



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

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2013

Prepared by:
Department of Finance

CITY OF McALLEN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013
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JAMES DARLING, Mayor
HILDA SALINAS, Mayor Pro-Tem and Commissioner District 3
AIDA RAMIREZ, Mayor Pro-Tem and Commissioner District 4
SCOTT C. CRANE, Commissioner District 1
TREY PEBLEY, Commissioner District 2
JOHN J. INGRAM, Commissioner District 5
VERONICA VELA WHITACRE, Commissioner District 6

February 28, 2014

MIKE R. PEREZ, City Manager

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

State and local law requires that the City of McAllen publish annually a complete set of audited financial statements. This report, the Comprehensive Annual Financial Report of the City of McAllen, is published to meet that requirement for the fiscal year ended September 30, 2013.

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 Long Chilton, L.L.P., Certified Public Accountants & Business Consultants, 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, 2013. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Single Audit Act and OMB Circular A-133. Generally accepted auditing standards and the standards set forth in the Government Accountability Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The auditors' report on the basic financial statements and required supplementary information as well as the individual fund statements and schedules are included in the financial section of this report. The auditors' reports on internal controls and compliance with applicable laws and regulations can be found in the single audit section of this report.

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

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

PROFILE OF THE GOVERNMENT

The City of McAllen, incorporated in 1911 and the largest city in Hidalgo County, is located at the intersection of U. S. Highway 83 and State Highway 336. It is approximately 230 miles south of San Antonio, 150 miles north of Monterrey, Nuevo Leon, Mexico, a city with a population of over 5 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, 2012 and 2013 the population has grown to 133,979 and 135,120 respectively. The City is empowered to levy a property tax on both real and business personal property located within its boundaries. The City also has the power by state statute to extend its corporate limits by annexation, which it has done from time to time, as deemed appropriate by the City Commission.

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

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

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

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

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

LOCAL ECONOMY

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

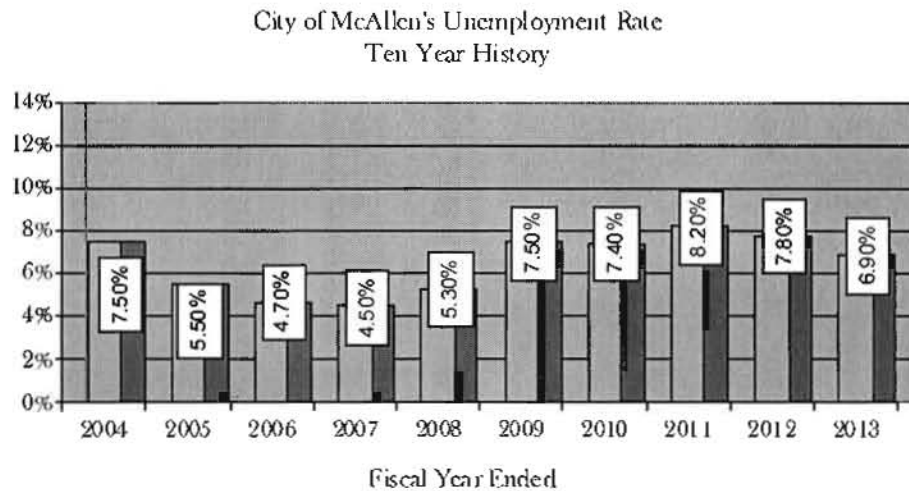
According to the Texas Workforce Commission, over the last 10 years the McAllen-Edinburg-Mission MSA employment has grown from 218,463 in 2003 to 278,158 in 2013—a 27.3% increase. At this level, the unemployment rate is 10.8%. Some of the more significant employment numbers by industry, include government; trade, transportation and utilities; education and health services; and leisure and hospitality.

The City's location has positioned it to take advantage of The Maquiladora "Twin Plant" Program, under which U.S. firms locate manufacturing facilities in Mexico accompanied by warehousing facilities in McAllen's foreign trade zone in order to cut labor costs and remain competitive, has been responsible for a large part of the job growth. Since 1988 through 2013, the latest year available, which on a calendar year basis, the McAllen Economic Development Corporation has been responsible for bringing 300 new companies, which including expansions, has created 27,233 jobs in McAllen. Its efforts have also resulted in 357 new companies, which including expansions, has created 125,778 new jobs in Reynosa, Mexico.

The impact of the North American Free Trade Agreement (NAFTA), as it continues to develop, has also played a major role in increased trade with Mexico for the City as well as the State of Texas. During 2012 Texas exported \$94B to Mexico, which represented over 36% of Texas' total exports—making Mexico its Number One Trading Partner. This new level of trade represents a 69% increase from 2009. As NAFTA continues to mature, the City of McAllen's international toll bridge, connecting Hidalgo, Texas with Reynosa, will continue to facilitate trade between Mexico and the U. S.; and, more particularly the City with its proximity to Mexico and strong social, economic and cultural ties with the people of Mexico. The new Anzalduas International Crossing provides another bridge to connect the peoples of the U.S. and Mexico and facilitate economic development opportunities between the two countries.

The City's unemployment rate has declined by 1.3% over the last 10 fiscal years, with its unemployment rate, dropping from 9.1% in September 2002 to the 5% range during 2005-2008, rising to 7.5% in 2009, decreasing in 2010 to 7.4%,

increasing back up to 8.2% in 2011, decreasing to 7.85 in 2012, before decreasing down to 6.9% this year. Although the unemployment rate decreased due to job growth resulting from a decline in the unemployed while the labor market increased.



Source: Texas Workforce Commission

Another useful source of information for assessing the City's economy is the *McAllen Area Economic Pulse* report, published by the McAllen Chamber of Commerce. This year's report indicates a marginal improvement over last year. According to the latest report available, August 2013, the economic index for the McAllen Area increased from 175.6 in August 2012 to 178.7 in August 2013. This index reflects, for the McAllen area economy, an increase in lodging tax receipts, airline boarding's, motor vehicle purchases, construction permit values, and average home sales price although retail sales are down.

LONG-TERM FINANCIAL PLANNING

As of September 30, 2013 the City's General Fund unassigned fund balance amounted to \$40.3M, which represents 148 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 2012-13

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 2012-13 as well as each's status as follows:
Continue to implement City Business Plan

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

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

Complete City assets currently in design

- Phase One of Morris/Perez Park
Management's Response: Design ready for \$709K project to install Irrigation system, trees and new turf.
- Begin construction on Airport Terminal Expansion
Management's Response: Construction underway with a schedule completion date in 2014. Landscape plan complete for bidding, concessionaire awarded.
- One-stop Development Center City business affairs.
Management's Response: Finished design and bid approved 3-25-2013 with schedule completion date in the first quarter of next fiscal year. 90% complete
- Bentsen-Pecan to 3 mile Reconstruction
Management's Response: Roadway completed. Design completed for a Hike/Bike for construction in F.Y. 13-14.
- Bicentennial: Nolana to Trenton and hike/bike trail
Management's Response: Roadway completed and Hike/Bike Trail under construction. IMAS building façade revised and addition of left turn lane by widening bridge.

Improve City Traffic flow and Storm Drainage

- Traffic Management Improvements
Management's Response: Pecan and McColl north and south bound right turn lane design complete. 10th and Dove right turn lane completed.
- Regional Storm water detention facility/park
Management's Response: SE McAllen site being acquired. 3 of 4 parcels purchased.
- Construction of storm water projects.
Management's Response: So. Toronto @ S.10th complete. E McAllen site being acquired. 3 of 4 parcels purchased. Rehab of Airport Storm water Pumping Station completed. Kendlewood: 19th to 22nd street construction underway. Design underway for 4th&6th:Harvey to Fern; Quince & Redwood:49th to 51st and Quince and NW Blue line to 27th.

Leisure, Cultural and Entertainment

- Begin design and financing plan of performing Arts Center
Management's Response: Design development by Architects approved on 03/25/2013. Bond election to be held November 5, 2013 for additional funding of project.
- New Year's Bash.
Management's Response: Upgrade with Private Sector sponsor and moving it to Convention Center.
- McAllen City Marathon.
Management's Response: First City marathon scheduled for December 15, 2013.
- Motorcross Course.
Management's Response: Received grant from Texas Parks and Wildlife and will construct the course south of Airport runway.
- Hike & Bike Trail on Bentsen Road.
Management's Response: Received grant from Texas Parks and Wildlife and will construct the trail from Pecan to 3 Mile line.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the year ended September 30, 2012. This was the twenty-sixth consecutive year and the twenty-seventh 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, 2012. The budget for October 1, 2013 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,



Mike R. Perez
City Manager


Jerry W. Dale, CPA CGFO
Finance Director
Susan Lozano
Deputy Finance Director

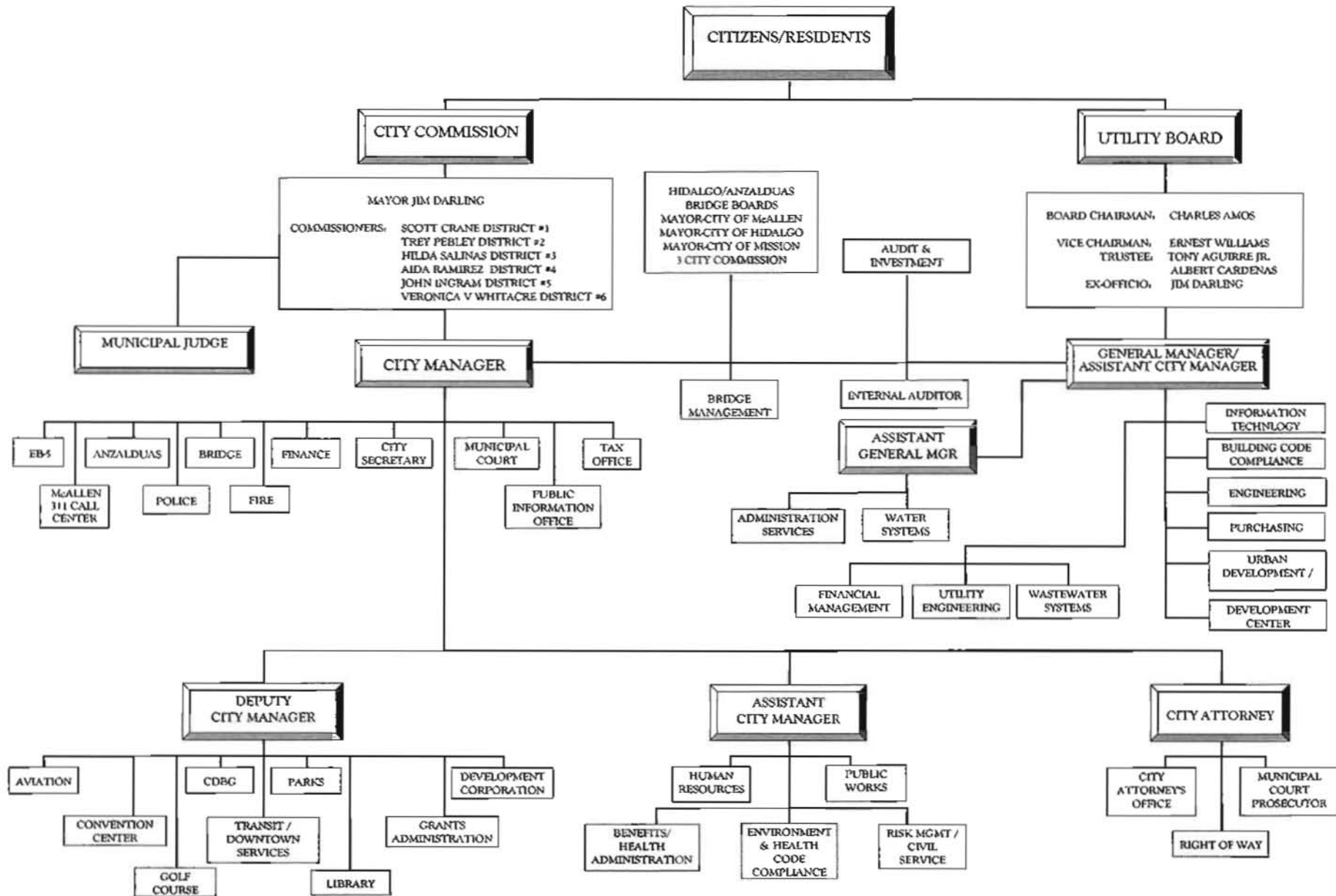
CITY OF McALLEN, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2013

Mayor.....	James E. Darling
Mayor Pro-Tem - Commissioner District 3	Hilda Salinas
Mayor Pro-Tem - Commissioner District 4	Aida Ramirez
Commissioner District 2	Trey Pebley
Commissioner District 1	Scott Crane
Commissioner District 5	John Ingram
Commissioner District 6	Veronica Whitaker-Vela
Public Utility Board Chairman	Charles Amos
Public Utility Board Vice-Chairman	Ernest Williams
Trustee Place C	Albert Cardenas
Trustee Place D	Tony Aguirre
Ex-Officio Member.....	James E. Darling
City Manager	Mike R. Perez
General Manager/Assistant City Manager	Roel Rodriguez, P.E.
Deputy City Manager.....	Brent Branham
Assistant City Manager.....	Wendy Smith
Attorney	Kevin D. Pagan
Finance Director	Jerry W. Dale
Administrator of Urban Development	Julianne Rankin
Aviation Director	Philip K. Brown
Bridge Superintendent	Rigoberto Villarreal
City Secretary	Annette Villarreal
Fire Chief	Rafael Balderas
Director Parks and Recreation	Sally Gavlik
Human Resources Director.....	Juan Gonzalez
Police Chief.....	Victor Rodriguez

CITY OF McALLEN, TEXAS





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, 2012

Executive Director/CEO

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of McAllen, Texas (the "City"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of McAllen, Texas, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Funding Progress for the Texas Municipal Retirement System, Firemen's Relief and Retirement, and Postemployment Benefit Plan, 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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, the combining fund financial statements, the individual budget and other 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas Single Audit Circular, and is also not a required part of the basic financial statements.

