<u>General Depreciation</u>	<u>Totals</u>
\$ 3,057,730	\$ 732,299	\$ 2,261,674	\$ 20,639,050
(291,918)	74,507	-	(1,315,128)
<u>(1,794,002)</u>	<u>(734,020)</u>	<u>(25,165)</u>	<u>(18,897,743)</u>
<u>971,810</u>	<u>72,786</u>	<u>2,236,509</u>	<u>426,179</u>
(1,093,777)	-	(1,093,777)	343,699
(8,076)	-	-	(43,843)
13,664	-	-	13,664
<u>358,321</u>	<u>-</u>	<u>(349)</u>	<u>593,030</u>
<u>(729,868)</u>	<u>-</u>	<u>(1,094,126)</u>	<u>906,550</u>
-	-	5,375,134	5,375,134
-	-	(8,650,731)	(8,697,139)
<u>2,744,475</u>	<u>-</u>	<u>93,055</u>	<u>2,837,530</u>
<u>2,744,475</u>	<u>-</u>	<u>(3,182,542)</u>	<u>(484,475)</u>
18,209,619	-	14,704,159	38,873,494
(21,296,324)	-	(12,764,139)	(40,074,363)
<u>228,168</u>	<u>-</u>	<u>81,970</u>	<u>315,713</u>
<u>(2,858,537)</u>	<u>-</u>	<u>2,021,990</u>	<u>(885,156)</u>
127,880	72,786	(18,169)	(36,902)
<u>240,121</u>	<u>-</u>	<u>18,169</u>	<u>1,164,383</u>
<u>\$ 368,001</u>	<u>\$ 72,786</u>	<u>\$ -</u>	<u>\$ 1,127,481</u>

Continued

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Year Ended September 30, 2016**

	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>	<u>Retiree Health Insurance</u>
Operating (loss) income	\$ (179,960)	\$ (2,440,439)	\$ 205,802
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	100,348	8,199	-
(Increase) decrease in deferred outflows of resources - pension	(219,818)	-	-
(Increase) decrease in accounts receivable	(100,269)	(43,595)	(2,881)
(Increase) decrease in due from other funds	-	-	-
(Increase) decrease in inventories	3,361	-	-
Increase (decrease) in accounts payable	(83,111)	(565,370)	(30,023)
Increase (decrease) in compensated absences payable	5,892	6,886	-
Increase (decrease) in accrued liabilities	(24,069)	222,607	-
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in net pension liability	281,514	-	-
Total adjustments	<u>(36,152)</u>	<u>(371,273)</u>	<u>(32,904)</u>
Net cash provided (used) by operating activities	<u>\$ (216,112)</u>	<u>\$ (2,811,712)</u>	<u>\$ 172,898</u>
<b>Noncash investing, capital, and financing activities:</b>			
Increase(decrease) in fair value of investments	-	994	199

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<u>General Insurance</u>	<u>Property &amp; Casualty Insurance</u>	<u>General Depreciation</u>	<u>Totals</u>
\$ 1,160,488	\$ -	\$ 108,401	\$ (1,145,708)
300	-	2,153,273	2,262,120
-	-	-	(219,818)
-	-	-	(146,745)
-	(67,701)	-	(67,701)
-	-	-	3,361
(216,904)	5,939	(163,199)	(1,052,668)
(1,513)	620	-	11,885
29,439	133,928	-	361,905
-	-	138,034	138,034
-	-	-	281,514
<u>(188,678)</u>	<u>72,786</u>	<u>2,128,108</u>	<u>1,571,887</u>
<u>\$ 971,810</u>	<u>\$ 72,786</u>	<u>\$ 2,236,509</u>	<u>\$ 426,179</u>
(4,939)	-	(1,977)	(5,723)

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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, 2016**

	<b>Developers Fund</b>	<b>Communication Group Fund</b>	<b>Payroll Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 18,853	\$ 6,046	\$ 277,859	\$ 302,758
Receivables:				
Interest	4,901	-	-	4,901
Investments, at fair value:				
TexPool Prime	1,281,409	1,925,073	-	3,206,482
US government securities	2,198,207	-	-	2,198,207
	<u>3,503,370</u>	<u>1,931,119</u>	<u>277,859</u>	<u>5,712,348</u>
Total assets	<u>\$ 3,503,370</u>	<u>\$ 1,931,119</u>	<u>\$ 277,859</u>	<u>\$ 5,712,348</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 1,530	\$ 277,859	\$ 279,389
Due agency	-	1,929,589	-	1,929,589
Escrow payables	3,503,370	-	-	3,503,370
	<u>3,503,370</u>	<u>-</u>	<u>-</u>	<u>3,503,370</u>
Total liabilities	<u>\$ 3,503,370</u>	<u>\$ 1,931,119</u>	<u>\$ 277,859</u>	<u>\$ 5,712,348</u>

**CITY OF McALLEN, TEXAS**  
**AGENCY FUND**  
**DEVELOPER'S FUND**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**Year Ended September 30, 2016**

	<b>Balance 09/30/15</b>	<b>ADDITIONS</b>	<b>DEDUCTIONS</b>	<b>Balance 09/30/16</b>
<b><u>Assets:</u></b>				
Cash and equivalents	\$ 76,554	\$ 10,181,373	\$ 10,239,074	\$ 18,853
Investments:				
Tex-pool Prime	813,686	6,434,136	5,966,413	1,281,409
Government securities	1,502,547	4,198,507	3,502,847	2,198,207
Receivables:				
Accrued interest	1,562	22,684	19,345	4,901
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total current assets	<u>\$ 2,394,349</u>	<u>\$ 20,836,700</u>	<u>\$ 19,727,679</u>	<u>\$ 3,503,370</u>
<b><u>Liabilities:</u></b>				
Escrow payables	<u>\$ 2,394,349</u>	<u>\$ 2,822,205</u>	<u>\$ 1,713,184</u>	<u>3,503,370</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>\$ 2,394,349</u>	<u>\$ 2,822,205</u>	<u>\$ 1,713,184</u>	<u>\$ 3,503,370</u>

**CITY OF McALLEN, TEXAS**  
**AGENCY FUND**  
**COMMUNICATIONS GROUP**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**Year Ended September 30, 2016**

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	<b>Balance 09/30/15</b>	<b>ADDITIONS</b>	<b>DEDUCTIONS</b>	<b>Balance 09/30/16</b>
<b><u>Assets:</u></b>				
Cash and equivalents	\$ 335,002	\$ 1,441,991	\$ 1,770,947	\$ 6,046
Investments	<u>1,150,410</u>	<u>3,100,830</u>	<u>2,326,167</u>	<u>1,925,073</u>
Total current assets	<u><u>\$ 1,485,412</u></u>	<u><u>\$ 4,542,821</u></u>	<u><u>\$ 4,097,114</u></u>	<u><u>\$ 1,931,119</u></u>
<b><u>Liabilities:</u></b>				
Payables	\$ 14,844	\$ 673,413	\$ 686,727	\$ 1,530
Due Agency	<u>1,470,568</u>	<u>459,021</u>	<u>-</u>	<u>1,929,589</u>
Total liabilities	<u><u>\$ 1,485,412</u></u>	<u><u>\$ 1,132,434</u></u>	<u><u>\$ 686,727</u></u>	<u><u>\$ 1,931,119</u></u>

**CITY OF McALLEN, TEXAS**  
**AGENCY FUND**  
**PAYROLL FUND**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**Year Ended September 30, 2016**

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	<u>Balance</u> <u>09/30/15</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>Balance</u> <u>09/30/16</u>
<b><u>Assets:</u></b>				
Cash and equivalents	\$ 850,155	\$ 93,248,812	\$ 93,821,108	\$ 277,859
Receivables:				
Other	<u>10,738</u>	<u>121,208</u>	<u>131,946</u>	<u>-</u>
Total current assets	<u>\$ 860,893</u>	<u>\$ 93,370,020</u>	<u>\$ 93,953,054</u>	<u>\$ 277,859</u>
<b><u>Liabilities:</u></b>				
Payables	<u>\$ 860,893</u>	<u>\$ 42,620,735</u>	<u>\$ 43,203,769</u>	<u>\$ 277,859</u>
Total liabilities	<u>\$ 860,893</u>	<u>\$ 42,620,735</u>	<u>\$ 43,203,769</u>	<u>\$ 277,859</u>

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# **Individual Budget Schedules**

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Taxes:				
Property	\$ 36,280,702	\$ 37,180,702	\$ 37,052,902	\$ (127,800)
Sales	49,224,050	45,555,645	45,337,142	(218,503)
Franchise	7,311,500	7,311,500	7,386,284	74,784
Total taxes	92,816,252	90,047,847	89,776,328	(271,519)
Licenses and permits:				
Business licenses and permits	55,000	55,000	66,568	11,568
Occupational	254,100	254,100	244,856	(9,244)
Non-business licenses and permits	1,066,500	1,066,500	1,480,202	413,702
Total licenses and permits	1,375,600	1,375,600	1,791,626	416,026
Intergovernmental revenues:				
State shared revenues	-	-	3,000	3,000
Total intergovernmental revenues	-	-	3,000	3,000
Charges for services:				
General government	2,300,500	2,300,500	2,288,437	(12,063)
Public safety	663,000	663,000	668,491	5,491
Highways and streets	3,500	3,500	2,958	(542)
Health	586,200	586,200	646,255	60,055
Culture and recreation	1,101,200	1,295,238	1,309,925	14,687
Total charges for services	4,654,400	4,848,438	4,916,066	67,628
Fines and forfeitures:				
Corporations court	1,550,000	1,398,445	1,196,881	(201,564)
Other fines	65,000	65,000	53,146	(11,854)
Total fines and forfeitures	1,615,000	1,463,445	1,250,027	(213,418)
Investment earnings	420,000	420,000	521,959	101,959
Decrease in the fair value of investments	\$ -	\$ -	\$ (7,901)	\$ (7,901)
Other:				
Royalties	865,000	350,000	490,736	140,736
Rents and concessions	5,500	5,500	61,400	55,900
Reimbursements	350,000	350,000	1,034,475	684,475
Other	18,100	18,100	638,082	619,982
Total other revenues	1,238,600	723,600	2,224,693	1,501,093
Total revenues	\$ 102,119,852	\$ 98,878,930	\$ 100,475,798	\$ 1,596,868



**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>EXPENDITURES</b>				
General government:				
City commission:				
Personal services	128,516	130,368	133,985	(3,617)
Supplies	4,680	4,680	4,320	360
Miscellaneous services	29,980	29,980	39,381	(9,401)
Capital outlay	-	-	1,161	(1,161)
Total city commission	163,176	165,028	178,847	(13,819)
Special service:				
Miscellaneous services	787,411	787,411	757,557	29,854
Total special service	787,411	787,411	757,557	29,854
City manager:				
Personal services	1,187,889	1,220,414	1,228,388	(7,974)
Supplies	2,430	2,430	3,010	(580)
Miscellaneous services	88,181	88,181	82,414	5,767
Maintenance	1,751	1,680	897	783
Total city manager	1,280,251	1,312,705	1,314,709	(2,004)
Budget & management:				
Personal service	341,413	355,980	344,936	11,044
Supplies	6,000	6,000	5,861	139
Miscellaneous services	10,050	10,050	7,864	2,186
Maintenance	13,000	13,000	12,943	57
Capital outlay	5,000	5,000	4,730	270
Total budget & management	375,463	390,030	376,334	13,696
City secretary:				
Personal services	\$ 446,239	\$ 455,802	\$ 409,929	\$ 45,873
Supplies	4,500	4,500	4,459	41
Miscellaneous services	20,366	20,366	18,162	2,204
Maintenance	19,367	19,238	18,365	873
Total city secretary	490,472	499,906	450,915	48,991
Audit office:				
Personal services	217,046	221,916	199,261	22,655
Supplies	2,275	2,275	737	1,538
Miscellaneous services	12,231	12,231	6,687	5,544
Total audit office	231,552	236,422	206,685	29,737

