



CITY OF **McALLEN, TEXAS**

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2018

**Prepared by:
Department of Finance**

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CITY OF McALLEN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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

ROEL RODRIGUEZ, P.E., City Manager

March 25, 2019

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, 2018.

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 Weaver and Tidwell, LLP, Certified Public Accountants and Advisors, 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, 2018. 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, 2017 and 2018 the population has grown to 145,249 and 147,717 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. 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.

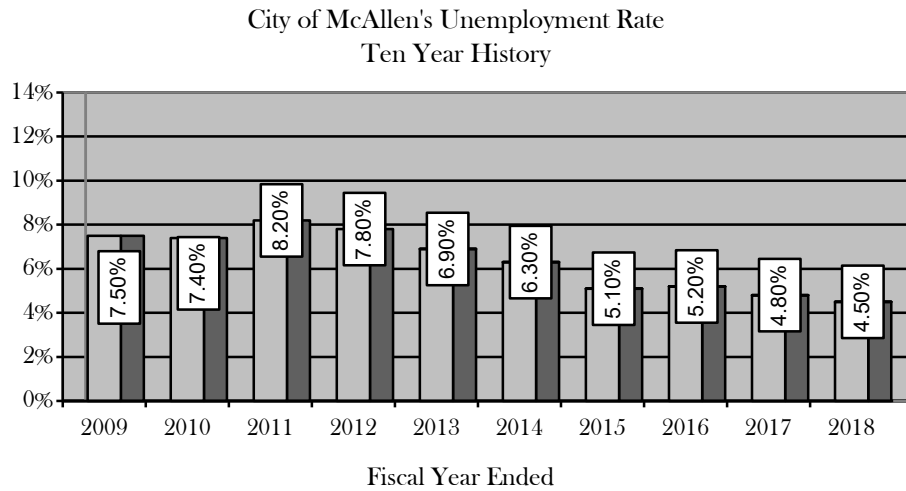
According to the Texas Workforce Commission, over the last 10 years the McAllen-Edinburg-Mission MSA employment has grown from 283,272 in 2008 to 341,014 in 2018—a 20.00% increase. At this level, the unemployment rate is 5%. Some of the more significant employment numbers by industry, include government; trade, transportation and utilities; education and health services; professional and business 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 2018, the latest year available, which on a calendar year basis, the McAllen Economic Development Corporation has been responsible for bringing 324 new companies, which including expansions, has created 24,438 jobs in McAllen. Its efforts have also resulted in 368 new companies, which including expansions, has created 91,962 new jobs in Reynosa, Mexico. Overall, 204,928 jobs have been created.

The impact of the Renegotiated North American Free Trade Agreement (NAFTA) now known as the new United States-Mexico-Canada Agreement(USMCA), 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 2017, Texas exported \$97.7 billion to Mexico, which represented over 36.9% of Texas' total exports—making Mexico its Number One Trading Partner. As USMCA 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 5.10% in 2015. The following year

the rate went increased prior to it declining further in 2017 to 4.7%. This past year unemployment stood at 4.8% prior to declining to the present level of 4.5%.



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 decrease over last year. According to the latest report available, September 2018, the economic index for the McAllen Area increased from 185.2 in September 2017 to 188.2 in September 2018. This index reflects, for the McAllen area economy, an increase in retail sales of 7.5%, airline boarding, 3.2%, and home sales price, 3.6%. There was a decrease in lodging tax receipts of -2.6% as well as decreases in bridge crossings by -2.9%. However, vehicle purchases increased sharply by 21%.

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 decrease in sales tax, this past year the City experienced an increase of 6.4%. Sales tax increased by 1% in 2014, 2.6 % in 2015, but decreased 4% in 2016 and 3.3% in 2017.

LONG-TERM FINANCIAL PLANNING

As of September 30, 2018 the City's General Fund unassigned fund balance amounted to \$48.7M, which represents 166 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 2017-18

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 2017-18, 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 was renovated with an additional 80,000 sq. ft. two level building with room for specialty stores and restaurants. Grand Opening held in November-December. Construction of a Two Story Parking Garage on South side completed.

- Facilitate redevelopment of Old Civic Center site
Management's Response: Working with Simon and Provident to develop a mixed-used attraction.
- Continue to Retail recruitments efforts nationwide
Management's Response: A top recruitment firm hired to attract businesses to compliment McAllen at the “destination of choice” La Plaza Mall is completed and new business have open stores.
- Continue to bring new manufactures to the Region
Management Response: Two new companies creating 450 new jobs opened this year.
- Design and erect new monument signs at City entrances.
Management Response: Entry monument completed at Bicentennial & Uvalde. Propose adding 23rd & Military Highway and Taylor Road and Frontage.

Complete City assets currently in design

- Construct new Two Level Parking Structure at McAllen Public Safety Building at 1601 Bicentennial
Management's Response: Parking Garage has been completed on the East and South side of the recently renovated La Plaza Mall.
- Construct New Youth Baseball Complex
Management's Response: Completed. Grand Opening was held in July 2018.
- Construct new Girls Softball Complex
Management's Response: Commission hired Architectural consultant firm for the schematic design of the project in January 2018.
- 16th Street & Beech Avenue Sewer Project
Management's Response: Project completed bringing sewer service to over 40 residents with no costs overrun.
- Refurbish Golf Course building.
Management Response: Reconstruction of A/C, Heating and Ventilation completed along with some landscaping for aesthetic purposes.
- Construction of a Tres Lagos/McAllen Youth Baseball Complex Reuse Transmission Project
Management Response: Project completed and in use.

Improve City Traffic flow and Storm Drainage

- Traffic Management Improvements – Cabinets Replacements
Management's Response: Traffic Cabinets replaced at various locations completed. Ongoing project, other locations will be identified and replaced.
- Regional Storm water improvements – El Rancho Santa Cruz Subdivision; Kennedy Avenue; Pecan Boulevard at 27th Street; and Westway Heights.
Management's Response: Engineering firms have been contracted for design phase.
- Taylor Road Phase III Improvements
Management's Response: Inter-local agreement between City of McAllen, Mission and County of Hidalgo. City's share of Project has been completed.

Leisure, Cultural and Entertainment

- Complete Restoration of Quinta Mazatlán Building and Expansion
Management's Response: Restoration complete. Funding and Design for expansion in place.

- McAllen Annual City Parade.
Management's Response: City annual parade was held on December 2, 2017 with dignitaries 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 21, 2018, next one scheduled on January 2019.

AWARDS AND ACKNOWLEDGEMENTS

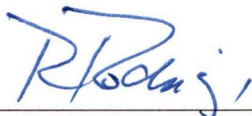
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the year ended September 30, 2017. This was the fourteenth consecutive year and the thirty-second overall that the 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.

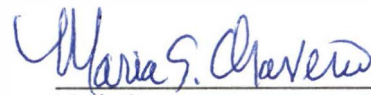
In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget dated October 1, 2017. The budget for October 1, 2018 has been submitted for review and notification of an award is awaited. In order to qualify for the Distinguished Budget Presentation 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



Maria S. Chavero, MBA, CGFO
Interim Finance Director

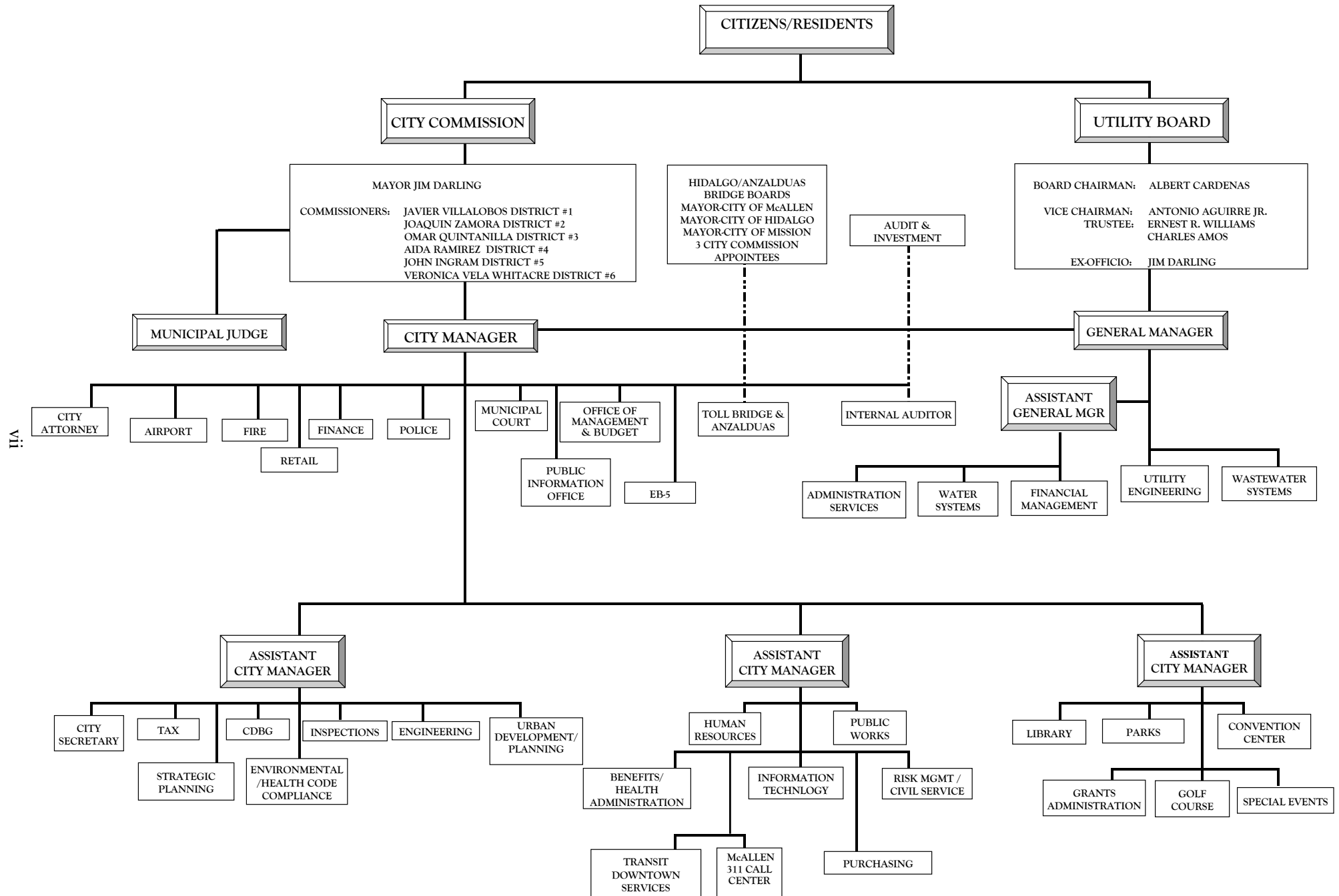
CITY OF McALLEN, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2018

Mayor.....	James E. Darling
Mayor Pro-Tem - Commissioner District 4	Aida Ramirez
Commissioner District 1	Javier Villalobos
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 Place C	Albert Cardenas
Public Utility Board Vice-Chairman Place B	Antonio “Tony” Aguirre, Jr.
Trustee Place A	Charles Amos
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 Rivera
Attorney	Kevin D. Pagan
Interim Finance Director.....	Maria S. Chavero
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, 2017

Christopher P. Morill

Executive Director/CEO

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of McAllen, Texas (the City), as of and for the year ended September 30, 2018, 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Opinions

In our opinion, the financial statements referred to previously 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 as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Development Corporation Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I to the basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Beginning net position has been restated to reflect the change in accounting principle resulting from this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Texas Municipal Retirement System schedule of changes in net pension liability and related ratios, Texas Municipal Retirement System schedule of contributions, Firemen's Relief and Retirement Fund schedule of changes in net pension liability and related ratios, Firemen's Relief and Retirement Fund schedule of contributions, and Post Employment Benefit Plan schedule of changes in total OPEB liability and ratios, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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.

Other 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 introductory section, combining fund financial statements, individual budget schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis 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 (Uniform Guidance)* and *Texas Uniform Grant Management Standards*, and is also not a required part of the basic financial statements.

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

The combining fund financial statements, individual budget schedules, and schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such 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 combining fund financial statements, individual budget schedules, and schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
March 25, 2019

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City of McAllen, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2018

This discussion and analysis is intended to provide an overview of the City's financial performance for the fiscal year ended September 30, 2018 and the related effect on the City's financial condition. Please read it in conjunction with the transmittal letter on pages i-v and the City's financial statements, which begin on page 19.

FINANCIAL HIGHLIGHTS

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

Total government-wide net position decreased \$6.6M as a result of this year's operations. Governmental activities decreased \$15.9M with business-type activities contributing \$9.4M.

- **Governmental Activities – Revenues and Expenses Compared to Last Year** – Total revenues in the aggregate decreased \$10.0M over last year. The decreases/increases were in the following categories: sales taxes increased \$4.0M, property tax increased \$3.0M, and other miscellaneous revenues decreased by \$18.0M, compared to the prior year's \$26.0M, which included in a parkland contribution of \$13.1M and a swap of land, \$9.8M. Expenses increased \$2.0M or 1.20% over last year, which is primarily due to a decrease in pension expense, \$3.2M, offset by increases in the electricity, street lighting and fuel, \$1.2M. The net increase in program function expenses were the result of a \$8.0M increase in general government, \$3.0M increase in highways and streets, which is offset with a \$4.0M decrease in public safety, a \$1.0M decrease in health and welfare, and a \$5.0M decrease in culture and recreation.
- **Business-Type Activities – Revenues and Expenses Compared to Last Year** – Total revenues reflected an increase of \$5.0M from last year. Charges for services remained flat, at \$87.0M. Grants and contributions increased by \$4.0M, with the majority of the increase noted in the Airport Capital Improvement Fund and Transit System Fund. Expenses decreased \$1.0M or 1% under last year with the more significant decreases coming from the Sewer Fund-\$1.0M, as well as the Bus services -\$1.0M, which was offset by the increase of \$1.0M from the Golf course fund.

USING THE ANNUAL REPORT

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

City of McAllen, Texas
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Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the central concerns in assessing any City's finances could be summarized in the question, "Is the City as a whole better off or worse off as a result of the year's activities?" Our analysis addressing this question begins on page 8-9. The analysis includes a condensed summary of the government-wide financial statements—The Statement of Net Position and the Statement of Activities, which present information about the City in a way that facilitates answering this question. These statements are presented much like the private-sector companies—including *all* assets and liabilities using the *accrual basis of accounting*. All revenues and expenses for the current year are reported without regard to when cash is received or paid.

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

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

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

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

Reporting the City's Most Significant Funds
Fund Financial Statements

Our analysis of the City's major funds commences on page 11. The fund financial statements are presented on pages 22 through 45. These statements present detailed information about the City's more significant funds as opposed to the City as a whole. Funds are established for various reasons—some are required by state law; others by bond covenants. Some funds are established by the City Commission to assist in managing money that is to be spent for particular purposes. For example, the Community Development Block Grant Fund was established to demonstrate that the money received from the U. S. Department of Housing and Urban Development was used for purposes established by the federal government. The City has two categories of funds, which can be used for public purpose—*governmental* and *proprietary*. Each category uses a different accounting approach.

Governmental funds—Most of the City's basic services are reported in governmental funds. These funds focus on the flow of money into and out of the funds and the balance left over at the end of the year that is available for future spending. Governmental funds use a method of accounting called modified accrual. The purpose of this method is to measure cash and other *financial* assets that can readily be converted to

City of McAllen, Texas
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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 46-47. 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)
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THE CITY AS A WHOLE

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

Net Position Information
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 150	\$ 155	\$ 121	\$ 125	\$ 271	\$ 280
Capital assets	316	303	502	498	818	801
Total assets	<u>465</u>	<u>458</u>	<u>623</u>	<u>623</u>	<u>1,088</u>	<u>1,081</u>
Deferred outflows of resources	<u>11</u>	<u>14</u>	<u>8</u>	<u>10</u>	<u>19</u>	<u>24</u>
Long-term debt outstanding	134	123	161	170	295	293
Other liabilities	<u>62</u>	<u>64</u>	<u>16</u>	<u>22</u>	<u>78</u>	<u>86</u>
Total liabilities	<u>196</u>	<u>187</u>	<u>177</u>	<u>192</u>	<u>373</u>	<u>379</u>
Deferred inflows of resources	<u>14</u>	<u>4</u>	<u>9</u>	<u>5</u>	<u>23</u>	<u>9</u>
Net position:						
Net investment in capital assets	205	221	345	333	550	554
Restricted	27	23	66	63	93	86
Unrestricted	<u>34</u>	<u>38</u>	<u>35</u>	<u>40</u>	<u>69</u>	<u>78</u>
Total net position	<u>\$ 266</u>	<u>\$ 282</u>	<u>\$ 446</u>	<u>\$ 436</u>	<u>\$ 712</u>	<u>\$ 718</u>

Net position of the City's governmental activities decreased by \$16.0M or 5.7% under last year; primarily as a result of an increase in long term debt of \$11.0M, which was issued at year end, along with an increase of \$8.2M in the OPEB liability, offset by a decrease in the net pension liability of \$10.0M. In addition, deferred outflows of resources— pensions decreased \$3.2M when compared to prior fiscal year. While deferred inflow of resources- pensions increased by \$10.4M. 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 \$10.0M or 2.3% over last year's amount, which can be attributed to a decrease in long term liabilities of \$15.0M, offset by \$4.0M in deferred inflow of resources – pensions.

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

City of McAllen, Texas
Management's Discussion and Analysis (Unaudited)
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Changes in Net Position Information (in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 10	\$ 10	\$ 87	\$ 87	\$ 97	\$ 97
Operating grants and contributions	2	4	2	2	4	6
Capital grants and contributions	8	5	10	6	18	11
General revenues:						
Property taxes	46	43	-	-	46	43
Sales tax	63	59	-	-	63	59
Other taxes	12	12	-	-	12	12
Gain on sale of capital assets	-	-	-	-	-	-
Other general revenues	8	26	2	1	10	27
Total revenues	149	159	101	96	250	255
Program expenses						
General government	52	44	-	-	52	44
Public safety	58	62	-	-	58	62
Highways and streets	24	21	-	-	24	21
Health and welfare	7	8	-	-	7	8
Culture and recreation	23	28	-	-	23	28
Interest on long term debt	4	3	-	-	4	3
Water	-	-	19	19	19	19
Sewer	-	-	14	15	14	15
Sanitation	-	-	18	18	18	18
Golf	-	-	2	1	2	1
Transit terminal	-	-	2	2	2	2
Bus	-	-	3	4	3	4
Performing arts center	-	-	2	2	2	2
Convention center	-	-	6	6	6	6
Airport	-	-	9	9	9	9
Anzalduas international crossing	-	-	5	5	5	5
McAllen Int'l toll bridge	-	-	8	8	8	8
Total expenses	168	166	88	89	256	255
Excess (Loss) before transfers	(19)	(7)	13	7	(6)	-
Transfers	3	(49)	(3)	49	-	-
Change in net position	(16)	(56)	10	56	(6)	-
Net position, beginning	291	338	436	380	718	718
Prior period adjustment	(9)	-	-	-	(9)	-
Beginning net position, October 1	282	338	436	380	718	718
Ending net position, September 30	\$ 266	\$ 282	\$ 446	\$ 436	\$ 712	\$ 718

Total revenues generated from both governmental and business-type activities this year amounted to \$250.0M, representing a decrease of \$5.0M or 2% over last year due primarily a decrease in other general revenues of \$17.0M, offset set by increases in grants and contributions of \$5.0M or 30%, increases property taxes of \$3.0M and sales tax increase of \$4.0M or 7%. In the prior fiscal year, general revenues included

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the receipt of a capital asset contribution of \$23.0M. Expenses came in at \$256.0M or \$1.0M over last year.

Governmental Activities

Total revenues generated from governmental activities this year amounted to \$149.0M. Expenses came in at \$168.0M, leaving a \$19.0M decrease before transfers-in of \$3.0M, thus decreasing net position by \$16.0M.

The cost of all governmental activities this year was \$168.0M. 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 \$132.4M. The other \$36.3M 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 net cost of each of the City's five largest programs (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Governmental Activities
(in Millions)

	Net Cost of Services	
	<u>2018</u>	<u>2017</u>
Police	\$ 31	\$ 27
Fire	22	22
Street maintenance	10	7
Parks	10	7
Drainage	<u>4</u>	<u>4</u>
Total	<u>\$ 77</u>	<u>\$ 67</u>

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$101.0M. Expenses came in at \$88.0M leaving \$13.0M before transfers-out of \$3.0M, which, resulted in a net increase to net position of \$10.0M. More details will be provided about governmental and business-type activities' operations later in this discussion and analysis.

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

As a result of this year's operations, governmental funds (as reflected in the balance sheet on page 22) combined fund balance totaled \$100.0M or a decrease of \$5.0M 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 \$5.0M.

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, 2018 and 2017.

Revenues, transfers-in and Other Financing Sources	2018 Amount	% of Total	2017 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
Taxes	\$ 119,820,314	68.01%	\$ 114,111,851	\$ 5,708,463	5.00%
Licenses and permits	1,983,125	1.13%	1,994,947	(11,822)	-0.59%
Intergovernmental	3,094,407	1.76%	7,783,963	(4,689,556)	-60.25%
Charges for services	7,060,426	4.01%	6,354,554	705,872	11.11%
Fines and forfeitures	1,840,277	1.04%	1,788,568	51,709	2.89%
Investment income	1,711,816	0.97%	1,151,039	560,777	48.72%
Miscellaneous	7,626,775	4.33%	5,863,023	1,763,752	30.08%
Proceeds from capital debt	15,444,010	8.77%	21,280,587	(5,836,577)	-27.43%
Transfers-in	17,595,175	9.99%	18,770,483	(1,175,308)	-6.26%
Totals	<u>\$ 176,176,325</u>	<u>100.00%</u>	<u>\$ 179,099,015</u>	<u>\$ (2,922,690)</u>	<u>-1.63%</u>

The \$5.7M increase in the taxes category is primarily due to an increase in property and sales taxes. Charges for services increases were attributable drainage fees, which were established this year to fund maintenance and drainage improvements. The increase of \$51K in fines and forfeitures was due to increases in municipal court fines. Funding from federal and state assistance decreased by \$4.6M compared to last year, which included grant revenue for the Texas Anti Gang Center and Texas Transnational Intelligence Center totaling \$5.0M for public safety projects. Investment earnings also reflect a 48% increase as compared to last year and can be attributed to favorable interest rates. The increase of \$1.8M in the miscellaneous category is a result of the sale of land, \$1.1M, governmental reimbursements, \$300K, and an increase in several miscellaneous items and grant funding requests. This year the City issued \$5.9M in certificates obligation for the construction of a new fire station and parks facility building and \$4.0M in general obligation for drainage and traffic improvements. Sales Tax Revenue Bonds in the amount of \$5.1M were also issued to finance the completion of the two new parking garages at the La Plaza Mall in the City.

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Expenditures and Transfers-Out

The following table presents a summary of general fund, special revenue funds, debt service fund and capital projects funds expenditures, transfers-out for the years ended September 30, 2018 and 2017.

Expenditures and Transfers-out	2018 Amount	% of Total	2017 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
General government	\$ 43,713,626	24.64%	\$ 53,967,801	\$ (10,254,175)	-19.00%
Public safety	59,681,453	33.64%	63,440,519	(3,759,066)	-5.93%
Highways and streets	15,662,349	8.83%	16,420,935	(758,586)	-4.62%
Health and welfare	7,164,759	4.04%	8,062,409	(897,650)	-11.13%
Culture and recreation	31,197,605	17.59%	29,900,205	1,297,400	4.34%
Debt service:					
Principal	5,030,000	2.84%	4,830,000	200,000	4.14%
Interest and fiscal		0.00%			
charges	423,646	0.24%	4,017,840	(3,594,194)	-89.46%
Transfers-out	14,515,340	8.18%	15,917,784	(1,402,444)	-8.81%
Totals	<u>\$ 177,388,778</u>	<u>100.00%</u>	<u>\$ 196,557,493</u>	<u>\$ (19,168,715)</u>	<u>-9.75%</u>

The decrease of \$10.2M in general government expenditures was primarily due to an decrease in payments to outside agencies, \$5.0M and a decrease projects costs for the construction of the two new parking garages at La Plaza mall. Public safety decreases in the amount of \$3.7M compared last year are due to decreases in construction costs toward a PD parking garage facility. Health and welfare decreased \$897K and can be attributed to a \$1.0M payment to the Doctor's Hospital medical district, which was offset by underspending in various departments. Culture and recreation functions increased \$1.3M due to the purchase of land for the new fire station and parks facility. Highways and streets function decreased \$758K, as the completion of its street repaving maintenance program progressed. Additionally, expenditures increased in principal payments—\$200K, while the interest and fiscal charges decreased—\$3.6M, as there were several bond issues in late FY 17-18. As indicated, transfers-out decreased by \$1.4M compared to last year—primarily due to a decrease of transfers out to the capital improvement fund from the general fund compared to the prior year.

Fund Balances

The governmental fund balances decreased by \$5.1M, from \$104.9M in the prior year to \$99.8M in the current year, which is attributed to the spend down of certificate of obligation proceeds and contract revenue bonds received for the construction of a sports facility complex, and educational building. Fund balances by major funds are discussed on the following page.

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General Fund

As a result of this year's operations, total fund balance increased by \$6.3M—to \$52.7M. Several factors played a role for the increase in fund balance and can be attributed to increases in property taxes of \$4.0M and sales tax of \$3.0M. Revenue projections outperformed estimates and the City recorded a positive \$2.5M increase property taxes, sales taxes and franchise taxes and charges for program services. In addition, City departments practiced responsible spending and expenditures came in under budget by approximately \$500K. As a result, fund balance was minimally affected by the transfer out to the Capital Improvement Fund. Fund balance categories reflect \$3.8M in non-spendable, \$178K in assigned, leaving \$49.0M 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 166 days, which is 22 days in excess of the minimum requirement.

Development Corp Fund

The fund balance in the Development Corporation Fund reflected an increase of \$2.3M, leaving the ending restricted fund balance at \$16.1M. Taxable Revenue Bonds were issued in 2018 to finance a portion of the two new parking garages at the La Plaza Mall at the City.

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 \$10.3M increase to net position. Of that amount, the Water and Sewer Funds accounted for approximately \$9.1M; the Sanitation Fund, \$1.6M, and the McAllen International Toll Bridge, \$1.0M. The Anzalduas International Crossing, the McAllen International Airport, and non-major proprietary funds combined generated a net decrease amounting to \$2.2M.

McAllen Public Utilities (MPU) – Water and Sewer Funds

Water Fund

Operating revenues decreased by 1.7% 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 \$2.0M. Combined Water and Sewer Fund working capital is in excess of the board policy of 120 days of operating expenses.

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Sewer Fund

Since sewer revenues are impacted by water consumption as noted above, operating revenues decreased by 1.4% from last year. Operating expenses decreased 2.3% 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 \$7.1M, 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 \$349K or 1.8% over prior year, which primarily represents a small increase in growth in the customer base, as well as an increase in brush pickup revenue and recycling sales. As a whole, operating expenses increased \$223K or 1.2% 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 \$301K. Consequently, the net position increased by \$1.6M. Working capital as of year end amounted to \$11.3M.

McAllen International Airport Fund

Operating revenues remained relatively flat for the McAllen International Airport. Operating expenses decreased by 1.6%. The Airport Fund sustained an operating loss of \$2.2M before capital contributions and transfers out. Capital contributions from the Passenger Facility Charge, as well as the FAA, amounted to \$4.2M. Transfers-out to the City amounted to \$1.0M to reimburse for public safety personnel assigned to the Airport. As a result, an increase in net position of \$675K is reported. This year's working capital is reflected at \$9.0M, 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 2018, as well as 2017.

Category	FY 17-18	FY 16-17	Increase (Decrease)	% Increase (Decrease)
Cars	2,794,901	2,862,748	(67,847)	-2.37%
Non-Commercial Trucks & Buses	28,993	26,631	2,362	8.87%
Passengers in cars	6,987,253	7,156,870	(169,618)	-2.37%

Southbound car crossings decreased 2.37% and revenues came in at \$12.0M or a decrease of \$284K under last year. General Services Administration (GSA) rental income increased \$143K compared to budget, however, other miscellaneous rental income remained relatively flat. Operating expenses increased by \$202K 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 \$975K.

The Bridge's assets plus deferred outflows of resources exceed liabilities by \$39.0M at September 30, 2018. Working capital, not considering liabilities payable from restricted assets, which are included in current liabilities, at year end amounted to \$442K.

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Anzalduas International Crossing

The table below reflects four types of crossings for 2018, as well as 2017. All other categories of crossings reflect decreases, except for trucks-empties, which are noted below.

Category	FY 17-18	FY 16-17	Increase (Decrease)	% Increase (Decrease)
Cars	875,430	966,364	(90,934)	-9.41%
Trucks - empties	28,036	15,528	12,508	80.55%
Buses	1,577	1,374	203	14.77%
Passengers in cars	2,188,575	2,415,910	(227,335)	-9.41%

Southbound car crossings decreased 90K or 9.41% with revenues coming in at \$3.5M, a decrease of \$157K from last year. Operating expenses increased by \$1.5M over last year, due to contractual and other services. After a transfer in of \$846K, the change in net position was a negative \$222K. This resulted in an ending net position deficit of \$2.8M.

Unrestricted net position is reflected as a deficit in the amount of \$16.5M, largely the consequence of advances made to it by the McAllen International Toll Bridge Fund.

General Fund Budgetary Highlights

During the year, the City Commission amended the budget several times. The increase from the original appropriations to the final budget appropriations was approximately \$1.4M. This increase was primarily budgets adjustments for electricity – street lighting and fuel.

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, 2018 of \$9,880,221, which is 14.30% of the City's annual covered payroll of \$69,112,898.

The Firemen's Relief & Retirement Fund (the Plan) reflects a Net Pension Liability as of September 30, 2018 of \$26,226,921, which is 220.38% of the Plan's annual covered payroll of \$11,901,023. 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

City of McAllen, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2018

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.75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," to be \$9,305,215, as of September 30, 2018.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$813.0M in net capital assets, which is reflected below:

	Capital Assets at Year-end (In Millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 83	\$ 81	\$ 21	\$ 21	\$ 104	\$ 102
Buildings and improvements	168	151	695	617	863	768
Equipment	81	88	69	68	150	156
Infrastructure	231	223	-	-	231	223
Construction in progress	11	19	20	76	31	95
Capitalized interest	-	-	-	-	-	-
Water rights	-	-	9	9	9	9
Accumulated depreciation	(262)	(259)	(313)	(293)	(575)	(552)
Net Capital Assets	<u>\$ 312</u>	<u>\$ 303</u>	<u>\$ 501</u>	<u>\$ 498</u>	<u>\$ 813</u>	<u>\$ 801</u>

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

McAllen Youth Baseball Complex	\$10
Street projects financed by the City directly and dedicated by developers	6
Parks / Fire Station #2 Land	2
Hike and Bike Trail	1
Total	<u>\$19</u>

For more detailed information on capital asset activity, refer to the notes to financial statements (refer to pages 70-73).