The combining fund financial statements, the individual budget and other schedules, and the 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, the individual budget and other schedules, and the 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 February 28, 2014, 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 of McAllen, Texas' internal control over financial reporting and compliance.

Long Chilton, LLP

Long Chilton, LLP
Certified Public Accountants

McAllen, Texas
February 28, 2014

City of McAllen, Texas
Management Discussion and Analysis
September 30, 2013

This discussion and analysis is intended to provide an overview of the City's financial performance for the fiscal year ended September 30, 2013 and the related effect on the City's financial condition. Please read it in conjunction with the transmittal letter on pages i-v and the City's financial statements, which begin on page 19.

FINANCIAL HIGHLIGHTS

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

Total government-wide net position increased \$12M as a result of this year's operations. Governmental activities contributed \$7M with the balance of \$5M resulting from business-type activities.

- **Governmental Activities – Revenues and Expenses Compared to Last Year** – Total revenues in the aggregate were unchanged over last year, however, sales tax increased \$3M, but were offset by a decreased of \$3M in charges for services. Other taxes increased by \$1M, but were offset by a decreased of \$1M in other general revenues. Expenses increased \$1M or less than 1% over last year. The net increase is the result of a \$2M increase in public safety and \$2M increase culture and recreation with corresponding decreases of 1M and 2M in general government and health and welfare respectively.
- **Business-Type Activities – Revenues and Expenses Compared to Last Year** – Total revenues reflected an increase of \$4M from last year. Charges for services increased by \$1M and grants and contributions also increased by \$3M. Expenses increased \$3M or 4.2% over last year with the more significant increases coming from the Water Fund–\$1M; the Sewer Fund–\$1M; and the Sanitation Fund–\$1M.
- **City as a Whole – Revenues and Expenses Compared to Last Year** –Governmental revenues reflected no change, however; business-type activity revenues increased by \$4M, thus generating revenues of \$4M or 2% more over last year while expenses increased by \$4M or 2.1% more than last year.

USING THE ANNUAL REPORT

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

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

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

City of McAllen, Texas
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information about the City in 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 liabilities, is one indicator of the City's financial well-being or *financial position* at one point in time. Increases or decreases to net position over a period of time is an indication whether its financial well-being is improving or deteriorating. Of course, other non-financial considerations enter into the determination of the City's overall health, which would include such things as changes in the City's property tax base and the condition of its streets.

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

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

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

Reporting the City's Most Significant Funds
Fund Financial Statements

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

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

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

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

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

Net Position Information
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 154	\$ 151	\$ 138	\$ 125	\$ 292	\$ 276
Capital assets	266	259	393	391	659	650
Total assets	<u>\$ 420</u>	<u>\$ 410</u>	<u>\$ 531</u>	<u>\$ 516</u>	<u>\$ 951</u>	<u>\$ 926</u>
Long-term debt outstanding	\$ 34	\$ 35	\$ 150	\$ 143	\$ 184	\$ 178
Other liabilities	24	21	15	12	39	33
Total liabilities	<u>58</u>	<u>56</u>	<u>165</u>	<u>155</u>	<u>223</u>	<u>211</u>
Net position:						
Net investment in capital assets	244	234	260	269	504	503
Restricted	33	34	50	29	83	63
Unrestricted	<u>85</u>	<u>86</u>	<u>56</u>	<u>63</u>	<u>141</u>	<u>149</u>
Total net position	<u>\$ 362</u>	<u>\$ 354</u>	<u>\$ 366</u>	<u>\$ 361</u>	<u>\$ 728</u>	<u>\$ 715</u>

Net position of the City's governmental activities increased by \$8M or 2.25% over year ; primarily as a result of increase in net investment in capital assets by \$10M, with corresponding decreased of \$2M from restricted—\$1M and unrestricted—\$1M. Unrestricted net position is the portion of net position, which can be utilized to finance day-to-day operations, free of any constraints established by debt covenants, enabling legislation or other legal requirements.

The net position of the City's business-type activities increased \$5M or 1.39% more than last year's amount. Generally the City can only use this net position to finance continuing operations and capital expenses of the enterprise funds.

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 9	\$ 12	\$ 72	\$ 71	\$ 81	\$ 83
Federal grants and contributions	8	8	8	5	16	13
General revenues:					-	-
Property taxes	33	33	-	-	33	33
Sales tax	61	58	-	-	61	58
Other taxes	11	10	-	-	11	10
Other general revenues	2	3	1	1	3	4
Total revenues	124	124	81	77	205	201
Program expenses						
General government	21	22	-	-	21	22
Public safety	54	52	-	-	54	52
Highways and streets	20	22	-	-	20	22
Health and welfare	5	5	-	-	5	5
Culture and recreation	18	16	-	-	18	16
Interest on long term debt	1	1	Incl	Incl	1	1
Water	-	-	17	16	17	16
Sewer	-	-	14	13	14	13
Sanitation	-	-	15	14	15	14
Golf	-	-	1	1	1	1
Transit terminal	-	-	1	1	1	1
Bus services	-	-	3	3	3	3
Civic center	-	-	-	-	-	-
Convention center	-	-	5	5	5	5
Airport	-	-	7	7	7	7
Bridge-Anzalduas	-	-	5	5	5	5
Bridge	-	-	6	6	6	6
Total expenses	119	118	74	71	193	189
Excess before transfers	5	6	7	6	12	12
Transfers	2	(14)	(2)	14	-	-
Net change in net position	7	(8)	5	20	12	12
Net position, beginning	354	362	361	341	715	703
Net position, ending	<u>\$ 361</u>	<u>\$ 354</u>	<u>\$ 366</u>	<u>\$ 361</u>	<u>\$ 727</u>	<u>\$ 715</u>

City of McAllen, Texas
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Total revenues generated from both governmental and business-type activities this year amounted to \$205M, representing an increase of \$4M or 1.9% over last year due primarily to sales tax collections and grants and contributions. Sales tax reflected an increase of \$3M and \$3M increase from grants and contributions, offset by a decrease of \$2M in charges for service. Expenses came in at \$193M, \$4M more or 2.1% over last year, leaving \$10M as an increase to net position. The following analysis considers separately the operations of governmental and business-type activities.

Governmental Activities

Total revenues generated from governmental activities this year amounted to \$124M. Expenses came in at \$119M, leaving \$5M as an increase before transfers-in of \$2M, thus increasing net position by \$7M.

The cost of all governmental activities this year was \$118M. 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 \$101M. The other \$17M to finance these programs was paid by those who directly benefited from them (9M) and by other governments that subsidized certain programs with grants (\$8M).

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

Governmental Activities
(in Millions)

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Police	\$ 32	\$ 32	\$ 26	\$ 22
Fire	17	16	17	16
Street maintenace	9	9	3	6
Parks	6	8	6	6
Drainage	3	5	2	2
Total	<u>\$ 67</u>	<u>\$ 70</u>	<u>\$ 54</u>	<u>\$ 52</u>

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$81M. Expenses came in at \$74M leaving \$7M before transfers out of \$2M, which, resulted in a net increase to net position of \$5M,

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 22-23) combined fund balance totaled \$87M or a decrease of \$2M from last year. Current revenues, including net transfers in, were not sufficient to cover current expenditures, thus, resulting in the reduction to net assets by \$2M.

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 for the years ended September 30, 2013 and 2012.

Revenues and Transfers-in	2013 Amount	% of Total	2012 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
Taxes	\$ 105,293,773	68.17%	\$ 101,438,056	\$ 3,855,717	3.80%
Licenses and permits	1,429,150	0.96%	1,536,902	(107,752)	-7.01%
Intergovernmental	6,782,631	6.18%	6,734,271	48,360	0.72%
Charges for services	5,279,159	3.42%	5,026,624	252,535	5.02%
Fines and forfeitures	2,548,733	2.24%	5,422,630	(2,873,897)	-53.00%
Investment income	69,628	0.52%	508,482	(438,854)	-86.31%
Miscellaneous	2,101,208	2.79%	2,686,824	(585,616)	-21.80%
Transfers-in	22,353,826	15.72%	15,970,624	6,383,202	39.97%
Totals	\$ 145,858,108	100.00%	\$ 139,324,413	\$ 6,533,695	4.69%

The \$4M increase in taxes is primarily an increase in sales tax of \$3M and an increase of \$1M in hotel tax due to an approved 2% rate increase (from 7% to 9%). Licenses and permits and charges for services were relatively flat. The decrease of \$3M in fines and forfeitures was largely attributed to the PD Seized funds, which collected \$3M less than last year's amount. Less funding from federal and state assistance was received this year as reflected in intergovernmental revenues' category. Investment earnings also reflect a modest decrease as compared to last year. The decline of \$586K in the miscellaneous category is mainly the result of gas royalties coming in at less than \$203K from \$1.1M from last year to \$936K for the current year, as well as \$383K decrease in several miscellaneous items. The increase of \$6M in transfers-in was the result of a net increase in the Capital Improvement fund: net increase of \$5M from General fund compared to last year and \$1M combined from Civic Center Fund and Convention Center Fund.

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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, 2013 and 2012.

Expenditures and Transfers-out	2013 Amount	% of Total	2012 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
General government	\$ 21,967,597	14.87%	\$ 21,410,423	\$ 557,174	2.60%
Public safety	52,646,894	35.63%	52,605,242	41,652	0.08%
Highways and streets	21,573,945	14.60%	24,982,859	(3,408,914)	-13.65%
Health and welfare	5,208,427	3.52%	5,402,593	(194,166)	-3.59%
Culture and recreation	22,124,895	14.97%	22,469,250	(344,355)	-1.53%
Debt service:					
Principal	2,645,000	1.79%	2,530,000	115,000	4.55%
Interest and fiscal charges	896,365	0.61%	1,012,256	(115,891)	-11.45%
Transfers-out	20,697,182	14.01%	13,849,753	6,847,429	49.44%
Totals	<u>\$ 147,760,305</u>	<u>100.00%</u>	<u>\$ 144,262,376</u>	<u>\$ 3,497,929</u>	<u>2.42%</u>

The increase of \$3.5M in total expenditures was primarily due to an increase of \$6.8M in transfers out offset by a decrease of \$3.5M in highways and streets. Additionally, expenditures slightly increased in: general government—\$57K; public safety—\$42K; and principal payments—\$115K. Decreases occurred in the areas of: health and welfare—\$194K; culture and recreation—\$344K; and interest and fiscal payments—\$116K. As indicated, transfers-out increased by \$6.8M compared to last year—primarily due to an increase of transfers: from General Fund—\$5.7M to Capital Improvement Fund; from Development Corporation Fund—\$865K to McAllen Express Transit Fund; and to a lesser extent \$238M within governmental funds.

Fund Balances

The governmental fund balances decreased by \$2M, from \$89M in the prior year to \$87M in the current year. Fund balances by major fund are discussed below.

General Fund

As a result of this year's operations, total fund balance decreased by \$2M—from \$46M to \$44M. Applying GASB 54 pronouncement, fund balance categories reflect \$2M in non-spendable, \$267K in restricted, \$1.4M in assigned, leaving \$40M 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 148 days, which is 8 days in excess of the minimum requirement.

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Development Corp Fund

The fund balance in the Development Corporation Fund reflected a decreased of \$1M, leaving the ending restricted fund balance at \$25M.

Capital Improvement Fund

The Capital Improvement Fund ended the year with a net increase, amounting to \$1M, leaving the non-spendable fund balance at \$353K and assigned fund balance at \$9M.

PROPRIETARY FUND TYPES
(Enterprise Funds and Internal Service Funds)

Enterprise Funds

The City's enterprise operations consist of the McAllen Public Utility (Water and Sewer Funds), Sanitation Fund, Palm View Golf Course Fund, Transit Terminal Fund, McAllen International Civic Center Fund, McAllen Convention Center, McAllen International Airport Fund, McAllen Express Transit Fund, McAllen International Toll Bridge Fund and the Anzalduas International Crossing Fund. In the aggregate, the proprietary funds reported a \$7M increase to net position, before transfers. Of that amount, the Water and Sewer Funds accounted for \$500K; the Sanitation Fund, \$2M; the McAllen International Airport, \$2M; the McAllen International Toll Bridge's, \$2M. The Convention Center Fund, the Anzalduas International Crossing, and non-major proprietary funds combined generated a net decrease amounting to \$5M.

McAllen Public Utilities (MPU) – Water and Sewer Funds

Water Fund

Operating revenues increased by 1% as compared to last year. With operating expenses increasing by 6% and considering other expenses, the decrease to net assets amounted to \$990K. Combine Water and Sewer Fund working capital is in excess of the board policy of 120 days of operating expenses.

