



CITY OF
McALLEN, TEXAS

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2017

**Prepared by:
Department of Finance**

This page left intentionally blank

CITY OF McALLEN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS

<u>INTRODUCTORY SECTION</u>	<u>PAGE</u>
Letter of Transmittal	i
List of Principal Officials	vi
Organizational Chart.....	vii
GFOA Certificate of Achievement	viii
<u>FINANCIAL SECTION</u>	
Report of Independent Certified Public Accountants	1
Management’s Discussion and Analysis (Unaudited).....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	19
Statement of Activities.....	20
Fund Financial Statements:	
Balance Sheet—Governmental Funds	22
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	25
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—General Fund.....	31
Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—Development Corporation Fund.....	35
Statement of Net Position—Proprietary Funds.....	36
Reconciliation of the Statement of Net Position of the Proprietary Funds to the Government-Wide Statement of Net Position	41

CITY OF McALLEN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS (continued)

<u>FINANCIAL SECTION, Continued:</u>	<u>PAGE</u>
Statement of Revenues, Expenses, and Changes in Fund Net Position—Proprietary Funds	42
Reconciliation of the Statement of Revenues, Expenses, and Changes in Fund Net Position of the Proprietary Funds to the Government-Wide Statement of Activities	45
Statement of Cash Flows—Proprietary Funds.....	46
Statement of Fiduciary Net Position—Fiduciary Funds	50
Statement of Changes in Fiduciary Net Position —Fiduciary Funds	51
Notes to Financial Statements	53
Required Supplementary Information:	
Required Information on Texas Municipal Retirement System—(unaudited)	114
Required Information on Firemen’s Relief and Retirement—(unaudited)	116
Required Information on Post Employment Benefit Plan—(unaudited)	118
Combining Fund Financial Statements—Non-Major Funds and Internal Service Funds:	
<i>Non—Major Governmental Funds:</i>	
Combining Balance Sheet.....	120
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	122
<i>Non—Major Enterprise Funds:</i>	
Combining Statement of Net Position	126
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	129
Combining Statement of Cash Flows	130
<i>Internal Service Funds:</i>	
Combining Statement of Net Position	134
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	136
Combining Statement of Cash Flows	138

CITY OF McALLEN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS (continued)

Agency Funds:	<u>PAGE</u>
Combining Statement of Net Position - Agency Funds	144
Statement of Changes in Assets and Liabilities—Developer’s Fund	145
Statement of Changes in Assets and Liabilities—Communications Group.....	146
Statement of Changes in Assets and Liabilities—Payroll Fund	147
<u>INDIVIDUAL BUDGET SCHEDULES:</u>	
General Fund:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual	150
Hotel Occupancy Fund:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual	161
Hotel Venue Project Fund:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual	162
McAllen EB-5 Regional Center Fund:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual	163
Community Development Fund:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual	164
Downtown Services Parking Fund:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual	165
Development Corporation Fund:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual	166
Debt Service Fund:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual	167
Hotel Venue Debt Service Fund:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual	168
Capital Improvement Fund:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual	169
Information Technology Fund:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual	170

CITY OF McALLEN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS (continued)

<u>INDIVIDUAL BUDGET SCHEDULES - Continued:</u>	<u>PAGE</u>
Parkland Development Fund:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual	171
Street Improvements Fund:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual	172
Sports Facility Fund:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual	173
Public Education Government Fund:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual	174
Performing Arts Construction Fund:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual	175
Water Fund:	
Schedule of Revenues and Expenses—Budget and Actual (Budget Basis)	176
Schedule of Cash Receipts and Disbursements in Restricted Accounts	180
Sewer Fund:	
Schedule of Revenues and Expenses—Budget and Actual (Budget Basis)	183
Schedule of Cash Receipts and Disbursements in Restricted Accounts	186
Sanitation Fund:	
Schedule of Revenues and Expenses—Budget and Actual (Budget Basis)	188
Palm View Golf Course Fund:	
Schedule of Revenues and Expenses—Budget and Actual (Budget Basis)	191
Transit Terminal Fund:	
Schedule of Revenues and Expenses—Budget and Actual (Budget Basis)	192
McAllen International Civic Center Fund:	
Schedule of Revenues and Expenses—Budget and Actual (Budget Basis)	194
McAllen Convention Center Fund:	
Schedule of Revenues and Expenses—Budget and Actual (Budget Basis)	195
Performing Arts Center Fund:	
Schedule of Revenues and Expenses—Budget and Actual (Budget Basis)	197

CITY OF McALLEN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS (continued)

<u>INDIVIDUAL BUDGET SCHEDULES - Continued:</u>	<u>PAGE</u>
McAllen International Airport Fund:	
Schedule of Revenues and Expenses—Budget and Actual (Budget Basis)	198
McAllen International Toll Bridge Fund:	
Schedule of Revenues and Expenses—Budget and Actual (Budget Basis)	200
Anzalduas International Crossing Fund:	
Schedule of Revenues and Expenses—Budget and Actual (Budget Basis)	202
McAllen Express Fund:	
Schedule of Revenues and Expenses—Budget and Actual (Budget Basis)	204
Fleet Materials Management Fund:	
Schedule of Revenues and Expenses—Budget and Actual (Budget Basis)	205
Employee Benefits Fund:	
Schedule of Revenues and Expenses—Budget and Actual (Budget Basis)	206
Retiree Health Insurance Fund:	
Schedule of Revenues and Expenses—Budget and Actual (Budget Basis)	207
Risk Management Fund:	
Schedule of Revenues and Expenses—Budget and Actual (Budget Basis)	208
General Depreciation Fund:	
Schedule of Revenues and Expenses—Budget and Actual (Budget Basis)	209
Property and Casualty Insurance Fund:	
Schedule of Revenues and Expenses—Budget and Actual (Budget Basis)	210
 <u>STATISTICAL SECTION (unaudited)</u>	
Financial Trends:	
Schedule 1—Net Position by Component	213
Schedule 2—Changes in Net Position	214
Schedule 3—Fund Balances—Governmental Funds.....	216
Schedule 4—Changes in Fund Balances—Governmental Funds.....	217
Schedule 5—Tax Revenues by Source—Governmental Funds.....	218

CITY OF McALLEN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS (continued)

<u>STATISTICAL SECTION (unaudited)-continued</u>	<u>PAGE</u>
Schedule 6—Taxable Sales by Category	219
Revenue Capacity:	
Schedule 7—Assessed Value and Actual Value of Taxable Property	220
Schedule 8—Direct and Overlapping Property Tax Rates	221
Schedule 9—Principal Property Tax Payers	222
Schedule 10—Property Tax Levies and Collections	223
Debt Capacity:	
Schedule 11—Ratios of Outstanding Debt by Type	224
Schedule 12—Ratio of General Bonded Debt Outstanding	225
Schedule 13—Direct and Overlapping Governmental Activities Debt	226
Schedule 14—Legal Debt Margin Information	227
Schedule 15—Pledge-Revenue Coverage	228
Demographic and Economic Information:	
Schedule 16—Demographic and Economic Statistics	229
Schedule 17—Principal Employers	230
Operating Information:	
Schedule 18—Full-Time Equivalent City Government Employees by Function/Program	231
Schedule 19—Operating Indicators by Function/Program	232
Schedule 20—Capital Asset Statistics by Function/Program	233
Miscellaneous Information:	
Schedule 21—Miscellaneous Statistical Data	234

CITY OF McALLEN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS (continued)

SINGLE AUDIT SECTION

Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	237
Report of Independent Certified Public Accountants on Compliance for Each Major Federal Program on Internal Control Over Compliance Required By Uniform Guidance.....	239
Schedule of Expenditures of Federal and State Awards	241
Notes to Schedule of Expenditures of Federal and State Awards.....	245
Schedule of Finding and Questioned Costs	247

This page left intentionally blank



JAMES E. DARLING, Mayor
AIDA RAMIREZ, Mayor Pro-Tem and Commissioner District 4
RICHARD CORTEZ, Commissioner District 1
JOAQUIN J. ZAMORA, Commissioner District 2
JULIAN OMAR QUINTANILLA, Commissioner District 3
JOHN INGRAM, Commissioner District 5
VERONICA WHITACRE, Commissioner District 6

ROEL RODRIGUEZ, P.E., City Manager

March 20, 2018

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, 2017.

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, LLP, 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, 2017. 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 report of independent public accountants 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, 2016 and 2017 the population has grown to 143,023 and 146,337 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.

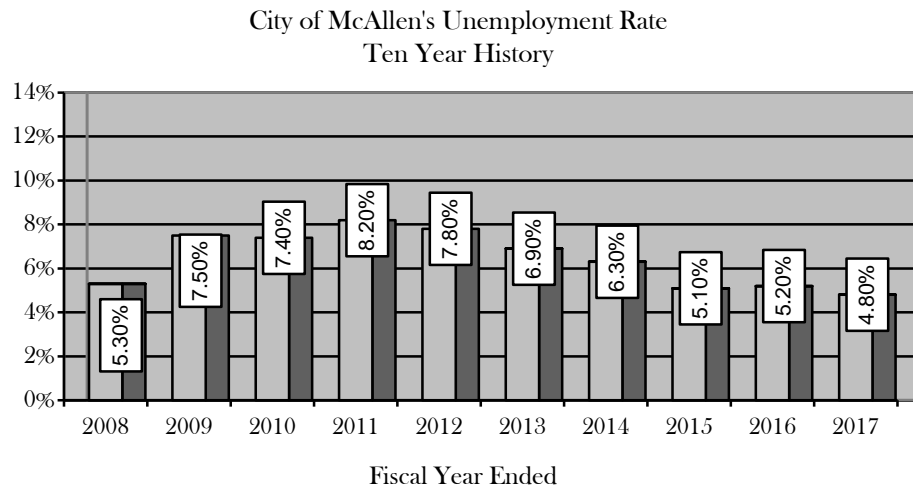
According to the Texas Workforce Commission, over the last 10 years the McAllen-Edinburg-Mission MSA employment has grown from 270,092 in 2007 to 335,220 in 2017—a 24.00% increase. At this level, the unemployment rate is 7.9%. Some of the more significant employment numbers by industry, include government; 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 2017, the latest year available, which on a calendar year basis, the McAllen Economic Development Corporation has been responsible for bringing 322 new companies, which including expansions, has created 23,988 jobs in McAllen. Its efforts have also resulted in 366 new companies, which including expansions, has created 88,962 new jobs in Reynosa, Mexico. Overall, 196,787 jobs have been created.

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 2016, Texas exported \$91.7 billion to Mexico, which represented over 39.7% 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 since 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 5.2% prior to inching down to the present level of 4.8%.



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 2017, the economic index for the McAllen Area increased from 184.6 in September 2016 to 189.2 in September 2017. This index reflects, for the McAllen area economy, an increase in retail sales of .8%, a decrease in lodging tax receipts -5.4%, airline boarding's -5.9%, and home sales price 8.0%. Vehicle purchases decreased -7.4%, as well as bridge crossings by -3.8%.

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, 2 % in 2015, but decreased 3.5% in 2016 and 2.8% in 2017. There was a 5.9% increase in the Mexican Peso exchange in relation to the US Dollar from 18.25 to 19.34, which possibly had an impact in the sales tax decrease.

LONG-TERM FINANCIAL PLANNING

As of September 30, 2017 the City's General Fund unassigned fund balance amounted to \$42.9M, which represents 150 days of operating expenses appropriated in next year's budget. This amount exceeds the City's 140 day policy.

RELEVANT FINANCIAL POLICIES

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

MAJOR INITIATIVES For the Year 2016-17

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 2016-17, 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: Simon at La Plaza Mall commenced with the renovation of the North Side of the Mall with the construction of an 80,000 square foot two level building with room for specialty stores and

restaurants. It is 90% completed with the scheduled Grand Opening in November-December. Construction of a two story Parking Garage on East side completed.

- Facilitate redevelopment of old Civic Center site
Management's Response: Old Civic Center site cleared and razed buildings completed. Working with Simon and Provident to develop a mixed-use attraction.
- Continue retail recruitment efforts nationwide
Management's Response: A nationwide business completed and operating in City. Additional businesses will open once renovations of La Plaza Mall completed.
- Continue to bring new manufacturing to the region
Management's Response: Four new companies creating 145 new jobs opened this year.
- Design and erect new monument signs at City entrances.
Management's Response: Entry monument completed at Bicentennial and Uvalde. Propose adding 23" & Military Highway and Taylor Road and Frontage.

Complete City assets currently in design

- Construct new Two Level Parking Structure at the McAllen Public Safety Building
Management's Response: Parking garage is approximately 50% complete with anticipated Grand Opening in February 2018.
- Repurpose existing previous law enforcement building
Management's Response: Repurposing and modernizing the building for usage by various law enforcement agencies mainly City of McAllen, DPS, and Hidalgo Count completed.
- Construction new Youth Baseball Complex
Management's Response: Commission hired Austin-based firm for construction in April 2017. Project is 34% completed.
- La Lomita Sewer Project
Management's Response: Project completed bringing sewer service to over 40 residents with no cost overruns.
- Refurbish Golf Course building
Management's Response: Reconstruction of A/C, Heating and Ventilation completed along with some landscaping for aesthetic purposes.
- 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 at various locations completed.
- Regional storm water improvements – El Rancho Santa Cruz Subdivision; Kennedy Avenue; Pecan Boulevard at 27th Street; Westway Heights; and Redbud Avenue at K Center.
Management's Response: Redbud at K Center completed. Other projects scheduled for next fiscal year.

- Taylor Road Phase III Improvements

Management's Response: Inter-local agreement between the City of McAllen, Mission, and County of Hidalgo. Widening of Taylor Road from 2 lanes to 5 lanes from Expressway 83 to Mile 2 North.

Leisure, Cultural and Entertainment

- Complete Performing Arts Center

Management's Response: Completed. Grand opening held November 19, 2016. Events scheduled.

- McAllen Annual City Parade.

Management's Response: City annual parade held December 3, 2016 with dignitaries present and will start the tradition with private sector sponsors.

- McAllen City Marathon.

Management's Response: City annual McAllen Marathon Scott Crane Memorial Run held January 15, 2016; next one scheduled for January 21, 2018.

AWARDS AND ACKNOWLEDGEMENTS

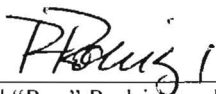
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the year ended September 30, 2016. This was the thirtieth consecutive year and the thirty first overall that the 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.

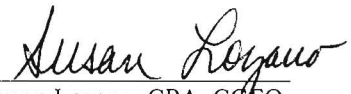
In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget dated October 1, 2016. The budget for October 1, 2017 has been submitted for review and notification of an award is awaited. In order to qualify for the Distinguished Budget Presentation 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

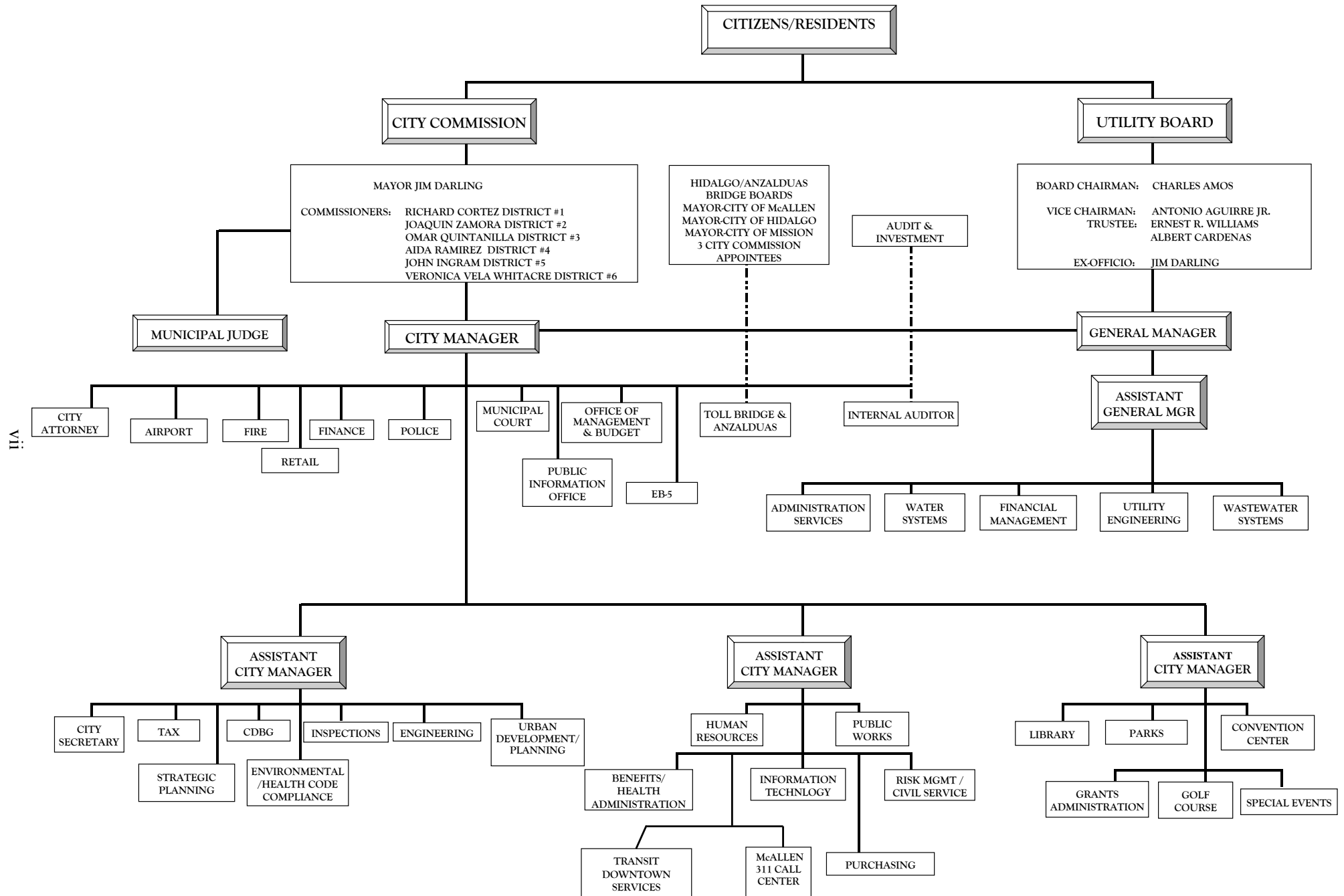
CITY OF McALLEN, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2017

Mayor.....	James E. Darling
Mayor Pro-Tem - Commissioner District 4	Aida Ramirez
Commissioner District 1	Richard F. Cortez
Commissioner District 2	Joaquin “J.J.” Zamora
Commissioner District 3	Omar Quintanilla
Commissioner District 5	John J. Ingram
Commissioner District 6	Veronica Whitacre
Public Utility Board Chairman	Charles Amos
Public Utility Board Vice-Chairman Place B	Antonio “Tony” Aguirre, Jr.
Trustee Place C	Albert Cardenas
Trustee Place D	Ernest R. Williams
Ex-Officio Member.....	James E. Darling
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
in Financial
Reporting**

Presented to

**City of McAllen
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

Executive Director/CEO

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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, 2017, 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 30.6%, 35.2%, and 16.1%, respectively, of the assets, net position/fund balance, and revenues/additions, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Firemen’s Relief and Retirement Fund, is based solely on the report of the other auditors. 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 report of other auditors, 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, 2017, 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 schedule of changes in net pension liability and related ratios, Texas Municipal Retirement System schedules of contributions, Firemen's Relief and Retirement Fund schedule 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 progress, 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 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 20, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Houston, Texas
March 19, 2018

This page left intentionally blank

City of McAllen, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2017

This discussion and analysis is intended to provide an overview of the City's financial performance for the fiscal year ended September 30, 2017 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 increased \$137K as a result of this year's operations. Governmental activities decreased \$55.9M with business-type activities contributing \$56.1M.

- **Governmental Activities – Revenues and Expenses Compared to Last Year** – Total revenues in the aggregate increased \$23M over last year. The decreases/increases were in the following categories: sales taxes decreased \$2.0M, which was offset by an increase in property tax, \$2.0M, and other miscellaneous revenues increased by \$1.5M, in addition to a parkland contribution of \$13.1M and a swap of land, \$9.8M. Expenses increased \$11M or 7.0% over last year, which is primarily due to depreciation expense, \$14M, offset by a decrease in OPEB expense, \$1M and fire pension expense, \$2M. The net increase in program function expenses were the result of a \$6M increase in general government, \$2.0M increase in health and welfare, \$6M increase in culture and recreation, which is offset with a \$1M decrease in public safety and a \$3M decrease in the highways and streets functions.
- **Business-Type Activities – Revenues and Expenses Compared to Last Year** – Total revenues reflected a decrease of \$12M from last year. Charges for services increased by \$3M, which can be attributed to an increase in Water and Sewer Fund residential and commercial sales, as well as an increase in the Sanitation Fund's recycling sales and brush collection charges. Grants and contributions decreased by \$4M, with the majority of the decrease noted in the Airport Capital Improvement Fund and Transit System Fund. Expenses decreased \$1M or 1% under last year with the more significant decreases coming from the Water Fund-\$1M, Sewer Fund-\$1M, and Anzalduas Bridge Fund-\$1M, which was offset by the increase of \$2M from the Performing Arts Center fund, which started operations this fiscal year. This fund is in charge of events formally handled by the Civic Center Fund, whose expenses totaled \$1M the prior 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
Management Discussion and Analysis (Unaudited)
September 30, 2017

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 available for future spending. Governmental funds use a method of accounting called modified accrual.

City of McAllen, Texas
Management Discussion and Analysis (Unaudited)
September 30, 2017

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
Management's Discussion and Analysis (Unaudited)
September 30, 2017

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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 155	\$ 165	\$ 125	\$ 136	\$ 280	\$ 301
Capital assets	303	326	498	434	801	760
Total assets	<u>458</u>	<u>491</u>	<u>623</u>	<u>570</u>	<u>1,081</u>	<u>1,061</u>
Deferred outflows of resources	<u>14.0</u>	<u>19.6</u>	<u>9.9</u>	<u>11.2</u>	<u>23.9</u>	<u>30.8</u>
Long-term debt outstanding	123.0	106.6	169.9	170.7	292.9	277.3
Other liabilities	<u>63.9</u>	<u>63.2</u>	<u>22</u>	<u>25</u>	<u>86</u>	<u>88</u>
Total liabilities	<u>186.9</u>	<u>169.8</u>	<u>191.7</u>	<u>195.7</u>	<u>378.6</u>	<u>365.5</u>
Deferred inflows of resources	<u>3.7</u>	<u>3.3</u>	<u>5.1</u>	<u>5.1</u>	<u>8.8</u>	<u>8.4</u>
Net position:						
Net investment in capital assets	221	278	333	269	554	547
Restricted	23	24	63	62	86	86
Unrestricted	<u>38</u>	<u>36</u>	<u>40</u>	<u>49</u>	<u>78</u>	<u>85</u>
Total net position	<u>\$ 282</u>	<u>\$ 338</u>	<u>\$ 436</u>	<u>\$ 380</u>	<u>\$ 718</u>	<u>\$ 718</u>

Net position of the City's governmental activities decreased by \$56M or 16.5% under last year; primarily as a result of transferring completed construction in progress assets totaling \$52M to the Performing Arts Center, an enterprise fund, which began operations in December 2016. In addition, deferred outflows of resources – pensions decreased \$5.6M when compared to prior fiscal year. 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 \$56M or 14.7% more than last year's amount, which is due to transfer of \$52M in capital assets from governmental activities to the Performing Arts Center Fund, as well as a decrease in expenses in the Water, Sewer, and Anzalduas Bridge funds.

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

City of McAllen, Texas
Management Discussion and Analysis (Unaudited)
September 30, 2017

Changes in Net Position Information (in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 10	\$ 9	\$ 87	\$ 84	\$ 97	\$ 93
Grants and contributions	9	6	8	12	17	18
General revenues:					-	-
Property taxes	43	41	-	-	43	41
Sales tax	59	61	-	-	59	61
Other taxes	12	12	-	-	12	12
Gain on sale of capital assets	-	-	-	10	-	10
Other general revenues	26	7	1	2	27	9
Total revenues	159	136	96	108	255	244
Program expenses						
General government	44	38	-	-	44	38
Public safety	62	63	-	-	62	63
Highways and streets	21	24	-	-	21	24
Health and welfare	8	6	-	-	8	6
Culture and recreation	28	22	-	-	28	22
Interest on long term debt	3	2	-	-	3	2
Water	-	-	19	20	19	20
Sewer	-	-	15	16	15	16
Sanitation	-	-	18	18	18	18
Golf	-	-	1	1	1	1
Transit terminal	-	-	2	2	2	2
Bus	-	-	4	4	4	4
Performing arts center	-	-	2	-	2	-
Civic center	-	-	-	1	-	1
Convention center	-	-	6	6	6	6
Airport	-	-	9	9	9	9
Anzalduas international crossing	-	-	5	6	5	6
McAllen Int'l toll bridge	-	-	8	7	8	7
Total expenses	166	155	89	90	255	245
Excess (Loss) before transfers	(7)	(19)	7	18	-	(1)
Transfers	(49)	16	49	(16)	-	-
Change in net position	(56)	(3)	56	2	-	(1)
Beginning net position, October 1	338	341	380	378	718	719
Ending net position, September 30	\$ 282	\$ 338	\$ 436	\$ 380	\$ 718	\$ 718

Total revenues generated from both governmental and business-type activities this year amounted to \$255M, representing an increase of \$11M or 4.5% over last year due primarily to charges for services, property taxes, and the receipt of a capital asset contribution. Sales tax decreased \$2M or 3%. Expenses

City of McAllen, Texas
Management Discussion and Analysis (Unaudited)
September 30, 2017

came in at \$255M, or \$10M over last year, as FY 16-17 included an increase in pension expense, maintenance expenses, as well as depreciation expense, which resulted in a positive 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 \$159M. Expenses came in at \$166M, leaving a \$7M decrease before transfers-out of \$49M, thus decreasing net position by \$56M.

The cost of all governmental activities this year was \$166M. 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 \$91.6M. The other \$74.4M to finance these programs was paid mainly by bond constructions proceeds and 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 decrease noted in Fire activity was attributed to a reduction in pension expense from the latest actuary report performed for the City, as well as grant revenue received for the Police Department Parking Garage.

Governmental Activities
(in Millions)

	Net Cost of Services	
	<u>2017</u>	<u>2016</u>
Police	\$ 27	\$ 31
Fire	22	23
Street maintenance	7	8
Parks	7	7
Drainage	<u>4</u>	<u>2</u>
Total	<u>\$ 67</u>	<u>\$ 71</u>

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$96M. Expenses came in at \$89M leaving \$7M before transfers in of \$49M, which, resulted in a net increase to net position of \$56M. More details will be provided about governmental and business-type activities' operations later in this discussion and analysis.

City of McAllen, Texas
Management Discussion and Analysis (Unaudited)
September 30, 2017

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 \$105M or a decrease of \$17M 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 \$17M.

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, 2017 and 2016.

Revenues, transfers-in and Other Financing Sources	2017 Amount	% of Total	2016 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
Taxes	\$ 114,111,851	63.71%	\$ 113,666,622	\$ 445,229	0.39%
Licenses and permits	1,994,947	1.11%	1,808,701	186,246	10.30%
Intergovernmental	7,783,963	4.35%	2,760,398	5,023,565	181.99%
Charges for services	6,354,554	3.55%	6,001,013	353,541	5.89%
Fines and forfeitures	1,788,568	1.00%	1,808,320	(19,752)	-1.09%
Investment income	1,151,039	0.64%	1,006,394	144,645	14.37%
Miscellaneous	5,863,023	3.27%	4,710,326	1,152,697	24.47%
Proceeds from capital debt	21,280,587	11.88%	29,459,480	(8,178,893)	-27.76%
Transfers-in	18,770,483	10.48%	31,581,149	(12,810,666)	-40.56%
Totals	<u>\$ 179,099,015</u>	<u>100.00%</u>	<u>\$ 192,802,403</u>	<u>\$ (13,703,388)</u>	<u>-7.11%</u>

The \$445K increase in the taxes category is primarily due to an increase in property and franchise fee taxes of \$2.2M, which was offset by a decrease in sales tax collections of \$1.8M. 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 \$20K in fines and forfeitures was due to a decrease in seized funds forfeitures, as well as municipal court fines. Funding from federal and state assistance increased by \$5M due to grant revenue for the Texas Anti Gang Center and Texas Transnational Intelligence Center, public safety projects, as reflected in the intergovernmental revenues' category. Investment earnings also reflect a moderate increase as compared to last year. The increase of \$1.1M in the miscellaneous category is a result of governmental reimbursements, \$613K, and an increase in several miscellaneous items and grant funding requests. The decrease of \$11.7M in transfers-in was mainly due to the completion of the Performing Arts Center Facility and no longer the need to provide funding assistance to the Performing Arts Construction Fund. This year the City issued \$10.67M in Local Government Finance Corporation Contract Revenue Bonds, Series 2017 for the purpose of providing \$10M of the costs to construct and equip a building and related improvements that will be owned by the City and the Board of Regents of The Texas A&M University System as an academic building or branch campus and Sales Tax Revenue Bonds in the amount of \$10.165M to finance a portion of the two new parking garages at the La Plaza Mall in the City.

City of McAllen, Texas
Management Discussion and Analysis (Unaudited)
September 30, 2017

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, 2017 and 2016.

Expenditures and Transfers-out	2017 Amount	% of Total	2016 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
General government	\$ 53,967,801	27.46%	\$ 37,765,082	\$ 16,202,719	42.90%
Public safety	63,440,519	32.28%	56,512,051	6,928,468	12.26%
Highways and streets	16,420,935	8.35%	19,672,725	(3,251,790)	-16.53%
Health and welfare	8,062,409	4.10%	5,596,042	2,466,367	44.07%
Culture and recreation	29,900,205	15.21%	52,026,665	(22,126,460)	-42.53%
Debt service:					
Principal	4,830,000	2.46%	4,765,000	65,000	1.36%
Interest and fiscal charges	4,017,840	2.04%	2,567,009	1,450,831	56.52%
Transfers-out	15,917,784	8.10%	16,700,887	(783,103)	-4.69%
Totals	<u>\$ 196,557,493</u>	<u>100.00%</u>	<u>\$ 195,605,461</u>	<u>\$ 952,032</u>	<u>0.49%</u>

The increase of \$16.2M in general government expenditures was primarily due to an increase of \$18M in the bond construction costs for public infrastructure improvements associated with Tax Increment Zone #1 (TIRZ #1), which was offset by underspending in various departments of the General Fund. Health and welfare increased \$2M, as this year there was a \$1M payment to the Doctor's Hospital medical district, as well as relief effort expenditures. Culture and recreation functions decreased \$22M due to the grand opening of the Performing Arts Fund facility and the completion of the Performing Arts Construction Fund bond project. Public Safety functions increased \$6.9M, which was due to the \$3.8M construction costs toward a PD parking garage facility, as well as the renovation of the old police department building for the Texas Anti Gang Center and Texas Transnational Intelligence Center (TTIC), totaling \$3.1M. Highways and streets function decreased \$3.2M, as the previous fiscal year the City had increased its street repaving maintenance program by \$3.2M to catch up with the annual maintenance repaving schedule, which was a carry over of the unused portion in FY 14-15. Additionally, expenditures increased in principal payments—\$65K, as well as an increase for interest and fiscal charges—\$1.4M, as there were several bond issues in FY 16-17. As indicated, transfers-out increased by \$352K compared to last year—primarily due to a new debt service payment of \$ 208K for the Local Government Finance Corp bonds.

Fund Balances

The governmental fund balances decreased by \$17.5M, from \$122.3M in the prior year to \$104.8M 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 the transfer of governmental capital assets to the Performing Arts Center Fund, an enterprise fund. Fund balances by major funds are discussed on the following page.

City of McAllen, Texas
Management Discussion and Analysis (Unaudited)
September 30, 2017

General Fund

As a result of this year's operations, total fund balance decreased by \$1.0M—to \$46.4M. Several factors played a role for the reduction in fund balance and can be attributed to three main factors. In September 2017, a budget amendment was approved to transfer \$2.898M of General Fund reserves to the Capital Improvement Fund to assist with anticipated construction projects. Revenue projections outperformed estimates and the City recorded a positive \$1.1M increase in license and permit fees, franchise taxes, and reimbursements. In addition, City departments practiced responsible spending and expenditures came in under budget by approximately \$1.2M. As a result, fund balance was minimally affected by the transfer out to the Capital Improvement Fund. Fund balance categories reflect \$2.989M in non-spendable, \$457K in assigned, leaving \$43M unassigned. During fiscal year 1997-98, the City adopted, by resolution, a financial policy requiring a minimum of 140 days of operating expenses in fund balance. Based upon next year's operating budget, exclusive of capital outlay and transfers-out, unassigned fund balance represents 150 days, which is 10 days in excess of the minimum requirement.

Development Corp Fund

The fund balance in the Development Corporation Fund reflected a decrease of \$63K, leaving the ending restricted fund balance at \$13.7M. Taxable Revenue Bonds were issued in 2017 to finance a portion of the two new parking garages at the La Plaza Mall at the City.

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 increase, amounting to \$2.5M, leaving the assigned fund balance at \$5.2M. As noted above, this fund received an additional transfer in of \$2.898M from the General Fund to assist with planned capital projects.

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, Performing Arts 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 \$56.7M increase to net position. Of that amount, the Water and Sewer Funds accounted for approximately \$7.3M; the Sanitation Fund, \$1.4M, the McAllen International Toll Bridge, \$1.4M; and the Performing Arts Center Fund, \$53M. The Convention Center Fund, the Anzalduas International Crossing, the McAllen International Airport, and non-major proprietary funds combined generated a net decrease amounting to \$6.6M.

City of McAllen, Texas
Management Discussion and Analysis (Unaudited)
September 30, 2017

McAllen Public Utilities (MPU) – Water and Sewer Funds

Water Fund

Operating revenues increased by 4% 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 increase to net position amounted to \$1.7M. 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 3% from last year due to an increase to the monthly minimum base rate in FY 15-16. Operating expenses decreased 4% under last year, mainly due to a decrease in salary/compensation expense and contractual and other services expense. The net impact to net position was an increase of \$5.6M, 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 \$1M or 6% over prior year, which primarily represents a small increase in growth in the customer base, as well an increase in brush pickup revenue and recycling sales. As a whole, operating expenses increased \$112K or 1% over last year, which is due to contractual and other services and depreciation expenses, leaving an operating income of \$1.3M. The effect of non-operating revenues and capital contributions were reported at \$181K. Consequently, the net position increased by \$1.4M. Working capital as of year-end amounted to \$10.7M.

Convention Center Fund

Operating revenues were \$2.6M 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 \$1.9M. As a result, the Convention Center reported a decrease in net position of \$2.57M, after a transfer out of \$700K. Working capital is now reported at \$1.16M.

Performing Arts Center Fund

First year operating revenues total \$995K and operating expenses were \$1.6M, leaving an operating loss of \$643K, which was partially covered by transfers-in from the Hotel Occupancy Tax Fund in the amount of \$810K and the Hotel Venue Project Fund, \$271K. In addition, this fund received a transfer in from the Convention Center Fund for a transfer of land totaling \$690K, as well as a transfer of governmental capital assets held in the amount of \$52M. As a result, the Performing Arts Center reported an increase in net position of \$53.2M. Working capital is now reported at \$1.1M.

City of McAllen, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2017

McAllen International Airport Fund

Operating revenues decreased this year by 11% from last year's levels due to a decrease in enplanement revenue. Operating expenses increased by 4.3%. The Airport Fund sustained an operating loss of \$2.3M before capital contributions and transfers out. Capital contributions from the Passenger Facility Charge, as well as the FAA, amounted to \$2.4M. Transfers-out to the City amounted to \$1M to reimburse for public safety personnel assigned to the Airport. As a result, a decrease in net position of \$1.5M is reported. This year's working capital is reflected at \$8M, not considering liabilities payable from restricted assets, which are included in current liabilities.

McAllen International Toll Bridge Fund

The table below reflects three types of crossings for 2017, as well as 2016.