City of McAllen, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2018

Debt

At the end of the fiscal year, the City had \$269.0M in bonds outstanding—as shown in the following table:

	Outstanding Debt at Year-end (in Millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
General/certificate of obligation bonds/note (backed by the City)	\$ 104	\$ 94	\$ -	\$ -	\$ 104	\$ 94
Revenue bonds backed by Specific tax and fee revenues	15	15	150	158	165	173
Totals	<u>\$ 119</u>	<u>\$ 109</u>	<u>\$ 150</u>	<u>\$ 158</u>	<u>\$ 269</u>	<u>\$ 267</u>

For more detailed information on long term debt activity, refer to the notes to financial statements (refer to page 87).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

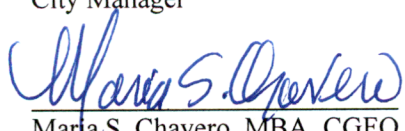
During the budget process for fiscal year 2018-19 the elected and appointed officials considered many factors including the forces driving the economy—among which were job growth, bank deposits, retail sales growth, the unemployment rate, peso devaluation, and inflation. As a result of the deliberations, within the General Fund, revenues were budgeted to increase from last year's budget by \$3.6M or more than 3.32%. Expenditures were budgeted with a \$1.8M increase or 2% over this year's budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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



Roel "Roy" Rodriguez, P. E.
City Manager



Maria S. Chavero, MBA, CGFO
Interim Finance Director

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CITY OF McALLEN, TEXAS
STATEMENT OF NET POSITION
September 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 6,375,145	\$ 2,200,049	\$ 8,575,194
Investments	119,330,043	33,428,318	152,758,361
Receivables, net	22,154,108	9,602,158	31,756,266
Internal balances	(197,076)	197,076	-
Inventories	-	374,177	374,177
Prepaid items	1,902,767	37,641	1,940,408
Notes receivable	-	163,044	163,044
Restricted assets	-	75,322,105	75,322,105
Capital assets not being depreciated:			
Land	82,993,490	21,391,317	104,384,807
Construction in progress	10,588,066	20,305,889	30,893,955
Water rights (perpetual)	-	6,023,500	6,023,500
Capital assets being depreciated:			
Buildings and systems	97,946,930	426,569,517	524,516,447
Equipment	81,109,639	69,099,142	150,208,781
Improvements	70,159,143	268,221,167	338,380,310
Infrastructure	231,651,511	-	231,651,511
Water rights	-	3,200,000	3,200,000
Accumulated depreciation	(262,094,414)	(312,883,460)	(574,977,874)
Other long term assets	3,226,075	-	3,226,075
Total assets	465,145,427	623,251,640	1,088,397,067
Deferred outflows of resources:			
Deferred charges on refunding	-	3,429,411	3,429,411
Deferred charges-pensions	10,833,750	4,777,692	15,611,442
Total deferred outflows of resources	10,833,750	8,207,103	19,040,853
Total assets and deferred outflows of resources	\$ 475,979,177	\$ 631,458,743	\$ 1,107,437,920
LIABILITIES			
Accounts payable and accrued liabilities	\$ 18,724,023	\$ 10,275,608	\$ 28,999,631
Unearned revenues	428,338	2,714,958	3,143,296
Other	1,119,164	222,637	1,341,801
Non-current liabilities:			
Due within one year	9,749,687	9,521,838	19,271,525
Due in more than one year	123,787,994	151,216,901	275,004,895
Net OPEB liability	9,305,215	-	9,305,215
Net pension liability	33,099,236	3,007,906	36,107,142
Total liabilities	196,213,657	176,959,848	373,173,505
Deferred inflows of resources:			
Deferred charges on refunding	113,585	4,703,709	4,817,294
Deferred charges- pensions	13,336,284	4,137,548	17,473,832
Deferred charges- OPEB	676,426	-	676,426
Total deferred inflows of resources	14,126,295	8,841,257	22,967,552
Total liabilities and deferred inflows of resources	210,339,952	185,801,105	396,141,057
NET POSITION			
Net investment in capital assets	205,470,975	345,070,300	550,541,275
Restricted for:			
Capital projects	-	52,169,067	52,169,067
Federal and state grant awards	3,136,284	-	3,136,284
Hotel Tourism	221,980	-	221,980
Parks	2,319,699	-	2,319,699
Debt service	2,976,160	7,450,187	10,426,347
Economic development	16,105,703	-	16,105,703
Distribution of net surplus revenues	-	5,601,810	5,601,810
Other purposes	1,791,077	-	1,791,077
Unrestricted	33,617,347	35,366,274	68,983,621
Total net position	265,639,225	445,657,638	711,296,863
Total liabilities, deferred inflows of resources, and net position	\$ 475,979,177	\$ 631,458,743	\$ 1,107,437,920

CITY OF McALLEN, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 52,324,011	\$ 2,225,610	\$ 374,159	\$ -
Public safety	57,965,285	4,493,813	1,327,708	217,576
Highways and streets	24,448,675	1,833,144	-	6,422,419
Health and welfare	7,094,404	484,970	420,072	-
Culture and recreation	23,161,527	1,178,511	142,879	1,186,978
Interest on long-term debt	3,651,488	-	-	-
Total governmental activities	168,645,390	10,216,048	2,264,818	7,826,973
Business-type activities:				
Water services	19,120,533	19,053,440	-	1,661,941
Sewer services	14,211,367	17,456,310	-	3,426,568
Sanitation services	18,391,187	19,579,301	-	-
Golf course services	1,455,820	1,425,321	-	-
Performing arts center services	2,422,385	1,404,701	-	56,242
Convention center services	5,766,331	2,192,390	-	-
Airport services	9,021,537	6,373,273	-	4,163,559
Transit services	1,759,640	180,777	518,859	965,869
Bus services	3,402,599	915,719	1,243,530	3,181
Bridge services--anzalduas	4,682,605	3,543,444	-	2,240
Bridge services	7,651,619	14,392,407	-	-
Total business-type activities	87,885,623	86,517,083	1,762,389	10,279,600
Total primary government	256,531,013	96,733,131	4,027,207	18,106,573
General revenues:				
Property taxes				
Hotel occupancy tax				
Sales taxes				
Franchise taxes				
Unrestricted investment earnings				
Royalties				
Miscellaneous				
Transfers				
Total general revenues, special items, and transfers				
Change in net position				
Net position - beginning				
Prior period adjustment				
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
\$ (49,724,242)	\$ -	\$ (49,724,242)
(51,926,188)	-	(51,926,188)
(16,193,112)	-	(16,193,112)
(6,189,362)	-	(6,189,362)
(20,653,159)	-	(20,653,159)
(3,651,488)	-	(3,651,488)
(148,337,551)	-	(148,337,551)
-	1,594,848	1,594,848
-	6,671,511	6,671,511
-	1,188,114	1,188,114
-	(30,499)	(30,499)
-	(961,442)	(961,442)
-	(3,573,941)	(3,573,941)
-	1,515,295	1,515,295
-	(94,135)	(94,135)
-	(1,240,169)	(1,240,169)
-	(1,136,921)	(1,136,921)
-	6,740,788	6,740,788
-	10,673,449	10,673,449
(148,337,551)	10,673,449	(137,664,102)
45,630,288	-	45,630,288
4,788,407	-	4,788,407
63,177,249	-	63,177,249
6,918,783	-	6,918,783
2,040,853	1,330,004	3,370,857
534,238	-	534,238
6,227,083	461,238	6,688,321
3,079,835	(3,079,835)	-
132,396,736	(1,288,593)	131,108,143
(15,940,815)	9,384,856	(6,555,959)
290,694,851	436,272,782	726,967,633
(9,114,811)	-	(9,114,811)
\$ 265,639,225	\$ 445,657,638	\$ 711,296,863

CITY OF McALLEN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2018

	<u>General</u>	<u>Development Corp.</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 5,000,192	\$ 160,743	\$ 551,780	\$ 5,712,715
Investments	46,925,771	14,074,050	41,424,194	102,424,015
Receivables, net:				
Taxes	12,667,947	2,803,916	237,017	15,708,880
Accounts	1,583,544	12,500	1,391,937	2,987,981
Accrued interest	146,060	42,683	152,279	341,022
Other	813,814	-	575	814,389
Due from other funds	419,365	-	-	419,365
Due from other governments	160,162	1,066,456	556,850	1,783,468
Prepays	611,722	57,055	-	668,777
Board advances	3,226,075	-	-	3,226,075
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 71,554,652</u>	<u>\$ 18,217,403</u>	<u>\$ 44,314,632</u>	<u>\$ 134,086,687</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,599,984	\$ 56,841	\$ 10,977,363	\$ 13,634,188
Accrued liabilities	1,210,409	508,419	667,944	2,386,772
Due to other funds	-	-	513,312	513,312
Unearned revenues	402,122	-	26,216	428,338
Other	1,058,778	-	65,000	1,123,778
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	5,271,293	565,260	12,249,835	18,086,388
Deferred inflows of resources	<u>13,535,718</u>	<u>1,546,002</u>	<u>1,079,732</u>	<u>16,161,452</u>
Total liabilities and deferred inflows of resources	<u>18,807,011</u>	<u>2,111,262</u>	<u>13,329,567</u>	<u>34,247,840</u>
Fund balances:				
Nonspendable	3,837,797	57,055	-	3,894,852
Restricted	-	16,049,086	25,466,001	41,515,087
Committed	-	-	119,863	119,863
Assigned	177,736	-	5,399,201	5,576,937
Unassigned	48,732,108	-	-	48,732,108
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>52,747,641</u>	<u>16,106,141</u>	<u>30,985,065</u>	<u>99,838,847</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 71,554,652</u>	<u>\$ 18,217,403</u>	<u>\$ 44,314,632</u>	<u>\$ 134,086,687</u>

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

CITY OF McALLEN, TEXAS
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
September 30, 2018

Total governmental fund balances (refer to page22) \$ 99,838,847

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. 298,236,252

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. The amount consists of the following: property taxes-\$3,990,651; sales and franchise taxes-\$6,021,509; weed and lot cleaning-\$881,259; others; \$2,041,958, and Mission repayment on Series B Bridge bonds, \$3,226,075. 16,161,452

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position. 31,164,739

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, (\$11,489,340), sales tax revenue bonds payable, (\$20,400,000), accrued interest, (\$555,852), certificates of obligation, (\$10,670,000), general obligations (\$88,300,000), premium, (\$2,921,755), deferred inflows of resources, (\$14,121,679), Firemen's pension obligation, (\$26,226,921), OPEB obligation, (\$9,305,215), deferred outflows of resources, \$10,833,750, discount, \$267,262, and TMRS pension liability, (\$6,872,315). (179,762,065)

Net position of governmental activities \$ 265,639,225

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

CITY OF McALLEN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

	General	Development Corp	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 95,861,147	\$ 15,539,033	\$ 8,420,134	\$ 119,820,314
Licenses and permits	1,968,212	-	14,913	1,983,125
Intergovernmental	2,147	674,908	2,417,352	3,094,407
Charges for services	5,234,154	-	1,826,272	7,060,426
Fines and forfeitures	1,420,680	-	419,597	1,840,277
Investment earnings	918,858	181,858	749,933	1,850,649
Net increase (decrease) in the fair value of investments	(94,687)	(22,116)	(22,030)	(138,833)
Other	3,706,640	1,434,388	2,485,747	7,626,775
Total revenues	109,017,151	17,808,071	16,311,918	143,137,140
EXPENDITURES				
Current:				
General government	18,348,365	7,439,657	17,925,604	43,713,626
Public safety	57,140,832	-	2,540,621	59,681,453
Highways and streets	11,498,199	1,488,940	2,675,210	15,662,349
Health and welfare	2,700,638	3,963,533	500,588	7,164,759
Culture and recreation	18,536,872	2,322,937	10,337,796	31,197,605
Debt service:				
Principal	-	-	5,030,000	5,030,000
Interest and fiscal charges	-	597,766	3,632,880	4,230,646
Total expenditures	108,224,906	15,812,833	42,642,699	166,680,438
Excess of revenues over (under) expenditures	792,245	1,995,238	(26,330,781)	(23,543,298)
OTHER FINANCING SOURCES (USES)				
Transfers in	10,540,028	150,000	6,905,147	17,595,175
Transfers out	(4,972,180)	(4,918,708)	(4,624,452)	(14,515,340)
Issuance of debt	-	5,115,000	9,890,000	15,005,000
Bond premium	-	-	439,010	439,010
Net other financing sources (uses)	5,567,848	346,292	12,609,705	18,523,845
Net change in fund balances	6,360,093	2,341,530	(13,721,076)	(5,019,453)
Fund balances at beginning of year	46,387,548	13,764,611	44,706,141	104,858,300
Fund balances at end of year	\$ 52,747,641	\$ 16,106,141	\$ 30,985,065	\$ 99,838,847

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

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, 2018

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

Net change in fund balances--total governmental funds (refer to page 24)	\$ (5,019,453)
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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 \$23,670,543 exceeded depreciation, (\$14,944,781), in the current period.	8,725,762
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	333,585
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	5,030,000
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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 \$590,740 is compensated absences, (\$41,396) accrued interest expense, \$620,554 bond amortization expense, (\$882,337) Firemen's Fund net pension obligation, (\$8,995,462) OPEB expense and (\$735,583) pension expense.	(9,443,484)
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(123,215)
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Certificates of obligation, \$9,890,000, sale tax revenue bonds, \$5,115,000, and premium \$439,010, provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	(15,444,010)
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Change in net position of governmental activities	\$ (15,940,815)
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The notes to the financial statements are an integral part of this statement.

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CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes:				
Property	\$ 40,694,607	\$ 41,047,745	\$ 41,506,707	\$ 458,962
Sales	44,175,080	45,500,332	46,617,099	1,116,767
Franchise	<u>7,270,000</u>	<u>7,270,000</u>	<u>7,737,341</u>	<u>467,341</u>
Total taxes	<u>92,139,687</u>	<u>93,818,077</u>	<u>95,861,147</u>	<u>2,043,070</u>
Licenses and permits:				
Business licenses and permits	65,000	65,000	74,225	9,225
Occupational	246,100	246,100	296,715	50,615
Non-business licenses and permits	<u>1,536,876</u>	<u>1,536,876</u>	<u>1,597,272</u>	<u>60,396</u>
Total licenses and permits	<u>1,847,976</u>	<u>1,847,976</u>	<u>1,968,212</u>	<u>120,236</u>
Intergovernmental revenues:				
State shared revenues	<u>-</u>	<u>-</u>	<u>2,147</u>	<u>2,147</u>
Total intergovernmental revenues	<u>-</u>	<u>-</u>	<u>2,147</u>	<u>2,147</u>
Charges for services:				
General government	2,184,500	2,184,500	2,417,126	232,626
Public safety	674,000	674,000	904,851	230,851
Highways and streets	3,500	3,500	6,872	3,372
Health	570,680	570,680	770,736	200,056
Culture and recreation	<u>1,219,372</u>	<u>1,228,372</u>	<u>1,134,569</u>	<u>(93,803)</u>
Total charges for services	<u>4,652,052</u>	<u>4,661,052</u>	<u>5,234,154</u>	<u>573,102</u>
Fines and forfeitures:				
Corporations court	1,250,000	1,301,984	1,376,738	74,754
Other fines	<u>65,000</u>	<u>65,000</u>	<u>43,942</u>	<u>(21,058)</u>
Total fines and forfeitures	<u>1,315,000</u>	<u>1,366,984</u>	<u>1,420,680</u>	<u>53,696</u>
Investment earnings	<u>570,000</u>	<u>570,000</u>	<u>918,858</u>	<u>348,858</u>
Net increase (decrease) in fair value of investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (94,687)</u>	<u>\$ (94,687)</u>

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

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Other:				
Royalties	430,000	430,000	534,238	104,238
Rents and concessions	5,500	5,500	9,531	4,031
Reimbursements	554,466	680,659	1,427,014	746,355
Other	43,099	1,143,840	1,735,857	592,017
Total other revenues	1,033,065	2,259,999	3,706,640	1,446,641
Total revenues	101,557,780	104,524,088	109,017,151	4,493,063
EXPENDITURES				
General government:				
City commission	339,316	339,830	319,409	20,421
Special service	709,411	733,411	745,599	(12,188)
City manager	1,349,374	1,354,004	1,378,577	(24,573)
City secretary	512,583	516,698	483,840	32,858
Vital statistics	170,788	172,331	154,066	18,265
Passport facility	114,288	115,574	102,475	13,099
Audit office	217,791	218,820	210,054	8,766
Municipal court	1,512,587	1,576,916	1,382,674	194,242
Finance	1,296,328	1,305,844	1,318,888	(13,044)
Budget & management	411,573	414,145	389,832	24,313
Tax office	1,153,236	1,156,323	1,118,916	37,407
Purchasing and contracting	583,665	587,780	556,407	31,373
Legal	1,676,449	1,681,079	1,641,857	39,222
Grant administration	462,750	465,837	428,081	37,756
Human resources	803,141	807,771	713,391	94,380
Risk management	457,085	457,085	457,085	-
Planning	1,254,874	1,288,476	918,730	369,746
Information technology	3,043,118	3,055,978	2,963,148	92,830
Public information office	745,189	749,304	705,036	44,268
311 Call center	246,664	249,236	238,460	10,776
City hall	559,337	560,880	530,303	30,577
Development Center	99,298	99,812	104,860	(5,048)
Building maintenance	816,494	823,182	835,430	(12,248)
Non-departmental activities	733,589	733,589	651,247	82,342
Contingency	(787,943)	(1,735,439)	-	(1,735,439)
Total general government	18,480,985	17,728,466	18,348,365	(619,899)

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

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Public safety:				
Police	\$ 33,588,265	\$ 34,017,189	\$ 33,675,868	\$ 341,321
Animal control	345,396	347,968	308,872	39,096
Radio Shop	624,887	627,459	581,616	45,843
Fire	18,457,655	18,519,665	19,268,464	(748,799)
Traffic operations	2,448,294	2,505,630	2,261,524	244,106
Building code compliance	1,051,242	1,061,272	1,044,488	16,784
Total public safety	56,515,739	57,079,183	57,140,832	(61,649)
Highways and streets:				
Engineering services	1,970,550	1,984,438	1,655,740	328,698
Street maintenance	6,278,736	6,345,222	6,014,801	330,421
Street lighting	1,262,879	2,318,750	2,200,973	117,777
Sidewalk construction	342,308	343,851	246,048	97,803
Drainage	1,394,376	1,423,457	1,380,637	42,820
Total highways and streets	11,248,849	12,415,718	11,498,199	917,519
Health and welfare:				
Health code compliance	1,448,865	1,462,753	1,516,307	(53,554)
Graffiti cleaning	154,015	155,558	165,013	(9,455)
Other agencies	837,932	837,932	1,019,318	(181,386)
Total health and welfare	2,440,812	2,456,243	2,700,638	(244,395)
Culture and recreation:				
Parks and recreation administration	574,532	577,619	539,312	38,307
Parks	7,132,605	7,402,021	7,337,117	64,904
Recreation	1,687,580	1,700,181	1,779,361	(79,180)
Pools	912,061	914,890	822,748	92,142
Las palmas community center	394,288	396,603	395,940	663
Recreation center-Lark	463,579	466,408	443,995	22,413
Recreation center-Palmview	464,700	467,272	393,662	73,610

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

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Quinta mazatlan	\$ 916,359	\$ 921,246	\$ 874,645	\$ 46,601
Library	3,407,933	3,488,724	3,320,336	168,388
Library branch-Lark	464,819	469,192	433,421	35,771
Library branch-Palmview	505,658	511,059	487,935	23,124
Other agencies	970,400	970,400	970,400	-
Museums	738,000	738,000	738,000	-
Total culture and recreation	18,632,514	19,023,615	18,536,872	486,743
Total expenditures	107,318,899	108,703,225	108,224,906	478,319
Excess of revenues over expenditures	(5,761,119)	(4,179,137)	792,245	4,971,382
OTHER FINANCING SOURCES (USES)				
Transfers in	10,243,555	10,540,028	10,540,028	-
Transfers out	(3,717,200)	(4,817,941)	(4,972,180)	(154,239)
Net other financing sources (uses)	6,526,355	5,722,087	5,567,848	(154,239)
Net change in fund balances	765,236	1,542,950	6,360,093	4,817,143
Fund balances at begining of year	46,387,548	46,387,548	46,387,548	-
Fund balances at end of year	<u>\$ 47,152,784</u>	<u>\$ 47,930,498</u>	<u>\$ 52,747,641</u>	<u>\$ 4,817,143</u>

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Sales tax	\$ 14,657,520	\$ 14,657,520	\$ 15,539,033	\$ 881,513
Intergovernmental revenues	5,398,529	5,709,761	674,908	(5,034,853)
Investment earnings	110,000	110,000	181,858	71,858
Net increase (decrease) in the fair value of investments	-	-	(22,116)	(22,116)
Other	1,408,943	1,408,943	1,434,388	25,445
	<u>21,574,992</u>	<u>21,886,224</u>	<u>17,808,071</u>	<u>(4,078,153)</u>
EXPENDITURES				
Current:				
General government	3,390,421	8,573,421	7,439,657	1,133,764
Highways and streets	9,122,645	10,671,145	1,488,940	9,182,205
Health and welfare	3,940,503	3,940,503	3,963,533	(23,030)
Culture and recreation	3,075,188	4,160,966	2,322,937	1,838,029
Debt service:				
Interest and fiscal charges	498,943	498,943	597,766	(98,823)
	<u>20,027,700</u>	<u>27,844,978</u>	<u>15,812,833</u>	<u>12,032,145</u>
Excess (deficiency) of revenues over expenditures	<u>1,547,292</u>	<u>(5,958,754)</u>	<u>1,995,238</u>	<u>7,953,992</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	150,000	50,000
Transfers out	(5,651,621)	(5,679,728)	(4,918,708)	761,020
Issuance of debt	-	5,115,000	5,115,000	-
	<u>(5,551,621)</u>	<u>(464,728)</u>	<u>346,292</u>	<u>811,020</u>
Net changes in fund balances	(4,004,329)	(6,423,482)	2,341,530	8,765,012
Fund balances--beginning	13,764,611	13,764,611	13,764,611	-
Fund balances--ending	<u>\$ 9,760,282</u>	<u>\$ 7,341,129</u>	<u>\$ 16,106,141</u>	<u>\$ 8,765,012</u>

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2018

	Business Type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	McAllen International Airport
ASSETS				
Current assets:				
Cash	\$ 358,519	\$ 17,948	\$ 200,549	\$ 135,548
Investments	4,843,764	751,986	10,118,739	8,500,996
Receivables, net:				
Accounts	1,989,501	1,872,685	2,094,155	187,600
Accrued interest	27,678	-	24,294	25,322
Other	-	10,630	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	1,300	750,873
Interfund loans	-	-	-	-
Inventories, at cost	61,608	-	-	-
Prepaid items	4,219	-	-	30,000
Restricted assets:				
Cash and cash equivalents	10,127	873,166	20,733	181,532
Total current assets	7,295,416	3,526,415	12,459,770	9,811,871
Noncurrent assets:				
Restricted assets:				
Investments	15,609,443	27,221,223	10,381,954	7,684,951
Accrued interest	44,391	47,262	26,388	18,490
Other	-	-	-	143,884
Total noncurrent restricted assets	15,653,834	27,268,485	10,408,342	7,847,325
Capital assets:				
Land	3,070,465	2,173,747	1,101,490	3,251,781
Buildings and systems	69,713,777	190,358,547	2,436,293	32,516,369
Improvements other than buildings	63,405,760	37,626,273	706,365	97,042,314
Machinery and equipment	8,985,148	8,256,298	26,066,935	4,183,076
Construction in progress	3,592,402	14,603,762	69,493	878,572
Water rights	9,223,500	-	-	-
Less accumulated depreciation and amortization	(77,116,724)	(84,986,664)	(19,153,894)	(65,967,144)
Total capital assets (net of accumulated depreciation and amortization)	80,874,328	168,031,963	11,226,682	71,904,968
Other noncurrent assets				
Loans receivable	81,695	81,349	-	-
Other receivable	-	1,695,383	-	-
Board advances	-	-	-	-
Advances to other funds	-	-	-	-
Total other noncurrent assets	81,695	1,776,732	-	-
Total noncurrent assets	96,609,857	197,077,180	21,635,024	79,752,293
Total assets	103,905,273	200,603,595	34,094,794	89,564,164
Deferred outflow of resources				
Deferred charges on refundings	3,429,411	-	-	-
Deferred charges - pensions	1,164,638	718,873	1,270,548	298,814
Total assets and deferred outflows of resources	\$ 108,499,322	\$ 201,322,468	\$ 35,365,342	\$ 89,862,978

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

Business-type Activities-Enterprise Funds				Governmental Activities
McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 269,585 1,837,685	\$ 103,055 1,791,154	\$ 464,385 5,583,994	\$ 1,549,589 33,428,318	\$ 1,312,890 16,906,028
-	-	69,362	6,213,303	472,887
-	898	6,573	84,765	46,944
-	-	-	10,630	331,146
-	-	195,431	195,431	2,562,268
176,338	-	336,957	1,265,468	-
-	-	-	-	2,598,802
-	-	-	61,608	312,569
-	-	3,422	37,641	1,233,990
114,968	68,818	8,454	1,277,798	-
2,398,576	1,963,925	6,668,578	44,124,551	25,777,524
8,179,182	1,615,674	3,057,438	73,749,865	-
8,750	-	5,277	150,558	-
-	-	-	143,884	-
8,187,932	1,615,674	3,062,715	74,044,307	-
1,418,946	2,922,772	7,452,116	21,391,317	6,774,733
14,415,500	10,415,086	113,131,712	432,987,284	-
4,730,271	40,482,588	17,677,006	261,670,577	132,823
3,825,705	994,878	15,970,464	68,282,504	26,863,090
598,500	503,132	60,028	20,305,889	-
-	-	-	9,223,500	-
(13,395,596)	(13,377,858)	(38,280,641)	(312,278,521)	(19,308,010)
11,593,326	41,940,598	116,010,685	501,582,550	14,462,636
-	-	-	163,044	-
-	-	-	1,695,383	-
18,294,979	-	-	18,294,979	-
-	-	-	-	-
18,294,979	-	-	20,153,406	-
38,076,237	43,556,272	119,073,400	595,780,263	14,462,636
40,474,813	45,520,197	125,741,978	639,904,814	40,240,160
-	-	-	3,429,411	-
233,858	81,657	826,782	4,595,170	182,522
\$ 40,708,671	\$ 45,601,854	\$ 126,568,760	\$ 647,929,395	\$ 40,422,682

Continued

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2018

	Business Type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	McAllen International Airport
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 869,667	\$ 809,389	\$ 784,315	\$ 447,335
Accrued expenses	290,236	1,809,542	103,073	185,120
Due to other funds	-	-	-	-
Due to other government agencies	-	-	-	-
Customer deposits payable	2,652,971	-	-	-
Compensated absences	352,525	216,282	280,383	77,603
Current portion of revenue bonds	1,430,450	4,221,550	-	430,000
Current portion of note payable	-	-	-	736,426
Other	189	117,832	-	43,388
Total current liabilities	5,596,038	7,174,595	1,167,771	1,919,872
Other noncurrent liabilities:				
Revenue bonds, net of current portion	16,416,333	97,355,599	-	6,720,000
Compensated absences	215,928	161,796	220,786	85,688
Interfund notes payable	-	-	-	1,535,730
Unearned revenues	242,632	1,990,383	122,898	-
Board advances	-	-	-	-
TMRS net pension liability	734,795	455,926	785,105	188,681
Total other noncurrent liabilities	17,609,688	99,963,704	1,128,789	8,530,099
Total liabilities	23,205,726	107,138,299	2,296,560	10,449,971
Deferred inflows of resources-refunding	281,079	4,090,929	-	-
Deferred inflows of resources-pensions	1,009,751	625,020	1,089,397	259,187
Total liabilities and deferred inflows of resources	24,496,556	111,854,248	3,385,957	10,709,158
NET POSITION				
Net investments in capital assets	66,175,877	62,862,852	11,226,682	64,754,968
Restricted for:				
Capital projects	11,941,726	17,373,694	10,429,075	7,339,117
Debt service	477,670	4,874,350	-	322,716
Distribution of net surplus revenues	-	-	-	-
Unrestricted	5,407,493	4,357,324	10,323,628	6,737,019
Total net position	84,002,766	89,468,220	31,979,385	79,153,820
Total liabilities, deferred inflows of resources, and net position	<u>\$ 108,499,322</u>	<u>\$ 201,322,468</u>	<u>\$ 35,365,342</u>	<u>\$ 89,862,978</u>

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

Business-type Activities-Enterprise Funds				Governmental Activities
McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 944,835	\$ 27,735	\$ 601,079	\$ 4,484,355	\$ 685,732
21,746	96,595	73,500	2,579,812	1,900,820
39,765	-	61,719	101,484	2,562,268
42,413	-	-	42,413	-
-	-	76,717	2,729,688	-
93,315	-	94,178	1,114,286	43,276
-	1,510,000	-	7,592,000	-
193,046	-	-	929,472	-
-	-	61,228	222,637	-
1,335,120	1,634,330	968,421	19,796,147	5,192,096
-	27,997,509	-	148,489,441	-
28,525	12,784	175,427	900,934	23,849
133,600	-	-	1,669,330	-
124,612	-	234,433	2,714,958	-
-	18,294,979	-	18,294,979	-
147,184	52,535	530,768	2,894,994	112,912
433,921	46,357,807	940,628	174,964,636	136,761
1,769,041	47,992,137	1,909,049	194,760,783	5,328,857
-	331,701	-	4,703,709	-
202,490	71,547	723,564	3,980,956	156,592
1,971,531	48,395,385	2,632,613	203,445,448	5,485,449
11,593,326	12,101,388	116,010,685	344,725,778	14,462,636
2,108,691	329,364	2,647,400	52,169,067	-
518,790	1,256,661	-	7,450,187	-
5,601,810	-	-	5,601,810	-
18,914,523	(16,480,944)	5,278,062	34,537,105	20,474,597
38,737,140	(2,793,531)	123,936,147	444,483,947	34,937,233
\$ 40,708,671	\$ 45,601,854	\$ 126,568,760	\$ 647,929,395	\$ 40,422,682

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CITY OF MCALLEN, TEXAS
Reconciliation of the Statement of Net Position of the Proprietary Funds
to the Government-Wide Statement of Net Position
September 30, 2018

Fund equity - total proprietary funds (page 39)	\$ 444,483,947
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Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business-type activities.

1,173,691

Net position of business-type activities

\$ 445,657,638

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

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended September 30, 2018

	Business Type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	McAllen International Airport
Operating revenues				
Charges for services	\$ 18,659,998	\$ 17,082,283	\$ 19,377,373	\$ 2,622,470
Rentals	-	-	-	3,677,864
Other	853,442	374,027	201,928	72,939
Total operating revenues	19,513,440	17,456,310	19,579,301	6,373,273
Operating expenses				
Salaries, wages and employee benefits	7,015,615	4,158,396	7,697,770	1,738,930
Supplies	1,205,074	640,383	354,951	80,969
Contractual and other services	4,981,118	2,943,541	4,724,164	1,568,348
Repairs and maintenance	911,244	526,873	3,132,811	456,601
Depreciation and amortization	4,555,213	5,939,744	2,279,797	4,737,561
Self insurance claims	-	-	-	-
Other	-	-	-	-
Total operating expenses	18,668,264	14,208,937	18,189,493	8,582,409
Operating income (loss)	845,176	3,247,373	1,389,808	(2,209,136)
Non operating revenues (expenses)				
Investment earnings	274,622	401,803	267,134	208,598
Net increase (decrease) in fair value of investments	(15,240)	(38,107)	(40,421)	(10,338)
Interest expense	(743,517)	(391,989)	-	(381,554)
Interest on board advances	-	-	-	-
Bond related charges--issuance cost	87,154	533,613	-	-
Gain (loss) on sale of capital assets	-	(765)	72,800	(1,583)
Other	-	-	1,300	27,811
Net non-operating revenues (expenses)	(396,981)	504,555	300,813	(157,066)
Income (loss) before contributions and transfers	448,195	3,751,928	1,690,621	(2,366,202)
Capital contributions	1,661,941	3,426,568	-	4,163,559
Transfers in	-	-	-	-
Transfers out	(75,414)	(42,936)	(72,662)	(1,122,681)
Change in net position	2,034,722	7,135,560	1,617,959	674,676
Total net position--beginning	81,968,044	82,332,660	30,361,426	78,479,144
Total net position--ending	\$ 84,002,766	\$ 89,468,220	\$ 31,979,385	\$ 79,153,820

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	Other Proprietary Funds	Total	Internal Service Funds
\$ 11,572,352	\$ 3,421,737	\$ 3,661,400	\$ 76,397,613	\$ 6,770,010
2,510,503	18,026	1,804,730	8,011,123	-
309,552	103,681	1,052,778	2,968,347	14,195,919
14,392,407	3,543,444	6,518,908	87,377,083	20,965,929
1,509,575	484,639	5,060,074	27,664,999	1,736,217
79,699	13,957	288,866	2,663,899	30,318
1,035,804	1,076,135	3,942,287	20,271,397	6,358,538
179,854	43,363	1,408,290	6,659,036	58,443
1,147,670	1,534,738	4,376,051	24,570,774	2,128,201
-	-	-	-	13,032,658
-	-	-	-	10,061
3,952,602	3,152,832	15,075,568	81,830,105	23,354,436
10,439,805	390,612	(8,556,660)	5,546,978	(2,388,507)
94,391	61,010	120,790	1,428,348	355,116
-	1,036	4,726	(98,344)	(26,079)
(19,229)	(1,107,640)	-	(2,643,929)	-
661,086	(661,086)	-	-	-
-	249,985	-	870,752	-
(834)	-	(774)	68,844	48,762
(3,627,039)	-	-	(3,597,928)	735,474
(2,891,625)	(1,456,695)	124,742	(3,972,257)	1,113,273
7,548,180	(1,066,083)	(8,431,918)	1,574,721	(1,275,234)
-	2,240	2,787,681	12,041,989	-
-	846,258	3,735,993	4,582,251	1,377,995
(6,572,984)	(4,404)	(57,248)	(7,948,329)	(1,091,752)
975,196	(221,989)	(1,965,492)	10,250,632	(988,991)
37,761,944	(2,571,542)	125,901,639	434,233,315	35,926,224
\$ 38,737,140	\$ (2,793,531)	\$ 123,936,147	\$ 444,483,947	\$ 34,937,233

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CITY OF MCALLEN, TEXAS
Reconciliation of the Statement Revenues, Expenses and Changes in Fund Net Position of the Proprietary Funds
to the Government-Wide Statement of Activities
For The Year Ended September 30, 2018

Change in net position - total proprietary funds (page 43)	\$	10,250,632
--	----	------------

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.