Sewer Fund

Since sewer revenues are impacted by water consumptions and as noted above, operating revenues increased by 2% from last year. Operating expenses increased 1% over last year. The net impact to net position was an increase of \$1.5M, leaving combined Water and Sewer Fund working capital in excess of the board policy of 120 days of operating expenses.

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Sanitation Fund

This year's operating revenues, representing charges for services, slightly increased \$69K or less than 1% over prior year, which primarily represents an small increase in growth in the customer base. As a whole, operating expenses increased \$1M or 8% more over last year—leaving an operating income of \$1.8M. The effect of non-operating revenues and capital contributions were minimal. Consequently, the net position increased by \$1.8M. Working capital as of year-end amounted to \$8.2M.

Convention Center Fund

Operating revenues were \$2.0M and operating expenses were \$5.2M, leaving an operating loss of \$3.0M, which was partially covered by transfers-in from the Hotel Occupancy Tax Fund in the amount of \$2.2M, leaving a decrease in net position of \$1.2M, after a transfer of \$500K. Working capital is now reported at \$2.1M.

McAllen International Airport Fund

Operating revenues marginally decreased this year by less than 1% from last year's levels. Operating expenses increased by 3%. As a result, the loss amounted to \$1.6M before capital contributions and transfers out. Capital contributions from the Passenger Facility Charge as well as the FAA amounted to \$5M. Transfers-out to the City amounted to \$1M to reimburse for public safety personnel assigned to the Airport. As a result, an increase in net position of \$2M is reported. This years' working capital is reflected at \$4.5M, not considering liabilities payable from restricted assets, which are included in current liabilities.

McAllen International Toll Bridge Fund

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

Category	FY 12-13	FY 11-12	Increase (Decrease)	% Increase (Decrease)
Cars	2,908,166	2,986,097	(77,931)	-2.60%
Trucks	9,119	6,620	2,499	37.70%
Buses	16,160	16,680	(520)	-3.10%
Passengers in cars	7,270,415	7,465,243	(194,828)	-2.60%

Despite a decline in southbound car crossings of 78K or 2.6% revenues came in at \$10M or a slight increase of \$89K over last year. Rental and other income remained relatively flat. Operating expenses increased slightly by \$158K over last year. After all other non operating revenues and expenses, changes in this year increase in net position were \$1.6M.

Net position, and its components, over time serve as a meaningful measure of the Bridge's financial position. The Bridge's assets exceed liabilities by \$31M at September 30, 2013. Working capital, not considering liabilities payable from restricted assets, which are included in current liabilities, at year end amounted to \$1.4M.

City of McAllen, Texas
Management Discussion and Analysis
September 30, 2013

Anzalduas International Crossing

The table below reflects four types of crossings for 2013, as well as 2012. With the exception of truck crossings, all other categories of crossings reflect increases.

Category	FY 12-13	FY 11-12	Increase (Decrease)	% Increase (Decrease)
Cars	933,694	855,845	77,849	9.10%
Trucks	960	732	228	31.15%
Buses	4,417	3,878	539	13.90%
Passengers in cars	2,334,235	2,252,075	82,160	3.65%

Southbound car crossings increased 78K or 9.1% with revenues coming in at \$2.8M or a slight increase of \$236K over last year. Operating expenses decreased slightly by \$60K over last year. After a transfer in of \$964K and other non-operating revenues of \$58K, change in net position was a negative \$713K. This resulted in an ending net position of \$635K.

Unrestricted net position is reflected as a deficit in the amount of \$14.2M, 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 \$405K. This increase was primarily to cover: miscellaneous services—\$77K; maintenance—\$112K; and supplies—\$22K; for the fire department. Street maintenance was also increase by \$160K and another \$34K in various other departments.

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September 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$658M in net capital assets.

	Capital Assets at Year-end (Net of Depreciation, in Millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land	\$ 49	\$ 47	\$ 21	\$ 21	\$ 70	\$ 68
Buildings and improvements	92	69	276	275	368	344
Equipment	21	22	18	19	39	41
Infrastructure	90	77	-	-	90	77
Construction in progress	13	44	64	62	77	106
Capitalized interest	-	-	8	7	8	7
Water rights	-	-	6	7	6	7
Totals	<u>\$ 265</u>	<u>\$ 259</u>	<u>\$ 393</u>	<u>\$ 391</u>	<u>\$ 658</u>	<u>\$ 650</u>

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

Development center	\$2
Street projects financed by the City directly and dedicated by developers (\$1M)	5
Drainage projects	2
Water and sewer improvement projects	4
Airport projects	<u>8</u>
Total	<u>\$20</u>

For more detailed information on capital asset activity, refer to the notes to financial statements (refer to pages 74 and 76).

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Debt

At the end of the fiscal year, the City had \$168M in bonds or note outstanding—as shown in the following table:

	Outstanding Debt at Year-end (in Millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
General/certificate of obligation bonds/note (backed by the City)	\$ 22	\$ 24	\$ -	\$ -	\$ 22	\$ 24
Revenue bonds backed by Specific tax and fee revenues	-	-	146	139	146	139
Totals	<u>\$ 22</u>	<u>\$ 24</u>	<u>\$ 146</u>	<u>\$ 139</u>	<u>\$ 168</u>	<u>\$ 163</u>

For more detailed information on long term debt activity, refer to the notes to financial statements (refer to page 88).


ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2013-14 the elected and appointed officials considered many factors including the forces driving the economy—among which were slowing of job growth, lack of growth in new housing, bank deposits, retail sales growth, the unemployment rate, and inflation. As a result of the deliberations, within the General Fund, revenues budgeted to increase from this year's actual by \$3.6M or more than 4%. Expenditures were budgeted with a \$5.5M increase or 6% over this year's actual.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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


 Mike R. Perez
 City Manager


 Jerry W. Dale, CPA, CGFO
 Finance Director

CITY OF McALLEN, TEXAS
STATEMENT OF NET POSITION
September 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 2,647,002	\$ 3,205,909	\$ 5,852,911
Certificate of deposits	11,202,890	2,815,140	14,018,030
Investments	122,788,775	24,891,121	147,679,896
Receivables, net	18,987,232	8,012,200	26,999,432
Internal balances	(3,305,132)	3,305,132	-
Inventories	-	360,644	360,644
Notes receivable	-	168,702	168,702
Deferred charges	241,743	2,353,712	2,595,455
Restricted assets	-	92,197,991	92,197,991
Capital assets not being depreciated:			
Land	49,271,274	21,147,150	70,418,424
Construction in progress	13,244,155	63,926,007	77,170,162
Capital assets being depreciated:			
Buildings and systems	83,090,708	240,862,630	323,953,338
Equipment	75,416,121	52,669,618	128,085,739
Improvements	46,739,363	219,052,954	265,792,317
Infrastructure	199,164,675	-	199,164,675
Water rights	-	7,123,100	7,123,100
Accumulated depreciation	(201,393,131)	(211,894,765)	(413,287,896)
Other long term assets	1,584,762	609,713	2,194,475
Total assets	<u>\$ 419,680,437</u>	<u>\$ 530,806,958</u>	<u>\$ 950,487,395</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 15,424,943	\$ 10,920,489	\$ 26,345,432
Unearned revenues	563,277	3,516,172	4,079,449
Other	8,475,506	345,483	8,820,989
Non-current liabilities:			
Due within one year	7,801,970	7,463,000	15,264,970
Due in more than one year	24,385,933	142,486,735	166,872,668
Net OPEB obligation	1,131,455	-	1,131,455
Net pension obligation	546,756	-	546,756
Total liabilities	<u>58,329,840</u>	<u>164,731,879</u>	<u>223,061,719</u>
NET POSITION			
Net investments in capital assets	243,681,893	259,339,759	503,021,652
Restricted for:			
Economic Development	25,003,568	-	25,003,568
Capital projects	-	41,076,465	41,076,465
Federal and state grant awards	5,978,578	-	5,978,578
Hotel -Tourism	806,644	-	806,644
Parks	875,049	-	875,049
Debt service	289,327	4,471,291	4,760,618
Distribution of net surplus revenues	-	4,771,818	4,771,818
Other purposes	197,878	-	197,878
Unrestricted	84,517,660	56,415,746	140,933,406
Total net position	<u>361,350,597</u>	<u>366,075,079</u>	<u>727,425,676</u>
Total liabilities and net position	<u>\$ 419,680,437</u>	<u>\$ 530,806,958</u>	<u>\$ 950,487,395</u>

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

CITY OF McALLEN, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 20,817,432	\$ 2,079,410	\$ 913,354	\$ 295,123
Public safety	53,799,148	4,358,385	523,654	1,005,087
Highways and streets	19,620,592	1,178,562	833,807	3,006,302
Health and welfare	5,247,302	308,515	1,010,464	
Culture and recreation	18,061,633	1,187,176	311,381	
Community development/misc grants	-	-		-
Interest on long-term debt	780,778	-	-	-
Total governmental activities	118,326,885	9,112,048	3,592,660	4,306,512
Business-type activities:				
Water services	17,390,301	16,125,777	-	168,326
Sewer services	13,787,604	14,840,659	-	321,388
Sanitation services	14,799,650	16,738,683	-	12,798
Golf course services	1,451,413	1,235,809	-	-
Civic center services	423,632	416,250	-	-
Convention center services	5,097,875	2,080,853	-	-
Airport services	6,867,863	5,305,465	-	5,036,937
Transit services	1,314,193	370,949	146,073	1,340
Bus services	2,877,020	461,150	707,022	846,262
Bridge services--anzalduas	4,571,611	2,890,701	-	-
Bridge services	6,111,267	12,011,752	-	774,388
Total business-type activities	74,692,429	72,478,048	853,095	7,161,439
Total primary government	193,019,314	81,590,096	4,445,755	11,467,951
General revenues:				
Property taxes				
Hotel occupancy tax				
Sales taxes				
Franchise taxes				
Unrestricted investment earnings				
Royalties				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

Net (Expenses) Revenues and		
Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (17,529,545)	\$ -	\$ (17,529,545)
(47,912,022)	-	(47,912,022)
(14,601,921)	-	(14,601,921)
(3,928,323)	-	(3,928,323)
(16,563,076)	-	(16,563,076)
-	-	-
(780,778)	-	(780,778)
(101,315,665)	-	(101,315,665)
-	(1,096,198)	(1,096,198)
-	1,374,443	1,374,443
-	1,951,831	1,951,831
-	(215,604)	(215,604)
-	(7,382)	(7,382)
-	(3,017,022)	(3,017,022)
-	3,474,539	3,474,539
-	(795,831)	(795,831)
-	(862,586)	(862,586)
-	(1,680,910)	(1,680,910)
-	6,674,873	6,674,873
-	5,800,153	5,800,153
(101,315,665)	5,800,153	(95,515,512)
32,783,760	-	32,783,760
4,784,757	-	4,784,757
60,825,866	-	60,825,866
6,457,397	-	6,457,397
123,546	157,213	280,759
936,278	-	936,278
1,188,002	532,137	1,720,139
1,656,644	(1,656,644)	-
108,756,250	(967,294)	107,788,956
7,440,585	4,832,859	12,273,444
353,910,012	361,242,220	715,152,232
\$ 361,350,597	\$ 366,075,079	\$ 727,425,676

CITY OF McALLEN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2013

	<u>General</u>	<u>Development Corp.</u>
ASSETS		
Current assets:		
Cash	\$ 1,213,886	\$ 303,775
Certificates of deposit	5,000,000	2,175,100
Investments	38,880,538	23,463,407
Receivables, net:		
Taxes	11,156,829	2,383,638
Accounts	1,854,690	230,713
Accrued interest	48,722	29,752
Other	771,326	-
Due from other funds	1,026,701	-
Due from other governments	13,978	-
Advances to other funds	190,000	-
Board advances	1,584,762	-
Total assets	<u>\$ 61,741,432</u>	<u>\$ 28,586,385</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 3,237,003	\$ 1,993,163
Accrued liabilities	2,509,922	406,425
Due to other funds	-	-
Deferred revenues	11,283,918	1,178,512
Advances from other funds	-	-
Other	835,032	-
Total liabilities	<u>17,865,875</u>	<u>3,578,100</u>
Fund balances:		
Nonspendable	1,774,762	-
Restricted	266,527	25,008,285
Committed	-	-
Assigned	1,464,107	-
Unassigned	40,370,161	-
Total fund balances	<u>43,875,557</u>	<u>25,008,285</u>
Total liabilities and fund balances	<u>\$ 61,741,432</u>	<u>\$ 28,586,385</u>

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

<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 341,206	\$ 425,573	\$ 2,284,440
1,000,000	1,657,670	9,832,770
10,876,049	14,705,865	87,925,859
-	26,282	13,566,749
-	369,853	2,455,256
11,105	6,168	95,747
4,244	185,230	960,800
-	-	1,026,701
418,678	1,202,745	1,635,401
352,716	-	542,716
-	-	1,584,762
<u>\$ 13,003,998</u>	<u>\$ 18,579,386</u>	<u>\$ 121,911,201</u>
\$ 1,725,091	\$ 379,085	\$ 7,334,342
60,083	51,088	3,027,518
-	1,229,242	1,229,242
-	47,609	12,510,039
2,035,009	190,000	2,225,009
-	7,640,474	8,475,506
<u>3,820,183</u>	<u>9,537,498</u>	<u>34,801,656</u>
352,716	-	2,127,478
-	8,628,136	33,902,948
-	154,790	154,790
8,831,099	436,942	10,732,148
-	(177,980)	40,192,181
<u>9,183,815</u>	<u>9,041,888</u>	<u>87,109,545</u>
<u>\$ 13,003,998</u>	<u>\$ 18,579,386</u>	<u>\$ 121,911,201</u>