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Vital statistics:				
Personal services	146,917	150,764	135,077	15,687
Supplies	9,050	9,050	7,511	1,539
Miscellaneous services	24,158	24,158	14,105	10,053
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total vital statistics	<u>181,125</u>	<u>184,972</u>	<u>156,693</u>	<u>28,279</u>
Passport facility:				
Personal services	80,313	82,062	86,168	(4,106)
Supplies	1,490	1,490	1,523	(33)
Miscellaneous services	8,170	5,270	4,213	1,057
Maintenance	200	200	-	200
Capital outlay	<u>-</u>	<u>2,900</u>	<u>2,894</u>	<u>6</u>
Total passport facility	<u>90,173</u>	<u>91,922</u>	<u>94,798</u>	<u>(2,876)</u>
Municipal court:				
Personal services	1,307,306	1,337,493	1,184,236	153,257
Supplies	8,910	10,910	10,225	685
Miscellaneous services	77,842	73,540	46,507	27,033
Maintenance	69,811	73,064	69,912	3,152
Capital outlay	<u>10,506</u>	<u>60,382</u>	<u>59,313</u>	<u>1,069</u>
Total municipal court	<u>1,474,375</u>	<u>1,555,389</u>	<u>1,370,193</u>	<u>185,196</u>
Finance:				
Personal services	\$ 1,067,589	\$ 1,090,691	\$ 1,037,984	\$ 52,707
Supplies	18,520	18,520	14,550	3,970
Miscellaneous services	148,067	142,067	153,299	(11,232)
Maintenance	10,406	10,249	6,181	4,068
Capital outlay	<u>-</u>	<u>6,000</u>	<u>1,570</u>	<u>4,430</u>
Total finance	<u>1,244,582</u>	<u>1,267,527</u>	<u>1,213,584</u>	<u>53,943</u>
Tax office:				
Personal services	263,275	301,759	254,618	47,141
Supplies	5,833	5,833	4,826	1,007
Miscellaneous services	784,580	784,580	768,850	15,730
Maintenance	29,307	29,307	18,299	11,008
Capital outlay	<u>4,350</u>	<u>4,350</u>	<u>3,015</u>	<u>1,335</u>
Total tax office	<u>1,087,345</u>	<u>1,125,829</u>	<u>1,049,608</u>	<u>76,221</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Purchasing and contracting:				
Personal services	560,711	575,657	523,706	51,951
Supplies	7,060	8,360	6,882	1,478
Miscellaneous services	7,228	4,328	6,214	(1,886)
Maintenance	1,250	1,100	622	478
Capital outlay	-	1,600	1,545	55
Total purchasing and contracting	<u>576,249</u>	<u>591,045</u>	<u>538,969</u>	<u>52,076</u>
Legal:				
Personal services	976,566	1,002,330	1,009,762	(7,432)
Supplies	3,078	3,078	3,177	(99)
Miscellaneous services	367,168	367,168	511,267	(144,099)
Capital outlay	<u>13,314</u>	<u>13,314</u>	<u>13,065</u>	<u>249</u>
Total legal	<u>1,360,126</u>	<u>1,385,890</u>	<u>1,537,271</u>	<u>(151,381)</u>
Grant administration:				
Personal services	357,494	367,049	362,071	4,978
Supplies	10,500	15,100	15,988	(888)
Miscellaneous services	<u>64,453</u>	<u>59,853</u>	<u>59,019</u>	<u>834</u>
Total grant administration	<u>432,447</u>	<u>442,002</u>	<u>437,078</u>	<u>4,924</u>
Right of way:				
Personal services	\$ 140,552	\$ 144,084	\$ 131,300	\$ 12,784
Supplies	1,954	1,954	1,195	759
Miscellaneous services	52,497	52,497	27,220	25,277
Capital outlay	<u>1,600</u>	<u>1,600</u>	<u>1,595</u>	<u>5</u>
Total right of way	<u>196,603</u>	<u>200,135</u>	<u>161,310</u>	<u>38,825</u>
Human resources:				
Personal services	650,175	673,361	663,212	10,149
Supplies	21,140	30,068	27,121	2,947
Miscellaneous services	135,670	126,742	114,496	12,246
Maintenance	<u>10,000</u>	<u>10,000</u>	<u>12,338</u>	<u>(2,338)</u>
Total human resources	<u>816,985</u>	<u>840,171</u>	<u>817,167</u>	<u>23,004</u>
Risk management:				
Liability insurance	<u>457,085</u>	<u>457,085</u>	<u>457,085</u>	<u>-</u>
Total risk management	<u>457,085</u>	<u>457,085</u>	<u>457,085</u>	<u>-</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Planning:				
Personal services	1,079,319	1,101,964	870,808	231,156
Supplies	20,680	23,680	19,287	4,393
Miscellaneous services	46,949	42,949	30,653	12,296
Maintenance	18,779	6,332	3,044	3,288
Capital outlay	21,000	33,000	10,808	22,192
Total planning	<u>1,186,727</u>	<u>1,207,925</u>	<u>934,600</u>	<u>273,325</u>
Information technology:				
Personal services	1,856,180	1,900,226	1,816,259	83,967
Supplies	17,548	24,548	16,379	8,169
Miscellaneous services	251,167	213,728	269,011	(55,283)
Maintenance	574,435	544,255	552,522	(8,267)
Capital outlay	162,776	223,276	211,550	11,726
Total information technology	<u>2,862,106</u>	<u>2,906,033</u>	<u>2,865,721</u>	<u>40,312</u>
Public information office:				
Personal services	645,612	658,362	507,181	151,181
Supplies	5,000	5,000	4,876	124
Miscellaneous services	92,381	75,583	74,372	1,211
Maintenance	7,913	7,100	6,199	901
Capital outlay	-	-	16,798	(16,798)
Total public information office	<u>750,906</u>	<u>746,045</u>	<u>609,426</u>	<u>136,619</u>
311 Call center:				
Personal services	\$ 166,752	\$ 171,950	\$ 195,423	(23,473)
Supplies	1,500	1,500	553	947
Miscellaneous services	-	-	60	(60)
Maintenance	20,000	-	-	-
Capital outlay	3,000	3,000	-	3,000
Total 311 Call center	<u>191,252</u>	<u>176,450</u>	<u>196,036</u>	<u>(19,586)</u>
City hall:				
Personal services	109,392	110,981	95,463	15,518
Supplies	19,900	19,900	16,859	3,041
Miscellaneous services	336,891	295,600	345,480	(49,880)
Maintenance	146,831	141,965	56,022	85,943
Capital outlay	-	3,200	3,109	91
Total city hall	<u>613,014</u>	<u>571,646</u>	<u>516,933</u>	<u>54,713</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Development center				
Personal services	33,492	34,287	34,285	2
Supplies	14,300	15,900	9,071	6,829
Miscellaneous services	55,200	55,200	50,316	4,884
Maintenance	7,500	5,400	9,108	(3,708)
Capital outlay	1,520	1,520	645	875
Total development center	<u>112,012</u>	<u>112,307</u>	<u>103,425</u>	<u>8,882</u>
Building maintenance:				
Personal services	739,662	754,910	670,491	84,419
Supplies	17,732	17,732	15,587	2,145
Miscellaneous services	15,175	15,175	12,407	2,768
Maintenance	36,553	34,400	36,389	(1,989)
Total building maintenance	<u>809,122</u>	<u>822,217</u>	<u>734,874</u>	<u>87,343</u>
Economic development:				
McAllen Economic Development Corp.	1,383,195	1,383,195	1,383,195	-
Chambers of commerce	644,200	644,200	644,200	-
Total economic development	<u>2,027,395</u>	<u>2,027,395</u>	<u>2,027,395</u>	<u>-</u>
Non-departmental activities	74,389	74,389	244,493	(170,104)
Contingency	(20,840)	(3,311,017)	-	(3,311,017)
Total general government	<u>19,851,503</u>	<u>16,866,859</u>	<u>19,351,706</u>	<u>(2,484,847)</u>
Public safety:				
Police:				
Personal services	28,765,275	29,443,826	28,656,704	787,122
Supplies	396,091	396,091	574,063	(177,972)
Miscellaneous services	1,616,553	1,578,148	1,694,807	(116,659)
Maintenance	1,663,789	1,261,227	1,373,685	(112,458)
Capital outlay	389,104	389,104	361,221	27,883
Total police	<u>32,830,812</u>	<u>33,068,396</u>	<u>32,660,480</u>	<u>407,916</u>
Animal control:				
Personal services	\$ 265,159	\$ 271,557	\$ 244,950	26,607
Supplies	12,000	12,000	10,855	1,145
Miscellaneous services	30,825	30,825	28,965	1,860
Maintenance	46,335	42,496	36,975	5,521
Total animal control	<u>354,319</u>	<u>356,878</u>	<u>321,745</u>	<u>35,133</u>
Radio shop:				
Personal services	225,258	230,027	245,798	(15,771)
Supplies	4,376	4,376	5,618	(1,242)
Miscellaneous services	100,815	100,815	99,599	1,216
Maintenance	3,500	3,500	3,861	(361)
Capital outlay	50,012	50,012	23,005	27,007
Total communication technology	<u>383,961</u>	<u>388,730</u>	<u>377,881</u>	<u>10,849</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Fire:				
Personal services	14,978,426	14,992,729	15,560,298	(567,569)
Supplies	281,243	321,243	316,482	4,761
Miscellaneous services	1,234,131	1,142,826	1,212,505	(69,679)
Maintenance	507,130	458,760	671,370	(212,610)
Capital outlay	87,000	87,000	105,792	(18,792)
Total fire	<u>17,087,930</u>	<u>17,002,558</u>	<u>17,866,447</u>	<u>(863,889)</u>
Traffic operations:				
Personal services	1,568,206	1,604,951	1,265,760	339,191
Supplies	115,492	110,492	91,519	18,973
Miscellaneous services	373,666	357,175	339,067	18,108
Maintenance	358,942	323,869	315,526	8,343
Capital outlay	-	5,000	5,000	-
Total traffic operations	<u>2,416,306</u>	<u>2,401,487</u>	<u>2,016,872</u>	<u>384,615</u>
Building code compliance:				
Personal services	\$ 926,498	\$ 949,812	\$ 960,862	\$ (11,050)
Supplies	13,687	6,687	6,332	355
Miscellaneous services	73,773	62,273	52,982	9,291
Maintenance	19,438	12,724	10,479	2,245
Capital outlay	11,091	29,591	27,544	2,047
Total building code compliance	<u>1,044,487</u>	<u>1,061,087</u>	<u>1,058,199</u>	<u>2,888</u>
Total public safety	<u>54,117,815</u>	<u>54,279,136</u>	<u>54,301,624</u>	<u>(22,488)</u>
Highways and streets:				
Engineering services:				
Personal services	1,623,218	1,658,976	1,426,625	232,351
Supplies	13,000	13,000	9,748	3,252
Miscellaneous services	118,152	118,152	103,000	15,152
Maintenance	44,215	34,105	36,590	(2,485)
Capital outlay	16,820	16,820	16,688	132
Total engineering	<u>1,815,405</u>	<u>1,841,053</u>	<u>1,592,651</u>	<u>248,402</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Street maintenance:				
Personal services	1,915,436	1,953,640	1,749,533	204,107
Supplies	29,607	29,607	31,951	(2,344)
Miscellaneous services	255,497	217,092	215,162	1,930
Maintenance	4,331,359	6,457,748	6,057,842	399,906
Capital outlay	20,400	20,400	1,749	18,651
Total street maintenance	<u>6,552,299</u>	<u>8,678,487</u>	<u>8,056,237</u>	<u>622,250</u>
Street lighting:				
Miscellaneous services	1,904,326	1,904,326	2,328,880	(424,554)
Maintenance	72,675	72,675	36,549	36,126
Total street lighting	<u>1,977,001</u>	<u>1,977,001</u>	<u>2,365,429</u>	<u>(388,428)</u>
Sidewalk construction:				
Personal services	242,434	245,454	194,870	50,584
Supplies	30,132	30,132	33,667	(3,535)
Miscellaneous services	34,908	34,908	34,923	(15)
Maintenance	32,316	23,571	32,303	(8,732)
Capital outlay	4,000	4,000	2,561	1,439
Total sidewalk construction	<u>343,790</u>	<u>338,065</u>	<u>298,324</u>	<u>39,741</u>
Drainage:				
Personal services	\$ 864,752	\$ 883,901	\$ 848,327	\$ 35,574
Supplies	20,052	20,052	17,402	2,650
Miscellaneous services	278,770	240,365	236,462	3,903
Maintenance	282,206	228,000	218,244	9,756
Capital outlay	15,800	-	-	-
Total drainage	<u>1,461,580</u>	<u>1,372,318</u>	<u>1,320,435</u>	<u>51,883</u>
Total highways and streets	<u>12,150,075</u>	<u>14,206,924</u>	<u>13,633,076</u>	<u>573,848</u>
Health and welfare:				
Health code compliance:				
Personal services	1,008,110	1,033,493	1,009,718	23,775
Supplies	27,995	27,995	25,262	2,733
Miscellaneous services	127,817	127,817	288,512	(160,695)
Maintenance	48,940	34,499	52,961	(18,462)
Total health code compliance	<u>1,212,862</u>	<u>1,223,804</u>	<u>1,376,453</u>	<u>(152,649)</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Graffiti cleaning:				
Personal services	106,498	109,083	109,135	(52)
Supplies	10,181	10,181	8,764	1,417
Miscellaneous services	9,177	9,177	9,184	(7)
Maintenance	22,900	15,661	14,740	921
Total graffiti cleaning	<u>148,756</u>	<u>144,102</u>	<u>141,823</u>	<u>2,279</u>
Other agencies:				
Humane society	437,662	437,662	580,020	(142,358)
Other health and welfare agencies	30,000	30,000	87,668	(57,668)
Total other agencies	<u>467,662</u>	<u>467,662</u>	<u>667,688</u>	<u>(200,026)</u>
Total health and welfare	<u>1,829,280</u>	<u>1,835,568</u>	<u>2,185,964</u>	<u>(350,396)</u>
Culture and recreation:				
Parks and recreation administration:				
Personal services	400,572	407,331	395,762	11,569
Supplies	5,850	5,850	6,870	(1,020)
Miscellaneous services	125,987	125,987	96,827	29,160
Maintenance	22,695	22,605	27,473	(4,868)
Capital outlay	-	-	1,600	(1,600)
Total parks and recreation administration	<u>555,104</u>	<u>561,773</u>	<u>528,532</u>	<u>33,241</u>
Parks:				
Personal services	\$ 4,065,207	\$ 4,140,048	\$ 3,561,727	\$ 578,321
Supplies	174,654	174,654	183,012	(8,358)
Miscellaneous services	1,995,950	1,995,950	2,272,344	(276,394)
Maintenance	546,888	513,330	675,498	(162,168)
Capital outlay	117,000	117,000	115,585	1,415
Total parks	<u>6,899,699</u>	<u>6,940,982</u>	<u>6,808,166</u>	<u>132,816</u>
Recreation:				
Personal services	1,153,937	1,193,053	1,259,709	(66,656)
Supplies	35,450	35,450	65,989	(30,539)
Miscellaneous services	240,413	240,413	320,507	(80,094)
Maintenance	11,626	7,425	9,812	(2,387)
Capital outlay	-	-	16,185	(16,185)
Total recreation	<u>1,441,426</u>	<u>1,476,341</u>	<u>1,672,202</u>	<u>(195,861)</u>



**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Pools:				
Personal services	629,304	654,813	642,702	12,111
Supplies	85,300	85,300	71,133	14,167
Miscellaneous services	131,702	131,702	115,351	16,351
Maintenance	62,491	59,500	44,997	14,503
Total pools	<u>908,797</u>	<u>931,315</u>	<u>874,183</u>	<u>57,132</u>
Las palmas community center:				
Personal services	251,104	257,736	262,973	(5,237)
Supplies	11,380	11,380	13,955	(2,575)
Miscellaneous services	66,990	66,990	85,479	(18,489)
Maintenance	12,497	15,384	9,766	5,618
Capital outlay	12,620	12,620	2,380	10,240
Total las palmas community center	<u>354,591</u>	<u>364,110</u>	<u>374,553</u>	<u>(10,443)</u>
Recreation center-Lark:				
Personal services	349,716	358,385	319,451	38,934
Supplies	22,030	22,030	20,254	1,776
Miscellaneous services	124,569	124,569	122,545	2,024
Maintenance	13,000	13,000	8,812	4,188
Capital outlay	-	-	6,193	(6,193)
Total recreation center-Lark	<u>509,315</u>	<u>517,984</u>	<u>477,255</u>	<u>40,729</u>
Recreation center-Palmview:				
Personal services	348,982	356,264	331,266	24,998
Supplies	20,805	20,805	18,453	2,352
Miscellaneous services	116,315	116,315	124,127	(7,812)
Maintenance	17,000	17,000	13,333	3,667
Capital outlay	3,500	3,500	1,300	2,200
Total recreation center-Palmview	<u>506,602</u>	<u>513,884</u>	<u>488,479</u>	<u>25,405</u>
Quinta mazatlan:				
Personal services	\$ 481,251	\$ 495,813	\$ 547,348	\$ (51,535)
Supplies	28,350	47,350	50,156	(2,806)
Miscellaneous services	131,525	188,693	203,390	(14,697)
Maintenance	57,014	56,830	24,182	32,648
Capital outlay	38,160	116,030	88,291	27,739
Total quinta mazatlan	<u>736,300</u>	<u>904,716</u>	<u>913,367</u>	<u>(8,651)</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Library:				
Personal services	2,378,734	2,433,116	2,049,833	383,283
Supplies	93,600	83,200	83,293	(93)
Miscellaneous services	634,758	611,258	645,183	(33,925)
Maintenance	135,216	152,901	142,450	10,451
Capital outlay	175,000	191,900	181,815	10,085
Total library	<u>3,417,308</u>	<u>3,472,375</u>	<u>3,102,574</u>	<u>369,801</u>
Library branch-Lark:				
Personal services	422,943	434,369	430,509	3,860
Supplies	9,150	9,150	7,208	1,942
Miscellaneous services	13,293	13,293	11,626	1,667
Maintenance	5,250	5,250	2,700	2,550
Capital outlay	-	20,000	19,828	172
Total library branch-Lark	<u>450,636</u>	<u>482,062</u>	<u>471,871</u>	<u>10,191</u>
Library branch-Palmview:				
Personal services	440,884	452,378	440,783	11,595
Supplies	10,200	10,200	7,436	2,764
Miscellaneous services	9,993	9,993	8,368	1,625
Maintenance	5,500	5,500	2,700	2,800
Capital outlay	-	20,000	19,734	266
Total library branch-Palmview	<u>466,577</u>	<u>498,071</u>	<u>479,021</u>	<u>19,050</u>
Other agencies	<u>1,006,459</u>	<u>1,006,459</u>	<u>1,006,459</u>	<u>-</u>
Museums	<u>786,400</u>	<u>786,400</u>	<u>786,400</u>	<u>-</u>
Total culture and recreation	<u>18,039,214</u>	<u>18,456,472</u>	<u>17,983,062</u>	<u>473,410</u>
Total expenditures	<u>105,987,887</u>	<u>105,644,959</u>	<u>107,455,432</u>	<u>(1,810,473)</u>
Excess of revenues over expenditures	<u>(3,868,035)</u>	<u>(6,766,029)</u>	<u>(6,979,634)</u>	<u>(213,605)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	10,095,867	10,863,504	10,894,176	30,672
Transfers out	<u>(5,961,264)</u>	<u>(5,446,264)</u>	<u>(5,587,000)</u>	<u>(140,736)</u>
Net other financing sources (uses)	<u>4,134,603</u>	<u>5,417,240</u>	<u>5,307,176</u>	<u>(110,064)</u>
Net change in fund balances	266,568	(1,348,789)	(1,672,458)	(323,669)
Fund balances at beginning of year	<u>49,122,528</u>	<u>49,122,528</u>	<u>49,122,528</u>	<u>-</u>
Fund balances at end of year	<u>\$ 49,389,096</u>	<u>\$ 47,773,739</u>	<u>\$ 47,450,070</u>	<u>\$ (323,669)</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, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Hotel tax	<u>\$ 4,355,503</u>	<u>\$ 4,355,503</u>	<u>\$ 4,085,205</u>	<u>\$ (270,298)</u>
Total revenues	<u>4,355,503</u>	<u>4,355,503</u>	<u>4,085,205</u>	<u>(270,298)</u>
<b>EXPENDITURES</b>				
Current:				
General government	<u>1,244,429</u>	<u>1,244,429</u>	<u>1,167,200</u>	<u>77,229</u>
Total expenditures	<u>1,244,429</u>	<u>1,244,429</u>	<u>1,167,200</u>	<u>77,229</u>
Excess (deficiency) of revenues over expenditures	<u>3,111,074</u>	<u>3,111,074</u>	<u>2,918,005</u>	<u>(193,069)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(3,111,073)</u>	<u>(3,111,073)</u>	<u>(2,918,004)</u>	<u>193,069</u>
Total other financing sources (uses)	<u>(3,111,073)</u>	<u>(3,111,073)</u>	<u>(2,918,004)</u>	<u>193,069</u>
Net changes in fund balances	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>
Fund balances--beginning	<u>24,930</u>	<u>24,930</u>	<u>24,930</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 24,931</u></u>	<u><u>\$ 24,931</u></u>	<u><u>\$ 24,931</u></u>	<u><u>\$ -</u></u>