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

Southbound car crossings decreased 1.16% and revenues came in at \$12M or a decrease of \$55K under last year. General Services Administration (GSA) rental income increased \$149K compared to budget, however, other miscellaneous rental income remained relatively flat. Operating expenses increased by \$359K 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 \$1.4M.

The Bridge's assets plus deferred outflows of resources exceed liabilities by \$38M at September 30, 2017. Working capital, not considering liabilities payable from restricted assets, which are included in current liabilities, at year end amounted to \$1.2M.

Anzalduas International Crossing

The table below reflects four types of crossings for 2017, as well as 2016. All other categories of crossings reflect decreases, except for trucks-empties, which are noted below.

Category	FY 16-17	FY 15-16	Increase (Decrease)	% Increase (Decrease)
Cars	966,364	1,015,219	(48,855)	-4.81%
Trucks - empties	15,528	732	14,796	2021.31%
Buses	1,374	1,636	(262)	-16.01%
Passengers in cars	2,415,910	2,538,048	(122,138)	-4.81%

City of McAllen, Texas
Management Discussion and Analysis (Unaudited)
September 30, 2017

Southbound car crossings decreased 49K or 4.81% with revenues coming in at \$3.7M, a decrease of \$79K from last year. Operating expenses decreased by \$1.1M over last year, as the one lane construction project on the Mexico side was completed the previous year. After a transfer in of \$914K, the change in net position was a negative \$520K. This resulted in an ending net position deficit of \$2.6M.

Unrestricted net position is reflected as a deficit in the amount of \$15.9M, largely the consequence of advances made to it by the McAllen International Toll Bridge Fund.

General Fund Budgetary Highlights

During the year, the City Commission amended the budget several times. The increase from the original appropriations to the final budget appropriations was approximately \$4.0M. This increase was primarily due to a transfer out to the Capital Improvement Fund for \$2.898M to assist with capital improvement projects.

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, 2017 of \$ 26,896,244, which is 40.05% of the City's annual covered payroll of \$67,161,351.

The Firemen's Relief & Retirement Fund (the Plan) reflects a Net Pension Liability as of September 30, 2017 of \$25,632,406, which is 222.42% of the Plan's annual covered payroll of \$11,524,569. 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 \$1,144,838, as of September 30, 2017.

City of McAllen, Texas
Management Discussion and Analysis (Unaudited)
September 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$801M in net capital assets, which is reflected below:

Capital Assets at Year-end
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 81	\$ 58	\$ 21	\$ 21	\$ 102	\$ 79
Buildings and improvements	151	147	617	550	768	697
Equipment	88	89	68	66	156	155
Infrastructure	223	216	-	-	223	216
Construction in progress	19	62	76	60	95	122
Capitalized interest	-	-	-	-	-	-
Water rights	-	-	9	8	9	8
Accumulated depreciation	<u>(259)</u>	<u>(247)</u>	<u>(293)</u>	<u>(271)</u>	<u>(552)</u>	<u>(518)</u>
Net Capital Assets	<u>\$ 303</u>	<u>\$ 325</u>	<u>\$ 498</u>	<u>\$ 434</u>	<u>\$ 801</u>	<u>\$ 759</u>

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

Performing Arts Center Construction	\$4
Street projects financed by the City directly and dedicated by developers	2
Public Safety Anti-Gang/Intelligence Center project	4
Public Safety Building Improvements	2
Airport projects	1
Water and Sewer improvement projects	<u>28</u>
Total	<u>\$41</u>

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

City of McAllen, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2017

Debt

At the end of the fiscal year, the City had \$267M in bonds outstanding—as shown in the following table:

	Outstanding Debt at Year-end (in Millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
General/certificate of obligation bonds/note (backed by the City)	\$ 94	\$ 88	\$ -	\$ -	\$ 94	\$ 88
Revenue bonds backed by Specific tax and fee revenues	15	5	158	159	173	164
Totals	<u>\$ 109</u>	<u>\$ 93</u>	<u>\$ 158</u>	<u>\$ 159</u>	<u>\$ 267</u>	<u>\$ 252</u>

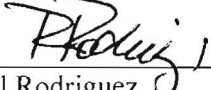
For more detailed information on long term debt activity, refer to the notes to financial statements (refer to page 91).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2017-18 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 were budgeted to increase from last year's budget by \$877K or more than 1.00%. Expenditures were budgeted with a \$572K decrease or .53% under 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 Rodriguez
 City Manager



 Susan Lozano, CPA, CFO
 Finance Director

CITY OF McALLEN, TEXAS
STATEMENT OF NET POSITION
September 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 7,482,762	\$ 2,615,221	\$ 10,097,983
Certificate of deposits	8,292,400	-	8,292,400
Investments	114,980,544	28,679,528	143,660,072
Receivables, net	22,450,847	8,282,827	30,733,674
Internal balances	(1,447,434)	1,447,434	-
Inventories	-	499,567	499,567
Prepaid items	884,091	100,986	985,077
Notes receivable	-	163,144	163,144
Restricted assets	-	83,661,444	83,661,444
Capital assets not being depreciated:			
Land	80,870,681	20,896,105	101,766,786
Construction in progress	19,471,756	75,973,206	95,444,962
Water rights (perpetual)	-	6,023,500	6,023,500
Goodwill	-	609,713	609,713
Capital assets being depreciated:			
Buildings and systems	93,951,704	362,383,802	456,335,506
Equipment	87,700,782	68,305,433	156,006,215
Improvements	56,861,679	253,599,064	310,460,743
Infrastructure	223,273,137	-	223,273,137
Water rights	-	3,200,000	3,200,000
Accumulated depreciation	(259,525,433)	(293,293,417)	(552,818,850)
Other long term assets	2,920,130	-	2,920,130
Total assets	<u>458,167,646</u>	<u>623,147,557</u>	<u>1,081,315,203</u>
Deferred outflows of resources:			
Deferred charges on refunding	-	3,707,470	3,707,470
Deferred charges-pensions	14,048,813	6,192,883	20,241,696
Total deferred outflows of resources	<u>14,048,813</u>	<u>9,900,353</u>	<u>23,949,166</u>
Total assets and deferred outflows of resources	<u>\$ 472,216,459</u>	<u>\$ 633,047,910</u>	<u>\$ 1,105,264,369</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 16,856,293	\$ 12,234,165	\$ 29,090,458
Unearned revenues	390,101	1,098,116	1,488,217
Other	1,124,723	313,705	1,438,428
Non-current liabilities:			
Due within one year	9,257,359	8,633,601	17,890,960
Due in more than one year	113,808,329	161,182,546	274,990,875
Net OPEB obligation	1,144,838	-	1,144,838
Net pension liability	44,305,332	8,223,318	52,528,650
Total liabilities	<u>186,886,975</u>	<u>191,685,451</u>	<u>378,572,426</u>
Deferred inflows of resources:			
Deferred charges on refunding	198,774	5,085,402	5,284,176
Deferred charges-pensions	3,550,670	4,275	3,554,945
Total deferred inflows of resources	<u>3,749,444</u>	<u>5,089,677</u>	<u>8,839,121</u>
Total liabilities and deferred inflows of resources	<u>190,636,419</u>	<u>196,775,128</u>	<u>387,411,547</u>
NET POSITION			
Net investment in capital assets	220,553,878	332,816,366	553,370,244
Restricted for:			
Capital projects	-	50,921,674	50,921,674
Federal and state grant awards	3,408,687	-	3,408,687
Hotel Tourism	73,178	-	73,178
Parks	1,961,439	-	1,961,439
Debt service	2,372,556	7,002,333	9,374,889
Economic development	13,763,594	-	13,763,594
Distribution of net surplus revenues	-	5,711,863	5,711,863
Other purposes	1,383,797	-	1,383,797
Unrestricted	38,062,911	39,820,546	77,883,457
Total net position	<u>281,580,040</u>	<u>436,272,782</u>	<u>717,852,822</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 472,216,459</u>	<u>\$ 633,047,910</u>	<u>\$ 1,105,264,369</u>

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, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 43,779,576	\$ 2,430,066	\$ 821,874	\$ -
Public safety	61,676,966	4,320,581	2,713,010	2,354,157
Highways and streets	21,126,938	1,114,907	383	1,314,033
Health and welfare	8,305,076	446,902	866,830	-
Culture and recreation	28,074,221	1,278,037	72,183	1,047,651
Interest on long-term debt	3,418,388	-	-	-
Total governmental activities	166,381,165	9,590,493	4,474,280	4,715,841
Business-type activities:				
Water services	19,213,848	19,407,111	-	1,229,691
Sewer services	14,568,734	17,704,596	-	2,117,572
Sanitation services	18,110,918	19,230,472	-	-
Golf course services	1,449,564	1,136,800	-	-
Civic center services	154	-	-	-
Performing arts center services	1,638,310	995,281	-	-
Convention center services	6,259,718	2,386,002	-	-
Airport services	9,180,118	6,374,601	-	2,392,868
Transit services	1,688,647	57,580	481,147	330,979
Bus services	3,832,463	938,452	1,373,834	2,231
Bridge services--anzalduas	5,181,228	3,700,666	-	-
Bridge services	7,542,209	14,728,300	-	86,424
Total business-type activities	88,665,911	86,659,861	1,854,981	6,159,765
Total primary government	255,047,076	96,250,354	6,329,261	10,875,606
General revenues:				
Property taxes				
Hotel occupancy tax				
Sales taxes				
Franchise taxes				
Unrestricted investment earnings				
Royalties				
Contributions				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
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
\$ (40,527,636)	\$ -	\$ (40,527,636)
(52,289,218)	-	(52,289,218)
(18,697,615)	-	(18,697,615)
(6,991,344)	-	(6,991,344)
(25,676,350)	-	(25,676,350)
(3,418,388)	-	(3,418,388)
(147,600,551)	-	(147,600,551)
-	1,422,954	1,422,954
-	5,253,434	5,253,434
-	1,119,554	1,119,554
-	(312,764)	(312,764)
-	(154)	(154)
-	(643,029)	(643,029)
-	(3,873,716)	(3,873,716)
-	(412,649)	(412,649)
-	(818,941)	(818,941)
-	(1,517,946)	(1,517,946)
-	(1,480,562)	(1,480,562)
-	7,272,515	7,272,515
-	6,008,696	6,008,696
(147,600,551)	6,008,696	(141,591,855)
42,975,582	-	42,975,582
4,946,155	-	4,946,155
59,488,228	-	59,488,228
6,801,740	-	6,801,740
1,477,050	729,638	2,206,688
620,011	-	620,011
22,969,640		
1,503,250	217,595	1,720,845
(49,128,923)	49,128,923	-
91,652,733	50,076,156	141,728,889
(55,947,818)	56,084,852	137,034
337,527,858	380,187,930	717,715,788
\$ 281,580,040	\$ 436,272,782	\$ 717,852,822

CITY OF McALLEN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2017

	<u>General</u>	<u>Development Corp.</u>
ASSETS		
Cash	\$ 6,256,545	\$ 87,435
Certificates of deposit	-	-
Investments	38,042,934	15,656,514
Receivables, net:		
Taxes	11,928,602	2,426,422
Accounts	1,543,468	-
Accrued interest	95,508	30,243
Other	573,961	-
Due from other funds	1,787,607	-
Due from other governments	834,478	489,035
Prepays	69,048	53,659
Board advances	2,920,130	-
	<u> </u>	<u> </u>
Total assets	\$ 64,052,281	\$ 18,743,308
	<u> </u>	<u> </u>
Total assets and deferred outflows of resources	<u>\$ 64,052,281</u>	<u>\$ 18,743,308</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 2,010,722	\$ 335,470
Accrued liabilities	1,149,823	3,375,498
Due to other funds	-	-
Unearned revenues	390,101	-
Other	1,059,723	-
	<u> </u>	<u> </u>
Total liabilities	4,610,369	3,710,968
Deferred inflows of resources	13,054,364	1,267,729
	<u> </u>	<u> </u>
Total liabilities and deferred inflows of resources	17,664,733	4,978,697
	<u> </u>	<u> </u>
Fund balances:		
Non-spendable	2,989,178	53,659
Restricted	-	13,710,952
Committed	-	-
Assigned	457,022	-
Unassigned	42,941,348	-
	<u> </u>	<u> </u>
Total fund balances	46,387,548	13,764,611
	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 64,052,281</u>	<u>\$ 18,743,308</u>

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

Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 63,293	\$ 608,652	\$ 7,015,925
-	8,292,400	8,292,400
5,725,153	36,785,267	96,209,868
-	253,624	14,608,648
-	1,160,271	2,703,739
9,844	16,125	151,720
-	84,496	658,457
-	-	1,787,607
-	2,391,145	3,714,658
-	-	122,707
-	-	2,920,130
\$ 5,798,290	\$ 49,591,980	\$ 138,185,859
\$ 5,798,290	\$ 49,591,980	\$ 138,185,859
\$ 511,882	\$ 5,689,531	\$ 8,547,605
69,985	889,641	5,484,947
-	1,952,320	1,952,320
-	-	390,101
-	65,000	1,124,723
581,867	8,596,492	17,499,696
-	1,505,770	15,827,863
581,867	10,102,262	33,327,559
-	-	3,042,837
-	39,003,438	52,714,390
-	290,623	290,623
5,216,423	195,657	5,869,102
-	-	42,941,348
5,216,423	39,489,718	104,858,300
\$ 5,798,290	\$ 49,591,980	\$ 138,185,859

This page left intentionally blank

CITY OF McALLEN, TEXAS
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
September 30, 2017

Total governmental fund balances (refer to page 23) \$ 104,858,300

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. 289,216,394

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-\$4,215,998; sales and franchise taxes-\$5,070,916; weed and lot cleaning-\$852,387; others; \$2,768,432 and Mission repayment on Series B Bridge bonds, \$2,920,130. 15,827,863

Internal service funds are used by management to charge the costs of certain activities, such as fleet management and insurance, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position. 30,387,188

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, (\$10,898,599), sales tax revenue bonds payable, (\$15,285,000), accrued interest, (\$514,456), certificates of obligations, (\$45,940,000), general obligations, (\$48,170,000), premium, (\$2,904,164), discount, \$153,315, deferred inflows of resources, (\$3,749,444), Firemen's pension obligation, (\$25,632,406), OPEB obligation, (\$1,144,838), deferred outflows of resources, \$14,048,813, and TMRS pension obligation, (\$18,672,926). (158,709,705)

Net position of governmental activities \$ 281,580,040

CITY OF McALLEN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017

	<u>General</u>	<u>Development Corp</u>
REVENUES		
Taxes	\$ 89,889,495	\$ 14,655,387
Licenses and permits	1,979,043	-
Intergovernmental	586,511	501,978
Charges for services	5,245,594	-
Fines and forfeitures	1,303,985	-
Investment earnings	666,939	139,349
Net (decrease) in the fair value of investments	(120,833)	(37,536)
Other	2,192,380	1,323,592
	<u>101,743,114</u>	<u>16,582,770</u>
EXPENDITURES		
Current:		
General government	17,988,679	14,608,239
Public safety	55,317,037	-
Highways and streets	11,581,117	786,453
Health and welfare	2,722,980	4,478,098
Culture and recreation	18,590,298	2,137,566
Debt service:		
Principal	-	-
Interest and fiscal charges	-	298,320
	<u>106,200,111</u>	<u>22,308,676</u>
Excess of revenues over (under) expenditures	<u>(4,456,997)</u>	<u>(5,725,906)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	10,530,587	-
Transfers out	(7,136,112)	(4,501,980)
Issuance of debt	-	10,165,000
Bond premium	-	-
	<u>3,394,475</u>	<u>5,663,020</u>
Net other financing sources	<u>3,394,475</u>	<u>5,663,020</u>
Net change in fund balances	(1,062,522)	(62,886)
Fund balances at beginning of year	<u>47,450,070</u>	<u>13,827,497</u>
Fund balances at end of year	<u>\$ 46,387,548</u>	<u>\$ 13,764,611</u>

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

Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 9,566,969	\$ 114,111,851
-	15,904	1,994,947
-	6,695,474	7,783,963
-	1,108,960	6,354,554
-	484,583	1,788,568
25,169	486,146	1,317,603
(4,105)	(4,090)	(166,564)
615,486	1,731,565	5,863,023
636,550	20,085,511	139,047,945
527,041	20,843,842	53,967,801
626,509	7,496,973	63,440,519
340,272	3,713,093	16,420,935
-	861,331	8,062,409
493,405	8,678,936	29,900,205
-	4,830,000	4,830,000
-	3,719,520	4,017,840
1,987,227	50,143,695	180,639,709
(1,350,677)	(30,058,184)	(41,591,764)
3,870,097	4,369,799	18,770,483
-	(4,279,692)	(15,917,784)
-	10,670,000	20,835,000
-	445,587	445,587
3,870,097	11,205,694	24,133,286
2,519,420	(18,852,490)	(17,458,478)
2,697,003	58,342,208	122,316,778
\$ 5,216,423	\$ 39,489,718	\$ 104,858,300

This page left intentionally blank

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, 2017

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)	\$	(17,458,478)
--	----	--------------

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 \$32,968,687 exceeded depreciation, net of depreciation (\$14,464,437) in the current period.		18,504,250
--	--	------------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,083,441
--	--	-----------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		4,830,000
--	--	-----------

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 \$539,435 is compensated absences, (\$21,224) accrued interest expense, \$620,676 bond amortization expense, (\$1,257,155) Firemen's Fund net pension obligation, (\$3,277,324), pension expense, and \$184,762 OPEB expense.		(3,210,830)
---	--	-------------

Internal service funds are used by management to charge the costs of certain activities, such as fleet management and insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		741,530
---	--	---------

Certificate of obligation bonds, \$10,670,000, sales tax revenue bonds, \$10,165,000, and premium, \$445,587, provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		(21,280,587)
--	--	--------------

The movement of capital assets between governmental activities to business type activities is reported as a transfer. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets transferred to a BTA fund, \$52,317,144.		(52,317,144)
---	--	--------------

The City received a donation of land from the Tres Lagos PID for a total of \$13,160,000		13,160,000
--	--	------------

Change in net position of governmental activities	\$	(55,947,818)
---	----	--------------

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

This page left intentionally blank

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 39,086,058	\$ 39,086,058	\$ 38,414,083	\$ (671,975)
Sales	46,011,201	44,264,359	43,966,165	(298,194)
Franchise	6,477,500	6,577,500	7,509,247	931,747
Total taxes	91,574,759	89,927,917	89,889,495	(38,422)
Licenses and permits:				
Business licenses and permits	55,000	55,000	70,365	15,365
Occupational	339,350	339,350	324,033	(15,317)
Non-business licenses and permits	1,298,780	1,489,780	1,584,645	94,865
Total licenses and permits	1,693,130	1,884,130	1,979,043	94,913
Intergovernmental revenues:				
State shared revenues	834,000	834,000	586,511	(247,489)
Total intergovernmental revenues	834,000	834,000	586,511	(247,489)
Charges for services:				
General government	2,161,750	2,408,873	2,444,973	36,100
Public safety	663,000	897,200	792,454	(104,746)
Highways and streets	-	-	5,949	5,949
Health	708,650	808,650	766,999	(41,651)
Culture and recreation	1,162,200	1,233,904	1,235,219	1,315
Total charges for services	4,695,600	5,348,627	5,245,594	(103,033)
Fines and forfeitures:				
Corporations court	1,400,000	1,200,000	1,261,170	61,170
Other fines	161,538	169,539	42,815	(126,724)
Total fines and forfeitures	1,561,538	1,369,539	1,303,985	(65,554)
Investment earnings	420,000	573,000	666,939	93,939
Net (decrease) in fair value of investments	\$ -	\$ -	\$ (120,833)	(120,833)

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Other:				
Royalties	430,000	430,000	620,011	190,011
Rents and concessions	-	-	5,500	5,500
Reimbursements	350,000	556,729	1,120,780	564,051
Other	28,600	58,600	446,089	387,489
Total other revenues	808,600	1,045,329	2,192,380	1,147,051
Total revenues	101,587,627	100,982,542	101,743,114	760,572
EXPENDITURES				
General government:				
City commission	277,962	277,962	229,309	48,653
Special service	787,411	787,411	657,470	129,941
City manager	1,321,381	1,321,381	1,352,222	(30,841)
City secretary	511,073	511,073	499,379	11,694
Vital statistics	174,893	177,156	161,843	15,313
Passport facility	94,599	94,599	101,592	(6,993)
Audit office	215,927	215,927	211,765	4,162
Municipal court	1,556,331	1,564,332	1,354,263	210,069
Finance	1,267,828	1,267,828	1,220,873	46,955
Budget & management	392,022	392,022	368,927	23,095
Tax office	1,123,143	1,123,143	1,052,595	70,548
Purchasing and contracting	596,496	596,496	509,960	86,536
Legal	1,661,533	1,661,533	1,683,397	(21,864)
Grant administration	481,435	481,435	450,164	31,271
Human resources	853,364	853,364	599,854	253,510
Risk management	457,085	457,085	457,085	-
Planning	1,201,307	1,201,307	896,883	304,424
Information technology	3,235,871	3,235,871	3,133,880	101,991
Public information office	748,617	748,617	689,403	59,214
311 Call center	239,076	239,076	219,008	20,068
City hall	610,055	610,555	616,743	(6,188)
Development Center	110,575	110,575	101,390	9,185
Building maintenance	756,178	756,178	733,477	22,701
Contingency	(1,019,555)	(1,019,555)	-	(1,019,555)
Non-departmental activities	691,051	734,089	687,197	46,892
Total general government	18,345,658	18,399,460	17,988,679	410,781

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Public safety:				
Police	\$ 32,879,389	\$ 32,879,389	\$ 33,063,251	\$ (183,862)
Animal control	358,514	358,514	292,053	66,461
Radio Shop	503,539	503,539	549,150	(45,611)
Fire	17,352,843	17,483,034	18,509,749	(1,026,715)
Traffic operations	2,506,950	2,506,950	1,902,245	604,705
Building code compliance	1,052,956	1,052,956	1,000,589	52,367
Total public safety	54,654,191	54,784,382	55,317,037	(532,655)
Highways and streets:				
Engineering services	1,849,145	1,849,145	1,639,691	209,454
Street maintenance	6,217,058	6,217,058	5,659,779	557,279
Street lighting	1,977,001	2,479,001	2,468,884	10,117
Sidewalk construction	343,921	343,921	280,242	63,679
Drainage	1,499,120	1,499,120	1,532,521	(33,401)
Total highways and streets	11,886,245	12,388,245	11,581,117	807,128
Health and welfare:				
Health code compliance	1,297,253	1,392,581	1,404,985	(12,404)
Graffiti cleaning	148,323	148,323	153,966	(5,643)
Other agencies	567,662	797,276	1,164,029	(366,753)
Total health and welfare	2,013,238	2,338,180	2,722,980	(384,800)
Culture and recreation:				
Parks and recreation administration	558,625	558,625	511,736	46,889
Parks	7,464,650	7,464,650	7,002,541	462,109
Recreation	1,711,818	1,711,818	1,781,047	(69,229)
Pools	948,958	948,958	838,036	110,922
Las palmas community center	374,668	374,668	330,075	44,593
Recreation center-Lark	488,108	488,108	441,112	46,996
Recreation center-Palmview	465,666	465,666	438,120	27,546

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Quinta mazatlan	\$ 953,983	\$ 1,025,687	\$ 1,097,915	\$ (72,228)
Library	3,572,495	3,572,495	3,402,575	169,920
Library branch-Lark	494,027	504,027	459,461	44,566
Library branch-Palmview	509,732	529,732	464,560	65,172
Other agencies	1,028,122	1,088,122	1,088,120	2
Museums	735,000	735,000	735,000	-
Total culture and recreation	19,305,852	19,467,556	18,590,298	877,258
Total expenditures	106,205,184	107,377,823	106,200,111	1,177,712
Excess of revenues over expenditures	(4,617,557)	(6,395,281)	(4,456,997)	1,938,284
OTHER FINANCING SOURCES (USES)				
Transfers in	10,140,809	10,530,587	10,530,587	-
Transfers out	(4,048,731)	(6,946,101)	(7,136,112)	(190,011)
Net other financing sources (uses)	6,092,078	3,584,486	3,394,475	(190,011)
Net change in fund balances	1,474,521	(2,810,795)	(1,062,522)	1,748,273
Fund balances at beginning of year	47,450,070	47,450,070	47,450,070	-
Fund balances at end of year	\$ 48,924,591	\$ 44,639,275	\$ 46,387,548	\$ 1,748,273

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

CITY OF McALLEN, TEXAS
DEVELOPMENT CORPORATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Sales tax	\$ 15,468,392	\$ 15,468,392	\$ 14,655,387	\$ (813,005)
Intergovernmental revenues	7,332,694	7,332,694	501,978	(6,830,716)
Investment earnings	50,000	50,000	139,349	89,349
Net (decrease) in the fair value of investments	-	-	(37,536)	(37,536)
Other	<u>1,130,000</u>	<u>1,130,000</u>	<u>1,323,592</u>	<u>193,592</u>
Total revenues	<u>23,981,086</u>	<u>23,981,086</u>	<u>16,582,770</u>	<u>(7,398,316)</u>
EXPENDITURES				
Current:				
General government	6,808,229	6,808,229	14,608,239	(7,800,010)
Highways and streets	8,339,406	8,339,406	786,453	7,552,953
Health and welfare	3,481,193	3,481,193	4,478,098	(996,905)
Culture and recreation	4,741,495	4,741,495	2,137,566	2,603,929
Debt service:				
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>298,320</u>	<u>(298,320)</u>
Total expenditures	<u>23,370,323</u>	<u>23,370,323</u>	<u>22,308,676</u>	<u>1,061,647</u>
Excess (deficiency) of revenues over expenditures	<u>610,763</u>	<u>610,763</u>	<u>(5,725,906)</u>	<u>(6,336,669)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,596,471)	(4,596,471)	(4,501,980)	(94,491)
Issuance of debt	<u>-</u>	<u>-</u>	<u>10,165,000</u>	<u>10,165,000</u>
Total other financing sources (uses)	<u>(4,596,471)</u>	<u>(4,596,471)</u>	<u>5,663,020</u>	<u>10,070,509</u>
Net changes in fund balances	(3,985,708)	(3,985,708)	(62,886)	3,922,822
Fund balances--beginning	<u>13,827,497</u>	<u>13,827,497</u>	<u>13,827,497</u>	<u>-</u>
Fund balances--ending	<u>\$ 9,841,789</u>	<u>\$ 9,841,789</u>	<u>\$ 13,764,611</u>	<u>\$ 3,922,822</u>

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2017

	Business Type Activities-Enterprise Funds				
	Water	Sewer	Sanitation	Convention Center	McAllen International Airport
ASSETS					
Current assets:					
Cash	\$ 466,216	\$ 330,435	\$ 285,886	\$ 62,051	\$ 658,317
Investments	3,510,768	704,446	8,959,218	1,311,140	7,666,486
Receivables, net:					
Accounts	2,145,834	1,861,367	1,997,045	22,011	84,900
Accrued interest	14,578	-	23,322	5,463	24,253
Other	-	13,001	-	-	-
Due from other funds	-	-	-	127,071	-
Due from other governments	-	-	1,073	-	750,873
Interfund loans	-	-	-	-	-
Inventories, at cost	155,365	-	-	-	-
Prepaid items	8,887	5,587	260	85,013	1,239
Restricted assets:					
Cash and cash equivalents	132,696	1,035,516	4,176	26,794	162,474
Total current assets	6,434,344	3,950,352	11,270,980	1,639,543	9,348,542
Noncurrent assets:					
Restricted assets:					
Investments	16,274,090	36,905,027	9,259,179	1,934,477	6,953,951
Accrued interest	31,776	43,716	20,113	2,868	16,065
Due from other governments	-	-	-	-	151,631
Total noncurrent restricted assets	16,305,866	36,948,743	9,279,292	1,937,345	7,121,647
Capital assets:					
Land	3,070,465	2,288,247	1,101,490	4,889,373	3,251,781
Buildings and systems	68,027,591	118,158,304	2,436,292	56,281,224	32,516,369
Improvements other than buildings	62,412,164	37,549,994	706,365	6,733,381	94,929,986
Machinery and equipment	8,273,785	7,982,670	28,493,904	3,559,956	3,152,385
Construction in progress	1,603,977	71,279,783	77,340	60,000	1,042,100
Goodwill	-	-	-	-	-
Water rights	9,223,500	-	-	-	-
Less accumulated depreciation and amortization	(72,695,366)	(79,015,448)	(21,020,961)	(17,063,798)	(61,521,135)
Total capital assets (net of accumulated depreciation and amortization)	79,916,116	158,243,550	11,794,430	54,460,136	73,371,486
Other noncurrent assets					
Loans receivable	81,795	81,349	-	-	-
Board advances	-	-	-	-	-
Total other noncurrent assets	81,795	81,349	-	-	-
Total noncurrent assets	96,303,777	195,273,642	21,073,722	56,397,481	80,493,133
Total assets	102,738,121	199,223,994	32,344,702	58,037,024	89,841,675
Deferred outflow of resources					
Deferred charges on refundings	3,707,471	-	-	-	-
Deferred charges - pensions	1,510,009	932,652	1,643,162	444,634	387,466
Total assets and deferred outflows of resources	\$ 107,955,601	\$ 200,156,646	\$ 33,987,864	\$ 58,481,658	\$ 90,229,141

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	Performing Arts Center	Other Proprietary Funds	Total	Internal Service Funds
\$ 214,560	\$ 145,352	\$ 70,156	\$ 161,176	\$ 2,394,149	\$ 687,909
1,849,333	1,647,336	1,024,552	2,006,249	28,679,528	18,770,676
310	-	-	23,134	6,134,601	497,667
-	2,585	-	1,979	72,180	52,548
-	-	-	-	13,001	299,418
-	-	54,463	-	181,534	517,893
175,493	-	-	883,333	1,810,772	16,265
-	-	-	-	-	3,499,570
-	-	-	-	155,365	344,202
-	-	-	-	100,986	761,384
117,677	50,895	25,000	3,469	1,558,697	-
2,357,373	1,846,168	1,174,171	3,079,340	41,100,813	25,447,532
8,041,369	1,782,100	226,087	364,840	81,741,120	-
8,136	-	-	898	123,572	-
86,424	-	-	-	238,055	-
8,135,929	1,782,100	226,087	365,738	82,102,747	-
809,233	2,922,773	690,155	1,872,588	20,896,105	6,774,733
14,415,500	10,415,086	50,955,008	5,830,564	359,035,938	-
4,123,982	40,473,457	-	9,884,776	256,814,105	132,823
2,480,732	970,334	1,127,405	11,421,840	67,463,011	26,252,489
1,450,153	244,528	-	215,325	75,973,206	-
609,713	-	-	-	609,713	-
-	-	-	-	9,223,500	-
(12,287,467)	(11,843,120)	(766,785)	(16,377,959)	(292,592,039)	(19,498,266)
11,601,846	43,183,058	52,005,783	12,847,134	497,423,539	13,661,779
-	-	-	-	163,144	-
17,633,893	-	-	-	17,633,893	-
17,633,893	-	-	-	17,797,037	-
37,371,668	44,965,158	52,231,870	13,212,872	597,323,323	13,661,779
39,729,041	46,811,326	53,406,041	16,292,212	638,424,136	39,109,311
-	-	-	-	3,707,471	-
303,117	106,128	-	629,632	5,956,800	236,082
\$ 40,032,158	\$ 46,917,454	\$ 53,406,041	\$ 16,921,844	\$ 648,088,407	\$ 39,345,393

Continued

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2017

	Business Type Activities-Enterprise Funds				
	Water	Sewer	Sanitation	Convention Center	McAllen International Airport
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 467,993	\$ 2,179,559	\$ 744,501	\$ 188,424	\$ 375,583
Accrued expenses	262,641	3,193,859	118,288	26,697	113,338
Due to other funds	-	-	-	-	-
Due to other government agencies	-	-	-	-	-
Customer deposits payable	2,552,966	-	-	32,395	-
Compensated absences	335,261	215,525	327,284	59,292	97,881
Current portion of revenue bonds	1,385,850	4,161,150	-	-	415,000
Current portion of note payable	-	-	-	-	358,100
Other	38	100,000	-	172,526	38,726
Total current liabilities	<u>5,004,749</u>	<u>9,850,093</u>	<u>1,190,073</u>	<u>479,334</u>	<u>1,398,628</u>
Other noncurrent liabilities:					
Revenue bonds, net of current portion	18,187,732	101,793,328	-	-	7,150,000
Compensated absences	204,882	154,956	159,289	61,994	55,456
Arbitrage payable	-	2,410	-	-	-
Interfund notes payable	-	-	-	-	2,630,256
Unearned revenues	276,213	355,000	117,653	108,210	-
Board advances	-	-	-	-	-
Net pension liability	<u>2,007,593</u>	<u>1,243,768</u>	<u>2,158,297</u>	<u>590,189</u>	<u>515,389</u>
Total other noncurrent liabilities	<u>20,676,420</u>	<u>103,549,462</u>	<u>2,435,239</u>	<u>760,393</u>	<u>10,351,101</u>
Total liabilities	<u>25,681,169</u>	<u>113,399,555</u>	<u>3,625,312</u>	<u>1,239,727</u>	<u>11,749,729</u>
Deferred inflows of resources-refunding	305,345	4,423,785	-	-	-
Deferred inflows of resources-pensions	<u>1,043</u>	<u>646</u>	<u>1,126</u>	<u>307</u>	<u>268</u>
Total liabilities and deferred inflows of resources	<u>25,987,557</u>	<u>117,823,986</u>	<u>3,626,438</u>	<u>1,240,034</u>	<u>11,749,997</u>
NET POSITION					
Net investments in capital assets	63,744,660	48,658,161	11,794,430	54,460,136	65,806,486
Restricted for:					
Capital projects	13,241,612	17,322,355	8,980,401	1,964,139	6,742,237
Debt service	461,950	4,547,972	-	-	307,614
Distribution of net surplus revenues	-	-	-	-	-
Unrestricted	<u>4,519,822</u>	<u>11,804,172</u>	<u>9,586,595</u>	<u>817,349</u>	<u>5,622,807</u>
Total net position	<u>81,968,044</u>	<u>82,332,660</u>	<u>30,361,426</u>	<u>57,241,624</u>	<u>78,479,144</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 107,955,601</u>	<u>\$ 200,156,646</u>	<u>\$ 33,987,864</u>	<u>\$ 58,481,658</u>	<u>\$ 90,229,141</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	Performing Arts Center	Other Proprietary Funds	Total	Internal Service Funds
\$ 215,366	\$ 31,251	\$ 25,165	\$ 375,310	\$ 4,603,152	\$ 691,571
19,570	100,099	-	56,549	3,891,041	1,839,052
16,822	-	-	-	16,822	517,893
861,148	-	-	-	861,148	-
-	-	72,125	-	2,657,486	-
103,787	-	-	23,618	1,162,648	38,953
-	1,470,000	-	-	7,432,000	-
184,567	-	-	-	542,667	-
-	-	-	5	311,295	-
1,401,260	1,601,350	97,290	455,482	21,478,259	3,087,469
-	29,732,924	-	-	156,863,984	-
4,145	16,764	-	161,506	818,992	21,240
-	-	-	-	2,410	-
326,647	-	-	-	2,956,903	-
135,528	5,000	-	100,512	1,098,116	-
-	17,633,893	-	-	17,633,893	-
402,425	142,720	-	852,639	7,913,020	310,298
868,745	47,531,301	-	1,114,657	187,287,318	331,538
2,270,005	49,132,651	97,290	1,570,139	208,765,577	3,419,007
-	356,271	-	-	5,085,401	-
209	74	-	441	4,114	162
2,270,214	49,488,996	97,290	1,570,580	213,855,092	3,419,169
11,601,846	11,623,863	52,005,783	12,847,134	332,542,499	13,661,779
1,865,256	554,587	251,087	-	50,921,674	-
509,649	1,175,148	-	-	7,002,333	-
5,711,863	-	-	-	5,711,863	-
18,073,330	(15,925,140)	1,051,881	2,504,130	38,054,946	22,264,445
37,761,944	(2,571,542)	53,308,751	15,351,264	434,233,315	35,926,224
\$ 40,032,158	\$ 46,917,454	\$ 53,406,041	\$ 16,921,844	\$ 648,088,407	\$ 39,345,393

Concluded

This page left intentionally blank

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, 2017

Fund equity - total proprietary funds (page 39)	\$ 434,233,315
---	----------------

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.