CITY OF McALLEN, TEXAS
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
September 30, 2013

Total governmental fund balances (refer to page 23) \$ 87,109,545

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. 259,870,685

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-\$3,523,291; sales and franchise taxes-\$4,735,375; weed and lot cleaning-\$769,336; others; \$1,333,997, and Mission repayment on Series B Bridge bonds, \$1,584,762. 11,946,761

Internal service funds are used by management to charge the costs of certain activities, such as fleet management and insurance, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position. 36,119,530

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, (\$9,422,839), sales tax revenue bonds payable,(\$125,000), accrued interest, (\$103,436), certificate of obligations, (\$21,735,000), premium, (\$873,182), discount, \$142,190, issuance costs, \$99,554, Firemen's pension obligation, \$546,756), and net OPEB obligation, (\$1,131,455). (33,695,924)

Net position of governmental activities \$ 361,350,597

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, 2013

	<u>General</u>	<u>Development Corp</u>
REVENUES		
Taxes	\$ 85,284,863	\$ 15,206,468
Licenses and permits	1,415,836	-
Intergovernmental	598,470	477,341
Charges for services	3,995,475	-
Fines and forfeitures	1,678,688	-
Investment earnings	203,877	98,121
Net decrease (increase) in the fair value of investments	(171,926)	(68,778)
Other	1,153,914	-
Total revenues	<u>94,159,197</u>	<u>15,713,152</u>
EXPENDITURES		
Current:		
General government	17,428,661	430,125
Public safety	49,552,263	65,440
Highways and streets	12,009,923	5,118,956
Health and welfare	1,751,660	1,612,496
Culture and recreation	15,403,772	3,335,106
Debt service:		
Principal	-	25,000
Interest and fiscal charges	-	7,750
Total expenditures	<u>96,146,279</u>	<u>10,594,873</u>
Excess of revenues over (under) expenditures	<u>(1,987,082)</u>	<u>5,118,279</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	10,502,701	-
Transfers out	(10,450,326)	(6,529,902)
Net other financing sources (uses)	<u>52,375</u>	<u>(6,529,902)</u>
Net change in fund balances	(1,934,707)	(1,411,623)
Fund balances at beginning of year	<u>45,810,264</u>	<u>26,419,908</u>
Fund balances at end of year	<u><u>\$ 43,875,557</u></u>	<u><u>\$ 25,008,285</u></u>

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

Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 4,802,442	\$ 105,293,773
-	13,314	1,429,150
354,414	5,352,406	6,782,631
-	1,283,684	5,279,159
-	870,045	2,548,733
33,945	13,048	348,991
(37,764)	(895)	(279,363)
495,383	451,911	2,101,208
<u>845,978</u>	<u>12,785,955</u>	<u>123,504,282</u>
2,173,813	1,934,998	21,967,597
1,239,302	1,789,889	52,646,894
1,982,978	2,462,088	21,573,945
-	1,844,271	5,208,427
2,768,466	617,551	22,124,895
-	2,620,000	2,645,000
-	888,615	896,365
<u>8,164,559</u>	<u>12,157,412</u>	<u>127,063,123</u>
<u>(7,318,581)</u>	<u>628,543</u>	<u>(3,558,841)</u>
8,344,699	3,506,426	22,353,826
-	(3,716,954)	(20,697,182)
<u>8,344,699</u>	<u>(210,528)</u>	<u>1,656,644</u>
1,026,118	418,015	(1,902,197)
<u>8,157,697</u>	<u>8,623,873</u>	<u>89,011,742</u>
<u>\$ 9,183,815</u>	<u>\$ 9,041,888</u>	<u>\$ 87,109,545</u>

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, 2013

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

Net change in fund balances--total governmental funds (refer to page 27)	\$ (1,902,197)
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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 \$19,896,331 exceeded depreciation, net of depreciation (\$12,518,733) in the current period.	7,377,598
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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.	710
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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.	2,645,000
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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 (\$1,011,470) is compensated absences, \$16,538 accrued interest expense, \$99,049 bond amortization expense, (\$271,249) Firemen's Fund net pension obligation, and (\$82,185) net OPEB obligation.	(1,249,315)
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Internal service funds are used by management to charge the costs of certain activities, such as fleet management and insurance, to individual funds. The net revenue (expense) of certain internal service funds reported with governmental activities.	568,789
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Change in net position of governmental activities	<u>\$ 7,440,585</u>
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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, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 32,738,629	\$ 32,738,629	\$ 33,208,067	\$ 469,438
Sales	43,625,622	43,625,622	45,619,399	1,993,777
Franchise	6,404,000	6,404,000	6,457,397	53,397
Total taxes	82,768,251	82,768,251	85,284,863	2,516,612
Licenses and permits:				
Business licenses and permits	40,750	40,750	66,197	25,447
Occupational	202,225	202,225	261,071	58,846
Non-business licenses and permits	1,039,150	1,039,150	1,088,568	49,418
Total licenses and permits	1,282,125	1,282,125	1,415,836	133,711
Intergovernmental revenues:				
State shared revenues	430,000	430,000	598,470	168,470
Total intergovernmental revenues	430,000	430,000	598,470	168,470
Charges for services:				
General government	1,408,420	1,408,420	1,462,879	54,459
Public safety	687,400	687,400	785,887	98,487
Highways and streets	500	500	-	(500)
Health	568,200	568,200	649,108	80,908
Culture and recreation	1,127,810	1,127,810	1,097,601	(30,209)
Total charges for services	3,792,330	3,792,330	3,995,475	203,145
Fines and forfeitures:				
Corporations court	1,650,000	1,684,769	1,584,807	(99,962)
Other fines	62,968	62,968	93,881	30,913
Total fines and forfeitures	1,712,968	1,747,737	1,678,688	(69,049)

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Investment earnings	<u>265,000</u>	<u>265,000</u>	<u>203,877</u>	<u>(61,123)</u>
Net decrease in fair value of investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (171,926)</u>	<u>\$ (171,926)</u>
Other:				
Royalties	1,000,000	1,000,000	936,283	(63,717)
Rents and concessions	40,000	40,000	10,411	(29,589)
Reimbursements	-	-	3,604	3,604
Other	<u>384,800</u>	<u>384,800</u>	<u>203,616</u>	<u>(181,184)</u>
Total other revenues	<u>1,424,800</u>	<u>1,424,800</u>	<u>1,153,914</u>	<u>(270,886)</u>
Total revenues	<u>91,675,474</u>	<u>91,710,243</u>	<u>94,159,197</u>	<u>2,448,954</u>
EXPENDITURES				
General government:				
City commission	161,392	162,719	196,810	(34,091)
Special service	871,800	871,800	940,427	(68,627)
City manager	1,007,514	1,021,101	1,061,605	(40,504)
City secretary	405,902	413,817	434,531	(20,714)
Audit office	200,516	204,641	203,794	847
Vital statistics	187,977	190,631	148,493	42,138
Passport facility	65,905	67,029	73,268	(6,239)
Municipal court	1,289,255	1,347,952	1,203,074	144,878
Finance	1,439,146	1,481,789	1,350,112	131,677
Tax office	946,165	951,065	982,184	(31,119)
Purchasing and contracting	498,460	508,452	453,341	55,111
Legal	1,152,312	1,172,263	1,528,788	(356,525)
Grant administration	372,247	377,820	349,095	28,725
Right of way	173,574	180,921	175,489	5,432
Human resources	621,168	629,970	628,853	1,117
Risk management	651,761	651,761	651,761	-
Planning	1,100,850	1,118,648	841,193	277,455
Information technology	2,392,406	2,421,114	2,351,119	69,995
Information services	589,730	600,178	544,464	55,714
City hall	701,737	703,799	558,821	144,978
Building maintenance	526,220	534,580	580,642	(46,062)
Contingency	(207,333)	(1,320,265)	-	(1,320,265)
Non-departmental activities	<u>2,175,435</u>	<u>2,175,435</u>	<u>2,170,797</u>	<u>4,638</u>
Total general government	<u>17,324,139</u>	<u>16,467,220</u>	<u>17,428,661</u>	<u>(961,441)</u>

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public safety:				
Police	\$ 29,306,101	\$ 29,782,323	\$ 29,424,330	\$ 357,993
Animal control	314,834	317,844	274,117	43,727
Communication technology	257,825	261,441	175,762	85,679
Fire	16,396,778	16,705,160	16,569,230	135,930
Traffic operations	2,161,137	2,185,739	2,139,821	45,918
Inspection	1,008,137	1,025,127	969,003	56,124
Total public safety	<u>49,444,812</u>	<u>50,277,634</u>	<u>49,552,263</u>	<u>725,371</u>
Highways and streets:				
Engineering services	1,841,592	1,875,451	1,710,436	165,015
Street cleaning	423,225	425,998	366,940	59,058
Street maintenance	6,554,859	6,582,187	6,221,264	360,923
Street lighting	1,977,001	2,137,001	2,178,906	(41,905)
Sidewalk construction	317,915	320,924	278,590	42,334
Drainage	1,432,893	1,442,825	1,253,787	189,038
Total highways and streets	<u>12,547,485</u>	<u>12,784,386</u>	<u>12,009,923</u>	<u>774,463</u>
Health and welfare:				
Health	1,108,697	1,125,916	1,071,670	54,246
Graffiti cleaning	153,969	156,031	149,432	6,599
Other agencies	242,662	242,662	530,558	(287,896)
Total health and welfare	<u>1,505,328</u>	<u>1,524,609</u>	<u>1,751,660</u>	<u>(227,051)</u>
Culture and recreation:				
Parks and recreation administration	517,963	526,186	576,129	(49,943)
Parks	5,796,426	5,858,252	5,802,224	56,028
Recreation	1,488,148	1,495,140	1,297,372	197,768
Pools	802,106	823,343	756,870	66,473
Las palmas community center	393,987	398,857	349,276	49,581
Recreation center-Lark	482,204	487,549	419,517	68,032
Recreation center-Palmview	480,112	485,151	467,625	17,526
H2O hut	84,000	84,000	23,152	60,848

CITY OF McALLEN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Quinta mazatlan	\$ 504,546	\$ 510,747	\$ 485,746	\$ 25,001
Library	3,175,544	3,215,107	2,947,445	267,662
Library branch-Lark	436,970	444,658	428,683	15,975
Library branch-Palmview	432,649	438,346	382,562	55,784
Other agencies	669,059	669,059	669,059	-
Museums	798,112	798,112	798,112	-
Total culture and recreation	<u>16,061,826</u>	<u>16,234,507</u>	<u>15,403,772</u>	<u>830,735</u>
Total expenditures	<u>96,883,590</u>	<u>97,288,356</u>	<u>96,146,279</u>	<u>1,142,077</u>
Excess of revenues over expenditures	<u>(5,208,116)</u>	<u>(5,578,113)</u>	<u>(1,987,082)</u>	<u>3,591,031</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	10,017,635	10,017,635	10,502,701	485,066
Transfers out	<u>(4,506,426)</u>	<u>(10,540,326)</u>	<u>(10,450,326)</u>	<u>90,000</u>
Net other financing sources (uses)	<u>5,511,209</u>	<u>(522,691)</u>	<u>52,375</u>	<u>575,066</u>
Net change in fund balances	303,093	(6,100,804)	(1,934,707)	4,166,097
Fund balances at begining of year	<u>45,810,264</u>	<u>45,810,264</u>	<u>45,810,264</u>	<u>-</u>
Fund balances at end of year	<u>\$ 46,113,357</u>	<u>\$ 39,709,460</u>	<u>\$ 43,875,557</u>	<u>\$ 4,166,097</u>

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

CITY OF McALLEN, TEXAS
DEVELOPMENT CORPORATION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Fiscal Year Ended September 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Sales tax	\$ 14,883,487	\$ 14,883,487	\$ 15,206,468	\$ 322,981
Intergovernmental revenues	813,098	863,098	477,341	(385,757)
Investment earnings	100,000	100,000	98,121	(1,879)
Net decrease in the fair value of investments	-	-	(68,778)	(68,778)
Total revenues	<u>15,796,585</u>	<u>15,846,585</u>	<u>15,713,152</u>	<u>(133,433)</u>
EXPENDITURES				
Current:				
General government	7,620,829	7,801,829	430,125	7,371,704
Public safety	100,000	100,000	65,440	34,560
Highways and streets	7,014,895	8,913,882	5,118,956	3,794,926
Health and welfare	1,650,826	1,650,826	1,612,496	38,330
Culture and recreation	6,464,000	7,897,951	3,335,106	4,562,845
Debt service:				
Principal	25,000	25,000	25,000	-
Interest and fiscal charges	<u>7,213</u>	<u>7,213</u>	<u>7,750</u>	<u>(537)</u>
Total expenditures	<u>22,882,763</u>	<u>26,396,701</u>	<u>10,594,873</u>	<u>15,801,828</u>
Excess (deficiency) of revenues over expenditures	<u>(7,086,178)</u>	<u>(10,550,116)</u>	<u>5,118,279</u>	<u>15,668,395</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(6,529,902)</u>	<u>(6,529,902)</u>	<u>(6,529,902)</u>	<u>-</u>
Total other financing sources (uses)	<u>(6,529,902)</u>	<u>(6,529,902)</u>	<u>(6,529,902)</u>	<u>-</u>
Net changes in fund balances	(13,616,080)	(17,080,018)	(1,411,623)	15,668,395
Fund balances--beginning	<u>26,419,908</u>	<u>26,419,908</u>	<u>26,419,908</u>	<u>-</u>
Fund balances--ending	<u>\$ 12,803,828</u>	<u>\$ 9,339,890</u>	<u>\$ 25,008,285</u>	<u>\$ 15,668,395</u>