(865,776)

Change in net position of business-type activities	\$	<u><u>9,384,856</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2018

	Business Type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	McAllen International Airport
Cash flows from operating activities:				
Receipts from customers	\$ 19,736,448	\$ 17,384,992	\$ 19,487,436	\$ 6,275,235
Payments to employees	(6,900,503)	(4,099,132)	(7,594,892)	(1,703,354)
Payments to suppliers	(6,575,263)	(6,861,053)	(8,187,656)	(2,711,066)
Net cash provided (used) by operating activities	6,260,682	6,424,807	3,704,888	1,860,815
Cash flows from noncapital financing activities:				
Transfers from other funds	-	-	-	-
Transfers to other funds	(75,414)	(42,936)	(72,662)	(1,122,681)
Subsidy from federal grant	-	-	1,073	-
Other revenue received	-	-	-	-
Distribution of income to City of Hidalgo	-	-	-	-
Net cash provided (used) by noncapital financing activities	(75,414)	(42,936)	(71,589)	(1,122,681)
Cash flows from capital and related financing activities:				
Capital contributions	12,606	969,080	-	4,171,306
Purchases of capital assets	(3,864,090)	(12,239,006)	(1,714,059)	(3,244,815)
Proceeds from sale of capital assets	-	-	74,810	-
Proceeds from insurance recoveries	-	-	-	-
Proceeds from bond issuance	-	(4,161,150)	-	-
Bond issuance cost	-	-	-	-
Principal repayments-bonds and notes	(1,385,850)	-	-	(415,000)
Interest paid	(743,517)	(1,424,417)	-	(382,592)
Net cash provided (used) by capital and related financing activities	(5,980,851)	(16,855,493)	(1,639,249)	128,899
Cash flows from investing activities:				
Collection of interfund loan principal and interest	-	2,371	-	-
Proceeds from sales and maturities of investments	18,035,313	41,103,057	15,232,692	7,931,731
Purchase of investments	(18,703,662)	(31,466,793)	(17,514,988)	(9,497,241)
Receipt of interest	233,667	360,150	219,466	194,766
Net cash provided (used) by investing activities	(434,682)	9,998,785	(2,062,830)	(1,370,744)
Net increase (decrease) in cash	(230,266)	(474,837)	(68,780)	(503,711)
Cash at beginning of year	598,912	1,365,951	290,062	820,791
Cash at end of year	\$ 368,646	\$ 891,114	\$ 221,282	\$ 317,080

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

Business Type Activities-Enterprise Funds				Governmental Activities
McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 14,467,380	\$ 3,538,444	\$ 6,381,306	\$ 87,271,241	\$ 18,950,561
(1,477,193)	(483,914)	(5,032,649)	(27,291,637)	(1,713,836)
(582,709)	(1,136,971)	(5,499,700)	(31,554,418)	(17,830,768)
12,407,478	1,917,559	(4,151,043)	28,425,186	(594,043)
-	846,258	3,722,096	4,568,354	2,245,785
(6,572,984)	(4,404)	(57,248)	(7,948,329)	(1,091,752)
-	-	623,252	624,325	16,265
-	-	-	-	458,941
(4,406,009)	-	-	(4,406,009)	-
(10,978,993)	841,854	4,288,100	(7,161,659)	1,629,239
-	2,240	2,654,563	7,809,795	-
(1,140,934)	(292,279)	(899,403)	(23,394,586)	(3,019,801)
950	-	(118,812)	(43,052)	139,505
-	-	-	-	270,792
-	-	-	(4,161,150)	-
-	-	-	-	-
(184,568)	(1,470,000)	-	(3,455,418)	-
(19,229)	(1,110,090)	-	(3,679,845)	-
(1,343,781)	(2,870,129)	1,636,348	(26,924,256)	(2,609,504)
-	-	-	2,371	-
20,676,349	5,280,991	9,587,041	117,847,174	13,878,763
(20,802,514)	(5,258,382)	(11,361,128)	(114,604,708)	(12,014,115)
93,777	63,732	124,874	1,290,432	334,641
(32,388)	86,341	(1,649,213)	4,535,269	2,199,289
52,316	(24,375)	124,192	(1,125,460)	624,981
332,237	196,247	348,646	3,952,846	687,909
\$ 384,553	\$ 171,873	\$ 472,839	\$ 2,827,386	\$ 1,312,890

Business Type Activities-Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>McAllen International Airport</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 845,176	\$ 3,247,373	\$ 1,389,808	\$ (2,209,136)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	4,555,213	5,939,744	2,279,797	4,737,561
(Increase) decrease in deferred outflows of resources - pension	345,371	213,779	372,614	88,652
Increase (decrease) in deferred inflows of resources-pensions	1,008,708	624,374	1,088,271	258,919
(Increase) decrease in accounts receivable	156,433	(11,318)	(97,110)	(102,700)
(Increase) decrease in due from other funds	-	-	-	-
(Increase) decrease in prepaid items	4,668	5,587	260	(28,761)
(Increase) decrease in inventories	93,757	-	-	-
Increase (decrease) in accounts payable	401,674	(1,370,170)	39,814	71,752
Increase (decrease) in customer deposits payable	100,156	-	-	4,662
Increase (decrease) in compensated absences payable	28,310	7,597	14,596	9,954
Increase (decrease) in accrued liabilities	27,595	(1,384,317)	(15,215)	72,820
Increase (decrease) in due to other funds	-	-	-	(716,200)
Increase (decrease) in net pension liability	(1,272,798)	(787,842)	(1,373,192)	(326,708)
Increase (decrease) in unearned revenue	(33,581)	(60,000)	5,245	-
	<u>5,415,506</u>	<u>3,177,434</u>	<u>2,315,080</u>	<u>4,069,951</u>
Total adjustments				
Net cash provided by (used) by operating activities	<u>\$ 6,260,682</u>	<u>\$ 6,424,807</u>	<u>\$ 3,704,888</u>	<u>\$ 1,860,815</u>
Reconciliation to statement of net position:				
Cash	358,519	17,948	200,549	135,548
Cash-restricted	10,127	873,166	20,733	181,532
Total cash	<u>\$ 368,646</u>	<u>\$ 891,114</u>	<u>\$ 221,282</u>	<u>\$ 317,080</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	1,649,335	2,457,488	-	4,171,306
Increase (decrease) in fair value of investments	(15,240)	(38,107)	(40,421)	(10,338)

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

Business Type Activities-Enterprise Funds				Activities
McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 10,439,805	\$ 390,612	\$ (8,556,660)	\$ 5,546,978	\$ (2,388,507)
1,147,670	1,534,738	4,376,050	24,570,773	2,128,201
69,259	24,471	247,484	1,361,630	53,560
202,281	71,473	722,816	3,976,842	156,430
85,889	-	(24,217)	6,977	29,007
-	-	-	-	(2,044,375)
-	-	81,591	63,345	(471,356)
-	-	-	93,757	31,633
729,469	(3,516)	12,170	(118,807)	(5,839)
-	-	(139,096)	(34,278)	-
13,908	(3,980)	(36,805)	33,580	6,932
2,176	(1,054)	(9,746)	(1,307,741)	63,282
(16,822)	-	61,719	(671,303)	2,044,375
(255,241)	(90,185)	(912,060)	(5,018,026)	(197,386)
(10,916)	(5,000)	25,711	(78,541)	-
1,967,673	1,526,947	4,405,617	22,878,208	1,794,464
<u>\$ 12,407,478</u>	<u>\$ 1,917,559</u>	<u>\$ (4,151,043)</u>	<u>\$ 28,425,186</u>	<u>\$ (594,043)</u>
269,585	103,055	464,385	1,549,589	1,312,890
114,968	68,818	8,454	1,277,798	-
<u>\$ 384,553</u>	<u>\$ 171,873</u>	<u>\$ 472,839</u>	<u>\$ 2,827,387</u>	<u>\$ 1,312,890</u>
-	2,240	2,654,563	10,934,932	-
-	1,035	4,726	(98,345)	(26,079)

Concluded

CITY OF McALLEN , TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2018

	<u>Pension Trust</u> <u>Firemen's Relief</u> <u>and Retirement</u> <u>Fund</u>	<u>Agencies</u>
ASSETS		
Cash and cash equivalents	\$ 9,860,740	\$ 1,269,207
Receivables:		
Accrued interest receivable	21,043	12,107
Other	-	8,811
Investments, at fair value:		
TexPool Prime	-	3,891,375
Fixed Income	2,463,494	-
Domestic and international equities	8,875,709	-
Mutual funds	8,049,992	-
Common collective trusts	11,035,383	-
Alternative investments	12,369,121	-
Treasury, corporate bonds, & mutual funds	-	3,218,266
	<u>42,793,699</u>	<u>3,891,375</u>
Total investments		
	<u>52,675,482</u>	<u>5,181,500</u>
LIABILITIES		
Accounts payable	73	1,173,623
Due agency	-	3,403,861
Escrow payables	-	3,822,282
	<u>73</u>	<u>8,399,766</u>
Total liabilities		
	<u>\$ 73</u>	<u>\$ 8,399,766</u>
NET POSITION		
Net position restricted for pension	<u>\$ 52,675,409</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, 2018

	<u>Pension Trust</u>
	<u>Firemen's Relief and Retirement Fund</u>
ADDITIONS	
Contributions:	
Member	\$ 1,360,361
Employer	1,547,133
Other	-
Total contributions	<u>2,907,494</u>
Investment earnings:	
Interest and dividends	645,139
Net appreciation (depreciation) in fair value of investments	<u>3,865,434</u>
Total investment earnings	4,510,573
Less: investment expense	<u>(253,898)</u>
Net investment earnings	<u>4,256,675</u>
Total additions	<u>7,164,169</u>
DEDUCTIONS	
Benefits	3,393,986
Refund of contributions	5,736
DROP payments	498,828
Administrative expense	<u>49,519</u>
Total deductions	<u>3,948,069</u>
Changes in net assets	3,216,100
Net position--beginning	<u>49,459,309</u>
Net position--ending	<u><u>\$ 52,675,409</u></u>

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

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CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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, 2018

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. 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. The requirements of this Statement took effect for financial statements starting with the fiscal year that ended June 30, 2018, which are located under Note C. As a result, net position of the governmental activities at September 30, 2017 was restated by \$9,114,811.

GASB Statement No. 81, Irrevocable Split-Interest Agreements

This statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situation in which a government is a beneficiary of the agreement. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflow of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interest in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. There is no impact on the financial statements for the City due to the adoption of GASB Statement No. 81.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

GASB Statement No. 85, *Omnibus 2017*

The objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits OPEB.) The provisions of this Statement apply to state and local governments.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*

The primary objective of this Statement is to improve consistency in accounting and financial reporting in in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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

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 2019. 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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

arrangements that are fiduciary activities. This statement will become effective for the City in fiscal year 2020. 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 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.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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

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

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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

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

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

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

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

The *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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

with the purpose for which the assets are received and cannot be used to support the City's programs. Within this category of fund types, the *pension trust fund* accounts for the activities of the *Firemen's Relief and Retirement Fund*, this accumulates resources for pension benefit payments to qualified firefighters. It also accounts for developers' contributions for future infrastructure development in the *Developers' Fund*, an agency fund. Additionally, it accounts for 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.

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

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

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

The City's investments are reported at fair value based on quoted market prices 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

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to/from other funds” represents the current portion of interfund loans. The noncurrent portion of interfund loans is reflected as interfund loans on the fund financial statements. With respect to the government-wide financial statements, any residual balances outstanding between the governmental activities and business-type activities are reported as “internal balances.”

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

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

(3) Inventories and prepaid items

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

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

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

(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

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for debt service payments over the next twelve months. The “revenue bond contingency” account is used to report resources set aside to subsidize potential deficiencies from the McAllen International Toll Bridge Fund and/or the Anzalduas International Crossing Fund 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

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(6) Compensated absences

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

(7) Long-term obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. 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.

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

	Major Funds		Non-major	
	Development		Funds	
	General	Corp.	Other	Total
Fund balances:				
Nonspendable:				
Board advances	\$ 3,226,075	\$ -	\$ -	\$ 3,226,075
Prepays	611,722	57,055	-	668,777
Restricted for:				
Law enforcement	-	-	3,045,748	3,045,748
Debt service	-	-	2,975,722	2,975,722
Economic development	-	16,049,086	158,831	16,207,917
Tourism	-	-	316,195	316,195
Capital improvements	-	-	15,889,864	15,889,864
Grant Activity	-	-	90,536	90,536
Public education governmental	-	-	669,406	669,406
Parks	-	-	2,319,699	2,319,699
Committed to:				
Downtown services parking	-	-	119,863	119,863
Assigned to:				
Information technology projects	-	-	245,908	245,908
Radio communication system	177,736	-	-	177,736
Other capital projects	-	-	5,153,293	5,153,293
Unassigned	<u>48,732,108</u>	<u>-</u>	<u>-</u>	<u>48,732,108</u>
 Total fund balances	 <u>\$ 52,747,641</u>	 <u>\$ 16,106,141</u>	 <u>\$ 30,985,065</u>	 <u>\$ 99,838,847</u>

The amount of fund balance restricted by enabling legislation totaled \$19,419,001, as of September 30, 2018.

(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.

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(10) Deficit Net Position/Fund Balance

The Anzalduas Bridge Fund's net position reflects a deficit in the amount of \$2,793,531 primarily as a result of advances from the Hidalgo Bridge, as authorized by the board of trustees. These advances supported the annual debt service requirements and interest on the advances. The Hidalgo Bridge Board of trustees has no intention of calling these advances, which will be repaid once the resources are available. In addition, the Employee Benefits Fund reflects a deficit net position in the amount of \$3,354,659. 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. One non-major governmental fund, the Tax Increment Zone #1 reflects a negative net position, \$9,472,605. 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.

(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 and OPEB 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 and GASB 75.

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 table on the following page describes the items and amounts:

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<u>Deferred Inflows</u>	<u>Amount</u>
Property taxes	\$ 3,990,651
Weedy lots	881,259
Mission Repayment on Series B	3,226,075
Sales taxes	6,021,509
Other	<u>2,041,958</u>
Totals	<u>\$ 16,161,452</u>

On the statement of net position, the deferred inflows of resources category includes deferred inflows related to refundings, OPEB, 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.

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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, 2018, 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>	
Special service	\$ 12,188
City manager	24,572
Finance	13,044
Development center	5,048
Building maintenance	12,248
Fire	748,799
Health code compliance	53,554
Graffiti cleaning	9,455
Other agencies	181,386
Recreation	5,643
Total general fund	<u>\$ 1,065,937</u>

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III. Detailed notes on all funds

(A) Deposits and investments

It is the City's policy as well as a requirement in its Depository Agreement for deposits plus accrued interest thereon to be 110% secured by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation insurance. At September 30, 2018, 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, 2018 are reflected in the table that follows:

		Fair Value Measurements Using				
	2018	Cost	Fair Value	(Level 1)	(Level 2)	(Level 3)
Investments by fair value level						
Debt Securities						
United States government agency securities	\$	140,531,794	\$	139,751,520	\$	-
Money market mutual funds		5,107,250		5,107,250		-
Total debt securities		145,639,044		144,858,770		-

The total amount above excludes investments in local government pools, which are reported at amortized cost in the amount of \$81,649,456, as of September 30, 2018.

Public funds investment pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code and are subject to the provisions of the Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain

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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.

	Government Agencies and Treasuries	
< 1 Year	\$	109,652,973
1-3 Years		30,098,547
4 Years		-
Total	\$	139,751,520
Weighted Average Maturity		508 Days

Credit risk. As of September 30, 2018, the investments in the State's investment pool was rated AAAM by Standards and Poor's. Available funds were invested in government securities which consist of instruments issued by the U.S. Treasury, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Agricultural Mortgage Corporation and Federal Farm Credit Bank, all of which are rated AAA by Moody's Investors Service and AA+ by S&P. The City's investment policy limits authorized investments to TexPool Prime, certificates of deposits, U.S. Treasuries,

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federal government agencies, including mortgage backed securities, commercial paper, municipal bonds, and money market mutual funds.

Concentration of credit risk. The U.S. government agencies holdings represents 100% of the total portfolio. Within this category, securities issued by the U.S. Treasury represent 10%, the Federal Home Loan Bank represent 22%, those issued by the Federal Home Loan Mortgage Corporation represent 36%, and those issued by Federal Farm Credit Bank represent 8%. Those issued by the Federal National Mortgage Association represent 15% 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, 2018. The table below reflects the composition of these investments.

	Fair Value	% of Portfolio	Investment Policy Asset Allocation
Equities:			
Domestic	\$ 16,607,718	39%	30-60%
International	11,353,366	27%	10-30%
Equities total	27,961,084		
Fixed income			
Treasury and agency securities			
corporate bonds and mutual funds	2,463,494		
Fixed income total	2,463,494	6%	20-50%
Alternative investments	12,369,121	29%	0-20%
Total portfolio	\$ 42,793,699	100%	

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Investments at fair value as of September 30, 2018 using the fair value measurement are as follows:

Investment Type	Total Fair Value	Level 1	Level 2	Level 3
Equities				
Domestic Equity	\$ 8,875,709	\$ 8,875,709	\$ -	\$ -
Mutual Funds	8,049,992	1,540,461	6,509,531	-
Fixed Income				
Fixed Income Mutual Fund	-	-	-	-
US Treasury Notes	1,751,783	-	1,751,783	-
Mortgage Backed Securities	433,926	-	433,926	-
Corporate Bonds	246,623	-	246,623	-
Municipal Bonds	31,162	-	31,162	-
Real Estate	139,852	-	-	139,852
Total Investments at Fair Value	\$ 19,529,047	\$ 10,416,170	\$ 8,973,025	\$ 139,852

Investments measured at the net asset value (NAV)

		Unfunded Commitments	Redemption Frequency	Redemption Notice
Hedge Funds				
Courage Credit Opportunities Offshore Fund III LI	2,174,914	-	(1)	(1)
Ironwood	2,369,764	-	Semi-annual	95 days
Terracap	2,258,278	-	(1)	(1)
Corry Capital	2,771,203	-	(2)	(2)
Pointer	2,655,110	-	(3)	(3)
Collective Investment Funds	11,035,383	-	Typically Daily	Less than 1 month
Total of Investments Measured at NAV	23,264,652			
Total Investments	<u>\$ 42,793,699</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 (\$4,433,192 or 36.26%) will liquidate in 5-7 years.*
- (2) *The money invested with Corry Capital is locked up because the investment is a private equity style fund. It is a self-liquidating fund that will make distributions when there are realizations.*
- (3) *All capital is subject to an initial 24-month lockup, so the lockup on McAllen Firemen's Relief and Retirement Fund's initial investment of \$2.6mm made on 4/1/18 expires on 4/1/20. Pointer has semi-annual redemptions at 6/30 and 12/31, where an investor has access to up to 50% of their capital at each date, with signed notification due by 3/15 and 9/15, respectively.*

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

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

Interest rate risk. Only the fixed income securities of the Plan are subject to interest rate risk due to the possibility that prevailing interest rates could change before the securities reach maturity. Securities that are subject to interest rate risk as of September 30, 2018 amount to \$2,463,494 and have weighted-average duration of 16.88 years. Duration is defined as the change in the value of a fixed income security that will result from a 1% change in interest rates. Duration is stated in years. For example, 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	Weighted-Average	
		Percentage of Total	Duration (Years)
Corporate bonds	\$ 246,623	10.01%	16.81
US Treasury notes	1,751,783	71.11%	7.04
Government mortgage back securities	433,926	17.61%	6.14
Municipal mortgage bonds	31,162	1.26%	37.51
Total fixed income investments	<u>\$ 2,463,494</u>	100.00%	<u>16.88</u>

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Credit risk. Using Standard and Poor's rating system for fixed income securities as of September 30, 2018 the Plan's bonds were rated as noted below. The investment policy is silent on the subject.

Investment Type	Fair Value	AAA	A, A-, A+,AA, AA-, AA+	BBB+
US Treasury Notes	\$ 1,751,783	\$ -	\$ 1,751,783	\$ -
Mortgage Back Securities	433,926	-	433,926	-
Corporate Bonds	246,623	26,857	195,245	24,521
Municipal Bonds	31,162	-	31,162	-
	<u>\$ 2,463,494</u>	<u>\$26,857</u>	<u>\$ 2,412,116</u>	<u>\$24,521</u>

(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	\$ 1,583,544	\$ 12,667,947	\$ 146,060	\$ 160,162	\$ 813,814	\$ 15,371,527
Development corp.	12,500	2,803,916	42,683	1,066,456	-	3,925,555
Nonmajor governmental and internal service funds	1,532,215	237,017	199,223	556,850	331,146	2,856,451
Total governmental	<u>\$ 3,128,259</u>	<u>\$ 15,708,880</u>	<u>\$ 387,966</u>	<u>\$ 1,783,468</u>	<u>\$ 1,144,960</u>	<u>\$ 22,153,533</u>
Business-type activities:						
Water	\$ 1,989,501	\$ -	\$ 27,678	\$ -	\$ -	\$ 2,017,179
Sewer	1,872,685	-	-	-	1,706,013	3,578,698
Sanitation	2,094,155	-	24,294	1,300	-	2,119,749
Convention center	-	-	-	-	-	-
Performing arts center	-	-	-	-	-	-
McAllen international airport	187,600	-	25,322	750,873	-	963,795
McAllen international toll bridge	-	-	-	176,338	-	176,338
Anzalduas International Crossing	-	-	898	-	-	898
Nonmajor enterprise and fleet	401,971	-	6,573	336,957	-	745,501
Total business type	<u>\$ 6,545,912</u>	<u>\$ -</u>	<u>\$ 84,765</u>	<u>\$ 1,265,468</u>	<u>\$ 1,706,013</u>	<u>\$ 9,602,158</u>

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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 2018 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 \$104,531; sewer accounts by \$86,811; and sanitation accounts by \$91,376.

(C) Capital assets

Capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Increases	Transfers	Retirements	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 80,870,681	\$ 2,127,809	\$ -	\$ (5,000)	\$ 82,993,490
Construction in progress	19,471,756	4,492,950	(13,353,315)	(23,325)	10,588,066
Total capital assets, not being depreciated	100,342,437	6,620,759	(13,353,315)	(28,325)	93,581,556
Capital assets, being depreciated:					
Buildings and improvements	150,813,383	7,840,549	9,708,158	(256,017)	168,106,073
Equipment	87,700,782	5,643,844	2,015,967	(14,250,954)	81,109,639
Infrastructure	223,273,137	406,055	7,973,638	(1,319)	231,651,511
Total capital assets being depreciated	461,787,302	13,890,448	19,697,763	(14,508,290)	480,867,223
Less accumulated depreciation for:					
Buildings and improvements	(56,849,910)	(4,968,002)	-	256,017	(61,561,895)
Equipment	(68,049,003)	(5,388,452)	-	14,200,335	(59,237,120)
Infrastructure	(134,626,520)	(6,668,879)	-	-	(141,295,399)
Total accumulated depreciation	(259,525,433)	(17,025,333)	-	14,456,352	(262,094,414)
Total capital assets being depreciated, net	202,261,869	(3,134,885)	19,697,763	(51,938)	218,772,809
Governmental activities capital assets, net	\$ 302,604,306	\$ 3,485,874	\$ 6,344,448	\$ (80,263)	\$ 312,354,365

CITY OF McALLEN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

Depreciation expense was charged to governmental functions as follows:

General government	\$ 1,646,359
Public safety	2,549,375
Highways and streets, which includes the depreciation of general infrastructure assets	6,687,684
Health and welfare	9,314
Culture and recreation	4,052,049
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>2,080,553</u>
Total depreciation-governmental activities	<u><u>\$ 17,025,334</u></u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

	Beginning Balance	Increases	Transfers/ Retirements	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 21,505,818	\$ -	\$ (114,501)	\$ 21,391,317
Construction in progress	75,973,206	9,876,147	(65,543,464)	20,305,889
Water rights (perpetual)	6,023,500	-	-	6,023,500
Total capital assets, not being depreciated	103,502,524	9,876,147	(65,657,965)	47,720,706
Capital assets, being depreciated:				
Buildings and systems	392,404,911	7,504,846	33,077,527	432,987,284
Improvements other than buildings	216,160,339	3,560,768	34,664,677	254,385,784
Machinery and equipment	68,305,433	4,300,772	(3,507,063)	69,099,142
Development cost	7,417,616	-	-	7,417,616
Water rights (non-perpetual)	3,200,000	-	-	3,200,000
Total capital assets being depreciated	687,488,299	15,366,386	64,235,141	767,089,826
Less accumulated depreciation for:				
Buildings and systems	(140,618,161)	(12,730,431)	-	(153,348,592)
Improvement other than buildings	(102,923,961)	(6,443,764)	-	(109,367,725)
Machinery and equipment	(47,241,635)	(5,148,787)	5,028,379	(47,362,043)
Development cost	(1,437,162)	(185,440)	-	(1,622,602)
Water rights	(1,072,498)	(110,000)	-	(1,182,498)
Total accumulated depreciation	(293,293,417)	(24,618,422)	5,028,379	(312,883,460)
Total capital assets being depreciated, net	394,194,882	(9,252,036)	69,263,520	454,206,366
Business-type activities				
Capital assets net	\$ 497,697,406	\$ 624,111	\$ 3,605,555	\$ 501,927,072

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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

Water	\$ 4,555,213
Sewer	5,939,744
Sanitation	2,279,797
Golf course	325,535
Performing arts center	1,175,066
Convention center	1,610,121
McAllen international airport	4,737,561
McAllen express	346,024
Transit terminal	919,305
McAllen international toll bridge	1,147,670
Anzalduas international crossing	1,534,738
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>47,648</u>
Total depreciation-business type activities	<u>\$ 24,618,422</u>

At September 30, 2018, the City had the following significant remaining contractual commitments for various construction and improvement projects:

<u>Project Description</u>	<u>Remaining Commitment</u>	<u>Financing Sources</u>
Paving and drainage	\$ 2,091,352	Local and bond funds
Public safety building renovation	1,652,676	Local and grant
Public safety new building	1,123,527	Bond funds
Sewer improvements	503,103	Local and bond funds
Airport improvements	283,986	Local and grant
Public works building	85,559	Local
McAllen baseball complex	77,560	Grant and bond funds
Park improvements	<u>25,931</u>	Local and grant
	<u>\$ 3,752,342</u>	

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(D) Interfund receivables/loans and transfers

The compositions of inter-fund balances as of September 30, 2018 are reflected below.

<u>Receivable Fund:</u>	<u>Payable Fund:</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	\$ 379,600
	McAllen Toll Bridge	<u>39,765</u>
	Total General Fund	<u>419,365</u>
	Total Governmental Funds	<u>419,365</u>
Convention Center Fund	Non-Major Governmental Fund	<u>136,799</u>
Performing Arts Center Fund	Non-Major Governmental Fund	<u>58,632</u>
General Depreciation Fund	McAllen Toll Bridge	<u>163,323</u>
General Depreciation Fund	Airport Fund	<u>1,136,078</u>
General Insurance Fund	McAllen Toll Bridge	<u>163,323</u>
General Insurance Fund	Airport Fund	<u>1,136,078</u>
Fleet Materials Management Fund	Health Insurance Fund	<u>2,562,268</u>
	Total Proprietary Funds	<u>5,356,501</u>
	Combined totals	<u><u>\$ 5,775,866</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 in 2015 to assist with the terminal expansion project. The current outstanding balance totals \$2,272,156. 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 \$326,646. 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, 2018

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	Development Corp	Nonmajor	Nonmajor	Anzalduas Int'l Crossing	Internal	
	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>	<u>Proprietary</u>	<u>Fund</u>	<u>Service</u>	<u>Total</u>
Transfer out:							
General fund	\$ -	\$ 50,000	\$ 4,922,180	\$ -	\$ -	\$ -	\$ 4,972,180
Sanitation fund	-	-	-	-	-	72,662	72,662
Development corp	3,487,200	-	271,077	1,160,431	-	-	4,918,708
Nonmajor prop.	-	-	-	-	-	57,248	57,248
Nonmajor gov.	237,000	100,000	1,711,890	2,575,562	-	-	4,624,452
Water fund	-	-	-	-	-	75,414	75,414
Sewer fund	-	-	-	-	-	42,936	42,936
Internal service	-	-	-	-	-	1,091,752	1,091,752
Anzalduas Int'l bridge	-	-	-	-	-	4,404	4,404
McAllen int'l toll bridge	5,711,863	-	-	-	846,258	14,863	6,572,984
McAllen int'l airport	1,103,965	-	-	-	-	18,716	1,122,681
Total	<u>\$10,540,028</u>	<u>\$ 150,000</u>	<u>\$ 6,905,147</u>	<u>\$ 3,735,993</u>	<u>\$ 846,258</u>	<u>\$ 1,377,995</u>	<u>\$ 23,555,421</u>

During the year, the General Fund transferred \$1,634,980 of surplus revenues to the Capital Improvement Fund, a non-major governmental fund to assist in funding some major projects contemplated in next year's budget. It also provided funding in the amount of \$3,287,200 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 \$50,000 to the Development Corporation Fund to additional assistance with a capital expenditures for a local business.

The Development Corporation transferred \$271,077 to the Street Improvements Fund, a non-major governmental fund to assist with capital street improvement projects. It also provided funding for operating costs to the McAllen Express Fund and Transit System Fund in the amounts of \$926,618 and \$234,813, respectively. It also transferred \$3,487,200 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 \$1,762,136 to the Convention Center and \$813,426 to the Performing Arts Fund, as well as to the Hotel Venue Debt Service Fund in the amount of \$857,931.

The City received a transfer in of \$754,846 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, 2018

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.

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 \$18,716 to the Employee Benefits Fund to provide additional assistance with rising health care expenses.

The Sanitation Fund transferred \$72,662 to the Employee Benefits Fund to provide additional assistance with rising health care expenses.

The Convention Center Fund transferred \$18,716 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 \$5,711,863 represents the City's share of surplus net revenue from operation of the international toll bridge. Additionally, it transferred \$846,258 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 \$14,863 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--\$75,414; Sewer Fund--\$42,936; Palm View Golf Course Fund--\$7,156; Transit System Fund--\$31,376; Anzalduas International Crossing Fund--\$4,404; Fleet Materials Management Fund--\$11,560; and General Insurance Fund--\$1,080,192.

(E) Operating leases

The McAllen International Toll Bridge Fund leases property and buildings to the United States Government, the State of Texas, and various commercial dealers under operating leases. The leases range from monthly leases with commercial dealers to a 15-year lease with the General Service Administration (GSA) and a 5-year lease with three additional 5-year extension options with the United Export Traders Association (UETA) of Texas, Inc.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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>
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	2,116,056	40,000	2,156,056
2024-2028	10,580,281	-	10,580,281
2029	<u>1,234,366</u>	<u>-</u>	<u>1,234,366</u>
Totals	<u>\$ 22,394,927</u>	<u>\$ 1,000,000</u>	<u>\$ 23,394,927</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, 2018

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%	\$ 37,200,000
\$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%	10,305,000
\$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%	6,405,000
\$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, 2018

\$5,115,000 Development Corporation of McAllen, Inc. Sales Tax Revenue Bonds, Taxable Series 2018 due in annual installments ranging from \$98,223 to \$415,241 per year through August 15, 2036; interest at 2.44% to 3.82%	\$ 5,115,000
\$5,890,000 Combination Tax and Revenue Certificates of Obligation Bonds, Series 2018 due in annual installments ranging from \$119,879 to \$356,406 per year through February 15, 2043; interest at 3.00% to 5.00%	5,890,000
\$4,000,000 General Obligation Bonds, Series 2018 due in annual installments ranging from \$149,700 to \$253,609 per year through February 15, 2043; interest at 3.00% to 5.00%	4,000,000
Unamortized bond premium & discount	2,654,492
Net OPEB obligation	9,305,215
Firemen's net pension liability	26,226,921
TMRS net pension liability	6,872,315
Unpaid accumulated compensated absences	<u>11,513,189</u>
Total general long-term liabilities	<u><u>\$ 175,942,132</u></u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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, 2018, including interest, are reflected below:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 5,400,000	\$ 4,327,336
2020	7,145,000	4,116,474
2021	4,030,000	3,935,026
2022	4,845,000	3,766,103
2023	5,030,000	3,581,194
2024-2028	28,045,000	15,047,881
2029-2033	33,525,000	9,544,051
2034-2038	18,165,000	3,912,953
2039-2043	8,890,000	1,719,697
2044-2046	<u>4,295,000</u>	<u>260,136</u>
Totals	<u>\$ 119,370,000</u>	<u>\$ 50,210,851</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 \$3,576,822. 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, 2018

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%	\$ 7,316,400
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\$9,937,300 Waterworks and Sewer System Revenue and Refunding Bonds, Series 2016 due in annual installments from \$1,480,000 to \$1,960,000 through February 1, 2031: interest at 2.00% to 5.00%	8,615,050
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Unamortized bond premium	1,915,333
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TMRS net pension liability	734,795
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Unpaid accumulated compensated absences	<u>568,453</u>
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Total water fund	<u><u>\$ 19,150,031</u></u>
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CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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% \$ 11,419,950

\$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 29,775,000

\$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 515,000

\$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%. 5,825,000

\$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%. 117,000

\$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%. 1,535,000

\$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% 5,748,600

\$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% 37,870,000

\$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% 7,090,000

Unamortized bond premium & discount 1,681,599

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

Payable from Sewer Fund (Continued):

TMRS net pension liability	\$ 455,926
Unpaid accumulated compensated absences	<u>378,078</u>
Total sewer fund	<u>\$ 102,411,153</u>

Payable from Sanitation Fund:

TMRS net pension liability	\$ 785,105
Unpaid accumulated compensated absences	<u>501,169</u>
Total sanitation fund	<u>\$ 1,286,274</u>

Payable from Palm View Golf Course Fund:

TMRS net pension liability	\$ 85,479
Unpaid accumulated compensated absences	<u>101,577</u>
Total palm view golf course fund	<u>\$ 187,056</u>

Payable from Convention Center Fund:

TMRS net pension liability	\$ 215,836
Unpaid accumulated compensated absences	<u>99,156</u>
Total convention center fund	<u>\$ 314,992</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

Payable from McAllen International Airport Fund:

\$9,820,000 Combination Tax and Revenue Certificates 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% \$ 7,150,000

TMRS net pension liability 188,681

Unpaid accumulated compensated absences 163,291

Total airport fund \$ 7,501,972

Payable from McAllen Express Fund:

TMRS net pension liability \$ 207,238

Unpaid accumulated compensated absences 65,669

Total McAllen Express Fund \$ 272,907

Payable from Transit System Fund:

TMRS net pension liability \$ 22,215

Unpaid accumulated compensated absences 3,203

Total Transit System Fund \$ 25,418

Payable from McAllen International Toll Bridge Fund:

TMRS net pension liability \$ 147,184

Unpaid accumulated compensated absences 121,840

Total McAllen International Toll Bridge Fund \$ 269,024

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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%	\$ 17,555,000
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\$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%	9,615,000
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TMRS net pension liability	52,535
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Unpaid accumulated compensated absences	12,784
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Unamortized bond premium	<u>2,337,509</u>
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Total Anzalduas International Crossing Fund	<u>\$ 29,572,828</u>
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Payable from Fleet Materials Management Fund (an internal service fund treated as BTA):

TMRS net pension liability	\$ 112,912
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Unpaid accumulated compensated absences	<u>43,276</u>
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Total Fleet Materials Management Fund	<u>\$ 156,188</u>
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Total Proprietary Fund Long Term Liabilities	<u><u>\$ 161,147,843</u></u>
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CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
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	8,645,000	2,601,472
2024-2028	40,810,000	9,259,040
2029-2033	34,030,000	3,684,170
2034-2038	16,730,000	1,619,927
2039-2043	13,575,000	806,862
2044-2047	<u>4,670,000</u>	<u>90,825</u>
Total bonds outstanding	<u>\$ 150,147,000</u>	<u>\$ 30,666,093</u>

In addition, interfund notes payable of \$2,598,802 was reflected at the end of September 30, 2018 under the business-type activities and will be liquidated by the Airport and Toll Bridge Funds. This amount is reflected in section (D) interfund receivables/loans, and transfers.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(3) Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2018 is shown on the following table:

	Balance at September 30, 2017	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2018	Amounts Due Within One Year
Governmental activities:					
Sales tax revenue bonds	\$ 15,285,000	\$ 5,115,000	\$ -	\$ 20,400,000	\$ -
Certificates of obligation	45,940,000	5,890,000	(465,000)	51,365,000	480,000
General obligation bonds	48,170,000	4,000,000	(4,565,000)	47,605,000	4,920,000
Bond premium	2,904,164	456,601	(439,010)	2,921,755	286,507
Bond discount	(153,315)	113,948	-	(267,263)	61,863
Compensated absences	10,919,839	4,635,002	(4,041,652)	11,513,189	4,001,317
TMRS net pension liability	18,672,926	-	(11,800,611)	6,872,315	-
Net OPEB liability	10,259,649	-	(954,434)	9,305,215	-
Fire net pension liability	25,632,406	594,515	-	26,226,921	-
Total general long-term	177,630,669	20,805,066	(22,265,707)	175,942,132	9,749,687
Business-Type activities:					
Revenue bonds payable	157,579,000	-	(7,432,000)	150,147,000	7,592,000
Compensated absences	2,020,593	1,320,763	(1,282,860)	2,058,496	1,157,562
Bond premium	7,249,166	-	(917,667)	6,331,499	898,364
Bond discount	(532,182)	-	135,124	(397,058)	(126,088)
TMRS net pension liability	8,223,318	-	(5,215,412)	3,007,906	-
Total proprietary fund debt	174,539,895	1,320,763	(14,712,815)	161,147,843	9,521,838
Total debt	<u>\$ 352,170,564</u>	<u>\$ 22,125,829</u>	<u>\$ (36,978,522)</u>	<u>\$ 337,089,975</u>	<u>\$ 19,271,525</u>

With respect to governmental activities; compensated absences, TMRS net pension liability, net OPEB liability 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, 2018

(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. The City did not use any revenue received from fees collected from a water supply or sewer service constructed in whole or in part from funds from the economically distressed areas program account for purposes other than utility purposes.

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 2018, 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, 2018. Inter-fund premiums are based primarily on claims experience and are reported as interfund services provided and used.