2,039,467

Net position of business-type activities	<u>\$ 436,272,782</u>
--	-----------------------

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended September 30, 2017

	Business Type Activities-Enterprise Funds				
	Water	Sewer	Sanitation	Convention Center	McAllen International Airport
Operating revenues					
Charges for services	\$ 19,054,312	\$ 17,033,802	\$ 19,133,391	\$ 1,261,878	\$ 2,648,482
Rentals	-	-	-	1,067,801	3,589,714
Other	812,802	670,794	97,081	256,323	136,405
Total operating revenues	19,867,114	17,704,596	19,230,472	2,586,002	6,374,601
Operating expenses					
Salaries, wages and employee benefits	7,038,706	4,279,807	7,313,499	2,176,419	1,722,456
Supplies	1,322,112	685,315	380,972	67,719	71,347
Contractual and other services	5,213,696	3,078,302	4,953,506	2,225,856	1,797,380
Repairs and maintenance	633,334	530,654	2,891,330	332,798	431,690
Depreciation and amortization	4,645,422	5,975,189	2,427,312	1,608,267	4,701,434
Self insurance claims	-	-	-	-	-
Total operating expenses	18,853,270	14,549,267	17,966,619	6,411,059	8,724,307
Operating income (loss)	1,013,844	3,155,329	1,263,853	(3,825,057)	(2,349,706)
Non operating revenues (expenses)					
Intergovernmental	-	-	1,073	-	-
Investment earnings	197,260	342,721	170,005	37,887	155,381
Net increase (decrease) in fair value of investments	(83,873)	(63,788)	(67,321)	(11,069)	(63,044)
Interest expense	(772,405)	(416,452)	-	-	(413,550)
Interest on board advances	-	-	-	-	-
Bond related charges--issuance cost	113,412	491,002	-	-	-
Gain (loss) on sale of capital assets	13,180	32,103	78,070	37,483	(109,621)
Other	8,846	-	-	-	10,647
Net non-operating revenues (expenses)	(523,580)	385,586	181,827	64,301	(420,187)
Income (loss) before contributions and transfers	490,264	3,540,915	1,445,680	(3,760,756)	(2,769,893)
Capital contributions	1,229,691	2,117,572	-	-	2,392,868
Transfers in	-	-	-	1,890,899	-
Transfers out	(42,839)	(24,390)	(41,276)	(700,787)	(1,114,597)
Change in net position	1,677,116	5,634,097	1,404,404	(2,570,644)	(1,491,622)
Total net position--beginning	80,290,928	76,698,563	28,957,022	59,812,268	79,970,766
Total net position--ending	<u>\$ 81,968,044</u>	<u>\$ 82,332,660</u>	<u>\$ 30,361,426</u>	<u>\$ 57,241,624</u>	<u>\$ 78,479,144</u>

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

Business Type Activites-Enterprise Funds					Governmental Activities
McAllen International Toll Bridge	Anzalduas International Crossing	Performing Arts Center	Other Proprietary Funds	Total	Internal Service Funds
\$ 11,856,205	\$ 3,555,823	\$ 598,417	\$ 1,387,886	\$ 76,530,196	\$ 6,770,115
2,587,122	18,555	391,205	333,052	7,987,449	-
284,973	126,288	5,659	411,894	2,802,219	14,049,676
14,728,300	3,700,666	995,281	2,132,832	87,319,864	20,819,791
1,571,723	493,465	-	3,105,610	27,701,685	1,705,395
92,249	14,750	30,755	164,760	2,829,979	32,780
925,711	317,342	789,434	1,023,637	20,324,864	6,461,330
174,313	48,161	51,158	824,677	5,918,115	48,438
986,388	1,533,466	766,785	1,790,492	24,434,755	2,218,816
-	-	-	-	-	12,701,333
3,750,384	2,407,184	1,638,132	6,909,176	81,209,398	23,168,092
10,977,916	1,293,482	(642,851)	(4,776,344)	6,110,466	(2,348,301)
-	-	-	-	1,073	16,265
53,791	30,426	5,639	31,905	1,025,015	386,853
-	(1,201)	-	(5,080)	(295,376)	(60,835)
(27,335)	(1,537,019)	-	-	(3,166,761)	-
631,458	(631,458)	-	-	-	-
-	(594,890)	-	-	9,524	-
-	-	-	(7,514)	43,701	-
(3,727,282)	8,653	-	-	(3,699,136)	1,660,224
(3,069,368)	(2,725,489)	5,639	19,311	(6,081,960)	2,002,507
7,908,548	(1,432,007)	(637,212)	(4,757,033)	28,506	(345,794)
86,424	-	52,082,413	2,422,922	60,331,890	-
-	914,417	1,771,750	1,012,830	5,589,896	2,322,311
(6,623,332)	(2,502)	-	(708,616)	(9,258,339)	(1,506,567)
1,371,640	(520,092)	53,216,951	(2,029,897)	56,691,953	469,950
36,390,304	(2,051,450)	91,800	17,381,161	377,541,362	35,456,274
\$ 37,761,944	\$ (2,571,542)	\$ 53,308,751	\$ 15,351,264	\$ 434,233,315	\$ 35,926,224

This page left intentionally blank

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, 2017

Change in net position - total proprietary funds (page 43)	\$ 56,691,953
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>(607,101)</u>
Change in net position of business-type activities	<u><u>\$ 56,084,852</u></u>

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2017

	Business Type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	McAllen Convention Center
Cash flows from operating activities:				
Receipts from customers	\$ 19,800,743	\$ 17,631,920	\$ 19,241,577	\$ 2,480,430
Payments to employees	(6,674,335)	(4,028,871)	(6,971,894)	(2,085,944)
Payments to suppliers	(7,328,120)	(6,207,905)	(9,516,147)	(2,664,097)
Net cash provided (used) by operating activities	5,798,288	7,395,144	2,753,536	(2,269,611)
Cash flows from noncapital financing activities:				
Transfers from other funds	-	-	-	1,944,070
Transfers to other funds	(42,839)	(24,390)	(41,276)	(10,632)
Subsidy from federal grant	-	-	291	-
Other revenue received	8,846	-	-	-
Distribution of income to City of Hidalgo	-	-	-	-
Net cash provided (used) by noncapital financing activities	(33,993)	(24,390)	(40,985)	1,933,438
Cash flows from capital and related financing activities:				
Capital contributions	113,458	1,920,487	-	-
Purchases of capital assets	(2,399,820)	(24,996,707)	(2,228,792)	(101,356)
Proceeds from sale of capital assets	13,180	37,845	78,070	55,599
Proceeds from bond issuance	-	6,980,854	-	-
Bond issuance cost	-	(83,199)	-	-
Principal repayments-bonds and notes	(1,316,800)	(4,049,200)	-	-
Interest paid	(811,570)	(1,475,163)	-	-
Net cash provided (used) by capital and related financing activities	(4,401,552)	(21,665,083)	(2,150,722)	(45,757)
Cash flows from investing activities:				
Collection of interfund loan principal and interest	-	2,269	-	-
Proceeds from sales and maturities of investments	21,650,498	64,692,404	19,224,652	5,840,053
Purchase of investments	(22,930,268)	(50,045,375)	(20,142,143)	(5,473,723)
Receipt of interest	98,565	283,632	103,376	28,896
Net cash provided (used) by investing activities	(1,181,205)	14,932,930	(814,115)	395,226
Net increase (decrease) in cash	181,538	638,601	(252,286)	13,296
Cash at beginning of year	417,374	727,350	542,348	75,549
Cash at end of year	\$ 598,912	\$ 1,365,951	\$ 290,062	\$ 88,845

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

Business Type Activities-Enterprise Funds						Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Performing Arts Center	Other Proprietary Funds	Total	Internal Service Funds
\$ 6,375,932	\$ 14,652,569	\$ 3,700,666	\$ 1,067,406	\$ 2,105,782	\$ 87,057,025	\$ 20,387,187
(1,626,209)	(1,492,401)	(465,849)	-	(2,942,548)	(26,288,051)	(1,656,757)
(3,274,233)	(934,794)	(626,240)	(846,182)	(1,776,782)	(33,174,500)	(19,413,884)
1,475,490	12,225,374	2,608,577	221,224	(2,613,548)	27,594,474	(683,454)
-	-	914,417	1,051,568	1,012,830	4,922,885	3,182,347
(1,114,597)	(6,623,332)	(2,502)	-	(708,616)	(8,568,184)	(1,506,567)
-	-	-	-	463,681	463,972	12,309
10,647	-	-	-	-	19,493	498,921
-	(3,801,735)	-	-	-	(3,801,735)	-
(1,103,950)	(10,425,067)	911,915	1,051,568	767,895	(6,963,569)	2,187,010
2,457,639	86,424	-	-	1,173,606	5,751,614	-
(1,712,743)	(1,656,639)	(52,169)	-	(591,639)	(33,739,865)	(1,094,505)
-	-	-	-	4,665	189,359	1,459,355
-	-	-	-	-	6,980,854	-
-	-	(103,831)	-	-	(187,030)	-
(405,000)	(176,460)	(1,360,000)	-	-	(7,307,460)	-
(414,562)	(27,335)	(1,410,346)	-	-	(4,138,976)	-
(74,666)	(1,774,010)	(2,926,346)	-	586,632	(32,451,504)	364,850
-	-	-	-	-	2,269	-
12,122,356	16,161,214	5,275,504	417,380	5,009,731	150,393,792	26,578,680
(11,776,396)	(16,330,490)	(5,935,064)	(1,668,019)	(3,815,342)	(138,116,820)	(29,204,070)
90,582	53,259	28,744	5,639	25,690	718,383	317,412
436,542	(116,017)	(630,816)	(1,245,000)	1,220,079	12,997,624	(2,307,978)
733,416	(89,720)	(36,670)	27,792	(38,942)	1,177,025	(439,572)
87,375	421,957	232,917	67,364	203,587	2,775,821	1,127,481
\$ 820,791	\$ 332,237	\$ 196,247	\$ 95,156	\$ 164,645	\$ 3,952,846	\$ 687,909

Continued

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS-(Continued)
For the Year Ended September 30, 2017

	Business Type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	McAllen Convention Center
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 1,013,844	\$ 3,155,329	\$ 1,263,853	\$ (3,825,057)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	4,645,422	5,975,189	2,427,312	1,608,267
(Increase) decrease in deferred outflows of resources - pension	265,214	167,185	265,115	77,236
Increase (decrease) in deferred inflows of resources-pensions	1,043	646	1,126	307
(Increase) decrease in accounts receivable	(106,286)	(12,676)	16,689	8,099
(Increase) decrease in due from other funds	-	-	-	-
(Increase) decrease in prepaid items	(5,192)	(5,587)	993	4,083
(Increase) decrease in inventories	(102,370)	-	-	-
Increase (decrease) in accounts payable	(44,855)	(2,999,608)	(806,233)	(41,807)
Increase (decrease) in customer deposits payable	(1,406)	-	-	(95,062)
Increase (decrease) in compensated absences payable	24,078	35,075	(2,883)	(3,168)
Increase (decrease) in accrued liabilities	(2,046)	1,096,558	19,048	(4,347)
Increase (decrease) in due to other funds	-	-	(500,903)	-
Increase (decrease) in net pension liability	69,521	43,033	75,003	20,447
Increase (decrease) in unearned revenue	41,321	(60,000)	(5,584)	(18,609)
Total adjustments	4,784,444	4,239,815	1,489,683	1,555,446
Net cash provided by (used) by operating activities	\$ 5,798,288	\$ 7,395,144	\$ 2,753,536	\$ (2,269,611)
Noncash investing, capital and financing activities:				
Contributions of capital assets	1,116,233	197,085	-	-
Increase (decrease) in fair value of investments	(83,873)	(63,788)	(67,321)	(11,069)

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

Business Type Activities-Enterprise Funds						Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Performing Arts Center	Other Proprietary Funds	Total	Internal Service Funds
\$ (2,349,706)	\$ 10,977,916	\$ 1,293,482	\$ (642,851)	\$ (4,776,344)	\$ 6,110,466	\$ (2,348,301)
4,701,434	986,388	1,533,466	766,785	1,790,492	24,434,755	2,218,816
68,271	52,724	20,085	-	124,440	1,040,270	38,272
268	209	74	-	441	4,114	162
176	(85,920)	-	-	(8,364)	(188,282)	17,588
-	157,359	-	-	-	157,359	(450,192)
(359)	-	-	-	-	(6,062)	(761,384)
-	-	-	-	-	(102,370)	268,533
(312,246)	106,838	(88,628)	25,165	229,749	(3,931,625)	(103,315)
1,155	-	-	72,125	-	(23,188)	-
8,867	8,801	1,280	-	1,613	73,663	2,419
36,314	(3,354)	1,251	-	22,934	1,166,358	43,308
(696,529)	282	(157,359)	-	(9,193)	(1,363,702)	379,859
17,845	13,942	4,926	-	29,370	274,087	10,781
-	10,189	-	-	(18,686)	(51,369)	-
3,825,196	1,247,458	1,315,095	864,075	2,162,796	21,484,008	1,664,847
<u>\$ 1,475,490</u>	<u>\$ 12,225,374</u>	<u>\$ 2,608,577</u>	<u>\$ 221,224</u>	<u>\$ (2,613,548)</u>	<u>\$ 27,594,474</u>	<u>\$ (683,454)</u>
-	-	-	52,772,568	234,731	54,320,617	-
(63,044)	-	(1,201)	-	(5,080)	(295,376)	(60,835)

Concluded

CITY OF McALLEN , TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2017

	<u>Pension Trust Firemen's Relief and Retirement Fund</u>	<u>Agencies</u>
ASSETS		
Cash and cash equivalents	\$ 1,789,674	\$ 309,009
Receivables:		
Interest	15,469	8,979
Other	-	7,368
Investments, at fair value:		
TexPool Prime	-	3,698,213
Domestic and international equities	28,771,737	-
Treasury, corporate bonds, & mutual funds	10,612,518	2,937,669
Alternative investments	<u>8,272,990</u>	<u>-</u>
Total investments	<u>47,657,245</u>	<u>6,635,882</u>
Total assets	<u>49,462,388</u>	<u>6,961,238</u>
LIABILITIES		
Accounts payable	3,078	237,267
Due agency	-	2,943,424
Escrow payables	<u>-</u>	<u>3,780,547</u>
Total liabilities	<u>3,078</u>	<u>\$ 6,961,238</u>
NET POSITION		
Net position restricted for pension	<u>\$ 49,459,310</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, 2017

	<u>Pension Trust</u>
	<u>Firemen's Relief and Retirement Fund</u>
ADDITIONS	
Contributions:	
Member	\$ 1,266,210
Employer	1,496,044
Other	<u>2,150</u>
Total contributions	<u>2,764,404</u>
Investment earnings:	
Interest and dividends	1,016,954
Gain on sale of investments	39,242
Net appreciation (depreciation) in fair value of investments	<u>4,729,605</u>
Total investment earnings	5,785,801
Less: investment expense	<u>295,831</u>
Net investment earnings	<u>5,489,970</u>
Total additions	<u>8,254,374</u>
DEDUCTIONS	
Benefits	3,205,562
Refund of contributions	32,196
DROP payments	282,539
Administrative expense	<u>33,822</u>
Total deductions	<u>3,554,119</u>
Changes in net assets	4,700,255
Net position--beginning	<u>44,759,055</u>
Net position--ending	<u><u>\$ 49,459,310</u></u>

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

This page left intentionally blank

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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 and the Local Government Finance Corporation meets the financial accountability tests and, therefore is included as blended component units. Specifically, management of the primary government has operational responsibility for the Development Corporation and the Local Government Finance Corporation. Its Boards are appointed by the City Commission and serve 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, 2017

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. 77, *Tax Abatement Disclosures*. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. For financial reporting purposes, a tax abatement is defined as, a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015, which are located under Note H.

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

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

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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. 83, Certain Asset Retirement Obligations.

This objective of this statement is to provide financial statement users with information about asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. The requirements of this Statement apply to financial statements of all state and local governments. 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. 84, Fiduciary Activities

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement will become effective for the City in fiscal year 2019. The City has not determined the impact of the implementation of this standard.

GASB Statement No. 87, Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will become effective for the

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

City in fiscal year 2020. 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.

(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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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

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

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

The City reports the following 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 *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.

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,

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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 *Performing Arts Center Fund*, which accounts for the activities of the City's performing arts 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.

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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 the *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).
- 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.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

- 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 or amortized cost, which approximates fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

(2) Receivables and payables

Lending/borrowing between funds that results in amounts outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds." "Due to/from other funds" represents the current portion of interfund loans. The noncurrent portion of interfund loans is reflected as interfund loans on the fund financial statements. With respect

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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.

(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”

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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 operations 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, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

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 \$1M 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.

The estimated useful lives are as follows:

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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

	Major Funds			Non-major	Total
	General	Development Corp.	Capital Improvements	Funds Other	
Fund balances:					
Nonspendable:					
Board advances	\$ 2,920,130	\$ -	\$ -	\$ -	\$ 2,920,130
Prepays	69,048	53,659	-	-	122,707
Restricted for:					
Law enforcement	-	-	-	3,428,027	3,428,027
Debt service	-	-	-	2,370,907	2,370,907
Economic development	-	13,710,952	-	206,878	13,917,830
Tourism	-	-	-	73,178	73,178
Capital improvements	-	-	-	30,096,053	30,096,053
Public education governmental	-	-	-	866,956	866,956
Parks	-	-	-	1,961,439	1,961,439
Committed to:					
Downtown services parking	-	-	-	290,623	290,623
Assigned to:					
Information technology projects	-	-	-	195,657	195,657
Radio communication system	457,022	-	-	-	457,022
Other capital projects	-	-	5,216,423	-	5,216,423
Unassigned	42,941,348	-	-	-	42,941,348
Total fund balances	\$ 46,387,548	\$ 13,764,611	\$ 5,216,423	\$ 39,489,718	\$ 104,858,300

The amount of fund balance restricted by enabling legislation totaled \$16,873,062, as of September 30, 2017.

(9) Minimum fund balance policy

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

(10) Deficit Net Position/Fund Balance

The Anzalduas Bridge Fund's net position reflects a deficit in the amount of \$2,571,542 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,

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

which will be repaid once the resources are available. In addition, the Employee Benefits Fund reflects a deficit net position in the amount of \$1,240,915. It is estimated that this 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. The Property & Casualty Insurance Fund reflects a deficit net position of \$9,180, which will be corrected by funding assistance from the General Fund in FY 2018. Two non-major governmental funds, Tax Increment Zone #1 and the Texas Anti Gang Fund, reflect a negative net position, \$2,181,607, and \$84,324, respectively. The Tax Increment Fund will reflect a negative net position for a period of time, as this new development is under construction with a projection of 5,000 single family homes, 1,000 townhomes, and 2,000 multi-family units. The Texas Anti Gang Fund's net position will receive intergovernmental funding assistance in FY 2018.

(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 loss 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 loss 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 on the following page describes the items and amounts:

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

<u>Deferred Inflows</u>	<u>Amount</u>
Property taxes	\$ 4,215,998
Weedy lots	852,387
Mission Repayment on Series B	2,920,130
Sales taxes	5,070,916
Other	<u>2,768,432</u>
Totals	<u>\$ 15,827,863</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 IV (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, 2017

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, 2017, expenditures in certain general fund departments exceeded appropriations. These expenditures over appropriations are the result of underestimating actual expenditures for the year. Revenue sufficient to provide for the excess was made available through the use of available surplus from current and prior years. The related departments and the excess of expenditures over appropriations are reflected in the table that follows:

<u>Department:</u>	
City manager	\$ 30,841
Passport facility	6,993
Legal	21,864
City Hall	6,188
Police	183,862
Radio Shop	45,611
Fire	1,026,715
Drainage	33,401
Code compliance	12,404
Graffiti Cleaning	5,643
Humane society	2,940
Other Agencies	366,753
Recreation	69,229
Quinta mazatlan	72,228
Total general fund	<u>\$ 1,884,672</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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, 2017, 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, 2017 are reflected in the table that follows:

			Fair Value Measurements Using			
2017	Cost	Fair Value	(Level 1)	(Level 2)	(Level 3)	
Investments by fair value level						
Debt Securities						
United States government agency securities	\$ 138,317,361	\$ 137,831,481	\$ -	\$ 137,831,481	\$ -	
Money market mutual funds	19,656,946	19,656,946	-	19,656,946	-	
Total debt securities	157,974,307	157,488,427	-	157,488,427	-	

The total amount above excludes investments in local government pools, which are reported at amortized cost in the amount of \$66,668,764, as of September 30, 2017.

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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 below reflects the allocation of the investment portfolio.

	<u>Government Agencies and Treasuries</u>	<u>Certificates of Deposit</u>
< 1 Year	\$ 28,734,456	\$ 8,296,313
1-3 Years	109,097,025	-
4 Years	-	-
Total	<u>\$ 137,831,481</u>	<u>\$ 8,296,313</u>
Weighted Average Maturity	508 Days	10 Days

Credit risk. As of September 30, 2017, 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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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, 2017 represents 3.90% of the total portfolio. The U.S. government agencies category represents 64.77% of the total portfolio. Within this category, securities issued by the Federal Home Loan Bank represent 14%, those issued by the Federal Home Loan Mortgage Corporation represent 41%, and those issued by Federal Farm Credit Bank represent 22%. Those issued by the Federal National Mortgage Association represent 13% and those issued by the Federal Agricultural Mortgage Corporation represent 9%. 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, 2017. The table below reflects the composition of these investments.

	Fair Value	% of Portfolio	Investment Policy Asset Allocation
Equities:			
Domestic	\$ 19,826,737	42%	30-60%
International	8,945,000	19%	10-30%
Equities total	28,771,737		
Fixed income			
Treasury and agency securities corporate bonds and mutual funds	10,612,518		
Fixed income total	10,612,518	22%	20-50%
Alternative investments	8,272,990	17%	0-20%
Total portfolio	\$ 47,657,245	100%	

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

Investments at fair value as of September 30, 2017 using the fair value measurement are as follows:

Investment Type	Total Fair Value	Level 1	Level 2	Level 3
Equities				
Domestic Equity	\$ 9,675,992	\$ 9,675,992	\$ -	\$ -
International Equity	6,724,698	1,677,612	5,047,086	-
Mutual Fund	2,298,348	2,298,348	-	-
Fixed Income				
Fixed Income Mutual Fund	6,079,323	745,874	5,333,449	-
US Treasury Notes	1,506,876	-	1,506,876	-
Mortgage Backed Securities	398,682	-	398,682	-
Corporate Bonds	264,791	-	264,791	-
Municipal Bonds	64,498	-	64,498	-
Total Investments at Fair Value	\$ 27,013,208	\$ 14,397,826	\$ 12,615,382	\$ -

Investments measured at the net asset value (NAV)

Equity Growth Fund	10,150,745			
Emerging Markets Equity Fund	2,220,302			
Hedge Funds		Unfunded Commitments	Redemption Frequency	Redemption Notice
Courage Credit Opportunities Offshore Fund III LP	1,202,281	879,792	(1)	(1)
Ironwood	2,232,865	-	Semi-annual	95 days
Titan	2,260,980	-	Quarterly	65 days
Cielo	329,218	-	(1)	(1)
Terracap	2,247,646	-	(1)	(1)
Total of Investments Measured at NAV	20,644,037			
Total Investments	<u>\$ 47,657,245</u>			

(1) These hedge funds are not redeemable. The Firemen's Relief and Retirement Fund receives distributions as the underlying assets of investments are sold/liquidated. Management estimates that the remaining three hedge funds (\$3,779,145 or 45.68%) will liquidate in 5-7 years.

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 previous page, none of the sectors exceed their percentage of asset allocation. The Plan is well diversified; with no one issue exceeding 5%.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

With the exception of the alternative investments, the portfolio can be liquidated within one to two days if so desired. Alternative investments can only be liquidated quarterly.

Interest rate risk. Only the fixed income securities of the Plan are subject to interest rate risk due to the possibility that prevailing interest rates could change before the securities reach maturity. Securities that are subject to interest rate risk as of September 30, 2017 amount to \$8,314,170 and have weighted-average duration of 11.67 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, five-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	\$ 264,791	3.18%	16.39
US Treasury notes	1,506,876	18.12%	6.60
Mutual fund bonds	6,079,323	73.12%	6.57
Government mortgage back securities	398,682	4.80%	5.34
Municipal mortgage bonds	64,498	0.78%	23.46
Total fixed income investments	<u>\$ 8,314,170</u>	100.00%	<u>11.67</u>

Credit risk. Using Standard and Poor's rating system for fixed income securities as of September 30, 2017 the Plan's bonds were rated as noted below. The investment policy is silent on the subject.

Investment Type	Fair Value	S & P Ratings		
		AA	A	Not Rated
Fixed Income Mutual Fund	\$ 6,079,323	\$ -	\$ -	\$ 6,079,323
US Treasury Notes	1,506,876	1,506,876	-	-
Mortgage Backed Securities	398,682	398,682	-	-
Corporate Bonds	264,791	47,046	166,561	51,184
Municipal Bonds	64,498	-	-	64,498
	<u>\$ 8,314,170</u>	<u>\$ 1,952,604</u>	<u>\$ 166,561</u>	<u>\$ 6,195,005</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(B) Receivables

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

	Receivables					
	Accounts	Taxes	Interest	Inter-governmental	Other	Net Receivables
Governmental activities:						
General	\$ 1,543,468	\$ 11,928,602	\$ 95,508	\$ 834,479	\$ 573,961	\$ 14,976,018
Development corp.	-	2,426,422	30,243	489,035	-	2,945,700
Capital Improvement	-	-	9,844	-	-	9,844
Nonmajor governmental and internal service funds	1,405,665	253,624	68,673	2,407,410	383,913	4,519,285
Total governmental	\$ 2,949,133	\$ 14,608,648	\$ 204,268	\$ 3,730,924	\$ 957,874	\$ 22,450,847
Business-type activities:						
Water	\$ 2,145,834	\$ -	\$ 14,578	\$ -	\$ -	\$ 2,160,412
Sewer	1,861,367	-	-	-	13,001	1,874,368
Sanitation	1,997,045	-	23,322	1,073	-	2,021,440
Convention center	22,011	-	5,463	-	-	27,474
Performing arts center	-	-	-	-	-	-
McAllen international airport	84,900	-	24,253	750,873	-	860,026
McAllen international toll bridge	310	-	-	175,493	-	175,803
Anzalduas international crossing	-	-	2,585	-	-	2,585
Nonmajor enterprise and fleet fund	275,407	-	1,979	883,333	-	1,160,719
Total business type	\$ 6,386,874	\$ -	\$ 72,180	\$ 1,810,772	\$ 13,001	\$ 8,282,827

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 2017 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 \$82,116; sewer accounts by \$74,020; and sanitation accounts by \$83,537.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(C) Capital assets

Capital asset activity for the year ended September 30, 2017 was as follows:

	Beginning				Ending
Governmental activities:	Balance	Increases	Transfers	Retirements	Balance
Capital assets, not being depreciated:					
Land	\$ 58,197,423	\$ 24,270,538	\$ 356,983	\$ (1,954,263)	\$ 80,870,681
Construction in progress	61,875,843	14,366,301	(56,770,388)	-	19,471,756
Total capital assets, not being depreciated	120,073,266	38,636,839	(56,413,405)	(1,954,263)	100,342,437
Capital assets, being depreciated:					
Buildings and improvements	147,116,830	543,943	3,239,255	(86,645)	150,813,383
Equipment	88,675,730	3,428,033	(287,063)	(4,115,918)	87,700,782
Infrastructure	216,458,805	1,260,967	5,553,365	-	223,273,137
Total capital assets being depreciated	452,251,365	5,232,943	8,505,557	(4,202,563)	461,787,302
Less accumulated depreciation for:					
Buildings and improvements	(52,182,793)	(4,753,762)	-	86,645	(56,849,910)
Equipment	(66,185,165)	(5,375,632)	203,624	3,308,170	(68,049,003)
Infrastructure	(128,139,122)	(6,487,398)	-	-	(134,626,520)
Total accumulated depreciation	(246,507,080)	(16,616,792)	203,624	3,394,815	(259,525,433)
Total capital assets being depreciated, net	205,744,285	(11,383,849)	8,709,181	(807,748)	202,261,869
Governmental activities capital assets, net	\$ 325,817,551	\$ 27,252,990	\$ (47,704,224)	\$ (2,762,011)	\$ 302,604,306

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

Depreciation expense was charged to governmental functions as follows:

General government	\$ 1,699,297
Public safety	2,443,291
Highways and streets, which includes the depreciation of general infrastructure assets	6,524,553
Health and welfare	139,815
Culture and recreation	3,657,481
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>2,152,355</u>
Total depreciation-governmental activities	<u><u>\$ 16,616,792</u></u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

Business-type activities:	Beginning Balance	Increases	Transfers/ Retirements	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 20,660,918	\$ -	\$ 235,187	\$ 20,896,105
Construction in progress	59,641,019	27,876,537	(11,544,350)	75,973,206
Water rights (perpetual)	4,923,100	1,100,400	-	6,023,500
Goodwill	609,713	-	-	609,713
Total capital assets, not being depreciated	<u>85,834,750</u>	<u>28,976,937</u>	<u>(11,309,163)</u>	<u>103,502,524</u>
Capital assets, being depreciated:				
Buildings and systems	338,205,629	2,640,528	51,558,754	392,404,911
Improvements other than buildings	203,907,336	12,266,242	(13,239)	216,160,339
Machinery and equipment	66,141,507	2,960,771	(796,845)	68,305,433
Development cost	7,417,616	-	-	7,417,616
Water rights (non-perpetual)	3,200,000	-	-	3,200,000
Total capital assets being depreciated	<u>618,872,088</u>	<u>17,867,541</u>	<u>50,748,670</u>	<u>687,488,299</u>
Less accumulated depreciation for:				
Buildings and systems	(128,439,215)	(12,178,946)	-	(140,618,161)
Improvement other than buildings	(96,136,630)	(6,787,331)	-	(102,923,961)
Machinery and equipment	(43,966,549)	(5,239,499)	1,964,413	(47,241,635)
Development cost	(1,251,722)	(185,440)	-	(1,437,162)
Water rights	(962,498)	(110,000)	-	(1,072,498)
Total accumulated depreciation	<u>(270,756,614)</u>	<u>(24,501,216)</u>	<u>1,964,413</u>	<u>(293,293,417)</u>
Total capital assets being depreciated, net	<u>348,115,474</u>	<u>(6,633,675)</u>	<u>52,713,083</u>	<u>394,194,882</u>
Business-type activities				
Capital assets net	<u>\$ 433,950,224</u>	<u>\$ 22,343,262</u>	<u>\$ 41,403,920</u>	<u>\$ 497,697,406</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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

Water	\$ 4,645,422
Sewer	5,975,189
Sanitation	2,427,312
Golf course	304,155
Performing arts center	766,785
Convention center	1,608,267
McAllen international airport	4,701,434
McAllen express	571,794
Transit terminal	914,543
McAllen international toll bridge	986,388
Anzalduas international crossing	1,533,466
In addition, depreciation on capital assets held by the City's Fleet management funds is charged to the various functions based on their usage of the assets	<u>66,461</u>
Total depreciation-business type activities	<u><u>\$ 24,501,216</u></u>

At September 30, 2017, the City had the following significant remaining contractual commitments for various construction and improvement projects:

<u>Project Description</u>	<u>Remaining Commitment</u>	<u>Financing Sources</u>
McAllen baseball complex	\$ 6,073,400	Grant and bond funds
Paving and drainage	810,809	Local and grant
Public safety building renovation	2,076,890	Local and grant
Sewer improvements	12,303,208	Local and bond funds
Park improvements	587,223	Local and grant
City Hall building improvements	55,000	Local
Performing arts center	<u>78,326</u>	Local and bond funds
	<u><u>\$ 21,984,856</u></u>	

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(D) Interfund receivables/loans and transfers

The compositions of inter-fund balances as of September 30, 2017 are reflected below.

<u>Receivable Fund:</u>	<u>Payable Fund:</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	\$ 1,770,785
	McAllen Toll Bridge	<u>16,822</u>
	Total General Fund	<u>1,787,607</u>
	Total Governmental Funds	<u>1,787,607</u>
Convention Center Fund	Non-Major Governmental Fund	<u>127,071</u>
Performing Arts Center Fund	Non-Major Governmental Fund	<u>54,463</u>
General Depreciation Fund	McAllen Toll Bridge	<u>255,606</u>
General Depreciation Fund	Airport Fund	<u>1,494,178</u>
General Insurance Fund	McAllen Toll Bridge	<u>255,606</u>
General Insurance Fund	Airport Fund	<u>1,494,178</u>
Fleet Materials Management Fund	Health Insurance Fund	<u>517,893</u>
	Total Proprietary Funds	<u>4,198,995</u>
	Combined totals	<u><u>\$ 5,986,602</u></u>

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 last year to assist with the terminal expansion project. The current outstanding balance totals \$2,988,356. 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 \$511,212. It is disclosed in this section of the notes, since it is not a third party transaction.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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

	Transfer In:								
	General	Capital Imprv	Performing arts	Convention	Nonmajor	Nonmajor	Anzalduas Int'l Crossing	Internal	
	<u>Fund</u>	<u>Fund</u>	<u>Center</u>	<u>Center</u>	<u>Governmental</u>	<u>Proprietary</u>	<u>Fund</u>	<u>Service</u>	<u>Total</u>
Transfer out:									
General fund	\$ -	\$3,517,381	\$ -	\$ -	\$ 3,289,150	\$ -	\$ -	\$ 329,581	\$ 7,136,112
Sanitation fund	-	-	-	-	-	-	-	41,276	41,276
Development corp	3,489,150	-	-	-	-	1,012,830	-	-	4,501,980
Nonmajor prop.	-	352,716	-	-	16,392	-	-	339,508	708,616
Nonmajor gov.	237,000	-	1,081,595	1,890,899	1,064,257	-	-	5,941	4,279,692
Water fund	-	-	-	-	-	-	-	42,839	42,839
Sewer fund	-	-	-	-	-	-	-	24,390	24,390
Convention center	-	-	690,155	-	-	-	-	10,632	700,787
Internal service	-	-	-	-	-	-	-	1,506,567	1,506,567
Anzalduas Int'l bridge	-	-	-	-	-	-	-	2,502	2,502
McAllen int'l toll bridg	5,700,472	-	-	-	-	-	914,417	8,443	6,623,332
McAllen int'l airport	1,103,965	-	-	-	-	-	-	10,632	1,114,597
Total	\$10,530,587	\$3,870,097	\$ 1,771,750	\$ 1,890,899	\$ 4,369,799	\$ 1,012,830	\$ 914,417	\$2,322,311	\$ 26,682,690

During the year, the General Fund transferred \$3,517,381 of surplus revenues to the Capital Improvement Fund to assist in funding some major projects contemplated in next year's budget, as well as the Transit System Fund's assistance of \$352,716. It also provided funding in the amount of \$3,289,150 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 \$329,581 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 \$803,373 and \$209,457, respectively. It also transferred \$3,489,150 to the General Fund for operating expenditures associated with the public safety building.

The Hotel Occupancy Tax Fund and the Hotel Venue Fund, non-major governmental funds, transferred collections of \$1,890,899 to the Convention Center and \$1,081,595 to the Performing Arts Fund, as well as to the Hotel Venue Debt Service Fund in the amount of \$855,925. During May 2017, the Convention Center Fund transferred \$690,155, which represents the cost basis of 12.567 acres for the location site of the Performing Arts facility.

The City received a transfer in of \$208,332 from the Local Government Finance Corp Construction Fund for the debt service payment for the Local Government Finance Corp bonds.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

The Performing Arts Construction Fund - CO Series 2014 transferred in \$1,152,044 for the final construction costs related to the Performing Arts Facility.

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 amount of \$5,941 to the Employee Benefits Fund.