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

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2013

	Business Type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	Convention Center
ASSETS				
Current assets:				
Cash	\$ 606,652	\$ 484,478	\$ 145,311	\$ 314,506
Certificate of deposit	487,550	150,000	1,000,000	-
Investments	3,701,911	2,229,507	6,146,386	2,220,386
Receivables, net:				
Accounts	1,574,263	3,812,269	1,972,937	25,879
Accrued interest	6,010	1,922	6,830	2,695
Other	-	18,350	-	18,618
Due from other funds	-	-	-	163,032
Due from other governments	-	-	-	-
Inventories, at cost	13,752	-	-	-
Restricted assets:				
Cash and cash equivalents	8,584	1,461,672	4,679	-
Total current assets	6,398,722	8,158,198	9,276,143	2,745,116
Noncurrent assets:				
Restricted assets:				
Investments	19,209,794	43,140,218	8,285,209	1,002,567
Other	219,509	200,300	-	-
Total noncurrent restricted assets	19,429,303	43,340,518	8,285,209	1,002,567
Capital assets:				
Land	3,039,265	1,983,995	928,277	6,202,778
Buildings and systems	57,291,589	71,564,735	2,241,785	56,281,224
Improvements other than buildings	59,305,636	37,561,736	439,908	6,690,881
Machinery and equipment	6,419,455	7,211,813	21,951,561	2,669,444
Construction in progress	4,610,881	40,762,837	9,152	-
Water rights	7,123,100	-	-	-
Less accumulated depreciation and amortization	(55,297,110)	(55,729,165)	(15,907,822)	(10,557,550)
Total capital assets (net of accumulated depreciation and amortization)	82,492,816	103,355,951	9,662,861	61,286,777
Other noncurrent assets				
Loans receivable	84,351	84,351	-	-
Other assets, net	749,502	663,639	-	-
Goodwill	-	-	-	-
Advances to other funds	-	-	-	-
Board advances	-	-	-	-
Total other noncurrent assets	833,853	747,990	-	-
Total noncurrent assets	102,755,972	147,444,459	17,948,070	62,289,344
Total assets	\$ 109,154,694	\$ 155,602,657	\$ 27,224,213	\$ 65,034,460

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

Business-type Activities-Enterprise Funds					Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 17,681	\$ 432,383	\$ 113,325	\$ 173,379	\$ 2,287,715	\$ 1,280,757
587,550	-	-	590,040	2,815,140	1,370,120
4,079,428	1,912,405	910,515	3,690,582	24,891,120	34,862,916
402,739	-	-	2,979	7,791,066	271,583
3,109	-	-	1,081	21,647	32,068
-	-	-	-	36,968	3,801
104,473	-	-	40,758	308,263	-
48,896	-	-	79,450	128,346	-
-	-	-	-	13,752	346,892
640,063	56,089	18,023	130,000	2,319,110	-
5,883,939	2,400,877	1,041,863	4,708,269	40,613,127	38,168,137
7,863,152	6,181,678	1,437,209	529,071	87,648,898	-
1,810,174	-	-	-	2,229,983	-
9,673,326	6,181,678	1,437,209	529,071	89,878,881	-
3,251,781	573,798	2,936,598	2,230,658	21,147,150	-
32,480,501	10,698,086	10,415,086	7,285,171	248,258,177	-
54,193,293	3,378,790	39,825,625	9,588,756	210,984,625	132,823
2,550,197	1,784,526	1,470,353	8,559,114	52,616,463	22,009,457
17,765,778	757,138	-	20,220	63,926,006	-
-	-	-	-	7,123,100	-
(45,291,249)	(9,318,401)	(5,704,334)	(13,701,998)	(211,507,629)	(16,140,998)
64,950,301	7,873,937	48,943,328	13,981,921	392,547,892	6,001,282
-	-	-	-	168,702	-
150,137	-	790,434	-	2,353,712	-
-	609,713	-	-	609,713	-
-	-	-	-	-	2,035,009
-	15,271,023	-	-	15,271,023	-
150,137	15,880,736	790,434	-	18,403,150	2,035,009
74,773,764	29,936,351	51,170,971	14,510,992	500,829,923	8,036,291
\$ 80,657,703	\$ 32,337,228	\$ 52,212,834	\$ 19,219,261	\$ 541,443,050	\$ 46,204,428

Continued

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2013

	Business Type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	Convention Center
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 579,110	\$ 614,638	\$ 550,583	\$ 199,423
Accrued expenses	440,165	559,239	196,807	52,421
Due to other funds	104,473	-	-	-
Due to other government agencies	-	-	-	-
Customer deposits payable	2,389,496	-	-	18,335
Compensated absences due one year	326,000	222,000	278,000	61,000
Current portion of revenue bonds	1,514,610	3,313,390	-	-
Other	16,684	40,149	300	265,762
Total current liabilities	5,370,538	4,749,416	1,025,690	596,941
Other noncurrent liabilities:				
Advances from other funds	-	-	-	-
Revenue bonds, net of current portion and discount	20,266,159	75,842,843	-	-
Accumulated unpaid compensated absences	113,094	109,201	51,479	33,319
Notes payable	-	-	-	-
Bond premium	647,187	1,308,698	-	-
Deferred revenues	214,160	2,416,736	431,936	71,150
ARC payable	-	-	-	-
Board advances	-	-	-	-
Total other noncurrent liabilities	21,240,600	79,677,478	483,415	104,469
Total liabilities	26,611,138	84,426,894	1,509,105	701,410
NET POSITION				
Net investments in capital assets	60,996,937	33,505,547	9,662,861	61,286,777
Restricted for:				
Capital projects	15,782,349	18,103,894	-	1,002,566
Debt service	504,870	2,359,046	-	-
Distribution of net surplus revenues	-	-	-	-
Unrestricted	5,259,400	17,207,276	16,052,247	2,043,707
Total net position	82,543,556	71,175,763	25,715,108	64,333,050
Total liabilities and net position	\$ 109,154,694	\$ 155,602,657	\$ 27,224,213	\$ 65,034,460

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

	Business-type Activities-Enterprise Funds				Governmental
	McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Internal Service Funds
\$ 2,858,469	\$ 67,228	\$ 18,101	\$ 214,253	\$ 5,101,805	\$ 1,203,336
566,637	76,690	156,897	94,609	2,143,465	4,252,505
-	1,249	-	-	105,722	-
-	771,194	-	-	771,194	-
-	-	-	-	2,407,831	-
50,000	63,000	-	60,000	1,060,000	-
375,000	-	1,200,000	-	6,403,000	-
22,549	-	-	39	345,483	-
3,872,655	979,361	1,374,998	368,901	18,338,500	5,455,841
-	-	-	352,716	352,716	-
8,750,000	-	34,445,000	-	139,304,002	-
26,025	49,701	10,711	113,014	506,544	56,118
219,509	-	-	-	219,509	-
-	-	476,559	-	2,432,444	-
-	293,955	-	88,235	3,516,172	-
-	-	-	-	-	-
-	-	15,271,023	-	15,271,023	-
8,995,534	343,656	50,203,293	553,965	161,602,410	56,118
12,868,189	1,323,017	51,578,291	922,866	179,940,910	5,511,959
58,080,774	7,873,937	13,612,203	13,981,921	259,000,957	6,001,282
4,473,050	926,221	487,988	300,397	41,076,465	-
280,084	502,674	824,617	-	4,471,291	-
-	4,771,818	-	-	4,771,818	-
4,955,606	16,939,561	(14,290,265)	4,014,077	52,181,609	34,691,187
67,789,514	31,014,211	634,543	18,296,395	361,502,140	40,692,469
\$ 80,657,703	\$ 32,337,228	\$ 52,212,834	\$ 19,219,261	\$ 541,443,050	\$ 46,204,428

Concluded

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, 2013

Fund equity - total proprietary funds (page 39)	\$ 361,502,140
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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.

4,572,939

Net position of business-type activities

\$ 366,075,079

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, 2013

	Business Type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	Convention Center
Operating revenues				
Charges for services	\$ 15,778,543	\$ 14,524,199	\$ 16,531,707	\$ 966,063
Rentals	-	-	-	1,060,281
Other	807,234	316,460	206,976	154,510
Total operating revenues	16,585,777	14,840,659	16,738,683	2,180,854
Operating expenses				
Salaries, wages and employee benefits	5,688,257	3,579,390	5,285,850	1,479,283
Supplies	3,568,307	627,856	324,525	90,340
Contractual and other services	2,509,848	3,358,170	4,004,501	1,793,640
Repairs and maintenance	847,388	527,219	3,270,109	241,599
Depreciation and amortization	3,866,222	4,311,760	2,012,586	1,591,126
Self insurance claims	-	-	-	-
Other	-	-	-	-
Total operating expenses	16,480,022	12,404,395	14,897,571	5,195,988
Operating income (loss)	105,755	2,436,264	1,841,112	(3,015,134)
Non operating revenues (expenses)				
Investment earnings	88,301	99,806	56,777	8,447
Net increase (decrease) in fair value of investments	(53,384)	(45,190)	(31,683)	(5,691)
Interest expense	(1,284,439)	(1,374,154)	-	-
Interest on board advances	-	-	-	-
Bond related charges	(28,155)	27,685	-	-
Capitalized interest	-	-	-	-
Gain (loss) on sale of capital assets	11,340	3,960	(3,481)	-
Other	2,484	-	-	-
Net non-operating revenues (expenses)	(1,263,853)	(1,287,893)	21,613	2,756
Income (loss) before contributions and transfers	(1,158,098)	1,148,371	1,862,725	(3,012,378)
Capital contributions	168,326	321,388	12,798	-
Transfers in	-	-	-	2,273,249
Transfers out	-	-	-	(500,000)
Change in net position	(989,772)	1,469,759	1,875,523	(1,239,129)
Total net position-beginning	83,533,328	69,706,004	23,839,585	65,572,179
Total position--ending	\$ 82,543,556	\$ 71,175,763	\$ 25,715,108	\$ 64,333,050

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

Business Type Activites-Enterprise Funds					Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 2,301,783	\$ 10,300,629	\$ 2,833,040	\$ 2,007,052	\$ 65,243,016	\$ 6,185,029
2,747,325	1,516,042	14,026	115,545	5,453,219	-
256,357	195,081	43,635	361,561	2,341,814	12,185,644
5,305,465	12,011,752	2,890,701	2,484,158	73,038,049	18,370,673
1,621,572	1,121,574	385,800	2,445,490	21,607,216	1,260,854
64,147	73,889	15,155	160,774	4,924,993	34,430
1,523,692	950,267	324,198	1,072,336	15,536,652	5,356,171
404,330	180,624	35,250	900,760	6,407,279	294,554
3,362,614	552,627	1,534,336	1,476,105	18,707,376	1,894,647
-	-	-	-	-	9,507,099
(122,133)	-	-	-	(122,133)	30,534
6,854,222	2,878,981	2,294,739	6,055,465	67,061,383	18,378,289
(1,548,757)	9,132,771	595,962	(3,571,307)	5,976,666	(7,616)
34,855	4,038	2,220	9,274	303,718	127,377
(10,985)	-	-	390	(146,543)	(73,459)
(356,582)	-	(1,731,561)	-	(4,746,736)	-
-	525,915	(525,915)	-	-	-
(8,662)	-	(17,043)	-	(26,175)	-
351,201	-	-	-	351,201	-
-	-	-	-	11,819	34,042
(8,044)	(3,226,208)	-	-	(3,231,768)	471,231
1,783	(2,696,255)	(2,272,299)	9,664	(7,484,484)	559,191
(1,546,974)	6,436,516	(1,676,337)	(3,561,643)	(1,507,818)	551,575
5,036,937	774,388	-	1,700,697	8,014,534	-
-	-	963,664	3,004,788	6,241,701	-
(1,103,965)	(5,572,317)	-	(722,063)	(7,898,345)	-
2,385,998	1,638,587	(712,673)	421,779	4,850,072	551,575
65,403,516	29,375,624	1,347,216	17,874,616	356,652,068	40,140,894
\$ 67,789,514	\$ 31,014,211	\$ 634,543	\$ 18,296,395	\$ 361,502,140	\$ 40,692,469

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, 2013

Change in net position - total proprietary funds (page 43)	\$ 4,850,072
Some amounts reported for business-type activities in the statement of activity are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.	<u>(17,213)</u>
Net position of business-type activities	<u><u>\$ 4,832,859</u></u>