CITY OF McALLEN, TEXAS

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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:

	<u>Employee Benefits</u>	<u>Retiree Health Insurance</u>	<u>Risk Management</u>	<u>Property & Casualty Insurance</u>	<u>Total</u>
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	<u>11,449,226</u>	<u>1,499,876</u>	<u>868,971</u>	<u>445,967</u>	<u>14,264,040</u>
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>
Current period claims and changes in estimate	(12,077,348)	(1,418,183)	(1,023,452)	(326,176)	(14,845,159)
Current period claims paid	<u>12,091,715</u>	<u>1,418,183</u>	<u>1,023,451</u>	<u>326,176</u>	<u>14,859,525</u>
Claims payable at September 30, 2018	<u>\$ (992,282)</u>	<u>\$ (240,000)</u>	<u>\$ (518,013)</u>	<u>\$ (52,254)</u>	<u>\$ (1,802,549)</u>

(B) Contingent liabilities

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

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

The City has been granted authority from U.S. Citizenship and Immigration Service to operate an EB-5 Visa (also known as the Employment Based 5th Preference Visa) Regional Center, which attracts foreign investment for jobs creation in exchange for expediting applicants for permanent residency. This activity is accounted for in a non-major governmental fund. Under this program a foreign national deposits with the City, in addition to \$10,000 application fee, \$540,000, which is held in deposit pending approval of permanent residency, at which time \$40,000 is released to the City as an administrative fee and the remaining \$500,000 to the investment project selected by applicant. As of September 30, 2018, the deposit amount totaled \$65,000.

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(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) In June 2015 the Governmental Accounting Standards Board (GASB) issued Statement Number 75 (Accounting and Financial Reporting for Postemployment Benefits Other than Pensions) which is meant to replace GASB 45. The effective date for this statement is for employers with fiscal years beginning after June 15, 2017. The City is assumed to be a single employer without a special funding situation without a qualified trust for the purposes of reporting under GASB 75. GASB 75 requires the Total OPEB Liability (TOL) to be calculated based on the Entry Age Normal Level Percent of Pay (EAN) actuarial cost method. These benefits are not currently pre-funded.

This valuation includes all retirees who are currently receiving these benefits; and all active employees who will be eligible in the future to receive these benefits.

An actuarial valuation requires assumptions for the following parameters:

- A discount rate, which is based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale);
- Mortality rates relevant to the underlying group of employees and retirees;
- Withdrawal rates relevant to the underlying group of employees;
- Retirement rates relevant to the underlying group of employees; and
- Current and future per capita claim costs for the benefits being valued.

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The assumptions used in this valuation conform to the requirements of GASB 75 and generally accepted actuarial principles.

The calculations were performed using a Valuation Date (VD) of October 1, 2017 for reporting in the City's full accrual financial statements and a Measurement Date (MD) of September 30, 2018.

The valuation results as of October 1, 2017 will be rolled-forward and may be used for September 30, 2019 financial statements provided there are no material changes to any of the benefits packages; any of the cost-sharing structures; and the census.

The City's next full valuation should be as of October 1, 2019, for reporting in the City's full accrual financial statement as of September 30, 2020.

- (4) Excise Tax: The impact of the Excise Tax provisions contained in the Patient Protection and Affordable Care Act was excluded from this analysis due to the uncertainty of its implementation. Under the provision of the Excise Tax, the City is liable for 40% of the cost of coverage above the excise tax thresholds beginning on January 1, 2022, which could have an impact on the City's liabilities.
- (5) At the September 30, 2018 valuation and measurement date, the following members were covered by the benefit terms:

Plan members/participants:

Inactive employees or beneficiaries currently receiving benefits	116
Inactive employees entiteled to but not yet receiving benefits	-
Active employees	1,781
Total	<u>1,897</u>

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(6) Actuarial Assumptions:

Significant assumptions and other inputs used to measure the Total OPEB Liability for the current fiscal year are summarized below.

Valuation date	October 1, 2017
Prior Measurement date	September 30, 2017
Measurement date	September 30, 2018
Assumptions:	
Inflation	2.50% per year
Salary increases	Varies from 10.50% to 3.50%
Discount Rate*	
Prior Measurement Data	3.63%
Measurement Data	4.15%
Mortality	RP-2006 Total Dataset Mortality Table projected fully- generationally using MP-2018 mortality improvements scale
Health Care Cost Trends	5.50% for 2018 decreasing to an ultimate rate of 3.84% by 2075

* The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index

(7) OPEB Expense: GASB states the OPEB expense also should be recognized in the current reporting period for costs incurred by the government related to the administration of OPEB. The measurement period for these costs should be the same as the measurement period applied to changes in the Total OPEB Liability. The OPEB Expense consists of:

1. Service Costs for the year
2. Interest on the TOL using the bond rate at the beginning of the period
3. Change in the TOL due to benefit changes
4. The current year recognition of changes in the TOL due to Actual versus Expected experience
5. The current year recognition of changes in the TOL due to changes of assumptions or other inputs experience (including the change in discount rate)
6. Recognition of Deferred Inflows and Outflows of Resources from prior years.

CITY OF McALLEN, TEXAS

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The following table provides a breakdown of the OPEB Expense as of September 30, 2018:

Service Cost	\$ 326,694
Interest on the Total OPEB Liability and Service Cost	368,004
Current period benefit changes	-
Current period recognition of Deferred Inflows and Outflows of Resources:	
Difference between expected and actual experience in the Total OPEB Liability	-
Changes of assumptions or other inputs	(67,643)
Other	-
OPEB Expense	<u>\$ 627,055</u>

- (8) Sensitivity Results: Changes in the discount and health care cost trend rates affect the measurement of the Total OPEB Liabilities (TOL). Lower discount rates produce a higher TOL whereas lower trend rates produce a lower TOL. The converse is true for higher discount rates and trend rates. Because discount rate and trend rates do not affect the measurement of assets, the percentage change in the Net OPEB liability can be very significant for a relatively small change in either rates.

The table that follows shows the sensitivity of the net OPEB liability to the discount rate and the healthcare cost trend rates.

Healthcare Cost Trend	1% Decrease in Discount Rate (3.15%)	Current Discount Rate (4.15%)	1% Increase in Discount Rate (5.15%)
1% Decrease		\$ 7,869,872	
Current	\$ 10,823,877	\$ 9,305,215	\$ 8,101,756
1% Increase		\$ 11,178,638	

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- (9) Deferred Inflows and Outflows: For the current fiscal year, the average expected remaining service life of active and inactive employees is 10.56 years and the Deferred Inflows and Outflows of resources for (a) differences between expected and actual experience and (b) changes of assumptions or other inputs as of September 30, 2018 are amortized over 11 years.

For the year ended September 30, 2018, the Plan recognized OPEB expense of \$64,643.

At September 30, 2018, the Plan reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -
Changes of assumptions	<u>676,426</u>
Total	<u>\$ 676,426</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended Sept 30	
2020	(67,643)
2021	(67,643)
2022	(67,643)
2023	(67,643)
Thereafter	<u>(338,211)</u>
Total	<u>\$ (676,426)</u>

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(10) Changes in Total OPEB Liability -

	Increase (Decrease)		
	Total OPEB <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net OPEB <u>Liability</u>
	(a)	(b)	(a) - (b)
Balance at 9/30/2017	\$ 10,259,649	\$ -	\$ 10,259,649
Changes for the year:			
Service cost	326,694	-	326,694
Interest on Total OPEB Liability			
and Service Cost	368,004	-	368,004
Difference between expected and			
actual experience	-	-	-
Changes in assumptions	(744,069)	-	(744,069)
Benefit payments	(905,063)	(905,063)	-
Contributions-employer	-	905,063	(905,063)
Contributions-members	-	-	-
Net investment income	-	-	-
Administrative expense	-	-	-
Net Changes	<u>(954,434)</u>	<u>-</u>	<u>(954,434)</u>
Balance at 9/30/2018	<u>\$ 9,305,215</u>	<u>\$ -</u>	<u>\$ 9,305,215</u>

(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 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.

CITY OF McALLEN, TEXAS

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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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	515
Inactive employees entitled to but not yet receiving benefits	399
Active employees	<u>1,584</u>
Total	<u><u>2,498</u></u>

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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 2018, the City made contributions of 7.95%.

d). Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017, valuation were based on the results of actuarial experience studies. This experience study was for the period December 31, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2017 valuation.

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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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
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%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%
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.

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Changes in the Net Pension Liability—

	Increase (Decrease)		
	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension <u>Liability</u>
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ 251,869,127	\$ 224,972,883	\$ 26,896,244
Changes for the year:			
Service cost	8,196,790	-	8,196,790
Interest	16,912,836	-	16,912,836
Difference between expected and actual experience	(814,726)	-	(814,726)
Contributions-employer	-	5,460,155	(5,460,155)
Contributions-employee	-	4,838,151	(4,838,151)
Net investment income	-	31,182,396	(31,182,396)
Benefit payments, including refunds of employee contributions	(10,813,970)	(10,813,970)	-
Administrative expense	-	(161,590)	161,590
Other	-	(8,189)	8,189
Net Changes	13,480,930	30,496,953	(17,016,023)
Balance at 12/31/2017	<u>\$ 265,350,057</u>	<u>\$ 255,469,836</u>	<u>\$ 9,880,221</u>

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

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

	1% Decrease in Discount Rate <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase in Discount Rate <u>(7.75%)</u>
City's net pension liability	\$ 47,771,131	\$ 9,880,221	\$ (21,247,362)

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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, 2018, the City recognized pension expense of \$6,637,173.

At September 30, 2018, 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	\$ 417,079	\$ 688,019
Difference in assumption changes	4,492,858	-
Difference between projected and actual investment earnings	6,311,404	12,811,327
Contributions subsequent to the measurement date	4,244,434	-
Total	<u>\$ 15,465,775</u>	<u>\$ 13,499,346</u>

\$4,244,434 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, 2019.

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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>	
2018	\$ 1,381,591
2019	868,538
2020	(2,029,041)
2021	(2,341,036)
2022	(103,573)
Thereafter	<u>(54,484)</u>
Total	<u>\$ (2,278,005)</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, 2018 valuation and measurement date, the following members were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	108
Terminated employees entitled to but not yet receiving benefits	-
Active members	<u>176</u>
Total	284

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.

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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

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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, 2018

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, 2018 were as follows:

Total pension liability	\$ 78,764,787
Plan fiduciary net position	<u>52,537,866</u>
Net pension liability	<u>\$ 26,226,921</u>
Fiduciary net position	
as a percentage of total pension liability	66.70%
Covered payroll	11,901,023
Net pension liability as a % of covered payroll	220.38%

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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, 2018, the Plan's fiscal year end.

Valuation date	October 1, 2016
Measurement date	September 30, 2018
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Actuarial assumptions:	
Investment rate of return	7.75% per annum
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, 2018

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, 2018 are summaries in the table below:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Cash	1.00%	0.00%
Fixed income	24.00%	0.60%
Equities, Real Estate, and Alternatives	75.00%	4.69%
	<u>100.00%</u>	<u>5.29%</u>

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, 2018

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 9/30/2017	\$ 75,091,715	\$ 49,459,309	\$ 25,632,406
Changes for the year:			
Service cost	1,940,409	-	1,940,409
Interest	5,631,214	-	5,631,214
Difference between expected and actual experience	-	-	-
Benefit payments, including refunds of member contributions	(3,898,551)	(3,898,551)	-
Contributions-employer	-	1,547,133	(1,547,133)
Contributions-members	-	1,360,361	(1,360,361)
Expected net investment income	-	4,119,133	(4,119,133)
Expected administrative expense	-	(49,519)	49,519
Net Changes	<u>3,673,072</u>	<u>3,078,557</u>	<u>594,515</u>
Balance at 9/30/2018	<u>\$ 78,764,787</u>	<u>\$ 52,537,866</u>	<u>\$ 26,226,921</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 (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Plan's net pension liability	\$ 40,612,839	\$ 26,226,921	\$ 22,263,287

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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

For the year ended September 30, 2018, the Plan recognized pension expense of \$2,588,128.

At September 30, 2018, 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	\$ 145,667	\$ 941,065
Changes in actuarial assumptions	-	2,246,453
Difference between projected and actual investment earnings	-	786,968
Total	\$ 145,667	\$ 3,974,486

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

Year ended Sept 30	
2019	\$ (2,226)
2020	(1,171,018)
2021	(1,021,420)
2022	(588,888)
2023	(499,146)
Thereafter	(546,121)
Total	\$ (3,828,819)

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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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, 2018 was 13.00% of annual compensation. Contributions required and paid into the fund as of September 30, 2018 were members, \$1,360,361 and employer, \$1,547,133.

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. 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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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, 2018, the balance of bonds proceeds were spent on infrastructure and drainage improvements within TIRZ#1.

(F) Tax Increment Reinvestment Zone Number 2A

On December 12, 2016, the City created a second TIRZ known as McAllen Tax Increment Reinvestment Zone Number 2A (TIRZ #2A). 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#2A 60% of its tax increment derived from the City's maintenance and operations ad valorem taxes generated therein for 20 years. The amount to be contributed to TIRZ #2A 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, 2017. On October 3, 2017, the Commissioners Court of Hidalgo County passed and approved an interlocal agreement to participate in TIRZ#2A by pledging 50% of its maintenance and operation portion of the County's assessed and collected taxes for tax years 2017 through 2036. The amount contributed by both taxing entities will be set aside for capital improvement projects within TIRZ #2A beginning with taxes levied after January 1, 2017. As of September 30, 2018, there was no activity to report for TIRZ#2A.

(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, 2018, there was no activity to report for the Tres Lagos PID.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(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, 2018.

(I) Subsequent events

On February 12, 2019, the City issued General Obligation Bonds, Series 2019 for \$18,955,000 to construct drainage improvements, together with related street and sidewalk improvements and traffic improvements.

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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 Four Fiscal Years (Previous years unavailable)

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017
Total pension liability:				
Service cost	\$ 6,805,485	\$ 7,407,030	\$ 7,992,201	\$ 8,196,790
Interest(on the total pension liability)	14,011,751	15,035,551	15,972,265	16,912,836
Changes of benefit terms	-	2,340,034	-	-
Difference between expected and actual experience	12,762	385,103	285,052	(814,726)
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>	<u>(10,813,970)</u>
Net change in total pension liability	11,868,629	24,526,050	14,228,641	13,480,930
Total pension liability - beginning	<u>201,245,807</u>	<u>213,114,436</u>	<u>237,640,486</u>	<u>251,869,127</u>
Total pension liability - ending (a)	<u>\$ 213,114,436</u>	<u>\$ 237,640,486</u>	<u>\$ 251,869,127</u>	<u>\$ 265,350,057</u>
Plan fiduciary net position:				
Contributions - employer	\$ 4,139,770	\$ 4,278,578	\$ 4,477,156	\$ 5,460,155
Contributions - employee	4,367,657	4,595,301	4,707,800	4,838,151
Net investment income	11,471,696	311,957	14,305,407	31,182,396
Benefit payments, including refunds of employee contributions	(8,961,369)	(8,728,811)	(10,020,877)	(10,813,970)
Administrative expense	(119,767)	(190,013)	(161,560)	(161,590)
Other	<u>(9,847)</u>	<u>(9,385)</u>	<u>(8,705)</u>	<u>(8,189)</u>
Net change in plan fiduciary net position	10,888,140	257,627	13,299,221	30,496,953
Plan fiduciary net position - beginning	<u>200,527,895</u>	<u>211,416,035</u>	<u>211,673,662</u>	<u>224,972,883</u>
Plan fiduciary net position - ending (b)	<u>\$ 211,416,035</u>	<u>\$ 211,673,662</u>	<u>\$ 224,972,883</u>	<u>\$ 255,469,836</u>
Net pension liability - ending (a) - (b)	\$ 1,698,401	\$ 25,966,824	\$ 26,896,244	\$ 9,880,221
Plan fiduciary net position as a percentage of total pension liability	99.20%	89.07%	89.32%	96.28%
Covered payroll	\$ 62,261,492	\$ 65,030,992	\$ 67,161,351	\$ 69,112,898
Net pension liability as a percentage of covered payroll	2.73%	39.93%	40.05%	14.30%

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 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 payroll	(5) Contributions as a percentage of covered 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%
2018	5,550,314	5,550,315	1	69,919,236	7.94%

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 2018:

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 Five Fiscal Years (Previous years unavailable)

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018
Total pension liability:					
Service cost	\$ 1,573,197	\$ 1,824,526	\$ 2,879,641	\$ 1,865,778	\$ 1,940,409
Interest (on the total pension liability)	4,841,219	4,884,830	5,130,946	5,361,757	5,631,214
Difference between expected and actual experience	-	221,439	-	(1,202,731)	-
Change in assumptions	-	(3,414,995)	-	-	-
Benefit payments, including refunds of member contributions	(2,588,586)	(3,170,707)	(3,876,966)	(3,520,297)	(3,898,551)
Net change in total pension liability	3,825,830	345,093	4,133,621	2,504,507	3,673,072
Total pension liability - beginning	64,282,664	68,108,494	68,453,587	72,587,208	75,091,715
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>	<u>\$ 78,764,787</u>
Plan fiduciary net position:					
Contributions - employer	\$ 1,435,293	\$ 1,477,483	\$ 1,554,567	\$ 1,498,194	\$ 1,547,133
Contributions - members	1,214,786	1,223,445	1,265,734	1,266,209	1,360,361
Benefit payments, including refunds of member contributions	(2,588,586)	(3,170,707)	(3,876,966)	(3,520,297)	(3,898,551)
Expected net investment income	2,525,951	(2,467,023)	3,867,719	5,489,970	4,119,133
Expected Administrative expense	(23,961)	(46,070)	(352,963)	(33,822)	(49,519)
Net change in plan fiduciary net position	2,563,483	(2,982,872)	2,458,091	4,700,254	3,078,557
Plan fiduciary net position - beginning	42,720,353	45,283,836	42,300,964	44,759,055	49,459,309
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>	<u>\$ 52,537,866</u>
Net pension liability - ending (a) - (b)	\$ 22,824,658	\$ 26,152,623	\$ 27,828,153	\$ 25,632,406	\$ 26,226,921
Plan fiduciary net position as a percentage of total pension liability	66.49%	61.80%	61.66%	65.87%	66.70%
Covered payroll	\$ 11,043,509	\$ 11,365,262	\$ 11,515,311	\$ 11,524,569	\$ 11,901,023
Net pension liability as a percentage of covered payroll	206.68%	230.11%	241.66%	222.42%	220.38%

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 Five 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 payroll	(5) Contributions as a percentage of covered 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%
2018	1,547,133	1,547,133	-	11,901,023	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 2018:

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
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 Changes in Total OPEB Liability and Related Ratios
(Previous years unavailable)

	Measurement Year 2018
Total OPEB Liability:	
Service cost	\$ 326,694
Interest (on the total OPEB and Service Cost)	368,004
Changes of benefit terms	-
Difference between expected and actual experience	-
Change in assumptions or other inputs	(744,069)
Benefit payments	(905,063)
Net change in total OPEB liability	(954,434)
Total OPEB liability - beginning	10,259,649
Total OPEB liability - ending	\$ 9,305,215
Plan fiduciary net position:	
Contributions - employer	\$ 905,063
Contributions - members	-
Net investment income	-
Benefit payments	(905,063)
Administrative expenses	-
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending	-
Net OPEB liability - ending	\$ 9,305,215
Plan fiduciary net position as a percentage of total OPEB liability	0.00%
Covered payroll	\$ 74,223,284
Net OPEB liability as a percentage of covered payroll	12.54%

Note: This is a 10-year schedule to be created prospectively commencing with Measurement Year 2018.
Refer to page 92 of the notes to financial statements for the actuarial assumptions of the plan.

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 Drainage Fee Fund was established to account for revenue generated from drainage fees which will be used to fund maintenance and drainage improvements.

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

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

The Tax Increment Reinvestment Zone #2 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 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 operation of a new anti-gang unit.

The Friends of Quinta Fund was established to account for revenues and expenditures for the purpose of promoting Quinta Mazatlan.

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.

The Local Govt Finance Corp Debt Service Fund was established to retire Contract Revenue Bonds, Series 2017.

Capital Projects Funds:

The Capital Improvement Fund was established to account for all expenditures related to planned capital projects not accounted for in other capital project funds. Its main funding source is a transfer in from the general fund from oil and gas royalty proceeds.

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 Park's Facility/Fire Station #2 Construction Fund was established to account for all expenditures related to the construction of a new Park's facility and fire station.

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 Traffic Improvement Drainage Construction Fund was established to account for all expenditures related to the construction of traffic and drainage 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 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, 2018

	Special Revenue							
	Hotel Occupancy Tax	Hotel Venue Tax	McAllen EB-5 Regional Center	Drainage Fee	Park Development	Tax Increment Zone #1	Community Development	TIRZ #2
ASSETS								
Cash	\$ 5,078	\$ 135,638	\$ 79,935	\$ 11,384	\$ 52,833	\$ -	\$ -	\$ -
Investments	4	47	145,957	602,517	2,259,929	1,648	-	107,950
Receivables:								
Accounts	328,107	86,254	-	134,861	-	-	-	-
Taxes	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	7,537	6,518	-	113,943
Other	-	-	-	-	-	-	575	-
Due from other governments	-	-	-	-	-	-	45,317	-
Total assets	<u>\$ 333,189</u>	<u>\$ 221,939</u>	<u>\$ 225,892</u>	<u>\$ 748,762</u>	<u>\$ 2,320,299</u>	<u>\$ 8,166</u>	<u>\$ 45,892</u>	<u>\$ 221,893</u>
LIABILITIES								
Accounts payable	\$ 78,167	\$ -	\$ -	\$ -	\$ 600	\$ 9,480,771	\$ 20,909	\$ -
Accrued liabilities	-	-	2,061	-	-	-	1,652	-
Due to other funds	228,765	-	-	-	-	-	23,331	-
Unearned revenues	26,216	-	-	-	-	-	-	-
Other liabilities	-	-	65,000	-	-	-	-	-
Total liabilities	<u>333,148</u>	<u>-</u>	<u>67,061</u>	<u>-</u>	<u>600</u>	<u>9,480,771</u>	<u>45,892</u>	<u>-</u>
Deferred inflows of resources	-	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	<u>333,148</u>	<u>-</u>	<u>67,061</u>	<u>-</u>	<u>600</u>	<u>9,480,771</u>	<u>45,892</u>	<u>-</u>
FUND BALANCES								
Restricted	41	221,939	158,831	748,762	2,319,699	(9,472,605)	-	221,893
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>41</u>	<u>221,939</u>	<u>158,831</u>	<u>748,762</u>	<u>2,319,699</u>	<u>(9,472,605)</u>	<u>-</u>	<u>221,893</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 333,189</u>	<u>\$ 221,939</u>	<u>\$ 225,892</u>	<u>\$ 748,762</u>	<u>\$ 2,320,299</u>	<u>\$ 8,166</u>	<u>\$ 45,892</u>	<u>\$ 221,893</u>

	Special Revenue						
	Miscellaneous Government Grants	Downtown Services Parking	PD Seized	TX Anti Gang Unit	Friends of Quinta	Public Education Governmental	Total
ASSETS							
Cash	\$ 31,062	\$ 24,072	\$ 50,784	\$ -	\$ 18,497	\$ 70,093	\$ 479,376
Investments	-	123,909	3,181,474	2	75,718	598,415	7,097,570
Receivables:							
Accounts	-	842,715	-	-	-	-	1,391,937
Taxes	-	-	-	-	-	-	-
Accrued interest	-	-	6,058	-	-	898	134,954
Other	-	-	-	-	-	-	575
Due from other governments	224,490	-	-	159,419	-	-	429,226
Total assets	\$ 255,552	\$ 990,696	\$ 3,238,316	\$ 159,421	\$ 94,215	\$ 669,406	\$ 9,533,638
LIABILITIES							
Accounts payable	\$ -	\$ 17,463	\$ 112,183	\$ 31,551	\$ -	\$ -	\$ 9,741,644
Accrued liabilities	-	10,655	108,932	3,123	-	-	126,423
Due to other funds	165,016	-	-	96,200	-	-	513,312
Unearned revenues	-	-	-	-	-	-	26,216
Other liabilities	-	-	-	-	-	-	65,000
Total liabilities	165,016	28,118	221,115	130,874	-	-	10,472,595
Deferred inflows of resources	-	842,715	-	-	-	-	842,715
Total liabilities and deferred inflows of resources	165,016	870,833	221,115	130,874	-	-	11,315,310
FUND BALANCES							
Restricted	90,536	-	3,017,201	28,547	94,215	669,406	(1,901,535)
Committed	-	119,863	-	-	-	-	119,863
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	90,536	119,863	3,017,201	28,547	94,215	669,406	(1,781,672)
Total liabilities, deferred inflows of resources, and fund balances	\$ 255,552	\$ 990,696	\$ 3,238,316	\$ 159,421	\$ 94,215	\$ 669,406	\$ 9,533,638

CITY OF McALLEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - Continued
September 30, 2018

	Debt Service			Capital Projects			
			Local Govt Finance Corp				Park's Facility/Fire Station #2
	Debt Service	Debt Service	Debt Service Fund	Capital Improvement	Information Technology	Street Improvements	Construction
ASSETS							
Cash	\$ 16,245	\$ -	\$ -	\$ 36,850	\$ 2,773	\$ 4,598	\$ 4,196
Investments	2,586,841	6	386,503	5,319,904	243,135	10,487,315	3,911,537
Receivables:							
Accounts	-	-	-	-	-	-	-
Taxes	237,017	-	-	-	-	-	-
Accrued interest	-	-	-	17,325	-	-	-
Other	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Total assets	<u>\$ 2,840,103</u>	<u>\$ 6</u>	<u>\$ 386,503</u>	<u>\$ 5,374,079</u>	<u>\$ 245,908</u>	<u>\$ 10,491,913</u>	<u>\$ 3,915,733</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ 209,604	\$ -	\$ 257,269	\$ 313,195
Accrued liabilities	13,873	-	-	11,182	-	38,565	16,417
Due to other funds	-	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Total liabilities	<u>13,873</u>	<u>-</u>	<u>-</u>	<u>220,786</u>	<u>-</u>	<u>295,834</u>	<u>329,612</u>
Deferred inflows of resources	<u>237,017</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>250,890</u>	<u>-</u>	<u>-</u>	<u>220,786</u>	<u>-</u>	<u>295,834</u>	<u>329,612</u>
FUND BALANCES							
Restricted	2,589,213	6	386,503	-	-	10,196,079	3,586,121
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	5,153,293	245,908	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>2,589,213</u>	<u>6</u>	<u>386,503</u>	<u>5,153,293</u>	<u>245,908</u>	<u>10,196,079</u>	<u>3,586,121</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,840,103</u>	<u>\$ 6</u>	<u>\$ 386,503</u>	<u>\$ 5,374,079</u>	<u>\$ 245,908</u>	<u>\$ 10,491,913</u>	<u>\$ 3,915,733</u>

	Capital Projects				
	Performing Arts	Traffic Improv/Drainage Construction	Sports Facilities	Local Government Finance Corporation-TX A&M Construction	Total Nonmajor Governmental Funds
ASSETS					
Cash	\$ 131	\$ -	\$ 3,358	\$ 4,253	\$ 551,780
Investments	626,994	4,032,442	4,824,141	1,907,806	41,424,194
Receivables:					
Accounts	-	-	-	-	1,391,937
Taxes	-	-	-	-	237,017
Accrued interest	-	-	-	-	152,279
Other	-	-	-	-	575
Due from other governments	-	-	127,624	-	556,850
Total assets	<u>\$ 627,125</u>	<u>\$ 4,032,442</u>	<u>\$ 4,955,123</u>	<u>\$ 1,912,059</u>	<u>\$ 44,314,632</u>
LIABILITIES					
Accounts payable	\$ 43,997	\$ -	\$ 411,654	\$ -	\$ 10,977,363
Accrued liabilities	-	-	461,484	-	667,944
Due to other funds	-	-	-	-	513,312
Unearned revenues	-	-	-	-	26,216
Other liabilities	-	-	-	-	65,000
Total liabilities	<u>43,997</u>	<u>-</u>	<u>873,138</u>	<u>-</u>	<u>12,249,835</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,079,732</u>
Total liabilities and deferred inflows of resources	<u>43,997</u>	<u>-</u>	<u>873,138</u>	<u>-</u>	<u>13,329,567</u>
FUND BALANCES					
Restricted	583,128	4,032,442	4,081,985	1,912,059	25,466,001
Committed	-	-	-	-	119,863
Assigned	-	-	-	-	5,399,201
Unassigned	-	-	-	-	-
Total fund balances	<u>583,128</u>	<u>4,032,442</u>	<u>4,081,985</u>	<u>1,912,059</u>	<u>30,985,065</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 627,125</u>	<u>\$ 4,032,442</u>	<u>\$ 4,955,123</u>	<u>\$ 1,912,059</u>	<u>\$ 44,314,632</u>

CITY OF McALLEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

	Special Revenue						
	Hotel Occupancy Tax	Hotel Venue Tax	McAllen EB-5 Regional Center	Drainage Fee	Park Development	Tax Increment Zone #1	Community Development
REVENUES							
Hotel taxes	\$ 3,724,272	\$ 1,064,135	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-	-	-
Franchise taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	1,426,003
Charges for services	-	-	-	746,245	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Investment earnings	-	142	1,419	2,517	29,411	12,738	-
Net increase (decrease) in the fair value of investments	-	-	-	-	(2,758)	-	-
Other	-	-	-	-	392,167	1,133,636	-
Total revenues	3,724,272	1,064,277	1,419	748,762	418,820	1,146,374	1,426,003
EXPENDITURES							
Current:							
General government	1,106,454	-	49,466	-	-	7,565,745	343,700
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	93,469
Health and welfare	-	-	-	-	-	-	420,072
Culture and recreation	-	-	-	-	60,560	-	568,762
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	871,627	-
Total expenditures	1,106,454	-	49,466	-	60,560	8,437,372	1,426,003
Excess (deficiency) of revenues over (under) expenditures	2,617,818	1,064,277	(48,047)	748,762	358,260	(7,290,998)	-
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	(2,617,817)	(915,476)	-	-	-	-	-
Debt issuance	-	-	-	-	-	-	-
Bond premium	-	-	-	-	-	-	-
Net other financing sources (uses)	(2,617,817)	(915,476)	-	-	-	-	-
Net change in fund balances	1	148,801	(48,047)	748,762	358,260	(7,290,998)	-
Fund balances at beginning of year	40	73,138	206,878	-	1,961,439	(2,181,607)	-
Fund balances at end of year	\$ 41	\$ 221,939	\$ 158,831	\$ 748,762	\$ 2,319,699	\$ (9,472,605)	\$ -

Special Revenue

TIRZ #2	Miscellaneous Government Grants	Downtown Services Parking	PD Seized	TX Anti Gang Unit	Texas Transnational Intelligence Center	Public Education Government	Friends of Quinta	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	4,788,407
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	202,559	-	202,559
-	-	14,913	-	-	-	-	-	14,913
-	326,378	-	-	221,740	408,838	-	-	2,382,959
-	-	1,080,027	-	-	-	-	-	1,826,272
-	-	116,273	303,324	-	-	-	-	419,597
382	-	3,786	47,657	782	2,841	10,432	718	112,825
-	-	-	-	-	-	-	-	(2,758)
226,511	208,108	4,444	-	109,070	-	-	232,833	2,306,769
226,893	534,486	1,219,443	350,981	331,592	411,679	212,991	233,551	12,051,543
5,000	-	-	-	-	-	410,541	-	9,480,906
-	463,290	-	812,422	218,721	426,048	-	-	1,920,481
-	-	1,153,203	-	-	-	-	-	1,246,672
-	-	-	-	-	-	-	-	420,072
-	-	-	-	-	-	-	40,023	669,345
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	871,627
5,000	463,290	1,153,203	812,422	218,721	426,048	410,541	40,023	14,609,103
221,893	71,196	66,240	(461,441)	112,871	(14,369)	(197,550)	193,528	(2,557,560)
-	-	-	-	-	-	-	-	-
-	-	(237,000)	-	-	-	-	(99,313)	(3,869,606)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	(237,000)	-	-	-	-	(99,313)	(3,869,606)
221,893	71,196	(170,760)	(461,441)	112,871	(14,369)	(197,550)	94,215	(6,427,166)
-	19,340	290,623	3,478,642	(84,324)	14,369	866,956	-	4,645,494
\$ 221,893	\$ 90,536	\$ 119,863	\$ 3,017,201	\$ 28,547	\$ -	\$ 669,406	\$ 94,215	\$ (1,781,672)

CITY OF McALLEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS -Continued
For the Year Ended September 30, 2018

	Debt Service			Capital Projects		
	Debt Service	Hotel Venue Debt Service	Local Govt Finance Corp Debt Service Fund	Capital Improvement	Information Technology	Street Improvements
REVENUES						
Hotel taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	3,429,168	-	-	-	-	-
Franchise taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Investment earnings	58,585	-	8,538	91,701	4,061	190,141
Net increase (decrease) in the fair value of investments	-	-	-	(19,272)	-	-
Other	-	-	-	114,849	51,941	-
Total revenues	<u>3,487,753</u>	<u>-</u>	<u>8,538</u>	<u>187,278</u>	<u>56,002</u>	<u>190,141</u>
EXPENDITURES						
Current:						
General government	-	-	-	679,642	5,751	-
Public safety	-	-	-	200,562	-	-
Highways and streets	-	-	-	335,885	-	1,092,653
Health and welfare	-	-	-	80,516	-	-
Culture and recreation	-	-	-	688,096	-	35
Debt service:				-		
Principal	4,565,000	465,000	-	-	-	-
Interest and fiscal charges	1,991,647	392,725	376,881	-	-	-
Total expenditures	<u>6,556,647</u>	<u>857,725</u>	<u>376,881</u>	<u>1,984,701</u>	<u>5,751</u>	<u>1,092,688</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,068,894)</u>	<u>(857,725)</u>	<u>(368,343)</u>	<u>(1,797,423)</u>	<u>50,251</u>	<u>(902,547)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	3,287,200	857,731	754,846	1,734,293	-	271,077
Transfers out	-	-	-	-	-	-
Debt issuance	-	-	-	-	-	-
Bond premium	-	-	-	-	-	-
Net other financing sources (uses)	<u>3,287,200</u>	<u>857,731</u>	<u>754,846</u>	<u>1,734,293</u>	<u>-</u>	<u>271,077</u>
Net change in fund balances	218,306	6	386,503	(63,130)	50,251	(631,470)
Fund balances at beginning of year	<u>2,370,907</u>	<u>-</u>	<u>-</u>	<u>5,216,423</u>	<u>195,657</u>	<u>10,827,549</u>
Fund balances at end of year	<u>\$ 2,589,213</u>	<u>\$ 6</u>	<u>\$ 386,503</u>	<u>\$ 5,153,293</u>	<u>\$ 245,908</u>	<u>\$ 10,196,079</u>

Capital Projects					
Parks Facil/Fire Station #2 Construction	Performing Arts	Traffic Improv/Drainage Bond Construction	Sports Facilities	Local Government Finance Corporation-TX A&M Construction	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,788,407
-	-	-	-	-	3,429,168
-	-	-	-	-	202,559
-	-	-	-	-	14,913
-	-	-	34,393	-	2,417,352
-	-	-	-	-	1,826,272
-	-	-	-	-	419,597
63,537	14,082	4,421	124,573	77,469	749,933
-	-	-	-	-	(22,030)
12,188	-	-	-	-	2,485,747
75,725	14,082	4,421	158,966	77,469	16,311,918
170,260	-	130,729	-	7,458,316	17,925,604
419,578	-	-	-	-	2,540,621
-	-	-	-	-	2,675,210
-	-	-	-	-	500,588
2,070,026	189,917	-	6,720,377	-	10,337,796
-	-	-	-	-	5,030,000
-	-	-	-	-	3,632,880
2,659,864	189,917	130,729	6,720,377	7,458,316	42,642,699
(2,584,139)	(175,835)	(126,308)	(6,561,411)	(7,380,847)	(26,330,781)
-	-	-	-	-	6,905,147
-	-	-	-	(754,846)	(4,624,452)
5,890,000	-	4,000,000	-	-	9,890,000
280,260	-	158,750	-	-	439,010
6,170,260	-	4,158,750	-	(754,846)	12,609,705
3,586,121	(175,835)	4,032,442	(6,561,411)	(8,135,693)	(13,721,076)
-	758,963	-	10,643,396	10,047,752	44,706,141
\$ 3,586,121	\$ 583,128	\$ 4,032,442	\$ 4,081,985	\$ 1,912,059	\$ 30,985,065

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Non Major Enterprise Funds

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

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

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.