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 \$10,632 to the Employee Benefits Fund to provide additional assistance with rising health care expenses. The Airport Construction Fund was closed and the residual amount of \$81,526 was transferred to the Airport Fund.

The Sanitation Fund transferred \$41,276 to the Employee Benefits Fund to provide additional assistance with rising health care expenses.

The Civic Center Fund a non-major proprietary fund, transferred \$16,392 to the Performing Arts Construction Fund to assist with construction expenditures for the Performing Arts Center, as well as the Health Insurance Fund, \$323,561.

The Convention Center Fund transferred \$10,632 to the Employee Benefits Fund to provide additional assistance with rising health care expenses.

The amount reflected from the McAllen International Toll Bridge Fund to the General Fund of \$5,700,472 represents the City's share of surplus net revenue from operation of the international toll bridge. Additionally, it transferred \$914,417 to the Anzalduas International Crossing Fund for debt service requirements on the International Toll Bridge System Revenue Bonds, Series 2007B/2017B Refunding Bonds. Additionally, it transferred \$8,443 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--\$42,839; Sewer Fund--\$24,390; Palm View Golf Course Fund--\$4,065; Transit System Fund--\$1,563; McAllen Express Fund--\$10,319; Anzalduas International Crossing Fund--\$2,502; Fleet Materials Management Fund--\$6,567; and General Insurance Fund--\$1,500,000.

(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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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>
2018	\$ 2,116,056	\$ 240,000	\$ 2,356,056
2019	2,116,056	240,000	2,356,056
2020	2,116,056	240,000	2,356,056
2021	2,116,056	240,000	2,356,056
2022	2,116,056	240,000	2,356,056
2023-2027	10,580,281	40,000	10,620,281
2028-2029	<u>2,116,056</u>	<u>-</u>	<u>2,116,056</u>
Totals	<u>\$ 23,276,617</u>	<u>\$ 1,240,000</u>	<u>\$ 24,516,617</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, 2017

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%	38,775,000
\$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%	10,770,000
\$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%	9,395,000
\$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 1.87% to 3.97%	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 1.40% to 3.50%	5,120,000
\$10,670,000 Local Government Finance Corporation Contract Revenue Bonds, Series 2017 due in annual installments ranging from \$490,000 to \$825,000 per year through August 15, 2036; interest at 2.00% to 5.00%	10,670,000
\$10,165,000 Development Corporation of McAllen, Inc. Sales Tax Revenue Bonds, Taxable Series 2017 due in annual installments ranging from \$465,000 to \$785,000 per year through August 15, 2036; interest at 2.04% to 4.07%	10,165,000

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

Unamortized bond premium & discount	2,750,849
Net OPEB obligation	1,144,838
Firemen's net pension liability	25,632,406
TMRS net pension liability	18,672,926
Unpaid accumulated compensated absences	<u>10,919,839</u>
Total general long-term liabilities	<u><u>\$168,515,858</u></u>

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, 2017, including interest, are reflected below:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 5,030,000	\$ 3,862,470
2019	5,265,000	3,775,870
2020	6,680,000	3,565,945
2021	3,550,000	3,402,109
2022	4,340,000	3,252,134
2023-2027	24,210,000	13,779,010
2028-2032	28,820,000	9,162,378
2033-2037	20,010,000	3,884,092
2038-2042	5,875,000	1,714,835
2043-2047	<u>5,615,000</u>	<u>456,703</u>
Totals	<u><u>\$ 109,395,000</u></u>	<u><u>\$ 46,855,546</u></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 \$3,897,295. 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, 2017

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%	\$ 8,016,400
--	--------------

\$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%	9,300,900
--	-----------

Unamortized bond premium	2,256,282
--------------------------	-----------

TMRS net pension liability	2,007,593
----------------------------	-----------

Unpaid accumulated compensated absences	<u>540,143</u>
---	----------------

Total water fund	<u><u>\$ 22,121,318</u></u>
------------------	-----------------------------

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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% \$ 12,329,100

\$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 31,130,000

\$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 635,000

\$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%. 5,995,000

\$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%. 139,000

\$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%. 1,840,000

\$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% 6,298,600

\$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% 38,580,000

\$7,110,000 Waterworks and Sewer System Revenue Bonds
Series 2016 (loan) due in annual installments from \$20,000
to \$315,000 through February 1, 2047: interest at 0.07% to 1.41% 7,110,000

Unamortized bond premium, \$2,813,437, & bond discount, \$542,759 1,897,778

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

Payable from Sewer Fund (Continued):

TMRS net pension liability	\$ 1,243,768
Unpaid accumulated compensated absences	<u>370,481</u>
Total sewer fund	<u>\$ 107,568,727</u>

Payable from Sanitation Fund:

TMRS net pension liability	\$ 2,158,297
Unpaid accumulated compensated absences	<u>486,573</u>
Total sanitation fund	<u>\$ 2,644,870</u>

Payable from Palm View Golf Course Fund:

TMRS net pension liability	\$ 231,817
Unpaid accumulated compensated absences	<u>100,769</u>
Total palm view golf course fund	<u>\$ 332,586</u>

Payable from Convention Center Fund:

TMRS net pension liability	\$ 590,189
Unpaid accumulated compensated absences	<u>121,286</u>
Total convention center fund	<u>\$ 711,475</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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% \$ 7,565,000

TMRS net pension liability 515,389

Unpaid accumulated compensated absences 153,337

Total airport fund \$ 8,233,726

Payable from McAllen Express Fund:

TMRS net pension liability \$ 559,470

Unpaid accumulated compensated absences 77,996

Total McAllen Express Fund \$ 637,466

Payable from Transit System Fund:

TMRS net pension liability \$ 61,352

Unpaid accumulated compensated absences 6,359

Total Transit System Fund \$ 67,711

Payable from McAllen International Toll Bridge Fund:

TMRS net pension liability \$ 402,425

Unpaid accumulated compensated absences 107,932

Total McAllen International Toll Bridge Fund \$ 510,357

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

Payable from Anzalduas International Crossing Fund:

\$18,455,000 International Toll Bridge System Revenue Refunding Bonds, Series 2017A due in annual installments from \$900,000 to \$1,690,000 through March 1, 2032: interest at 2.00% to 5.00%	\$ 18,455,000
--	---------------

\$10,185,000 International Toll Bridge System Revenue Refunding Bonds, Series 2017B due in annual installments from \$570,000 to \$825,000 through March 1, 2032: interest at 2.00% to 3.50%	10,185,000
--	------------

TMRS net pension liability	142,720
----------------------------	---------

Unpaid accumulated compensated absences	16,764
---	--------

Unamortized bond premium	<u>2,562,924</u>
--------------------------	------------------

Total Anzalduas International Crossing Fund	<u>\$ 31,362,408</u>
---	----------------------

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

TMRS net pension liability	\$ 310,298
----------------------------	------------

Unpaid accumulated compensated absences	<u>38,953</u>
---	---------------

Total Fleet Materials Management Fund	<u>\$ 349,251</u>
---------------------------------------	-------------------

Total Proprietary Fund Long Term Liabilities	<u>\$ 174,539,895</u>
--	-----------------------

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 7,432,000	\$ 3,596,693
2019	7,592,000	3,441,083
2020	7,763,000	3,259,267
2021	7,968,000	3,059,919
2022	8,364,000	2,843,528
2023-2027	41,435,000	10,458,864
2028-2032	38,790,000	4,676,048
2033-2037	16,580,000	1,766,989
2038-2042	14,730,000	978,545
2043-2047	<u>6,925,000</u>	<u>181,848</u>
Total bonds outstanding	<u>\$ 157,579,000</u>	<u>\$ 34,262,784</u>

In addition, interfund notes payable of \$2,956,903 was reflected at the end of September 30, 2017 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.

Revenue Bonds Refunding

Due to favorable interest rates, during fiscal year 2017, \$31,174,708, including premium, of Series 2017A and 2017B Refunding Bonds were issued to refund \$30,898,028 of the City's previously issued and outstanding Series 2007A and 2007B Bonds, plus accrued interest and interest cost. The proceeds were deposited with an escrow agent.

As a result of the refunding, the City reduced its aggregate debt service payments to maturity by \$3.1M for Series 2017A and \$1.5M for Series 2017B, respectively. Also, it obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$3.6M for the refunding Series 2017A and 2017B.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(3) Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2017 is shown on the following table:

	Balance at September 30, 2016	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2017	Amounts Due Within One Year
Governmental activities:					
Sales tax revenue bonds	\$ 5,120,000	\$ 10,165,000	\$ -	\$ 15,285,000	\$ -
Certificates of obligation	35,715,000	10,670,000	(445,000)	45,940,000	465,000
General obligation bonds	52,555,000	-	(4,385,000)	48,170,000	4,565,000
Bond premium	2,999,467	445,587	(540,890)	2,904,164	455,797
Bond discount	(158,719)	-	5,404	(153,315)	5,404
Compensated absences	10,359,164	4,363,003	(3,802,328)	10,919,839	3,771,562
TMRS net pension liability	18,028,374	644,552	-	18,672,926	-
Net OPEB obligation	1,329,600	-	(184,762)	1,144,838	-
Fire net pension liability	27,828,153	-	(2,195,747)	25,632,406	-
Total general long-term	153,776,039	26,288,142	(11,548,323)	168,515,858	9,262,763
Business-Type activities:					
Revenue bonds payable	159,490,000	35,750,000	(37,661,000)	157,579,000	7,432,000
Compensated absences	1,942,560	1,352,233	(1,274,200)	2,020,593	2,041,834
Bond premium	5,821,414	2,562,924	(1,135,172)	7,249,166	916,647
Bond discount	(542,759)	(129,146)	139,723	(532,182)	(139,723)
TMRS net pension liability	7,938,450	284,868	-	8,223,318	-
Total proprietary fund debt	174,649,665	39,820,879	(39,930,649)	174,539,895	10,250,758
Total debt	<u>\$ 328,425,704</u>	<u>\$ 66,109,021</u>	<u>\$ (51,478,972)</u>	<u>\$ 343,055,753</u>	<u>\$ 19,513,521</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.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(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 2017, 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, 2017. 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, 2017

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:

	Employee Benefits	Retiree Health Insurance	Risk Management	Property & Casualty Insurance	Total
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	(1,750,000)	(240,000)	(405,712)	-	(2,395,712)
Current period claims and changes in estimate	(10,705,875)	(1,499,876)	(981,271)	(498,221)	(13,685,243)
Current period claims paid	11,449,226	1,499,876	868,971	445,967	14,264,040
Claims payable at September 30, 2017	<u>\$ (1,006,649)</u>	<u>\$ (240,000)</u>	<u>\$ (518,012)</u>	<u>\$ (52,254)</u>	<u>\$ (1,816,915)</u>

(B) Contingent liabilities

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

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

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

investment project selected by applicant. As of September 30, 2017, the deposit amount totaled \$65,000.

(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, 2016. 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 \$1,144,838 is recorded in the governmental activities column of the statement of net position.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

Net OPEB Obligation

Annual required contribution	\$ 843,745
Interest on net OPEB obligation	59,832
Adjustment to annual required contribution	<u>(81,621)</u>
Annual OPEB cost	821,956
Contributions made	(1,006,718)
Increase in net OPEB obligation	(184,762)
Net OPEB obligation at beginning of year	<u>1,329,600</u>
Net OPEB obligation at end of year	<u><u>\$ 1,144,838</u></u>

The City's annual OPEB cost and the percentage cost contributed to the plan for the year ended September 30, 2017 is as follows:

Year Ended September 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset) at Year End
2015	\$ 734,852	111.3%	\$ 1,142,521
2016	825,022	77.32%	1,329,600
2017	821,956	77.61%	1,144,838

- (4) **Funded Status and Funding Progress:** The funding of the plan was based on the actuarial valuation dated October 1, 2016. The study reported the unfunded actuarial accrued liability (UAAL) at \$8,978,891 with an annual required contribution of \$843,745. The actuarial value of assets was \$0, resulting in an UAAL of \$8,978,891. The City contributed \$1,006,718 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, 2017

The next actuarial valuation will be performed at the end of September 30, 2017. 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)
10/01/12	-	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%
10/01/16	-	8,978,891	8,978,891	0.0%	67,161,351	13.4%

- (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, 2017, the actuarial valuation date was October 1, 2016. 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 5.67%, with an ultimate goal of 4.24%. 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 defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at 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, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	486
Inactive employees entitled to but not yet receiving benefits	370
Active employees	<u>1,579</u>
Total	<u><u>2,435</u></u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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 2017, the City made contributions of 7.90%.

d). Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016, 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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2016 valuation.

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%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
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, 2017

Changes in the Net Pension Liability—

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2015	\$ 237,640,486	\$ 211,673,662	\$ 25,966,824
Changes for the year:			
Service cost	7,992,201	-	7,992,201
Interest	15,972,265	-	15,972,265
Difference between expected and actual experience	285,052	-	285,052
Contributions-employer	-	4,477,156	(4,477,156)
Contributions-employee	-	4,707,800	(4,707,800)
Net investment income	-	14,305,407	(14,305,407)
Benefit payments, including refunds of employee contributions	(10,020,877)	(10,020,877)	-
Administrative expense		(161,560)	161,560
Other	-	(8,705)	8,705
Net Changes	14,228,641	13,299,221	929,420
Balance at 12/31/2016	\$ 251,869,127	\$ 224,972,883	\$ 26,896,244

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 (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 63,490,037	\$ 26,896,244	\$ (3,109,225)

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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.tmrs.com.

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

For the year ended September 30, 2017, the City recognized pension expense of \$9,846,600.

At September 30, 2017, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 519,628	\$ -
Difference in assumption changes	5,690,953	-
Difference between projected and actual investment earnings	9,718,403	13,948
Contributions subsequent to the measurement date	4,154,054	-
Total	<u>\$ 20,083,038</u>	<u>\$ 13,948</u>

\$4,154,054 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, 2018.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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

Year ended	
<u>Dec 31</u>	
2017	\$ 4,707,641
2018	4,707,643
2019	4,194,590
2020	1,297,011
2021	985,017
Thereafter	<u>23,134</u>
Total	<u>\$ 15,915,036</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, 2017 valuation and measurement date, the following members were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	103
Terminated employees entitled to but not yet receiving benefits	-
Active members	<u>170</u>
Total	273

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, 2017

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, 2017

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, 2017

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, 2017 were as follows:

Total pension liability	\$ 75,091,715
Plan fiduciary net position	<u>49,459,309</u>
Net pension liability	<u>\$ 25,632,406</u>
Fiduciary net position	
as a percentage of total pension liability	65.87%
Covered payroll	11,524,569
Net pension liability as a % of covered payroll	222.42%

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

Actuarial Assumptions -

The total pension liability was determined by an actuarial valuation as of October 1, 2016 and rolled forward to the measurement date of September 30, 2017, the Plan's fiscal year end.

Valuation date	October 1, 2016
Measurement date	September 30, 2017
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Actuarial assumptions:	
Investment rate of return	7.75% 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, 2016 valuation date

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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, 2017 are summaries in the table below:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Cash	0.63%	0.00%
Fixed income	22.86%	3.00%
Equities		
(a) Domestic	43.48%	7.25%
(b) International	16.27%	5.75%
Alternative investments	16.76%	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, 2017

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

	Increase (Decrease)		
	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension <u>Liability</u>
	(a)	(b)	(a) - (b)
Balance at 9/30/2016	\$ 72,587,208	\$ 44,759,055	\$ 27,828,153
Changes for the year:			
Service cost	1,865,778	-	1,865,778
Interest	5,361,757	-	5,361,757
Difference between expected and actual experience	(1,202,731)	-	(1,202,731)
Benefit payments, including refunds of member contributions	(3,520,297)	(3,520,297)	-
Contributions-employer	-	1,498,194	(1,498,194)
Contributions-members	-	1,266,209	(1,266,209)
Expected net investment income	-	5,489,970	(5,489,970)
Expected administrative expense		(33,822)	33,822
Net Changes	<u>2,504,507</u>	<u>4,700,254</u>	<u>(2,195,747)</u>
Balance at 9/30/2017	<u>\$ 75,091,715</u>	<u>\$ 49,459,309</u>	<u>\$ 25,632,406</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	\$ 39,339,224	\$ 25,632,406	\$ 21,674,434

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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

For the year ended September 30, 2017, the Plan recognized pension expense of \$2,755,348

At September 30, 2017, 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	\$ -	\$ 900,692
Changes in actuarial assumptions	-	2,640,305
Difference between projected and actual investment earnings	<u>158,658</u>	<u>-</u>
Total	<u>\$ 158,658</u>	<u>\$ 3,540,997</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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>	
2018	\$ 87,514
2019	87,515
2020	(1,081,277)
2021	(931,678)
2022	(499,146)
2023-2027	(1,045,267)
Total	<u>\$ (3,382,339)</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, 2017 was 13.50% of annual compensation. Contributions required and paid into the fund as of September 30, 2017 were members, \$1,266,210 and employer, \$1,498,194.

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, 2017

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 1st 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, 2017, \$18.3M 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, 2017, there was no activity to report for TIRZ #2.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(G) Public Improvement District (PID)

On April 15, 2015, the City Commission approved 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, 2017, there was no activity to report for the Tres Lagos PID.

(H) Tax Abatements

The City of McAllen negotiates loans, grants, property tax abatement agreements, property tax rebates, and sales tax rebates on an individual basis. These agreements are designed to promote local economic development and redevelopment within the City, stimulate commercial activity, promote job creation, generate additional sales tax and enhance the property tax base and economic vitality of the City. This program is authorized under Chapter 380.001 of the Texas Local Government Code.

The City has entered into various agreements that rebate a percentage of property, sales tax, and employment related reimbursements as well as economic development grants. The reimbursement amounts range per type of agreement once certain milestones are attained. There were no tax abatements issued as of September 30, 2017.

(I) Subsequent events

On January 30, 2018, the City issued Sales Tax Revenue Bonds, Taxable Series 2018 for \$5,115,000 to finance the final portion of the costs of two new parking garages at La Plaza Mall.

On February 15, 2018, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2018 for \$5,890,000 to construct and equip a new fire station, as well as a Parks and Recreation Department facility, each with related infrastructure and parking lots.

On February 16, 2018 the City sold 20 acres of land to IDEA school for \$1,100,741. IDEA School plans to build a school for grades Pre-K to 12.

This page left intentionally blank

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 Three Fiscal Years (Previous years unavailable)

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016
Total pension liability:			
Service cost	\$ 6,805,485	\$ 7,407,030	\$ 7,992,201
Interest(on the total pension liability)	14,011,751	15,035,551	15,972,265
Changes of benefit terms	-	2,340,034	-
Difference between expected and actual experience	12,762	385,103	285,052
Change in assumptions	-	8,087,143	-
Benefit payments, including refunds of employee contributions	<u>(8,961,369)</u>	<u>(8,728,811)</u>	<u>(10,020,877)</u>
Net change in total pension liability	11,868,629	24,526,050	14,228,641
Total pension liability - beginning	<u>201,245,807</u>	<u>213,114,436</u>	<u>237,640,486</u>
Total pension liability - ending (a)	<u><u>\$ 213,114,436</u></u>	<u><u>\$ 237,640,486</u></u>	<u><u>\$ 251,869,127</u></u>
Plan fiduciary net position:			
Contributions - employer	\$ 4,139,770	\$ 4,278,578	\$ 4,477,156
Contributions - employee	4,367,657	4,595,301	4,707,800
Net investment income	11,471,696	311,957	14,305,407
Benefit payments, including refunds of employee contributions	(8,961,369)	(8,728,811)	(10,020,877)
Administrative expense	(119,767)	(190,013)	(161,560)
Other	<u>(9,847)</u>	<u>(9,385)</u>	<u>(8,705)</u>
Net change in plan fiduciary net position	10,888,140	257,627	13,299,221
Plan fiduciary net position - beginning	<u>200,527,895</u>	<u>211,416,035</u>	<u>211,673,662</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 211,416,035</u></u>	<u><u>\$ 211,673,662</u></u>	<u><u>\$ 224,972,883</u></u>
Net pension liability - ending (a) - (b)	\$ 1,698,401	\$ 25,966,824	\$ 26,896,244
Plan fiduciary net position as a percentage of total pension liability	99.20%	89.07%	89.32%
Covered employee payroll	\$ 62,261,492	\$ 65,030,992	\$ 67,161,351
Net pension liability as a percentage of covered employee payroll	2.73%	39.93%	40.05%

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 Three Fiscal Years (Previous years unavailable)

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%
2017	5,197,019	5,197,025	6	68,243,115	7.62%

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 31st and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rate for 2017:

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:	There were no benefit changes during the year.

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 Four Fiscal Years (Previous years unavailable)

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017
Total pension liability:				
Service cost	\$ 1,573,197	\$ 1,824,526	\$ 2,879,641	\$ 1,865,778
Interest(on the total pension liability)	4,841,219	4,884,830	5,130,946	5,361,757
Difference between expected and actual experience	-	221,439	-	(1,202,731)
Change in assumptions	-	(3,414,995)	-	-
Benefit payments, including refunds of member contributions	<u>(2,588,586)</u>	<u>(3,170,707)</u>	<u>(3,876,966)</u>	<u>(3,520,297)</u>
Net change in total pension liability	3,825,830	345,093	4,133,621	2,504,507
Total pension liability - beginning	<u>64,282,664</u>	<u>68,108,494</u>	<u>68,453,587</u>	<u>72,587,208</u>
Total pension liability - ending (a)	<u>\$ 68,108,494</u>	<u>\$ 68,453,587</u>	<u>\$ 72,587,208</u>	<u>\$ 75,091,715</u>
Plan fiduciary net position:				
Contributions - employer	\$ 1,435,293	\$ 1,477,483	\$ 1,554,567	\$ 1,498,194
Contributions - members	1,214,786	1,223,445	1,265,734	1,266,209
Benefit payments, including refunds of member contributions	(2,588,586)	(3,170,707)	(3,876,966)	(3,520,297)
Expected net investment income	2,525,951	(2,467,023)	3,867,719	5,489,970
Expected Administrative expense	<u>(23,961)</u>	<u>(46,070)</u>	<u>(352,963)</u>	<u>(33,822)</u>
Net change in plan fiduciary net position	2,563,483	(2,982,872)	2,458,091	4,700,254
Plan fiduciary net position - beginning	<u>42,720,353</u>	<u>45,283,836</u>	<u>42,300,964</u>	<u>44,759,055</u>
Plan fiduciary net position - ending (b)	<u>\$ 45,283,836</u>	<u>\$ 42,300,964</u>	<u>\$ 44,759,055</u>	<u>\$ 49,459,309</u>
Net pension liability - ending (a) - (b)	\$ 22,824,658	\$ 26,152,623	\$ 27,828,153	\$ 25,632,406
Plan fiduciary net position as a percentage of total pension liability	66.49%	61.80%	61.66%	65.87%
Covered employee payroll	\$ 11,043,509	\$ 11,365,262	\$ 11,515,311	\$ 11,524,569
Net pension liability as a percentage of covered employee payroll	206.68%	230.11%	241.66%	222.42%

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 Four Fiscal Years (Previous years unavailable)

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)
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%
2017	1,498,194	1,498,194	-	11,524,569	13.00%

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 1st.

Methods and Assumptions Used to Determine Contribution Rate for 2017:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Pay, Open
Remaining Amortization Period	41.4 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	7.75% 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

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)
10/01/12	\$ -	\$ 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%
10/01/16	-	8,978,891	8,978,891	0.0%	67,161,351	13.4%

Refer to page 94 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 TTIC Fund was established to account for all expenditures related to the Texas Transnational Intelligence Center, a multiagency crime information center.

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.

The Hotel Venue Debt Service Fund was established to retire Certificate of Obligation, Series 2014.

Capital Projects Funds:

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

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

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

The Performing Arts C.O. Construction Fund was established to account for all expenditures related to the construction of the Performing Arts Center as funded with Certificate of Obligation Series 2014.

The Local Government Finance Corp - TX A&M Construction Fund was established to account for all expenditures related to the Texas A&M University Building Project.

CITY OF McALLEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2017

	Special Revenue								
	Hotel Occupancy Tax	Hotel Venue Tax	McAllen EB-5 Regional Center	Park Development	Tax Increment Zone #1	Community Development	Miscellaneous Government Grants	Downtown Services Parking	PD Seized
ASSETS									
Cash	\$ 7,190	\$ -	\$ 129,400	\$ 166,474	\$ 587	\$ -	\$ -	\$ 38,733	\$ 43,258
Certificate of deposit	-	-	-	-	-	-	-	-	-
Investments	4	2,570	143,386	1,810,426	975,639	-	-	281,124	3,605,994
Receivables:									
Accounts	246,988	70,568	-	-	-	-	-	842,715	-
Taxes	-	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	4,370	-	-	-	-	6,944
Other	-	-	-	-	-	-	84,196	300	-
Due from other governments	-	-	-	-	-	282,188	103,499	-	-
Total assets	254,182	73,138	272,786	1,981,270	976,226	282,188	187,695	1,162,872	3,656,196
Total assets	\$ 254,182	\$ 73,138	\$ 272,786	\$ 1,981,270	\$ 976,226	\$ 282,188	\$ 187,695	\$ 1,162,872	\$ 3,656,196
LIABILITIES									
Accounts payable	\$ 72,608	\$ -	\$ -	\$ 19,831	\$ 3,157,833	\$ 161,789	\$ -	\$ 19,844	\$ 89,833
Accrued liabilities	-	-	908	-	-	23,806	-	9,690	87,721
Due to other funds	181,534	-	-	-	-	96,593	168,355	-	-
Other liabilities	-	-	65,000	-	-	-	-	-	-
Total liabilities	254,142	-	65,908	19,831	3,157,833	282,188	168,355	29,534	177,554
Deferred inflows of resources	-	-	-	-	-	-	-	842,715	-
Total liabilities and deferred inflows of resources	254,142	-	65,908	19,831	3,157,833	282,188	168,355	872,249	177,554
FUND BALANCES									
Restricted	40	73,138	206,878	1,961,439	(2,181,607)	-	19,340	-	3,478,642
Committed	-	-	-	-	-	-	-	290,623	-
Assigned	-	-	-	-	-	-	-	-	-
Total fund balances	40	73,138	206,878	1,961,439	(2,181,607)	-	19,340	290,623	3,478,642
Total liabilities and fund balances	\$ 254,182	\$ 73,138	\$ 272,786	\$ 1,981,270	\$ 976,226	\$ 282,188	\$ 187,695	\$ 1,162,872	\$ 3,656,196

Special Revenue				Debt Service		Capital Projects					Local Government Finance Corporation-TX A&M Construction	Total Nonmajor Governmental Funds
TX Anti Gang Unit	Texas Transnational Intelligence Center	Public Education Governmental	Total	Debt Service	Hotel Venue Debt Service	Information Technology	Street Improvements	Performing Arts	Sports Facilities			
\$ -	\$ -	\$ 139,600	\$ 525,242	\$ 37,629	\$ -	\$ 20,583	\$ 4,793	\$ 6,470	\$ 9,682	\$ 4,253	\$ 608,652	
-	-	-	-	-	-	-	4,243,600	-	4,048,800	-	8,292,400	
125	713,369	726,458	8,259,095	2,333,278	-	175,074	6,766,909	1,470,912	7,736,500	10,043,499	36,785,267	
-	-	-	1,160,271	-	-	-	-	-	-	-	1,160,271	
-	-	-	-	253,624	-	-	-	-	-	-	253,624	
-	-	898	12,212	-	-	-	1,519	-	2,394	-	16,125	
-	-	-	84,496	-	-	-	-	-	-	-	84,496	
1,912,227	-	-	2,297,914	-	-	-	-	-	93,231	-	2,391,145	
-	-	-	-	-	-	-	-	-	-	-	-	
1,912,352	713,369	866,956	12,339,230	2,624,531	-	195,657	11,016,821	1,477,382	11,890,607	10,047,752	49,591,980	
\$ 1,912,352	\$ 713,369	\$ 866,956	\$ 12,339,230	\$ 2,624,531	\$ -	\$ 195,657	\$ 11,016,821	\$ 1,477,382	\$ 11,890,607	\$ 10,047,752	\$ 49,591,980	
\$ 405,707	\$ 250,501	\$ -	\$ 4,177,946	\$ -	\$ -	\$ -	\$ 189,272	\$ 229,287	\$ 1,093,026	\$ -	\$ 5,689,531	
86,549	37,650	-	246,324	-	-	-	-	489,132	154,185	-	889,641	
1,504,420	1,418	-	1,952,320	-	-	-	-	-	-	-	1,952,320	
-	-	-	65,000	-	-	-	-	-	-	-	65,000	
1,996,676	289,569	-	6,441,590	-	-	-	189,272	718,419	1,247,211	-	8,596,492	
-	409,431	-	1,252,146	253,624	-	-	-	-	-	-	1,505,770	
-	-	-	-	-	-	-	-	-	-	-	-	
1,996,676	699,000	-	7,693,736	253,624	-	-	189,272	718,419	1,247,211	-	10,102,262	
-	-	-	-	-	-	-	-	-	-	-	-	
(84,324)	14,369	866,956	4,354,871	2,370,907	-	-	10,827,549	758,963	10,643,396	10,047,752	39,003,438	
-	-	-	290,623	-	-	-	-	-	-	-	290,623	
-	-	-	-	-	-	195,657	-	-	-	-	195,657	
-	-	-	-	-	-	-	-	-	-	-	-	
(84,324)	14,369	866,956	4,645,494	2,370,907	-	195,657	10,827,549	758,963	10,643,396	10,047,752	39,489,718	
\$ 1,912,352	\$ 713,369	\$ 866,956	\$ 12,339,230	\$ 2,624,531	\$ -	\$ 195,657	\$ 11,016,821	\$ 1,477,382	\$ 11,890,607	\$ 10,047,752	\$ 49,591,980	

CITY OF McALLEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017

	Special Revenue								
	Hotel Occupancy Tax	Hotel Venue Tax	McAllen EB-5 Regional Center	Park Development	Tax Increment Zone #1	Community Development	Miscellaneous Government Grants	Downtown Services Parking	PD Seized
REVENUES									
Hotel taxes	\$ 3,845,906	\$ 1,100,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-	-	-	-	-
Franchise taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	15,904	-
Intergovernmental	-	-	-	-	-	1,604,533	363,659	-	-
Charges for services	-	-	2	-	-	-	-	1,108,958	-
Fines and forfeitures	-	-	-	-	-	-	-	142,212	342,371
Investment earnings	-	124	701	16,839	67,908	-	-	2,921	41,783
Net increase (decrease) in the fair value of investments	-	-	-	(4,090)	-	-	-	-	-
Other	-	-	40,000	317,808	1,059,366	55,102	200,539	5,128	-
Total revenues	3,845,906	1,100,374	40,703	330,557	1,127,274	1,659,635	564,198	1,275,123	384,154
EXPENDITURES									
Current:									
General government	1,169,184	-	32,515	-	18,312,947	299,785	-	-	-
Public safety	-	-	-	-	-	-	521,773	-	2,526,977
Highways and streets	-	-	-	-	-	388,532	-	1,038,704	-
Health and welfare	-	-	-	-	-	861,331	-	-	-
Culture and recreation	-	-	-	98,349	-	109,987	39,679	-	-
Debt service:									
Principal	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	1,050,795	-	-	-	-
Total expenditures	1,169,184	-	32,515	98,349	19,363,742	1,659,635	561,452	1,038,704	2,526,977
Excess (deficiency) of revenues over (under) expenditures	2,676,722	1,100,374	8,188	232,208	(18,236,468)	-	2,746	236,419	(2,142,823)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	(2,701,613)	(1,126,806)	-	-	-	-	-	(242,941)	-
Debt issuance	-	-	-	-	-	-	-	-	-
Bond premium	-	-	-	-	-	-	-	-	-
Net other financing sources (uses)	(2,701,613)	(1,126,806)	-	-	-	-	-	(242,941)	-
Net change in fund balances	(24,891)	(26,432)	8,188	232,208	(18,236,468)	-	2,746	(6,522)	(2,142,823)
Fund balances at beginning of year	24,931	99,570	198,690	1,729,231	16,054,861	-	16,594	297,145	5,621,465
Fund balances at end of year	\$ 40	\$ 73,138	\$ 206,878	\$ 1,961,439	\$ (2,181,607)	\$ -	\$ 19,340	\$ 290,623	\$ 3,478,642

Special Revenue				Debt Service			Capital Projects					Local Government Finance Corporation-TX A&M Construction	Total Nonmajor Governmental Funds
TX Anti Gang Unit	Texas Transnational Intelligence Center	Public Education Government	Total	Debt Service	Hotel Venue Debt Service	Local Govt Finance Corp Debt Service Fund	Information Technology	Street Improvements	Performing Arts	Sports Facilities			
\$ -	\$ -	\$ -	\$ 4,946,156	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,946,156
-	-	-	-	4,434,151	-	-	-	-	-	-	-	-	4,434,151
-	-	186,662	186,662	-	-	-	-	-	-	-	-	-	186,662
-	-	-	15,904	-	-	-	-	-	-	-	-	-	15,904
2,340,294	2,021,381	-	6,329,867	-	-	-	-	-	-	365,607	-	-	6,695,474
-	-	-	1,108,960	-	-	-	-	-	-	-	-	-	1,108,960
-	-	-	484,583	-	-	-	-	-	-	-	-	-	484,583
2,225	14,368	7,290	154,159	29,895	-	-	2,350	116,740	37,892	132,633	12,477	-	486,146
-	-	-	(4,090)	-	-	-	-	-	-	-	-	-	(4,090)
-	-	-	1,677,943	-	-	-	49,369	-	-	-	-	4,253	1,731,565
2,342,519	2,035,749	193,952	14,900,144	4,464,046	-	-	51,719	116,740	37,892	498,240	16,730	-	20,085,511
-	-	4,786	19,819,217	-	-	-	148,392	-	-	-	-	876,233	20,843,842
2,426,843	2,021,380	-	7,496,973	-	-	-	-	-	-	-	-	-	7,496,973
-	-	-	1,427,236	-	-	-	-	2,285,857	-	-	-	-	3,713,093
-	-	-	861,331	-	-	-	-	-	-	-	-	-	861,331
-	-	-	248,015	-	-	-	-	-	4,579,148	3,851,773	-	-	8,678,936
-	-	-	-	4,385,000	445,000	-	-	-	-	-	-	-	4,830,000
-	-	-	1,050,795	2,049,468	410,925	208,332	-	-	-	-	-	-	3,719,520
2,426,843	2,021,380	4,786	30,903,567	6,434,468	855,925	208,332	148,392	2,285,857	4,579,148	3,851,773	876,233	-	50,143,695
(84,324)	14,369	189,166	(16,003,423)	(1,970,422)	(855,925)	(208,332)	(96,673)	(2,169,117)	(4,541,256)	(3,353,533)	(859,503)	-	(30,058,184)
-	-	-	-	3,289,150	855,925	208,332	-	-	16,392	-	-	-	4,369,799
-	-	-	(4,071,360)	-	-	-	-	-	-	-	(208,332)	-	(4,279,692)
-	-	-	-	-	-	-	-	-	-	-	10,670,000	-	10,670,000
-	-	-	-	-	-	-	-	-	-	-	445,587	-	445,587
-	-	-	(4,071,360)	3,289,150	855,925	208,332	-	-	16,392	-	-	10,907,255	11,205,694
(84,324)	14,369	189,166	(20,074,783)	1,318,728	-	-	(96,673)	(2,169,117)	(4,524,864)	(3,353,533)	10,047,752	-	(18,852,490)
-	-	677,790	24,720,277	1,052,179	-	-	292,330	12,996,666	5,283,827	13,996,929	-	-	58,342,208
\$ (84,324)	\$ 14,369	\$ 866,956	\$ 4,645,494	\$ 2,370,907	\$ -	\$ -	\$ 195,657	\$ 10,827,549	\$ 758,963	\$ 10,643,396	\$ 10,047,752	\$ -	\$ 39,489,718

This page left intentionally blank

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; McAllen Express; and Transit Terminal.