**CITY OF McALLEN, TEXAS**  
**HOTEL VENUE PROJECT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Hotel tax	\$ 1,267,009	\$ 1,267,009	\$ 1,168,272	\$ (98,737)
Investment earnings	<u>-</u>	<u>-</u>	<u>69</u>	<u>69</u>
Total revenues	<u>1,267,009</u>	<u>1,267,009</u>	<u>1,168,341</u>	<u>(98,668)</u>
<b>EXPENDITURES</b>				
Current:				
Principal	430,000	430,000	430,000	-
Interest and fiscal charges	<u>425,469</u>	<u>425,469</u>	<u>383,685</u>	<u>41,784</u>
Total expenditures	<u>855,469</u>	<u>855,469</u>	<u>813,685</u>	<u>41,784</u>
Excess (deficiency) of revenues over expenditures	<u>411,540</u>	<u>411,540</u>	<u>354,656</u>	<u>(56,884)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(700,532)</u>	<u>(700,532)</u>	<u>(529,340)</u>	<u>171,192</u>
Total other financing sources (uses)	<u>(700,532)</u>	<u>(700,532)</u>	<u>(529,340)</u>	<u>171,192</u>
Net changes in fund balances	(288,992)	(288,992)	(174,684)	114,308
Fund balances--beginning	<u>274,254</u>	<u>274,254</u>	<u>274,254</u>	<u>-</u>
Fund balances--ending	<u>\$ (14,738)</u>	<u>\$ (14,738)</u>	<u>\$ 99,570</u>	<u>\$ 114,308</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, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
Other	-	-	80,120	80,120
Net increase (decrease) in the				
Investment earnings	<u>-</u>	<u>-</u>	<u>867</u>	<u>867</u>
Total revenues	<u>-</u>	<u>-</u>	<u>80,987</u>	<u>80,987</u>
<b>EXPENDITURES</b>				
Current:				
General government	<u>-</u>	<u>-</u>	<u>63,417</u>	<u>(63,417)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>63,417</u>	<u>(63,417)</u>
Excess (deficiency) of revenues				
over expenditures	<u>-</u>	<u>-</u>	<u>17,570</u>	<u>17,570</u>
Net changes in fund balances	-	-	17,570	17,570
Fund balances--beginning	<u>181,120</u>	<u>181,120</u>	<u>181,120</u>	<u>-</u>
Fund balances--ending	<u>\$ 181,120</u>	<u>\$ 181,120</u>	<u>\$ 198,690</u>	<u>\$ 17,570</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, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Intergovernmental	\$ 1,878,175	\$ 1,878,175	\$ 1,990,707	\$ 112,532
Other	<u>-</u>	<u>-</u>	<u>9</u>	<u>9</u>
Total revenues	<u>1,878,175</u>	<u>1,878,175</u>	<u>1,990,716</u>	<u>112,541</u>
<b>EXPENDITURES</b>				
Current:				
General government	324,175	324,175	316,236	7,939
Highways and streets	500,000	500,000	326,026	173,974
Health and welfare	1,047,750	1,047,750	1,180,306	(132,556)
Culture and recreation	<u>6,250</u>	<u>6,250</u>	<u>168,148</u>	<u>(161,898)</u>
Total expenditures	<u>1,878,175</u>	<u>1,878,175</u>	<u>1,990,716</u>	<u>(112,541)</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>

**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, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Licenses and permits	\$ 12,000	\$ 12,000	\$ 17,075	\$ 5,075
Charges for services	1,125,000	1,125,000	1,084,947	(40,053)
Fines and forfeitures	230,000	230,000	174,738	(55,262)
Investment earnings	-	-	1,276	1,276
Other	7,200	7,200	8,150	950
	<u>1,374,200</u>	<u>1,374,200</u>	<u>1,286,186</u>	<u>(88,014)</u>
<b>EXPENDITURES</b>				
Current:				
Highways and streets	1,213,421	1,349,023	1,105,776	243,247
	<u>1,213,421</u>	<u>1,349,023</u>	<u>1,105,776</u>	<u>243,247</u>
Total expenditures	<u>1,213,421</u>	<u>1,349,023</u>	<u>1,105,776</u>	<u>243,247</u>
Excess (deficiency) of revenues over expenditures	<u>160,779</u>	<u>25,177</u>	<u>180,410</u>	<u>155,233</u>
Transfers out	<u>(396,826)</u>	<u>(396,826)</u>	<u>(396,826)</u>	<u>-</u>
Total other financing sources (uses)	<u>(396,826)</u>	<u>(396,826)</u>	<u>(396,826)</u>	<u>-</u>
Net changes in fund balances	(236,047)	(371,649)	(216,416)	155,233
Fund balances--beginning	<u>513,561</u>	<u>513,561</u>	<u>513,561</u>	<u>-</u>
Fund balances--ending	<u>\$ 277,514</u>	<u>\$ 141,912</u>	<u>\$ 297,145</u>	<u>\$ 155,233</u>

**CITY OF McALLEN, TEXAS**  
**DEVELOPMENT CORPORATION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Sales tax	\$ 16,436,667	\$ 16,436,667	\$ 15,112,381	\$ (1,324,286)
Intergovernmental revenues	8,427,965	6,060,265	-	(6,060,265)
Investment earnings	50,000	50,000	108,969	58,969
Decrease in the fair value of investments	-	-	(8,125)	(8,125)
Other	700,000	2,399,700	1,624,262	(775,438)
Total revenues	25,614,632	24,946,632	16,837,487	(8,109,145)
<b>EXPENDITURES</b>				
Current:				
General government	11,743,439	11,755,322	7,196,206	4,559,116
Highways and streets	2,881,210	6,234,948	3,329,439	2,905,509
Health and welfare	2,761,998	2,761,998	2,229,772	532,226
Culture and recreation	5,217,986	5,083,527	2,540,257	2,543,270
Debt service:				
Principal	25,000	25,000	75,000	(50,000)
Interest and fiscal charges	3,281	3,281	4,587	(1,306)
Total expenditures	22,632,914	25,864,076	15,375,261	10,488,815
Excess (deficiency) of revenues over expenditures	2,981,718	(917,444)	1,462,226	2,379,670
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(7,700,906)	(7,700,906)	(7,269,717)	431,189
Issuance of debt	-	-	5,120,000	5,120,000
Total other financing sources (uses)	(7,700,906)	(7,700,906)	(2,149,717)	5,551,189
Net changes in fund balances	(4,719,188)	(8,618,350)	(687,491)	7,930,859
Fund balances--beginning	14,514,988	14,514,988	14,514,988	-
Fund balances--ending	\$ 9,795,800	\$ 5,896,638	\$ 13,827,497	\$ 7,930,859



**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, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Property tax	\$ 3,142,975	\$ 3,142,975	\$ 3,342,284	\$ 199,309
Interest	-	-	5,254	5,254
Total revenues	3,142,975	3,142,975	3,347,538	204,563
<b>EXPENDITURES</b>				
Current:				
Debt service:				
Principal	4,480,000	4,480,000	4,260,000	220,000
Interest and fiscal charges	2,173,650	2,173,650	2,178,737	(5,087)
Total expenditures	6,653,650	6,653,650	6,438,737	214,913
Excess (deficiency) of revenues over expenditures	(3,510,675)	(3,510,675)	(3,091,199)	419,476
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,510,675	3,510,675	3,510,675	-
Total other financing sources (uses)	3,510,675	3,510,675	3,510,675	-
Net changes in fund balances	-	-	419,476	419,476
Fund balance--beginning	632,703	632,703	632,703	-
Fund balance--ending	\$ 632,703	\$ 632,703	\$ 1,052,179	\$ 419,476

**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, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Intergovernmental	\$ 584,000	\$ 584,000	\$ -	\$ (584,000)
Investment earnings	-	-	21,848	21,848
Increase in the fair value of investments	-	-	371	371
Other	-	112,400	(3,031)	(115,431)
	<u>584,000</u>	<u>696,400</u>	<u>19,188</u>	<u>(677,212)</u>
<b>EXPENDITURES</b>				
Current:				
General government	690,000	1,108,000	734,614	373,386
Public safety	325,000	496,197	206,520	289,677
Highways and streets	1,072,000	765,000	241,373	523,627
Culture and recreation	1,231,000	1,346,008	470,501	875,507
	<u>3,318,000</u>	<u>3,715,205</u>	<u>1,653,008</u>	<u>2,062,197</u>
Deficiency of revenues over expenditures	<u>(2,734,000)</u>	<u>(3,018,805)</u>	<u>(1,633,820)</u>	<u>1,384,985</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>865,000</u>	<u>350,000</u>	<u>490,736</u>	<u>140,736</u>
Total other financing sources (uses)	<u>865,000</u>	<u>350,000</u>	<u>490,736</u>	<u>140,736</u>
Net changes in fund balances	(1,869,000)	(2,668,805)	(1,143,084)	1,525,721
Fund balances--beginning	<u>3,840,087</u>	<u>3,840,087</u>	<u>3,840,087</u>	<u>-</u>
Fund balances--ending	<u>\$ 1,971,087</u>	<u>\$ 1,171,282</u>	<u>\$ 2,697,003</u>	<u>\$ 1,525,721</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, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Other	\$ -	\$ -	\$ 91,541	\$ 91,541
Increase in the fair value of investments	-	-	11	11
Investment earnings	-	-	2,495	2,495
Total revenues	-	-	94,047	94,047
<b>EXPENDITURES</b>				
Current:				
General government	509,739	614,739	552,663	62,076
Total expenditures	509,739	614,739	552,663	62,076
Excess (deficiency) of revenues over expenditures	(509,739)	(614,739)	(458,616)	156,123
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	140,000	140,000	140,000	-
Net changes in fund balances	(369,739)	(474,739)	(318,616)	156,123
Fund balances--beginning	610,946	610,946	610,946	-
Fund balances--ending	<u>\$ 241,207</u>	<u>\$ 136,207</u>	<u>\$ 292,330</u>	<u>\$ 156,123</u>

**CITY OF McALLEN, TEXAS**  
**PARKLAND ZONES FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Other	\$ -	\$ -	\$ 510,000	\$ 510,000
Decrease in the fair value of investments	-	-	(1,144)	(1,144)
Investment earnings	-	-	10,949	10,949
	<u>-</u>	<u>-</u>	<u>519,805</u>	<u>519,805</u>
Total revenues	<u>-</u>	<u>-</u>	<u>519,805</u>	<u>519,805</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	320,000	370,000	36	369,964
	<u>320,000</u>	<u>370,000</u>	<u>36</u>	<u>369,964</u>
Total expenditures	<u>320,000</u>	<u>370,000</u>	<u>36</u>	<u>369,964</u>
Excess (deficiency) of revenues over expenditures	<u>(320,000)</u>	<u>(370,000)</u>	<u>519,769</u>	<u>889,769</u>
Net changes in fund balances	(320,000)	(370,000)	519,769	889,769
Fund balances--beginning	<u>1,209,462</u>	<u>1,209,462</u>	<u>1,209,462</u>	<u>-</u>
Fund balances--ending	<u>\$ 889,462</u>	<u>\$ 839,462</u>	<u>\$ 1,729,231</u>	<u>\$ 889,769</u>

**CITY OF McALLEN, TEXAS**  
**STREET IMPROVEMENTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Investment earnings	<u>\$ 413,475</u>	<u>\$ 413,475</u>	<u>\$ 84,184</u>	<u>\$ (329,291)</u>
Total revenues	<u>413,475</u>	<u>413,475</u>	<u>84,184</u>	<u>(329,291)</u>
<b>EXPENDITURES</b>				
Current:				
Highways and streets	<u>13,367,806</u>	<u>13,367,806</u>	<u>1,037,035</u>	<u>12,330,771</u>
Total expenditures	<u>13,367,806</u>	<u>13,367,806</u>	<u>1,037,035</u>	<u>12,330,771</u>
Deficiency of revenues over expenditures	<u>(12,954,331)</u>	<u>(12,954,331)</u>	<u>(952,851)</u>	<u>12,001,480</u>
Net changes in fund balances	(12,954,331)	(12,954,331)	(952,851)	12,001,480
Fund balances--beginning	<u>13,949,517</u>	<u>13,949,517</u>	<u>13,949,517</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 995,186</u></u>	<u><u>\$ 995,186</u></u>	<u><u>\$ 12,996,666</u></u>	<u><u>\$ 12,001,480</u></u>

**CITY OF McALLEN, TEXAS**  
**SPORTS FACILITY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Investment earnings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,766</u>	<u>\$ 87,766</u>
Total revenues	<u>-</u>	<u>-</u>	<u>87,766</u>	<u>87,766</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	<u>13,600,000</u>	<u>13,600,000</u>	<u>598,777</u>	<u>13,001,223</u>
Total expenditures	<u>13,600,000</u>	<u>13,600,000</u>	<u>598,777</u>	<u>13,001,223</u>
Deficiency of revenues over expenditures	<u>(13,600,000)</u>	<u>(13,600,000)</u>	<u>(511,011)</u>	<u>(12,913,457)</u>
Net changes in fund balances	<u>(13,600,000)</u>	<u>(13,600,000)</u>	<u>(511,011)</u>	<u>(12,913,457)</u>
Fund balances--beginning	<u>14,507,940</u>	<u>14,507,940</u>	<u>14,507,940</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 907,940</u></u>	<u><u>\$ 907,940</u></u>	<u><u>\$ 13,996,929</u></u>	<u><u>\$ (12,913,457)</u></u>

**CITY OF McALLEN, TEXAS**  
**PUBLIC EDUCATION GOVERNMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Franchise tax	\$ -	\$ -	\$ 182,152	\$ 182,152
Investment earnings	<u>-</u>	<u>-</u>	<u>1,623</u>	<u>1,623</u>
Total revenues	<u>-</u>	<u>-</u>	<u>183,775</u>	<u>183,775</u>
<b>EXPENDITURES</b>				
Current:				
General government	<u>257,855</u>	<u>257,855</u>	<u>71,363</u>	<u>186,492</u>
Total expenditures	<u>257,855</u>	<u>257,855</u>	<u>71,363</u>	<u>186,492</u>
Excess (deficiency) of revenues over expenditures	<u>(257,855)</u>	<u>(257,855)</u>	<u>112,412</u>	<u>370,267</u>
Net changes in fund balances	(257,855)	(257,855)	112,412	370,267
Fund balances--beginning	<u>565,378</u>	<u>565,378</u>	<u>565,378</u>	<u>-</u>
Fund balances--ending	<u>\$ 307,523</u>	<u>\$ 307,523</u>	<u>\$ 677,790</u>	<u>\$ 370,267</u>

**CITY OF McALLEN, TEXAS**  
**PERFORMING ARTS CONSTRUCTION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Investment earnings	\$ -	\$ -	\$ 98,261	\$ 98,261
Other	-	-	3	3
Total revenues	-	-	98,264	98,264
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	30,444,101	30,786,477	30,260,563	525,914
Total expenditures	30,444,101	30,786,477	30,260,563	525,914
Deficiency of revenues over expenditures	(30,444,101)	(30,786,477)	(30,162,299)	624,178
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,509,747	16,755,368	16,545,562	(209,806)
Total other financing sources (uses)	5,509,747	16,755,368	16,545,562	(209,806)
Net changes in fund balances	(24,934,354)	(14,031,109)	(13,616,737)	414,372
Fund balances--beginning	5,448,606	5,448,606	18,900,564	13,451,958
Fund balances--ending	<u>\$ (19,485,748)</u>	<u>\$ (8,582,503)</u>	<u>\$ 5,283,827</u>	<u>\$ 13,866,330</u>



**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Water sales				
Residential customers	\$ 12,227,327	\$ 12,227,327	\$ 10,352,627	\$ (1,874,700)
Commercial accounts	6,113,776	6,113,776	5,704,061	(409,715)
Industrial customers	<u>519,267</u>	<u>519,267</u>	<u>497,385</u>	<u>(21,882)</u>
Total water sales	<u>18,860,370</u>	<u>18,860,370</u>	<u>16,554,073</u>	<u>(2,306,297)</u>
Service charges:				
Tap fees	650,000	650,000	860,867	210,867
Connect fees	170,000	170,000	229,005	59,005
Reconnect fees	160,000	160,000	187,200	27,200
Other services	<u>886,500</u>	<u>886,500</u>	<u>1,187,283</u>	<u>300,783</u>
Total service charges	<u>1,866,500</u>	<u>1,866,500</u>	<u>2,464,355</u>	<u>597,855</u>
Total operating revenues	<u>20,726,870</u>	<u>20,726,870</u>	<u>19,018,428</u>	<u>(1,708,442)</u>
Non-operating revenues:				
Investment earnings	134,434	134,434	124,207	(10,227)
Decrease in the fair value of investments	-	-	(4,719)	(4,719)
Other	<u>26,019</u>	<u>26,019</u>	<u>1,527,705</u>	<u>1,501,686</u>
Total non-operating revenues	<u>160,453</u>	<u>160,453</u>	<u>1,647,193</u>	<u>1,486,740</u>
Total revenues	<u>20,887,323</u>	<u>20,887,323</u>	<u>20,665,621</u>	<u>(221,702)</u>
Expenses:				
Water plant:				
Salaries and benefits	1,708,782	1,705,590	1,591,327	114,263
Supplies and raw water purchases	3,751,560	3,751,560	3,706,610	44,950
Contractual and other services	1,573,650	1,573,650	1,852,641	(278,991)
Repairs and maintenance	<u>407,832</u>	<u>407,832</u>	<u>320,423</u>	<u>87,409</u>
Total water plant	<u>7,441,824</u>	<u>7,438,632</u>	<u>7,471,001</u>	<u>(32,369)</u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Water lab:				
Salaries and benefits	\$ 274,397	\$ 273,816	\$ 229,069	\$ 44,747
Supplies	30,130	30,130	29,048	1,082
Contractual and other services	72,840	72,840	65,306	7,534
Repairs and maintenance	20,190	20,190	13,911	6,279
Total water lab	397,557	396,976	337,334	59,642
Transmission and distribution:				
Salaries and benefits	2,023,546	2,018,979	1,756,022	262,957
Supplies	42,500	42,500	25,845	16,655
Contractual and other services	120,000	120,000	257,111	(137,111)
Repairs and maintenance	335,751	335,751	138,032	197,719
Total Transmission and distribution	2,521,797	2,517,230	2,177,010	340,220
Water meters:				
Salaries and benefits	843,455	840,627	899,625	(58,998)
Supplies	24,965	24,965	20,345	4,620
Contractual and other services	67,517	67,517	55,335	12,182
Repairs and maintenance	86,867	86,867	46,912	39,955
Total water meters	1,022,804	1,019,976	1,022,217	(2,241)
Utility billing:				
Salaries and benefits	410,158	410,480	404,196	6,284
Supplies	38,000	38,000	37,771	229
Contractual and other services	351,599	351,599	329,814	21,785
Repairs and maintenance	100	100	-	100
Total utility billing	799,857	800,179	771,781	28,398