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

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2013

	Business Type Activities			
	Water	Sewer	Sanitation	McAllen Convention Center
Cash flows from operating activities:				
Receipts from customers	\$ 16,900,493	\$ 13,473,520	\$ 16,901,680	\$ 2,260,971
Payments to employees	(5,590,578)	(3,525,582)	(5,198,399)	(1,463,811)
Payments to suppliers	(7,004,772)	(3,812,596)	(7,425,567)	(2,009,730)
Net cash provided (used) by operating activities	4,305,143	6,135,342	4,277,714	(1,212,570)
Cash flows from noncapital financing activities:				
Transfers from other funds	-	-	-	2,273,249
Transfers to other funds	-	-	-	(500,000)
Advance to other funds	-	-	(150,000)	-
Subsidy from federal grant	-	-	-	-
Board advances	-	-	-	-
Distribution of income to City of Hidalgo	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	(150,000)	1,773,249
Cash flows from capital and related financing activities:				
Capital contributions	-	294,674	-	-
Purchases of capital assets	(3,150,273)	(3,151,839)	(2,106,880)	(18,088)
Proceeds from sale of capital assets	11,340	3,960	19,620	-
Proceeds interfund loan	-	-	-	-
Proceeds from capital debt	-	10,052,000	-	-
Proceeds from loan forgiveness	-	1,620,904	-	-
Principal repayments-bonds and notes	(1,448,903)	(2,771,097)	-	-
Interest paid	(1,295,326)	(1,386,439)	-	-
Net cash provided (used) by capital and related financing activities	(5,883,162)	4,662,163	(2,087,260)	(18,088)
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	7,599,686	8,558,359	1,334,985	750,874
Purchase of investments	(5,888,936)	(19,418,105)	(3,441,673)	(1,001,331)
Receipt of interest	38,799	65,285	26,108	2,938
Net cash provided (used) by investing activities	1,749,549	(10,794,461)	(2,080,580)	(247,519)
Net increase (decrease) in cash	171,530	3,044	(40,126)	295,072
Cash at beginning of year	443,706	1,943,106	190,116	19,434
Cash at end of year	\$ 615,236	\$ 1,946,150	\$ 149,990	\$ 314,506

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

Business Type Activities					Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 5,232,744 (1,582,309) (150,911)	\$ 12,109,907 (1,218,414) (1,100,959)	\$ 2,890,701 (384,077) (379,459)	\$ 2,487,792 (2,399,517) (2,301,133)	\$ 72,257,808 (21,362,687) (24,185,127)	\$ 19,046,374 (1,246,344) (14,966,054)
3,499,524	9,790,534	2,127,165	(2,212,858)	26,709,994	2,833,976
			3,004,788	5,278,037	-
(1,103,965)	(4,609,189)	-	(722,063)	(6,935,217)	(2,035,009)
-	-	-	-	(150,000)	-
-	-	-	2,018,992	2,018,992	-
-	(963,664)	963,664	-	-	-
-	(3,186,529)	-	-	(3,186,529)	-
(1,103,965)	(8,759,382)	963,664	4,301,717	(2,974,717)	(2,035,009)
4,391,416 (8,994,404) - 111,175 - - (370,000) (357,198)	774,388 (1,642,910) - - - - -	- (7,950) - - - - (1,150,000) (1,735,395)	- (1,101,125) - - - - -	5,460,478 (20,173,469) 34,920 111,175 10,052,000 1,620,904 (5,740,000) (4,774,358)	- (1,474,394) 34,042 - - - -
(5,219,011)	(868,522)	(2,893,345)	(1,101,125)	(13,408,350)	(1,440,352)
6,164,840 (2,795,071) 25,717	7,162,762 (7,188,145) 4,037	4,072,273 (4,289,998) 2,220	1,409,561 (2,329,272) 11,208	37,053,340 (46,352,531) 176,312	10,529,581 (9,386,737) 64,915
3,395,486	(21,346)	(215,505)	(908,503)	(9,122,879)	1,207,759
572,034	141,284	(18,021)	79,231	1,204,048	566,374
85,710	347,188	149,369	224,148	3,402,777	714,383
\$ 657,744	\$ 488,472	\$ 131,348	\$ 303,379	\$ 4,606,825	\$ 1,280,757

Continued

CITY OF McALLEN, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS-(Continued)
For the Year Ended September 30, 2013

	Business Type Activities			
	Water	Sewer	Sanitation	McAllen Convention Center
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 105,755	\$ 2,436,264	\$ 1,841,112	\$ (3,015,134)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	3,866,222	4,311,760	2,012,586	1,591,126
(Increase) decrease in accounts receivable	312,169	322,835	162,130	8,954
(Increase) decrease in intergovernmental receivables	-	(69,070)	-	-
(Increase) decrease in due from other funds	-	-	-	84,658
(Increase) decrease in prepaid items	65	-	867	(13,494)
(Increase) decrease in inventories	10,261	-	-	-
Increase (decrease) in accounts payable	(175,149)	197,281	138,924	61,986
Increase (decrease) in customer deposits payable	29,917	-	-	(2,180)
Increase (decrease) in compensated absences payable	78,519	53,973	62,542	13,341
Increase (decrease) in accrued liabilities	(46,092)	(788,681)	24,909	2,131
Increase (decrease) in due to other funds	104,473	-	-	-
Increase (decrease) in other current liabilities	-	40,149	-	67,336
Increase (decrease) in deferred revenues	19,003	(369,169)	34,644	(11,294)
Total adjustments	4,199,388	3,699,078	2,436,602	1,802,564
Net cash provided by (used) by operating activities	<u>\$ 4,305,143</u>	<u>\$ 6,135,342</u>	<u>\$ 4,277,714</u>	<u>\$ (1,212,570)</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ 168,326	\$ 321,388	\$ 12,798	\$ -
Increase (decrease) in fair value of investments	(53,384)	(45,190)	(31,683)	(5,691)

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

Business Type Activities					Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ (1,548,757)	\$ 9,132,771	\$ 595,962	\$ (3,571,307)	\$ 5,976,666	\$ (7,616)
3,362,614	552,627	1,534,336	1,476,105	18,707,376	1,894,647
31,752	-	-	7,468	845,308	295,375
-	-	-	-	(69,070)	-
(104,473)	-	-	(3,835)	(23,650)	-
1,165	-	-	-	(11,397)	-
-	-	-	-	10,261	(60,009)
1,510,232	(13,634)	(3,133)	(96,337)	1,620,170	911,303
-	-	-	-	27,737	-
10,276	18,579	-	33,381	270,611	8,315
228,915	-	-	12,592	(566,226)	(193,182)
-	-	-	(100,000)	4,473	-
7,800	2,036	-	23,478	140,799	(14,857)
-	98,155	-	5,597	(223,064)	-
5,048,281	657,763	1,531,203	1,358,449	20,733,328	2,841,592
<u>\$ 3,499,524</u>	<u>\$ 9,790,534</u>	<u>\$ 2,127,165</u>	<u>\$ (2,212,858)</u>	<u>\$ 26,709,994</u>	<u>\$ 2,833,976</u>
\$ -	\$ -	\$ -	\$ -	\$ 502,512	\$ -
(10,985)	-	-	390	(146,543)	(73,459)

Concluded

CITY OF McALLEN , TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUND
September 30, 2013

	<u>Pension Trust</u>	
	<u>Firemen's</u>	
	<u>Relief and</u>	
	<u>Retirement</u>	
	<u>Fund</u>	<u>Agencies</u>
ASSETS		
Cash and cash equivalents	\$ 1,016,364	\$ 290,257
Receivables:		
Interest	31,469	2,479
Investments, at fair value:		
TexPool	-	718,111
Certificate of deposit	-	487,550
Domestic and international equities	24,641,847	-
Treasury and corporate bonds	10,484,612	1,496,316
Alternate investments	6,546,988	-
	<u>41,673,447</u>	<u>2,701,977</u>
Total investments		
	<u>42,721,280</u>	<u>2,994,713</u>
LIABILITIES		
Accounts payable	928	224
Due agency	-	286,844
Escrow payables	-	2,707,645
	<u>928</u>	<u>2,994,713</u>
Total liabilities		
	<u>\$ 42,720,352</u>	
NET POSTION		
Net position held in trust for pension benefits	<u>\$ 42,720,352</u>	

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

CITY OF McALLEN , TEXAS
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended September 30, 2013

	<u>Pension Trust</u>
	<u>Firemen's Relief and Retirement Fund</u>
ADDITIONS	
Contributions:	
Member	\$ 1,075,651
Employer	<u>1,337,910</u>
Total contributions	<u>2,413,561</u>
Investment earnings:	
Interest and dividends	952,289
Gain on sale of investments	1,017,947
Net appreciation in fair value of investments	<u>2,740,290</u>
Total investment earnings	4,710,526
Less: investment expense	<u>347,282</u>
Net investment earnings	<u>4,363,244</u>
Total additions	<u>6,776,805</u>
DEDUCTIONS	
Benefits	2,123,344
Refund of contributions	207,251
Administrative expense	<u>31,869</u>
Total deductions	<u>2,362,464</u>
Changes in net position	4,414,341
Net position--beginning	<u>38,306,011</u>
Net position--ending	<u><u>\$ 42,720,352</u></u>

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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.

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

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

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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

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

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

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

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*.

The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (government or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The adoption of this standard will not have a significant impact on the City's financial statements.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*—an amendment of GASB Statements No. 14 and No. 34.

The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of this Statement are effective for

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

financial statements for periods beginning after June 15, 2012. Earlier application is encouraged.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*.

The Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statements, which are distinct from assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

The following statements will become effective in future years. Management does not believe these statements will have a significant impact on the City's financial statements.

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

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*.

The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*

The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts, or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged.

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

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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

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

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

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

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

The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows or resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine *all* such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

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

(B) Government-wide and fund financial statements

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

The government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*; consistent with the presentation of the

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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. 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.

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. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

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

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

The *Capital Projects Funds* are used to account for and report financial resources that are restricted, committed or assigned expenditure for the acquisition and/or construction of

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

capital facilities except those financed by proprietary fund types. The *Capital Improvement Fund* is the only fund of this type that is reported as a major fund.

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

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

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

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

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

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

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

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

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

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

The City also reports, although not as major funds, the *internal service funds as proprietary funds*. These fund types were established to finance and account for goods and services provided to various departments of the City, and on a limited basis to other local agencies, on a cost-reimbursement basis. They account for fleet management, health insurance, retiree health insurance, and general insurance services provided to other operating funds of the City as well as a capital replacement fund for rolling stock used within departments of the General Fund. In

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

the statement of net position, only fleet management is reported in the business-type column, because the predominant user is determined to be the Sanitation Fund, a proprietary fund.

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

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 assets are available, the City typically first applies restricted resources, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

(D) Assets, liabilities, and net position

(1) Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand and demand deposits. The Public Funds Investment Act for the state of Texas allows municipalities to invest in the following:

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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

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

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

The City's investments are reported at fair value.

(2) Receivables and payables

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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

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

All trade and property tax 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.

(3) Inventories and prepaid items

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

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

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

(4) Restricted assets

Proceeds from the issuance of bonds, primarily related to enterprise funds and sales tax revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet due to their use being limited by applicable bond covenants. The “revenue bond current debt service” account is used to report segregated assets accumulated for debt service payments over the next twelve months. The “revenue bond contingency” account is used to report resources set aside to subsidize potential deficiencies from the McAllen International Toll Bridge Fund and/or the Anzalduas International Crossing Fund operation that could adversely affect debt service payments. In addition to assets restricted by bond covenants, others are restricted by enabling legislation for replacement and/or acquisition of capital assets.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

(5) Capital assets

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

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

Gains or losses on dispositions of capital assets are included in income within the proprietary fund financial statements and in the governmental activities and business-type activities columns of the government-wide financial statements. In the governmental fund financial statements only the proceeds from the disposition are reported. Within the proprietary funds, interest cost, less interest earned on investments acquired with proceeds of related borrowing, is capitalized during the construction of capital projects when material. Interest expense is not capitalized on general capital assets.

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

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

(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. Compensated absences are reported in governmental funds only if they have matured.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

(7) Long-term obligations

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

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

(8) Fund balances

Fund balance, reported in governmental funds, which has some level of constraint placed on it, is classified as nonspendable, restricted, committed, or assigned. The amount remaining, which can be spent for any lawful purpose is classified as unassigned. Amounts classified as restricted have constraints placed on the use by law, regulations of other governments, creditors, grantors or by enabling legislation. Those classified as committed are constrained by the City Commission through an ordinance for specific purposes, but are neither restricted nor committed. Reversing a commitment would require City Commission approval through an ordinance. Non-spendable is amounts that 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.

At September 30, 2013, the McAllen EB-5 Regional Center fund, a non-major governmental fund, reflects a fund deficit of \$177,980. It is estimated that this temporary shortfall will be covered by fees once applications are processed and approved.