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

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

CITY OF McALLEN , TEXAS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
September 30, 2017

	Palm View Golf Course	Civic Center	McAllen Express Transit	Transit Terminal	Total
ASSETS					
Current assets:					
Cash	\$ 70,162	\$ -	\$ 35,087	\$ 55,927	\$ 161,176
Investments	711,713	-	452,561	841,975	2,006,249
Receivables, net:					
Accounts	526	-	12,404	10,204	23,134
Accrued interest	1,875	-	104	-	1,979
Due from other governments	-	-	391,170	492,163	883,333
Total currents assets	<u>784,276</u>	<u>-</u>	<u>891,326</u>	<u>1,400,269</u>	<u>3,075,871</u>
Restricted assets:					
Cash	3,469	-	-	-	3,469
Accrued interest	898	-	-	-	898
Investments	<u>364,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>364,840</u>
Total restricted assets	<u>369,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>369,207</u>
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	7,874,077	-	489,143	1,521,556	9,884,776
Machinery and equipment	1,411,387	-	5,380,849	4,629,604	11,421,840
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,325</u>	<u>215,325</u>
Total capital assets	9,701,804	-	5,869,992	13,653,297	29,225,093
Less accumulated depreciation	<u>(6,579,044)</u>	<u>-</u>	<u>(5,002,386)</u>	<u>(4,796,529)</u>	<u>(16,377,959)</u>
Net capital assets	<u>3,122,760</u>	<u>-</u>	<u>867,606</u>	<u>8,856,768</u>	<u>12,847,134</u>
Total assets	<u>4,276,243</u>	<u>-</u>	<u>1,758,932</u>	<u>10,257,037</u>	<u>16,292,212</u>
Deferred outflows of resources-pensions	<u>171,778</u>	<u>-</u>	<u>410,728</u>	<u>47,126</u>	<u>629,632</u>
Total assets and deferred outflows of resources	<u>\$ 4,448,021</u>	<u>\$ -</u>	<u>\$ 2,169,660</u>	<u>\$ 10,304,163</u>	<u>\$ 16,921,844</u>

CITY OF McALLEN , TEXAS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
September 30, 2017

	Palm View Golf Course	Civic Center	McAllen Express Transit	Transit Terminal	Total
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 59,294	\$ -	\$ 70,793	\$ 146,017	\$ 276,104
Accrued expenses	11,553	-	26,244	18,752	56,549
Compensated absences	17,259	-	-	6,359	23,618
Other	-	-	5	-	5
Total current liabilities	88,106	-	97,042	171,128	356,276
Liabilities(payable from restricted assets):					
Accounts payable	99,206	-	-	-	99,206
Total liabilities(payable from restricted assets)	99,206	-	-	-	99,206
Other noncurrent liabilities:					
Unearned revenues	60,512	-	40,000	-	100,512
Compensated absences	83,510	-	77,996	-	161,506
Net pension liability	231,817	-	559,470	61,352	852,639
Total other noncurrent liabilities	375,839	-	677,466	61,352	1,114,657
Total liabilities	563,151	-	774,508	232,480	1,570,139
Deferred inflows of resources- pensions	120	-	289	32	441
Total liabilities and deferred inflows of resources	<u>\$ 563,271</u>	<u>\$ -</u>	<u>\$ 774,797</u>	<u>\$ 232,512</u>	<u>\$ 1,570,580</u>
NET POSITION					
Net investment in capital assets	3,122,760	-	867,606	8,856,768	12,847,134
Unrestricted	761,990	-	527,257	1,214,883	2,504,130
Total net position	3,884,750	-	1,394,863	10,071,651	15,351,264
Total liabilities, deferred inflows of resources, and net position	<u>\$ 4,448,021</u>	<u>\$ -</u>	<u>\$ 2,169,660</u>	<u>\$ 10,304,163</u>	<u>\$ 16,921,844</u>

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

This page left intentionally blank

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, 2017

	<u>Palm View Golf Course</u>	<u>Civic Center</u>	<u>McAllen Express Transit</u>	<u>Transit Terminal</u>	<u>Total</u>
Operating revenues:					
Charges for services	\$ 841,244	\$ -	\$ 546,642	\$ -	\$ 1,387,886
Rentals	-	-	333,052	-	333,052
Other	295,556	-	58,758	57,580	411,894
	<u>1,136,800</u>	<u>-</u>	<u>938,452</u>	<u>57,580</u>	<u>2,132,832</u>
Total operating revenues					
Operating expenses:					
Salaries, wages and employee benefits	777,212	-	2,068,118	260,280	3,105,610
Supplies	124,479	-	40,207	74	164,760
Contractual and other services	141,435	154	716,859	165,189	1,023,637
Repairs and maintenance	86,988	-	395,543	342,146	824,677
Depreciation and amortization	304,155	-	571,794	914,543	1,790,492
	<u>1,434,269</u>	<u>154</u>	<u>3,792,521</u>	<u>1,682,232</u>	<u>6,909,176</u>
Total operating expenses					
Operating loss	<u>(297,469)</u>	<u>(154)</u>	<u>(2,854,069)</u>	<u>(1,624,652)</u>	<u>(4,776,344)</u>
Nonoperating revenues:					
Investment earnings	12,246	266	5,804	13,589	31,905
Net increase (decrease) in the fair value of investments	(1,948)	-	(2,274)	(858)	(5,080)
Other	(7,514)	-	-	-	(7,514)
	<u>2,784</u>	<u>266</u>	<u>3,530</u>	<u>12,731</u>	<u>19,311</u>
Nonoperating revenues					
Income (Loss) before contributions and transfers	(294,685)	112	(2,850,539)	(1,611,921)	(4,757,033)
Capital contributions	234,731	-	1,376,065	812,126	2,422,922
Transfers in	-	-	803,373	209,457	1,012,830
Transfers out	(4,065)	(339,953)	(10,319)	(354,279)	(708,616)
	<u>(64,019)</u>	<u>(339,841)</u>	<u>(681,420)</u>	<u>(944,617)</u>	<u>(2,029,897)</u>
Change in net position					
Total net position--beginning	<u>3,948,769</u>	<u>339,841</u>	<u>2,076,283</u>	<u>11,016,268</u>	<u>17,381,161</u>
Total net position--ending	<u>\$ 3,884,750</u>	<u>\$ -</u>	<u>\$ 1,394,863</u>	<u>\$ 10,071,651</u>	<u>\$ 15,351,264</u>

CITY OF McALLEN, TEXAS
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF CASH FLOW
For the Year Ended September 30, 2017

	Palm View Golf Course	McAllen International Civic Center	McAllen Express Transit	Transit Terminal	Total
Cash flows from operating activities:					
Receipts from customers	\$ 1,117,614	\$ -	\$ 940,792	\$ 47,376	\$ 2,105,782
Payments to employees	(720,536)	-	(1,974,674)	(247,338)	(2,942,548)
Payments to suppliers	(232,263)	(9,436)	(1,117,662)	(417,421)	(1,776,782)
Net cash provided (used) by operating activities	164,815	(9,436)	(2,151,544)	(617,383)	(2,613,548)
Cash flows from noncapital financing activities:					
Transfers from other funds	-	-	803,373	209,457	1,012,830
Transfers to other funds	(4,065)	(339,953)	(10,319)	(354,279)	(708,616)
Subsidy from federal grant	-	-	-	463,681	463,681
Net cash provided (used) by noncapital financing activities	(4,065)	(339,953)	793,054	318,859	767,895
Cash flows from capital and related financing activities:					
Capital contributions	-	-	1,144,374	29,232	1,173,606
Payments for capital acquisitions	(163,689)	-	-	(427,950)	(591,639)
Proceeds from sale of capital assets	4,665	-	-	-	4,665
Cash provided (used) by capital and related financing activities	(159,024)	-	1,144,374	(398,718)	586,632
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	1,554,146	349,390	1,157,653	1,948,542	5,009,731
Purchase of investments	(1,514,869)	(267)	(930,574)	(1,369,632)	(3,815,342)
Receipt of interest	8,836	266	3,548	13,040	25,690
Net cash provided by investing activities	48,113	349,389	230,627	591,950	1,220,079
Net increase (decrease) in cash	49,839	-	16,511	(105,292)	(38,942)
Cash at beginning of year	23,792	-	18,576	161,219	203,587
Cash at end of year	<u>\$ 73,631</u>	<u>\$ -</u>	<u>\$ 35,087</u>	<u>\$ 55,927</u>	<u>\$ 164,645</u>

Continued

CITY OF McALLEN, TEXAS
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF CASH FLOW
For the Year Ended September 30, 2017

	Palm View Golf Course	McAllen International Civic Center	McAllen Express Transit	Transit Terminal	Total
Reconciliation of operating loss to net cash provided by operating activities					
Operating income (loss)	\$ (297,469)	\$ (154)	\$(2,854,069)	\$ (1,624,652)	\$(4,776,344)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	304,155	-	571,794	914,543	1,790,492
(Increase) decrease in deferred outflows of resources - pension	33,234	-	84,092	7,114	124,440
Increase (decrease) in deferred inflow of resources -pension	120	-	289	32	441
(Increase) decrease in accounts receivable	(500)	-	2,340	(10,204)	(8,364)
Increase (decrease) in accounts payable	120,639	(89)	34,952	74,247	229,749
Increase (decrease) in compensated absences payable	12,596	-	(14,305)	3,322	1,613
Increase (decrease) in accrued liabilities	2,733	-	4,124	16,077	22,934
Increase (decrease) in due to other funds	-	(9,193)	-	-	(9,193)
Increase (decrease) net pension liability	7,993	-	19,239	2,138	29,370
Increase (decrease) in unearned revenue	(18,686)	-	-	-	(18,686)
Total adjustments	462,284	(9,282)	702,525	1,007,269	2,162,796
Net cash provided (used) by operating activities	<u>\$ 164,815</u>	<u>\$ (9,436)</u>	<u>\$(2,151,544)</u>	<u>\$ (617,383)</u>	<u>\$(2,613,548)</u>
Noncash investing, capital and financing activities:					
Contributions of capital assets	234,731	-	-	-	234,731
Increase (decrease) in fair value of investments	(1,948)	-	(2,274)	(858)	(5,080)

Concluded

This page left intentionally blank

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 **Risk Management 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, 2017

	Fleet Materials Management	Employee Benefits	Retiree Health Insurance
ASSETS			
Current assets:			
Cash	\$ 221,072	\$ 28,513	\$ 14,173
Investments	-	191	738,696
Receivables, net:			
Accounts	252,273	117,656	-
Accrued interest	-	-	208
Due from other funds	517,893	-	-
Due from other governments	-	-	-
Interfund loan	-	-	-
Prepaid items	-	-	-
Other	-	299,418	-
Inventories	344,202	-	-
Total current assets	<u>1,335,440</u>	<u>445,778</u>	<u>753,077</u>
Capital assets			
Land	-	-	-
Improvement other than buildings	132,823	-	-
Machinery and equipment	842,422	40,998	-
Less accumulated depreciation	<u>(701,378)</u>	<u>(31,619)</u>	<u>-</u>
Net capital assets	<u>273,867</u>	<u>9,379</u>	<u>-</u>
Total assets	<u>\$ 1,609,307</u>	<u>\$ 455,157</u>	<u>\$ 753,077</u>
Deferred outflows of resources-pension	<u>236,082</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u><u>\$ 1,845,389</u></u>	<u><u>\$ 455,157</u></u>	<u><u>\$ 753,077</u></u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 207,960	\$ 154,139	\$ 12,343
Accrued expense	13,378	1,011,441	240,000
Due to other funds	-	517,893	-
Compensated absences	38,953	-	-
Total current liabilities	<u>260,291</u>	<u>1,683,473</u>	<u>252,343</u>
Other non-current liabilities:			
Net pension liability	310,298	-	-
Accumulated unpaid compensated absences	<u>-</u>	<u>12,599</u>	<u>-</u>
Total other non-current liabilities	<u>310,298</u>	<u>12,599</u>	<u>-</u>
Total liabilities	<u>570,589</u>	<u>1,696,072</u>	<u>252,343</u>
Deferred inflows of resources-pension	<u>162</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>570,751</u>	<u>1,696,072</u>	<u>252,343</u>
NET POSITION			
Net investment in capital assets	273,867	9,379	-
Unrestricted	<u>1,000,771</u>	<u>(1,250,294)</u>	<u>500,734</u>
Total net position	<u>1,274,638</u>	<u>(1,240,915)</u>	<u>500,734</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 1,845,389</u></u>	<u><u>\$ 455,157</u></u>	<u><u>\$ 753,077</u></u>

Risk Management	Property & Casualty Insurance	General Depreciation	Total
\$ 326,009	\$ 47,612	\$ 50,530	\$ 687,909
10,253,971	-	7,777,818	18,770,676
127,738	-	-	497,667
30,812	-	21,528	52,548
-	-	-	517,893
16,265	-	-	16,265
1,749,785	-	1,749,785	3,499,570
480	-	760,904	761,384
-	-	-	299,418
-	-	-	344,202
<u>12,505,060</u>	<u>47,612</u>	<u>10,360,565</u>	<u>25,447,532</u>
2,158,303	-	4,616,430	6,774,733
-	-	-	132,823
43,416	-	25,325,653	26,252,489
(22,093)	-	(18,743,176)	(19,498,266)
<u>2,179,626</u>	<u>-</u>	<u>11,198,907</u>	<u>13,661,779</u>
<u>\$ 14,684,686</u>	<u>\$ 47,612</u>	<u>\$ 21,559,472</u>	<u>\$ 39,109,311</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>236,082</u>
<u><u>\$ 14,684,686</u></u>	<u><u>\$ 47,612</u></u>	<u><u>\$ 21,559,472</u></u>	<u><u>\$ 39,345,393</u></u>
\$ 65,301	\$ 2,652	\$ 249,176	\$ 691,571
521,008	53,225	-	1,839,052
-	-	-	517,893
-	-	-	38,953
<u>586,309</u>	<u>55,877</u>	<u>249,176</u>	<u>3,087,469</u>
-	-	-	310,298
<u>7,726</u>	<u>915</u>	<u>-</u>	<u>21,240</u>
<u>7,726</u>	<u>915</u>	<u>-</u>	<u>331,538</u>
<u>594,035</u>	<u>56,792</u>	<u>249,176</u>	<u>3,419,007</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>162</u>
<u>594,035</u>	<u>56,792</u>	<u>249,176</u>	<u>3,419,169</u>
2,179,626	-	11,198,907	13,661,779
<u>11,911,025</u>	<u>(9,180)</u>	<u>10,111,389</u>	<u>22,264,445</u>
<u>14,090,651</u>	<u>(9,180)</u>	<u>21,310,296</u>	<u>35,926,224</u>
<u><u>\$ 14,684,686</u></u>	<u><u>\$ 47,612</u></u>	<u><u>\$ 21,559,472</u></u>	<u><u>\$ 39,345,393</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, 2017

	Fleet Materials Management	Employee Benefits	Retiree Health Insurance
Operating revenues:			
Charges for services	\$ 3,956,043	\$ -	\$ -
Contributions	-	9,998,757	605,850
Total operating revenues	3,956,043	9,998,757	605,850
Operating expenses:			
Salaries, wages and employee benefits	1,056,067	319,112	-
Supplies and materials	23,533	3,606	-
Contractual and other services	2,806,111	1,872,087	112,544
Repairs and maintenance	47,928	-	-
Depreciation and amortization	66,461	8,200	-
Self insurance claims	-	11,610,788	656,134
Total operating expenses	4,000,100	13,813,793	768,678
Operating income (loss)	(44,057)	(3,815,036)	(162,828)
Non operating revenues (expenses):			
Intergovernmental	-	-	-
Investment earnings	-	10,640	10,632
Net increase (decrease) in fair value of investments	-	-	(4,548)
Other	40,569	1,333,263	-
Net non-operating revenues (expenses)	40,569	1,343,903	6,084
Income (loss) before contributions and transfers	(3,488)	(2,471,133)	(156,744)
Transfers in	-	2,322,311	-
Transfers out	(6,567)	-	-
Change in net position	(10,055)	(148,822)	(156,744)
Total net position--beginning	1,284,693	(1,092,093)	657,478
Total net position--ending	\$ 1,274,638	\$ (1,240,915)	\$ 500,734

Risk Management	Property & Casualty Insurance	General Depreciation	Total
\$ -	\$ -	\$ 2,814,072	\$ 6,770,115
2,629,339	815,730	-	14,049,676
2,629,339	815,730	2,814,072	20,819,791
268,211	62,005	-	1,705,395
3,875	1,766	-	32,780
1,185,757	484,831	-	6,461,330
402	108	-	48,438
3,604	-	2,140,551	2,218,816
77,037	357,374	-	12,701,333
1,538,886	906,084	2,140,551	23,168,092
1,090,453	(90,354)	673,521	(2,348,301)
16,265	-	-	16,265
161,257	-	204,324	386,853
(32,405)	-	(23,882)	(60,835)
115,354	81,174	89,864	1,660,224
260,471	81,174	270,306	2,002,507
1,350,924	(9,180)	943,827	(345,794)
-	-	-	2,322,311
(1,500,000)	-	-	(1,506,567)
(149,076)	(9,180)	943,827	469,950
14,239,727	-	20,366,469	35,456,274
<u>\$ 14,090,651</u>	<u>\$ (9,180)</u>	<u>\$ 21,310,296</u>	<u>\$ 35,926,224</u>

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2017

	Fleet Materials Management	Employee Benefits
Cash flows from operating activities:		
Receipts from customers	\$ 3,508,582	\$ 9,945,913
Payments to employees	(1,004,159)	(320,214)
Payments to suppliers	(2,886,987)	(13,046,645)
	<u>(382,564)</u>	<u>(3,420,946)</u>
Net cash provided (used) by operating activities		
Cash flows from non-capital financing activities:		
Transfer from other funds	-	2,309,357
Transfer to other funds	(6,567)	-
Subsidy from federal grant	-	-
Other revenue received	40,569	339,912
	<u>34,002</u>	<u>2,649,269</u>
Cash provided (used) by non-capital financing activities		
Cash flows from capital and related financing activities:		
Payments for capital acquisitions	(3,364)	-
Proceeds from sale of capital assets	-	-
	<u>(3,364)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities		
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	-	6,460,421
Purchase of investments	-	(5,781,749)
Receipt of interest	-	12,390
	<u>-</u>	<u>691,062</u>
Net cash provided (used) by investing activities		
	<u>-</u>	<u>691,062</u>
Net increase (decrease) in cash	(351,926)	(80,615)
Cash at beginning of year	572,998	109,128
Cash at end of year	<u>\$ 221,072</u>	<u>\$ 28,513</u>

Retiree Health Insurance	Risk Management	Property & Casualty Insurance	General Depreciation	Totals
\$ 605,850	\$ 2,629,339	\$ 883,431	\$ 2,814,072	\$ 20,387,187
-	(270,674)	(61,710)	-	(1,656,757)
(765,027)	(1,218,097)	(847,366)	(649,762)	(19,413,884)
(159,177)	1,140,568	(25,645)	2,164,310	(683,454)
-	436,495	-	436,495	3,182,347
-	(1,500,000)	-	-	(1,506,567)
-	12,309	-	-	12,309
-	117,969	471	-	498,921
-	(933,227)	471	436,495	2,187,010
-	-	-	(1,091,141)	(1,094,505)
-	-	-	1,459,355	1,459,355
-	-	-	368,214	364,850
1,381,211	9,174,883	-	9,562,165	26,578,680
(1,218,548)	(9,547,087)	-	(12,656,686)	(29,204,070)
6,119	122,871	-	176,032	317,412
168,782	(249,333)	-	(2,918,489)	(2,307,978)
9,605	(41,992)	(25,174)	50,530	(439,572)
4,568	368,001	72,786	-	1,127,481
\$ 14,173	\$ 326,009	\$ 47,612	\$ 50,530	\$ 687,909

Continued

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2017

	Fleet Materials Management	Employee Benefits
Operating (loss) income	\$ (44,057)	\$ (3,815,036)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	66,461	8,200
(Increase) decrease in deferred outflows of resources - pension	38,272	-
Increase (decrease) in deferred inflows of resources -pension	162	-
(Increase) decrease in accounts receivable	70,432	(52,844)
(Increase) decrease in due from other funds	(517,893)	-
(Increase) decrease in prepaid items	-	-
(Increase) decrease in inventories	19,357	-
Increase (decrease) in accounts payable	(28,772)	(78,057)
Increase (decrease) in compensated absences payable	4,370	(1,357)
Increase (decrease) in accrued liabilities	(1,677)	255
Increase (decrease) in due to other funds	-	517,893
Increase (decrease) in net pension liability	10,781	-
Total adjustments	(338,507)	394,090
Net cash provided (used) by operating activities	\$ (382,564)	\$ (3,420,946)
Noncash investing, capital, and financing activities:		
Increase(decrease) in fair value of investments	-	-

Retiree Health Insurance	Risk Management	Property & Casualty Insurance	General Depreciation	Totals
<u>\$ (162,828)</u>	<u>\$ 1,090,453</u>	<u>\$ (90,354)</u>	<u>\$ 673,521</u>	<u>\$ (2,348,301)</u>
-	3,604	-	2,140,551	2,218,816
-	-	-	-	38,272
-	-	-	-	162
-	-	-	-	17,588
-	-	67,701	-	(450,192)
-	(480)	-	(760,904)	(761,384)
-	-	-	249,176	268,533
3,651	3,150	(3,287)	-	(103,315)
-	(889)	295	-	2,419
-	44,730	-	-	43,308
-	-	-	(138,034)	379,859
-	-	-	-	10,781
<u>3,651</u>	<u>50,115</u>	<u>64,709</u>	<u>1,490,789</u>	<u>1,664,847</u>
<u>\$ (159,177)</u>	<u>\$ 1,140,568</u>	<u>\$ (25,645)</u>	<u>\$ 2,164,310</u>	<u>\$ (683,454)</u>
(4,548)	(32,405)	-	(23,882)	(60,835)

Concluded

This page left intentionally blank

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, 2017

	Developers Fund	Communication Group Fund	Payroll Fund	Total
ASSETS				
Cash and cash equivalents	\$ 68,009	\$ 18,008	\$ 222,992	\$ 309,009
Receivables:				
Interest	8,979	-	-	8,979
Other	-	-	7,368	7,368
Investments, at fair value:				
TexPool Prime	765,890	2,932,323	-	3,698,213
US government securities	2,937,669	-	-	2,937,669
	<u>3,780,547</u>	<u>2,950,331</u>	<u>230,360</u>	<u>6,961,238</u>
Total assets	<u>\$ 3,780,547</u>	<u>\$ 2,950,331</u>	<u>\$ 230,360</u>	<u>\$ 6,961,238</u>
LIABILITIES				
Accounts payable	\$ -	\$ 6,907	\$ 230,360	\$ 237,267
Due agency	-	2,943,424	-	2,943,424
Escrow payables	3,780,547	-	-	3,780,547
	<u>3,780,547</u>	<u>-</u>	<u>-</u>	<u>3,780,547</u>
Total liabilities	<u>\$ 3,780,547</u>	<u>\$ 2,950,331</u>	<u>\$ 230,360</u>	<u>\$ 6,961,238</u>

CITY OF McALLEN, TEXAS
AGENCY FUND
DEVELOPER'S FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended September 30, 2017

	Balance 09/30/16	ADDITIONS	DEDUCTIONS	Balance 09/30/17
<u>Assets:</u>				
Cash and equivalents	\$ 18,853	\$ 3,274,646	\$ 3,225,490	\$ 68,009
Investments:				
Tex-pool Prime	1,281,409	1,024,948	1,540,467	765,890
Government securities	2,198,207	1,250,000	510,538	2,937,669
Receivables:				
Accrued interest	4,901	29,254	25,176	8,979
	<u>4,901</u>	<u>29,254</u>	<u>25,176</u>	<u>8,979</u>
Total current assets	<u>\$ 3,503,370</u>	<u>\$ 5,578,848</u>	<u>\$ 5,301,671</u>	<u>\$ 3,780,547</u>
<u>Liabilities:</u>				
Escrow payables	<u>\$ 3,503,370</u>	<u>\$ 870,026</u>	<u>\$ 592,849</u>	<u>3,780,547</u>
Total liabilities	<u>\$ 3,503,370</u>	<u>\$ 870,026</u>	<u>\$ 592,849</u>	<u>\$ 3,780,547</u>

CITY OF McALLEN, TEXAS
AGENCY FUND
COMMUNICATIONS GROUP
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended September 30, 2017

	<u>Balance</u> <u>09/30/16</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>Balance</u> <u>09/30/17</u>
<u>Assets:</u>				
Cash and equivalents	\$ 6,046	\$ 1,636,445	\$ 1,624,483	\$ 18,008
Investments	<u>1,925,073</u>	<u>1,243,725</u>	<u>236,475</u>	<u>2,932,323</u>
Total current assets	<u>\$ 1,931,119</u>	<u>\$ 2,880,170</u>	<u>\$ 1,860,958</u>	<u>\$ 2,950,331</u>
<u>Liabilities:</u>				
Payables	\$ 1,530	\$ 252,638	\$ 247,261	\$ 6,907
Due Agency	<u>1,929,589</u>	<u>1,013,835</u>	<u>-</u>	<u>2,943,424</u>
Total liabilities	<u>\$ 1,931,119</u>	<u>\$ 1,266,473</u>	<u>\$ 247,261</u>	<u>\$ 2,950,331</u>

CITY OF McALLEN, TEXAS
AGENCY FUND
PAYROLL FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended September 30, 2017

	<u>Balance</u> <u>09/30/16</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>Balance</u> <u>09/30/17</u>
<u>Assets:</u>				
Cash and equivalents	\$ 277,859	\$ 91,786,046	\$ 91,840,913	\$ 222,992
Receivables:				-
Other	-	7,368	-	7,368
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current assets	<u>\$ 277,859</u>	<u>\$ 91,793,414</u>	<u>\$ 91,840,913</u>	<u>\$ 230,360</u>
<u>Liabilities:</u>				
Payables	<u>\$ 277,859</u>	<u>\$ 35,003,982</u>	<u>\$ 35,051,481</u>	<u>\$ 230,360</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 277,859</u>	<u>\$ 35,003,982</u>	<u>\$ 35,051,481</u>	<u>\$ 230,360</u>

This page left intentionally blank

Individual Budget Schedules and Other

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 39,086,058	\$ 39,086,058	\$ 38,414,083	\$ (671,975)
Sales	46,011,201	44,264,359	43,966,165	(298,194)
Franchise	6,477,500	6,577,500	7,509,247	931,747
Total taxes	91,574,759	89,927,917	89,889,495	(38,422)
Licenses and permits:				
Business licenses and permits	55,000	55,000	70,365	15,365
Occupational	339,350	339,350	324,033	(15,317)
Non-business licenses and permits	1,298,780	1,489,780	1,584,645	94,865
Total licenses and permits	1,693,130	1,884,130	1,979,043	94,913
Intergovernmental revenues:				
State shared revenues	834,000	834,000	586,511	(247,489)
Total intergovernmental revenues	834,000	834,000	586,511	(247,489)
Charges for services:				
General government	2,161,750	2,408,873	2,444,973	36,100
Public safety	663,000	897,200	792,454	(104,746)
Highways and streets	-	-	5,949	5,949
Health	708,650	808,650	766,999	(41,651)
Culture and recreation	1,162,200	1,233,904	1,235,219	1,315
Total charges for services	4,695,600	5,348,627	5,245,594	(103,033)
Fines and forfeitures:				
Corporations court	1,400,000	1,200,000	1,261,170	61,170
Other fines	161,538	169,539	42,815	(126,724)
Total fines and forfeitures	1,561,538	1,369,539	1,303,985	(65,554)
Investment earnings	420,000	573,000	666,939	93,939
Net (decrease) in the fair value of investments	\$ -	\$ -	\$ (120,833)	\$ (120,833)
Other:				
Royalties	430,000	430,000	620,011	190,011
Rents and concessions	-	-	5,500	5,500
Reimbursements	350,000	556,729	1,120,780	564,051
Other	28,600	58,600	446,089	387,489
Total other revenues	808,600	1,045,329	2,192,380	1,147,051
Total revenues	101,587,627	100,982,542	101,743,114	760,572

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES				
General government:				
City commission:				
Personal services	193,302	193,302	164,444	28,858
Supplies	4,680	4,680	4,255	425
Miscellaneous services	79,980	79,980	58,234	21,746
Capital outlay	-	-	2,376	(2,376)
Total city commission	<u>277,962</u>	<u>277,962</u>	<u>229,309</u>	<u>48,653</u>
Special service:				
Miscellaneous services	<u>787,411</u>	<u>787,411</u>	<u>657,470</u>	<u>129,941</u>
Total special service	<u>787,411</u>	<u>787,411</u>	<u>657,470</u>	<u>129,941</u>
City manager:				
Personal services	1,218,396	1,218,396	1,253,409	(35,013)
Supplies	2,430	2,430	2,756	(326)
Miscellaneous services	87,430	87,430	93,400	(5,970)
Maintenance	1,680	1,680	859	821
Capital outlay	<u>11,445</u>	<u>11,445</u>	<u>1,798</u>	<u>9,647</u>
Total city manager	<u>1,321,381</u>	<u>1,321,381</u>	<u>1,352,222</u>	<u>(30,841)</u>
Budget & management:				
Personal service	356,122	356,122	351,199	4,923
Supplies	6,300	6,300	4,853	1,447
Miscellaneous services	11,950	11,950	8,147	3,803
Maintenance	13,000	13,000	-	13,000
Capital outlay	<u>4,650</u>	<u>4,650</u>	<u>4,728</u>	<u>(78)</u>
Total budget & management	<u>392,022</u>	<u>392,022</u>	<u>368,927</u>	<u>23,095</u>
City secretary:				
Personal services	465,427	465,427	453,800	11,627
Supplies	4,500	4,500	4,485	15
Miscellaneous services	20,366	20,366	21,817	(1,451)
Maintenance	<u>20,780</u>	<u>20,780</u>	<u>19,277</u>	<u>1,503</u>
Total city secretary	<u>511,073</u>	<u>511,073</u>	<u>499,379</u>	<u>11,694</u>
Audit office:				
Personal services	201,621	201,621	198,443	3,178
Supplies	675	675	641	34
Miscellaneous services	<u>13,631</u>	<u>13,631</u>	<u>12,681</u>	<u>950</u>
Total audit office	<u>215,927</u>	<u>215,927</u>	<u>211,765</u>	<u>4,162</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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Vital statistics:				
Personal services	141,685	141,685	136,466	5,219
Supplies	9,050	11,313	8,920	2,393
Miscellaneous services	24,158	24,158	16,457	7,701
Total vital statistics	174,893	177,156	161,843	15,313
Passport facility:				
Personal services	84,739	84,739	91,701	(6,962)
Supplies	1,490	1,490	1,490	-
Miscellaneous services	5,870	5,870	6,095	(225)
Maintenance	200	200	21	179
Capital outlay	2,300	2,300	2,285	15
Total passport facility	94,599	94,599	101,592	(6,993)
Municipal court:				
Personal services	1,346,275	1,346,275	1,219,511	126,764
Supplies	8,910	8,910	7,293	1,617
Miscellaneous services	72,562	70,685	46,289	24,396
Maintenance	116,818	116,818	64,590	52,228
Capital outlay	11,766	21,644	16,580	5,064
Total municipal court	1,556,331	1,564,332	1,354,263	210,069
Finance:				
Personal services	1,062,509	1,062,509	1,027,617	34,892
Supplies	18,885	18,885	18,853	32
Miscellaneous services	162,752	162,752	140,148	22,604
Maintenance	23,682	23,682	34,178	(10,496)
Capital outlay	-	-	77	(77)
Total finance	1,267,828	1,267,828	1,220,873	46,955
Tax office:				
Personal services	270,261	270,261	266,086	4,175
Supplies	5,833	5,833	5,240	593
Miscellaneous services	816,042	816,042	759,241	56,801
Maintenance	29,307	29,307	21,450	7,857
Capital outlay	1,700	1,700	578	1,122
Total tax office	1,123,143	1,123,143	1,052,595	70,548

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Purchasing and contracting:				
Personal services	578,892	578,892	481,719	97,173
Supplies	8,060	8,060	8,396	(336)
Miscellaneous services	6,128	6,128	18,000	(11,872)
Maintenance	1,556	1,556	147	1,409
Capital outlay	1,860	1,860	1,698	162
Total purchasing and contracting	596,496	596,496	509,960	86,536
Legal:				
Personal services	1,208,478	1,208,478	1,145,221	63,257
Supplies	5,032	5,032	6,319	(1,287)
Miscellaneous services	448,023	448,023	531,857	(83,834)
Total legal	1,661,533	1,661,533	1,683,397	(21,864)
Grant administration:				
Personal services	402,282	402,282	367,828	34,454
Supplies	17,223	17,223	19,017	(1,794)
Miscellaneous services	58,380	58,380	59,800	(1,420)
Capital outlay	3,550	3,550	3,519	31
Total grant administration	481,435	481,435	450,164	31,271
Human resources:				
Personal services	665,304	665,304	494,337	170,967
Supplies	29,151	29,151	24,977	4,174
Miscellaneous services	127,659	127,659	76,605	51,054
Maintenance	10,000	10,000	211	9,789
Capital outlay	21,250	21,250	3,724	17,526
Total human resources	853,364	853,364	599,854	253,510
Risk management:				
Liability insurance	457,085	457,085	457,085	-
Total risk management	457,085	457,085	457,085	-
Planning:				
Personal services	1,095,642	1,095,642	849,564	246,078
Supplies	21,715	21,715	11,711	10,004
Miscellaneous services	42,309	42,309	33,529	8,780
Maintenance	15,241	15,241	2,079	13,162
Capital outlay	26,400	26,400	-	26,400
Total planning	1,201,307	1,201,307	896,883	304,424

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Information technology:				
Personal services	1,926,190	1,926,190	1,846,711	79,479
Supplies	17,548	17,548	18,105	(557)
Miscellaneous services	237,604	237,604	192,285	45,319
Maintenance	573,529	573,529	560,335	13,194
Capital outlay	481,000	481,000	516,444	(35,444)
Total information technology	3,235,871	3,235,871	3,133,880	101,991
Public information office:				
Personal services	638,583	638,583	602,478	36,105
Supplies	9,950	9,950	6,844	3,106
Miscellaneous services	82,183	82,183	67,615	14,568
Maintenance	14,401	14,401	9,114	5,287
Capital outlay	3,500	3,500	3,352	148
Total public information office	748,617	748,617	689,403	59,214
311 Call center:				
Personal services	236,376	236,376	216,834	19,542
Supplies	1,500	1,500	739	761
Miscellaneous services	-	-	1,435	(1,435)
Capital outlay	1,200	1,200	-	1,200
Total 311 Call center	239,076	239,076	219,008	20,068
City hall:				
Personal services	132,831	132,831	100,693	32,138
Supplies	19,900	19,900	17,062	2,838
Miscellaneous services	314,896	314,896	314,804	92
Maintenance	142,928	142,928	184,184	(41,256)
Total city hall	610,555	610,555	616,743	(6,188)
Development center				
Personal services	34,075	34,075	34,146	(71)
Supplies	14,300	14,300	7,332	6,968
Miscellaneous services	55,200	55,200	53,786	1,414
Maintenance	7,000	7,000	6,126	874
Total development center	110,575	110,575	101,390	9,185
Building maintenance:				
Personal services	647,108	647,108	628,824	18,284
Supplies	18,332	18,332	15,556	2,776
Miscellaneous services	41,425	41,425	38,039	3,386
Maintenance	34,813	34,813	37,833	(3,020)
Capital outlay	14,500	14,500	13,225	1,275
Total building maintenance	756,178	756,178	733,477	22,701