The **Convention Center Fund** is utilized to account for the operations of the Convention Center.

The **Performing Arts Fund** is utilized to account for the operations of the Performing Arts.

	McAllen Convention Center	Performing Arts Center	Palm View Golf Course	McAllen Express Transit	Transit Terminal	Total
ASSETS						
Current assets:						
Cash	\$ 25,055	\$ 189,223	\$ 49,364	\$ 143,642	\$ 57,101	\$ 464,385
Investments	1,160,300	1,691,059	936,004	572,476	1,224,155	5,583,994
Receivables, net:						
Accounts	42,090	-	87	14,941	12,244	69,362
Accrued interest	2,083	2,462	1,906	122	-	6,573
Due from other funds	136,799	58,632	-	-	-	195,431
Due from other governments	-	-	-	237,041	99,916	336,957
Prepaid items	3,422	-	-	-	-	3,422
Total currents assets	1,369,749	1,941,376	987,361	968,222	1,393,416	6,660,124
Restricted assets:						
Cash	5,715	-	2,739	-	-	8,454
Investments	2,129,347	507,959	420,132	-	-	3,057,438
Accrued interest	4,379	-	898	-	-	5,277
Total restricted assets	2,139,441	507,959	423,769	-	-	3,071,169
Capital assets:						
Land	4,889,373	690,155	187,995	-	1,684,593	7,452,116
Buildings and systems	56,281,224	50,985,924	228,345	-	5,636,219	113,131,712
Improvements other than buildings	6,792,381	-	7,874,077	489,143	2,521,405	17,677,006
Machinery and equipment	3,368,112	1,178,451	1,411,387	5,369,150	4,643,364	15,970,464
Construction in progress	-	-	-	-	60,028	60,028
Total capital assets	71,331,090	52,854,530	9,701,804	5,858,293	14,545,609	154,291,326
Less accumulated depreciation	(18,388,757)	(1,941,851)	(6,904,578)	(5,336,712)	(5,708,743)	(38,280,641)
Net capital assets	52,942,333	50,912,679	2,797,226	521,581	8,836,866	116,010,685
Total assets	56,451,523	53,362,014	4,208,356	1,489,803	10,230,282	125,741,978
Deferred outflows of resources-pensions	343,054	-	132,070	315,151	36,507	826,782
Total assets and deferred outflows of resources	\$ 56,794,577	\$ 53,362,014	\$ 4,340,426	\$ 1,804,954	\$ 10,266,789	\$ 126,568,760

CITY OF McALLEN , TEXAS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
September 30, 2018

	McAllen Convention Center	Performing Arts Center	Palm View Golf Course	McAllen Express Transit	Transit Terminal	Total
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 409,768	\$ 92,157	\$ 42,262	\$ 39,815	\$ 17,077	\$ 601,079
Accrued expenses	28,039	-	10,825	31,673	2,963	73,500
Due to other funds	61,719	-	-	-	-	61,719
Customer deposits payable	-	76,717	-	-	-	76,717
Compensated absences	61,810	-	29,165	-	3,203	94,178
Other	61,228	-	-	-	-	61,228
Total current liabilities	622,564	168,874	82,252	71,488	23,243	968,421
Other noncurrent liabilities:						
Unearned revenues	97,194	-	97,239	40,000	-	234,433
Compensated absences	37,346	-	72,412	65,669	-	175,427
Net pension liability	215,836	-	85,479	207,238	22,215	530,768
Total other noncurrent liabilities	350,376	-	255,130	312,907	22,215	940,628
Total liabilities	972,940	168,874	337,382	384,395	45,458	1,909,049
Deferred inflows of resources	296,986	-	116,094	279,436	31,048	723,564
Total liabilities and deferred inflows of resources	<u>\$ 1,269,926</u>	<u>\$ 168,874</u>	<u>\$ 453,476</u>	<u>\$ 663,831</u>	<u>\$ 76,506</u>	<u>\$ 2,632,613</u>
NET POSITION						
Net investment in capital assets	52,942,333	50,912,679	2,797,226	521,581	8,836,866	116,010,685
Capital projects	2,139,441	507,959	-	-	-	2,647,400
Unrestricted	442,877	1,772,502	1,089,724	619,542	1,353,417	5,278,062
Total net position	55,524,651	53,193,140	3,886,950	1,141,123	10,190,283	123,936,147
Total liabilities, deferred inflows and net position	<u>\$ 56,794,577</u>	<u>\$ 53,362,014</u>	<u>\$ 4,340,426</u>	<u>\$ 1,804,954</u>	<u>\$ 10,266,789</u>	<u>\$ 126,568,760</u>

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, 2018

	McAllen Convention Center	Performing Arts Center	Palm View Golf Course	McAllen Express Transit	Transit Terminal	Total
Operating revenues:						
Charges for services	\$ 1,234,531	\$ 833,201	\$ 1,052,161	\$ 541,507	\$ -	\$ 3,661,400
Rentals	906,966	567,101	-	330,663	-	1,804,730
Other	450,893	4,399	373,160	43,549	180,777	1,052,778
Total operating revenues	<u>2,592,390</u>	<u>1,404,701</u>	<u>1,425,321</u>	<u>915,719</u>	<u>180,777</u>	<u>6,518,908</u>
Operating expenses:						
Salaries, wages and employee benefits	2,117,263	-	765,475	1,903,503	273,833	5,060,074
Supplies	79,333	27,133	135,416	46,984	-	288,866
Contractual and other services	1,984,061	1,121,856	121,516	591,598	123,256	3,942,287
Repairs and maintenance	309,051	99,016	86,737	463,390	450,096	1,408,290
Depreciation and amortization	1,610,121	1,175,066	325,535	346,024	919,305	4,376,051
Total operating expenses	<u>6,099,829</u>	<u>2,423,071</u>	<u>1,434,679</u>	<u>3,351,499</u>	<u>1,766,490</u>	<u>15,075,568</u>
Operating loss	<u>(3,507,439)</u>	<u>(1,018,370)</u>	<u>(9,358)</u>	<u>(2,435,780)</u>	<u>(1,585,713)</u>	<u>(8,556,660)</u>
Nonoperating revenues:						
Investment earnings	44,841	31,875	17,705	10,189	16,180	120,790
Net increase (decrease) in the fair value of investments	3,634	1,216	1,009	(1,133)	-	4,726
Gain (loss) on sale of capital asset	(1,429)	-	-	655	-	(774)
Nonoperating revenues	<u>47,046</u>	<u>33,091</u>	<u>18,714</u>	<u>9,711</u>	<u>16,180</u>	<u>124,742</u>
Loss before contributions and transfers	<u>(3,460,393)</u>	<u>(985,279)</u>	<u>9,356</u>	<u>(2,426,069)</u>	<u>(1,569,533)</u>	<u>(8,431,918)</u>
Capital contributions	-	56,242	-	1,246,711	1,484,728	2,787,681
Transfers in	1,762,136	813,426	-	925,618	234,813	3,735,993
Transfers out	<u>(18,716)</u>	<u>-</u>	<u>(7,156)</u>	<u>-</u>	<u>(31,376)</u>	<u>(57,248)</u>
Change in net position	<u>(1,716,973)</u>	<u>(115,611)</u>	<u>2,200</u>	<u>(253,740)</u>	<u>118,632</u>	<u>(1,965,492)</u>
Total net position--beginning	<u>57,241,624</u>	<u>53,308,751</u>	<u>3,884,750</u>	<u>1,394,863</u>	<u>10,071,651</u>	<u>125,901,639</u>
Total net position--ending	<u>\$ 55,524,651</u>	<u>\$ 53,193,140</u>	<u>\$ 3,886,950</u>	<u>\$ 1,141,123</u>	<u>\$ 10,190,283</u>	<u>\$ 123,936,147</u>

CITY OF McALLEN, TEXAS
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF CASH FLOW
For the Year Ended September 30, 2018

	McAllen Convention Center	Performing Arts Center	Palm View Golf Course	McAllen Express Transit	Transit Terminal	Total
Cash flows from operating activities:						
Receipts from customers	\$ 2,417,607	\$ 1,409,293	\$ 1,462,487	\$ 913,182	\$ 178,737	\$ 6,381,306
Payments to employees	(2,114,145)	-	(756,051)	(1,887,914)	(274,539)	(5,032,649)
Payments to suppliers	(2,007,796)	(1,181,013)	(459,908)	(1,132,950)	(718,033)	(5,499,700)
Net cash provided (used) by operating activities	(1,704,334)	228,280	246,528	(2,107,682)	(813,835)	(4,151,043)
Cash flows from noncapital financing activities:						
Transfers from other funds	1,752,408	809,257	-	925,618	234,813	3,722,096
Transfers to other funds	(18,716)	-	(7,156)	-	(31,376)	(57,248)
Subsidy from federal grant	-	-	-	-	623,252	623,252
Net cash provided (used) by noncapital financing activities	1,733,692	809,257	(7,156)	925,618	826,689	4,288,100
Cash flows from capital and related financing activities:						
Capital contributions	-	-	-	1,400,840	1,253,723	2,654,563
Payments for capital acquisitions	-	-	-	-	(899,403)	(899,403)
Proceeds from sale of capital assets	(93,747)	(25,720)	-	655	-	(118,812)
Cash provided (used) by capital and related financing activities	(93,747)	(25,720)	-	1,401,495	354,320	1,636,348
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	5,291,939	1,115,015	426,375	1,508,002	1,245,710	9,587,041
Purchase of investments	(5,335,969)	(2,063,394)	(705,958)	(1,627,917)	(1,627,890)	(11,361,128)
Receipt of interest	50,344	30,629	18,683	9,038	16,180	124,874
Net cash provided by investing activities	6,314	(917,750)	(260,900)	(110,877)	(366,000)	(1,649,213)
Net increase (decrease) in cash	(58,075)	94,067	(21,528)	108,555	1,174	124,192
Cash at beginning of year	88,845	95,156	73,631	35,087	55,927	348,646
Cash at end of year	\$ 30,770	\$ 189,223	\$ 52,103	\$ 143,642	\$ 57,101	\$ 472,838

Continued

CITY OF McALLEN, TEXAS
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF CASH FLOW
For the Year Ended September 30, 2018

	McAllen Convention Center	Performing Arts Center	Palm View Golf Course	McAllen Express Transit	Transit Terminal	Total
Reconciliation of operating loss to net cash provided by operating activities						
Operating income (loss)	\$ (3,507,439)	\$ (1,018,370)	\$ (9,358)	\$ (2,435,780)	\$ (1,585,713)	\$ (8,556,660)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	1,610,121	1,175,066	325,534	346,024	919,305	4,376,050
(Increase) decrease in deferred outflows of resources - pension	101,580	-	39,708	95,577	10,619	247,484
Increase (decrease) in deferred inflow of resources - pension	296,679	-	115,974	279,147	31,016	722,816
(Increase) decrease in accounts receivable	(20,079)	-	439	(2,537)	(2,040)	(24,217)
(Increase) decrease in prepaid items	81,591	-	-	-	-	81,591
Increase (decrease) in accounts payable	221,339	66,992	(116,238)	(30,983)	(128,940)	12,170
Increase (decrease) in customer deposits payable	(143,688)	4,592	-	-	-	(139,096)
Increase (decrease) in compensated absences payable	(22,130)	-	808	(12,327)	(3,156)	(36,805)
Increase (decrease) in accrued liabilities	1,342	-	(728)	5,429	(15,789)	(9,746)
Increase (decrease) in due to other funds	61,719	-	-	-	-	61,719
Increase (decrease) net pension liability	(374,353)	-	(146,338)	(352,232)	(39,137)	(912,060)
Increase (decrease) in other current liabilities	-	-	-	-	-	-
Increase (decrease) in unearned revenue	(11,016)	-	36,727	-	-	25,711
Total adjustments	1,803,105	1,246,650	255,886	328,098	771,878	4,405,617
Net cash provided (used) by operating activities	<u>\$ (1,704,334)</u>	<u>\$ 228,280</u>	<u>\$ 246,528</u>	<u>\$ (2,107,682)</u>	<u>\$ (813,835)</u>	<u>\$ (4,151,043)</u>
Reconciliation to statement of net position:						
Cash	25,055	189,223	49,364	143,642	57,101	464,385
Cash-restricted	5,715	-	2,739	-	-	8,454
Total cash	<u>\$ 30,770</u>	<u>\$ 189,223</u>	<u>\$ 52,103</u>	<u>\$ 143,642</u>	<u>\$ 57,101</u>	<u>\$ 472,839</u>
Noncash investing, capital and financing activities:						
Contributions of capital assets	-	-	-	1,400,840	1,253,723	2,654,563
Increase (decrease) in fair value of investments	3,634	1,216	1,009	(1,133)	-	4,726

Concluded

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, 2018

	Fleet Materials Management	Employee Benefits	Retiree Health Insurance
ASSETS			
Current assets:			
Cash	\$ 650,460	\$ -	\$ 26,675
Certificates of deposit	-	-	-
Investments	-	-	675,497
Receivables, net:			
Accounts	332,609	8,313	-
Accrued interest	-	-	243
Due from other funds	-	-	-
Interfund loan	-	-	-
Prepaid items	-	1,250	-
Other	-	331,146	-
Inventories	312,569	-	-
Total current assets	1,295,638	340,709	702,415
Capital assets			
Land	-	-	-
Improvement other than buildings	132,823	-	-
Machinery and equipment	816,638	-	-
Less accumulated depreciation	(604,939)	-	-
Net capital assets	344,522	-	-
Total assets	\$ 1,640,160	\$ 340,709	\$ 702,415
Deferred outflows of resources-pension	182,522	-	-
Total Assets and deferred outflows of resources	\$ 1,822,682	\$ 340,709	\$ 702,415
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 424,953	\$ 120,667	\$ 14,913
Accrued expense	14,387	997,040	240,000
Due to other funds	-	2,562,268	-
Compensated absences	43,276	-	-
Total current liabilities	482,616	3,679,975	254,913
Other non-current liabilities:			
Net pension liability	112,912	-	-
Accumulated unpaid compensated absences	-	15,393	-
Total other non-current liabilities	112,912	15,393	-
Total liabilities	595,528	3,695,368	254,913
Deferred inflows of resources-pension	156,592	-	-
Total liabilities and deferred inflows of resources	752,120	3,695,368	254,913
NET POSITION			
Net investment in capital assets	344,522	-	-
Unrestricted	726,040	(3,354,659)	447,502
Total net position	1,070,562	(3,354,659)	447,502
Total liabilities, deferred inflows of resources and net position	\$ 1,822,682	\$ 340,709	\$ 702,415

The accompanying notes are an integral part of these financial statements.

Risk Management	Property & Casualty Insurance	General Depreciation	Total
\$ 451,481	\$ 157,832	\$ 26,442	\$ 1,312,890
-	-	-	-
8,353,012	-	7,877,519	16,906,028
131,965	-	-	472,887
24,967	-	21,734	46,944
2,562,268	-	-	2,562,268
1,299,401	-	1,299,401	2,598,802
-	-	1,232,740	1,233,990
-	-	-	331,146
-	-	-	312,569
<u>12,823,094</u>	<u>157,832</u>	<u>10,457,836</u>	<u>25,777,524</u>
2,158,303	-	4,616,430	6,774,733
-	-	-	132,823
25,227	-	26,021,225	26,863,090
(7,508)	-	(18,695,563)	(19,308,010)
<u>2,176,022</u>	<u>-</u>	<u>11,942,092</u>	<u>14,462,636</u>
<u>\$ 14,999,116</u>	<u>\$ 157,832</u>	<u>\$ 22,399,928</u>	<u>\$ 40,240,160</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>182,522</u>
<u>\$ 14,999,116</u>	<u>\$ 157,832</u>	<u>\$ 22,399,928</u>	<u>\$ 40,422,682</u>
\$ 106,665	\$ 18,534	\$ -	\$ 685,732
597,655	51,738	-	1,900,820
-	-	-	2,562,268
-	-	-	43,276
<u>704,320</u>	<u>70,272</u>	<u>-</u>	<u>5,192,096</u>
-	-	-	112,912
<u>7,901</u>	<u>555</u>	<u>-</u>	<u>23,849</u>
<u>7,901</u>	<u>555</u>	<u>-</u>	<u>136,761</u>
<u>712,221</u>	<u>70,827</u>	<u>-</u>	<u>5,328,857</u>
-	-	-	156,592
<u>712,221</u>	<u>70,827</u>	<u>-</u>	<u>5,485,449</u>
2,176,022	-	11,942,092	14,462,636
<u>12,110,873</u>	<u>87,005</u>	<u>10,457,836</u>	<u>20,474,597</u>
<u>14,286,895</u>	<u>87,005</u>	<u>22,399,928</u>	<u>34,937,233</u>
<u>\$ 14,999,116</u>	<u>\$ 157,832</u>	<u>\$ 22,399,928</u>	<u>\$ 40,422,682</u>

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended September 30, 2018

	Fleet Materials Management	Employee Benefits	Retiree Health Insurance
Operating revenues:			
Charges for services	\$ 3,996,537	\$ -	\$ -
Contributions	-	10,021,450	603,463
Total operating revenues	3,996,537	10,021,450	603,463
Operating expenses:			
Salaries, wages and employee benefits	1,028,030	343,828	-
Supplies and materials	23,257	3,016	-
Contractual and other services	3,048,880	1,343,749	79,296
Repairs and maintenance	58,032	-	-
Depreciation and amortization	47,648	683	-
Self insurance claims	-	12,086,095	585,485
Other	10,061	-	-
Total operating expenses	4,215,908	13,777,371	664,781
Operating income (loss)	(219,371)	(3,755,921)	(61,318)
Non operating revenues (expenses):			
Investment earnings	-	2	10,352
Net increase (decrease) in fair value of investments	-	-	(2,266)
Other	26,855	264,180	-
Net non-operating revenues (expenses)	26,855	264,182	8,086
Income (loss) before contributions and transfers	(192,516)	(3,491,739)	(53,232)
Capital contributions	-	-	-
Transfers in	-	1,377,995	-
Transfers out	(11,560)	-	-
Change in net position	(204,076)	(2,113,744)	(53,232)
Total net position--beginning	1,274,638	(1,240,915)	500,734
Total net position--ending	\$ 1,070,562	\$ (3,354,659)	\$ 447,502

Risk Management	Property & Casualty Insurance	General Depreciation	Total
\$ -	\$ -	\$ 2,773,473	\$ 6,770,010
2,765,276	805,730	-	14,195,919
2,765,276	805,730	2,773,473	20,965,929
301,823	62,536	-	1,736,217
3,966	79	-	30,318
1,445,234	372,111	69,268	6,358,538
411	-	-	58,443
3,604	-	2,076,266	2,128,201
74,803	286,275	-	13,032,658
-	-	-	10,061
1,829,841	721,001	2,145,534	23,354,436
935,435	84,729	627,939	(2,388,507)
190,757	-	154,005	355,116
2,294	-	(26,107)	(26,079)
147,950	11,456	333,795	784,236
341,001	11,456	461,693	1,113,273
1,276,436	96,185	1,089,632	(1,275,234)
-	-	-	-
-	-	-	1,377,995
(1,080,192)	-	-	(1,091,752)
196,244	96,185	1,089,632	(988,991)
14,090,651	(9,180)	21,310,296	35,926,224
\$ 14,286,895	\$ 87,005	\$ 22,399,928	\$ 34,937,233

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2018

	Fleet Materials Management	Employee Benefits
Cash flows from operating activities:		
Receipts from customers	\$ 4,434,094	\$ 10,130,793
Payments to employees	(1,010,094)	(341,068)
Payments to suppliers	(2,891,604)	(11,436,324)
Net cash provided (used) by operating activities	532,396	(1,646,599)
Cash flows from non-capital financing activities:		
Transfer from other funds	-	1,345,017
Transfer to other funds	(11,560)	-
Subsidy from federal grant	-	-
Other revenue received	32,400	272,876
Cash provided (used) by non-capital financing activities	20,840	1,617,893
Cash flows from capital and related financing activities:		
Purchases of capital assets	(123,848)	-
Capital contributions	-	-
Payments for capital acquisitions	-	-
Proceeds from insurance recoveries	-	-
Proceeds from sale of capital assets	-	-
Net cash provided (used) by capital and related financing activities	(123,848)	-
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	-	-
Purchase of investments	-	191
Receipt of interest	-	2
Net cash provided (used) by investing activities	-	193
Net increase (decrease) in cash	429,388	(28,513)
Cash at beginning of year	221,072	28,513
Cash at end of year	\$ 650,460	\$ -

Retiree Health Insurance	Risk Management	Property & Casualty Insurance	General Depreciation	Totals
\$ 603,463	\$ 203,008	\$ 805,730	\$ 2,773,473	\$ 18,950,561
-	(299,805)	(62,869)	-	(1,713,836)
(662,211)	(1,407,766)	(642,583)	(790,280)	(17,830,768)
(58,748)	(1,504,563)	100,278	1,983,193	(594,043)
-	450,384	-	450,384	2,245,785
-	(1,080,192)	-	-	(1,091,752)
-	16,265	-	-	16,265
-	143,723	9,942	-	458,941
-	(469,820)	9,942	450,384	1,629,239
-	-	-	(2,895,953)	(3,019,801)
-	-	-	-	-
-	-	-	-	-
-	-	-	270,792	270,792
-	-	-	139,505	139,505
-	-	-	(2,485,656)	(2,609,504)
807,664	7,907,227	-	5,163,872	13,878,763
(744,465)	(6,006,268)	-	(5,263,573)	(12,014,115)
8,051	198,896	-	127,692	334,641
71,250	2,099,855	-	27,991	2,199,289
12,502	125,472	110,220	(24,088)	624,981
14,173	326,009	47,612	50,530	687,909
\$ 26,675	\$ 451,481	\$ 157,832	\$ 26,442	\$ 1,312,890

Continued

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2018

	Fleet Materials Management	Employee Benefits
Operating (loss) income	\$ (219,371)	\$ (3,755,921)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	47,648	683
(Increase) decrease in deferred outflows of resources - pension	53,560	-
Increase (decrease) in deferred inflow of resources -pension	156,430	-
(Increase) decrease in accounts receivable	(80,336)	109,343
(Increase) decrease in due from other funds	517,893	-
(Increase) decrease in prepaid items	-	-
(Increase) decrease in inventories	31,633	-
Increase (decrease) in accounts payable	216,993	(33,472)
Increase (decrease) in compensated absences payable	4,323	2,794
Increase (decrease) in accrued liabilities	1,009	(14,401)
Increase (decrease) in due to other funds	-	2,044,375
Increase (decrease) in net pension liability	(197,386)	-
Total adjustments	751,767	2,109,322
Net cash provided (used) by operating activities	\$ 532,396	\$ (1,646,599)
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>\$ (61,318)</u>	<u>\$ 935,435</u>	<u>\$ 84,729</u>	<u>\$ 627,939</u>	<u>\$ (2,388,507)</u>
-	3,604	-	2,076,266	2,128,201
-	-	-	-	53,560
-	-	-	-	156,430
-	-	-	-	29,007
-	(2,562,268)	-	-	(2,044,375)
-	480	-	(471,836)	(471,356)
-	-	-	-	31,633
2,570	41,364	15,882	(249,176)	(5,839)
-	175	(360)	-	6,932
-	76,647	27	-	63,282
-	-	-	-	2,044,375
-	-	-	-	(197,386)
<u>2,570</u>	<u>(2,439,998)</u>	<u>15,549</u>	<u>1,355,254</u>	<u>1,794,464</u>
<u>\$ (58,748)</u>	<u>\$ (1,504,563)</u>	<u>\$ 100,278</u>	<u>\$ 1,983,193</u>	<u>\$ (594,043)</u>
(2,266)	2,294	-	(26,107)	(26,079)

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Agency Funds

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

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

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

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

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

CITY OF McALLEN , TEXAS
COMBINING STATEMENT OF NET POSITION
AGENCY FUNDS
September 30, 2018

	Developers Fund	Communication Group Fund	Payroll Fund	Total
ASSETS				
Cash and cash equivalents	\$ 6,225	\$ 166,860	\$ 1,096,122	\$ 1,269,207
Receivables:				
Interest	12,107	-	-	12,107
Other	-	-	8,811	8,811
Investments, at fair value:				
TexPool Prime	585,684	3,305,691	-	3,891,375
US government securities	3,218,266	-	-	3,218,266
Total assets	<u>\$ 3,822,282</u>	<u>\$ 3,472,551</u>	<u>\$ 1,104,933</u>	<u>\$ 8,399,766</u>
LIABILITIES				
Accounts payable	\$ -	\$ 68,690	\$ 1,104,933	\$ 1,173,623
Due agency	-	3,403,861	-	3,403,861
Escrow payables	3,822,282	-	-	3,822,282
Total liabilities	<u>\$ 3,822,282</u>	<u>\$ 3,472,551</u>	<u>\$ 1,104,933</u>	<u>\$ 8,399,766</u>

CITY OF McALLEN, TEXAS
AGENCY FUND
DEVELOPER'S FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended September 30, 2018

	Balance 09/30/17	ADDITIONS	DEDUCTIONS	Balance 09/30/18
<u>Assets:</u>				
Cash and equivalents	\$ 68,009	\$ 3,547,745	\$ 3,609,529	\$ 6,225
Investments:				
Tex-pool Prime	765,890	1,501,891	1,682,097	585,684
Government securities	2,937,669	995,088	714,492	3,218,266
Receivables:				
Accrued interest	8,979	36,429	33,301	12,107
	<u>8,979</u>	<u>36,429</u>	<u>33,301</u>	<u>12,107</u>
Total current assets	<u>\$ 3,780,547</u>	<u>\$ 6,081,153</u>	<u>\$ 6,039,419</u>	<u>\$ 3,822,282</u>
<u>Liabilities:</u>				
Escrow payables	<u>\$ 3,780,547</u>	<u>\$ 990,002</u>	<u>\$ 948,267</u>	<u>3,822,282</u>
	<u>3,780,547</u>	<u>990,002</u>	<u>948,267</u>	<u>3,822,282</u>
Total liabilities	<u>\$ 3,780,547</u>	<u>\$ 990,002</u>	<u>\$ 948,267</u>	<u>\$ 3,822,282</u>

CITY OF McALLEN, TEXAS
AGENCY FUND
COMMUNICATIONS GROUP
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended September 30, 2018

	Balance 09/30/17	ADDITIONS	DEDUCTIONS	Balance 09/30/18
<u>Assets:</u>				
Cash and equivalents	\$ 18,008	\$ 2,485,868	\$ 2,337,016	\$ 166,860
Investments	2,932,323	1,195,823	822,455	3,305,691
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current assets	<u>\$ 2,950,331</u>	<u>\$ 3,681,691</u>	<u>\$ 3,159,471</u>	<u>\$ 3,472,551</u>
<u>Liabilities:</u>				
Payables	\$ 6,907	\$ 245,731	\$ 183,948	\$ 68,690
Due Agency	2,943,424	460,437	-	3,403,861
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 2,950,331</u>	<u>\$ 706,168</u>	<u>\$ 183,948</u>	<u>\$ 3,472,551</u>

CITY OF McALLEN, TEXAS
AGENCY FUND
PAYROLL FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended September 30, 2018

	<u>Balance</u> <u>09/30/17</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>Balance</u> <u>09/30/18</u>
<u>Assets:</u>				
Cash and equivalents	\$ 222,992	\$ 157,100,371	\$ 156,227,241	\$ 1,096,122
Receivables:				-
Other	<u>7,368</u>	<u>93,725</u>	<u>92,282</u>	<u>8,811</u>
Total current assets	<u><u>\$ 230,360</u></u>	<u><u>\$ 157,194,096</u></u>	<u><u>\$ 156,319,523</u></u>	<u><u>\$ 1,104,933</u></u>
<u>Liabilities:</u>				
Payables	<u>\$ 277,859</u>	<u>\$ 39,749,944</u>	<u>\$ 38,922,870</u>	<u>\$ 1,104,933</u>
Total liabilities	<u><u>\$ 277,859</u></u>	<u><u>\$ 39,749,944</u></u>	<u><u>\$ 38,922,870</u></u>	<u><u>\$ 1,104,933</u></u>

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Individual Budget Schedules and Other

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 40,694,607	\$ 41,047,745	\$ 41,506,707	\$ 458,962
Sales	44,175,080	45,500,332	46,617,099	1,116,767
Franchise	7,270,000	7,270,000	7,737,341	467,341
Total taxes	92,139,687	93,818,077	95,861,147	2,043,070
Licenses and permits:				
Business licenses and permits	65,000	65,000	74,225	9,225
Occupational	246,100	246,100	296,715	50,615
Non-business licenses and permits	1,536,876	1,536,876	1,597,272	60,396
Total licenses and permits	1,847,976	1,847,976	1,968,212	120,236
Intergovernmental revenues:				
State shared revenues	-	-	2,147	2,147
Total intergovernmental revenues	-	-	2,147	2,147
Charges for services:				
General government	2,184,500	2,184,500	2,417,126	232,626
Public safety	674,000	674,000	904,851	230,851
Highways and streets	3,500	3,500	6,872	3,372
Health	570,680	570,680	770,736	200,056
Culture and recreation	1,219,372	1,228,372	1,134,569	(93,803)
Total charges for services	4,652,052	4,661,052	5,234,154	573,102
Fines and forfeitures:				
Corporations court	1,250,000	1,301,984	1,376,738	74,754
Other fines	65,000	65,000	43,942	(21,058)
Total fines and forfeitures	1,315,000	1,366,984	1,420,680	53,696
Investment earnings	570,000	570,000	918,858	348,858
Net increase (decrease) in the fair value of investments	\$ -	\$ -	\$ (94,687)	\$ (94,687)

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Other:				
Royalties	430,000	430,000	534,238	104,238
Rents and concessions	5,500	5,500	9,531	4,031
Reimbursements	554,466	680,659	1,427,014	746,355
Other	43,099	1,143,840	1,735,857	592,017
Total other revenues	1,033,065	2,259,999	3,706,640	1,446,641
Total revenues	101,557,780	104,524,088	109,017,151	4,493,063
EXPENDITURES				
General government:				
City commission:				
Personal services	179,656	180,170	232,202	(52,032)
Supplies	4,680	4,680	2,967	1,713
Miscellaneous services	154,980	154,980	84,240	70,740
Total city commission	339,316	339,830	319,409	20,421
Special service:				
Miscellaneous services	709,411	733,411	740,599	(7,188)
Capital outlay	-	-	5,000	(5,000)
Total special service	709,411	733,411	745,599	(12,188)
City manager:				
Personal services	1,244,583	1,249,213	1,292,585	(43,372)
Supplies	14,930	14,930	10,341	4,589
Miscellaneous services	88,181	87,181	74,375	12,806
Maintenance	1,680	1,680	630	1,050
Capital outlay	-	1,000	646	354
Total city manager	1,349,374	1,354,004	1,378,577	(24,573)
Budget & management:				
Personal service	360,991	363,563	366,543	(2,980)
Supplies	6,300	6,300	6,824	(524)
Miscellaneous services	31,282	28,282	9,606	18,676
Maintenance	13,000	13,000	3,900	9,100
Capital outlay	-	3,000	2,959	41
Total budget & management	411,573	414,145	389,832	24,313

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
City secretary:				
Personal services	461,577	465,692	436,486	29,206
Supplies	4,500	4,500	5,053	(553)
Miscellaneous services	20,666	20,666	19,804	862
Maintenance	20,780	20,780	20,387	393
Capital outlay	5,060	5,060	2,110	2,950
Total city secretary	512,583	516,698	483,840	32,858
Audit office:				
Personal services	203,485	204,514	201,815	2,699
Supplies	2,375	2,375	1,489	886
Miscellaneous services	11,931	11,931	6,750	5,181
Total audit office	217,791	218,820	210,054	8,766
Vital statistics:				
Personal services	139,570	141,113	133,164	7,949
Supplies	9,050	9,050	8,024	1,026
Miscellaneous services	22,168	22,168	12,214	9,954
Maintenance	-	-	664	(664)
Total vital statistics	170,788	172,331	154,066	18,265
Passport facility:				
Personal services	104,428	105,714	96,012	9,702
Supplies	1,490	1,490	2,379	(889)
Miscellaneous services	8,170	4,530	4,084	446
Maintenance	200	200	-	200
Capital outlay	-	3,640	-	3,640
Total passport facility	114,288	115,574	102,475	13,099
Municipal court:				
Personal services	1,344,211	1,356,556	1,200,933	155,623
Supplies	8,910	9,210	8,631	579
Miscellaneous services	73,670	74,685	48,794	25,891
Maintenance	74,790	73,990	62,922	11,068
Capital outlay	11,006	62,475	61,394	1,081
Total municipal court	1,512,587	1,576,916	1,382,674	194,242