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

	Major Funds			Non-major	
	General	Development Corp.	Capital Improvements	Funds Other	Total
Fund balances:					
Nonspendable:					
Interfund advances	\$ 1,774,762	\$ -	\$ 352,716	\$ -	\$ 2,127,478
Restricted for:					
Law enforcement	-	-	-	5,996,759	5,996,759
Debt service	-	-	-	284,610	284,610
Economic development	-	25,008,285	-	-	25,008,285
Tourism	-	-	-	831,551	831,551
Capital improvements	-	-	-	640,167	640,167
Public access network	266,527	-	-	-	266,527
Parks	-	-	-	875,049	875,049
Committed to:					
Downtown services parking	-	-	-	154,790	154,790
Assigned to:					
Future bridge assistance	1,464,107	-	-	-	1,464,107
Information technology projects	-	-	-	436,942	436,942
Other capital projects	-	-	8,831,099	-	8,831,099
Unassigned	<u>40,370,161</u>	<u>-</u>	<u>-</u>	<u>(177,980)</u>	<u>40,192,181</u>
Total fund balances	<u>\$ 43,875,557</u>	<u>\$ 25,008,285</u>	<u>\$ 9,183,815</u>	<u>\$ 9,041,888</u>	<u>\$ 87,109,545</u>

(9) Minimum fund balance policy

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

(10) Deficit Unrestricted Net Position

The unrestricted portion of net position reflects a deficit in the amount of \$14,166,343 primarily as a result of advances from the Hidalgo Bridge, as authorized by the board 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 fund is able to.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

(B) Excess of expenditures over appropriations

For the year ended September 30, 2013, expenditures in certain general fund departments exceeded appropriations. These expenditures over appropriations are the result of underestimating actual expenditures for the year. Revenue sufficient to provide for the excess was made available through the use of available surplus from current and prior years. The related departments and the excess of expenditures over appropriations are reflected in the table that follows:

Department:	
City commission	\$ 34,091
Special service	68,627
City manager	40,504
City secretary	20,714
Passport facility	6,239
Tax office	31,119
Legal	356,525
Building maintenance	46,062
Other agencies	287,896
Street lighting	41,905
Parks and recreation administration	49,943
	<hr/>
Total general fund	\$ 983,625

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, 2013, the City's deposits were entirely covered by federal deposit insurance or were secured by collateral held by the City's agent in the City's name pursuant to the City's Investment Policy and its Depository Agreement.

Investments at fair value, including accrued interest, as of September 30, 2013 are reflected in the table that follows:

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

Investment Maturities (in Years)					
	Fair Value	1 or less	2	3+	4+
Tex Pool	\$ 60,562,641	\$ 60,562,641	\$ -	\$ -	\$ -
Money Market	11,289,468	\$ 11,289,468	-	-	-
Certificates of deposit	19,271,318	13,771,318	5,500,000	-	-
U.S. Government securities	158,372,858	28,708,922	60,766,310	49,785,760	19,111,866
	<u>\$ 249,496,285</u>	<u>\$ 114,332,349</u>	<u>\$66,266,310</u>	<u>\$49,785,760</u>	<u>\$19,111,866</u>

Public funds investment pools

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

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

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

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

The City believes TexPool operates in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value. The City believes that TexPool

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

operates as a 2a-7 like pool as described in GASB Statement No. 59, Financial Instrument Omnibus.

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

	<u>Government Agencies</u>	<u>Certificates of Deposit</u>
< 1 Year	\$ 28,708,922	\$ 13,771,318
1-3 Years	110,552,070	5,500,000
4 Years	<u>19,111,866</u>	<u>-</u>
Total	<u>\$ 158,372,858</u>	<u>\$ 19,271,318</u>
Weighted Average Maturity	701 Days	223 Days

Credit risk. As of September 30, 2013, the investments in the State's investment pool was rated AAAm by Standards and Poor's. Available funds were invested in certificates of deposit, all of which are under the Federal Deposit Insurance Corporation limit, as well as with the City's depository bank, **First National Bank****, a privately owned bank. However, the collateral pledged against the certificates of deposit with First National Bank is comprised of government securities, which carry AAA rating from Moody's and AA+ from S&P. The government securities consist of instruments issued by the Federal Home Loan Bank and Federal Home Loan Mortgage Corporation, both of which are rated AAA Moody's Investors Service and AA+ by S&P. The City's investment policy limits authorized investments to TexPool, certificates of deposits, U.S. Treasuries and federal government agencies, excluding Student Loan Marketing Association and Tennessee Valley Authority and mortgage backed securities. **Two weeks before the end of the fiscal year, the FDIC took control over First National Bank and its assets were assumed by PlainsCapital Bank with no interruption in bank operations.

Concentration of credit risk. The certificate of deposits holdings at September 30, 2013 represents 7.72% of the total portfolio. The U.S. government agencies category represents 63.48% of the total portfolio. Within this category, securities issued by the Federal Home Loan Bank represent 12% of the portfolio, those issued by the Federal Home Loan Mortgage represent 25%, those issued by Federal Farm Credit Bank represent 19%, and those issued by Federal National Mortgage Association represent 44%. The investment policy is silent in the concentration of holding in the various types of securities and investments.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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, 2013. The table in the following page reflects the composition of these investments.

Firemen's Relief and Retirement Fund Investments:		Investment Policy	
	Fair Value	% of Portfolio	Asset Allocation
Equities:			
Domestic	\$ 18,602,345	44.64%	30-60%
International	6,039,502	14.49%	10-30%
Equities total	24,641,847		
Fixed income			
Treasury/corporate bonds	10,484,612		
Fixed income total	10,484,612	25.16%	20-50%
Alternative investments	6,546,988	15.71%	0-20%
Total portfolio	\$ 41,673,447	100.00%	

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

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

Interest rate risk. Only the fixed income securities of the Plan are subject to interest rate risk due to the possibility that prevailing interest rates could change before the securities reach maturity. Securities that are subject to interest rate risk as of September 30, 2013

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

amount to \$9,632,584 and have weighted-average duration of 3.91 years. Durations is defined as the change in the value of a fixed income security that will result from a 1% change in interest rates. Duration is stated in years. For example, 5 year duration means the bond will decrease in value by 5% if interest rates rise 1% and increase in value by 5% if interest rates fall 1%. Securities that are subject to interest rate risk are shown in the following table. The investment policy is silent on the subject.

Investment Type	Fair Value	Percentage of Total	Weighted-Average Duration (Years)
Corporate bonds	\$ 4,147,795	43.06%	3.83
Government agencies	2,253,497	23.39%	3.08
Government bonds	2,686,498	27.89%	5.74
Government MBS	535,183	5.56%	5.56
Sub-pranationals	14,204	0.15%	1.94
Municipal & derivatives	(4,593)	-0.05%	-0.42
Total interest rate sensitive bonds	<u>\$ 9,632,584</u>	100.00%	3.91

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

Fair Value	Percentage of Total	S&P Rating
\$ 2,019,547	20.97%	AAA
357,427	3.71%	AA
853,401	8.86%	A
1,851,102	19.22%	BBB
1,735,913	18.02%	BB
2,360,955	24.51%	B
315,433	3.27%	CCC
85,676	0.89%	CC
53,130	0.55%	Not rated
Total credit sensitive bonds	<u>\$ 9,632,584</u>	100.00%

Foreign currency risk. The Plan has one equity investment manager that has direct foreign currency exposure. The table in the following page represents a summary of the country/currency allocations as of September 30, 2013. The investment policy is silent on the subject.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

<u>Country</u>	<u>Fair Value</u>	<u>Percentage of Total</u>
Argentina	\$ 111,775	1.8%
Belgium	11,943	0.2%
Brazil	309,974	4.9%
Canada	555,868	8.8%
Chile	14,423	0.2%
China	450,610	7.1%
Denmark	57,374	0.9%
Finland	25,760	0.4%
France	213,930	3.4%
Germany	207,290	3.3%
Hong Kong	124,583	2.0%
Hungary	16,484	0.3%
India	152,475	2.4%
Indonesia	32,968	0.5%
Ireland	28,336	0.4%
Italy	30,443	0.5%
Japan	379,369	6.0%
Korea	383,248	6.0%
Luxemburg	89,147	1.4%
Malaysia	72,117	1.1%
Mexico	86,871	1.4%
Netherlands	143,224	2.3%
Norway	3,233	0.1%
Phillippines	14,423	0.2%
Poland	32,968	0.5%
Russia	131,870	2.1%
South Africa	232,834	3.7%
South Korea	37,469	0.6%
Spain	27,633	0.4%
Sweden	186,873	2.9%
Switzerland	403,064	6.4%
Taiwan	195,745	3.1%
Thailand	92,721	1.5%
Turkey	86,540	1.4%
United States	84,539	1.3%
United Kingdom	1,021,873	16.1%
Cash	296,917	4.7%
Totals	<u>\$ 6,346,914</u>	<u>100%</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

(B) Receivables

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

	Accounts	Taxes	Interest	Inter- governmental	Other	Net Receivables
Governmental activities:						
General	\$ 1,854,690	\$ 11,156,829	\$ 48,722	\$ 13,978	\$ 771,326	\$ 13,845,545
Development corp.	230,713	2,383,638	29,752	-	-	2,644,103
Capital Improvement	-	-	11,105	418,678	4,244	434,027
Nonmajor governmental and internal services	607,263	26,282	38,236	1,202,745	189,031	2,063,557
Total governmental	<u>\$ 2,692,666</u>	<u>\$ 13,566,749</u>	<u>\$ 127,815</u>	<u>\$ 1,635,401</u>	<u>\$ 964,601</u>	<u>\$ 18,987,232</u>
Business-type activities:						
Water	\$ 1,793,772	\$ -	\$ 6,010	\$ -	\$ -	\$ 1,799,782
Sewer	4,012,569	-	1,922	-	18,350	4,032,841
Sanitation	1,972,937	-	6,830	-	-	1,979,767
Convention center	25,879	-	2,695	-	18,618	47,192
McAllen international airport	402,739	-	3,109	1,859,070	-	2,264,918
Nonmajor enterprise and fleet	37,152	-	1,081	79,450	-	117,683
Total business type	<u>\$ 8,245,048</u>	<u>\$ -</u>	<u>\$ 21,647</u>	<u>\$ 1,938,520</u>	<u>\$ 36,968</u>	<u>\$ 10,242,183</u>

Within the City's water, sewer, and sanitation funds, an estimated amount has been recorded for services rendered but not yet billed as of the close of the year. The receivable was determined by prorating the cycle billings sent to customers in October 2013 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 \$86,775; sewer accounts by \$81,529; and sanitation accounts by \$93,557.

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

	<u>Unavailable</u>	<u>Unearned</u>
Governmental funds:		
Delinquent property taxes receivable (general fund)	\$ 3,497,009	\$ -
Sales tax (general fund)	3,535,536	-
Sales tax (development corp fund)	1,178,512	-
Other	<u>3,735,705</u>	<u>563,277</u>
Total deferred/unearned revenues for governmental funds	<u>\$ 11,946,762</u>	<u>\$ 563,277</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

(C) Capital assets

Capital asset activity for the year ended September 30, 2013 was as follows:

	Beginning		Transfers/	Ending
	Balance	Increases	Retirement	Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 47,111,423	\$ 7,150	2,152,701	\$ 49,271,274
Construction in progress	43,662,463	10,383,375	(40,801,683)	13,244,155
Total capital assets, not being depreciated	<u>90,773,886</u>	<u>10,390,525</u>	<u>(38,648,982)</u>	<u>62,515,429</u>
Capital assets, being depreciated:				
Buildings and improvements	103,794,300	3,707,194	22,328,577	129,830,071
Equipment	72,472,450	4,010,398	(1,066,728)	75,416,120
Infrastructure	179,561,099	3,248,520	16,355,056	199,164,675
Total capital assets being depreciated	<u>355,827,849</u>	<u>10,966,112</u>	<u>37,616,905</u>	<u>404,410,866</u>
Less accumulated depreciation for:				
Buildings and improvements	(35,138,427)	(3,387,244)	(34,650)	(38,560,321)
Equipment	(49,973,464)	(5,214,409)	1,066,727	(54,121,146)
Infrastructure	(102,966,665)	(5,744,564)	-	(108,711,229)
Total accumulated depreciation	<u>(188,078,556)</u>	<u>(14,346,217)</u>	<u>1,032,077</u>	<u>(201,392,696)</u>
Total capital assets being depreciated, net	<u>167,749,293</u>	<u>(3,380,105)</u>	<u>38,648,982</u>	<u>203,018,170</u>
Governmental activities capital assets net	<u>\$ 258,523,179</u>	<u>\$ 7,010,420</u>	<u>\$ -</u>	<u>\$ 265,533,599</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

Depreciation expense, exclusive of \$1,032,077 in depreciation retirement, was charged to governmental functions as follows:

General government	\$ 1,531,783
Public safety	2,428,386
Highways and streets, which includes the depreciation of general infrastructure assets	5,970,100
Health and welfare	18,731
Culture and recreation	2,569,732
In addition, depreciation on capital assets held by the City's internal service funds is charged to the various functions based on their usage of the assets	<u>1,827,485</u>
Total depreciation-governmental activities	<u><u>\$ 14,346,217</u></u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

	Beginning Balance	Increases	Transfers/ Retirements	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 21,147,150	\$ -	\$ -	\$ 21,147,150
Construction in progress	54,481,332	13,040,606	(11,164,898)	56,357,040
Water rights (perpetual)	4,923,100	-	-	4,923,100
Capitalized interest	7,217,764	351,201	-	7,568,965
Total capital assets, not being depreciated	<u>87,769,346</u>	<u>13,391,807</u>	<u>(11,164,898)</u>	<u>89,996,255</u>
Capital assets, being depreciated:				
Buildings and improvements	445,744,668	3,040,667	11,130,248	459,915,583
Equipment	48,944,569	4,314,122	(589,073)	52,669,618
Water rights (non-perpetual)	2,200,000	-	-	2,200,000
Total capital assets being depreciated	<u>496,889,237</u>	<u>7,354,789</u>	<u>10,541,175</u>	<u>514,785,201</u>
Less accumulated depreciation for:				
Buildings and improvements	(163,635,347)	(13,450,056)	34,650	(177,050,753)
Equipment	(29,563,438)	(5,214,049)	565,974	(34,211,513)
Water rights	(522,500)	(109,999)	-	(632,499)
Total accumulated depreciation	<u>(193,721,285)</u>	<u>(18,774,104)</u>	<u>600,624</u>	<u>(211,894,765)</u>
Total capital assets being depreciated, net	<u>303,167,952</u>	<u>(11,419,315)</u>	<u>11,141,799</u>	<u>302,890,436</u>
Business-type activities				
Capital assets net	<u>\$ 390,937,298</u>	<u>\$ 1,972,492</u>	<u>\$ (23,099)</u>	<u>\$ 392,886,691</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

Depreciation expense, exclusive of \$600,624 in depreciation retirement, was charged to business type activity functions as follows:

Water	\$ 3,866,222
Sewer	4,311,760
Sanitation	2,012,586
Golf course	338,490
Civic center	74,425
Convention center	1,591,126
McAllen international airport	3,362,614
McAllen express	747,905
Transit terminal	315,284
McAllen international toll bridge	552,627
Anzalduas international crossing	1,534,337
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>66,728</u>
Total depreciation-business type activities	<u><u>\$ 18,774,104</u></u>

At September 30, 2013, 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	\$ 1,135,226	Local and grant
Development center renovations	398,333	Local
Sewer improvements	1,206,303	Local
Park improvements	2,257,470	Local
Water improvements	274,139	Local
Airport improvements	7,946,788	Local, bond funds and grants
Texas Department of Transportation-funding participation	1,704,414	Local
WW treatment plant upgrades	<u>2,091,152</u>	Local and grant
	<u><u>\$17,013,825</u></u>	

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

(D) Interfund receivables, advances and transfers

The compositions of inter-fund balances as of September 30, 2013 are reflected below.