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Customer relations:				
Salaries and benefits	\$ 776,155	\$ 775,376	\$ 768,503	\$ 6,873
Supplies	15,560	15,560	15,875	(315)
Contractual and other services	63,390	63,390	81,222	(17,832)
Repairs and maintenance	68,023	68,023	35,940	32,083
Total customer relations	923,128	922,349	901,540	20,809
Treasury/fiscal management				
Salaries and benefits	305,333	307,068	225,860	81,208
Supplies	1,500	1,500	1,681	(181)
Contractual and other services	84,881	84,881	60,339	24,542
Repairs and maintenance	51,718	51,718	55,467	(3,749)
Total treasury/fiscal management	443,432	445,167	343,347	101,820
Administration:				
Salaries and benefits	881,267	707,338	1,176,493	(469,155)
Supplies	5,000	5,000	5,085	(85)
Contractual and other services	551,800	572,200	395,562	176,638
Repairs and maintenance	33,333	33,333	6,804	26,529
Total administration	1,471,400	1,317,871	1,583,944	(266,073)
Non-departmental expenses:				
Liability insurance	55,099	55,099	39,060	16,039
Interest and fiscal charges	948,401	948,401	953,584	(5,183)
Bond principal requirements	1,642,500	1,642,500	-	1,642,500
Other	446,332	448,067	211,482	236,585
Capital outlay	9,219,895	9,802,861	2,163,383	7,639,478
Total non-departmental expenses	12,312,227	12,896,928	3,367,509	9,529,419
Total expenses	27,334,026	27,755,308	17,975,683	9,779,625

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2016**

	<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 over expenses (budget basis) before transfers	(6,446,703)	(6,867,985)	2,689,938	9,557,923
Transfers:				
Transfers out	<u>-</u>	<u>(183,819)</u>	<u>(183,961)</u>	<u>(142)</u>
Net transfers	<u>-</u>	<u>(183,819)</u>	<u>(183,961)</u>	<u>(142)</u>
Excess (deficiency) of revenues over budget	<u>\$ (6,446,703)</u>	<u>\$ (7,051,804)</u>	<u>\$ 2,505,977</u>	<u>\$ 9,557,781</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(4,706,122)	(4,706,122)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	2,163,380	2,163,380
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as a reduction of bonds payable per GAAP basis	<u>1,642,500</u>	<u>1,642,500</u>	<u>-</u>	<u>1,642,500</u>
Net income-GAAP basis	<u>\$ (8,089,203)</u>	<u>\$ (8,694,304)</u>	<u>\$ (36,765)</u>	<u>\$ 8,657,539</u>

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Operating revenues:				
Sewer service charges	\$ 17,563,126	\$ 17,563,126	\$ 16,336,075	\$ (1,227,051)
Industrial surcharges	372,237	372,237	317,645	(54,592)
Other services	283,500	283,500	494,026	210,526
Total operating revenues	18,218,863	18,218,863	17,147,746	(1,071,117)
Non-operating revenues:				
Investment earnings	163,352	163,352	234,757	71,405
Decrease in the fair value of investments	-	-	(10,512)	(10,512)
Other	28,180,836	28,180,836	2,321,184	(25,859,652)
Total non-operating revenues	28,344,188	28,344,188	2,545,429	(25,798,759)
Total revenues	46,563,051	46,563,051	19,693,175	(26,869,876)
Expenses:				
Sewer plant:				
Salaries and benefits	2,152,535	2,151,176	1,834,085	317,091
Supplies	177,200	177,200	182,969	(5,769)
Contractual and other services	2,233,398	2,233,398	2,170,262	63,136
Repairs and maintenance	211,766	211,766	187,632	24,134
Total sewer plant	4,774,899	4,773,540	4,374,948	398,592
Sewer lab:				
Salaries and benefits	382,044	380,929	340,250	40,679
Supplies	58,347	58,347	51,739	6,608
Contractual and other services	14,180	14,180	26,568	(12,388)
Repairs and maintenance	8,410	8,410	7,159	1,251
Total sewer lab	462,981	461,866	425,716	36,150

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Sewer collection:				
Salaries and benefits	\$ 1,130,959	\$ 1,127,677	\$ 976,274	\$ 151,403
Supplies	497,000	497,000	445,280	51,720
Contractual and other services	278,440	278,440	341,408	(62,968)
Repairs and maintenance	395,143	395,143	226,641	168,502
Total sewer collection	2,301,542	2,298,260	1,989,603	308,657
Administration:				
Salaries and benefits	693,274	697,337	1,067,907	(370,570)
Supplies	16,500	16,500	14,212	2,288
Contractual and other services	638,537	638,537	476,757	161,780
Repairs and maintenance	54,233	54,233	11,642	42,591
Total administration	1,402,544	1,406,607	1,570,518	(163,911)
Non-departmental expenses:				
Employee benefits	129,007	22,046	-	22,046
Liability insurance	65,261	65,261	42,528	22,733
Interest and fiscal charges	1,597,756	1,597,756	1,610,537	(12,781)
Bond principal requirements	4,493,500	4,493,500	-	4,493,500
Capitalized interest	-	-	(529,065)	529,065
Other	-	-	124,022	(124,022)
Capital outlay	53,141,976	55,145,791	28,475,005	26,670,786
Total non-departmental expenses	59,427,500	61,324,354	29,723,027	31,601,327
Total expenses	68,369,466	70,264,627	38,083,812	32,180,815
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(21,806,415)	(23,701,576)	(18,390,637)	5,310,939
Transfers:				
Transfers out	-	(108,654)	(112,603)	(3,949)
Net transfers	-	(108,654)	(112,603)	(3,949)

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2016**

	<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	\$ (21,806,415)	\$ (23,810,230)	\$ (18,503,240)	\$ 5,306,990
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(6,151,898)	(6,151,898)
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as reduction of bonds payable per GAAP basis	4,493,500	4,493,500	-	4,493,500
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>27,864,187</u>	<u>27,864,187</u>
Net income-GAAP basis	<u>\$ (26,299,915)</u>	<u>\$ (28,303,730)</u>	<u>\$ 3,209,049</u>	<u>\$ 31,512,779</u>

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2016**

	<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	\$ 17,461,905	\$ 17,461,905	\$ 17,942,179	\$ 480,274
Other services	<u>60,000</u>	<u>60,000</u>	<u>278,188</u>	<u>218,188</u>
Total operating revenues	<u>17,521,905</u>	<u>17,521,905</u>	<u>18,220,367</u>	<u>698,462</u>
Non-operating revenues:				
Investment earnings	-	-	161,431	161,431
Decrease in the fair value of investments	-	-	(9,573)	(9,573)
Other	<u>-</u>	<u>-</u>	<u>74,276</u>	<u>74,276</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>226,134</u>	<u>226,134</u>
Total revenues	<u>17,521,905</u>	<u>17,521,905</u>	<u>18,446,501</u>	<u>924,596</u>
Expenses:				
Facilities administration:				
Salaries and benefits	878,794	897,645	1,478,163	(580,518)
Supplies	15,750	15,750	17,522	(1,772)
Contractual and other services	1,318,770	1,318,770	1,265,924	52,846
Repairs and maintenance	55,097	55,097	44,227	10,870
Capital outlay	<u>445,352</u>	<u>470,725</u>	<u>186,924</u>	<u>283,801</u>
Total facilities administration	<u>2,713,763</u>	<u>2,757,987</u>	<u>2,992,760</u>	<u>(234,773)</u>
Brush collection:				
Salaries and benefits	1,649,412	1,689,010	1,609,288	79,722
Supplies	257,320	257,320	191,299	66,021
Contractual and other services	145,225	145,225	161,545	(16,320)
Repairs and maintenance	540,531	540,531	445,561	94,970
Capital outlay	<u>46,500</u>	<u>46,500</u>	<u>41,444</u>	<u>5,056</u>
Total brush collection	<u>2,638,988</u>	<u>2,678,586</u>	<u>2,449,137</u>	<u>229,449</u>



**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Residential collection:				
Salaries and benefits	\$ 1,540,619	\$ 1,576,038	\$ 1,376,138	199,900
Supplies	35,109	35,109	24,064	11,045
Contractual and other services	558,040	558,040	744,591	(186,551)
Repairs and maintenance	934,581	934,581	802,574	132,007
Capital outlay	381,932	381,932	-	381,932
Total residential collection	3,450,281	3,485,700	2,947,367	538,333
Commercial box collection:				
Salaries and benefits	1,384,795	1,415,215	1,227,688	187,527
Supplies	42,979	42,979	36,744	6,235
Contractual and other services	1,220,980	1,220,980	1,469,622	(248,642)
Repairs and maintenance	1,159,476	1,159,476	1,004,755	154,721
Capital outlay	605,016	605,016	253,516	351,500
Total commercial box collection	4,413,246	4,443,666	3,992,325	451,341
Roll offs:				
Salaries and benefits	334,537	341,012	275,252	65,760
Supplies	5,750	5,750	3,664	2,086
Contractual and other services	273,450	273,450	363,902	(90,452)
Repairs and maintenance	249,874	249,874	256,246	(6,372)
Capital outlay	69,000	69,000	66,125	2,875
Total roll offs	932,611	939,086	965,189	(26,103)
Recycling:				
Salaries and benefits	1,123,572	1,146,414	1,015,779	130,635
Supplies	53,606	53,606	47,461	6,145
Contractual and other services	263,943	263,943	379,729	(115,786)
Repairs and maintenance	154,749	154,749	129,993	24,756
Capital outlay	141,100	167,100	63,212	103,888
Total recycling	1,736,970	1,785,812	1,636,174	149,638

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Composting:				
Salaries and benefits	\$ 405,355	\$ 410,552	\$ 330,337	\$ 80,215
Supplies	26,000	26,000	19,771	6,229
Contractual and other services	252,375	252,375	252,085	290
Repairs and maintenance	121,975	121,975	98,424	23,551
Capital outlay	90,000	116,051	105,401	10,650
Total composting	895,705	926,953	806,018	120,935
Street cleaning:				
Salaries and benefits	239,567	245,287	227,571	17,716
Supplies	2,330	2,330	1,584	746
Contractual and other services	4,842	4,842	15,296	(10,454)
Repairs and maintenance	111,427	111,427	95,092	16,335
Capital outlay	-	-	1,397	(1,397)
Total street cleaning	358,166	363,886	340,940	22,946
Non-departmental expenses:				
Depreciation fund-capital outlay	5,784,315	5,784,315	3,070,534	2,713,781
Liability insurance	104,034	104,034	104,034	-
Total non-departmental expenses	5,888,349	5,888,349	3,174,568	2,713,781
Total expenses	23,028,079	23,270,025	19,304,478	23,270,025
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(5,506,174)	(5,748,120)	(857,977)	4,890,143
Transfers out	(192,492)	(360,129)	(360,129)	-
Net transfers	(192,492)	(360,129)	(360,129)	-
Excess (deficiency) of revenues over budget	(5,698,666)	(6,108,249)	(1,218,106)	4,890,143
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(2,251,806)	(2,251,806)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	4,226,921	3,787,155
Net income-GAAP basis	\$ (5,698,666)	\$ (6,108,249)	\$ 757,009	\$ 6,425,492

**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, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Green fees	\$ 632,670	\$ 632,670	\$ 678,776	\$ 46,106
Membership sales	176,059	176,059	170,897	(5,162)
Cart rental	282,518	282,518	312,897	30,379
Rentals and other sales	<u>152,648</u>	<u>152,648</u>	<u>181,018</u>	<u>28,370</u>
Total operating revenues	<u>1,243,895</u>	<u>1,243,895</u>	<u>1,343,588</u>	<u>99,693</u>
Non-operating revenues:				
Investment earnings	1,200	1,200	4,501	3,301
Increase in the fair value of investments	<u>-</u>	<u>-</u>	<u>66</u>	<u>66</u>
Total non-operating revenues	<u>1,200</u>	<u>1,200</u>	<u>4,567</u>	<u>3,367</u>
Total revenues	<u>1,245,095</u>	<u>1,245,095</u>	<u>1,348,155</u>	<u>103,060</u>
Expenses:				
Salaries and benefits	820,146	836,742	802,224	34,518
Supplies	116,605	116,605	113,234	3,371
Contractual and other services	145,434	145,434	136,469	8,965
Repairs and maintenance	96,890	96,890	91,598	5,292
Capital outlay	<u>62,000</u>	<u>62,000</u>	<u>59,351</u>	<u>2,649</u>
Total expenses	<u>1,241,075</u>	<u>1,257,671</u>	<u>1,202,876</u>	<u>54,795</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	4,020	(12,576)	145,279	157,855
Transfers out	<u>(14,303)</u>	<u>(14,303)</u>	<u>(14,303)</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(10,283)</u>	<u>(26,879)</u>	<u>130,976</u>	<u>157,855</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(295,649)	(295,649)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>59,351</u>	<u>59,351</u>
Net income-GAAP basis	<u>\$ (10,283)</u>	<u>\$ (26,879)</u>	<u>\$ (105,322)</u>	<u>\$ (78,443)</u>

**CITY OF McALLEN, TEXAS**  
**TRANSIT TERMINAL FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Other services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,968</u>	<u>\$ 5,968</u>
Total operating revenues	<u>-</u>	<u>-</u>	<u>5,968</u>	<u>5,968</u>
Non-operating revenues:				
Investment earnings	-	-	10,881	10,881
Decrease in the fair value of investments	-	-	(1,034)	(1,034)
Intergovernmental	<u>2,347,434</u>	<u>2,347,434</u>	<u>904,703</u>	<u>(1,442,731)</u>
Total non-operating revenues	<u>2,347,434</u>	<u>2,347,434</u>	<u>914,550</u>	<u>(1,432,884)</u>
Total revenues	<u>2,347,434</u>	<u>2,347,434</u>	<u>920,518</u>	<u>(1,426,916)</u>
Expenses:				
Salaries and benefits	310,599	313,456	212,616	100,840
Contractual and other services	38,696	38,696	131,983	(93,287)
Repairs and maintenance	308,211	308,211	405,840	(97,629)
Capital outlay	<u>2,321,889</u>	<u>2,321,889</u>	<u>379,099</u>	<u>1,942,790</u>
Total expenses	<u>2,979,395</u>	<u>2,982,252</u>	<u>1,129,538</u>	<u>1,852,714</u>

**CITY OF McALLEN, TEXAS**  
**TRANSIT TERMINAL FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2016**

	<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	(631,961)	(634,818)	(209,020)	425,798
Transfers:				
Transfers in	586,858	586,858	155,669	(431,189)
Transfers out	<u>(10,481)</u>	<u>(10,481)</u>	<u>(10,481)</u>	<u>-</u>
Net transfers	576,377	576,377	145,188	(431,189)
Excess (deficiency) of revenues over budget	<u>(55,584)</u>	<u>(58,441)</u>	<u>(63,832)</u>	<u>(5,391)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(798,673)	(798,673)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>379,099</u>	<u>379,099</u>
Net income-GAAP basis	<u>\$ (55,584)</u>	<u>\$ (58,441)</u>	<u>\$ (483,406)</u>	<u>\$ (424,965)</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, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 30,000	\$ 30,000	\$ 61,800	\$ 31,800
Concessions-other	57,000	57,000	172,405	115,405
Other services	-	-	9,365	9,365
Total operating revenues	<u>87,000</u>	<u>87,000</u>	<u>243,570</u>	<u>156,570</u>
Non-operating revenues:				
Investment earnings	-	-	8,519	8,519
Decrease in the fair value of investments	-	-	(214)	(214)
Other	-	8,973,712	8,926,040	(47,672)
Total non-operating revenues	<u>-</u>	<u>8,973,712</u>	<u>8,934,345</u>	<u>(39,367)</u>
Total revenues	<u>87,000</u>	<u>9,060,712</u>	<u>9,177,915</u>	<u>117,203</u>
Expenses:				
Supplies	2,600	2,600	2,608	(8)
Contractual and other services	78,550	78,550	132,768	(54,218)
Repairs and maintenance	4,000	4,000	3,063	937
Total expenses	<u>85,150</u>	<u>85,150</u>	<u>138,439</u>	<u>(53,289)</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	1,850	8,975,562	9,039,476	63,914
Transfers:				
Transfers out	<u>(1,587,000)</u>	<u>(11,680,375)</u>	<u>(11,680,375)</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(1,585,150)</u>	<u>(2,704,813)</u>	<u>(2,640,899)</u>	<u>63,914</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	<u>-</u>	<u>-</u>	<u>(23,737)</u>	<u>(23,737)</u>
Net income-GAAP basis	<u>\$ (1,585,150)</u>	<u>\$ (2,704,813)</u>	<u>\$ (2,664,636)</u>	<u>\$ 40,177</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, 2016**