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Economic development:				
McAllen Economic Development Corp.	46,351	89,889	42,997	46,892
Chambers of commerce	644,200	644,200	644,200	-
Total economic development	690,551	734,089	687,197	46,892
Contingency	(1,019,555)	(1,019,555)	-	(1,019,555)
Total general government	18,345,658	18,399,460	17,988,679	410,781
Public safety:				
Police:				
Personal services	29,185,860	29,185,860	29,176,410	9,450
Supplies	396,091	396,091	626,723	(230,632)
Miscellaneous services	1,526,518	1,526,518	1,632,491	(105,973)
Maintenance	1,389,939	1,389,939	1,428,005	(38,066)
Capital outlay	380,981	380,981	199,622	181,359
Total police	32,879,389	32,879,389	33,063,251	(183,862)
Animal control:				
Personal services	278,613	278,613	229,532	49,081
Supplies	12,000	12,000	(1,092)	13,092
Miscellaneous services	30,825	30,825	29,010	1,815
Maintenance	37,076	37,076	34,603	2,473
Total animal control	358,514	358,514	292,053	66,461
Radio shop:				
Personal services	237,597	237,597	292,843	(55,246)
Supplies	4,376	4,376	7,213	(2,837)
Miscellaneous services	258,066	258,066	245,326	12,740
Maintenance	3,500	3,500	3,768	(268)
Total communication technology	503,539	503,539	549,150	(45,611)
Fire:				
Personal services	15,032,937	15,163,128	15,826,053	(662,925)
Supplies	281,243	330,743	304,642	26,101
Miscellaneous services	1,295,337	1,245,187	1,260,538	(15,351)
Maintenance	441,615	442,265	816,570	(374,305)
Capital outlay	301,711	301,711	301,946	(235)
Total fire	17,352,843	17,483,034	18,509,749	(1,026,715)
Traffic operations:				
Personal services	1,674,484	1,674,484	1,174,063	500,421
Supplies	111,492	111,492	64,394	47,098
Miscellaneous services	400,570	400,570	379,935	20,635
Maintenance	274,004	274,004	282,587	(8,583)
Capital outlay	46,400	46,400	1,266	45,134
Total traffic operations	2,506,950	2,506,950	1,902,245	604,705

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Building code compliance:				
Personal services	947,472	947,472	920,422	27,050
Supplies	13,687	13,687	7,560	6,127
Miscellaneous services	77,761	77,761	58,923	18,838
Maintenance	13,036	13,036	13,684	(648)
Capital outlay	1,000	1,000	-	1,000
Total building code compliance	1,052,956	1,052,956	1,000,589	52,367
Total public safety	54,654,191	54,784,382	55,317,037	(532,655)
Highways and streets:				
Engineering services:				
Personal services	1,659,208	1,659,208	1,520,781	138,427
Supplies	13,000	13,000	11,585	1,415
Miscellaneous services	132,927	132,927	66,916	66,011
Maintenance	34,610	34,610	36,285	(1,675)
Capital outlay	9,400	9,400	4,124	5,276
Total engineering	1,849,145	1,849,145	1,639,691	209,454
Street cleaning:				
Street maintenance:				
Personal services	1,987,799	1,987,799	1,832,027	155,772
Supplies	29,607	29,607	31,656	(2,049)
Miscellaneous services	342,580	342,580	341,425	1,155
Maintenance	3,857,072	3,857,072	3,451,288	405,784
Capital outlay	-	-	3,383	(3,383)
Total street maintenance	6,217,058	6,217,058	5,659,779	557,279
Street lighting:				
Miscellaneous services	1,904,326	2,406,326	2,411,851	(5,525)
Maintenance	72,675	72,675	57,033	15,642
Total street lighting	1,977,001	2,479,001	2,468,884	10,117
Sidewalk construction:				
Personal services	245,511	245,511	178,448	67,063
Supplies	30,132	30,132	29,343	789
Miscellaneous services	40,408	40,408	40,423	(15)
Maintenance	27,870	27,870	32,028	(4,158)
Total sidewalk construction	343,921	343,921	280,242	63,679

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Drainage:				
Personal services	872,144	872,144	875,623	(3,479)
Supplies	20,052	20,052	17,769	2,283
Miscellaneous services	373,875	373,875	370,952	2,923
Maintenance	224,049	224,049	261,847	(37,798)
Capital outlay	9,000	9,000	6,330	2,670
Total drainage	<u>1,499,120</u>	<u>1,499,120</u>	<u>1,532,521</u>	<u>(33,401)</u>
Total highways and streets	<u>11,886,245</u>	<u>12,388,245</u>	<u>11,581,117</u>	<u>807,128</u>
Health and welfare:				
Health code compliance:				
Personal services	1,069,983	1,069,983	1,025,803	44,180
Supplies	27,995	27,995	30,937	(2,942)
Miscellaneous services	167,554	262,882	287,249	(24,367)
Maintenance	31,721	31,721	60,996	(29,275)
Total health code compliance	<u>1,297,253</u>	<u>1,392,581</u>	<u>1,404,985</u>	<u>(12,404)</u>
Graffiti cleaning:				
Personal services	108,726	108,726	107,406	1,320
Supplies	10,181	10,181	7,900	2,281
Miscellaneous services	14,677	14,677	14,694	(17)
Maintenance	14,739	14,739	23,966	(9,227)
Total graffiti cleaning	<u>148,323</u>	<u>148,323</u>	<u>153,966</u>	<u>(5,643)</u>
Other agencies:				
Humane society	537,662	767,276	770,216	(2,940)
Other health and welfare agencies	30,000	30,000	393,813	(363,813)
Total other agencies	<u>567,662</u>	<u>797,276</u>	<u>1,164,029</u>	<u>(366,753)</u>
Total health and welfare	<u>2,013,238</u>	<u>2,338,180</u>	<u>2,722,980</u>	<u>(384,800)</u>
Culture and recreation:				
Parks and recreation administration:				
Personal services	404,191	404,191	360,469	43,722
Supplies	5,850	5,850	7,251	(1,401)
Miscellaneous services	125,987	125,987	119,681	6,306
Maintenance	22,597	22,597	24,335	(1,738)
Total parks and recreation administration	<u>558,625</u>	<u>558,625</u>	<u>511,736</u>	<u>46,889</u>
Parks:				
Personal services	4,327,031	4,327,031	3,634,544	692,487
Supplies	174,654	174,654	159,323	15,331
Miscellaneous services	2,108,052	2,108,052	2,244,336	(136,284)
Maintenance	471,963	471,963	653,885	(181,922)
Capital outlay	382,950	382,950	310,453	72,497
Total parks	<u>7,464,650</u>	<u>7,464,650</u>	<u>7,002,541</u>	<u>462,109</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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Recreation:				
Personal services	1,390,393	1,390,393	1,418,999	(28,606)
Supplies	46,000	46,000	50,887	(4,887)
Miscellaneous services	255,826	255,826	247,453	8,373
Maintenance	13,599	13,599	9,711	3,888
Capital outlay	6,000	6,000	53,997	(47,997)
Total recreation	1,711,818	1,711,818	1,781,047	(69,229)
Pools:				
Personal services	661,766	661,766	597,226	64,540
Supplies	86,800	86,800	71,750	15,050
Miscellaneous services	133,890	133,890	122,264	11,626
Maintenance	60,002	60,002	42,376	17,626
Capital outlay	6,500	6,500	4,420	2,080
Total pools	948,958	948,958	838,036	110,922
Las palmas community center:				
Personal services	254,264	254,264	206,217	48,047
Supplies	12,580	12,580	13,274	(694)
Miscellaneous services	87,890	87,890	85,480	2,410
Maintenance	15,384	15,384	15,728	(344)
Capital outlay	4,550	4,550	9,376	(4,826)
Total las palmas community center	374,668	374,668	330,075	44,593
Recreation center-Lark:				
Personal services	307,759	307,759	273,481	34,278
Supplies	25,530	25,530	18,880	6,650
Miscellaneous services	130,569	130,569	132,828	(2,259)
Maintenance	16,500	16,500	12,843	3,657
Capital outlay	7,750	7,750	3,080	4,670
Total recreation center-Lark	488,108	488,108	441,112	46,996
Recreation center-Palmview:				
Personal services	296,021	296,021	283,443	12,578
Supplies	22,205	22,205	19,632	2,573
Miscellaneous services	130,440	130,440	119,158	11,282
Maintenance	17,000	17,000	15,887	1,113
Total recreation center-Palmview	465,666	465,666	438,120	27,546

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Quinta mazatlan:				
Personal services	661,654	661,654	574,161	87,493
Supplies	47,350	96,018	91,089	4,929
Miscellaneous services	133,525	150,709	178,847	(28,138)
Maintenance	56,669	62,521	63,828	(1,307)
Capital outlay	54,785	54,785	189,990	(135,205)
Total quinta mazatlan	953,983	1,025,687	1,097,915	(72,228)
Library:				
Personal services	2,397,911	2,397,911	2,197,955	199,956
Supplies	96,600	101,600	99,908	1,692
Miscellaneous services	671,858	671,858	711,152	(39,294)
Maintenance	159,901	149,301	129,011	20,290
Capital outlay	186,225	251,825	264,549	(12,724)
Total library	3,512,495	3,572,495	3,402,575	169,920
Library branch-Lark:				
Personal services	436,334	436,334	416,254	20,080
Supplies	9,150	9,150	6,042	3,108
Miscellaneous services	13,293	13,293	11,273	2,020
Maintenance	5,250	5,250	108	5,142
Capital outlay	30,000	40,000	25,784	14,216
Total library branch-Lark	494,027	504,027	459,461	44,566
Library branch-Palmview:				
Personal services	454,039	454,039	416,066	37,973
Supplies	10,200	20,200	14,769	5,431
Miscellaneous services	9,993	9,993	8,478	1,515
Maintenance	5,500	5,500	180	5,320
Capital outlay	30,000	40,000	25,067	14,933
Total library branch-Palmview	509,732	529,732	464,560	65,172
Other agencies	1,088,122	1,088,122	1,088,120	2

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Museums	<u>735,000</u>	<u>735,000</u>	<u>735,000</u>	<u>-</u>
Total culture and recreation	<u>19,305,852</u>	<u>19,467,556</u>	<u>18,590,298</u>	<u>877,258</u>
Total expenditures	<u>106,205,184</u>	<u>107,377,823</u>	<u>106,200,111</u>	<u>1,177,712</u>
Excess of revenues over expenditures	<u>(4,617,557)</u>	<u>(6,395,281)</u>	<u>(4,456,997)</u>	<u>1,938,284</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>10,140,809</u>	<u>10,530,587</u>	<u>10,530,587</u>	<u>-</u>
Transfers out	<u>(4,048,731)</u>	<u>(6,946,101)</u>	<u>(7,136,112)</u>	<u>(190,011)</u>
Net other financing sources (uses)	<u>6,092,078</u>	<u>3,584,486</u>	<u>3,394,475</u>	<u>(190,011)</u>
Net change in fund balances	<u>1,474,521</u>	<u>(2,810,795)</u>	<u>(1,062,522)</u>	<u>1,748,273</u>
Fund balances at beginning of year	<u>47,450,070</u>	<u>47,450,070</u>	<u>47,450,070</u>	<u>-</u>
Fund balances at end of year	<u>\$ 48,924,591</u>	<u>\$ 44,639,275</u>	<u>\$ 46,387,548</u>	<u>\$ 1,748,273</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Hotel tax	<u>\$ 4,345,503</u>	<u>\$ 4,345,503</u>	<u>\$ 3,845,906</u>	<u>\$ (499,597)</u>
Total revenues	<u>4,345,503</u>	<u>4,345,503</u>	<u>3,845,906</u>	<u>(499,597)</u>
EXPENDITURES				
Current:				
General government	<u>1,241,572</u>	<u>1,241,572</u>	<u>1,169,184</u>	<u>72,388</u>
Total expenditures	<u>1,241,572</u>	<u>1,241,572</u>	<u>1,169,184</u>	<u>72,388</u>
Excess (deficiency) of revenues over expenditures	<u>3,103,931</u>	<u>3,103,931</u>	<u>2,676,722</u>	<u>(571,985)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(3,103,931)</u>	<u>(3,103,931)</u>	<u>(2,701,613)</u>	<u>(402,318)</u>
Total other financing sources (uses)	<u>(3,103,931)</u>	<u>(3,103,931)</u>	<u>(2,701,613)</u>	<u>(402,318)</u>
Net changes in fund balances	<u>-</u>	<u>-</u>	<u>(24,891)</u>	<u>(24,891)</u>
Fund balances--beginning	<u>24,931</u>	<u>24,931</u>	<u>24,931</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 24,931</u></u>	<u><u>\$ 24,931</u></u>	<u><u>\$ 40</u></u>	<u><u>\$ (24,891)</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Hotel tax	\$ 1,209,828	\$ 1,209,828	\$ 1,100,250	\$ (109,578)
Investment earnings	<u>-</u>	<u>-</u>	<u>124</u>	<u>124</u>
Total revenues	<u>1,209,828</u>	<u>1,209,828</u>	<u>1,100,374</u>	<u>(109,454)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(1,209,828)</u>	<u>(1,209,828)</u>	<u>(1,126,806)</u>	<u>(83,022)</u>
Total other financing sources (uses)	<u>(1,209,828)</u>	<u>(1,209,828)</u>	<u>(1,126,806)</u>	<u>(83,022)</u>
Net changes in fund balances	-	-	(26,432)	(26,432)
Fund balances--beginning	<u>99,570</u>	<u>99,570</u>	<u>99,570</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 99,570</u></u>	<u><u>\$ 99,570</u></u>	<u><u>\$ 73,138</u></u>	<u><u>\$ (26,432)</u></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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Charges for services	\$ -	\$ -	\$ 2	\$ 2
Other	-	-	40,000	40,000
Net increase (decrease) in the Investment earnings	<u>-</u>	<u>-</u>	<u>701</u>	<u>701</u>
Total revenues	<u>-</u>	<u>-</u>	<u>40,703</u>	<u>40,703</u>
EXPENDITURES				
Current:				
General government	<u>10,000</u>	<u>10,000</u>	<u>32,515</u>	<u>(22,515)</u>
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>32,515</u>	<u>(22,515)</u>
Excess (deficiency) of revenues over expenditures	<u>(10,000)</u>	<u>(10,000)</u>	<u>8,188</u>	<u>18,188</u>
Net changes in fund balances	(10,000)	(10,000)	8,188	18,188
Fund balances--beginning	<u>198,690</u>	<u>198,690</u>	<u>198,690</u>	<u>-</u>
Fund balances--ending	<u>\$ 188,690</u>	<u>\$ 188,690</u>	<u>\$ 206,878</u>	<u>\$ 18,188</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 1,838,636	\$ 1,838,636	\$ 1,604,533	\$ (234,103)
Other	<u>-</u>	<u>-</u>	<u>55,102</u>	<u>55,102</u>
Total revenues	<u>1,838,636</u>	<u>1,838,636</u>	<u>1,659,635</u>	<u>(179,001)</u>
EXPENDITURES				
Current:				
General government	320,843	320,843	299,785	21,058
Highways and streets	173,354	173,354	388,532	(215,178)
Health and welfare	762,878	762,878	861,331	(98,453)
Culture and recreation	<u>581,561</u>	<u>581,561</u>	<u>109,987</u>	<u>471,574</u>
Total expenditures	<u>1,838,636</u>	<u>1,838,636</u>	<u>1,659,635</u>	<u>179,001</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Licenses and permits	\$ 12,000	\$ 12,000	\$ 15,904	\$ 3,904
Charges for services	1,161,000	1,161,000	1,108,958	(52,042)
Fines and forfeitures	230,000	230,000	142,212	(87,788)
Investment earnings	-	-	2,921	2,921
Other	<u>7,200</u>	<u>7,200</u>	<u>5,128</u>	<u>(2,072)</u>
Total revenues	<u>1,410,200</u>	<u>1,410,200</u>	<u>1,275,123</u>	<u>(135,077)</u>
EXPENDITURES				
Current:				
Highways and streets	<u>1,286,062</u>	<u>1,286,062</u>	<u>1,038,704</u>	<u>247,358</u>
Total expenditures	<u>1,286,062</u>	<u>1,286,062</u>	<u>1,038,704</u>	<u>247,358</u>
Excess (deficiency) of revenues over expenditures	<u>124,138</u>	<u>124,138</u>	<u>236,419</u>	<u>112,281</u>
Transfers out	<u>(242,941)</u>	<u>(242,941)</u>	<u>(242,941)</u>	<u>-</u>
Total other financing sources (uses)	<u>(242,941)</u>	<u>(242,941)</u>	<u>(242,941)</u>	<u>-</u>
Net changes in fund balances	(118,803)	(118,803)	(6,522)	112,281
Fund balances--beginning	<u>297,145</u>	<u>297,145</u>	<u>297,145</u>	<u>-</u>
Fund balances--ending	<u>\$ 178,342</u>	<u>\$ 178,342</u>	<u>\$ 290,623</u>	<u>\$ 112,281</u>

CITY OF McALLEN, TEXAS
DEVELOPMENT CORPORATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Sales tax	\$ 15,468,392	\$ 15,468,392	\$ 14,655,387	\$ (813,005)
Intergovernmental revenues	7,332,694	7,332,694	501,978	(6,830,716)
Investment earnings	50,000	50,000	139,349	89,349
Net increase (decrease) in the fair value of investments	-	-	(37,536)	(37,536)
Other	<u>1,130,000</u>	<u>1,130,000</u>	<u>1,323,592</u>	<u>193,592</u>
Total revenues	<u>23,981,086</u>	<u>23,981,086</u>	<u>16,582,770</u>	<u>(7,398,316)</u>
EXPENDITURES				
Current:				
General government	6,808,229	6,808,229	14,608,239	(7,800,010)
Highways and streets	8,339,406	8,339,406	786,453	7,552,953
Health and welfare	3,481,193	3,481,193	4,478,098	(996,905)
Culture and recreation	4,741,495	4,741,495	2,137,566	2,603,929
Debt service:				
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>298,320</u>	<u>(298,320)</u>
Total expenditures	<u>23,370,323</u>	<u>23,370,323</u>	<u>22,308,676</u>	<u>1,061,647</u>
Excess (deficiency) of revenues over expenditures	<u>610,763</u>	<u>610,763</u>	<u>(5,725,906)</u>	<u>(6,336,669)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,596,471)	(4,596,471)	(4,501,980)	(94,491)
Issuance of debt	<u>-</u>	<u>-</u>	<u>10,165,000</u>	<u>10,165,000</u>
Total other financing sources (uses)	<u>(4,596,471)</u>	<u>(4,596,471)</u>	<u>5,663,020</u>	<u>10,070,509</u>
Net changes in fund balances	(3,985,708)	(3,985,708)	(62,886)	3,922,822
Fund balances--beginning	<u>13,827,497</u>	<u>13,827,497</u>	<u>13,827,497</u>	<u>-</u>
Fund balances--ending	<u>\$ 9,841,789</u>	<u>\$ 9,841,789</u>	<u>\$ 13,764,611</u>	<u>\$ 3,922,822</u>

CITY OF McALLEN, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Property tax	\$ 4,193,695	\$ 4,193,695	\$ 4,434,151	\$ 240,456
Interest	-	-	29,895	29,895
Total revenues	4,193,695	4,193,695	4,464,046	270,351
EXPENDITURES				
Current:				
Debt service:				
Principal	4,385,000	4,385,000	4,385,000	-
Interest and fiscal charges	3,097,845	3,097,845	2,049,468	1,048,377
Total expenditures	7,482,845	7,482,845	6,434,468	1,048,377
Excess (deficiency) of revenues over expenditures	(3,289,150)	(3,289,150)	(1,970,422)	(778,026)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,289,150	3,289,150	3,289,150	-
Total other financing sources (uses)	3,289,150	3,289,150	3,289,150	-
Net changes in fund balances	-	-	1,318,728	1,318,728
Fund balance--beginning	1,052,179	1,052,179	1,052,179	-
Fund balance--ending	\$ 1,052,179	\$ 1,052,179	\$ 2,370,907	\$ 1,318,728

CITY OF McALLEN, TEXAS
HOTEL VENUE DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES				
Current:				
Principal	\$ 445,000	\$ 445,000	\$ 445,000	\$ -
Interest and fiscal charges	410,119	410,119	410,925	(806)
	<u>855,119</u>	<u>855,119</u>	<u>855,925</u>	<u>(806)</u>
Total expenditures	<u>855,119</u>	<u>855,119</u>	<u>855,925</u>	<u>(806)</u>
OTHER FINANCING SOURCES				
Transfers in	855,119	855,119	855,925	806
	<u>855,119</u>	<u>855,119</u>	<u>855,925</u>	<u>806</u>
Total other financing sources	<u>855,119</u>	<u>855,119</u>	<u>855,925</u>	<u>806</u>
Net changes in fund balances	-	-	-	-
Fund balances--beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances--ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF McALLEN, TEXAS
CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Investment earnings	\$ -	\$ -	\$ 25,169	\$ 25,169
Net increase (decrease) in the fair value of investments	-	-	(4,105)	(4,105)
Other	110,076	110,076	615,486	505,410
	<u>110,076</u>	<u>110,076</u>	<u>636,550</u>	<u>526,474</u>
Total revenues	<u>110,076</u>	<u>110,076</u>	<u>636,550</u>	<u>526,474</u>
EXPENDITURES				
Current:				
General government	475,000	475,000	527,041	(52,041)
Public safety	599,800	599,800	626,509	(26,709)
Highways and streets	393,000	393,000	340,272	52,728
Culture and recreation	579,459	579,459	493,405	86,054
	<u>2,047,259</u>	<u>2,047,259</u>	<u>1,987,227</u>	<u>60,032</u>
Total expenditures	<u>2,047,259</u>	<u>2,047,259</u>	<u>1,987,227</u>	<u>60,032</u>
Deficiency of revenues over expenditures	<u>(1,937,183)</u>	<u>(1,937,183)</u>	<u>(1,350,677)</u>	<u>466,442</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	782,716	3,680,086	3,870,097	190,011
	<u>782,716</u>	<u>3,680,086</u>	<u>3,870,097</u>	<u>190,011</u>
Total other financing sources (uses)	<u>782,716</u>	<u>3,680,086</u>	<u>3,870,097</u>	<u>190,011</u>
Net changes in fund balances	(1,154,467)	1,742,903	2,519,420	656,453
Fund balances--beginning	<u>2,697,003</u>	<u>2,697,003</u>	<u>2,697,003</u>	<u>-</u>
Fund balances--ending	<u>\$ 1,542,536</u>	<u>\$ 4,439,906</u>	<u>\$ 5,216,423</u>	<u>\$ 656,453</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Other	\$ 45,770	\$ 45,770	\$ 49,369	\$ 3,599
Net increase (decrease) in the Investment earnings	<u>-</u>	<u>-</u>	<u>2,350</u>	<u>2,350</u>
Total revenues	<u>45,770</u>	<u>45,770</u>	<u>51,719</u>	<u>5,949</u>
EXPENDITURES				
Current:				
General government	<u>381,000</u>	<u>381,000</u>	<u>148,392</u>	<u>232,608</u>
Total expenditures	<u>381,000</u>	<u>381,000</u>	<u>148,392</u>	<u>232,608</u>
Excess (deficiency) of revenues over expenditures	<u>(335,230)</u>	<u>(335,230)</u>	<u>(96,673)</u>	<u>238,557</u>
OTHER FINANCING SOURCES (USES)				
Net changes in fund balances	(335,230)	(335,230)	(96,673)	238,557
Fund balances--beginning	<u>292,330</u>	<u>292,330</u>	<u>292,330</u>	<u>-</u>
Fund balances--ending	<u>\$ (42,900)</u>	<u>\$ (42,900)</u>	<u>\$ 195,657</u>	<u>\$ 238,557</u>

CITY OF McALLEN, TEXAS
PARK DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Other	\$ 51,100	\$ 51,100	\$ 317,808	\$ 266,708
Net increase (decrease) in the fair value of investments	-	-	(4,090)	(4,090)
Investment earnings	-	-	16,839	16,839
	<u>51,100</u>	<u>51,100</u>	<u>330,557</u>	<u>279,457</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>50,000</u>	<u>50,000</u>	<u>98,349</u>	<u>(48,349)</u>
	<u>50,000</u>	<u>50,000</u>	<u>98,349</u>	<u>(48,349)</u>
Excess (deficiency) of revenues over expenditures	<u>1,100</u>	<u>1,100</u>	<u>232,208</u>	<u>327,806</u>
Net changes in fund balances	1,100	1,100	232,208	231,108
Fund balances--beginning	<u>1,729,231</u>	<u>1,729,231</u>	<u>1,729,231</u>	<u>-</u>
Fund balances--ending	<u>\$ 1,730,331</u>	<u>\$ 1,730,331</u>	<u>\$ 1,961,439</u>	<u>\$ 231,108</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Investment earnings	<u>-</u>	<u>-</u>	<u>116,740</u>	<u>116,740</u>
Total revenues	<u>-</u>	<u>-</u>	<u>116,740</u>	<u>116,740</u>
EXPENDITURES				
Current:				
Highways and streets	<u>12,965,806</u>	<u>12,965,806</u>	<u>2,285,857</u>	<u>10,679,949</u>
Total expenditures	<u>12,965,806</u>	<u>12,965,806</u>	<u>2,285,857</u>	<u>10,679,949</u>
Deficiency of revenues over expenditures	<u>(12,965,806)</u>	<u>(12,965,806)</u>	<u>(2,169,117)</u>	<u>10,796,689</u>
Net changes in fund balances	(12,965,806)	(12,965,806)	(2,169,117)	10,796,689
Fund balances--beginning	<u>12,996,666</u>	<u>12,996,666</u>	<u>12,996,666</u>	<u>-</u>
Fund balances--ending	<u>\$ 30,860</u>	<u>\$ 30,860</u>	<u>\$ 10,827,549</u>	<u>\$ 10,796,689</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 500,000	\$ 500,000	\$ 365,607	\$ (134,393)
Investment earnings	-	-	132,633	132,633
Other	<u>400,000</u>	<u>400,000</u>	<u>-</u>	<u>(400,000)</u>
Total revenues	<u>900,000</u>	<u>900,000</u>	<u>498,240</u>	<u>(401,760)</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>15,057,940</u>	<u>15,057,940</u>	<u>3,851,773</u>	<u>11,206,167</u>
Total expenditures	<u>15,057,940</u>	<u>15,057,940</u>	<u>3,851,773</u>	<u>11,206,167</u>
Deficiency of revenues over expenditures	<u>(14,157,940)</u>	<u>(14,157,940)</u>	<u>(3,353,533)</u>	<u>(11,607,927)</u>
Net changes in fund balances	(14,157,940)	(14,157,940)	(3,353,533)	(11,607,927)
Fund balances--beginning	<u>13,996,929</u>	<u>13,996,929</u>	<u>13,996,929</u>	<u>-</u>
Fund balances--ending	<u>\$ (161,011)</u>	<u>\$ (161,011)</u>	<u>\$ 10,643,396</u>	<u>\$ (11,607,927)</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Franchise tax	\$ -	\$ -	\$ 186,662	\$ 186,662
Investment earnings	<u>-</u>	<u>-</u>	<u>7,290</u>	<u>7,290</u>
Total revenues	<u>-</u>	<u>-</u>	<u>193,952</u>	<u>193,952</u>
EXPENDITURES				
Current:				
General government	<u>300,000</u>	<u>300,000</u>	<u>4,786</u>	<u>295,214</u>
Total expenditures	<u>300,000</u>	<u>300,000</u>	<u>4,786</u>	<u>295,214</u>
Excess (deficiency) of revenues over expenditures	<u>(300,000)</u>	<u>(300,000)</u>	<u>189,166</u>	<u>489,166</u>
Net changes in fund balances	(300,000)	(300,000)	189,166	489,166
Fund balances--beginning	<u>677,790</u>	<u>677,790</u>	<u>677,790</u>	<u>-</u>
Fund balances--ending	<u>\$ 377,790</u>	<u>\$ 377,790</u>	<u>\$ 866,956</u>	<u>\$ 489,166</u>

CITY OF McALLEN, TEXAS
PERFORMING ARTS C.O. FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Investment earnings	<u>-</u>	<u>-</u>	<u>37,892</u>	<u>37,892</u>
Total revenues	<u>-</u>	<u>-</u>	<u>37,892</u>	<u>37,892</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>6,647,117</u>	<u>6,647,117</u>	<u>4,579,148</u>	<u>2,067,969</u>
Total expenditures	<u>6,647,117</u>	<u>6,647,117</u>	<u>4,579,148</u>	<u>2,067,969</u>
Deficiency of revenues over expenditures	<u>(6,647,117)</u>	<u>(6,647,117)</u>	<u>(4,541,256)</u>	<u>2,105,861</u>
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>64,041</u>	<u>16,392</u>	<u>(47,649)</u>
Total other financing sources	<u>-</u>	<u>64,041</u>	<u>16,392</u>	<u>(47,649)</u>
Net changes in fund balances	<u>(6,647,117)</u>	<u>(6,583,076)</u>	<u>(4,524,864)</u>	<u>2,058,212</u>
Fund balances--beginning	<u>5,283,827</u>	<u>5,283,827</u>	<u>5,283,827</u>	<u>-</u>
Fund balances--ending	<u>\$ (1,363,290)</u>	<u>\$ (1,299,249)</u>	<u>\$ 758,963</u>	<u>\$ 2,058,212</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2017

	<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	\$ 12,281,037	\$ 12,281,037	\$ 10,878,938	\$ (1,402,099)
Commercial accounts	6,126,750	6,126,750	6,086,094	(40,656)
Industrial customers	519,267	519,267	467,141	(52,126)
	<u>18,927,054</u>	<u>18,927,054</u>	<u>17,432,173</u>	<u>(1,494,881)</u>
Total water sales				
Service charges:				
Tap fees	800,000	800,000	816,798	16,798
Connect fees	190,000	190,000	244,065	54,065
Reconnect fees	190,000	190,000	195,400	5,400
Other services	886,500	886,500	1,178,678	292,178
	<u>2,066,500</u>	<u>2,066,500</u>	<u>2,434,941</u>	<u>368,441</u>
Total service charges				
Total operating revenues	<u>20,993,554</u>	<u>20,993,554</u>	<u>19,867,114</u>	<u>(1,126,440)</u>
Non-operating revenues:				
Investment earnings	106,800	106,800	197,260	90,460
Net increase (decrease) in the fair value of investment	-	-	(83,873)	(83,873)
Other	26,019	26,019	1,251,709	1,225,690
	<u>132,819</u>	<u>132,819</u>	<u>1,365,096</u>	<u>1,232,277</u>
Total non-operating revenues				
Total revenues	<u>21,126,373</u>	<u>21,126,373</u>	<u>21,232,210</u>	<u>105,837</u>
Expenses:				
Water plant:				
Salaries and benefits	1,693,882	1,693,882	1,537,707	156,175
Supplies and raw water purchases	1,219,060	1,219,060	1,200,808	18,252
Contractual and other services	4,084,821	4,084,821	3,985,836	98,985
Repairs and maintenance	480,500	480,500	316,662	163,838
	<u>7,478,263</u>	<u>7,478,263</u>	<u>7,041,013</u>	<u>437,250</u>
Total water plant				

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Water lab:				
Salaries and benefits	\$ 278,574	\$ 278,574	\$ 266,881	\$ 11,693
Supplies	30,130	30,130	27,080	3,050
Contractual and other services	59,823	59,823	44,131	15,692
Repairs and maintenance	27,950	27,950	22,659	5,291
Total water lab	396,477	396,477	360,751	35,726
Transmission and distribution:				
Salaries and benefits	2,038,939	2,038,939	1,946,987	91,952
Supplies	42,500	42,500	27,319	15,181
Contractual and other services	144,866	144,866	65,167	79,699
Repairs and maintenance	241,500	241,500	116,143	125,357
Total Transmission and distribution	2,467,805	2,467,805	2,155,616	312,189
Water meters:				
Salaries and benefits	846,974	846,974	786,843	60,131
Supplies	24,965	24,965	17,900	7,065
Contractual and other services	78,691	78,691	35,216	43,475
Repairs and maintenance	86,867	86,867	67,533	19,334
Total water meters	1,037,497	1,037,497	907,492	130,005
Utility billing:				
Salaries and benefits	432,079	432,079	410,407	21,672
Supplies	38,000	38,000	29,019	8,981
Contractual and other services	327,670	327,670	292,767	34,903
Repairs and maintenance	-	-	1,479	(1,479)
Total utility billing	797,749	797,749	733,672	64,077

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Customer relations:				
Salaries and benefits	\$ 838,278	\$ 838,278	\$ 797,926	\$ 40,352
Supplies	15,560	15,560	14,467	1,093
Contractual and other services	79,566	79,566	66,920	12,646
Repairs and maintenance	38,323	38,323	37,090	1,233
Total customer relations	971,727	971,727	916,403	55,324
Treasury/Fiscal Management				
Salaries and benefits	317,857	317,857	269,053	48,804
Supplies	1,500	1,500	968	532
Contractual and other services	103,079	103,079	87,402	15,677
Repairs and maintenance	66,207	66,207	61,867	4,340
Total treasury/fiscal management	488,643	488,643	419,290	69,353
Administration:				
Salaries and benefits	674,479	831,322	1,022,896	(191,574)
Supplies	12,000	12,000	4,548	7,452
Contractual and other services	627,150	627,150	589,510	37,640
Repairs and maintenance	7,600	7,600	9,901	(2,301)
Total administration	1,321,229	1,478,072	1,626,855	(148,783)
Non-departmental expenses:				
Liability insurance	55,099	55,099	39,060	16,039
Interest and fiscal charges	824,172	824,172	772,405	51,767
Bond principal requirements	1,316,800	1,316,800	-	1,316,800
Other	-	-	(113,412)	113,412
Capital outlay	11,188,734	11,188,734	2,399,820	8,788,914
Total non-departmental expenses	13,384,805	13,384,805	3,097,873	10,286,932
Total expenses	28,344,195	28,501,038	17,266,653	11,234,385
Excess (deficiency) of revenues over over expenses (budget basis) before transfers	(7,217,822)	(7,374,665)	3,965,557	11,340,222

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Transfers:				
Transfers out	<u>(42,839)</u>	<u>(42,839)</u>	<u>(42,839)</u>	<u>-</u>
Net transfers	<u>(42,839)</u>	<u>(42,839)</u>	<u>(42,839)</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>\$ (7,260,661)</u>	<u>\$ (7,417,504)</u>	<u>\$ 3,922,718</u>	<u>\$ 11,340,222</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(4,645,422)	(4,645,422)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	2,399,820	2,399,820
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as a reduction of bonds payable per GAAP basis	<u>1,316,800</u>	<u>1,316,800</u>	<u>-</u>	<u>1,316,800</u>
Net income-GAAP basis	<u><u>\$ (8,577,461)</u></u>	<u><u>\$ (8,734,304)</u></u>	<u><u>\$ 1,677,116</u></u>	<u><u>\$ 10,411,420</u></u>
	-			-

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2017

	Current Debt Service	Customer Deposits	Depreciation
Cash, certificates of deposit, and investments at September 30, 2016	<u>\$ 668,166</u>	<u>\$ 2,538,831</u>	<u>\$ 7,690,499</u>
Cash receipts:			
Transfers in	2,153,654	-	1,588,716
Operating activities	-	1,042,500	113,460
Interest received	-	-	87,696
Valuation allowance	<u>-</u>	<u>-</u>	<u>(42,163)</u>
Total cash receipts	<u>2,153,654</u>	<u>1,042,500</u>	<u>1,747,709</u>
Total cash available	<u>2,821,820</u>	<u>3,581,331</u>	<u>9,438,208</u>
Cash disbursements:			
Other	-	-	17,155
Due from other funds	-	-	-
Transfers out	-	-	-
Refunds	-	1,043,906	-
Capital acquisition	-	-	726,094
Principal payments	1,316,800	-	-
Interest and fiscal charges (net)	<u>913,264</u>	<u>-</u>	<u>-</u>
Total cash disbursements	<u>2,230,064</u>	<u>1,043,906</u>	<u>743,249</u>
Cash, certificates of deposit, and investments at September 30, 2017	<u><u>\$ 591,756</u></u>	<u><u>\$ 2,537,425</u></u>	<u><u>\$ 8,694,959</u></u>
Cash, certificates of deposit, and investments at September 30, 2017 is comprised of the following:			
Cash	\$ -	\$ -	\$ 132,696
Certificates of deposit	-	-	-
Investments (net)	591,756	2,537,425	8,539,373
Accrued Interest	-	-	22,890
Note receivable	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u><u>\$ 591,756</u></u>	<u><u>\$ 2,537,425</u></u>	<u><u>\$ 8,694,959</u></u>