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Finance:				
Personal services	1,070,565	1,080,081	1,137,095	(57,014)
Supplies	19,260	19,260	13,548	5,712
Miscellaneous services	165,847	165,847	131,351	34,496
Maintenance	37,656	37,656	34,853	2,803
Capital outlay	3,000	3,000	2,041	959
Total finance	1,296,328	1,305,844	1,318,888	(13,044)
Tax office:				
Personal services	282,554	285,641	275,567	10,074
Supplies	5,833	6,633	5,898	735
Miscellaneous services	835,542	834,742	809,653	25,089
Maintenance	29,307	29,307	27,798	1,509
Total tax office	1,153,236	1,156,323	1,118,916	37,407
Purchasing and contracting:				
Personal services	561,921	566,036	534,488	31,548
Supplies	7,060	8,518	10,357	(1,839)
Miscellaneous services	13,878	12,420	10,487	1,933
Maintenance	806	806	111	695
Capital outlay	-	-	964	(964)
Total purchasing and contracting	583,665	587,780	556,407	31,373
Legal:				
Personal services	1,223,394	1,228,024	1,194,788	33,236
Supplies	5,032	5,032	7,244	(2,212)
Miscellaneous services	448,023	448,023	439,825	8,198
Total legal	1,676,449	1,681,079	1,641,857	39,222
Grant administration:				
Personal services	400,497	403,584	369,528	34,056
Supplies	5,500	5,500	5,437	63
Miscellaneous services	56,753	56,753	53,116	3,637
Total grant administration	462,750	465,837	428,081	37,756

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Human resources:				
Personal services	628,841	633,471	583,165	50,306
Supplies	32,151	32,151	28,469	3,682
Miscellaneous services	107,149	107,149	87,057	20,092
Maintenance	10,000	200	210	(10)
Capital outlay	25,000	34,800	14,490	20,310
Total human resources	803,141	807,771	713,391	94,380
Risk management:				
Liability insurance	457,085	457,085	457,085	-
Total risk management	457,085	457,085	457,085	-
Planning:				
Personal services	1,168,849	1,176,051	843,881	332,170
Supplies	21,715	18,515	13,608	4,907
Miscellaneous services	47,069	47,069	30,474	16,595
Maintenance	17,241	17,241	2,749	14,492
Capital outlay	-	29,600	28,018	1,582
Total planning	1,254,874	1,288,476	918,730	369,746
Information technology:				
Personal services	1,939,112	1,951,972	1,889,254	62,718
Supplies	17,548	17,548	20,377	(2,829)
Miscellaneous services	254,604	254,604	246,541	8,063
Maintenance	573,529	573,529	588,540	(15,011)
Capital outlay	258,325	258,325	218,436	39,889
Total information technology	3,043,118	3,055,978	2,963,148	92,830
Public information office:				
Personal services	638,655	642,770	605,202	37,568
Supplies	9,950	9,950	9,883	67
Miscellaneous services	82,183	82,183	78,517	3,666
Maintenance	14,401	14,401	11,434	2,967
Total public information office	745,189	749,304	705,036	44,268
311 Call center:				
Personal services	240,964	243,536	234,575	8,961
Supplies	1,500	1,500	1,094	406
Miscellaneous services	3,000	3,000	2,791	209
Capital outlay	1,200	1,200	-	1,200
Total 311 Call center	246,664	249,236	238,460	10,776

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
City hall:				
Personal services	132,722	134,265	102,316	31,949
Supplies	19,900	19,900	14,965	4,935
Miscellaneous services	263,787	263,787	273,360	(9,573)
Maintenance	142,928	142,928	139,662	3,266
Total city hall	559,337	560,880	530,303	30,577
Development center				
Personal services	34,048	34,562	34,906	(344)
Supplies	14,300	14,300	11,466	2,834
Miscellaneous services	43,950	43,950	49,127	(5,177)
Maintenance	7,000	7,000	9,361	(2,361)
Total development center	99,298	99,812	104,860	(5,048)
Building maintenance:				
Personal services	707,724	714,412	718,914	(4,502)
Supplies	18,732	18,732	22,315	(3,583)
Miscellaneous services	50,225	50,225	50,388	(163)
Maintenance	39,813	39,813	43,813	(4,000)
Total building maintenance	816,494	823,182	835,430	(12,248)
Economic development:				
Chambers of commerce	644,200	644,200	644,200	-
Total economic development	644,200	644,200	644,200	-
Non-departmental activities	89,389	89,389	7,047	82,342
Contingency	(787,943)	(1,735,439)	-	(1,735,439)
Total general government	18,480,985	17,728,466	18,348,365	(619,899)
Public safety:				
Police:				
Personal services	30,016,252	30,303,792	29,639,591	664,201
Supplies	396,091	396,091	685,762	(289,671)
Miscellaneous services	1,353,355	1,474,795	1,474,666	129
Maintenance	1,389,939	1,409,883	1,556,224	(146,341)
Capital outlay	432,628	432,628	319,625	113,003
Total police	33,588,265	34,017,189	33,675,868	341,321

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Animal control:				
Personal services	265,495	268,067	234,912	33,155
Supplies	12,000	12,000	9,796	2,204
Miscellaneous services	30,825	30,825	28,975	1,850
Maintenance	37,076	37,076	35,189	1,887
Total animal control	345,396	347,968	308,872	39,096
Radio shop:				
Personal services	299,530	302,102	313,189	(11,087)
Supplies	20,376	20,376	16,793	3,583
Miscellaneous services	260,411	260,411	187,149	73,262
Maintenance	6,770	6,770	539	6,231
Capital outlay	37,800	37,800	63,946	(26,146)
Total communication technology	624,887	627,459	581,616	45,843
Fire:				
Personal services	16,242,605	16,099,784	16,554,276	(454,492)
Supplies	293,243	317,243	361,095	(43,852)
Miscellaneous services	1,153,942	1,151,912	1,249,585	(97,673)
Maintenance	566,615	597,730	753,900	(156,170)
Capital outlay	201,250	352,996	349,608	3,388
Total fire	18,457,655	18,519,665	19,268,464	(748,799)
Traffic operations:				
Personal services	1,611,404	1,625,807	1,347,402	278,405
Supplies	115,492	115,492	114,266	1,226
Miscellaneous services	341,624	384,557	361,543	23,014
Maintenance	320,404	320,404	379,048	(58,644)
Capital outlay	59,370	59,370	59,265	105
Total traffic operations	2,448,294	2,505,630	2,261,524	244,106
Building code compliance:				
Personal services	946,758	956,788	962,002	(5,214)
Supplies	13,687	13,687	8,117	5,570
Miscellaneous services	77,761	77,761	59,287	18,474
Maintenance	13,036	13,036	15,082	(2,046)
Total building code compliance	1,051,242	1,061,272	1,044,488	16,784
Total public safety	56,515,739	57,079,183	57,140,832	(61,649)

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Highways and streets:				
Engineering services:				
Personal services	1,785,613	1,799,501	1,498,896	300,605
Supplies	13,000	13,000	12,363	637
Miscellaneous services	137,327	137,327	97,989	39,338
Maintenance	34,610	34,610	44,375	(9,765)
Capital outlay	-	-	2,117	(2,117)
Total engineering	1,970,550	1,984,438	1,655,740	328,698
Street maintenance:				
Personal services	2,002,543	2,022,090	1,876,433	145,657
Supplies	29,607	29,607	34,380	(4,773)
Miscellaneous services	389,514	389,514	388,169	1,345
Maintenance	3,857,072	3,904,011	3,715,819	188,192
Total street maintenance	6,278,736	6,345,222	6,014,801	330,421
Street lighting:				
Miscellaneous services	1,190,204	2,246,075	2,151,758	94,317
Maintenance	72,675	72,675	49,215	23,460
Total street lighting	1,262,879	2,318,750	2,200,973	117,777
Sidewalk construction:				
Personal services	243,314	244,857	135,822	109,035
Supplies	30,132	30,132	30,054	78
Miscellaneous services	33,992	33,992	33,977	15
Maintenance	27,870	27,870	39,134	(11,264)
Capital outlay	7,000	7,000	7,061	(61)
Total sidewalk construction	342,308	343,851	246,048	97,803
Drainage:				
Personal services	927,213	935,957	854,777	81,180
Supplies	20,052	20,052	13,533	6,519
Miscellaneous services	223,062	223,062	218,767	4,295
Maintenance	224,049	244,386	293,560	(49,174)
Total drainage	1,394,376	1,423,457	1,380,637	42,820
Total highways and streets	11,248,849	12,415,718	11,498,199	917,519

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Health and welfare:				
Health code compliance:				
Personal services	1,123,250	1,137,138	1,085,275	51,863
Supplies	27,995	27,995	33,990	(5,995)
Miscellaneous services	260,554	260,554	340,759	(80,205)
Maintenance	31,721	31,721	55,972	(24,251)
Capital outlay	5,345	5,345	311	5,034
Total health code compliance	1,448,865	1,462,753	1,516,307	(53,554)
Graffiti cleaning:				
Personal services	109,055	110,598	106,277	4,321
Supplies	10,181	10,181	6,765	3,416
Miscellaneous services	20,040	20,040	20,062	(22)
Maintenance	14,739	14,739	31,909	(17,170)
Total graffiti cleaning	154,015	155,558	165,013	(9,455)
Other agencies:				
Humane society	767,276	767,276	838,656	(71,380)
Other health and welfare agencies	70,656	70,656	180,662	(110,006)
Total other agencies	837,932	837,932	1,019,318	(181,386)
Total health and welfare	2,440,812	2,456,243	2,700,638	(244,395)
Culture and recreation:				
Parks and recreation administration:				
Personal services	417,098	420,185	389,421	30,764
Supplies	6,350	6,350	5,433	917
Miscellaneous services	126,987	126,987	118,701	8,286
Maintenance	24,097	24,097	25,319	(1,222)
Capital outlay	-	-	438	(438)
Total parks and recreation administration	574,532	577,619	539,312	38,307
Parks:				
Personal services	4,437,257	4,478,409	3,888,859	589,550
Supplies	174,654	174,654	168,306	6,348
Miscellaneous services	2,028,731	2,228,271	2,345,854	(117,583)
Maintenance	471,963	500,687	682,613	(181,926)
Capital outlay	20,000	20,000	251,485	(231,485)
Total parks	7,132,605	7,402,021	7,337,117	64,904

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Recreation:				
Personal services	1,347,955	1,351,556	1,412,534	(60,978)
Supplies	51,000	51,000	52,780	(1,780)
Miscellaneous services	272,826	272,826	284,740	(11,914)
Maintenance	13,599	13,599	11,590	2,009
Capital outlay	2,200	11,200	17,717	(6,517)
Total recreation	1,687,580	1,700,181	1,779,361	(79,180)
Pools:				
Personal services	640,761	643,590	607,377	36,213
Supplies	86,800	86,800	75,827	10,973
Miscellaneous services	119,698	119,698	100,625	19,073
Maintenance	60,002	60,002	36,783	23,219
Capital outlay	4,800	4,800	2,136	2,664
Total pools	912,061	914,890	822,748	92,142
Las palmas community center:				
Personal services	255,260	257,575	255,077	2,498
Supplies	16,180	16,180	17,250	(1,070)
Miscellaneous services	86,740	86,740	91,055	(4,315)
Maintenance	15,384	15,384	20,163	(4,779)
Capital outlay	20,724	20,724	12,395	8,329
Total las palmas community center	394,288	396,603	395,940	663
Recreation center-Lark:				
Personal services	308,605	311,434	286,815	24,619
Supplies	25,530	25,530	26,167	(637)
Miscellaneous services	109,944	109,944	113,311	(3,367)
Maintenance	16,500	16,500	14,753	1,747
Capital outlay	3,000	3,000	2,949	51
Total recreation center-Lark	463,579	466,408	443,995	22,413
Recreation center-Palmview:				
Personal services	301,274	303,846	229,158	74,688
Supplies	23,205	23,205	20,642	2,563
Miscellaneous services	106,621	106,621	106,530	91
Maintenance	17,000	17,000	15,742	1,258
Capital outlay	16,600	16,600	21,590	(4,990)
Total recreation center-Palmview	464,700	467,272	393,662	73,610

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Quinta mazatlan:				
Personal services	656,315	661,202	610,494	50,708
Supplies	52,350	52,350	52,765	(415)
Miscellaneous services	137,775	137,775	137,866	(91)
Maintenance	57,469	57,469	62,280	(4,811)
Capital outlay	12,450	12,450	11,240	1,210
Total quinta mazatlan	916,359	921,246	874,645	46,601
Library:				
Personal services	2,441,308	2,469,599	2,283,498	186,101
Supplies	101,600	101,600	111,758	(10,158)
Miscellaneous services	564,858	617,358	620,530	(3,172)
Maintenance	145,351	145,351	149,640	(4,289)
Capital outlay	154,816	154,816	154,910	(94)
Total library	3,407,933	3,488,724	3,320,336	168,388
Library branch-Lark:				
Personal services	411,726	416,099	384,005	32,094
Supplies	9,150	9,150	6,665	2,485
Miscellaneous services	13,293	13,293	11,347	1,946
Maintenance	5,250	5,250	5,563	(313)
Capital outlay	25,400	25,400	25,841	(441)
Total library branch-Lark	464,819	469,192	433,421	35,771
Library branch-Palmview:				
Personal services	454,565	459,966	434,231	25,735
Supplies	10,200	10,200	6,676	3,524
Miscellaneous services	9,993	9,993	9,508	485
Maintenance	5,500	5,500	4,423	1,077
Capital outlay	25,400	25,400	33,097	(7,697)
Total library branch-Palmview	505,658	511,059	487,935	23,124
Other agencies	970,400	970,400	970,400	-
Museums	738,000	738,000	738,000	-
Total culture and recreation	18,632,514	19,023,615	18,536,872	486,743
Total expenditures	107,318,899	108,703,225	108,224,906	478,319
Excess of revenues over expenditures	(5,761,119)	(4,179,137)	792,245	(4,971,382)

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	10,243,555	10,540,028	10,540,028	-
Transfers out	<u>(3,717,200)</u>	<u>(4,817,941)</u>	<u>(4,972,180)</u>	<u>(154,239)</u>
Net other financing sources (uses)	<u>6,526,355</u>	<u>5,722,087</u>	<u>5,567,848</u>	<u>(154,239)</u>
Net change in fund balances	765,236	1,542,950	6,360,093	4,817,143
Fund balances at beginning of year	<u>46,387,548</u>	<u>46,387,548</u>	<u>46,387,548</u>	<u>-</u>
Fund balances at end of year	<u>\$ 47,152,784</u>	<u>\$ 47,930,498</u>	<u>\$ 52,747,641</u>	<u>\$ 4,817,143</u>

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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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Hotel tax	<u>\$ 3,971,015</u>	<u>\$ 3,971,015</u>	<u>\$ 3,724,272</u>	<u>\$ (246,743)</u>
Total revenues	<u>3,971,015</u>	<u>3,971,015</u>	<u>3,724,272</u>	<u>(246,743)</u>
EXPENDITURES				
Current:				
General government	<u>1,106,004</u>	<u>1,177,004</u>	<u>1,106,454</u>	<u>70,550</u>
Total expenditures	<u>1,106,004</u>	<u>1,177,004</u>	<u>1,106,454</u>	<u>70,550</u>
Excess (deficiency) of revenues over expenditures	<u>2,865,011</u>	<u>2,794,011</u>	<u>2,617,818</u>	<u>(176,193)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,865,011)</u>	<u>(2,794,011)</u>	<u>(2,617,817)</u>	<u>176,194</u>
Total other financing sources (uses)	<u>(2,865,011)</u>	<u>(2,794,011)</u>	<u>(2,617,817)</u>	<u>176,194</u>
Net changes in fund balances	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Fund balances--beginning	<u>40</u>	<u>40</u>	<u>40</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 40</u></u>	<u><u>\$ 40</u></u>	<u><u>\$ 41</u></u>	<u><u>\$ 1</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Hotel tax	\$ 1,173,275	\$ 1,173,275	\$ 1,064,135	\$ (109,140)
Investment earnings	<u>-</u>	<u>-</u>	<u>142</u>	<u>142</u>
Total revenues	<u>1,173,275</u>	<u>1,173,275</u>	<u>1,064,277</u>	<u>(108,998)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(1,173,275)</u>	<u>(1,173,275)</u>	<u>(915,476)</u>	<u>257,799</u>
Total other financing sources (uses)	<u>(1,173,275)</u>	<u>(1,173,275)</u>	<u>(915,476)</u>	<u>258,611</u>
Net changes in fund balances	-	-	148,801	149,613
Fund balances--beginning	<u>73,138</u>	<u>73,138</u>	<u>73,138</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 73,138</u></u>	<u><u>\$ 73,138</u></u>	<u><u>\$ 221,939</u></u>	<u><u>\$ 148,801</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Net increase (decrease) in the Investment earnings	<u>-</u>	<u>-</u>	<u>1,419</u>	<u>1,419</u>
Total revenues	<u>-</u>	<u>-</u>	<u>1,419</u>	<u>1,419</u>
EXPENDITURES				
Current:				
General government	<u>-</u>	<u>-</u>	<u>49,466</u>	<u>(49,466)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>49,466</u>	<u>(49,466)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(48,047)</u>	<u>(48,047)</u>
Net changes in fund balances	-	-	(48,047)	(48,047)
Fund balances--beginning	<u>206,878</u>	<u>206,878</u>	<u>206,878</u>	<u>-</u>
Fund balances--ending	<u>\$ 206,878</u>	<u>\$ 206,878</u>	<u>\$ 158,831</u>	<u>\$ (48,047)</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 1,800,261	\$ 1,800,261	\$ 1,426,003	\$ (374,258)
Total revenues	<u>1,800,261</u>	<u>1,800,261</u>	<u>1,426,003</u>	<u>(374,258)</u>
EXPENDITURES				
Current:				
General government	314,463	314,463	343,700	(29,237)
Highways and streets	411,086	411,086	93,469	317,617
Health and welfare	751,612	751,612	420,072	331,540
Culture and recreation	<u>323,100</u>	<u>323,100</u>	<u>568,762</u>	<u>(245,662)</u>
Total expenditures	<u>1,800,261</u>	<u>1,800,261</u>	<u>1,426,003</u>	<u>374,258</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Licenses and permits	\$ 15,000	\$ 15,000	\$ 14,913	\$ (87)
Charges for services	1,166,000	1,166,000	1,080,027	(85,973)
Fines and forfeitures	175,000	175,000	116,273	(58,727)
Investment earnings	-	-	3,786	3,786
Other	3,300	3,300	4,444	1,144
	<u>1,359,300</u>	<u>1,359,300</u>	<u>1,219,443</u>	<u>(139,857)</u>
Total revenues				
EXPENDITURES				
Current:				
Highways and streets	1,149,504	1,221,504	1,153,203	68,301
	<u>1,149,504</u>	<u>1,221,504</u>	<u>1,153,203</u>	<u>68,301</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	209,796	137,796	66,240	(71,556)
Transfers out	(237,000)	(237,000)	(237,000)	-
Total other financing sources (uses)	(237,000)	(237,000)	(237,000)	-
Net changes in fund balances	(27,204)	(99,204)	(170,760)	(71,556)
Fund balances--beginning	290,623	290,623	290,623	-
Fund balances--ending	<u>\$ 263,419</u>	<u>\$ 191,419</u>	<u>\$ 119,863</u>	<u>\$ (71,556)</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Sales tax	\$ 14,657,520	\$ 14,657,520	\$ 15,539,033	\$ 881,513
Intergovernmental revenues	5,398,529	5,709,761	674,908	(5,034,853)
Investment earnings	110,000	110,000	181,858	71,858
Net increase (decrease) in the fair value of investments	-	-	(22,116)	(22,116)
Other	1,408,943	1,408,943	1,434,388	25,445
	<u>21,574,992</u>	<u>21,886,224</u>	<u>17,808,071</u>	<u>(4,078,153)</u>
EXPENDITURES				
Current:				
General government	3,390,421	8,573,421	7,439,657	1,133,764
Highways and streets	9,122,645	10,671,145	1,488,940	9,182,205
Health and welfare	3,940,503	3,940,503	3,963,533	(23,030)
Culture and recreation	3,075,188	4,160,966	2,322,937	1,838,029
Debt service:				
Interest and fiscal charges	498,943	498,943	597,766	(98,823)
	<u>20,027,700</u>	<u>27,844,978</u>	<u>15,812,833</u>	<u>12,032,145</u>
Excess (deficiency) of revenues over expenditures	<u>1,547,292</u>	<u>(5,958,754)</u>	<u>1,995,238</u>	<u>7,953,992</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	150,000	50,000
Transfers out	(5,651,621)	(5,679,728)	(4,918,708)	761,020
Issuance of debt	-	5,115,000	5,115,000	-
	<u>(5,551,621)</u>	<u>(464,728)</u>	<u>346,292</u>	<u>811,020</u>
Net changes in fund balances	(4,004,329)	(6,423,482)	2,341,530	8,765,012
Fund balances--beginning	13,764,611	13,764,611	13,764,611	-
Fund balances--ending	<u>\$ 9,760,282</u>	<u>\$ 7,341,129</u>	<u>\$ 16,106,141</u>	<u>\$ 8,765,012</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, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Property tax	\$ 3,147,206	\$ 3,147,206	\$ 3,429,168	\$ 281,962
Interest	-	-	58,585	58,585
Total revenues	<u>3,147,206</u>	<u>3,147,206</u>	<u>3,487,753</u>	<u>340,547</u>
EXPENDITURES				
Current:				
Debt service:				
Principal	4,565,000	4,565,000	4,565,000	-
Interest and fiscal charges	<u>1,869,406</u>	<u>1,869,406</u>	<u>1,991,647</u>	<u>(122,241)</u>
Total expenditures	<u>6,434,406</u>	<u>6,434,406</u>	<u>6,556,647</u>	<u>(122,241)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,287,200)</u>	<u>(3,287,200)</u>	<u>(3,068,894)</u>	<u>218,306</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,287,200	3,287,200	3,287,200	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>3,287,200</u>	<u>3,287,200</u>	<u>3,287,200</u>	<u>-</u>
Net changes in fund balances	-	-	218,306	218,306
Fund balance--beginning	<u>2,370,907</u>	<u>2,370,907</u>	<u>2,370,907</u>	<u>-</u>
Fund balance--ending	<u><u>\$ 2,370,907</u></u>	<u><u>\$ 2,370,907</u></u>	<u><u>\$ 2,589,213</u></u>	<u><u>\$ 218,306</u></u>

CITY OF McALLEN, TEXAS
HOTEL VENUE DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Property tax	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES				
Current:				
Debt service:				
Principal	465,000	465,000	465,000	-
Interest and fiscal charges	391,919	391,919	392,725	(806)
Total expenditures	856,919	856,919	857,725	(806)
Excess (deficiency) of revenues over expenditures	(856,919)	(856,919)	(857,725)	(806)
OTHER FINANCING SOURCES (USES)				
Transfers in	856,919	856,919	857,731	812
Transfers out	-	-	-	-
Total other financing sources (uses)	856,919	856,919	857,731	812
Net changes in fund balances	-	-	6	6
Fund balance--beginning	-	-	-	-
Fund balance--ending	\$ -	\$ -	\$ 6	\$ 6

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Investment earnings	\$ -	\$ -	\$ 91,701	\$ 91,701
Net increase (decrease) in the fair value of investments	-	-	(19,272)	(19,272)
Other	-	83,843	114,849	31,006
	<u>-</u>	<u>83,843</u>	<u>187,278</u>	<u>103,435</u>
Total revenues	-	83,843	187,278	103,435
EXPENDITURES				
Current:				
General government	622,831	2,630,833	679,642	1,951,191
Public safety	293,400	823,400	200,562	622,838
Highways and streets	220,000	646,956	335,885	311,071
Health and welfare	-	89,700	80,516	9,184
Culture and recreation	459,300	1,800,780	688,096	1,112,684
	<u>1,595,531</u>	<u>5,991,669</u>	<u>1,984,701</u>	<u>4,006,968</u>
Total expenditures	1,595,531	5,991,669	1,984,701	4,006,968
Deficiency of revenues over expenditures	<u>(1,595,531)</u>	<u>(5,907,826)</u>	<u>(1,797,423)</u>	<u>4,110,403</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>430,000</u>	<u>1,630,054</u>	<u>1,734,293</u>	<u>104,239</u>
Total other financing sources (uses)	<u>430,000</u>	<u>1,630,054</u>	<u>1,734,293</u>	<u>104,239</u>
Net changes in fund balances	(1,165,531)	(4,277,772)	(63,130)	4,214,642
Fund balances--beginning	<u>5,216,423</u>	<u>5,216,423</u>	<u>5,216,423</u>	<u>-</u>
Fund balances--ending	<u>\$ 4,050,892</u>	<u>\$ 938,651</u>	<u>\$ 5,153,293</u>	<u>\$ 4,214,642</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, 2018

	<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	\$ 51,941	\$ 6,171
Net increase (decrease) in the Investment earnings	<u>-</u>	<u>-</u>	<u>4,061</u>	<u>4,061</u>
Total revenues	<u>45,770</u>	<u>45,770</u>	<u>56,002</u>	<u>10,232</u>
EXPENDITURES				
Current:				
General government	166,488	187,000	5,751	181,249
Culture and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>166,488</u>	<u>187,000</u>	<u>5,751</u>	<u>181,249</u>
Excess (deficiency) of revenues over expenditures	<u>(120,718)</u>	<u>(141,230)</u>	<u>50,251</u>	<u>191,481</u>
OTHER FINANCING SOURCES (USES)				
Net changes in fund balances	(120,718)	(141,230)	50,251	191,481
Fund balances--beginning	<u>195,657</u>	<u>195,657</u>	<u>195,657</u>	<u>-</u>
Fund balances--ending	<u>\$ 74,939</u>	<u>\$ 54,427</u>	<u>\$ 245,908</u>	<u>\$ 191,481</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Other	\$ -	\$ -	\$ 392,167	\$ 392,167
Net increase (decrease) in the fair value of investments	-	-	(2,758)	(2,758)
Investment earnings	-	-	29,411	29,411
Total revenues	-	-	418,820	418,820
EXPENDITURES				
Current:				
Culture and recreation	1,452,146	1,452,146	60,560	1,391,586
Total expenditures	1,452,146	1,452,146	60,560	1,391,586
Excess (deficiency) of revenues over expenditures	(1,452,146)	(1,452,146)	358,260	1,810,406
Net changes in fund balances	(1,452,146)	(1,452,146)	358,260	1,810,406
Fund balances--beginning	1,961,439	1,961,439	1,961,439	-
Fund balances--ending	\$ 509,293	\$ 509,293	\$ 2,319,699	\$ 1,810,406

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Investment earnings	\$ 9,305,391	\$ 9,305,391	\$ 190,141	\$ (9,115,250)
Net increase (decrease) in the fair value of investments	-	-	-	-
Other	-	-	-	-
Total revenues	<u>9,305,391</u>	<u>9,305,391</u>	<u>190,141</u>	<u>(9,115,250)</u>
EXPENDITURES				
Current:				
Highways and streets	20,331,610	20,331,610	1,092,653	19,238,957
Culture and recreation	-	-	35	(35)
Total expenditures	<u>20,331,610</u>	<u>20,331,610</u>	<u>1,092,688</u>	<u>19,238,922</u>
Deficiency of revenues over expenditures	<u>(11,026,219)</u>	<u>(11,026,219)</u>	<u>(902,547)</u>	<u>10,123,672</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>271,077</u>	<u>271,077</u>	<u>271,077</u>	<u>-</u>
Total other financing sources (uses)	<u>271,077</u>	<u>271,077</u>	<u>271,077</u>	<u>-</u>
Net changes in fund balances	(10,755,142)	(10,755,142)	(631,470)	10,123,672
Fund balances--beginning	<u>10,827,549</u>	<u>10,827,549</u>	<u>10,827,549</u>	<u>-</u>
Fund balances--ending	<u>\$ 72,407</u>	<u>\$ 72,407</u>	<u>\$ 10,196,079</u>	<u>\$ 10,123,672</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 34,393	\$ (115,607)
Investment earnings	2,980	2,980	124,573	121,593
Net increase (decrease) in the fair value of investments	-	-	-	-
Other	-	-	-	-
	<u>152,980</u>	<u>152,980</u>	<u>158,966</u>	<u>5,986</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>12,419,080</u>	<u>12,419,080</u>	<u>6,720,377</u>	<u>5,698,703</u>
	<u>12,419,080</u>	<u>12,419,080</u>	<u>6,720,377</u>	<u>5,698,703</u>
Deficiency of revenues over expenditures	<u>(12,266,100)</u>	<u>(12,266,100)</u>	<u>(6,561,411)</u>	<u>5,704,689</u>
OTHER FINANCING SOURCES (USES)				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(12,266,100)	(12,266,100)	(6,561,411)	5,704,689
Fund balances--beginning	<u>10,643,396</u>	<u>10,643,396</u>	<u>10,643,396</u>	<u>-</u>
Fund balances--ending	<u>\$ (1,622,704)</u>	<u>\$ (1,622,704)</u>	<u>\$ 4,081,985</u>	<u>\$ 5,704,689</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Franchise tax	\$ -	\$ -	\$ 202,559	\$ 202,559
Investment earnings	-	-	10,432	10,432
	<u>-</u>	<u>-</u>	<u>212,991</u>	<u>212,991</u>
EXPENDITURES				
Current:				
General government	183,278	538,229	410,541	127,688
	<u>183,278</u>	<u>538,229</u>	<u>410,541</u>	<u>127,688</u>
Total expenditures	<u>183,278</u>	<u>538,229</u>	<u>410,541</u>	<u>127,688</u>
Excess (deficiency) of revenues over expenditures	<u>(183,278)</u>	<u>(538,229)</u>	<u>(197,550)</u>	<u>340,679</u>
OTHER FINANCING SOURCES (USES)				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(183,278)	(538,229)	(197,550)	340,679
Fund balances--beginning	<u>866,956</u>	<u>866,956</u>	<u>866,956</u>	<u>-</u>
Fund balances--ending	<u>\$ 683,678</u>	<u>\$ 328,727</u>	<u>\$ 669,406</u>	<u>\$ 340,679</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Investment earnings	-	-	\$ 14,082	\$ 14,082
Net increase (decrease) in the fair value of investments	-	-	-	-
Other	-	-	-	-
Total revenues	-	-	14,082	14,082
EXPENDITURES				
Current:				
Culture and recreation	800,000	800,000	189,917	610,083
Total expenditures	800,000	800,000	189,917	610,083
Deficiency of revenues over expenditures	(800,000)	(800,000)	(175,835)	624,165
OTHER FINANCING SOURCES (USES)				
Transfers in	258,611	258,611	-	(258,611)
Total other financing sources (uses)	258,611	258,611	-	(258,611)
Net changes in fund balances	(541,389)	(541,389)	(175,835)	365,554
Fund balances--beginning	758,963	758,963	758,963	-
Fund balances--ending	<u>\$ 217,574</u>	<u>\$ 217,574</u>	<u>\$ 583,128</u>	<u>\$ 365,554</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2018

	<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	\$ 13,283,937	\$ 13,283,937	\$ 10,900,711	\$ (2,383,226)
Commercial accounts	6,180,456	6,180,456	5,866,055	(314,401)
Industrial customers	520,287	520,287	404,538	(115,749)
Total water sales	19,984,680	19,984,680	17,171,304	(2,813,376)
Service charges:				
Tap fees	800,000	800,000	843,978	43,978
Connect fees	190,000	190,000	251,970	61,970
Reconnect fees	190,000	190,000	222,140	32,140
Other services	812,906	812,906	1,024,049	211,143
Total service charges	1,992,906	1,992,906	2,342,137	349,231
Total operating revenues	21,977,586	21,977,586	19,513,441	(2,464,145)
Non-operating revenues:				
Investment earnings	163,711	163,711	274,622	110,911
Net increase (decrease) in the fair value of investment	-	-	(15,240)	(15,240)
Other	-	-	1,661,941	1,661,941
Total non-operating revenues	163,711	163,711	1,921,323	1,757,612
Total revenues	22,141,297	22,141,297	21,434,764	(706,533)
Expenses:				
Water plant:				
Salaries and benefits	1,697,389	1,712,989	1,609,569	103,420
Supplies and raw water purchases	1,222,060	1,222,060	1,085,640	136,420
Contractual and other services	3,874,598	3,860,909	3,696,117	164,792
Repairs and maintenance	402,500	423,600	423,277	323
Total water plant	7,196,547	7,219,558	6,814,603	404,955

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Water lab:				
Salaries and benefits	\$ 281,272	\$ 284,392	\$ 269,103	\$ 15,289
Supplies	32,130	32,130	30,676	1,454
Contractual and other services	65,340	66,822	45,801	21,021
Repairs and maintenance	27,950	27,950	19,019	8,931
Total water lab	406,692	411,294	364,599	46,695
Transmission and distribution:				
Salaries and benefits	2,128,362	2,166,481	1,907,527	258,954
Supplies	40,000	40,000	21,828	18,172
Contractual and other services	97,400	115,166	65,416	49,750
Repairs and maintenance	251,500	278,200	277,867	333
Total Transmission and distribution	2,517,262	2,599,847	2,272,638	327,209
Water meters:				
Salaries and benefits	848,847	858,207	823,125	35,082
Supplies	24,965	24,965	20,771	4,194
Contractual and other services	49,872	79,516	45,380	34,136
Repairs and maintenance	84,700	84,700	66,439	18,261
Total water meters	1,008,384	1,047,388	955,715	91,673
Utility billing:				
Salaries and benefits	432,251	436,931	431,364	5,567
Supplies	38,000	31,800	25,320	6,480
Contractual and other services	313,826	313,826	283,391	30,435
Repairs and maintenance	22,000	22,000	10,392	11,608
Total utility billing	806,077	804,557	750,467	54,090

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Customer relations:				
Salaries and benefits	\$ 842,297	\$ 852,176	\$ 808,233	\$ 43,943
Supplies	15,560	12,160	12,118	42
Contractual and other services	66,416	76,698	75,647	1,051
Repairs and maintenance	37,995	38,795	38,719	76
Total customer relations	962,268	979,829	934,717	45,112
Treasury/Fiscal Management				
Salaries and benefits	318,634	320,194	274,516	45,678
Supplies	1,200	1,500	1,429	71
Contractual and other services	98,608	98,308	73,435	24,873
Repairs and maintenance	68,777	68,777	65,945	2,832
Total treasury/fiscal management	487,219	488,779	415,325	73,454
Administration:				
Salaries and benefits	949,988	867,670	892,178	(24,508)
Supplies	12,000	12,000	7,292	4,708
Contractual and other services	626,475	694,457	585,721	108,736
Repairs and maintenance	7,600	12,300	9,586	2,714
Total administration	1,596,063	1,586,427	1,494,777	91,650
Non-departmental expenses:				
Liability insurance	55,099	55,099	39,060	16,039
Interest and fiscal charges	751,288	751,288	743,517	7,771
Bond principal requirements	1,385,850	1,385,850	-	1,385,850
Other	-	-	(87,154)	87,154
Capital outlay	19,345,082	19,721,218	3,928,741	15,792,477
Total non-departmental expenses	21,537,319	21,913,455	4,624,164	17,289,291
Total expenses	36,517,831	37,051,134	18,627,005	18,424,129
Excess (deficiency) of revenues over over expenses (budget basis) before transfers	(14,376,534)	(14,909,837)	2,736,608	17,646,445