	<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	\$ 1,172,271	\$ 142,271
Concessions-other	1,313,000	1,313,000	1,272,325	(40,675)
Other services	<u>46,000</u>	<u>46,000</u>	<u>71,421</u>	<u>25,421</u>
Total operating revenues	<u>2,389,000</u>	<u>2,389,000</u>	<u>2,516,017</u>	<u>127,017</u>
Non-operating revenues:				
Investment earnings	19,150	19,150	34,552	15,402
Decrease in the fair value of investments	1,500	1,500	(2,219)	(3,719)
Other	<u>-</u>	<u>820,340</u>	<u>820,340</u>	<u>-</u>
Total non-operating revenues	<u>20,650</u>	<u>840,990</u>	<u>852,673</u>	<u>11,683</u>
Total revenues	<u>2,409,650</u>	<u>3,229,990</u>	<u>3,368,690</u>	<u>138,700</u>
Expenses:				
Salaries and benefits	1,933,831	1,974,889	2,072,794	(97,905)
Supplies	99,000	99,000	130,031	(31,031)
Contractual and other services	1,886,375	1,886,375	2,190,633	(304,258)
Repairs and maintenance	299,582	299,582	379,514	(79,932)
Capital outlay	<u>477,500</u>	<u>477,500</u>	<u>405,143</u>	<u>72,357</u>
Total expenses	<u>4,696,288</u>	<u>4,737,346</u>	<u>5,178,115</u>	<u>(440,769)</u>
Excess (deficiency) of revenues over over expenses (budget basis) before transfers	(2,286,638)	(1,507,356)	(1,809,425)	(302,069)
Transfers and capital contributions:				
Capital contributions	-	-	47,672	47,672
Transfers in	2,177,751	2,177,751	2,042,603	(135,148)
Transfers out	<u>(48,743)</u>	<u>(1,000,989)</u>	<u>(1,000,989)</u>	<u>-</u>
Net transfers	<u>2,129,008</u>	<u>1,176,762</u>	<u>1,089,286</u>	<u>(87,476)</u>
Excess (deficiency) of revenues over budget	<u>(157,630)</u>	<u>(330,594)</u>	<u>(720,139)</u>	<u>(389,545)</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, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (1,606,054)	\$ (1,606,054)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>405,143</u>	<u>405,143</u>
Net income-GAAP basis	<u><u>\$ (157,630)</u></u>	<u><u>\$ (330,594)</u></u>	<u><u>\$ (1,921,050)</u></u>	<u><u>\$ (1,590,456)</u></u>



**CITY OF McALLEN, TEXAS**  
**PERFORMING ARTS CENTER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Other	\$ -	\$ -	\$ -	\$ -
Total non-operating revenues	-	-	-	-
Total revenues	-	-	-	-
Expenses:				
Supplies	16,500	16,500	-	16,500
Contractual and other services	286,375	286,375	-	286,375
Repairs and maintenance	2,500	2,500	-	2,500
Total expenses	305,375	305,375	-	305,375
Excess (deficiency) of revenues over over expenses (budget basis) before transfers	(305,375)	(305,375)	-	305,375
Transfers:				
Transfers in	311,107	311,107	291,800	(19,307)
Transfers out	-	(200,000)	(200,000)	-
Net transfers	311,107	111,107	91,800	(19,307)
Excess (deficiency) of revenues over budget	5,732	(194,268)	91,800	286,068
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	-	-
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	-	-
Net income-GAAP basis	<u>\$ 5,732</u>	<u>\$ (194,268)</u>	<u>\$ 91,800</u>	<u>\$ 286,068</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, 2016**

	<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	\$ 2,479,129	\$ 2,479,129	\$ 2,718,215	\$ 239,086
Rentals	2,935,168	2,935,168	4,303,895	1,368,727
Other services	<u>442,141</u>	<u>442,141</u>	<u>134,530</u>	<u>(307,611)</u>
Total operating revenues	<u>5,856,438</u>	<u>5,856,438</u>	<u>7,156,640</u>	<u>1,300,202</u>
Non-operating revenues:				
Intergovernmental	6,277,291	7,567,850	4,839,136	(2,728,714)
Investment earnings	-	-	119,362	119,362
Decrease in the fair value of investments	-	-	(9,413)	(9,413)
Other	<u>-</u>	<u>-</u>	<u>92,910</u>	<u>92,910</u>
Total non-operating revenues	<u>6,277,291</u>	<u>7,567,850</u>	<u>5,041,995</u>	<u>(2,525,855)</u>
Total revenues	<u>12,133,729</u>	<u>13,424,288</u>	<u>12,198,635</u>	<u>(1,225,653)</u>
Expenses:				
Salaries and benefits	1,909,675	1,949,394	1,794,150	155,244
Supplies	120,300	120,300	92,269	28,031
Contractual and other services	1,877,716	1,877,716	1,688,176	189,540
Repairs and maintenance	440,668	440,668	361,978	78,690
Capital outlay	<u>5,093,287</u>	<u>6,527,241</u>	<u>3,654,885</u>	<u>2,872,356</u>
Total administrative expenses	<u>9,441,646</u>	<u>10,915,319</u>	<u>7,591,458</u>	<u>3,323,861</u>
Non-departmental expenses (income):				
Interest and fiscal charges	<u>331,874</u>	<u>331,874</u>	<u>465,085</u>	<u>(133,211)</u>
Total non-departmental expenses	<u>331,874</u>	<u>331,874</u>	<u>465,085</u>	<u>(133,211)</u>
Total expenses	<u>9,773,520</u>	<u>11,247,193</u>	<u>8,056,543</u>	<u>3,190,650</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, 2016**

	<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	\$ 2,360,209	\$ 2,177,095	\$ 4,142,092	\$ 1,964,997
Transfers:				
Transfers out	<u>(1,154,250)</u>	<u>(1,154,250)</u>	<u>(1,154,250)</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>1,205,959</u>	<u>1,022,845</u>	<u>2,987,842</u>	<u>1,964,997</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(4,426,045)	(4,426,045)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>3,654,885</u>	<u>3,654,885</u>
Net income-GAAP basis	<u>\$ 1,205,959</u>	<u>\$ 1,022,845</u>	<u>\$ 2,216,682</u>	<u>\$ 1,193,837</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, 2016**

	<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	\$ 10,580,685	\$ 10,580,685	\$ 11,911,240	\$ 1,330,555
Rentals	2,418,359	2,418,359	2,447,657	29,298
Other	<u>1,442,000</u>	<u>1,442,000</u>	<u>153,845</u>	<u>(1,288,155)</u>
Total operating revenues	<u>14,441,044</u>	<u>14,441,044</u>	<u>14,512,742</u>	<u>71,698</u>
Non-operating revenues:				
Intergovernmental revenues	-	-	1,944,222	1,944,222
Investment earnings	<u>352</u>	<u>352</u>	<u>13,867</u>	<u>13,515</u>
Total non-operating revenues	<u>352</u>	<u>352</u>	<u>1,958,089</u>	<u>1,957,737</u>
Total revenues	<u>14,441,396</u>	<u>14,441,396</u>	<u>16,470,831</u>	<u>2,029,435</u>
Expenses:				
Administration:				
Salaries and benefits	217,697	223,015	363,976	(140,961)
Supplies	24,800	24,800	19,315	5,485
Contractual and other services	422,325	422,325	474,798	(52,473)
Repairs and maintenance	12,162	12,162	10,341	1,821
Capital outlay	<u>3,639,581</u>	<u>3,956,816</u>	<u>2,475,687</u>	<u>1,481,129</u>
Total administration	<u>4,316,565</u>	<u>4,639,118</u>	<u>3,344,117</u>	<u>1,295,001</u>
Operations :				
Salaries and benefits	1,440,333	1,461,961	1,038,009	423,952
Supplies	85,000	85,000	72,507	12,493
Contractual and other services	523,250	523,250	565,808	(42,558)
Repairs and maintenance	<u>176,000</u>	<u>176,000</u>	<u>187,076</u>	<u>(11,076)</u>
Total operations	<u>2,224,583</u>	<u>2,246,211</u>	<u>1,863,400</u>	<u>382,811</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, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Non-departmental expenses:				
Liability insurance	\$ 23,171	\$ 23,171	\$ 23,171	-
Interest and fiscal charges	35,086	65,478	65,478	-
Bond principal requirement	168,710	168,710	-	168,710
Other	3,316,840	3,316,840	3,740,752	(423,912)
Total non-departmental expenses	3,543,807	3,574,199	3,829,401	(255,202)
Total expenses	10,084,955	10,459,528	- 9,036,918	1,422,610
Excess (deficiency) of revenues over expenses (budget basis) before transfers	4,356,441	3,981,868	7,433,913	3,452,045
Transfers:				
Transfers out	(5,952,348)	(5,952,348)	(6,680,398)	(728,050)
Net transfers	(5,952,348)	(5,952,348)	(6,680,398)	(728,050)
Excess (deficiency) of revenues over budget	(1,595,907)	(1,970,480)	753,515	2,723,995
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(734,905)	(734,905)
Interest on board advances	-	-	604,807	604,807
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	2,475,687	2,475,687
Net income-GAAP basis	\$ (1,595,907)	\$ (1,970,480)	\$ 3,099,104	\$ 5,069,584

**CITY OF McALLEN, TEXAS**  
**ANZALDUAS INTERNATIONAL CROSSING FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2016**

	<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	\$ 3,234,445	\$ 3,234,445	\$ 3,538,359	\$ 303,914
Rentals	18,552	18,552	18,067	(485)
Other	30,000	30,000	64,830	34,830
Total operating revenues	3,282,997	3,282,997	3,621,256	338,259
Non-operating revenues:				
Investment earnings	1,272	1,272	9,712	8,440
Increase in the fair value of investments	-	-	1,113	1,113
Other	-	-	57,385	57,385
Total non-operating revenues	1,272	1,272	68,210	66,938
Total revenues	3,284,269	3,284,269	3,689,466	405,197
Expenses:				
Administration:				
Salaries and benefits	176,902	182,060	244,258	(62,198)
Supplies	8,200	8,200	7,015	1,185
Contractual and other services	1,187,186	1,351,996	1,327,210	24,786
Repairs and maintenance	7,000	7,000	3,579	3,421
Capital outlay	90,400	172,554	152,270	20,284
Total administration	1,469,688	1,721,810	1,734,332.00	(12,522)
Operations :				
Salaries and benefits	350,685	356,145	244,827	111,318
Supplies	15,000	15,000	9,934	5,066
Contractual and other services	58,028	58,028	45,604	12,424
Repairs and maintenance	41,094	41,094	53,381	(12,287)
Total operations	464,807	470,267	353,746.00	116,521

**CITY OF McALLEN, TEXAS**  
**ANZALDUAS INTERNATIONAL CROSSING FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Non-departmental expenses:				
Liability insurance	\$ 20,963	\$ 20,963	\$ 20,963	\$ -
Interest and fiscal charges	1,579,462	1,579,462	1,576,453	3,009
Interest on board advances	-	-	604,807	(604,807)
Bond related charges	-	-	(31,499)	31,499
Bond principal requirement	1,305,000	1,305,000	-	1,305,000
Total non-departmental expenses	2,905,425	2,905,425	2,170,724	734,701
Total expenses	4,839,920	5,097,502	4,258,802	838,700
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(1,555,651)	(1,813,233)	(569,336)	1,243,897
Transfers:				
Transfers in	938,822	938,822	949,755	10,933
Transfers out	(12,331)	(12,331)	(12,331)	-
Net transfers	926,491	926,491	937,424	10,933
Excess (deficiency) of revenues over budget	(629,160)	(886,742)	368,088	1,254,830
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,531,255)	(1,531,255)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	152,270	152,270
Net income-GAAP basis	\$ (629,160)	\$ (886,742)	\$ (1,010,897)	\$ (124,155)

**CITY OF McALLEN, TEXAS**  
**McALLEN EXPRESS FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2016**

	<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	\$ 510,525	\$ 510,525	\$ 557,367	\$ 46,842
Rentals	348,935	348,935	336,642	(12,293)
Other services	266,952	266,952	159,788	(107,164)
Total operating revenues	1,126,412	1,126,412	1,053,797	(72,615)
Non-operating revenues:				
Intergovernmental	1,664,452	1,664,452	938,627	(725,825)
Investment earnings	-	-	3,647	3,647
Increase in the fair value of investments	-	-	376	376
Total non-operating revenues	1,664,452	1,664,452	942,650	(721,802)
Total revenues	2,790,864	2,790,864	1,996,447	(794,417)
Expenses:				
Salaries and benefits	2,155,862	2,196,116	2,005,048	191,068
Supplies	49,629	49,629	43,119	6,510
Contractual and other services	737,705	737,705	768,948	(31,243)
Repairs and maintenance	639,802	639,802	321,129	318,673
Total expenses	3,582,998	3,623,252	3,138,244	485,008
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(792,134)	(832,388)	(1,141,797)	(309,409)
Transfers:				
Transfers in	803,373	803,373	803,373	-
Transfers out	(56,751)	(56,751)	(56,751)	-
Net transfers	746,622	746,622	746,622	-
Excess (deficiency) of revenues over budget	(45,512)	(85,766)	(395,175)	(309,409)
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (655,758)	\$ (655,758)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	-	-
Net income-GAAP basis	\$ (45,512)	\$ (85,766)	\$ (1,050,933)	\$ (965,167)



**CITY OF McALLEN, TEXAS**  
**FLEET MATERIALS MANAGEMENT FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Fleet billings	\$ 3,495,000	\$ 3,495,000	\$ 3,756,458	\$ 261,458
Materials management	280,000	280,000	343,940	63,940
Total operating revenues	<u>3,775,000</u>	<u>3,775,000</u>	<u>4,100,398</u>	<u>325,398</u>
Non-operating revenues:				
Other	<u>15,000</u>	<u>15,000</u>	<u>15,245</u>	<u>246</u>
Total non-operating revenues	<u>15,000</u>	<u>15,000</u>	<u>15,245</u>	<u>246</u>
Total revenues	<u>3,790,000</u>	<u>3,790,000</u>	<u>4,115,643</u>	<u>325,644</u>
Expenses:				
Materials management:				
Salaries and benefits	133,522	136,871	124,372	12,499
Supplies	2,750	2,750	1,309	1,441
Contractual and other services	3,100	3,100	9,166	(6,066)
Repairs and maintenance	3,890	3,890	6,495	(2,605)
Capital outlay	<u>18,000</u>	<u>18,000</u>	<u>6,728</u>	<u>11,272</u>
Total materials management	<u>161,262</u>	<u>164,611</u>	<u>148,070</u>	<u>16,541</u>
Fleet operations :				
Salaries and benefits	1,001,303	1,023,731	953,985	69,746
Supplies	22,614	22,614	21,839	775
Contractual and other services	2,415,300	2,415,300	2,995,557	(580,257)
Repairs and maintenance	47,450	47,450	45,903	1,547
Capital outlay	<u>76,000</u>	<u>76,000</u>	<u>39,680</u>	<u>36,320</u>
Total fleet operations	<u>3,562,667</u>	<u>3,585,095</u>	<u>4,056,964</u>	<u>(471,869)</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, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Non-departmental expenses:				
Liability insurance	\$ 1,600	\$ 1,600	\$ 1,600	\$ -
Other	-	-	19,784	(19,784)
Total non-departmental expenses	1,600	1,600	21,384	(19,784)
Total expenses	3,725,529	3,751,306	4,226,418	(475,112)
Excess (deficiency) of revenues over expenses (budget basis) before transfers	64,471	38,694	(110,775)	(149,469)
Transfers:				
Transfers out	-	-	(35,767)	(35,767)
Excess (deficiency) of revenues over budget	64,471	38,694	(146,542)	(185,236)
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(100,348)	(100,348)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	46,408	46,408
Net income-GAAP basis	\$ 64,471	\$ 38,694	\$ (200,482)	\$ (239,176)

**CITY OF McALLEN, TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 9,878,972</u>	<u>\$ 9,878,972</u>	<u>\$ 10,067,837</u>	<u>\$ 188,865</u>
Non-operating revenues:				
Investment earnings	4,000	4,000	3,632	(368)
Increase in the fair value of investments	-	-	994	994
Other	<u>191,604</u>	<u>191,604</u>	<u>219,687</u>	<u>28,083</u>
Total non-operating revenues	<u>195,604</u>	<u>195,604</u>	<u>224,313</u>	<u>28,709</u>
Total revenues	<u>10,074,576</u>	<u>10,074,576</u>	<u>10,292,150</u>	<u>217,574</u>
Expenses:				
Salaries and benefits	316,496	322,526	292,372	30,154
Supplies	3,000	3,000	3,616	(616)
Contractual and other services	1,789,350	1,789,350	1,901,900	(112,550)
Self insurance claims	9,957,406	9,957,406	10,302,189	(344,783)
Capital outlay	<u>65,674</u>	<u>65,674</u>	<u>-</u>	<u>65,674</u>
Total expenses	<u>12,131,926</u>	<u>12,137,956</u>	<u>12,500,077</u>	<u>(362,121)</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	<u>(2,057,350)</u>	<u>(2,063,380)</u>	<u>(2,207,927)</u>	<u>(144,547)</u>
Transfers in	<u>2,386,952</u>	<u>2,386,952</u>	<u>2,386,952</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>329,602</u>	<u>323,572</u>	<u>179,025</u>	<u>(144,547)</u>
Depreciation expense, not budgeted	<u>-</u>	<u>-</u>	<u>(8,199)</u>	<u>(8,199)</u>
Net income-GAAP basis	<u><u>\$ 329,602</u></u>	<u><u>\$ 323,572</u></u>	<u><u>\$ 170,826</u></u>	<u><u>\$ (152,746)</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, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 1,407,370</u>	<u>\$ 1,407,370</u>	<u>\$ 565,857</u>	<u>\$ (841,513)</u>
Non-operating revenues:				
Investment earnings	9,660	9,660	2,743	(6,917)
Increase in the fair value of investments	-	-	199	199
Other	<u>-</u>	<u>-</u>	<u>126</u>	<u>126</u>
Total non-operating revenues	<u>9,660</u>	<u>9,660</u>	<u>3,068</u>	<u>(6,592)</u>
Total revenues	<u>1,417,030</u>	<u>1,417,030</u>	<u>568,925</u>	<u>(848,105)</u>
Expenses:				
Contractual and other services	112,500	112,500	105,377	7,123
Self insurance claims	<u>1,025,000</u>	<u>1,025,000</u>	<u>254,678</u>	<u>770,322</u>
Total expenses	<u>1,137,500</u>	<u>1,137,500</u>	<u>360,055</u>	<u>777,445</u>
Excess (deficiency) of revenues over budget	<u>279,530</u>	<u>279,530</u>	<u>208,870</u>	<u>(70,660)</u>
Net income-GAAP basis	<u><u>\$ 279,530</u></u>	<u><u>\$ 279,530</u></u>	<u><u>\$ 208,870</u></u>	<u><u>\$ (70,660)</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL INSURANCE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	\$ -	\$ -	\$ 3,057,730	\$ 3,057,730
Non-operating revenues:				
Investment earnings	12,000	27,196	251,879	224,683
Decrease in the fair value of investments	-	-	(4,939)	(4,939)
Other	2,512,759	2,512,759	358,096	(2,154,663)
Total non-operating revenues	2,524,759	2,539,955	605,036	(1,934,919)
Total revenues	2,524,759	2,539,955	3,662,766	1,122,811
Expenses:				
Salaries and benefits	334,013	340,623	319,844	20,779
Supplies	4,000	4,000	3,923	77
Contractual and other services	224,440	224,440	649,488	(425,048)
Self insurance	800,000	800,000	923,373	(123,373)
Repairs and maintenance	1,479	1,479	314	1,165
Capital outlay	28,000	28,000	25,227	2,773
Total expenses	1,391,932	1,398,542	1,922,169	(523,627)
Excess (deficiency) of revenues over expenses (budget basis) before transfers	1,132,827	1,141,413	1,740,597	599,184
Operating transfers and other:				
Capital contributions	-	-	20,611	20,611
Transfers out	(8,076)	(8,076)	(8,076)	-
Excess (deficiency) of revenues over budget	1,124,751	1,133,337	1,753,132	619,795
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(300)	(300)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	25,227	25,227
Net income-GAAP basis	\$ 1,124,751	\$ 1,133,337	\$ 1,778,059	\$ 644,722