Capital Improvement	Water Revenue Bonds	Total
<u>\$ 5,045,883</u>	<u>\$ 65,231</u>	<u>\$ 16,008,610</u>
1,149,948	-	4,892,318
9,428	-	1,165,388
48,098	-	135,794
<u>(21,882)</u>	<u>-</u>	<u>(64,045)</u>
<u>1,185,592</u>	<u>-</u>	<u>6,193,500</u>
<u>6,231,475</u>	<u>65,231</u>	<u>22,202,110</u>
54,018	-	71,173
-	-	-
-	-	-
-	-	1,043,906
1,563,035	65,231	2,354,360
-	-	1,316,800
<u>-</u>	<u>-</u>	<u>913,264</u>
<u>1,617,053</u>	<u>65,231</u>	<u>5,699,503</u>
<u><u>\$ 4,614,422</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,438,562</u></u>
\$ -	\$ -	\$ 132,696
-	-	-
4,605,536	-	16,274,090
8,886	-	31,776
<u>-</u>	<u>-</u>	<u>-</u>
<u><u>\$ 4,614,422</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,438,562</u></u>

This page left intentionally blank

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Sewer service charges	\$ 18,176,550	\$ 18,176,550	\$ 16,724,222	\$ (1,452,328)
Industrial surcharges	372,237	372,237	309,580	(62,657)
Other services	<u>398,500</u>	<u>398,500</u>	<u>670,794</u>	<u>272,294</u>
Total operating revenues	<u>18,947,287</u>	<u>18,947,287</u>	<u>17,704,596</u>	<u>(1,242,691)</u>
Non-operating revenues:				
Investment earnings	144,482	144,482	342,721	198,239
Net increase (decrease) in the fair value of investment	-	-	(63,788)	(63,788)
Other	<u>23,730,835</u>	<u>23,730,835</u>	<u>2,149,675</u>	<u>(21,581,160)</u>
Total non-operating revenues	<u>23,875,317</u>	<u>23,875,317</u>	<u>2,428,608</u>	<u>(21,446,709)</u>
Total revenues	<u>42,822,604</u>	<u>42,822,604</u>	<u>20,133,204</u>	<u>(22,689,400)</u>
Expenses:				
Sewer plant:				
Salaries and benefits	2,146,624	2,146,624	1,953,093	193,531
Supplies	198,200	198,200	162,158	36,042
Contractual and other services	2,229,438	2,229,438	1,983,903	245,535
Repairs and maintenance	<u>195,050</u>	<u>195,050</u>	<u>200,899</u>	<u>(5,849)</u>
Total sewer plant	<u>4,769,312</u>	<u>4,769,312</u>	<u>4,300,053</u>	<u>469,259</u>
Sewer lab:				
Salaries and benefits	375,847	375,847	367,091	8,756
Supplies	58,347	58,347	50,126	8,221
Contractual and other services	7,480	7,480	5,658	1,822
Repairs and maintenance	<u>8,410</u>	<u>8,410</u>	<u>4,262</u>	<u>4,148</u>
Total sewer lab	<u>450,084</u>	<u>450,084</u>	<u>427,137</u>	<u>22,947</u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Sewer collection:				
Salaries and benefits	\$ 1,133,457	\$ 1,133,457	\$ 1,080,230	\$ 53,227
Supplies	466,000	466,000	464,587	1,413
Contractual and other services	305,645	305,645	314,864	(9,219)
Repairs and maintenance	334,000	334,000	311,223	22,777
Total sewer collection	2,239,102	2,239,102	2,170,904	68,198
Administration:				
Salaries and benefits	705,731	705,731	879,392	(173,661)
Supplies	24,000	24,000	8,444	15,556
Contractual and other services	643,987	643,987	581,005	62,982
Repairs and maintenance	26,500	26,500	14,270	12,230
Total administration	1,400,218	1,400,218	1,483,111	(82,893)
Non-departmental expenses:				
Employee benefits	106,434	106,434	150,344	(43,910)
Liability insurance	65,261	65,261	42,529	22,732
Interest and fiscal charges	1,567,862	1,567,862	1,436,816	131,046
Bond principal requirements	4,049,200	4,049,200	-	4,049,200
Capitalized interest	-	-	(1,020,364)	1,020,364
Other	-	-	(491,002)	491,002
Capital outlay	49,829,442	49,829,442	24,996,707	24,832,735
Total non-departmental expenses	55,618,199	55,618,199	25,115,030	30,503,169
Total expenses	64,476,915	64,476,915	33,496,235	30,980,680
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(21,654,311)	(21,654,311)	(13,363,031)	8,291,280
Transfers:				
Transfers out	(24,390)	(24,390)	(24,390)	-
Net transfers	(24,390)	(24,390)	(24,390)	-

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Excess (deficiency) of revenues over budget	<u>\$ (21,678,701)</u>	<u>\$ (21,678,701)</u>	<u>\$ (13,387,421)</u>	<u>\$ 8,291,280</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(5,975,189)	(5,975,189)
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as reduction of bonds payable per GAAP basis	4,049,200	4,049,200	-	4,049,200
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>24,996,707</u>	<u>24,996,707</u>
Net income-GAAP basis	<u><u>\$ (25,727,901)</u></u>	<u><u>\$ (25,727,901)</u></u>	<u><u>\$ 5,634,097</u></u>	<u><u>\$ 27,312,798</u></u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2017

	Current Debt Service	Bond Reserve	Reserve for Improvements	TWDB Debt Service	Depreciation
Cash, certificates of deposit, and investments at September 30, 2016	<u>\$ 728,114</u>	<u>\$ 1,966,971</u>	<u>\$ 16,722,478</u>	<u>\$ 1,883,964</u>	<u>\$ 11,934,442</u>
Cash receipts:					
Escrow proceeds	-	-	-	-	-
Transfers from operating cash	2,276,585	246,842	-	3,311,434	2,980,578
Transfers from internal funds	-	-	-	-	-
Due sewer fund	-	-	8,220,422	-	-
Interest received	-	21,253	20,158	14,303	136,192
Valuation allowance	-	-	-	-	(46,011)
Capital contributions	-	-	-	-	-
Total cash receipts	<u>2,276,585</u>	<u>268,095</u>	<u>8,240,580</u>	<u>3,325,737</u>	<u>3,070,759</u>
Total cash available	<u>3,004,699</u>	<u>2,235,066</u>	<u>24,963,058</u>	<u>5,209,701</u>	<u>15,005,201</u>
Cash disbursements:					
Other	-	-	-	-	9,792
Due sewer fund and internal funds	-	-	15,349,611	-	-
Principal payments	1,378,200	-	-	2,671,000	-
Interest and fiscal charges (net)	1,001,765	-	-	606,555	-
Capital acquisitions	-	-	-	-	961,990
Total cash disbursements	<u>2,379,965</u>	<u>-</u>	<u>15,349,611</u>	<u>3,277,555</u>	<u>971,782</u>
Cash, certificates of deposit, and investments at September 30, 2017	<u>\$ 624,734</u>	<u>\$ 2,235,066</u>	<u>\$ 9,613,447</u>	<u>\$ 1,932,146</u>	<u>\$ 14,033,419</u>
Cash, certificates of deposit, and investments at September 30, 2017 is comprised of the following:					
Cash	\$ -	\$ -	\$ -	\$ 1,200	\$ 787
Certificates of deposit	-	-	-	-	-
Investments (net)	624,734	2,235,066	9,613,447	1,930,946	13,999,133
Accrued Interest	-	-	-	-	33,499
Totals	<u>\$ 624,734</u>	<u>\$ 2,235,066</u>	<u>\$ 9,613,447</u>	<u>\$ 1,932,146</u>	<u>\$ 14,033,419</u>

<u>Capital Improvement</u>	<u>Sewer Revenue Bonds</u>	<u>Sewer Series 2012</u>	<u>Sewer Series 2015</u>	<u>Total</u>
\$ 7,601,163	\$ 10,967,396	\$ 518,554	\$ 2	52,323,084
-	-	4,448,694	-	4,448,694
273,200	-	-	10,900,258	19,988,897
530,920	-	-	-	530,920
-	-	93,460	-	8,313,882
60,947	75,445	-	-	328,298
(16,559)	-	-	-	(62,570)
150,000	-	-	-	150,000
998,508	75,445	4,542,154	10,900,258	40,149,685
8,599,671	11,042,841	5,060,708	10,900,260	92,472,769
146,819	3,525	-	-	160,136
-	-	-	-	-
-	-	-	-	4,049,200
-	-	-	-	1,608,320
3,877,122	6,588,155	4,542,154	10,900,258	26,869,679
4,023,941	6,591,680	4,542,154	10,900,258	32,687,335
<u>\$ 4,575,730</u>	<u>\$ 4,451,161</u>	<u>\$ 518,554</u>	<u>\$ 2</u>	<u>\$ 37,984,259</u>
\$ 346,269	\$ 168,704	\$ 518,554	\$ 2	\$ 1,035,516
-	-	-	-	-
4,219,244	4,282,457	-	-	36,905,027
10,217	-	-	-	43,716
<u>\$ 4,575,730</u>	<u>\$ 4,451,161</u>	<u>\$ 518,554</u>	<u>\$ 2</u>	<u>\$ 37,984,259</u>

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Operating revenues:				
Solid waste collections	\$ 18,978,875	\$ 18,978,875	\$ 19,133,391	\$ 154,516
Other services	60,000	60,000	97,081	37,081
Total operating revenues	19,038,875	19,038,875	19,230,472	191,597
Non-operating revenues:				
Investment earnings	-	-	170,005	170,005
Net increase (decrease) in the fair value of investment	-	-	(67,321)	(67,321)
Other	-	-	79,143	79,143
Total non-operating revenues	-	-	181,827	181,827
Total revenues	19,038,875	19,038,875	19,412,299	373,424
Expenses:				
Facilities administration:				
Salaries and benefits	894,091	894,091	1,077,401	(183,310)
Supplies	15,750	15,750	14,007	1,743
Contractual and other services	1,381,170	1,381,170	1,368,184	12,986
Repairs and maintenance	55,097	55,097	46,854	8,243
Capital outlay	502,500	502,500	233,517	268,983
Total facilities administration	2,848,608	2,848,608	2,739,963	108,645
Brush collection:				
Salaries and benefits	1,754,353	1,754,353	1,535,282	219,071
Supplies	257,320	257,320	224,170	33,150
Contractual and other services	145,225	145,225	182,921	(37,696)
Repairs and maintenance	540,531	540,531	485,629	54,902
Total brush collection	2,697,429	2,697,429	2,428,002	269,427
Residential collection:				
Salaries and benefits	\$ 1,592,842	\$ 1,592,842	\$ 1,509,906	\$ 82,936
Supplies	35,109	35,109	24,402	10,707
Contractual and other services	608,040	608,040	839,573	(231,533)
Repairs and maintenance	934,581	934,581	854,768	79,813
Capital outlay	93,000	93,000	-	93,000
Total residential collection	3,263,572	3,263,572	3,228,649	34,923

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Commercial box collection:				
Salaries and benefits	1,513,028	1,513,028	1,326,242	186,786
Supplies	44,479	44,479	41,034	3,445
Contractual and other services	1,335,980	1,335,980	1,433,283	(97,303)
Repairs and maintenance	1,159,476	1,159,476	922,251	237,225
Capital outlay	341,350	341,350	238,717	102,633
Total commercial box collection	4,394,313	4,394,313	3,961,527	432,786
Roll offs:				
Salaries and benefits	342,112	342,112	267,584	74,528
Supplies	5,750	5,750	3,809	1,941
Contractual and other services	323,450	323,450	331,608	(8,158)
Repairs and maintenance	249,874	249,874	233,388	16,486
Capital outlay	22,500	22,500	21,375	1,125
Total roll offs	943,686	943,686	857,764	85,922
Recycling:				
Salaries and benefits	1,147,721	1,147,721	974,101	173,620
Supplies	53,606	53,606	45,503	8,103
Contractual and other services	263,943	263,943	446,007	(182,064)
Repairs and maintenance	179,749	179,749	178,012	1,737
Capital outlay	121,750	121,750	19,350	102,400
Total recycling	1,766,769	1,766,769	1,662,973	103,796
Composting:				
Salaries and benefits	\$ 446,772	\$ 446,772	\$ 389,470	\$ 57,302
Supplies	26,000	26,000	25,914	86
Contractual and other services	252,375	252,375	247,570	4,805
Repairs and maintenance	121,975	121,975	73,743	48,232
Total composting	847,122	847,122	736,697	110,425

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Street cleaning:				
Salaries and benefits	249,298	249,298	233,517	15,781
Supplies	2,330	2,330	2,131	199
Contractual and other services	4,842	4,842	325	4,517
Repairs and maintainace	111,427	111,427	96,685	14,742
Total street cleaning	367,897	367,897	332,658	35,239
Non-departmental expenses:				
Depreciation fund-capital outlay	5,989,137	5,989,137	1,717,920	4,271,217
Liability insurance	104,034	104,034	104,034	-
Total non-departmental expenses	6,093,171	6,093,171	1,821,954	4,271,217
Total expenses	23,222,567	23,222,567	17,770,187	5,452,380
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(4,183,692)	(4,183,692)	1,642,112	5,825,804
Transfers out	(41,276)	(41,276)	(41,276)	-
Net transfers	(41,276)	(41,276)	(41,276)	-
Excess (deficiency) of revenues over budget	(4,224,968)	(4,224,968)	1,600,836	5,825,804
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(2,427,312)	(2,427,312)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	2,230,880	2,230,880
Net income-GAAP basis	<u>\$ (4,224,968)</u>	<u>\$ (4,224,968)</u>	<u>\$ 1,404,404</u>	<u>\$ 5,629,372</u>

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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Operating revenues:				
Green fees	\$ 644,670	\$ 644,670	\$ 539,982	\$ (104,688)
Membership sales	168,252	168,252	150,616	(17,636.00)
Cart rental	297,629	297,629	252,411	(45,218.00)
Rentals and other sales	173,632	173,632	193,791	20,159.00
Total operating revenues	1,284,183	1,284,183	1,136,800	(147,383)
Non-operating revenues:				
Investment earnings	1,200	1,200	12,246	11,046
fair value of investment	-	-	(1,948)	(1,948)
Other	-	-	227,217	227,217
Total non-operating revenues	1,200	1,200	237,515	236,315
Total revenues	1,285,383	1,285,383	1,374,315	88,932
Expenses:				
Salaries and benefits	825,570	825,570	777,212	48,358
Supplies	132,024	132,024	124,479	7,545
Contractual and other services	136,957	136,957	141,435	(4,478)
Repairs and maintenance	93,395	93,395	86,988	6,407
Capital outlay	65,000	65,000	163,689	(98,689)
Total expenses	1,252,946	1,252,946	1,293,803	(40,857)
Excess (deficiency) of revenues over expenses (budget basis) before transfers	32,437	32,437	80,512	(48,075)
Transfers out	(4,065)	(4,065)	(4,065)	-
Excess (deficiency) of revenues over budget	28,372	28,372	76,447	(48,075)
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (304,155)	\$ 304,155
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	163,689	(163,689)
Net income-GAAP basis	\$ 28,372	\$ 28,372	\$ (64,019)	\$ 92,391

CITY OF McALLEN, TEXAS
TRANSIT TERMINAL FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2017

	<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>\$ 57,580</u>	<u>\$ 57,580</u>
Total operating revenues	<u>-</u>	<u>-</u>	<u>57,580</u>	<u>57,580</u>
Non-operating revenues:				
Investment earnings	-	-	13,589	13,589
Net increase (decrease) in the fair value of investments	-	-	(858)	(858)
Intergovernmental	<u>4,350,790</u>	<u>4,596,254</u>	<u>812,126</u>	<u>(3,784,128)</u>
Total non-operating revenues	<u>4,350,790</u>	<u>4,596,254</u>	<u>824,857</u>	<u>(3,771,397)</u>
Total revenues	<u>4,350,790</u>	<u>4,596,254</u>	<u>882,437</u>	<u>(3,713,817)</u>
Expenses:				
Salaries and benefits	309,642	309,642	260,280	49,362
Supplies	-	-	74	(74)
Contractual and other services	138,696	138,696	165,189	(26,493)
Repairs and maintenance	308,211	308,211	342,146	(33,935)
Capital outlay	<u>4,476,884</u>	<u>4,831,079</u>	<u>427,950</u>	<u>4,403,129</u>
Total expenses	<u>5,233,433</u>	<u>5,587,628</u>	<u>1,195,639</u>	<u>4,391,989</u>

CITY OF McALLEN, TEXAS
TRANSIT TERMINAL FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2017

	<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	(882,643)	(991,374)	(313,202)	678,172
Transfers:				
Transfers in	303,948	351,313	209,457	(141,856)
Transfers out	<u>(354,279)</u>	<u>(354,279)</u>	<u>(354,279)</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(932,974)</u>	<u>(994,340)</u>	<u>(458,024)</u>	<u>536,316</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(914,543)	(914,544)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>427,950</u>	<u>427,950</u>
Net income-GAAP basis	<u>\$ (932,974)</u>	<u>\$ (994,340)</u>	<u>\$ (944,617)</u>	<u>\$ 49,722</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Non-operating revenues:				
Investment earnings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 266</u>	<u>\$ 266</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>266</u>	<u>266</u>
Total revenues	<u>-</u>	<u>-</u>	<u>266</u>	<u>266</u>
Expenses:				
Contractual and other services	<u>-</u>	<u>-</u>	<u>154</u>	<u>(154)</u>
Total expenses	<u>-</u>	<u>-</u>	<u>154</u>	<u>(154)</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	<u>-</u>	<u>-</u>	<u>112</u>	<u>(112)</u>
Transfers:				
Transfers out	<u>(323,561)</u>	<u>(387,602)</u>	<u>(339,953)</u>	<u>47,649</u>
Net transfers	<u>(323,561)</u>	<u>(387,602)</u>	<u>(339,953)</u>	<u>47,649</u>
Excess (deficiency) of revenues over budget	<u>(323,561)</u>	<u>(387,602)</u>	<u>(339,841)</u>	<u>47,761</u>
Net income-GAAP basis	<u><u>\$ (323,561)</u></u>	<u><u>\$ (387,602)</u></u>	<u><u>\$ (339,841)</u></u>	<u><u>\$ 47,761</u></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, 2017

	<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	\$ 1,067,801	\$ 37,801
Concessions-other	1,260,000	1,260,000	1,261,878	1,878
Other services	<u>221,000</u>	<u>221,000</u>	<u>256,323</u>	<u>35,323</u>
Total operating revenues	<u>2,511,000</u>	<u>2,511,000</u>	<u>2,586,002</u>	<u>75,002</u>
Non-operating revenues:				
Investment earnings	21,500	21,500	37,887	16,387
Net increase (decrease) in the fair value of investments	1,000	1,000	(11,069)	(12,069)
Other	<u>-</u>	<u>-</u>	<u>37,483</u>	<u>37,483</u>
Total non-operating revenues	<u>22,500</u>	<u>22,500</u>	<u>64,301</u>	<u>41,801</u>
Total revenues	<u>2,533,500</u>	<u>2,533,500</u>	<u>2,650,303</u>	<u>116,803</u>
Expenses:				
Salaries and benefits	2,161,551	2,161,551	2,176,419	(14,868)
Supplies	99,000	99,000	67,719	31,281
Contractual and other services	1,886,375	1,886,375	2,225,856	(339,481)
Repairs and maintenance	299,582	299,582	332,798	(33,216)
Capital outlay	<u>424,845</u>	<u>424,845</u>	<u>101,356</u>	<u>323,489</u>
Total expenses	<u>4,871,353</u>	<u>4,871,353</u>	<u>4,904,148</u>	<u>(32,795)</u>
Excess (deficiency) of revenues over over expenses (budget basis) before transfers	(2,337,853)	(2,337,853)	(2,253,845)	84,008
Transfers:				
Transfers in	2,172,752	2,172,752	1,890,899	(281,853)
Transfers out	<u>(10,632)</u>	<u>-</u>	<u>(700,787)</u>	<u>(700,787)</u>
Excess (deficiency) of revenues over budget	<u>(175,733)</u>	<u>(165,101)</u>	<u>(1,063,733)</u>	<u>(898,632)</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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (1,608,267)	\$ (1,608,267)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	101,356	101,356
Net income-GAAP basis	<u>\$ (175,733)</u>	<u>\$ (165,101)</u>	<u>\$ (2,570,644)</u>	<u>\$ (2,405,543)</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 375,000	\$ 375,000	\$ 391,205	\$ 16,205
Concessions-other	545,000	545,000	598,417	53,417
Other services	<u>300,000</u>	<u>300,000</u>	<u>5,659</u>	<u>(294,341)</u>
Total operating revenues	<u>1,220,000</u>	<u>1,220,000</u>	<u>995,281</u>	<u>(224,719)</u>
Non-operating revenues:				
Intergovernmental	-	-	52,082,413	52,082,413
Investment earnings	<u>-</u>	<u>-</u>	<u>5,639</u>	<u>5,639</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>52,088,052</u>	<u>52,088,052</u>
Total revenues	<u>1,220,000</u>	<u>1,220,000</u>	<u>53,083,333</u>	<u>51,863,333</u>
Expenses:				
Supplies	55,000	55,000	30,755	24,245
Contractual and other services	847,730	847,730	789,434	58,296
Repairs and maintenance	<u>171,000</u>	<u>171,000</u>	<u>51,158</u>	<u>119,842</u>
Total expenses	<u>1,073,730</u>	<u>1,073,730</u>	<u>871,347</u>	<u>202,383</u>
Excess (deficiency) of revenues over over expenses (budget basis) before transfers	146,270	146,270	52,211,986	52,065,716
Transfers:				
Transfers in	<u>1,976,043</u>	<u>1,976,043</u>	<u>1,771,750</u>	<u>(204,293)</u>
Excess (deficiency) of revenues over budget	<u>2,122,313</u>	<u>2,122,313</u>	<u>53,983,736</u>	<u>51,861,423</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (766,785)	\$ (766,785)
Net income-GAAP basis	<u>\$ 2,122,313</u>	<u>\$ 2,122,313</u>	<u>\$ 53,216,951</u>	<u>\$ 52,628,208</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, 2017

	<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	\$ 2,446,983	\$ 2,446,983	\$ 2,648,482	\$ 201,499
Rentals	3,028,493	3,028,493	3,589,714	561,221
Other services	1,126,072	1,126,072	136,405	(989,667)
Total operating revenues	<u>6,601,548</u>	<u>6,601,548</u>	<u>6,374,601</u>	<u>(226,947)</u>
Non-operating revenues:				
Intergovernmental	4,871,039	4,871,039	2,392,868	(2,478,171)
Investment earnings	-	-	155,381	155,381
Net increase (decrease) in the fair value of investments				
fair value of investments	-	-	(63,044)	(63,044)
Other	-	-	(98,974)	(98,974)
Total non-operating revenues	<u>4,871,039</u>	<u>4,871,039</u>	<u>2,386,231</u>	<u>(2,484,808)</u>
Total revenues	<u>11,472,587</u>	<u>11,472,587</u>	<u>8,760,832</u>	<u>(2,711,755)</u>
Expenses:				
Salaries and benefits	1,953,871	1,953,871	1,722,456	(231,415)
Supplies	119,000	119,000	71,347	(47,653)
Contractual and other services	1,994,857	1,994,857	1,797,380	(197,477)
Repairs and maintenance	439,640	439,640	431,690	(7,950)
Capital outlay	5,265,560	5,265,560	1,712,743	(3,552,817)
Total administrative expenses	<u>9,772,928</u>	<u>9,772,928</u>	<u>5,735,616</u>	<u>(4,037,312)</u>
Non-departmental expenses (income):				
Interest and fiscal charges	319,874	319,874	413,550	93,676
Total non-departmental expenses	<u>319,874</u>	<u>319,874</u>	<u>413,550</u>	<u>93,676</u>
Total expenses	<u>10,092,802</u>	<u>10,092,802</u>	<u>6,149,166</u>	<u>(3,943,636)</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	1,379,785	1,379,785	2,611,666	1,231,881

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL AIRPORT FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Transfers:				
Transfers out	<u>(1,114,597)</u>	<u>(1,114,597)</u>	<u>(1,114,597)</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>265,188</u>	<u>265,188</u>	<u>1,497,069</u>	<u>1,231,881</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (4,701,434)	\$ (4,701,434)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>1,712,743</u>	<u>1,712,743</u>
Net income-GAAP basis	<u>\$ 265,188</u>	<u>\$ 265,188</u>	<u>\$ (1,491,622)</u>	<u>\$ (1,756,810)</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, 2017

	<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	\$ 11,954,010	\$ 11,954,010	\$ 11,856,205	\$ (97,805)
Rentals	2,418,359	2,418,359	2,587,122	168,763
Other	202,788	202,788	284,973	82,185
Total operating revenues	<u>14,575,157</u>	<u>14,575,157</u>	<u>14,728,300</u>	<u>153,143</u>
Non-operating revenues:				
Investment earnings	-	-	53,791	53,791
Other	-	-	86,424	86,424
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>140,215</u>	<u>140,215</u>
Total revenues	<u>14,575,157</u>	<u>14,575,157</u>	<u>14,868,515</u>	<u>293,358</u>
Expenses:				
Administration:				
Salaries and benefits	269,982	269,982	325,564	(55,582)
Supplies	24,800	24,800	22,699	2,101
Contractual and other services	422,325	422,325	382,938	39,387
Repairs and maintenance	12,162	12,162	9,079	3,083
Capital outlay	2,401,105	2,401,105	1,656,641	744,464
Total administration	<u>3,130,374</u>	<u>3,130,374</u>	<u>2,396,921</u>	<u>733,453</u>
Operations :				
Salaries and benefits	1,468,225	1,468,225	1,246,157	222,068
Supplies	85,000	85,000	69,551	15,449
Contractual and other services	523,250	523,250	519,601	3,649
Repairs and maintenance	176,000	176,000	165,236	10,764
Total operations	<u>2,252,475</u>	<u>2,252,475</u>	<u>2,000,545</u>	<u>251,930</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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Non-departmental expenses:				
Liability insurance	\$ 23,171	\$ 23,171	\$ 23,171	\$ -
Interest and fiscal charges	35,086	35,086	27,335	7,751
Bond principal requirement	168,710	168,710	-	168,710
Other	3,568,338	3,568,338	3,727,282	(158,944)
Total non-departmental expenses	3,795,305	3,795,305	3,777,788	17,517
Total expenses	9,178,154	9,178,154	8,175,254	1,002,900
Excess (deficiency) of revenues over expenses (budget basis) before transfers	5,397,003	5,397,003	6,693,261	1,296,258
Transfers:				
Transfers out	(6,352,154)	(6,352,154)	(6,623,332)	(271,178)
Net transfers	(6,352,154)	(6,352,154)	(6,623,332)	(271,178)
Excess (deficiency) of revenues over budget	(955,151)	(955,151)	69,929	1,025,080
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(986,388)	(986,388)
Interest on board advances	-	-	631,458	631,458
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	1,656,641	1,656,641
Net income-GAAP basis	\$ (955,151)	\$ (955,151)	\$ 1,371,640	\$ 2,326,791

CITY OF McALLEN, TEXAS
ANZALDUAS INTERNATIONAL CROSSING FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2017

	<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	\$ 3,491,078	\$ 3,491,078	\$ 3,555,823	\$ 64,745
Rentals	18,552	18,552	18,555	3
Other	<u>34,449</u>	<u>34,449</u>	<u>126,288</u>	<u>91,839</u>
Total operating revenues	<u>3,544,079</u>	<u>3,544,079</u>	<u>3,700,666</u>	<u>156,587</u>
Non-operating revenues:				
Investment earnings	1,300	133	30,426	30,293
fair value of investments	-	-	(1,201)	(1,201)
Other	<u>-</u>	<u>-</u>	<u>8,653</u>	<u>8,653</u>
Total non-operating revenues	<u>1,300</u>	<u>133</u>	<u>37,878</u>	<u>37,745</u>
Total revenues	<u>3,545,379</u>	<u>3,544,212</u>	<u>3,738,544</u>	<u>194,332</u>
Expenses:				
Administration:				
Salaries and benefits	220,389	220,389	221,505	(1,116)
Supplies	8,200	8,200	7,833	367
Contractual and other services	288,000	288,000	255,847	32,153
Repairs and maintenance	7,000	7,000	3,471	3,529
Capital outlay	<u>273,000</u>	<u>273,000</u>	<u>52,170</u>	<u>220,830</u>
Total administration	<u>796,589</u>	<u>796,589</u>	<u>540,826</u>	<u>255,763</u>
Operations :				
Salaries and benefits	356,440	356,440	271,961	84,479
Supplies	15,000	15,000	6,917	8,083
Contractual and other services	58,028	58,028	40,531	17,497
Repairs and maintenance	<u>41,094</u>	<u>41,094</u>	<u>44,690</u>	<u>(3,596)</u>
Total operations	<u>470,562</u>	<u>470,562</u>	<u>364,099</u>	<u>106,463</u>

CITY OF McALLEN, TEXAS
ANZALDUAS INTERNATIONAL CROSSING FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Non-departmental expenses:				
Liability insurance	\$ 20,963	\$ 20,963	\$ 20,963	\$ -
Interest and fiscal charges	1,522,831	1,522,831	1,969,607	(446,776)
Interest on board advances	-	-	631,458	(631,458)
Bond related charges	-	-	162,302	(162,302)
Bond principal requirement	1,360,000	1,360,000	-	1,360,000
Total non-departmental expenses	2,903,794	2,903,794	2,784,330	119,464
Total expenses	4,170,945	4,170,945	3,689,255	481,690
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(625,566)	(626,733)	49,289	676,022
Transfers:				
Transfers in	939,910	939,910	914,417	(25,493)
Transfers out	(2,502)	(2,502)	(2,502)	-
Net transfers	937,408	937,408	911,915	(25,493)
Excess (deficiency) of revenues over budget	311,842	310,675	961,204	650,529
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,533,466)	(1,533,466)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	52,170	52,170
Net income-GAAP basis	\$ 311,842	\$ 310,675	\$ (520,092)	\$ (830,767)

CITY OF McALLEN, TEXAS
McALLEN EXPRESS FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2017

	<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	\$ 546,642	\$ 36,117
Rentals	348,935	348,935	333,052	(15,883)
Other services	<u>266,952</u>	<u>266,952</u>	<u>58,758</u>	<u>(208,194)</u>
Total operating revenues	<u>1,126,412</u>	<u>1,126,412</u>	<u>938,452</u>	<u>(187,960)</u>
Non-operating revenues:				
Intergovernmental	1,664,452	1,664,452	1,376,065	(288,387)
Investment earnings	-	-	5,804	5,804
Increase in the fair value of investments	<u>-</u>	<u>-</u>	<u>(2,274)</u>	<u>(2,274)</u>
Total non-operating revenues	<u>1,664,452</u>	<u>1,664,452</u>	<u>1,379,595</u>	<u>(284,857)</u>
Total revenues	<u>2,790,864</u>	<u>2,790,864</u>	<u>2,318,047</u>	<u>(472,817)</u>
Expenses:				
Salaries and benefits	2,169,603	2,169,603	2,068,118	101,485
Supplies	49,629	49,629	40,207	9,422
Contractual and other services	737,705	737,705	716,859	20,846
Repairs and maintenance	<u>639,802</u>	<u>639,802</u>	<u>395,543</u>	<u>244,259</u>
Total expenses	<u>3,596,739</u>	<u>3,596,739</u>	<u>3,220,727</u>	<u>376,012</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(805,875)	(805,875)	(902,680)	(96,805)
Transfers:				
Transfers in	803,373	803,373	803,373	-
Transfers out	<u>(10,319)</u>	<u>(10,319)</u>	<u>(10,319)</u>	<u>-</u>
Net transfers	<u>793,054</u>	<u>793,054</u>	<u>793,054</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(12,821)</u>	<u>(12,821)</u>	<u>(109,626)</u>	<u>(96,805)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (571,794)	\$ (571,794)
Net income-GAAP basis	<u>\$ (12,821)</u>	<u>\$ (12,821)</u>	<u>\$ (681,420)</u>	<u>\$ (668,599)</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Non-departmental expenses:				
Liability insurance	\$ 1,600	\$ 1,600	\$ 1,600	\$ -
Other	<u>-</u>	<u>-</u>	<u>(11,715)</u>	<u>(11,715)</u>
Total non-departmental expenses	<u>1,600</u>	<u>1,600</u>	<u>(10,115)</u>	<u>(11,715)</u>
Total expenses	<u>3,755,472</u>	<u>3,755,472</u>	<u>3,937,001</u>	<u>(204,959)</u>
Excess (deficiency) of revenues over expenses (budget basis)	229,528	229,528	59,609	(169,919)
Transfers:				
Transfers out	<u>-</u>	<u>-</u>	<u>(6,567)</u>	<u>(6,567)</u>
Excess (deficiency) of revenues over budget	229,528	229,528	53,042	(176,486)
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(66,461)	(66,461)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>3,364</u>	<u>3,364</u>
Net income-GAAP basis	<u>\$ 229,528</u>	<u>\$ 229,528</u>	<u>\$ (10,055)</u>	<u>\$ (239,583)</u>

CITY OF McALLEN, TEXAS
EMPLOYEE BENEFITS FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 10,463,223</u>	<u>\$ 10,139,662</u>	<u>\$ 9,998,757</u>	<u>\$ (140,905)</u>
Non-operating revenues:				
Investment earnings	1,408	1,408	10,640	9,232
Net increase (decrease) in the				
Other	<u>222,094</u>	<u>22,094</u>	<u>1,333,263</u>	<u>1,311,169</u>
Total non-operating revenues	<u>223,502</u>	<u>23,502</u>	<u>1,343,903</u>	<u>1,320,401</u>
Total revenues	<u>10,686,725</u>	<u>10,163,164</u>	<u>11,342,660</u>	<u>1,179,496</u>
Expenses:				
Salaries and benefits	328,312	328,312	319,112	9,200
Supplies	3,000	3,000	3,606	(606)
Contractual and other services	1,783,928	1,782,180	1,872,087	(89,907)
Self insurance claims	9,970,577	9,970,577	11,610,788	(1,640,211)
Repairs and maintenance	-	-	-	-
Capital outlay	<u>-</u>	<u>1,748</u>	<u>-</u>	<u>1,748</u>
Total expenses	<u>12,085,817</u>	<u>12,085,817</u>	<u>13,805,593</u>	<u>(1,719,776)</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(1,399,092)	(1,922,653)	(2,462,933)	(540,280)
Transfers in	<u>1,998,749</u>	<u>2,322,310</u>	<u>2,322,311</u>	<u>1</u>
Excess (deficiency) of revenues over budget	<u>599,657</u>	<u>399,657</u>	<u>(140,622)</u>	<u>(540,279)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (8,200)	\$ 8,200
Net income-GAAP basis	<u>\$ 599,657</u>	<u>\$ 399,657</u>	<u>\$ (148,822)</u>	<u>\$ (532,079)</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 1,422,370</u>	<u>\$ 1,422,370</u>	<u>\$ 605,850</u>	<u>\$ (816,520)</u>
Non-operating revenues:				
Investment earnings	1,300	1,300	10,632	9,332
fair value of investments	<u>-</u>	<u>-</u>	<u>(4,548)</u>	<u>(4,548)</u>
Total non-operating revenues	<u>1,300</u>	<u>1,300</u>	<u>6,084</u>	<u>4,784</u>
Total revenues	<u>1,423,670</u>	<u>1,423,670</u>	<u>611,934</u>	<u>(811,736)</u>
Expenses:				
Contractual and other services	109,354	109,354	112,544	(3,190)
Self insurance claims	<u>863,000</u>	<u>863,000</u>	<u>656,134</u>	<u>206,866</u>
Total expenses	<u>972,354</u>	<u>972,354</u>	<u>768,678</u>	<u>203,676</u>
Excess (deficiency) of revenues over budget	<u>451,316</u>	<u>451,316</u>	<u>(156,744)</u>	<u>(608,060)</u>
Net income-GAAP basis	<u>\$ 451,316</u>	<u>\$ 451,316</u>	<u>\$ (156,744)</u>	<u>\$ (608,060)</u>

CITY OF McALLEN, TEXAS
RISK MANAGEMENT FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	\$ 2,615,941	\$ 2,615,941	\$ 2,629,339	\$ 13,398
Non-operating revenues:				
Intergovernmental	-	-	16,265	16,265
Investment earnings	12,000	12,000	161,257	149,257
Net increase (decrease) in the fair value of investments	-	-	(32,405)	(32,405)
Other	150,000	150,000	115,354	(34,646)
Total non-operating revenues	162,000	162,000	260,471	98,471
Total revenues	2,777,941	2,777,941	2,889,810	111,869
Expenses:				
Salaries and benefits	406,421	406,421	268,211	138,210
Supplies	4,000	4,000	3,875	125
Contractual and other services	1,487,885	1,487,885	1,185,757	302,128
Self insurance	-	-	77,037	(77,037)
Repairs and maintenance	1,479	1,479	402	1,077
Capital outlay	1,000	1,000	-	1,000
Total expenses	1,900,785	1,900,785	1,535,282	365,503
Excess (deficiency) of revenues over expenses (budget basis) before transfers	877,156	877,156	1,354,528	477,372
Transfers out	(1,500,000)	(1,500,000)	(1,500,000)	-
Excess (deficiency) of revenues over budget	(622,844)	(622,844)	(145,472)	477,372
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(3,604)	(3,604)
Net income-GAAP basis	\$ (622,844)	\$ (622,844)	\$ (149,076)	\$ 473,768

CITY OF McALLEN, TEXAS
GENERAL DEPRECIATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2017

	<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>\$ 2,814,072</u>	<u>\$ 2,814,072</u>	<u>\$ 2,814,072</u>	<u>\$ -</u>
Non-operating revenues:				
Investment earnings	-	-	204,324	204,324
Net increase (decrease) in the fair value of investments	-	-	(23,882)	(23,882)
Other	<u>-</u>	<u>-</u>	<u>89,864</u>	<u>89,864</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>270,306</u>	<u>270,306</u>
Total revenues	<u>2,814,072</u>	<u>2,814,072</u>	<u>3,084,378</u>	<u>270,306</u>
Expenses:				
Capital outlay	<u>5,035,100</u>	<u>5,035,100</u>	<u>1,091,141</u>	<u>3,943,959</u>
Total expenses	<u>5,035,100</u>	<u>5,035,100</u>	<u>1,091,141</u>	<u>3,943,959</u>
Excess (deficiency) of revenues over expenses (budget basis)	(2,221,028)	(2,221,028)	1,993,237	4,214,265
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(2,140,551)	(2,140,551)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>1,091,141</u>	<u>1,091,141</u>
Net income-GAAP basis	<u>\$ (2,221,028)</u>	<u>\$ (2,221,028)</u>	<u>\$ 943,827</u>	<u>\$ 3,164,855</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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:				
Operating-contributions	\$ 800,000	\$ 800,000	\$ 815,730	\$ 15,730
Non-operating revenues:				
Net increase (decrease) in the				
Other	-	-	81,174	81,174
Total non-operating revenues	-	-	81,174	81,174
Total revenues	800,000	800,000	896,904	96,904
Expenses:				
Salaries and benefits	69,841	69,841	62,005	7,836
Supplies	1,500	1,500	1,766	(266)
Contractual and other services	441,000	441,000	484,831	(43,831)
Self insurance	287,659	287,659	357,374	(69,715)
Repairs and maintenance	-	-	108	(108)
Total expenses	800,000	800,000	906,084	(106,084)
Excess (deficiency) of revenues over expenses (budget basis) before transfers	-	-	(9,180)	(9,180)
Excess (deficiency) of revenues over budget	-	-	(9,180)	(9,180)
Net income-GAAP basis	\$ -	\$ -	\$ (9,180)	\$ (9,180)

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.