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Transfers:				
Transfers in	-	-	-	-
Transfers out	75,414	75,414	75,414	-
Net transfers	(75,414)	(75,414)	(75,414)	-
Excess (deficiency) of revenues over budget	\$ (14,451,948)	\$ (14,985,251)	\$ 2,661,194	\$ 17,646,445
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(4,555,213)	(4,555,213)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	3,928,741	3,928,741
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as a reduction of bonds payable per GAAP basis	1,385,850	1,385,850	-	1,385,850
Net income-GAAP basis	<u>\$ (15,837,798)</u>	<u>\$ (16,371,101)</u>	<u>\$ 2,034,722</u>	<u>\$ (18,405,823)</u>

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CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2018

	<u>Current Debt Service</u>	<u>Customer Deposits</u>
Cash, certificates of deposit, and investments at September 30, 2017	<u>\$ 591,756</u>	<u>\$ 2,537,425</u>
Cash receipts:		
Transfers in	2,144,234	-
Operating activities	-	1,039,970
Due to other funds	-	-
Interest received	853	-
Valuation allowance	<u>-</u>	<u>-</u>
Total cash receipts	<u>2,145,087</u>	<u>1,039,970</u>
Total cash available	<u>2,736,843</u>	<u>3,577,395</u>
Cash disbursements:		
Other	-	-
Due from other funds	-	-
Refunds	-	939,965
Capital acquisition	-	-
Principal payments	1,385,850	-
Interest and fiscal charges (net)	<u>752,156</u>	<u>-</u>
Total cash disbursements	<u>2,138,006</u>	<u>939,965</u>
Cash, certificates of deposit, and investments at September 30, 2018	<u><u>\$ 598,837</u></u>	<u><u>\$ 2,637,430</u></u>
Cash, certificates of deposit, and investments at September 30, 2018 is comprised of the following:		
Cash	\$ -	\$ -
Certificates of deposit	-	-
Investments (net)	598,837	2,637,430
Accrued Interest	<u>-</u>	<u>-</u>
Totals	<u><u>\$ 598,837</u></u>	<u><u>\$ 2,637,430</u></u>

<u>Depreciation</u>	<u>Capital Improvement</u>	<u>Total</u>
<u>\$ 8,694,959</u>	<u>\$ 4,614,422</u>	<u>\$ 16,438,562</u>
1,509,112	1,037,643	4,690,989
12,606	-	1,052,576
48,297	-	48,297
108,853	59,999	169,705
(10,215)	(2,496)	(12,711)
<u>1,668,653</u>	<u>1,095,146</u>	<u>5,948,856</u>
<u>10,363,612</u>	<u>5,709,568</u>	<u>22,387,418</u>
37,414	97,532	134,946
-	583	583
-	-	939,965
2,254,290	1,255,667	3,509,957
-	-	1,385,850
-	-	752,156
<u>2,291,704</u>	<u>1,353,782</u>	<u>6,723,457</u>
<u>\$ 8,071,908</u>	<u>\$ 4,355,786</u>	<u>\$ 15,663,961</u>
\$ 122	\$ 10,005	\$ 10,127
-	-	-
8,039,098	4,334,078	15,609,443
32,688	11,703	44,391
<u>\$ 8,071,908</u>	<u>\$ 4,355,786</u>	<u>\$ 15,663,961</u>

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CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2018

	<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	\$ 20,057,636	\$ 20,057,636	\$ 16,817,750	\$ (3,239,886)
Industrial surcharges	390,849	390,849	264,533	(126,316)
Other services	473,500	473,500	374,027	(99,473)
Total operating revenues	20,921,985	20,921,985	17,456,310	(3,465,675)
Non-operating revenues:				
Investment earnings	212,337	212,337	401,803	189,466
Net increase (decrease) in the fair value of investment	-	-	(38,107)	(38,107)
Other	14,420,000	14,420,000	3,425,803	(10,994,197)
Total non-operating revenues	14,632,337	14,632,337	3,789,499	(10,842,838)
Total revenues	35,554,322	35,554,322	21,245,809	(14,308,513)
Expenses:				
Sewer plant:				
Salaries and benefits	2,210,192	2,234,131	1,995,686	238,445
Supplies	198,200	198,200	138,481	59,719
Contractual and other services	1,970,498	2,133,699	1,819,563	314,136
Repairs and maintenance	186,550	212,950	164,333	48,617
Total sewer plant	4,565,440	4,778,980	4,118,063	660,917
Sewer lab:				
Salaries and benefits	388,180	392,339	379,163	13,176
Supplies	57,347	57,347	56,080	1,267
Contractual and other services	8,240	8,240	7,396	844
Repairs and maintenance	8,410	8,410	7,810	600
Total sewer lab	462,177	466,336	450,449	15,887

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Sewer collection:				
Salaries and benefits	\$ 1,237,568	\$ 1,253,628	\$ 1,163,995	\$ 89,633
Supplies	466,000	431,300	430,951	349
Contractual and other services	223,180	270,467	275,340	(4,873)
Repairs and maintenance	274,000	347,700	347,292	408
Total sewer collection	2,200,748	2,303,095	2,217,578	85,517
Administration:				
Salaries and benefits	646,477	664,157	619,552	44,605
Supplies	24,000	24,000	14,871	9,129
Contractual and other services	642,487	935,246	798,713	136,533
Repairs and maintenance	26,500	26,500	7,438	19,062
Total administration	1,339,464	1,649,903	1,440,574	209,329
Non-departmental expenses:				
Employee benefits	75,000	26,162	-	26,162
Liability insurance	65,261	65,261	42,529	22,732
Interest and fiscal charges	1,734,603	1,734,603	1,424,417	310,186
Bond principal requirements	4,161,150	4,161,150	-	4,161,150
Capitalized interest	-	-	(1,032,428)	1,032,428
Other	-	-	(533,613)	533,613
Capital outlay	28,734,975	28,851,630	12,706,796	16,144,834
Total non-departmental expenses	34,770,989	34,838,806	12,607,701	22,231,105
Total expenses	43,338,818	44,037,120	20,834,365	23,202,755
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(7,784,496)	(8,482,798)	411,444	8,894,242
Transfers:				
Transfers out	(42,936)	(42,936)	(42,936)	-
Net transfers	(42,936)	(42,936)	(42,936)	-

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Excess (deficiency) of revenues over budget	\$ (7,827,432)	\$ (8,525,734)	\$ 368,508	\$ 8,894,242
GAAP basis adjustments:				.
Depreciation expense, not budgeted	-	-	(5,939,744)	(5,939,744)
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as reduction of bonds payable per GAAP basis	4,161,150	4,161,150	-	4,161,150
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	12,706,796	12,706,796
Net income-GAAP basis	<u>\$ (11,988,582)</u>	<u>\$ (12,686,884)</u>	<u>\$ 7,135,560</u>	<u>\$ 19,822,444</u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2018

	Current Debt Service	Bond Reserve	Reserve for Improvements	TWDB Debt Service	Depreciation
Cash, certificates of deposit, and investments at September 30, 2017	\$ 624,734	\$ 2,235,066	\$ 9,613,447	\$ 1,932,146	\$ 14,033,419
Cash receipts:					
Transfers from operating cash	2,261,383	227,518	-	3,353,367	2,969,872
Due sewer fund	-	-	-	-	-
Interest received	893	42,344	50,653	26,441	162,925
Valuation allowance	-	-	-	-	(36,631)
Capital contributions	-	-	-	-	-
Total cash receipts	2,262,276	269,862	50,653	3,379,808	3,096,166
Total cash available	2,887,010	2,504,928	9,664,100	5,311,954	17,129,585
Cash disbursements:					
Other	-	-	-	-	13,751
Due sewer fund and internal funds	-	-	6,851,153	-	-
Principal payments	1,459,150	-	-	2,702,000	-
Interest and fiscal charges (net)	800,885	-	-	633,590	-
Capital acquisitions	-	-	-	-	4,567,272
Total cash disbursements	2,260,035	-	6,851,153	3,335,590	4,581,023
Cash, certificates of deposit, and investments at September 30, 2018	\$ 626,975	\$ 2,504,928	\$ 2,812,947	\$ 1,976,364	\$ 12,548,562
Cash, certificates of deposit, and investments at September 30, 2018 is comprised of the following:					
Cash	\$ -	\$ -	\$ -	\$ -	\$ 88,583
Certificates of deposit	-	-	-	-	-
Investments (net)	626,975	2,504,928	2,812,947	1,976,364	12,426,831
Accrued Interest	-	-	-	-33,148	-
Totals	\$ 626,975	\$ 2,504,928	\$ 2,812,947	\$ 1,976,364	\$ 12,548,562

Capital Improvement	Sewer Revenue Bonds	Sewer Series 2012	Sewer Series 2015	Total
<u>\$ 4,575,730</u>	<u>\$ 4,451,161</u>	<u>\$ 518,554</u>	<u>\$ 2</u>	<u>\$ 37,984,259</u>
1,038,200	-	5,921,186	929,947	16,701,473
-	-	259,968	-	259,968
54,311	39,519	-	-	377,086
(1,295)	-	-	-	(37,926)
<u>969,080</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>969,080</u>
<u>2,060,296</u>	<u>39,519</u>	<u>6,181,154</u>	<u>929,947</u>	<u>18,269,681</u>
<u>6,636,026</u>	<u>4,490,680</u>	<u>6,699,708</u>	<u>929,949</u>	<u>56,253,940</u>
5,836	-	-	-	19,587
-	-	-	-	6,851,153
-	-	-	-	4,161,150
-	-	-	-	1,434,475
<u>1,784,329</u>	<u>2,183,222</u>	<u>6,181,154</u>	<u>929,947</u>	<u>15,645,924</u>
<u>1,790,165</u>	<u>2,183,222</u>	<u>6,181,154</u>	<u>929,947</u>	<u>28,112,289</u>
<u>\$ 4,845,861</u>	<u>\$ 2,307,458</u>	<u>\$ 518,554</u>	<u>\$ 2</u>	<u>\$ 28,141,651</u>
\$ 1,545	\$ 264,482	\$ 518,554	\$ 2	\$ 873,166
-	-	-	-	-
4,830,202	2,042,976	-	-	27,221,223
<u>14,114</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,262</u>
<u>\$ 4,845,861</u>	<u>\$ 2,307,458</u>	<u>\$ 518,554</u>	<u>\$ 2</u>	<u>\$ 28,141,651</u>

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Solid waste collections	\$ 18,555,757	\$ 18,555,757	\$ 19,377,373	\$ 821,616
Other services	60,000	60,000	201,928	141,928
Total operating revenues	<u>18,615,757</u>	<u>18,615,757</u>	<u>19,579,301</u>	<u>963,544</u>
Non-operating revenues:				
Investment earnings	-	-	267,134	267,134
Net increase (decrease) in the fair value of investment	-	-	(40,421)	(40,421)
Other	-	-	74,100	74,100
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>300,813</u>	<u>300,813</u>
Total revenues	<u>18,615,757</u>	<u>18,615,757</u>	<u>19,880,114</u>	<u>1,264,357</u>
Expenses:				
Facilities administration:				
Salaries and benefits	1,157,782	1,088,081	941,239	146,842
Supplies	15,750	15,750	14,923	827
Contractual and other services	1,343,237	1,343,237	1,385,133	(41,896)
Repairs and maintenance	55,097	55,097	52,261	2,836
Capital outlay	271,000	271,000	158,444	112,556
Total facilities administration	<u>2,842,866</u>	<u>2,773,165</u>	<u>2,552,000</u>	<u>221,165</u>
Brush collection:				
Salaries and benefits	1,774,515	1,793,548	1,684,261	109,287
Supplies	257,320	257,320	199,465	57,855
Contractual and other services	145,225	145,225	185,440	(40,215)
Repairs and maintenance	540,531	540,531	511,526	29,005
Capital outlay	3,000	3,000	-	3,000
Total brush collection	<u>2,720,591</u>	<u>2,739,624</u>	<u>2,580,692</u>	<u>158,932</u>
Residential collection:				
Salaries and benefits	\$ 1,653,459	\$ 1,669,405	\$ 1,555,075	\$ 114,330
Supplies	35,859	35,859	27,761	8,098
Contractual and other services	608,040	608,040	661,611	(53,571)
Repairs and maintenance	934,581	909,581	823,831	85,750
Capital outlay	13,200	38,200	8,247	29,953
Total residential collection	<u>3,245,139</u>	<u>3,261,085</u>	<u>3,076,525</u>	<u>184,560</u>

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Commercial box collection:				
Salaries and benefits	1,433,894	1,448,554	1,487,876	(39,322)
Supplies	44,479	44,479	37,218	7,261
Contractual and other services	1,335,980	1,335,980	1,429,626	(93,646)
Repairs and maintenance	1,159,476	1,159,476	1,079,774	79,702
Capital outlay	88,000	88,000	7,927	80,073
Total commercial box collection	4,061,829	4,076,489	4,042,421	34,068
Roll offs:				
Salaries and benefits	285,090	288,177	282,207	5,970
Supplies	5,750	5,750	3,734	2,016
Contractual and other services	323,450	323,450	353,344	(29,894)
Repairs and maintenance	249,874	249,874	249,072	802
Capital outlay	35,800	35,800	21,787	14,013
Total roll offs	899,964	903,051	910,144	(7,093)
Recycling:				
Salaries and benefits	1,166,847	1,176,106	1,072,929	103,177
Supplies	53,606	53,606	46,527	7,079
Contractual and other services	263,943	263,943	342,970	(79,027)
Repairs and maintenance	179,749	179,749	196,625	(16,876)
Capital outlay	97,350	97,350	19,522	77,828
Total recycling	1,761,495	1,770,754	1,678,573	92,181
Composting:				
Salaries and benefits	\$ 440,036	\$ 445,180	\$ 404,324	\$ 40,856
Supplies	26,000	26,000	24,075	1,925
Contractual and other services	252,375	252,375	260,324	(7,949)
Repairs and maintenance	121,975	121,975	123,534	(1,559)
Capital outlay	8,500	8,500	5,561	2,939
Total composting	848,886	854,030	817,818	36,212

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Street cleaning:				
Salaries and benefits	241,563	244,135	269,859	(25,724)
Supplies	2,330	2,330	1,248	1,082
Contractual and other services	4,842	4,842	1,682	3,160
Repairs and maintainace	111,427	111,427	96,188	15,239
Capital outlay	-	-	-	-
Total street cleaning	360,162	362,734	368,977	(6,243)
Non-departmental expenses:				
Depreciation fund-capital outlay	2,867,452	4,206,752	1,501,724	2,705,028
Liability insurance	104,034	104,034	104,034	-
Total non-departmental expenses	2,971,486	4,310,786	1,605,758	2,705,028
Total expenses	19,712,418	21,051,718	17,632,908	3,418,810
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(1,096,661)	(2,435,961)	2,247,206	4,683,167
Transfers out	(72,662)	(72,662)	(72,662)	-
Net transfers	(72,662)	(72,662)	(72,662)	-
Excess (deficiency) of revenues over budget	(1,169,323)	(2,508,623)	2,174,544	4,683,167
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(2,279,797)	(2,279,797)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	1,723,212	1,723,212
Net income-GAAP basis	<u>\$ (1,169,323)</u>	<u>\$ (2,508,623)</u>	<u>\$ 1,617,959</u>	<u>\$ 4,126,582</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Green fees	\$ 644,670	\$ 644,670	\$ 729,420	\$ 84,750
Membership sales	168,252	168,252	157,241	(11,011)
Cart rental	297,629	297,629	334,758	37,129
Rentals and other sales	173,632	173,632	203,902	30,270
Total operating revenues	<u>1,284,183</u>	<u>1,284,183</u>	<u>1,425,321</u>	<u>141,138</u>
Non-operating revenues:				
Investment earnings	1,200	1,200	17,705	16,505
fair value of investment	-	-	1,009	1,009
Total non-operating revenues	<u>1,200</u>	<u>1,200</u>	<u>18,714</u>	<u>17,514</u>
Total revenues	<u>1,285,383</u>	<u>1,285,383</u>	<u>1,444,035</u>	<u>158,652</u>
Expenses:				
Salaries and benefits	852,833	852,833	765,475	87,358
Supplies	125,424	125,424	135,416	(9,992)
Contractual and other services	107,332	107,332	121,516	(14,184)
Repairs and maintenance	96,995	96,995	86,737	10,258
Total expenses	<u>1,182,584</u>	<u>1,182,584</u>	<u>1,109,144</u>	<u>73,440</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	102,799	102,799	334,891	232,092
Transfers out	<u>(7,156)</u>	<u>(7,156)</u>	<u>(7,156)</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>95,643</u>	<u>95,643</u>	<u>327,735</u>	<u>232,092</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (325,535)	\$ (325,535)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income-GAAP basis	<u>\$ 95,643</u>	<u>\$ 95,643</u>	<u>\$ 2,200</u>	<u>\$ (93,443)</u>

CITY OF McALLEN, TEXAS
TRANSIT TERMINAL FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Operating revenues:				
Rentals	\$ -	\$ -	\$ -	\$ -
Concessions-other	-	-	-	-
Other services	-	-	180,777	180,777
Total operating revenues	-	-	180,777	180,777
Non-operating revenues:				
Investment earnings	-	-	16,180	16,180
Net increase (decrease) in the Intergovernmental	6,603,473	6,603,473	1,484,728	(5,118,745)
Total non-operating revenues	6,603,473	6,603,473	1,500,908	(5,102,565)
Total revenues	6,603,473	6,603,473	1,681,685	(4,921,788)
Expenses:				
Salaries and benefits	310,480	314,081	273,833	40,248
Supplies	-	-	-	-
Contractual and other services	135,755	135,755	123,256	12,499
Repairs and maintenance	331,003	331,003	450,096	(119,093)
Capital outlay	7,504,289	8,775,081	899,402	7,875,679
Total expenses	8,281,527	9,555,920	1,746,587	7,809,333

CITY OF McALLEN, TEXAS
TRANSIT TERMINAL FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(1,678,054)	(2,952,447)	(64,902)	2,887,545
Transfers:				
Transfers in	967,726	995,833	234,813	(761,020)
Transfers out	<u>(31,376)</u>	<u>(31,376)</u>	<u>(31,376)</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(741,704)</u>	<u>(1,987,990)</u>	<u>138,535</u>	<u>2,126,525</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(919,305)	(919,305)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>899,402</u>	<u>899,402</u>
Net income-GAAP basis	<u><u>\$ (741,704)</u></u>	<u><u>\$(1,987,990)</u></u>	<u><u>\$</u></u>	<u><u>\$ 2,106,622</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 1,230,000	\$ 1,230,000	\$ 906,966	\$ (323,034)
Concessions-other	1,330,000	1,330,000	1,234,531	(95,469)
Other services	<u>427,000</u>	<u>427,000</u>	<u>450,893</u>	<u>23,893</u>
Total operating revenues	<u>2,987,000</u>	<u>2,987,000</u>	<u>2,592,390</u>	<u>(394,610)</u>
Non-operating revenues:				
Investment earnings	13,000	13,000	44,841	31,841
Net increase (decrease) in the fair value of investments	1,000	1,000	3,634	2,634
Other	<u>-</u>	<u>-</u>	<u>(1,429)</u>	<u>(1,429)</u>
Total non-operating revenues	<u>14,000</u>	<u>14,000</u>	<u>47,046</u>	<u>33,046</u>
Total revenues	<u>3,001,000</u>	<u>3,001,000</u>	<u>2,639,436</u>	<u>(361,564)</u>
Expenses:				
Salaries and benefits	2,172,353	2,172,353	2,117,263	55,090
Supplies	99,000	99,000	79,333	19,667
Contractual and other services	1,666,658	1,714,163	1,984,061	(269,898)
Repairs and maintenance	299,582	299,582	309,051	(9,469)
Capital outlay	<u>545,310</u>	<u>497,805</u>	<u>93,747</u>	<u>404,058</u>
Total expenses	<u>4,782,903</u>	<u>4,782,903</u>	<u>4,583,455</u>	<u>199,448</u>
Excess (deficiency) of revenues over over expenses (budget basis) before transfers	(1,781,903)	(1,781,903)	(1,944,019)	(162,116)
Transfers:				
Transfers in	1,935,508	1,885,508	1,762,136	(123,372)
Transfers out	<u>(18,716)</u>	<u>(18,716)</u>	<u>(18,716)</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>134,889</u>	<u>84,889</u>	<u>(200,599)</u>	<u>(285,488)</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (1,610,121)	\$ (1,610,121)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>93,747</u>	<u>93,747</u>
Net income-GAAP basis	<u>\$ 134,889</u>	<u>\$ 84,889</u>	<u>\$ (1,716,973)</u>	<u>\$ (1,801,862)</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 525,000	\$ 525,000	\$ 567,101	\$ 42,101
Concessions-other	560,000	560,000	833,201	273,201
Other services	300,000	300,000	4,399	(295,601)
Total operating revenues	<u>1,385,000</u>	<u>1,385,000</u>	<u>1,404,701</u>	<u>19,701</u>
Non-operating revenues:				
Investment earnings	-	-	31,875	31,875
Net increase (decrease) in the fair value of investments	-	-	1,216	1,216
Other	-	-	56,242	56,242
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>89,333</u>	<u>33,091</u>
Total revenues	<u>1,385,000</u>	<u>1,385,000</u>	<u>1,494,034</u>	<u>52,792</u>
Expenses:				
Salaries and benefits	-	-	-	-
Supplies	55,000	55,000	27,133	27,867
Contractual and other services	999,105	999,105	1,121,856	(122,751)
Repairs and maintenance	191,000	191,000	99,016	91,984
Capital outlay	385,000	385,000	25,720	359,280
Total expenses	<u>1,630,105</u>	<u>1,630,105</u>	<u>1,273,725</u>	<u>356,380</u>
Excess (deficiency) of revenues over over expenses (budget basis) before transfers	(245,105)	(245,105)	220,309	465,414
Transfers:				
Transfers in	<u>887,248</u>	<u>866,248</u>	<u>813,426</u>	<u>(52,822)</u>
Excess (deficiency) of revenues over budget	<u>642,143</u>	<u>621,143</u>	<u>1,033,735</u>	<u>412,592</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (1,175,066)	\$ (1,175,066)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>25,720</u>	<u>25,720</u>
Net income-GAAP basis	<u>\$ 642,143</u>	<u>\$ 621,143</u>	<u>\$ (115,611)</u>	<u>\$ (736,754)</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, 2018

	<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	\$ 2,468,577	\$ 2,468,577	\$ 2,622,470	\$ 153,893
Rentals	3,398,154	3,398,154	3,677,864	279,710
Other services	64,000	64,000	72,939	8,939
Total operating revenues	5,930,731	5,930,731	6,373,273	442,542
Non-operating revenues:				
Intergovernmental	4,302,330	4,677,599	4,163,559	(514,040)
Investment earnings	-	-	208,598	208,598
Net increase (decrease) in the fair value of investments				-
fair value of investments	-	-	(10,338)	(10,338)
Other	-	-	26,228	26,228
Total non-operating revenues	4,302,330	4,677,599	4,388,047	(289,552)
Total revenues	10,233,061	10,608,330	10,761,320	152,990
Expenses:				
Salaries and benefits	2,009,868	2,009,868	1,738,930	270,938
Supplies	104,000	104,000	80,969	23,031
Contractual and other services	1,875,349	1,875,349	1,568,348	307,001
Repairs and maintenance	512,680	512,680	456,601	56,079
Capital outlay	4,505,408	4,922,373	3,272,626	1,649,747
Total administrative expenses	9,007,305	9,424,270	7,117,474	2,306,796
Non-departmental expenses (income):				
Interest and fiscal charges	307,574	307,574	381,554	(73,980)
bond related expenses	-	-	-	-
capitalized interest	-	-	-	-
Total non-departmental expenses	307,574	307,574	381,554	(73,980)
Total expenses	9,314,879	9,731,844	7,499,028	2,232,816
Excess (deficiency) of revenues over expenses (budget basis) before transfers	918,182	876,486	3,262,292	2,385,806

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL AIRPORT FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Transfers:				
Transfers out	<u>(1,122,681)</u>	<u>(1,122,681)</u>	<u>(1,122,681)</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(204,499)</u>	<u>(246,195)</u>	<u>2,139,611</u>	<u>2,385,806</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (4,737,561)	\$ (4,737,561)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>3,272,626</u>	<u>3,272,626</u>
Net income-GAAP basis	<u>\$ (204,499)</u>	<u>\$ (246,195)</u>	<u>\$ 674,676</u>	<u>\$ 920,871</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, 2018

	<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	\$ 11,988,311	\$ 11,988,311	\$ 11,572,352	\$ (415,959)
Rentals	2,436,359	2,436,359	2,510,503	74,144
Other	75,000	75,000	309,552	234,552
Total operating revenues	<u>14,499,670</u>	<u>14,499,670</u>	<u>14,392,407</u>	<u>(107,263)</u>
Non-operating revenues:				
Investment earnings	-	-	94,391	94,391
Other	-	-	(834)	(834)
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>93,557</u>	<u>93,557</u>
Total revenues	<u>14,499,670</u>	<u>14,499,670</u>	<u>14,485,964</u>	<u>(13,706)</u>
Expenses:				
Administration:				
Salaries and benefits	272,505	274,563	280,253	(5,690)
Supplies	24,800	24,800	16,123	8,677
Contractual and other services	472,325	472,325	468,323	4,002
Repairs and maintenance	12,162	12,162	8,024	4,138
Capital outlay	2,091,005	2,091,005	1,140,935	950,070
Total administration	<u>2,872,797</u>	<u>2,874,855</u>	<u>1,913,658</u>	<u>961,197</u>
Operations :				
Salaries and benefits	1,482,601	1,480,543	1,229,322	251,221
Supplies	85,000	85,000	63,576	21,424
Contractual and other services	504,500	504,500	544,310	(39,810)
Repairs and maintenance	176,000	176,000	171,830	4,170
Total operations	<u>2,248,101</u>	<u>2,246,043</u>	<u>2,009,038</u>	<u>237,005</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, 2018

	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	-	-	19,229	(19,229)
Other	3,518,915	3,518,915	3,627,039	(108,124)
Total non-departmental expenses	3,542,086	3,542,086	3,669,439	(127,353)
Total expenses	8,662,984	8,662,984	7,592,135	1,070,849
Excess (deficiency) of revenues over expenses (budget basis) before transfers	5,836,686	5,836,686	6,893,829	1,057,143
Transfers:				
Transfers out	(6,270,712)	(6,270,712)	(6,572,984)	(302,272)
Net transfers	(6,270,712)	(6,270,712)	(6,572,984)	(302,272)
Excess (deficiency) of revenues over budget	(434,026)	(434,026)	320,845	754,871
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,147,670)	(1,147,670)
Principal payments on revenue bonds	-	-	-	-
Interest on board advances	-	-	661,086	661,086
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	1,140,935	1,140,935
Net income-GAAP basis	\$ (434,026)	\$ (434,026)	\$ 975,196	\$ 1,409,222

CITY OF McALLEN, TEXAS
ANZALDUAS INTERNATIONAL CROSSING FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2018

	<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	\$ 3,658,286	\$ 3,658,286	\$ 3,421,737	\$ (236,549)
Rentals	18,552	18,552	18,026	(526)
Other	34,449	34,449	103,681	69,232
Total operating revenues	<u>3,711,287</u>	<u>3,711,287</u>	<u>3,543,444</u>	<u>(167,843)</u>
Non-operating revenues:				
Investment earnings	1,000	1,000	61,010	60,010
fair value of investments	-	-	1,036	1,036
Other	-	-	2,240	2,240
Total non-operating revenues	<u>1,000</u>	<u>1,000</u>	<u>64,286</u>	<u>63,286</u>
Total revenues	<u>3,712,287</u>	<u>3,712,287</u>	<u>3,607,730</u>	<u>(104,557)</u>
Expenses:				
Administration:				
Salaries and benefits	221,799	221,799	196,784	25,015
Supplies	8,200	8,200	7,116	1,084
Contractual and other services	1,137,000	1,057,000	1,028,409	28,591
Repairs and maintenance	7,000	7,000	1,342	5,658
Capital outlay	138,000	238,000	290,037	(52,037)
Total administration	<u>1,511,999</u>	<u>1,531,999</u>	<u>1,523,688</u>	<u>8,311</u>
Operations :				
Salaries and benefits	354,564	358,165	287,855	70,310
Supplies	15,000	15,000	6,841	8,159
Contractual and other services	39,235	39,235	26,763	12,472
Repairs and maintenance	41,094	41,094	42,021	(927)
Total operations	<u>449,893</u>	<u>453,494</u>	<u>363,480</u>	<u>90,014</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, 2018

	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	1,109,475	1,109,475	1,107,640	1,835
Interest on board advances	-	-	661,086	(661,086)
Bond related charges	-	-	(249,985)	249,985
Bond principal requirement	1,470,000	1,470,000	-	1,470,000
Other	-	4,592	-	4,592
Total non-departmental expenses	2,600,438	2,605,030	1,539,704	1,065,326
Total expenses	4,562,330	4,590,523	3,426,872	1,163,651
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(850,043)	(878,236)	180,858	1,059,094
Transfers:				
Transfers in	841,075	841,075	846,258	5,183
Transfers out	(4,404)	(4,404)	(4,404)	-
Net transfers	836,671	836,671	841,854	5,183
Excess (deficiency) of revenues over budget	(13,372)	(41,565)	1,022,712	1,064,277
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,534,738)	(1,534,738)
Principal payments on revenue bonds	-	-	-	-
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	290,037	290,037
Net income-GAAP basis	<u>\$ (13,372)</u>	<u>\$ (41,565)</u>	<u>\$ (221,989)</u>	<u>\$ (180,424)</u>

CITY OF McALLEN, TEXAS
McALLEN EXPRESS FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2018

	<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	\$ 541,507	\$ 30,982
Rentals	348,935	348,935	330,663	(18,272)
Other services	<u>266,952</u>	<u>266,952</u>	<u>43,549</u>	<u>(223,403)</u>
Total operating revenues	<u>1,126,412</u>	<u>1,126,412</u>	<u>915,719</u>	<u>(210,693)</u>
Non-operating revenues:				
Intergovernmental	1,664,452	1,664,452	1,246,711	(417,741)
Investment earnings	-	-	10,189	10,189
Increase in the fair value of investments	-	-	(1,133)	(1,133)
Other	<u>-</u>	<u>-</u>	<u>655</u>	<u>655</u>
Total non-operating revenues	<u>1,664,452</u>	<u>1,664,452</u>	<u>1,256,422</u>	<u>(408,030)</u>
Total revenues	<u>2,790,864</u>	<u>2,790,864</u>	<u>2,172,141</u>	<u>(618,723)</u>
Expenses:				
Salaries and benefits	2,243,414	2,261,675	1,903,503	358,172
Supplies	49,629	49,629	46,984	2,645
Contractual and other services	698,167	698,167	591,598	106,569
Repairs and maintenance	<u>675,415</u>	<u>675,415</u>	<u>463,390</u>	<u>212,025</u>
Total expenses	<u>3,666,625</u>	<u>3,684,886</u>	<u>3,005,475</u>	<u>679,411</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(875,761)	(894,022)	(833,334)	60,688
Transfers:				
Transfers in	<u>925,618</u>	<u>925,618</u>	<u>925,618</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>49,857</u>	<u>31,596</u>	<u>92,284</u>	<u>60,688</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (346,024)	\$ (346,024)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income-GAAP basis	<u>\$ 49,857</u>	<u>\$ 31,596</u>	<u>\$ (253,740)</u>	<u>\$ (285,336)</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Fleet billings	\$ 3,720,000	\$ 3,720,000	\$ 3,651,693	\$ (68,307)
Materials management	350,000	350,000	344,844	(5,156)
ther	-	-	-	-
Total operating revenues	<u>4,070,000</u>	<u>4,070,000</u>	<u>3,996,537</u>	<u>(73,463)</u>
Non-operating revenues:				
Investment earnings	-	-	-	-
Other	<u>20,000</u>	<u>20,000</u>	<u>26,855</u>	<u>6,855</u>
Total non-operating revenues	<u>20,000</u>	<u>20,000</u>	<u>26,855</u>	<u>6,855</u>
Total revenues	<u>4,090,000</u>	<u>4,090,000</u>	<u>4,023,392</u>	<u>(66,608)</u>
Expenses:				
Materials management:				
Salaries and benefits	136,532	138,075	129,881	8,194
Supplies	2,750	2,750	1,340	1,410
Contractual and other services	3,100	3,100	1,537	1,563
Repairs and maintenance	5,390	5,390	3,814	1,576
Capital outlay	<u>25,000</u>	<u>25,000</u>	<u>24,300</u>	<u>700</u>
Total materials management	<u>172,772</u>	<u>174,315</u>	<u>160,872</u>	<u>13,443</u>
Fleet operations :				
Salaries and benefits	1,033,711	1,042,970	898,149	144,821
Supplies	24,114	29,114	21,917	7,197
Contractual and other services	2,517,300	2,517,300	3,045,743	(528,443)
Repairs and maintenance	49,450	49,450	54,218	(4,768)
Capital outlay	<u>122,500</u>	<u>117,500</u>	<u>102,348</u>	<u>15,152</u>
Total fleet operations	<u>3,747,075</u>	<u>3,756,334</u>	<u>4,122,375</u>	<u>(366,041)</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, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Non-departmental expenses:				
Liability insurance	\$ 1,600	\$ 1,600	\$ 1,600	\$ -
Contingency	-	3,526	-	3,526
Other	-	-	10,061	(10,061)
Total non-departmental expenses	1,600	5,126	11,661	(6,535)
Total expenses	3,921,447	3,935,775	4,294,908	(359,133)
Excess (deficiency) of revenues over expenses (budget basis)	168,553	154,225	(271,516)	(425,741)
Transfers out	(11,560)	(11,560)	(11,560)	-
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(47,648)	(47,648)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	126,648	126,648
Net income-GAAP basis	\$ 156,993	\$ 142,665	\$ (204,076)	\$ (346,741)