**CITY OF McALLEN, TEXAS**  
**GENERAL DEPRECIATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2016**

	<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	<u>\$ 2,415,292</u>	<u>\$ 2,415,292</u>	<u>\$ 2,261,674</u>	<u>\$ (153,618)</u>
Non-operating revenues:				
Investment earnings	-	15,196	95,940	80,744
Decrease in the fair value of investments	-	-	(1,977)	(1,977)
Other	<u>-</u>	<u>-</u>	<u>92,706</u>	<u>92,706</u>
Total non-operating revenues	<u>-</u>	<u>15,196</u>	<u>186,669</u>	<u>171,473</u>
Total revenues	<u>2,415,292</u>	<u>2,430,488</u>	<u>2,448,343</u>	<u>17,855</u>
Expenses:				
Capital outlay	<u>3,569,200</u>	<u>4,226,503</u>	<u>3,205,614</u>	<u>1,020,889</u>
Total expenses	<u>3,569,200</u>	<u>4,226,503</u>	<u>3,205,614</u>	<u>1,020,889</u>
Excess (deficiency) of revenues over expenses (budget basis) before capital contribution	(1,153,908)	(1,796,015)	(757,271)	1,038,744
Capital contribution	-	-	5,375,134	5,375,134
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(2,153,273)	(2,153,273)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>3,205,614</u>	<u>3,205,614</u>
Net income-GAAP basis	<u>\$ (1,153,908)</u>	<u>\$ (1,796,015)</u>	<u>\$ 5,670,204</u>	<u>\$ 7,466,219</u>

**CITY OF McALLEN, TEXAS**  
**PROPERTY & CASUALTY INSURANCE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ -</u>
 Total revenues	 <u>800,000</u>	 <u>800,000</u>	 <u>800,000</u>	 <u>-</u>
Expenses:				
Salaries and benefits	70,943	70,943	60,041	10,902
Supplies	1,500	1,500	1,124	376
Contractual and other services	709,857	709,857	738,835	(28,978)
Capital outlay	<u>17,700</u>	<u>17,700</u>	<u>-</u>	<u>17,700</u>
 Total expenses	 <u>800,000</u>	 <u>800,000</u>	 <u>800,000</u>	 <u>-</u>
 Excess (deficiency) of revenues over budget	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 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><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

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# 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)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014*</u>	<u>2015</u>	<u>2016</u>
Governmental activities										
Net investment in capital assets	\$ 186,857,015	\$ 201,811,831	\$ 219,839,458	\$ 230,172,991	\$ 243,869,333	\$ 234,246,829	\$ 243,681,893	\$ 261,002,031	\$ 271,338,778	\$ 277,919,085
Restricted	24,738,888	55,854,614	47,710,091	29,019,666	32,491,873	33,420,883	33,151,044	23,333,654	24,007,134	23,545,092
Unrestricted	93,419,084	74,118,438	76,581,779	93,995,308	85,628,563	87,384,447	84,517,660	45,785,583	45,826,104	36,063,681
Total governmental activities net position	<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>\$ 330,121,268</u>	<u>\$ 341,172,016</u>	<u>\$ 337,527,858</u>
Business-type activities										
Net investment in capital assets	\$ 220,785,257	\$ 230,416,888	\$ 235,021,510	\$ 245,458,038	\$ 254,006,517	\$ 269,408,160	\$ 259,339,759	\$ 263,527,417	\$ 245,028,871	\$ 269,347,294
Restricted	46,163,426	45,494,800	52,423,804	27,626,738	28,751,369	49,320,757	50,319,574	54,776,089	53,275,318	61,516,830
Unrestricted	29,769,032	32,304,928	33,396,959	59,404,414	58,277,207	42,513,303	56,415,746	49,262,997	80,172,274	49,323,806
Total business-type activities net position	<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>\$ 367,566,503</u>	<u>\$ 378,476,463</u>	<u>\$ 380,187,930</u>
Primary government										
Net investment in capital assets	\$ 407,642,272	\$ 432,228,719	\$ 454,860,968	\$ 475,631,029	\$ 497,875,850	\$ 503,654,989	\$ 503,021,652	\$ 524,529,448	\$ 516,367,649	\$ 547,266,379
Restricted	70,902,314	101,349,414	100,133,895	56,646,404	61,243,242	82,741,640	83,470,618	78,109,743	77,282,452	85,061,922
Unrestricted	123,188,116	106,423,366	109,978,738	153,399,722	143,905,770	129,897,750	140,933,406	95,048,580	125,998,378	85,387,487
Total primary government activities net position	<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>\$ 697,687,771</u>	<u>\$ 719,648,479</u>	<u>\$ 717,715,788</u>

(1) As per GASB 63

\* 2014 Restated per GASB 68

Source: Comprehensive Annual Financial Report:

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Expenses										
Governmental activities:										
General government	\$ 18,902,664	\$ 21,534,637	\$ 20,045,996	\$ 17,117,884	\$ 21,733,177	\$ 22,505,316	\$ 20,817,432	\$ 35,315,069	\$ 26,748,778	\$ 38,778,497
Public safety	43,294,659	46,437,593	48,085,324	49,869,325	51,471,980	51,714,002	53,799,148	58,432,712	57,338,636	63,079,739
Highways and streets	17,842,276	19,206,764	20,408,868	19,540,947	18,068,891	22,060,953	19,620,592	20,457,888	23,018,428	24,136,943
Health and welfare	4,108,795	5,967,509	5,244,236	5,315,188	5,204,340	5,424,919	5,247,302	4,604,866	7,676,848	5,693,042
Culture and recreation	15,241,701	15,581,730	16,141,618	19,345,749	16,291,072	16,468,099	18,061,633	20,996,431	13,810,026	22,500,569
Interest on long-term debt	223,639	218,719	292,661	543,168	1,108,959	900,520	780,778	816,650	2,159,876	2,066,207
Total governmental activities expenses	<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>	<u>130,752,592</u>	<u>156,254,997</u>
Business-type activities:										
Water services	12,953,033	15,068,788	15,716,736	15,273,917	16,687,578	16,492,817	17,390,301	17,474,327	17,161,204	20,135,477
Sewer services	10,066,916	11,290,032	10,207,047	13,001,407	13,002,414	12,704,012	13,787,604	15,251,999	15,063,966	16,431,643
Sanitation services	11,522,697	12,862,854	12,550,573	13,146,685	13,522,383	13,808,444	14,799,650	15,756,027	16,352,417	17,976,533
Golf course services	1,381,746	1,423,536	1,435,269	1,534,412	1,468,387	1,464,808	1,451,413	1,401,051	1,365,580	1,448,965
Civic center services	1,160,949	441,880	441,900	475,155	452,980	398,739	423,632	438,233	417,072	162,176
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	5,660,315	6,400,139
Airport services	5,040,685	5,269,306	5,882,936	6,329,579	5,964,651	6,672,164	6,867,863	7,385,213	7,922,418	8,856,156
Transit services	773,448	802,198	936,081	1,019,435	1,153,729	1,155,996	1,314,193	965,054	1,432,186	1,551,484
Bus services	1,309,375	1,915,380	1,759,980	1,631,623	2,194,468	2,553,618	2,877,020	3,973,485	3,621,901	3,795,560
Anzalduas crossing	200,293	1,493,759	599,426	3,913,017	4,504,328	4,140,909	4,571,611	4,558,948	4,552,866	5,642,196
Bridge services	6,462,091	9,013,061	6,018,329	5,584,690	5,773,631	6,004,265	6,111,267	6,530,689	6,877,304	7,310,552
Total business-type activities expenses:	<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>	<u>80,427,229</u>	<u>89,710,881</u>
Total primary government expenses	<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>	<u>\$ 211,179,821</u>	<u>\$ 245,965,878</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 2,347,975	\$ 2,254,601	\$ 2,094,534	\$ 2,187,610	\$ 1,938,393	\$ 1,862,654	\$ 2,079,410	\$ 1,918,951	\$ 2,088,536	\$ 2,343,536
Public safety	4,210,066	4,058,995	3,849,128	3,665,263	4,922,835	7,358,779	4,358,385	4,366,315	7,394,577	3,991,057
Highways and streets	897,697	1,257,667	1,168,774	1,132,893	1,164,718	1,140,683	1,178,562	1,160,689	1,108,870	1,087,905
Health and welfare	68,585	525,182	526,815	123,730	85,343	241,620	308,515	271,722	414,699	366,471
Culture and recreation	860,332	924,944	935,219	975,677	1,032,525	1,206,028	1,187,176	1,213,111	1,202,362	1,363,071
Operating grants and contributions	1,920,712	2,022,022	2,016,915	1,955,046	3,326,439	2,579,065	3,592,660	2,736,600	1,961,190	2,090,002
Capital grants and contributions	7,059,478	7,441,811	3,984,011	7,871,082	7,152,106	5,065,923	4,306,512	5,303,435	3,406,289	4,127,471
Total governmental activities program revenues:	<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>	<u>17,576,523</u>	<u>15,369,513</u>
Business-type activities:										
Charges for services:										
Water services	13,170,730	15,658,843	15,877,792	13,468,048	16,510,355	15,964,657	16,125,777	15,689,054	15,659,444	18,558,428
Sewer services	12,519,001	14,291,219	14,490,145	13,369,937	14,799,266	14,568,552	14,840,659	14,976,046	15,378,193	17,147,746
Sanitation services	13,349,134	14,706,767	15,103,546	15,431,922	15,903,096	16,669,790	16,738,683	16,968,558	17,398,629	18,220,367
Bridge services	12,445,997	14,447,459	12,916,479	12,816,588	13,194,421	14,559,743	14,902,453	15,747,749	13,600,185	14,512,742
Other	6,502,957	8,824,954	9,191,418	9,571,114	9,709,773	9,536,557	9,870,476	10,513,929	15,021,175	15,928,338
Operating grants and contributions	869,975	862,086	999,981	747,606	710,754	784,314	853,095	1,587,799	1,329,212	1,523,384
Capital grants and contributions	6,766,010	5,624,181	4,514,464	10,226,872	7,959,050	4,323,382	7,161,439	8,520,524	13,042,693	10,907,454
Total business-type activities program revenues:	<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>	<u>91,429,531</u>	<u>96,798,459</u>
Total primary government program revenues:	<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>	<u>\$ 109,006,054</u>	<u>\$ 112,167,972</u>

(Continued)

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net (Expense) Revenue										
Governmental activities	\$ (82,248,889)	\$ (90,461,730)	\$ (95,643,307)	\$ (93,820,960)	\$ (94,256,060)	\$ (99,619,057)	\$ (101,315,665)	\$ (123,652,793)	\$ (113,176,069)	\$ (140,885,484)
Business-type activities	12,483,370	10,214,845	12,584,661	8,410,720	8,838,313	6,040,701	5,800,153	4,676,990	11,002,302	7,087,578
Total primary government net expense	<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>	<u>\$ (102,173,767)</u>	<u>\$ (133,797,906)</u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes, levied for general purposes	\$ 26,590,140	\$ 30,840,205	\$ 32,183,867	\$ 33,061,162	\$ 32,631,332	\$ 33,445,701	\$ 32,783,760	\$ 35,037,958	\$ 39,050,045	\$ 40,459,314
Hotel occupancy taxes	3,923,740	4,079,224	3,514,817	3,470,995	3,257,935	3,503,985	4,784,757	5,343,765	5,479,719	5,253,476
Sales tax	56,976,350	58,893,175	54,669,746	53,550,307	54,652,192	58,407,779	60,825,866	61,331,004	63,758,787	61,301,698
Franchise taxes	6,242,578	6,475,882	6,266,684	6,130,317	6,349,157	6,348,331	6,457,397	6,707,787	6,613,745	6,716,262
Unrestricted investment earnings	6,573,818	5,720,841	4,308,531	1,087,577	944,557	675,810	123,546	938,877	1,077,441	1,354,865
Royalties	3,507,509	2,909,479	1,864,867	2,217,798	2,706,824	1,138,925	936,278	944,609	828,482	490,736
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	-
Exchange (out) of capital assets to BTA	-	-	-	-	-	(15,829,693)	-	-	-	-
Miscellaneous	2,719,664	2,407,391	2,250,367	382,604	1,223,334	1,727,591	1,188,002	718,857	4,332,402	5,179,301
Transfers	2,899,373	5,905,429	2,930,873	(610,088)	1,292,533	2,120,871	1,656,644	4,158,872	3,086,193	16,485,677
Total governmental activities	<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>	<u>124,226,814</u>	<u>137,241,329</u>
Business-type activities										
Unrestricted investment earnings	5,200,991	5,560,052	2,444,095	639,242	515,713	456,604	157,213	467,440	649,882	689,307
Gain on sale of capital assets	31,744	1,629,433	-	-	-	-	-	2,098,640	1,220,285	9,899,884
Miscellaneous	1,608,789	-	527,774	489,538	484,409	1,001	532,137	288,076	1,123,687	520,372
Recovery of development costs	7,417,616	-	-	-	-	-	-	-	-	-
Transfers	(2,899,373)	(5,905,429)	(2,930,873)	610,088	(1,292,533)	13,708,822	(1,656,644)	(4,158,872)	(3,086,193)	(16,485,677)
Total business-type activities	<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>	<u>(92,339)</u>	<u>(5,376,114)</u>
Total primary government	<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>	<u>\$ 124,134,475</u>	<u>\$ 131,865,215</u>
Change in Net Position										
Governmental activities	\$ 27,184,283	\$ 26,769,896	\$ 12,346,445	\$ 5,469,712	\$ 8,801,804	\$ (8,079,757)	\$ 7,440,585	\$ (8,471,064)	\$ 11,050,745	\$ (3,644,155)
Business-type activities	23,843,137	11,498,901	12,625,657	10,149,588	8,545,902	20,207,128	4,832,859	3,372,274	10,909,963	1,711,464
Total government net position	<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>	<u>\$ 21,960,708</u>	<u>\$ (1,932,691)</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)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 400,000	\$ 1,396,791	\$ 1,774,762	\$ 2,160,543	\$ 2,295,944	\$ 2,646,319
Reserved/Assigned	6,540,485	5,580,194	5,253,567	3,449,615	2,925,598	1,552,643	1,730,634	447,859	457,022	457,022
Unreserved/Unassigned	43,546,755	45,909,209	44,182,058	47,422,976	39,649,659	42,860,830	40,370,161	41,221,379	46,369,562	44,346,729
	<u>\$ 50,087,240</u>	<u>\$ 51,489,403</u>	<u>\$ 49,435,625</u>	<u>\$ 50,872,591</u>	<u>\$ 42,575,257</u>	<u>\$ 45,810,264</u>	<u>\$ 43,875,557</u>	<u>\$ 43,829,781</u>	<u>\$ 49,122,528</u>	<u>\$ 47,450,070</u>
All Other Governmental Funds										
Reserved-other purposes	\$ 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	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	21,395,178	18,159,471	17,132,979	11,855,332	-	-	-	-	-	-
Nonspendable	-	-	-	-	352,716	352,716	352,716	-	-	27,064
Restricted	-	-	-	-	38,387,750	34,171,127	33,636,421	79,530,591	71,032,714	71,553,166
Committed	-	-	-	-	179,755	217,989	154,790	387,626	513,561	297,145
Assigned	-	-	-	-	12,054,227	8,459,646	9,090,061	5,741,676	4,451,033	2,989,333
	<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>	<u>\$ 75,997,308</u>	<u>\$ 74,866,708</u>
Total all other governmental funds										