This page left intentionally blank

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

	<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>	<u>2017</u>
Governmental activities										
Net investment in capital assets	\$ 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	\$ 220,553,878
Restricted	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	22,963,251
Unrestricted	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	38,062,911
Total governmental activities net position	<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>	<u>\$ 281,580,040</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 332,816,366
Restricted	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	63,635,870
Unrestricted	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	39,820,546
Total business-type activities net position	<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>	<u>\$ 436,272,782</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 553,370,244
Restricted	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	86,599,121
Unrestricted	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	77,883,457
Total primary government activities net position	<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>	<u>\$ 717,852,822</u>

(1) As per GASB 63

* 2014 Restated per GASB 68

Source: Comprehensive Annual Financial Reports

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 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	\$ 43,779,576
Public safety	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	61,676,966
Highways and streets	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	21,126,938
Health and welfare	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	8,305,076
Culture and recreation	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	28,074,221
Interest on long-term debt	218,719	292,661	543,168	1,108,959	900,520	780,778	816,650	2,159,876	2,066,207	3,418,388
Total governmental activities expenses	<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>	<u>166,381,165</u>
Business-type activities:										
Water services	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	19,213,848
Sewer services	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	14,568,734
Sanitation services	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	18,110,918
Golf course services	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	1,449,564
Civic center services	441,880	441,900	475,155	452,980	398,739	423,632	438,233	417,072	162,176	154
Performing arts center services	-	-	-	-	-	-	-	-	-	1,638,310
Convention center services	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	6,259,718
Airport services	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	9,180,118
Transit services	802,198	936,081	1,019,435	1,153,729	1,155,996	1,314,193	965,054	1,432,186	1,551,484	1,688,647
Bus services	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	3,832,463
Anzalduas crossing	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	5,181,228
Bridge services	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	7,542,209
Total business-type activities expenses	<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>	<u>88,665,911</u>
Total primary government expenses	<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>	<u>\$ 255,047,076</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 2,430,066
Public safety	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	4,320,581
Highways and streets	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	1,114,907
Health and welfare	525,182	526,815	123,730	85,343	241,620	308,515	271,722	414,699	366,471	446,902
Culture and recreation	924,944	935,219	975,677	1,032,525	1,206,028	1,187,176	1,213,111	1,202,362	1,363,071	1,278,037
Operating grants and contributions	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	4,474,280
Capital grants and contributions	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	4,715,841
Total governmental activities program revenues	<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>	<u>18,780,614</u>
Business-type activities:										
Charges for services:										
Water services	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	19,407,111
Sewer services	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	17,704,596
Sanitation services	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	19,230,472
Bridge services	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	14,728,300
Other	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	15,589,382
Operating grants and contributions	862,086	999,981	747,606	710,754	784,314	853,095	1,587,799	1,329,212	1,523,384	1,854,981
Capital grants and contributions	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	6,159,765
Total business-type activities program revenues	<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>	<u>94,674,607</u>
Total primary government program revenues	<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>	<u>\$ 113,455,221</u>

(Continued)

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

	<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>	<u>2017</u>
Net (Expense) Revenue										
Governmental activities	\$ (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)	\$ (147,600,551)
Business-type activities	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	6,008,696
Total primary government net expense	<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>	<u>\$ (141,591,855)</u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes, levied for general purposes	\$ 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	\$ 42,975,582
Hotel occupancy taxes	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	4,946,155
Sales tax	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	59,488,228
Franchise taxes	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	6,801,740
Unrestricted investment earnings	5,720,841	4,308,531	1,087,577	944,557	675,810	123,546	938,877	1,077,441	1,354,865	1,477,050
Royalties	2,909,479	1,864,867	2,217,798	2,706,824	1,138,925	936,278	944,609	828,482	490,736	620,011
Contributions	-	-	-	-	-	-	-	-	-	22,969,640
Miscellaneous	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	1,503,250
Transfers	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	(49,128,923)
Total governmental activities	<u>117,231,626</u>	<u>107,989,752</u>	<u>99,290,672</u>	<u>103,057,864</u>	<u>107,368,993</u>	<u>108,756,250</u>	<u>115,181,729</u>	<u>124,226,814</u>	<u>137,241,329</u>	<u>91,652,733</u>
Business-type activities										
Unrestricted investment earnings	5,560,052	2,444,095	639,242	515,713	456,604	157,213	467,440	649,882	689,307	729,638
Gain on sale of capital assets	1,629,433	-	-	-	-	-	2,098,640	1,220,285	9,899,884	-
Miscellaneous	-	527,774	489,538	484,409	1,001	532,137	288,076	1,123,687	520,372	217,595
Recovery of development costs	-	-	-	-	-	-	-	-	-	-
Transfers	(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)	49,128,923
Total business-type activities	<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>	<u>50,076,156</u>
Total primary government	<u>\$ 118,515,682</u>	<u>\$ 108,030,748</u>	<u>\$ 101,029,540</u>	<u>\$ 102,765,453</u>	<u>\$ 121,535,420</u>	<u>\$ 107,788,956</u>	<u>\$ 113,877,013</u>	<u>\$ 124,134,475</u>	<u>\$ 131,865,215</u>	<u>\$ 141,728,889</u>
Change in Net Position										
Governmental activities	\$ 26,769,896	\$ 12,346,445	\$ 5,469,712	\$ 8,801,804	\$ 7,749,936	\$ 7,440,585	\$ (8,471,064)	\$ 11,050,745	\$ (3,644,155)	\$ (55,947,818)
Business-type activities	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	56,084,852
Total government net position	<u>\$ 38,268,797</u>	<u>\$ 24,972,102</u>	<u>\$ 15,619,300</u>	<u>\$ 17,347,706</u>	<u>\$ 27,957,064</u>	<u>\$ 12,273,444</u>	<u>\$ (5,098,790)</u>	<u>\$ 21,960,708</u>	<u>\$ (1,932,691)</u>	<u>\$ 137,034</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>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>	<u>2017</u>
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ 400,000	\$ 1,396,791	\$ 1,774,762	\$ 2,160,543	\$ 2,295,944	\$ 2,646,319	\$ 2,989,178
Reserved/Assigned	5,580,194	5,253,567	3,449,615	2,925,598	1,552,643	1,730,634	447,859	457,022	457,022	457,022
Unreserved/Unassigned	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	42,941,348
Total General Fund	<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>	<u>\$ 46,387,548</u>
All Other Governmental Funds										
Reserved-other purposes	\$ 34,502,750	\$ 27,576,520	\$ 38,291,958	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved-debt service	104,000	134,456	175,923	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	3,088,393	2,866,137	792,646	-	-	-	-	-	-	-
Information technology fund	-	-	1,398,522	-	-	-	-	-	-	-
Development corporation fund	-	-	20,049,897	-	-	-	-	-	-	-
Capital projects funds	18,159,471	17,132,979	11,855,332	-	-	-	-	-	-	-
Nonspendable	-	-	-	352,716	352,716	352,716	-	-	27,064	53,659
Restricted	-	-	-	38,387,750	34,171,127	33,636,421	79,530,591	71,032,714	71,553,166	52,714,390
Committed	-	-	-	179,755	217,989	154,790	387,626	513,561	297,145	290,623
Assigned	-	-	-	12,054,227	8,459,646	9,090,061	5,741,676	4,451,033	2,989,333	5,412,080
Total all other governmental funds	<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>	<u>\$ 58,470,752</u>

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

	<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>	<u>2017</u>
Revenues										
Taxes	\$ 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	\$ 114,111,851
Licenses and permits	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	1,994,947
Intergovernmental	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	7,783,963
Charges for services	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	6,354,554
Fines and forfeitures	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	1,788,568
Investment earnings	4,635,946	3,675,833	807,932	728,330	508,483	69,628	739,885	876,393	1,006,394	1,151,039
Other	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	5,863,023
Total revenues	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	139,047,945
Expenditures										
General government	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	53,158,214
Public safety	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	55,487,989
Highways and streets	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	13,314,445
Health and welfare	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	8,062,409
Culture and recreation	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	19,174,040
Capital outlay *	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	22,594,772
Debt service:										
Principal	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	4,830,000
Interest	199,993	319,116	178,148	1,510,338	1,012,256	896,365	774,407	3,803,374	2,567,009	4,017,840
Total expenditures	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	180,639,709
Excess of revenues over (under) expenditures	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)	(41,591,764)
Other Financing Sources (Uses)										
Bond proceeds	-	-	29,030,000	-	-	-	54,230,001	15,035,000	29,620,000	20,835,000
Other	-	-	1,117,990	-	-	-	-	-	-	-
Transfers in	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	18,770,483
Bond Premium	-	-	-	-	-	-	3,493,907	1,281,031	-	445,587
Bond Discount	-	-	-	-	-	-	-	-	(160,520)	-
Transfers out	(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)	(15,917,784)
Total other financing sources (uses)	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	24,133,286
Net change in fund balances	\$ 9,576,352	\$ (10,198,298)	\$ 22,704,227	\$ (29,487,164)	\$ (4,937,963)	\$ (1,902,197)	\$ 42,130,129	\$ (4,369,838)	\$ (2,803,058)	\$ (17,458,478)
Debt service as a percentage of noncapital expenditures	0.66%	3.00%	0.69%	6.51%	3.20%	3.30%	2.83%	17.14%	5.25%	5.60%

* 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>2%</u>	<u>Total</u>
				<u>7%</u>		
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
2017	42,875,727	58,621,552	6,801,740	3,845,907	1,100,249	113,245,175
Change 2008-2017	40.55%	-0.46%	5.03%	-5.72%	100.00%	13.30%

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

	<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>	<u>2017</u>
Retail	\$ 2,211	\$ 2,018	\$ 1,735	\$ 1,710	\$ 1,799	\$ 1,847	\$ 1,859	\$ 1,812	\$ 1,706	* \$ 821
Services	170	153	114	170	181	195	207	224	201	* 102
Wholesale	76	68	70	100	112	108	118	123	127	* 63
Other	140	115	311	446	469	491	506	526	525	* 262
Total - All Industries	<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>\$ 2,685</u>	<u>\$ 2,559</u>	<u>\$ 1,248</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%	6%	5%	6%	6%	5%	5%	6%	6%	6%
General Merchandise	32%	31%	28%	27%	28%	28%	28%	26%	25%	25%
Food Stores	5%	5%	6%	6%	6%	6%	6%	6%	7%	7%
Automotive	5%	5%	6%	6%	5%	5%	6%	5%	5%	6%
Clothing	17%	17%	15%	15%	16%	17%	17%	17%	16%	16%
Home Furnishings	12%	12%	13%	13%	13%	13%	12%	12%	12%	11%
Restaurants	13%	14%	17%	17%	17%	17%	17%	19%	20%	21%
Miscellaneous Retail	9%	10%	10%	10%	9%	9%	9%	9%	9%	8%
Total	<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>	<u>100%</u>

(1) Represents only two 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 MSA is intended to give some indication.

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

Fiscal Year Ended September 30	Tax Roll Year	Residential Property	Commercial Property	Industrial Property	Minerals	Other	Less: Tax-Exempt Property	Total Net Taxable Assessed Value	Total Direct Tax Rate
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
2017	2016	5,143,975,739	4,118,594,649	141,279,203	70,842,520	1,118,293,988	1,481,312,452	9,111,673,647	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)

Fiscal Year Ended September 30	Tax Roll Year	City Direct Rates				Overlapping Rates								Hidalgo County Drainage District No.1	Hidalgo County
		General Obligation			Total Direct	School Districts									
		Basic Rate	Debt Service	McAllen		Sharyland	P.S.J.A	So. Tx College	Hidalgo	Edinburg					
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			
2017	2016	0.43	0.05	0.48	1.16	1.38	1.39	0.19	1.47	1.24	0.10	0.58			

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

2017				2008			
			Percentage of Total City			Percentage of Total City	
	Taxable Assessed Value	Rank	Taxable Assessed Value	Taxable Assessed Value	Rank	Taxable Assessed Value	
<u>Taxpayer</u>							
Simon Property Group	\$ 154,055,359	1	1.69%	\$ 51,534,550	3		0.75%
Rio Grande Regional Hospital	54,763,885	2	0.60%	67,737,830	2		0.98%
AEP Texas Central Co.	49,030,510	3	0.54%	27,952,980	7		0.40%
Universal Health Services	47,961,236	4	0.53%	84,776,312	1		0.01
Palms Crossing LP	42,660,947	5	0.47%	45,164,436	4		0.01
GE Engine Services	35,726,826	6	0.39%	-	-		0.00%
H E Butt Grocery Company	26,154,204	7	0.29%	23,046,726	8		0.33%
Weingarten Reality Investors	23,815,015	8	0.26%	-	-		-
McAllen Foreign Trade Zone	19,184,577	9	0.21%	-	-		-
Weingarten Las Tiendas JV	18,446,752	10	0.20%	-	-		-
Wal-Mart Stores Texas LP	-		n/a	38,185,145	5		0.55%
Texas State Bank	-		n/a	30,570,569	6		0.44%
Shell Western E&P	-		n/a	22,800,570	9		0.33%
inland Western McAllen Trenton	-		n/a	21,106,961	10		0.31%
	<u>\$ 471,799,311</u>		5.18%	<u>\$ 412,876,079</u>			5.97%

Data Source: City of McAllen - Tax Office

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

Fiscal Year	Tax Roll Year	Taxes Levied Within the Fiscal Year of the Levy	Adjustments to Levy in the Fiscal Year	Adjusted Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections	
					Amount	Percentage of Levy		Amount	Percentage of Levy
2008	2007	\$ 28,896,119	\$ 926,195	\$ 29,822,314	\$ 27,625,803	92.63%	\$ 2,089,309	\$ 29,715,112	99.64%
2009	2008	29,639,988	2,067,032	31,707,020	29,325,155	92.49%	2,249,520	31,574,675	99.58%
2010	2009	31,356,112	668,253	32,024,365	30,347,810	94.76%	1,498,948	31,846,758	99.45%
2011	2010	31,313,663	163,882	31,477,545	30,120,972	95.69%	1,183,544	31,304,516	99.45%
2012	2011	31,996,395	15,446	32,011,841	30,858,609	96.40%	984,398	31,843,007	99.47%
2013	2012	32,234,649	(21,260)	32,213,389	31,076,068	96.47%	874,486	31,950,554	99.18%
2014	2013	33,395,738	154,588	33,550,326	32,474,873	96.79%	761,973	33,236,846	99.07%
2015	2014	33,720,873	788,785	34,509,658	33,451,451	96.93%	675,811	34,127,262	98.89%
2016	2015	36,094,783	160,704	36,255,487	35,154,027	96.96%	485,044	35,639,071	98.30%
2017	2016	38,068,201	(88,080)	37,980,121	36,721,329	96.69%	-	36,721,329	96.69%

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 Revenue	Tax	Lien	Water Revenue	Sewer Revenue	International	International	Airport	Primary	of Personal	Per	
Year	Bonds	Certificates of	Obligations	Note	Note	Bonds	Bonds	Toll Bridge	Crossing	CO	Government	Income ^a	Capita ^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	55,272,893	35,837,855	5,120,000	-	-	21,257,589	103,266,578	-	32,274,488	7,970,000	260,999,403	8.45%	1,826	
2017	50,377,332	46,483,517	15,285,000	-	-	19,573,582	105,954,478	-	31,202,924	7,565,000	276,441,833	8.76%	1,903	

N/A Information not available

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

^aSee Schedule 16 for personal income and population data.

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Actual Taxable Value of Property^a</u>	<u>Per Capita^b</u>
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
2017	96,860,849	1.06%	667

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

^aSee Schedule 7 for property value data.

^bSee Schedule 16 for population data.

CITY OF McALLEN, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2017

	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Hidalgo County	\$ 211,290,000	27.54%	\$ 58,189,266
McAllen Independent School District	90,131,000	99.28%	89,482,057
Sharyland Independent School District	108,184,999	27.21%	29,437,138
P.S.J.A Independent School District	339,910,000	12.24%	41,604,984
Hidalgo County Drainage District #1	129,300,000	28.69%	37,096,170
South Texas College	152,495,000	24.57%	37,468,022
Hidalgo Independent School District	34,427,000	26.83%	9,236,764
Edinburg Independent School District	133,345,000	3.87%	<u>5,160,452</u>
Subtotal, overlapping debt			307,674,853
City of McAllen (direct debt)	96,860,849	100.00%	<u>96,860,849</u>
Total direct and overlapping debt			<u><u>\$ 404,535,702</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 2017

Assessed value	\$ 9,111,673,647
Debt limit (5% of assessed value)	455,583,682
Debt applicable to limit:	
General obligation bonds	96,860,849
Less: amount set aside for repayment of general obligation debt	<u>(1,052,179)</u>
Total net debt applicable to limit	<u>95,808,670</u>
Legal debt margin	<u><u>\$ 359,775,012</u></u>

	Fiscal Year									
	<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>	<u>2017</u>
Debt limit	\$ 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	\$ 455,583,682
Total net debt applicable to limit	<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>	<u>95,808,670</u>
Legal debt margin	\$ 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	\$ 359,775,012
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.19%	10.32%	8.26%	7.37%	6.40%	22.88%	20.89%	27.31%	26.63%

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		
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	
2017	20,002,527	14,207,848	5,794,679	1,385,850	751,288	2.71	18,015,632	8,574,078	9,441,554	4,161,150	1,428,355	1.69	

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
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%
2017	145,249	3,155,680	21,726	32.4	23,721	4.80%
	(A)	(B)		(C)	(D)	(E)

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>2017</u>			<u>Employer</u>	<u>2008</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>
HEB	4,200	1	6.90%	McAllen Independent School District	3,900	1	6.88%
McAllen Independent School District	3,416	2	5.61%	McAllen Medical Center	2,500	2	4.41%
South Texas College	2,321	3	3.81%	Doctors Hospital At Renaissance	2,400	3	4.23%
Doctors Hospital at Renaissance	2,000	4	3.28%	City of McAllen	1,800	4	3.17%
City of McAllen	1,800	5	2.96%	South Texas College	1,546	5	2.73%
McAllen Medical Center	1,400	6	2.30%	Rio Grande Regional Hospital	1,100	6	1.94%
Teleperformance	1,200	7	1.97%	Penncro & Associates	650	7	1.15%
International Bank of Commerce	1,200	8	1.97%	Wal Mart	600	8	1.06%
Rio Grande Regional Hospital	1,069	9	1.76%	International Bank of Commerce	550	9	0.97%
Wal-Mart	1,000	10	1.64%	Texas State Bank	400	10	0.71%
Total	<u>19,606</u>		<u>32.19%</u>		<u>15,446</u>		<u>27.24%</u>
	(A)		(B)		(C)		(C)

Source:

(A) McAllen Economic Development Corporation (MEDC)

(B) Texas Workforce Commission for total city employment - 60,909

(C) City of McAllen CAFR Fiscal Year 2008

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>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>	<u>2017</u>
General Government	185	182	182	188	189	192	192	196	199	200
Public Safety:										
Police:										
Officers	275	275	275	275	281	285	285	285	285	285
Civilians	136	136	143	143	140	136	136	143	144	144
Fire:										
Fire fighters and officers	163	164	164	164	167	167	167	167	167	169
Civilians	13	13	13	12	11	11	11	12	12	14
Other	56	56	56	56	55	56	56	62	63	66
Highways and streets	112	100	100	96	97	97	97	98	93	94
Health and welfare	24	24	25	25	25	26	26	25	25	26
Culture and Recreational	187	186	186	189	192	195	195	197	202	205
Downtown Services	15	17	17	17	17	16	16	16	16	16
Water services	131	135	135	135	138	137	137	137	138	134
Sewer services	81	81	81	81	82	84	84	85	87	89
Sanitation	133	136	136	138	145	148	148	153	159	161
Golf Course	12	12	12	12	15	12	12	12	12	12
Convention Center	38	38	38	37	38	38	38	39	45	48
Airport	38	38	38	38	39	41	41	38	37	37
Transit terminal	12	12	12	12	13	8	8	8	8	8
Express transit	21	22	22	29	30	47	47	47	47	47
Bridge	31	33	33	33	44	32	32	41	42	41
Anzalduas Bridge	-	10	12	13	13	10	10	13	13	13
Fleet Services	25	25	25	21	24	21	21	26	26	26
Employee benefits	5	5	5	5	5	5	5	5	6	6
Risk Management	5	5	5	6	6	7	7	7	7	7
Total	<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>	<u>1,848</u>

Source: City's Budget Document

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

<u>Function/Program</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>	<u>2017</u>
Public Safety										
Police										
Number of employees-commissioned	267	262	270	275	280	281	285	285	285	289
Number of service calls	153,970	162,273	166,653	162,250	157,884	147,528	144,761	152,303	144,761	140,632
Fire										
Number of firemen	160	170	158	164	160	167	167	167	167	167
Total number of alarm responses	4,434	4,391	5,000	4,500	5,711	5,949	5,500	6,674	6,696	7,344
Code enforcement										
Number of employees	21	21	20	19	20	20	20	22	12	18
Number of building permits	1,341	1,308	1,562	1,584	1,869	1,671	1,562	1,559	1,551	1,548
Development services										
Street Resurfacing (linear miles)	28	29	21	25	10	26	48	42	33	36
Sidewalk Construction (linear feet)	36,960	37,100	11,480	10,560	23,930	7,920	1,065	29,304	3,368	5,887
Cultural and recreational										
Parks and recreation										
Participants in special event programs	458,250	425,000	93,250	440,000	440,000	245,000	104,500	360,000	360,000	367,900
Participants in athletic programs	16,400	6,800	17,045	7,500	14,500	16,000	8,145	518	10,860	13,819
Participants in after school programs	3,200	3,100	2,053	1,800	2,200	1,800	1,648	827	1,195	1,313
Library-main										
Volumes in collection	351,950	349,117	359,809	414,135	320,043	323,019	281,643	324,932	323,822	336,396
Water and sewer system										
Number of water customers	40,876	41,607	42,052	42,792	43,306	44,068	44,708	45,830	46,201	46,780
Number of sewer customers	36,229	37,062	37,521	38,184	38,563	39,247	39,802	40,996	40,912	41,660
Average daily water consumption (gallons)	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	20,302,000
Maximum storage capacity (gallons) #2 plant	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	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	4,250,000	4,250,000
Rainfall (inches)	27.80	9.65	38.00	24.66	17.88	14.39	24.43	21.22	17.80	10.62
Sanitation										
Refuse collected (tons)	28,695	29,080	29,500	30,000	29,395	122,499	127,562	138,149	143,225	137,834
Bulky/brush pickups (tons)	67,274	19,879	5,500	4,703	30,527	44,187	22,265	30,410	34,586	26,131
Recyclables collected (tons)	8,030	3,926	3,791	4,525	5,235	5,476	4,323	4,323	5,200	5,503
Golf course										
Total number of rounds	42,219	43,803	44,153	41,308	40,977	39,759	36,859	40,447	42,484	35,569
Source:	City Departments									
Estimates:	Fiscal Year 2017									

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

<u>Function/Program</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
Police sub-stations	6	6	7	7	7	7	6	7	2
Fire stations	6	7	7	7	7	7	7	7	7
Fire hydrants	3,800	3,994	3,984	3,988	4,000	4,000	4,200	4,200	4,769
Development Services									
City area:									
Square miles	48.7	48.8	48.7	48.7	49.6	49.6	49.8	54.5	57.9
Acres	31,169	31,222	31,169	31,169	31,733	31,747	31,898	34,864	37,064
Streets- paved (miles)	565	495	486	487	464	464	480	540	1061
Cultural and Recreational									
Developed parks (acres)	668	362	866	705	728	577	600	615	662
Parks (acres)-undeveloped	487	410	481	474	417	488	398	382	654
Swimming pools	4	4	4	4	4	4	4	4	4
Tennis courts	25	15	24	24	24	24	26	26	26
Lighted baseball diamonds/athletic fields	17	112	8	12	12	12	12	12	16
Municipal golf (18-hole course)	1	1	1	1	1	1	1	1	1
Water and Sewer									
Water mains (miles)	703	706	706	803	714	714	1,046	738	722
Sanitary sewers (miles)	489	489	489	503	489	500	500	535	540
Storm (miles)	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 September 25, 2017 to all classes of customers is as follows:

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

\$8.45

(1) Per 1,000 gallons or any part thereof as follows: Residential-\$1.35/1,000 gallons for the first 7,999 gallons; plus \$1.65/1,000 for consumption between 8,000 and 12,999 gallons; plus \$1.85 for consumption between 13,000 gallons to 17,999; and \$1.95 per 1,000 thereafter.

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	39,295	4,756,781,900
Commercial	7,329	3,663,708,600
Industrial	156	318,581,400
Number of gallons shown to have passed through the master meters at the City's plants #2 and #3 during the period		9,680,470,000
Number of gallons billed		(8,739,071,900)
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>892,398,100</u></u>

Single Audit Section

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

This page left intentionally blank



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

Grant Thornton LLP
700 Milam Street, Suite 300
Houston, Texas 77002
T 832-476-3600
www.GrantThornton.com

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, 2017, 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 19, 2018.

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. Given these limitations, during our audit we did not identify any deficiencies in the City's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether the 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*.

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 19, 2018

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

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

Grant Thornton LLP
700 Milam Street, Suite 300
Houston, Texas 77002
T 832-476-3600
www.GrantThornton.com

Report on compliance for each major federal and state 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* and the State of Texas Single Audit Circular that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2017. The City’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to the City’s federal and state programs.

Auditor’s responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the 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) and the State of Texas Single Audit Circular. Those standards, the Uniform Guidance, and the State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on each major federal and state 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 and state programs for the year ended September 30, 2017.

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 and state program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 and State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.



Houston, Texas
March 19, 2018

CITY OF McALLEN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2017

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor/ Pass-Through Grantor's Number	Passed Through To Subrecipients	Disbursements/ Expenditures
U.S. Department of Housing and Urban Development				
Direct Program:				
Community Development Block Grant:				
41st Year Entitlement Grant	14.218	CB15MC48506	\$ -	\$ 335,829
42nd Year Entitlement Grant	14.218	CB16MC48506	496,220	932,375
Home Investment Partnerships Programs	14.239	M13MC480506	199,429	199,429
Home Investment Partnerships Programs	14.239	M14MC480506	168,181	192,002
Total U.S. Department of Housing and Urban Development Program			863,830	1,659,635
U.S. Department of Transportation				
Direct Program:				
Airport Improvement Program	20.106	3-48-0144-42	-	58,708
Airport Improvement Program	20.106	3-48-0144-46	-	430,583
Airport Improvement Program	20.106	3-48-0144-47	-	575,980
Federal Transit Formula Grant *	20.507	TX-90-X778-00	-	2,879
Federal Transit Formula Grant *	20.507	TX-90-X830-01	-	23,415
Federal Transit Formula Grant *	20.507	TX-90-X906-00	-	13,086
Federal Transit Formula Grant *	20.507	TX-90-X937-00	-	1,592
Federal Transit Formula Grant *	20.507	TX-90-Y017-00	-	620,459
Federal Transit Formula Grant *	20.507	TX-90-Y048-00	-	218,492
Federal Transit Formula Grant *	20.507	TX-2016-035-00	-	465,049
Federal Transit Formula Grant *	20.507	TX-90-Y145-00	-	610,882
Federal Transit Job Access & Reverse Community Program *	20.516	TX-37-X085-00	-	30,832
Federal Highway Administration				
Passed through Texas Department of Transportation				
Highway Planning and Construction	20.205	STP 2014 (102) TE	-	469,710
Recreational Trails Program	20.219	RT013016	-	30,400
State and Community Highway Safety	20.600	2017-McAllenP-S-1YG-0027	-	118,010
State and Community Highway Safety	20.616	2017-McAllenPD-IDM-00041	-	16,000
State and Community Highway Safety	20.616	2017-McAllenPD-CIOT-00031	-	3,043
Total U.S. Department of Transportation			\$ -	\$ 3,689,120

* Indicates clustered program under Uniform Guidance

CITY OF McALLEN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2017

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor/ Pass-Through Grantor's Number	Passed Through To Subrecipients	Disbursements/ Expenditures
U.S. Department of Justice				
Direct Program:				
Edward Byrne Memorial Justice Assistance Grant	16.738	2016-DJ-BX-0119	\$ -	\$ 13,864
Equitable Sharing Program	16.922		-	2,333,870
Total U.S. Department of Justice			-	2,347,734
U.S. Environmental Protection Agency				
Pass through Texas Water Development Board				
Clean Water State Revolving Fund	66.458	TWDB #73640	-	3,180,356
Clean Water State Revolving Fund	66.458	TWDB #73659	-	7,403,087
Clean Water State Revolving Fund	66.458	TWDB #73731	-	1,871,856
Total U.S. Environmental Protection Agency			-	12,455,299
U.S. Department of Homeland Security				
Emergency Management Performance Grants	97.042	17TX-EMPG-0713	-	43,027
Pass through Division of Emergency Management				
Disaster Grants - Public Assistance (Hurricane Harvey)	97.036		-	672,889
Pass through Texas Engineering Extension Service				
Disaster Grants - Public Assistance (Hurricane Harvey)	97.036		-	25,258
Pass through Office of the Governor				
Homeland Security Grant Program	97.067	3299601	-	109,725
Total U.S. Department Homeland Security			-	850,899
U.S. Department of Health and Human Services				
Food and Drug Administration Research	93.103	G-T-1509-02887	-	3,000
Food and Drug Administration Research	93.103	G-SP-1611-03923	-	2,500
Total U.S. Department of Health and Human Services			-	5,500
U.S. Department of Interior Fish and Wildlife Service				
Migratory Bird Monitoring, Assessment and Conservation	15.655	1301.15.048254	-	29,679
Total U.S. Department of Interior Fish and Wildlife Service			-	29,679
U.S. General Services Administration				
Passed through Texas Facilities Commission/Federal Surplus Prog				
Donation of Federal Surplus Personal Property	39.003	12750	-	79,442
Total U.S. General Services Administration			-	79,442
Total Expenditures of Federal Awards			\$ 863,830	\$ 21,117,308

CITY OF McALLEN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2017

	Grantor's Number	Passed Through To Subrecipients	Disbursements/ Expenditures
Texas Agencies			
Texas State University	Tobacco Compliance 2017	\$ -	\$ 10,350
Texas State Library and Archives Commission	475-17017	-	10,000
Texas Office of the Attorney General			
2017 Victim Coordinator and Liaison Grant	1771955	-	36,344
2018 Victim Coordinator and Liaison Grant	1880392	-	3,427
Texas Office of the Governor			
CJD - Texas Anti-Gang Grant	3060501	-	275,952
CJD - Texas Anti-Gang Grant	3060502		2,150,891
Texas Department of Transportation:			
Routine Airport Maintenance Program	CSJ# M1721MCAL	-	50,000
Pass Through - City of Brownsville			
Auto Theft Prevention 2017	SA00T011004117	-	276,952
Auto Theft Prevention 2018	SA00T011004118	-	30,418
Texas Parks and Wildlife			
Youth Baseball Complex	50-000456	-	365,607
Texas Parks and Wildlife			
War Memorial of Texas	50-000482	-	26,515
Equitable Sharing Program		-	193,107
Total Expenditures of State Awards		-	3,429,563
Total Expenditures of federal and state awards		\$ 863,830	\$ 24,546,871

This page left intentionally blank

CITY OF McALLEN, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2017

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, 2017. 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) and the State of Texas Uniform Grant Management Standards. 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.

CITY OF McALLEN, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2017

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

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.

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditors’ report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

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

_____ yes X none
reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal and State of Texas Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes X no

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

_____ yes X none
reported

Type of auditors’ report issued on compliance for major
programs:

Unmodified

Any audit findings disclosed that are required to be reported in
accordance with:

Uniform Guidance and State of Texas Single Audit Circular _____ yes X no

Federal - CFDA Number

20.106

66.458

Name of Federal Programs

Airport Improvement Program

Capitalization Grants for Clean Water State

Revolving Funds

State - Contract Number

N/A

N/A

N/A

Name of State Programs

Auto Theft Prevention

Texas Anti-Gang Grant

Youth Baseball Complex

Dollar threshold used to distinguish between

Type A and type B programs:

Federal

\$750,000

State of Texas

\$300,000

Auditee qualified as low-risk auditee?

Federal

 X yes _____ no

State of Texas

 X yes _____ no

SECTION II – FINANCIAL STATEMENT FINDINGS

The audit disclosed no findings required to be reported.

SECTION III – FEDERAL and STATE AWARD FINDINGS AND QUESTIONED COSTS

The audit disclosed no findings required to be reported.