CITY OF McALLEN, TEXAS
EMPLOYEE BENEFITS FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	\$ 10,012,349	\$ 10,012,349	\$ 10,021,450	\$ 9,101
Non-operating revenues:				
Investment earnings	3,929	3,929	2	(3,927)
Net increase (decrease) in the				
Other	176,000	176,000	264,180	88,180
Total non-operating revenues	179,929	179,929	264,182	84,253
Total revenues	10,192,278	10,192,278	10,285,632	93,354
Expenses:				
Salaries and benefits	344,294	344,294	343,828	466
Supplies	3,000	3,000	3,016	(16)
Contractual and other services	1,646,410	1,646,235	1,343,749	302,486
Self insurance claims	10,107,780	10,107,780	12,086,095	(1,978,315)
Repairs and maintenance	-	-	-	-
Capital outlay	-	175	-	175
Total expenses	12,101,484	12,101,484	13,776,688	(1,675,204)
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(1,909,206)	(1,909,206)	(3,491,056)	(1,581,850)
Transfers in	1,377,995	1,377,995	1,377,995	-
Excess (deficiency) of revenues over budget	(531,211)	(531,211)	(2,113,061)	(1,581,850)
Depreciation expense, not budgeted	\$ -	\$ -	\$ (683)	\$ (683)
Net income-GAAP basis	\$ (531,211)	\$ (531,211)	\$ (2,113,744)	\$ (1,582,533)

CITY OF McALLEN, TEXAS
RETIREE HEALTH INSURANCE FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 1,437,075</u>	<u>\$ 1,437,075</u>	<u>\$ 603,463</u>	<u>\$ (833,612)</u>
Non-operating revenues:				
Investment earnings	4,445	4,445	10,352	5,907
fair value of investments	<u>-</u>	<u>-</u>	<u>(2,266)</u>	<u>(2,266)</u>
Total non-operating revenues	<u>4,445</u>	<u>4,445</u>	<u>8,086</u>	<u>3,641</u>
Total revenues	<u>1,441,520</u>	<u>1,441,520</u>	<u>611,549</u>	<u>(829,971)</u>
Expenses:				
Contractual and other services	102,840	102,840	79,296	23,544
Self insurance claims	<u>1,328,499</u>	<u>1,328,499</u>	<u>585,485</u>	<u>743,014</u>
Total expenses	<u>1,431,339</u>	<u>1,431,339</u>	<u>664,781</u>	<u>766,558</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	<u>10,181</u>	<u>10,181</u>	<u>(53,232)</u>	<u>(63,413)</u>
Excess (deficiency) of revenues over budget	<u>10,181</u>	<u>10,181</u>	<u>(53,232)</u>	<u>(63,413)</u>
	<u></u>	<u></u>	<u></u>	<u></u>
Net income-GAAP basis	<u>\$ 10,181</u>	<u>\$ 10,181</u>	<u>\$ (53,232)</u>	<u>\$ (63,413)</u>

CITY OF McALLEN, TEXAS
RISK MANAGEMENT FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 2,765,463</u>	<u>\$ 2,765,463</u>	<u>\$ 2,765,276</u>	<u>\$ (187)</u>
Non-operating revenues:				
Investment earnings	12,000	12,000	190,757	178,757
Net increase (decrease) in the fair value of investments	-	-	2,294	2,294
Other	<u>150,000</u>	<u>150,000</u>	<u>147,950</u>	<u>(2,050)</u>
Total non-operating revenues	<u>162,000</u>	<u>162,000</u>	<u>341,001</u>	<u>179,001</u>
Total revenues	<u>2,927,463</u>	<u>2,927,463</u>	<u>3,106,277</u>	<u>178,814</u>
Expenses:				
Salaries and benefits	442,644	442,644	301,823	140,821
Supplies	4,000	4,000	3,966	34
Contractual and other services	1,487,885	1,487,885	1,445,234	42,651
Self insurance	-	-	74,803	(74,803)
Repairs and maintenance	<u>1,479</u>	<u>1,479</u>	<u>411</u>	<u>1,068</u>
Total expenses	<u>1,936,008</u>	<u>1,936,008</u>	<u>1,826,237</u>	<u>109,771</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	991,455	991,455	1,280,040	288,585
Transfers out	<u>(1,080,192)</u>	<u>(1,080,192)</u>	<u>(1,080,192)</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(88,737)</u>	<u>(88,737)</u>	<u>199,848</u>	<u>288,585</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(3,604)	(3,604)
Capital outlay-amounts budgeted as expenses	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income-GAAP basis	<u>\$ (88,737)</u>	<u>\$ (88,737)</u>	<u>\$ 196,244</u>	<u>\$ 284,981</u>

CITY OF McALLEN, TEXAS
GENERAL DEPRECIATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-charges for services	\$ 2,773,473	\$ 2,773,473	\$ 2,773,473	\$ -
Non-operating revenues:				
Investment earnings	-	-	154,005	154,005
Net increase (decrease) in the fair value of investments	-	-	(26,107)	(26,107)
Other	-	270,792	333,795	63,003
Total non-operating revenues	-	270,792	461,693	190,901
Total revenues	2,773,473	3,044,265	3,235,166	190,901
Expenses:				
Contractual and other services	-	-	69,268	(69,268)
Capital outlay	3,389,000	4,815,816	2,895,953	1,919,863
Total expenses	3,389,000	4,815,816	2,965,221	1,850,595
Excess (deficiency) of revenues over expenses (budget basis)	(615,527)	(1,771,551)	269,945	2,041,496
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(2,076,266)	(2,076,266)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	2,895,953	2,895,953
Net income-GAAP basis	\$ (615,527)	\$ (1,771,551)	\$ 1,089,632	\$ 2,861,183

CITY OF McALLEN, TEXAS
PROPERTY & CASUALTY INSURANCE FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 805,730</u>	<u>\$ 5,730</u>
Non-operating revenues:				
Net increase (decrease) in the				
Other	<u>-</u>	<u>-</u>	<u>11,456</u>	<u>11,456</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>11,456</u>	<u>11,456</u>
Total revenues	<u>800,000</u>	<u>800,000</u>	<u>817,186</u>	<u>17,186</u>
Expenses:				
Salaries and benefits	66,014	66,014	62,536	3,478
Supplies	1,500	1,500	79	1,421
Contractual and other services	320,467	320,467	372,111	(51,644)
Self insurance	408,192	408,192	286,275	121,917
Repairs and maintenance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>796,173</u>	<u>796,173</u>	<u>721,001</u>	<u>75,172</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	<u>3,827</u>	<u>3,827</u>	<u>96,185</u>	<u>92,358</u>
Excess (deficiency) of revenues over budget	<u>3,827</u>	<u>3,827</u>	<u>96,185</u>	<u>92,358</u>
GAAP basis adjustments:				
Capital outlay-amounts budgeted as expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income-GAAP basis	<u>\$ 3,827</u>	<u>\$ 3,827</u>	<u>\$ 96,185</u>	<u>\$ 92,358</u>

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Statistical Section

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Other Information

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

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

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

	<u>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>	<u>2018</u>
Governmental activities										
Net investment in capital assets	\$ 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	\$ 205,470,975
Restricted	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	26,550,903
Unrestricted	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	33,617,347
Total governmental activities net position	<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>	<u>\$ 265,639,225</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 345,070,300
Restricted	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	65,221,064
Unrestricted	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	35,366,274
Total business-type activities net position	<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>	<u>\$ 445,657,638</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 550,541,275
Restricted	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	91,771,967
Unrestricted	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	68,983,621
Total primary government activities net position	<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>	<u>\$ 711,296,863</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)

	<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>	<u>2018</u>
Expenses										
Governmental activities:										
General government	\$ 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	\$ 52,324,011
Public safety	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	57,965,285
Highways and streets	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	24,448,675
Health and welfare	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	7,094,404
Culture and recreation	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	23,161,527
Interest on long-term debt	292,661	543,168	1,108,959	900,520	780,778	816,650	2,159,876	2,066,207	3,418,388	3,651,488
Total governmental activities expenses	<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>	<u>168,645,390</u>
Business-type activities:										
Water services	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	19,120,533
Sewer services	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	14,211,367
Sanitation services	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	18,391,187
Golf course services	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	1,455,820
Civic center services	441,900	475,155	452,980	398,739	423,632	438,233	417,072	162,176	154	-
Performing arts center services	-	-	-	-	-	-	-	-	1,638,310	2,422,385
Convention center services	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	5,766,331
Airport services	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	9,021,537
Transit services	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	1,759,640
Bus services	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	3,402,599
Anzalduas crossing	599,426	3,913,017	4,504,328	4,140,909	4,571,611	4,558,948	5,642,196	5,481,228	5,181,228	4,682,605
Bridge services	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	7,651,619
Total business-type activities expenses	<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>	<u>87,885,623</u>
Total primary government expenses	<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>	<u>\$ 256,531,013</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 2,225,610
Public safety	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	4,493,813
Highways and streets	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	1,833,144
Health and welfare	526,815	123,730	85,343	241,620	308,515	271,722	414,699	366,471	446,902	484,970
Culture and recreation	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	1,178,511
Operating grants and contributions	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	2,264,818
Capital grants and contributions	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	7,826,973
Total governmental activities program revenues	<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>	<u>20,307,839</u>
Business-type activities:										
Charges for services:										
Water services	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	19,053,440
Sewer services	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	17,456,310
Sanitation services	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	19,579,301
Bridge services	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	14,392,407
Other	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	16,035,625
Operating grants and contributions	999,981	747,606	710,754	784,314	853,095	1,587,799	1,329,212	1,523,384	1,854,981	1,762,389
Capital grants and contributions	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	10,279,600
Total business-type activities program revenues	<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>	<u>98,559,072</u>
Total primary government program revenues	<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>	<u>\$ 118,866,911</u>

(Continued)

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

	<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>	<u>2018</u>
Net (Expense) Revenue										
Governmental activities	\$ (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)	\$ (148,337,551)
Business-type activities	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	10,673,449
Total primary government net expense	<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>	<u>\$ (137,664,102)</u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes, levied for general purposes	\$ 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	\$ 45,630,288
Hotel occupancy taxes	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	4,788,407
Sales tax	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	63,177,249
Franchise taxes	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	6,918,783
Unrestricted investment earnings	4,308,531	1,087,577	944,557	675,810	123,546	938,877	1,077,441	1,354,865	1,477,050	2,040,853
Royalties	1,864,867	2,217,798	2,706,824	1,138,925	936,278	944,609	828,482	490,736	620,011	534,238
Contributions	-	-	-	-	-	-	-	-	22,969,640	-
Miscellaneous	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	6,227,083
Transfers	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)	3,079,835
Total governmental activities	<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>	<u>132,396,736</u>
Business-type activities										
Unrestricted investment earnings	2,444,095	639,242	515,713	456,604	157,213	467,440	649,882	689,307	729,638	1,330,004
Gain on sale of capital assets	-	-	-	-	-	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	461,238
Recovery of development costs	-	-	-	-	-	-	-	-	-	-
Transfers	(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	(3,079,835)
Total business-type activities	<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>	<u>(1,288,593)</u>
Total primary government	<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>	<u>\$ 131,108,143</u>
Change in Net Position										
Governmental activities	\$ 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)	\$ (15,940,815)
Business-type activities	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	9,384,856
Total government net position	<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>	<u>\$ (6,555,959)</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>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>	<u>2018</u>
General Fund										
Nonspendable	\$ -	\$ -	\$ 400,000	\$ 1,396,791	\$ 1,774,762	\$ 2,160,543	\$ 2,295,944	\$ 2,646,319	\$ 2,989,178	\$ 3,837,797
Reserved/Assigned	5,253,567	3,449,615	2,925,598	1,552,643	1,730,634	447,859	457,022	457,022	457,022	177,736
Unreserved/Unassigned	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	48,732,108
Total General Fund	<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>	<u>\$ 52,747,641</u>
All Other Governmental Funds										
Reserved-other purposes	\$ 27,576,520	\$ 38,291,958	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved-debt service	134,456	175,923	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	2,866,137	792,646	-	-	-	-	-	-	-	-
Information technology fund	-	1,398,522	-	-	-	-	-	-	-	-
Development corporation fund	-	20,049,897	-	-	-	-	-	-	-	-
Capital projects funds	17,132,979	11,855,332	-	-	-	-	-	-	-	-
Nonspendable	-	-	352,716	352,716	352,716	-	-	27,064	53,659	57,055
Restricted	-	-	38,387,750	34,171,127	33,636,421	79,530,591	71,032,714	71,553,166	52,714,390	41,515,087
Committed	-	-	179,755	217,989	154,790	387,626	513,561	297,145	290,623	119,863
Assigned	-	-	12,054,227	8,459,646	9,090,061	5,741,676	4,451,033	2,989,333	5,412,080	5,399,201
Total all other governmental funds	<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>	<u>\$ 47,091,206</u>

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

	<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>	<u>2018</u>
Revenues										
Taxes	\$ 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	\$ 119,820,314
Licenses and permits	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	1,983,125
Intergovernmental	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	3,094,407
Charges for services	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	7,060,426
Fines and forfeitures	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	1,840,277
Investment earnings	3,675,833	807,932	728,330	508,483	69,628	739,885	876,393	1,006,394	1,151,039	1,711,816
Other	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	7,626,775
Total revenues	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	143,137,140
Expenditures										
General government	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	42,661,910
Public safety	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	57,457,183
Highways and streets	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	12,628,135
Health and welfare	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	7,089,064
Culture and recreation	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	19,872,005
Capital outlay *	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	17,711,495
Debt service:										
Principal	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	5,030,000
Interest	319,116	178,148	1,510,338	1,012,256	896,365	774,407	3,803,374	2,567,009	4,017,840	4,230,646
Total expenditures	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	166,680,438
Excess of revenues over (under) expenditures	(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)	(23,543,298)
Other Financing Sources (Uses)										
Bond proceeds	-	29,030,000	-	-	-	54,230,001	15,035,000	29,620,000	20,835,000	15,005,000
Other	-	1,117,990	-	-	-	-	-	-	-	-
Transfers in	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	17,595,175
Bond Premium	-	-	-	-	-	3,493,907	1,281,031	-	445,587	439,010
Bond Discount	-	-	-	-	-	-	-	(160,520)	-	-
Transfers out	(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)	(14,515,340)
Total other financing sources (uses)	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	18,523,845
Net change in fund balances	\$ (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)	\$ (5,019,453)
Debt service as a percentage of noncapital expenditures	3.00%	0.69%	6.51%	3.20%	3.30%	2.83%	17.14%	5.25%	5.99%	6.48%

* 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>		
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
2018	44,935,877	62,156,132	6,918,784	3,724,272	1,063,462	118,798,527
Change 2009-2018	38.70%	13.69%	10.41%	5.96%	100.00%	22.66%

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

	<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>	<u>2018</u>
Retail	\$ 2,018	\$ 1,735	\$ 1,710	\$ 1,799	\$ 1,847	\$ 1,859	\$ 1,813	\$ 1,709	\$ 1,562 *	\$ 1,267
Services	153	114	170	181	195	207	223	202	191 *	147
Wholesale	68	70	100	112	108	118	123	128	132 *	102
Other	115	311	446	469	491	506	526	524	540 *	440
Total - All Industries	<u>\$ 2,354</u>	<u>\$ 2,374</u>	<u>\$ 2,426</u>	<u>\$ 2,561</u>	<u>\$ 2,640</u>	<u>\$ 2,685</u>	<u>\$ 2,685</u>	<u>\$ 2,563</u>	<u>\$ 2,425</u>	<u>\$ 1,956</u>

(1)

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

Percent Allocation of Taxable Sales - Retail Only

225	Building Materials	6%	5%	6%	6%	5%	5%	6%	6%	6%	5%
	General Merchandise	31%	28%	27%	28%	28%	28%	26%	25%	25%	25%
	Food Stores	5%	6%	6%	6%	6%	6%	6%	7%	7%	8%
	Automotive	5%	6%	6%	5%	5%	6%	5%	5%	6%	4%
	Clothing	17%	15%	15%	16%	17%	17%	17%	16%	16%	16%
	Home Furnishings	12%	13%	13%	13%	13%	12%	12%	12%	11%	14%
	Restaurants	14%	17%	17%	17%	17%	17%	19%	20%	21%	21%
	Miscellaneous Retail	10%	10%	10%	9%	9%	9%	9%	9%	8%	7%
	Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

(1) Represents only three quarters of fiscal year.

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

Source: State Comptroller's Office

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

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

226	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
	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
	2018	2017	5,260,686,958	4,171,943,818	157,106,970	79,655,806	1,254,070,354	1,611,587,992	9,311,875,914	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								
		General Obligation			School Districts						Hidalgo County Drainage	Hidalgo County	Tres Lagos PID Assessment
		Basic Rate	Debt Service	Total Direct	McAllen	Sharvland	P.S.J.A	So. Tx College	Hidalgo	Edinburg			
											District No.1		
2009	2008	0.41	0.01	0.42	34.00	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	-
2018	2017	0.44	0.04	0.48	1.16	1.38	1.38	0.18	1.47	1.24	0.10	0.58	0.20

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

2018				2009			
<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	
Simon Property Group	\$ 135,839,131	1	1.49%	153,433,858	3	2.16%	
Big Sky Commercial Property	61,421,881	2	0.67%	-	-	0.00%	
Rio Grande Regional Hospital	54,761,693	3	0.60%	198,922,932	2	2.80%	
AEP Texas Central Co.	53,892,910	4	0.59%	27,952,980	7	0.00	
Universal Health Services	49,402,000	5	0.54%	248,819,356	1	0.04	
La Plaza Mall	49,000,000	6	0.54%	-	-	0.00%	
Palm Crossing Town Center LLC	42,443,875	7	0.47%	-	-	0.00%	
Wal-Mart Real Estate Business Trust	25,232,644	8	0.28%	-	-	-	
McAllen Foreign Trade Zone	24,574,386	9	0.27%	-	-	-	
H E Butt Grocery Company	23,626,610	10	0.26%	61,763,818	8	0.01	
Shell Western E&P	-		n/a	22,800,570	9	0.32%	
Palms Crossing Group	-		n/a	114,331,056	4	1.61%	
Wal-Mart Stores	-		n/a	103,798,872	5	1.46%	
Texas State Bank	-		n/a	91,711,707	6	1.29%	
Inland Western E&P	-		n/a	21,106,961	10	0.30%	
	<u>\$ 520,195,130</u>		5.71%	<u>\$ 1,044,642,110</u>		14.70%	

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
2009	2008	29,639,988	2,067,032	31,707,020	29,325,155	92.49%	2,271,193	31,596,348	99.65%
2010	2009	31,356,112	668,253	32,024,365	30,347,810	94.76%	1,521,754	31,869,564	99.52%
2011	2010	31,313,663	163,882	31,477,545	30,120,972	95.69%	1,210,798	31,331,770	99.54%
2012	2011	31,996,395	15,446	32,011,841	30,858,609	96.40%	1,012,028	31,870,637	99.56%
2013	2012	32,234,649	(21,260)	32,213,389	31,076,068	96.47%	945,001	32,021,069	99.40%
2014	2013	33,395,738	154,588	33,550,326	32,474,873	96.79%	849,998	33,324,871	99.33%
2015	2014	33,720,873	788,785	34,509,658	33,451,451	96.93%	784,878	34,236,329	99.21%
2016	2015	36,094,783	160,704	36,255,487	35,154,027	96.96%	710,081	35,864,108	98.92%
2017	2016	38,068,201	(88,080)	37,980,121	36,721,329	96.69%	671,892	37,393,221	98.45%
2018	2017	40,097,346	530,542	40,627,888	39,469,011	97.15%	-	39,469,011	97.15%

Source: City of McAllen Tax Office

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

Fiscal Year	Governmental Activities					Business-Type Activities							Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Combination Tax and Revenue Certificates of Obligation	Sales Tax Revenue Obligations	Tax Note	Lien Note	Water Revenue Bonds	Sewer Revenue Bonds	International Toll Bridge Bonds	Anzalduas International Crossing Bonds	Airport CO Bonds	Total Primary Government			
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	
2018	46,526,755	45,207,738	20,400,000	-	-	17,846,783	11,671,154	-	29,507,509	7,150,000	178,309,939	5.51%	1,228	

20 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

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
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
2018	91,734,493	1.01%	615

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

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Hidalgo County	\$ 363,635,000	27.14%	\$ 98,690,539
McAllen Independent School District	83,326,000	99.37%	82,801,046
Sharyland Independent School District	105,819,999	27.62%	29,227,484
P.S.J.A Independent School District	328,935,000	11.70%	38,485,395
Hidalgo County Drainage District #1	119,805,000	28.45%	34,084,523
South Texas College	143,065,000	25.16%	35,995,154
Hidalgo Independent School District	32,036,000	31.03%	9,940,771
Edinburg Independent School District	123,025,000	3.97%	4,884,093
Subtotal, overlapping debt			334,109,005
City of McAllen (direct debt)	91,734,493	100.00%	91,734,493
Total direct and overlapping debt			<u>\$ 425,843,498</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 2018

Assessed value	\$ 9,311,875,914
Debt limit (5% of assessed value)	465,593,796
Debt applicable to limit:	
General obligation bonds	91,734,493
Less: amount set aside for repayment of general obligation debt	<u>(2,370,907)</u>
Total net debt applicable to limit	<u>89,363,586</u>
Legal debt margin	<u><u>\$ 376,230,209</u></u>

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 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	\$ 465,593,796
Total net debt applicable to limit	<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>	<u>89,363,586</u>
Legal debt margin	\$ 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	\$ 376,230,209
Total net debt applicable to the limit as a percentage of debt limit	0.19%	10.32%	8.26%	7.37%	6.40%	22.88%	20.89%	27.31%	26.63%	23.75%

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	
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
2018	19,772,823	14,113,051	5,659,772	1,430,450	743,192	2.60	17,819,239	8,269,193	9,550,046	4,221,550	1,420,067	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
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%
2018	147,717	3,202,948	21,683	32.9	22,855	4.50%
	(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>2018</u>			<u>Employer</u>	<u>2009</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>
Doctor's Hospital at Renaissance	4,700	1	7.72%	McAllen Independent School District	3,595	1	6.34%
McAllen Independent School District	3,725	2	6.12%	McAllen Medical Center	2,800	2	4.94%
South Texas Health Systems	3,000	3	4.93%	City of McAllen	1,801	3	3.18%
South Texas College	2,400	4	3.94%	Wal Mart	1,000	4	1.76%
City of McAllen	1,900	5	3.12%	Rio Grande Regional Hospital	975	5	1.72%
Rio Grande Regional Hospital	1,200	6	1.97%	South Texas College	811	6	1.43%
Wal Mart	1,125	7	1.85%	HEB	380	7	0.67%
T-Mobile	1,000	8	1.64%	Dillards	354	8	0.62%
McAllen Medical Center	700	9	1.15%	McDonalds	350	9	0.62%
HEB	500	10	0.82%	Sams Club	350	10	0.62%
Total	<u>20,250</u>		<u>33.25%</u>		<u>12,416</u>		<u>21.89%</u>
	(A)		(B)		(C)		(C)

Source:

(A) McAllen Economic Development Corporation (MEDC)

(B) Texas Workforce Commission for total city employment - 62,613

(C) City of McAllen CAFR Fiscal Year 2009

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>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>	<u>2018</u>
General Government	182	182	188	189	192	192	196	199	200	203
Public Safety:										
Police:										
Officers	275	275	275	281	285	285	285	285	285	285
Civilians	136	143	143	140	136	136	143	144	144	146
Fire:										
Fire fighters and officers	164	164	164	167	167	167	167	167	169	171
Civilians	13	13	12	11	11	11	12	12	14	14
Other	56	56	56	55	56	56	62	63	66	66
Highways and streets	100	100	96	97	97	97	98	93	94	95
Health and welfare	24	25	25	25	26	26	25	25	26	27
Culture and Recreational	186	186	189	192	195	195	197	202	205	214
Downtown Services	17	17	17	17	16	16	16	16	16	16
Water services	135	135	135	138	137	137	137	138	134	144
Sewer services	81	81	81	82	84	84	85	87	89	88
Sanitation	136	136	138	145	148	148	153	159	161	165
Golf Course	12	12	12	15	12	12	12	12	12	12
Convention Center	38	38	37	38	38	38	39	45	48	47
Airport	38	38	38	39	41	41	38	37	37	37
Transit terminal	12	12	12	13	8	8	8	8	8	7
Express transit	22	22	29	30	47	47	47	47	47	47
Bridge	33	33	33	44	32	32	41	42	41	41
Anzalduas Bridge	10	12	13	13	10	10	13	13	13	14
Fleet Services	25	25	21	24	21	21	26	26	26	26
Employee benefits	5	5	5	5	5	5	5	6	6	6
Risk Management	5	5	6	6	7	7	7	7	7	7
Total	<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>	<u>1,878</u>

Source: City's Budget Document

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Police										
Number of employees-commissioned	262	270	275	280	281	285	285	285	289	289
Number of service calls	162,273	166,653	162,250	157,884	147,528	144,761	152,303	144,761	140,632	143,598
Fire										
Number of firemen	170	158	164	160	167	167	167	167	167	174
Total number of alarm responses	4,391	5,000	4,500	5,711	5,949	5,500	6,674	6,696	7,344	7,814
Code enforcement										
Number of employees	21	20	19	20	20	20	22	12	18	18
Number of building permits	1,308	1,562	1,584	1,869	1,671	1,562	1,559	1,551	1,548	1,512
Development services										
Street Resurfacing (linear miles)	29	21	25	10	26	48	42	33	36	11
Sidewalk Construction (linear feet)	37,100	11,480	10,560	23,930	7,920	1,065	29,304	3,368	5,887	2,746
Cultural and recreational										
Parks and recreation										
Participants in special event programs	425,000	93,250	440,000	440,000	245,000	104,500	360,000	360,000	367,900	301,000
Participants in athletic programs	6,800	17,045	7,500	14,500	16,000	8,145	518	10,860	13,819	11,860
Participants in after school programs	3,100	2,053	1,800	2,200	1,800	1,648	827	1,195	1,313	1,206
Library-main										
Volumes in collection	349,117	359,809	414,135	320,043	323,019	281,643	324,932	323,822	336,396	333,600
Water and sewer system										
Number of water customers	41,607	42,052	42,792	43,306	44,068	44,708	45,830	46,201	46,780	47,399
Number of sewer customers	37,062	37,521	38,184	38,563	39,247	39,802	40,996	40,912	41,660	42,286
Average daily water consumption (gallons)	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	26,300,000
Maximum storage capacity (gallons) South Plant	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	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	4,250,000	4,250,000	4,000,000
Rainfall (inches)	9.65	38.00	24.66	17.88	14.39	24.43	21.22	17.80	10.62	31.52
Sanitation										
Refuse collected (tons)	29,080	29,500	30,000	29,395	122,499	127,562	138,149	143,225	137,834	141,659
Bulky/brush pickups (tons)	19,879	5,500	4,703	30,527	44,187	22,265	30,410	34,586	26,131	32,625
Recyclables collected (tons)	3,926	3,791	4,525	5,235	5,476	4,323	4,323	5,200	5,503	4,644
Golf course										
Total number of rounds	43,803	44,153	41,308	40,977	39,759	36,859	40,447	42,484	35,569	44,346

Source: City Departments
Estimates: Fiscal Year 2018

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

<u>Function/Program</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>	<u>2018</u>
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Police sub-stations	6	7	7	7	7	6	7	2	6	2
Fire stations	7	7	7	7	7	7	7	7	7	7
Fire hydrants	3,994	3,984	3,988	4,000	4,000	4,200	4,200	4,769	4,900	5,250
Development Services										
City area:										
Square miles	48.8	48.7	48.7	49.6	49.6	49.8	54.5	57.9	63.4	62.5
Acres	31,222	31,169	31,169	31,733	31,747	31,898	34,864	37,064	39,910	40,148
Streets- paved (miles)	495	486	487	464	464	480	540	1061	1040	1,384
Cultural and Recreational										
Developed parks (acres)	362	866	705	728	577	600	615	662	687	708
Parks (acres)-undeveloped	410	481	474	417	488	398	382	654	310	308
Swimming pools	4	4	4	4	4	4	4	4	4	4
Tennis courts	15	24	24	24	24	26	26	26	36	36
Lighted baseball diamonds/athletic fields	112	8	12	12	12	12	12	16	41	68
Municipal golf (18-hole course)	1	1	1	1	1	1	1	1	1	1
Water and Sewer										
Water mains (miles)	706	706	803	714	714	1,046	738	722	727	730
Sanitary sewers (miles)	489	489	503	489	500	500	535	540	546	550
Storm (miles)	283	273	273	315	315	315	315	239	239	243

(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	39,817	4,498,012,500
Commercial	7,427	3,347,044,100
Industrial	155	271,824,400
Number of gallons shown to have passed through the master meters at the City's plants #2 and #3 during the period		9,128,279,000
Number of gallons billed		(8,116,881,000)
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>962,398,000</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.

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**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepting 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, 2018, 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 25, 2019.

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 determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's 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 entity'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 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*.

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

Purpose of this Report

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
March 25, 2019

**Independent Auditor's Report on Compliance for Each Major
Program and Report on Internal Control over Compliance
in Accordance with the Uniform Guidance and State of Texas
Uniform Grant Management Standards**

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

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. OMB Compliance Supplement* and the State of Texas Uniform Grant Management Standards (UGMS) that could have a direct and material effect on its major federal and state programs for the year ended September 30, 2018. 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 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; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and UGMS. Those standards, the Uniform Guidance, and UGMS 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 of the City's major federal and state programs. 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, 2018.

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

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 requirements that could have a direct and material effect on each major federal and state program as a basis for designing auditing 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 UGMS, 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 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. We did not identify any deficiencies in 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 UGMS. Accordingly, this report is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
March 25, 2019

CITY OF McALLEN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2018

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	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:				
42nd Year Entitlement Grant	14.218	CB16MC48506	\$ 269,532	\$ 472,710
43rd Year Entitlement Grant	14.218	CB17MC48506	-	729,860
Home Investment Partnerships Programs	14.239	M14MC480506	178,805	223,432
Total U.S. Department of Housing and Urban Development Program			<u>448,337</u>	<u>1,426,002</u>
U.S. Department of Transportation				
Direct Program:				
Airport Improvement Program	20.106	3-48-0144-46	-	259,563
Airport Improvement Program	20.106	3-48-0144-47	-	2,484,042
Federal Transit Capital Investments Grant *	20.500	TX-04-0010-00	-	27,128
Federal Transit Formula Grant *	20.507	TX-90-X778-00	-	34,200
Federal Transit Formula Grant *	20.507	TX-90-X830-01	-	947
Federal Transit Formula Grant *	20.507	TX-90-X906-00	-	63,007
Federal Transit Formula Grant *	20.507	TX-90-X937-00	-	516,638
Federal Transit Formula Grant *	20.507	TX-90-Y017-00	-	331,770
Federal Transit Formula Grant *	20.507	TX-90-Y048-00	-	346,303
Federal Transit Formula Grant *	20.507	TX-2016-035-00	-	665,645
Federal Transit Formula Grant *	20.507	TX-90-Y145-00	-	456,709
Capital Assistance Program for Reducing Energy Consumption	20.523	TX-88-0001-00	-	6,903
Federal Highway Administration				
Passed through Texas Department of Transportation				
Highway Planning and Construction	20.205	STP 2014 (102) TE	-	443,614
State and Community Highway Safety	20.600	2018-McAllenP-S-1YG-0019	-	120,000
State and Community Highway Safety	20.600	2018-McAllenP-S-1YG-0075	-	54,256
State and Community Highway Safety	20.616	2018-McAllenPD-IDM-00010	-	19,000
State and Community Highway Safety	20.616	2018-McAllenPD-CIOT-00003	-	3,000
Total U.S. Department of Transportation			<u>\$ -</u>	<u>\$ 5,832,725</u>

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

CITY OF McALLEN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2018

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through To Subrecipients	Disbursements/ Expenditures
U.S. Department of Justice				
Direct Program:				
Equitable Sharing Program	16.922		\$ -	\$ 660,111
Total U.S. Department of Justice			-	660,111
U.S. Environmental Protection Agency				
Clean Water State Revolving Fund	66.458	TWDB #73640	-	317,058
Clean Water State Revolving Fund	66.458	TWDB #73731	-	5,321,270
Total U.S. Environmental Protection Agency			-	5,638,328
U.S. Department of Homeland Security				
Emergency Management Performance Grants	97.042	18TX-EMPG-0713	-	31,759
Hazard Mitigation Grant Program	97.039	FEMA-4223-DR-TX-014	-	6,060
Hazard Mitigation Grant Program	97.039	FEMA-4223-DR-TX-016	-	35,174
Hazard Mitigation Grant Program	97.039	FEMA-4223-DR-TX-017	-	16,955
Hazard Mitigation Grant Program	97.039	FEMA-4245-DR-TX-010	-	22,931
Pass through Office of the Governor				
Homeland Security Grant Program	97.067	3299601	-	190,267
Homeland Security Grant Program	97.067	3299602	-	48,730
Homeland Security Grant Program	97.067	3402701	-	70,319
Homeland Security Grant Program	97.067	3514001	-	141,525
Total U.S. Department Homeland Security			-	563,720
U.S. General Services Administration				
Passed through Texas Facilities Commission/Federal Surplus Prog				
Donation of Federal Surplus Personal Property	39.003	12,750	-	142,600
Total U.S. General Services Administration			-	142,600
Total Expenditures of Federal Awards			\$ 448,337	\$ 14,263,486

CITY OF McALLEN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2018

	<u>Pass-Through Grantor's Number</u>	<u>Passed Through To Subrecipients</u>	<u>Disbursements/ Expenditures</u>
Texas Agencies			
Texas Office of the Attorney General			
2018 Victim Coordinator and Liaison Grant	1880392	-	38,573
2019 Victim Coordinator and Liaison Grant	1,985,886	-	3,284
Texas Office of the Governor			
CJD - Texas Anti-Gang Grant	3060503	-	221,740
Texas Department of Transportation:			
Routine Airport Maintenance Program	CSJ# M1821MCAL	-	50,000
Pass Through - City of Brownsville			
Auto Theft Prevention 2018	SA00T011004118	-	235,050
Auto Theft Prevention 2019	SA00T011004119	-	20,135
Texas Parks and Wildlife			
Youth Baseball Complex	50-000456	-	34,393
Texas Parks and Wildlife			
War Memorial of Texas	50-000482	-	149,922
Equitable Sharing Program		-	153,011
Total Expenditures of State Awards		-	906,108
Total Expenditures of federal and state awards		<u>\$ 448,337</u>	<u>\$ 15,169,594</u>

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CITY OF McALLEN, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2018

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, 2018. 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, 2018

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.

City of McAllen, Texas

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2018

Section 1. Summary of Auditor's Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified that are not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal and State Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified that are not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> None reported

An unmodified opinion was issued on compliance for major programs.

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, or State of Texas Uniform Grant Management Standards?	<u> </u> Yes	<u> X </u> No
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Identification of major federal programs:

14.218 - Community Development Block Grant
20.500, 20.507 - Federal Transit Cluster

Identification of major state programs:

Auto Theft Prevention

Dollar threshold use to distinguish between type A and type B programs?

\$750,000 – Federal

\$300,000 – State

Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No
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City of McAllen, Texas

Schedule of Findings and Questioned Costs – Continued
For the Fiscal Year Ended September 30, 2018

Section 2. Financial Statement Findings

None

Section 3. Federal and State Award Findings and Questioned Costs

None