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Revenues</b>										
Taxes	\$ 93,364,798	\$ 99,953,473	\$ 96,848,195	\$ 96,048,168	\$ 97,069,725	\$ 101,438,055	\$ 105,293,773	\$ 107,695,530	\$ 114,763,015	\$113,666,622
Licenses and permits	1,633,047	1,591,862	1,393,010	1,331,758	1,373,972	1,536,902	1,429,150	1,447,712	1,613,397	1,808,701
Intergovernmental	4,367,134	4,868,657	4,304,941	7,277,287	8,801,979	6,734,270	6,782,631	7,376,849	3,502,500	2,760,398
Charges for services	4,719,193	5,417,637	5,249,637	5,350,634	4,867,779	5,026,625	5,279,159	5,220,385	5,767,795	6,001,013
Fines and forfeitures	2,311,181	2,240,518	2,170,771	1,901,986	3,185,630	5,422,628	2,548,733	2,556,904	5,415,137	1,808,320
Investment earnings	5,577,715	4,635,946	3,675,833	807,932	728,330	508,483	69,628	739,885	876,393	1,006,394
Other	6,949,566	7,389,981	3,265,362	3,591,386	3,979,302	2,686,826	2,101,208	1,784,518	4,348,725	4,710,326
Total revenues	118,922,634	126,098,074	116,907,749	116,309,151	120,006,717	123,353,789	123,504,282	126,821,783	136,286,962	131,761,774
<b>Expenditures</b>										
General government	18,796,014	18,604,824	19,969,671	16,942,447	20,836,539	19,601,840	19,550,411	34,649,924	25,333,902	35,773,536
Public safety	42,044,757	44,721,496	47,689,420	47,498,138	49,529,997	49,272,439	50,041,327	51,912,722	52,994,445	54,484,060
Highways and streets	13,016,782	12,365,458	14,983,473	12,496,418	11,827,035	18,169,966	13,414,722	13,318,011	10,782,403	16,486,478
Health and welfare	4,110,388	5,964,095	5,255,632	5,285,260	5,168,679	5,388,416	5,208,427	4,552,904	7,512,747	5,596,042
Culture and recreation	13,637,582	13,978,939	14,688,034	17,456,529	14,170,021	14,601,437	15,410,540	17,194,648	17,767,314	19,980,953
Capital outlay *	25,285,595	26,157,346	25,276,574	23,274,673	42,517,494	19,836,269	19,896,331	22,156,818	29,946,314	39,251,496
Debt service:										
Principal	440,000	435,000	2,855,000	511,213	5,560,741	2,530,000	2,645,000	2,765,000	19,853,534	4,765,000
Interest	198,387	199,993	319,116	178,148	1,510,338	1,012,256	896,365	774,407	3,803,374	2,567,009
Total expenditures	117,529,505	122,427,151	131,036,920	123,642,826	151,120,844	130,412,623	127,063,123	147,324,434	167,994,033	178,904,574
Excess of revenues over (under) expenditures	1,393,129	3,670,923	(14,129,171)	(7,333,675)	(31,114,127)	(7,058,834)	(3,558,841)	(20,502,651)	(31,707,071)	(47,142,800)
<b>Other Financing Sources (Uses)</b>										
Bond proceeds	-	-	-	29,030,000	-	-	-	54,230,001	15,035,000	29,620,000
Other	-	-	-	1,117,990	-	-	-	-	-	-
Transfers in	20,941,598	42,201,877	26,783,190	9,790,572	22,378,622	15,970,624	22,353,826	18,453,155	26,945,098	31,581,149
Bond Premium	-	-	-	-	-	-	-	3,493,907	1,281,031	-
Bond Discount	-	-	-	-	-	-	-	-	-	(160,520)
Transfers out	(16,042,225)	(36,296,448)	(22,852,317)	(9,900,660)	(20,751,659)	(13,849,753)	(20,697,182)	(13,544,283)	(15,923,896)	(16,700,887)
Total other financing sources (uses)	4,899,373	5,905,429	3,930,873	30,037,902	1,626,963	2,120,871	1,656,644	62,632,780	27,337,233	44,339,742
Net change in fund balances	<u>\$ 6,292,502</u>	<u>\$ 9,576,352</u>	<u>\$ (10,198,298)</u>	<u>\$ 22,704,227</u>	<u>\$ (29,487,164)</u>	<u>\$ (4,937,963)</u>	<u>\$ (1,902,197)</u>	<u>\$ 42,130,129</u>	<u>\$ (4,369,838)</u>	<u>\$ (2,803,058)</u>
Debt service as a percentage of noncapital expenditures	0.69%	0.66%	3.00%	0.69%	6.51%	3.20%	3.30%	2.83%	17.14%	5.25%

\* This excludes internal service funds treated as governmental funds for government-wide purposes.

**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>7%</u>	<u>2%</u>	<u>Total</u>
2007	\$ 26,222,130	\$ 56,976,350	\$ 6,242,578	\$ 3,923,740	\$ -	\$ -	\$ 93,364,798
2008	30,505,191	58,893,175	6,475,882	4,079,225	-	-	99,953,473
2009	32,396,948	54,669,746	6,266,684	3,514,817	-	-	96,848,195
2010	32,896,549	53,550,307	6,130,317	3,470,995	-	-	96,048,168
2011	32,810,441	54,652,192	6,349,157	3,257,935	-	-	97,069,725
2012	33,177,960	58,407,780	6,348,331	3,503,985	-	-	101,438,056
2013	33,225,753	60,825,866	6,457,397	3,978,186	806,571	-	105,293,773
2014	34,312,972	61,331,004	6,707,787	4,156,140	1,187,625	-	107,695,528
2015	38,910,760	62,939,971	6,613,748	4,262,268	1,217,452	-	113,944,199
2016	40,388,385	60,449,553	6,716,262	4,085,205	1,168,272	-	112,807,677
Change 2007-2016	54.02%	6.10%	7.59%	4.12%	100.00%	-	20.82%



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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Retail	\$ 2,138	\$ 2,211	\$ 2,018	\$ 1,735	\$ 1,710	\$ 1,789	\$ 1,844	\$ 1,855	\$ 1,813 *	\$ 1,319
Services	180	170	153	114	170	181	196	208	224 *	153
Wholesale	65	76	68	70	100	122	109	118	121 *	95
Other	178	140	115	311	446	469	491	506	526 *	396
Total - All Industries	<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>\$ 2,687</u>	<u>\$ 2,684</u>	<u>\$ 1,963</u>

(1)

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

Percent Allocation of Taxable Sales - Retail Only

Building Materials	7%	7%	6%	5%	6%	6%	5%	5%	6%	6%
General Merchandise	27%	32%	31%	28%	27%	28%	28%	28%	26%	25%
Food Stores	5%	5%	5%	6%	6%	6%	6%	6%	6%	7%
Automotive	3%	5%	5%	6%	6%	5%	5%	6%	5%	5%
Clothing	16%	17%	17%	15%	15%	16%	17%	17%	17%	16%
Home Furnishings	11%	12%	12%	13%	13%	13%	13%	12%	12%	12%
Restaurants	12%	13%	14%	17%	17%	17%	17%	17%	19%	20%
Miscellaneous Retail	8%	9%	10%	10%	10%	9%	9%	9%	9%	9%
Total	<u>89%</u>	<u>100%</u>	<u>100%</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.

\* Restated due to updated totals received from State Comptroller's Office.

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 MS/ is intended to give some indication.

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

	<b>Fiscal Year Ended September 30</b>	<b>Tax Roll Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Minerals</b>	<b>Other</b>	<b>Less: Tax-Exempt Property</b>	<b>Total Net Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
216	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	0.43
	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
	2015	2014	4,474,949,998	3,533,253,705	124,370,144	73,248,263	1,030,966,285	1,347,181,652	7,889,606,743	0.48
	2016	2015	4,884,004,235	3,738,806,189	129,302,716	75,747,969	1,027,473,342	1,419,789,823	8,435,544,628	0.48

(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)

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Fiscal Year Ended <u>September 30</u>	Tax Roll Year	City Direct Rates				Overlapping Rates							
		General Obligation			Total Direct	School Districts						Hidalgo County Drainage District No.1	Hidalgo County
		Basic Rate	Debt Service			McAllen	Sharyland	P.S.J.A	So. Tx College	Hidalgo	Edinburg		
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	0.43	-		0.43	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
2015	2014	0.43	0.04		0.48	1.17	1.34	1.36	0.19	1.53	1.24	0.10	0.59
2016	2015	0.44	0.04		0.48	1.16	1.34	1.40	0.19	1.53	1.24	0.10	0.59

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

	2016			2007		
	<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>
<u>Taxpayer</u>						
Simon Property Group	\$ 121,013,266	1	1.43%	\$ 43,530,337	3	0.74%
Rio Grande Regional Hospital	54,728,656	2	0.65%	74,762,587	2	1.27%
Universal Health Services	48,028,353	3	0.57%	85,337,363	1	1.45%
Palms Crossing LP	43,121,507	4	0.51%	-	-	-
AEP Texas Central Co.	41,138,070	5	0.49%	39,692,340	4	0.01
GE Engine Services	37,946,992	6	0.45%			0.00%
H E Butt Grocery Company	26,038,999	7	0.31%	27,662,850	7	0.47%
Weingarten Reality Investors	23,836,965	8	0.28%	-	-	-
McAllen Foreign Trade Zone	19,830,482	9	0.24%	-	-	-
Weingarten Las Tiendas JV	18,475,000	10	0.22%	-	-	-
Wal-Mart Stores Texas LP	-		n/a	33,696,860	5	0.57%
Total E & P USA, Inc.	-		n/a	30,347,587	6	0.51%
Calmac Suites, LTD	-		n/a	21,855,460	9	0.37%
Sprint Spectrum LP	-		n/a	16,222,931	10	0.27%
Southwestern Bell				22,704,702	8	0.38%
	<u>\$ 434,158,290</u>		5.15%	<u>\$ 395,813,017</u>		6.71%

Data Source: City of McAllen - Tax Office

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

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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
2007	2006	\$ 24,788,834	\$ 487,091	\$ 25,275,925	\$ 23,920,313	94.64%	\$ 1,266,714	\$ 25,187,027	99.65%
2008	2007	28,896,119	926,195	29,822,314	27,625,803	92.63%	2,075,865	29,701,668	99.60%
2009	2008	29,639,988	2,067,032	31,707,020	29,325,155	92.49%	2,238,699	31,563,854	99.55%
2010	2009	31,356,112	668,253	32,024,365	30,347,810	94.76%	1,487,408	31,835,218	99.41%
2011	2010	31,313,663	163,882	31,477,545	30,120,972	95.69%	1,169,538	31,290,510	99.41%
2012	2011	31,996,395	15,446	32,011,841	30,858,609	96.40%	942,937	31,801,546	99.34%
2013	2012	32,234,649	(21,260)	32,213,389	31,076,068	96.47%	867,387	31,943,455	99.16%
2014	2013	33,395,738	154,588	33,550,326	32,474,873	96.79%	714,621	33,189,494	98.92%
2015	2014	33,720,873	788,785	34,509,658	33,451,451	96.93%	547,269	33,998,720	98.52%
2016	2015	36,094,783	160,704	36,255,487	35,154,027	96.96%	-	35,154,027	96.96%

Source: City of McAllen Tax Office

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

	Governmental Activities					Business-Type Activities								
	General	Combination Tax	Sales						Anzalduas		Total	Percentage		
Fiscal	Obligation	and Revenue	Tax	Tax	Lien	Water Revenue	Sewer Revenue	International	International	Airport	Primary	of Personal	Per	
Year	Bonds	Certificates of	Revenue	Note	Note	Bonds	Bonds	Toll Bridge	Crossing	CO	Government	Income <sup>a</sup>	Capita <sup>a</sup>	
		Obligation	Obligations					Bonds	Bonds	Bonds				
2007	\$ -	\$ -	\$ 275,000	\$ 4,385,000	\$ -	\$ 30,231,882	\$ 41,905,358	\$ 1,295,000	\$ 39,791,818	\$ -	\$ 117,884,058	N /A	N /A	
2008	-	-	250,000	3,975,000	2,400,000	29,204,808	41,052,206	1,060,000	39,765,941	-	117,707,955	N /A	N /A	
2009	-	-	225,000	3,545,000	306,954	27,977,884	39,613,905	815,000	39,740,065	-	112,223,808	N /A	N /A	
2010	-	30,314,092	200,000	3,100,000	265,741	26,689,710	50,611,853	555,000	38,959,189	-	150,695,585	5.68%	7,381	
2011	-	28,007,122	175,000	-	-	25,346,586	66,519,751	285,000	38,143,312	-	158,476,771	N /A	N /A	
2012	-	25,365,152	150,000	-	-	23,915,534	70,995,579	-	37,297,436	9,495,000	167,218,701	6.43%	1,254	
2013	-	22,608,183	125,000	-	-	22,427,956	80,464,931	-	36,121,559	9,125,000	170,872,629	5.88%	1,244	
2014	42,380,000	30,845,000	100,000	-	-	20,891,827	76,956,249	-	34,891,417	8,750,000	214,814,493	7.47%	1,564	
2015	59,047,110	13,003,737	75,000	-	-	19,028,844	113,066,972	-	33,610,987	8,365,000	246,197,650	8.28%	1,823	
2016	54,614,183	36,496,565	5,120,000	-	-	21,257,589	103,266,578	-	32,274,488	7,970,000	260,999,403	8.45%	1,826	

N/A Information not available

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

<sup>a</sup>See Schedule 16 for personal income and population data.

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

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Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property <sup>a</sup>	Per Capita <sup>b</sup>
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	73,225,000	0.93%	533
2015	72,050,847	0.91%	534
2016	91,110,748	1.08%	637

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

<sup>a</sup>See Schedule 7 for property value data.

<sup>b</sup>See Schedule 16 for population data.

**CITY OF McALLEN, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**As of September 30, 2016**

<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	\$ 198,210,000	27.06%	\$ 53,635,626
McAllen Independent School District	96,701,000	99.28%	96,004,753
Sharyland Independent School District	112,981,999	27.55%	31,126,541
P.S.J.A Independent School District	350,745,000	12.13%	42,545,369
Hidalgo County Drainage District #1	137,910,000	27.06%	37,318,446
South Texas College	161,905,000	23.92%	38,727,676
Hidalgo Independent School District	36,115,000	26.93%	9,725,770
Edinburg Independent School District	147,530,000	3.26%	<u>4,809,478</u>
Subtotal, overlapping debt			313,893,659
City of McAllen (direct debt)	91,110,748	100.00%	<u>91,110,748</u>
Total direct and overlapping debt			<u><u>\$ 405,004,407</u></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:** Information provided by Texas MAC - Municipal Advisory of Texas

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City of McAllen.



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

**Legal Debt Margin Calculation for Fiscal Year 2016**

Assessed value	\$ 8,435,544,628
Debt limit (5% of assessed value)	421,777,231
Debt applicable to limit:	
General obligation bonds	91,110,748
Less: amount set aside for repayment of general obligation debt	<u>(632,705)</u>
Total net debt applicable to limit	<u>90,478,043</u>
Legal debt margin	<u><u>\$ 331,299,188</u></u>

	<b>Fiscal Year</b>									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$ 295,156,953	\$ 345,726,568	\$ 355,347,198	\$ 343,935,483	\$ 348,892,264	\$ 350,989,886	\$ 356,700,467	\$ 391,771,301	\$ 394,480,337	\$ 421,777,231
Total net debt applicable to limit	<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>	<u>68,167,809</u>	<u>90,478,043</u>
Legal debt margin	\$ 295,156,953	\$ 345,726,568	\$ 354,661,847	\$ 311,770,912	\$ 322,261,671	\$ 326,903,171	\$ 335,233,753	\$ 318,830,911	\$ 326,312,528	\$ 331,299,188
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.19%	10.32%	8.26%	7.37%	6.40%	22.88%	20.89%	27.31%

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	
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
2015	16,864,143	11,974,407	4,889,736	1,649,458	1,016,999	1.83	15,590,842	7,687,962	7,902,880	4,486,542	1,116,563	1.41
2016	19,180,636	14,454,458	4,726,178	1,316,800	824,172	2.21	17,374,694	8,861,585	8,513,109	4,049,200	1,440,048	1.55

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
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%
2015	138,925	2,974,384	21,410	32.5	24,692	4.90%
2016	142,940	3,087,504	21,600	32.5	24,330	5.20%
	<b>(A)</b>	<b>(B)</b>		<b>(C)</b>	<b>(D)</b>	<b>(E)</b>

**SOURCE:**

(A) U.S Census Bureau-2015 and local estimates; 2010 Official U.S. Census

(B) U.S Census Bureau-2015 community survey profile.

(C) U.S Census Bureau-2015 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**

<u>Employer</u>	<u>2016</u>			<u>Employer</u>	<u>2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>		<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
McAllen Independent School District	3,422	1	5.34%	McAllen Independent School District	3,595	1	6.26%
McAllen Medical Center	2,800	2	4.37%	McAllen Medical Center	2,800	2	4.87%
City of McAllen	2,398	3	3.74%	City of McAllen	1,639	3	2.85%
BBVA Compass Bank	1,500	4	2.34%	Columbia Rio Grande Regional Hospital	975	4	1.70%
South Texas College	1,390	5	2.17%	South Texas College	811	5	1.41%
International Bank of Commerce	1,200	6	1.87%	Vanity Fair Intimates	400	6	0.70%
Rio Grande Regional Hospital	1,200	7	1.87%	Dillards	354	7	0.62%
Wal-Mart / Sams	1,000	8	1.56%	Foley's	350	8	0.61%
HEB	735	9	1.15%	McDonalds	350	9	0.61%
GE Engines	600	10	0.94%	Sams Club Discount	350	10	0.61%
Total	<u>16,245</u>		<u>25.34%</u>		<u>11,624</u>		<u>20.23%</u>
	(A)		(B)		(C)		(C)

Source:

(A) McAllen Economic Development Corporation (MEDC)

(B) Texas Workforce Commission for total city employment - 64,103

(C) City of McAllen CAFR Fiscal Year 2007

**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
<u>Function/Program</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>	<u>2015</u>	<u>2016</u>
General Government	188	185	182	182	188	189	192	192	196	199
Public Safety:										
Police:										
Officers	269	275	275	275	275	281	285	285	285	285
Civilians	140	136	136	143	143	140	136	136	143	144
Fire:										
Fire fighters and officers	159	163	164	164	164	167	167	167	167	167
Civilians	12	13	13	13	12	11	11	11	12	12
Other	78	56	56	56	56	55	56	56	62	63
Highways and streets	112	112	100	100	96	97	97	97	98	93
Health and welfare	16	24	24	25	25	25	26	26	25	25
Culture and Recreational	180	187	186	186	189	192	195	195	197	202
Downtown Services	12	15	17	17	17	17	16	16	16	16
Water services	130	131	135	135	135	138	137	137	137	138
Sewer services	74	81	81	81	81	82	84	84	85	87
Sanitation	128	133	136	136	138	145	148	148	153	159
Golf Course	12	12	12	12	12	15	12	12	12	12
Convention Center	37	38	38	38	37	38	38	38	39	45
Airport	31	38	38	38	38	39	41	41	38	37
Transit terminal	13	12	12	12	12	13	8	8	8	8
Express transit	22	21	22	22	29	30	47	47	47	47
Bridge	43	31	33	33	33	44	32	32	41	42
Anzalduas Bridge	-	-	10	12	13	13	10	10	13	13
Fleet Services	25	25	25	25	21	24	21	21	26	26
Employee benefits	4	5	5	5	5	5	5	5	5	6
Risk Management	4	5	5	5	6	6	7	7	7	7
Total	<u>1,689</u>	<u>1,698</u>	<u>1,705</u>	<u>1,715</u>	<u>1,725</u>	<u>1,766</u>	<u>1,771</u>	<u>1,771</u>	<u>1,812</u>	<u>1,833</u>

Source: City's Budget Document

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Police										
Number of employees-commissioned	264	267	262	270	275	280	281	285	285	285
Number of service calls	160,000	153,970	162,273	166,653	162,250	157,884	147,528	144,761	152,303	144,761
Fire										
Number of firemen	157	160	170	158	164	160	167	167	167	167
Total number of alarm responses	5,130	4,434	4,391	5,000	4,500	5,711	5,949	5,500	6,674	6,696
Code enforcement										
Number of employees	21	21	21	20	19	20	20	20	22	12
Number of building permits	1,794	1,341	1,308	1,562	1,584	1,869	1,671	1,562	1,559	1,551
Development services										
Street Resurfacing (linear miles)	26	28	29	21	25	10	26	48	42	33
Sidewalk Construction (linear feet)	30,000	36,960	37,100	11,480	10,560	23,930	7,920	1,065	29,304	3,368
Cultural and recreational										
Parks and recreation										
Participants in special event programs	418,000	458,250	425,000	93,250	440,000	440,000	245,000	104,500	360,000	360,000
Participants in athletic programs	9,500	16,400	6,800	17,045	7,500	14,500	16,000	8,145	518	10,860
Participants in after school programs	2,992	3,200	3,100	2,053	1,800	2,200	1,800	1,648	827	1,195
Library-main										
Volumes in collection	364,450	351,950	349,117	359,809	414,135	320,043	323019	281,643	324,932	323,822
Water and sewer system										
Number of water customers	40,074	40,876	41,607	42,052	42,792	43,306	44,068	44,708	45,830	46,201
Number of sewer customers	35,493	36,229	37,062	37,521	38,184	38,563	39,247	39,802	40,996	40,912
Average daily water consumption (gallons)	22,484,700	23,737,233	23,860,020	19,654,727	24,508,796	25,867,849	25,952,225	23,953,301	21,000,000	22,303,830
Maximum storage capacity (gallons) #2 plant	7,100,000	7,900,000	7,900,000	7,900,000	7,900,000	7,900,000	7,900,000	7,900,000	7,900,000	7,750,000
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	4,250,000
Rainfall (inches)	19.01	27.80	9.65	38.00	24.66	17.88	14.39	24.43	21.22	17.80
Sanitation										
Refuse collected (tons)	27,177	28,695	29,080	29,500	30,000	29,395	122,499	127,562	138,149	143,225
Bulky/brush pickups (tons)	202,000	67,274	19,879	5,500	4,703	30,527	44,187	22,265	30,410	34,586
Recyclables collected (tons)	5,000	8,030	3,926	3,791	4,525	5,235	5,476	4,323	4,323	5,200
Golf course										
Total number of rounds	44,200	42,219	43,803	44,153	41,308	40,977	39,759	36,859	40,447	42,484

Source: City Departments  
Estimates: Fiscal Year 2016

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

<u>Function/Program</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>	<u>2015</u>	<u>2016</u>
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Police sub-stations	7	6	6	7	7	7	7	6	7	2
Fire stations	6	6	7	7	7	7	7	7	7	7
Fire hydrants	3,700	3,800	3,994	3,984	3,988	4,000	4,000	4,200	4,200	4,769
Development Services										
City area:										
Square miles	48.1	48.7	48.8	48.7	48.7	49.6	49.6	49.8	54.5	57.9
Acres	30,785	31,169	31,222	31,169	31,169	31,733	31,747	31,898	34,864	37,064
Streets- paved (miles)	567	565	495	486	487	464	464	480	540	1061
Cultural and Recreational										
Developed parks (acres)	537	668	362	866	705	728	577	600	615	662
Parks (acres)-undeveloped	416	487	410	481	474	417	488	398	382	654
Swimming pools	4	4	4	4	4	4	4	4	4	4
Tennis courts	25	25	15	24	24	24	24	26	26	26
Lighted baseball diamonds/athletic fields	17	17	112	8	12	12	12	12	12	16
Municipal golf (18-hole course)	1	1	1	1	1	1	1	1	1	1
Water and Sewer										
Water mains (miles)	700	703	706	706	803	714	714	1,046	738	722
Sanitary sewers (miles)	470	489	489	489	503	489	500	500	535	540
Storm (miles)	265	268	283	273	273	315	315	315	315	239

(1) Revised by engineering.

Source: City Departments

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

**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, 2015 to all classes of customers is as follows:

(1)	
Inside City Minimum rate	Commodity Rate
\$7.95	

(1) Per 1,000 gallons or any part thereof as follows: Residential-\$1.35/1,000 gallons for the first 13,000 gallons; plus \$1.65/1,000 for consumption between 13,000 and 18,000 gallons; and \$1.85 for consumption over 18,000 gallons.

Commercial, Multi-family, and Industrial-\$1.35/1,000 gallons for the first 12-month average base consumption; plus \$1.85/1,000 for consumption over the 12-month average base consumption.

Sprinkler-\$1.85/1,000 gallons

**Section II--Estimated unaccounted gallons of water**

<u>Class of customers</u>	<u>Number</u>	<u>Usage (gallons)</u>
Residential	38,782	4,392,241,500
Commercial	7,242	3,295,922,300
Industrial	163	326,166,500
Number of gallons shown to have passed through the master meters at the City's plants #2 and #3 during the period		8,966,426,000
Number of gallons billed		(8,014,330,300)
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>903,095,700</u></u>



# Single Audit Section

This section contains information regarding grant activity, which was audited under the guidelines of the Uniform Guidance.

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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, 2016, 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 21, 2017.

Our report includes a reference to other auditors who audited the financial statements of the Firemen’s Relief and Retirement Fund, a fiduciary fund of the City of McAllen, as described in our report on the City’s financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**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 a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001, which we consider to be a significant deficiency 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.



Houston, Texas  
March 21, 2017

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE**

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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 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

**Opinion on each major federal program**

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 major federal programs for the year ended September 30, 2016.

**Report on internal control over compliance**

Management of the City is responsible for establishing 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 the Uniform Guidance, 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. Given these limitations, during our audit we did not identify any deficiencies in the City's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Houston, Texas  
March 21, 2017

# CITY OF McALLEN, TEXAS

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2016

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor/ Pass-Through Grantor's Number	Passed Through To Subrecipients	Disbursements/ Expenditures
<b>U.S. Department of Housing and Urban Development</b>				
Direct Program:				
Community Development Block Grant:				
40th Year Entitlement Grant	14.218	CB14MC48506	\$ -	\$ 476,324
41st Year Entitlement Grant	14.218	CB15MC48506	838,669	1,099,829
Home Investment Partnerships Programs	14.239	M12MC480506	195,378	195,378
Home Investment Partnerships Programs	14.239	M13MC480506	193,078	219,185
Total U.S. Department of Housing and Urban Development Program			1,227,125	1,990,716
<b>U.S. Department of Transportation</b>				
Direct Program:				
Airport Improvement Program	20.106	3-48-0144-42	-	227,291
Airport Improvement Program	20.106	3-48-0144-43	-	11,807
Airport Improvement Program	20.106	3-48-0144-45	-	3,033,994
Airport Improvement Program	20.106	3-48-0144-46	-	92,437
Federal Transit Formula Grant *	20.507	TX-90-X778-00	-	5,890
Federal Transit Formula Grant *	20.507	TX-90-X937-00	-	20,542
Federal Transit Formula Grant *	20.507	TX-90-Y017-00	-	542,345
Federal Transit Formula Grant *	20.507	TX-90-Y048-00	-	661,519
Federal Transit Formula Grant *	20.507	TX-2016-035-00	-	58,800
Federal Transit Job Access & Reverse Community Program *	20.516	TX-37-X085-00	-	46,346
Federal Transit New Freedom Program *	20.521	TX-57-X030-00	-	4,645
Capital Assistance Program for Reducing Energy Consumption	20.523	TX-88-0001-00	-	293,205
Federal Highway Administration				
Passed through Texas Department of Transportation				
State and Community Highway Safety	20.600	2016-McAllenP-S-1YG-0026	-	85,733
State and Community Highway Safety	20.616	2016-McAllenPD-IDM-00027	-	15,000
State and Community Highway Safety	20.616	2016-McAllenPD-CIOT-00036	-	1,385
Total U.S. Department of Transportation			-	5,100,939
<b>U.S. Department of Justice</b>				
Direct Program:				
Edward Byrne Memorial Justice Assistance Grant	16.738	2015-DJ-BX-0221	-	14,530
Equitable Sharing Program	16.922		-	953,266
Total U.S. Department of Justice			\$ -	\$ 967,796

\* Indicates clustered program under Uniform Guidance

# CITY OF McALLEN, TEXAS

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2016

Federal Grantor/ Pass-Through Grantor/Program or ClusterTitle	Federal CFDA Number	Grantor/ Pass-Through Grantor's Number	Passed Through To Subrecipients	Disbursements/ Expenditures
<b>U.S. Environmental Protection Agency</b>				
Clean Water State Revolving Fund	66.458	TWDB #73640	\$ -	\$ 2,577,152
Clean Water State Revolving Fund	66.458	TWDB #10435	-	42,846
Clean Water State Revolving Fund	66.458	TWDB #73659	-	18,135,684
Total U.S. Environmental Protection Agency			-	20,755,682
<b>U.S. Department of Homeland Security</b>				
Emergency Management Performance Grants	97.042	16TX-EMPG-0713	-	46,437
Pass through Division of Emergency Management				
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	PA-06-TX-4272-PW-00006	-	3,438
Homeland Security Grant Program *	97.067	2014-SS-00029	-	100,198
Homeland Security Grant Program *	97.067	2014-SS-00029	-	233,358
Total U.S. Department Homeland Security			-	383,431
<b>U.S. Department of Health and Human Services</b>				
Food and Drug Administration Research	93.103	G-T-1509-02887	-	3,000
Total U.S. Department of Health and Human Services			-	3,000
<b>U.S. Department of Agriculture Forest Service</b>				
Cooperative Forestry Assistance	10.664	1301.15.048254	-	1,000
Total U.S. Department of Agriculture Forest Service			-	1,000
<b>U.S. Department of Interior Fish and Wildlife Service</b>				
Migratory Bird Monitoring, Assessment and Conservation	15.655	1301.15.048254	-	4,321
Total U.S. Department of Interior Fish and Wildlife Service			-	4,321
<b>U.S. General Services Administration</b>				
Passed through Texas Facilities Commission/Federal Surplus Prog				
Donation of Federal Surplus Personal Property	39.003	12750	-	8,588
Total U.S. General Services Administration			-	8,588
Total Expenditures of Federal Awards			\$ 1,227,125	\$ 29,215,473

\* Indicates clustered program under Uniform Guidance



# CITY OF McALLEN, TEXAS

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2016

	Grantor's Number	Passed Through To Subrecipients	Disbursements/ Expenditures
<b>Texas Agencies</b>			
Texas Office of the Attorney General			
2016 Victim Coordinator and Liaison Grant	1662303	\$ -	\$ 38,214
2017 Victim Coordinator and Liaison Grant	1771955	-	4,632
Texas Office of the Governor			
CJD - Texas Anti-Gang Grant	3060501	-	70,032
Texas Department of State Health Services			
2016 EMS Local Projects Grant	2016-049330	-	8,648
Texas Department of Transportation:			
Routine Airport Maintenance Program	CSJ# M1621MCAL	-	50,000
Pass Through - City of Brownsville			
Auto Theft Prevention 2016	SA00T011004116	-	298,877
Auto Theft Prevention 2017	SA00T011004117	-	35,726
Texas Parks and Wildlife			
Equitable Sharing Program		-	115,804
Total Expenditures of State Awards		-	621,933
Total Expenditures of federal and state awards		\$ 1,227,125	\$ 29,837,406

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## **CITY OF McALLEN, TEXAS**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

Year Ended September 30, 2016

#### **1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Awards (the "Schedule") includes the federal award of activities of City of McAllen, Texas (City), under programs of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

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

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

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 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. 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 Title 2

## **CITY OF McALLEN, TEXAS**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

Year Ended September 30, 2016

#### **3. Basis of Presentation – continued:**

U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards* (Uniform Guidance) and the State of Texas Single Audit Circular. Because this schedule presents only a selected portion of the operations of the City of McAllen, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of McAllen.

#### **4. Indirect Cost Rate:**

The City of McAllen has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF MCALLEN, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2016

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unmodified Opinion

Internal control over financial reporting:

• Material weakness identified?

\_\_\_\_\_ yes

\_\_X\_\_no

• Significant deficiencies identified that are not considered to be material weaknesses?

\_\_X\_\_ yes

\_\_\_\_\_non reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes

\_\_X\_\_no

Federal Awards

Internal control over major programs:

• Material weakness identified?

\_\_\_\_\_ yes

\_\_X\_\_no

• Significant deficiencies identified that are not considered to be material weaknesses?

\_\_\_\_\_ yes

\_\_X\_\_none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.515(a)

Yes

Identification of major federal program:

CFDA Numbers

Name of Federal Program or Cluster

14.218

Community Development Block Grant

66.458

Clean Water State Revolving Fund

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

\$876,464

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes

\_\_X\_\_no

**CITY OF MCALLEN, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended September 30, 2016

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding #: 2016-001**

**Insufficient Review of Compensated Absences**

**Type of Finding – Significant Deficiency**

**Criteria:**

The City's personnel policies and procedures state sick leave is accrued to the employees' account the month after it is earned. Employees earn sick leave based on their years of service as noted below:

<b>All Civil Employees:</b>	
<b>Years of Service</b>	<b>Maximum Sick Leave Compensation</b>
1-9 Years	No Compensation
10-14 Years	240 hours @ Base Rate
15 - 19 Years	480 hours @ Base Rate
Over 20 Years	720 hours @ Base Rate

**Condition:**

It was noted that the City understated the compensated absences liability as it relates to sick leave.

**Cause:**

The City uses a manual calculation, using Microsoft Excel, to calculate the year-end compensated absences liability and we noted an error on the spreadsheet used to calculate the liability. During the current year, the City placed these employee that have been with the City for 15 years or more under the 240 hours category erroneously for the sick leave accrual calculation. These employees should have been placed in the 480 or 720 hour category. Because this calculation was not reviewed by senior personnel, the erroneous accrual amount was booked in the financial statements.

**Effect:**

Erroneously placing the employees with 15 years or more of service with the City in the wrong compensated absences category caused the City to understate the compensated absences liability in 9 funds by a cumulative \$1,011,883.

**Recommendation:**

We recommend that the sick leave accrual calculation be reviewed by someone other than the preparer and a comparative analysis between years should be performed to potentially identify any miscalculation. Additionally, we recommend the City consider automating the calculation to minimize the risk of misstatement.

**Views of Responsible Officials: Finance Director**

The detail for the sick leave accrual calculation will be reviewed by both the Assistant Finance Director and Finance Director going forward to ensure the caps for each individual years of service group are calculated correctly. In addition, the Payroll Department is coordinating with the IT Department to determine if the

**CITY OF MCALLEN, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended September 30, 2016

sick leave cap report could be automated. Results would be carefully reviewed by the Payroll Manager and upper management before the year end close.

**Target Completion Date:** Ongoing

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

The audit disclosed no findings required to be reported.