<u>Receivable Fund:</u>	<u>Payable Fund:</u>	<u>Amount</u>
General Fund	Miscellaneous Grants Fund	\$ 717,981
	Hotel Occupancy Fund	6,618
	Community Development Fund	300,853
	McAllen Bridge Fund	<u>1,249</u>
	Total Governmental Funds	<u>\$ 1,026,701</u>
Civic Center Fund	Hotel Occupancy Tax Fund	<u>\$ 40,758</u>
Convention Center Fund	Hotel Occupancy Tax Fund	<u>\$ 163,032</u>
Airport Fund	Water Fund	<u>\$ 104,473</u>
	Total Proprietary Funds	<u>\$ 308,263</u>
	Combined totals	<u><u>\$ 1,334,964</u></u>

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

Advances to/from other funds:

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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

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

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

Transfer In:							
	General Fund	Capital Imprv.	Convention Center	Nonmajor Governmental	Nonmajor Proprietary	Anzalduas Int'l Crossing Fund	Total
Transfer out:							
General fund	\$ -	\$ 6,943,900	\$ -	\$ 3,506,426	\$ -	\$ -	\$ 10,450,326
Development corp.	4,093,426	-	-	-	2,436,476	-	6,529,902
Nonmajor prop. funds	-	722,064	-	-	-	-	722,064
Nonmajor gov. funds	696,657	178,735	2,273,249	-	568,312	-	3,716,953
Convention center fund	-	500,000	-	-	-	-	500,000
McAllen int'l toll bridge	4,608,653	-	-	-	-	963,664	5,572,317
McAllen int'l airport	1,103,965	-	-	-	-	-	1,103,965
Total	<u>\$ 10,502,701</u>	<u>\$ 8,344,699</u>	<u>\$ 2,273,249</u>	<u>\$ 3,506,426</u>	<u>\$ 3,004,788</u>	<u>\$ 963,664</u>	<u>\$ 28,595,527</u>

During the year, the General Fund transferred \$6,943,900 of surplus revenues to the Capital Improvement Fund to assist in funding some major projects contemplated in next year's budget. It also provided funding in the amount of \$3,506,426 to the Debt Service Fund, a non major governmental fund. This funding is to cover the debt service requirements of the existing Tax and Revenue Certificates of Obligation Series 2010.

The Development Corporation provided funding for operating costs to the McAllen Express Fund and Transit System Fund in the amounts of \$1,942,029 and \$494,447 respectively, as reflected in the non-major proprietary column. It also transferred \$4,093,426 to the General Fund for operating expenditures associated with the public safety building, which was originally a project of the development corporation fund.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

The transfers of \$2,273,249 and \$568,312 from the Hotel Occupancy Tax Fund, a non-major governmental fund, to the Convention Center and Civic Center respectively represent the use of the former fund as a conduit to these funds. The transfer of \$596,657 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 \$166,469 from the PD Seized Fund, a non-major governmental fund, to the Capital Improvement Fund is a reimbursement for the initial building improvements to the police department. The transfer of \$100,000 from the McAllen EB-5 Regional Center Fund, a non-major governmental fund, to the General Fund is a reimbursement for the initial operating expenditures. The transfer of \$12,267 from the Certificate of Obligation Reservior Fund, a non-major governmental fund, to the Capital Improvement Fund is for the final closing of this fund.

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

The Convention Center Fund transferred \$500,000 to the Capital Improvement Fund for funding initial expenses related the Performing Arts Center.

The amount reflected from the McAllen International Toll Bridge Fund to the General Fund of \$4,608,653 represents the City's share of surplus net revenue from operation of the international toll bridge. Additionally, it transferred \$963,664 to the Anzalduas International Crossing Fund for debt service requirements on the International Toll Bridge System Revenue Bonds, Series 2007B.

(E) Long-term debt

(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 of 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, 2013

Governmental activities

\$25,000,000 Development Corporation of McAllen, Inc. Sales Tax Revenue Bonds, Series 1998 due in annual installments of \$25,000 per year through February 15, 2018; interest at 4.80% to 5.25%	\$ 125,000
\$29,030,000 Combination Tax and Revenue Certificates of Obligation, Series 2010 due in annual installments ranging from \$2,170,000 to \$3,450,000 per year through February 15, 2020, with a final installment of \$3,450,000; interest at 2.00% to 5.00%	21,735,000
Net OPEB obligation	1,131,455
Net pension obligation	546,756
Bond premium	873,183
Unpaid accumulated compensated absences	<u>9,454,720</u>
Total general long-term debt	<u><u>\$ 33,866,114</u></u>

The annual debt service requirements to maturity on sales tax bonds payable and combination tax and revenue certificates of obligation as of September 30, 2013, including interest, are reflected in the table below:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 2,765,000	\$ 773,331
2015	2,890,000	646,894
2016	3,025,000	513,957
2017	3,145,000	390,244
2018	3,255,000	278,081
2019-2020	<u>6,780,000</u>	<u>235,238</u>
Totals	<u><u>\$ 21,860,000</u></u>	<u><u>\$ 2,837,745</u></u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

(2) Revenue bonds and other

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

Payable from Water Fund:

\$14,263,200 Waterworks and Sewer System Improvement Revenue and Refunding Bonds, Series 2005 due in annual installments from \$30,000 to \$2,005,000 through February 1, 2030: interest at 3.00% to 5.25%	\$ 11,877,600
\$12,029,050 Waterworks and Sewer System Improvement Revenue and Refunding Bonds, Series 2006 due in annual installments from \$685,000 to \$1,960,000 through February 1, 2031: interest at 3.00% to 5.00%	9,903,169
Bond premium	647,187
Unpaid accumulated compensated absences	<u>439,094</u>
Total water fund	<u>\$ 22,867,050</u>

Payable from Sewer Fund:

\$11,206,800 -Waterworks and Sewer System Improvement Revenue and Refunding Bonds, Series 2005 due in annual installments from \$30,000 to \$2,005,000 through February 1, 2030: interest at 3.00% to 5.25%	\$ 9,332,400
\$26,525,950 Waterworks and Sewer System Improvement Revenue and Refunding Bonds, Series 2006 due in annual installments from \$685,000 to \$1,960,000 through February 1, 2031: interest at 3.00% to 5.00%	\$ 22,646,833

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

Payable from Sewer Fund (Continued):

\$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	36,215,000
\$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	1,095,000
\$6,655,000 Waterworks and Sewer System Revenue Bonds, Series 2013 due in annual installments from \$175,000 to \$285,000 through February 1, 2043: interest at 1.60%.	6,655,000
\$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%.	217,000
\$2,995,000 Waterworks and Sewer System Revenue Bonds, Series 2013B due in annual installments from \$270,000 to \$310,000 through February 1, 2043: interest at 0.52%.	2,995,000
Bond premium	1,308,698
Unpaid accumulated compensated absences	<u>331,201</u>
Total sewer fund	<u>\$ 80,796,132</u>
Payable from Sanitation Fund:	
Unpaid accumulated compensated absences	<u>\$ 329,479</u>
Payable from Palm View Golf Course Fund:	
Unpaid accumulated compensated absences	<u>\$ 76,888</u>

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

Payable from Convention Center Fund:

Unpaid accumulated compensated absences	\$ 94,319
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Payable from McAllen International Airport Fund:

\$9,820,000 Combination Tax and Revenue Certificate of Obligation Bonds, Series 2011 due in annual installments from \$325,000 to \$710,000 through September 30, 2031: interest at 2.00% to 4.75%	\$ 9,125,000
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Note payable due Water Fund at 4%	219,509
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Unpaid accumulated compensated absences	76,025
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Total airport fund	\$ 9,420,534
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Payable from McAllen Express Fund:

Unpaid accumulated compensated absences	\$ 49,078
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Payable from Transit System Fund:

Unpaid accumulated compensated absences	\$ 47,048
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Payable from McAllen International Toll Bridge Fund:

Unpaid accumulated compensated absences	\$ 112,701
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Payable from Anzalduas International Crossing Fund:

\$26,000,000 International Toll Bridge System Revenue Bonds, Series 2007A due in annual installments from \$415,000 to \$1,895,000 through March 1, 2032: interest at 4.50% to 4.65%	\$ 23,935,000
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\$13,160,000 International Toll Bridge System Revenue Bonds, Series 2007B due in annual installments from \$340,000 to \$915,000 through March 1, 2032: interest at 4.00% to 5.00%	11,710,000
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Unpaid accumulated compensated absences	10,711
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Bond premium	476,559
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Total Anzalduas International Crossing Fund	\$ 36,132,270
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CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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

Unpaid accumulated compensated absences	\$ 24,236
Total Proprietary Fund Debt	<u>\$149,949,735</u>

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 6,403,000	\$ 4,910,407
2015	6,813,000	4,728,161
2016	7,141,000	4,537,645
2017	7,381,000	4,287,368
2018	7,652,000	4,024,982
2019-2023	36,252,000	16,237,186
2024-2028	34,640,000	8,133,714
2029-2033	27,375,000	1,947,125
2034-2038	7,990,000	192,174
2039-2043	<u>4,060,000</u>	<u>68,066</u>
Total bonds outstanding	<u>\$145,707,000</u>	<u>\$ 49,066,828</u>

(1)

(1) At September 30, 2013, a receivable of \$2,265,000 due from the Texas Water Development Board was set up. This amount represented the final funds related to the 2009-Waterworks and Sewer System Revenue Bonds.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

(3) Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2013 is shown in the table below:

	Balance at September 30, 2012	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2013	Amounts Due Within One Year
Governmental activities:					
Sales tax revenue bonds	\$ 150,000	\$ -	\$ (25,000)	\$ 125,000	\$ 25,000
Combination tax and revenue Certificate of obligation	24,355,000	-	(2,620,000)	21,735,000	2,740,000
Bond premium	1,010,152	-	(136,969)	873,183	136,970
Compensated absences	8,427,560	5,527,160	(4,500,000)	9,454,720	4,900,000
Net OPEB obligation	1,049,270	82,185	-	1,131,455	-
Net pension obligation	275,507	271,249	-	546,756	-
Total general long-term	35,267,489	5,880,594	(7,281,969)	33,866,114	7,801,970
Business-Type activities:					
Revenue bonds payable	139,130,002	12,317,000	(5,740,000)	145,707,002	6,403,000
Note payable	108,335	111,174	-	219,509	-
Compensated absences	1,325,954	1,142,827	(878,000)	1,590,781	1,060,000
Bond premium	2,573,547	-	(141,103)	2,432,444	-
Total proprietary fund debt	143,137,838	13,571,001	(6,759,103)	149,949,736	7,463,000
Total debt	<u>\$ 178,405,327</u>	<u>\$ 19,451,595</u>	<u>\$ (14,041,072)</u>	<u>\$ 183,815,850</u>	<u>\$ 15,264,970</u>

With respect to governmental activities, claims and judgments and net OPEB obligation are liquidated by the General Fund. The exception to this is net pension obligation, which is reflected as \$546,756. As noted on page 101 the City is under no legal obligation to fund any pension obligation.

(4) Debt covenants

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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 2013, 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, 2013. Inter-fund premiums are based primarily on claims experience and are reported as interfund services provided and used.

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

	<u>Employee Benefits</u>	<u>Retiree Health Insurance</u>	<u>General Insurance</u>	<u>Total</u>
Claims payable at September 30, 2011	<u>\$ (1,750,000)</u>	<u>\$ (240,000)</u>	<u>\$ (502,995)</u>	<u>\$ (2,492,995)</u>
Current period claims and changes in estimate	(7,325,477)	(791,488)	(1,274,642)	(9,391,607)
Current period claims paid	<u>7,325,477</u>	<u>791,488</u>	<u>1,410,162</u>	<u>9,527,127</u>
Claims payable at September 30, 2012	<u>(1,750,000)</u>	<u>(240,000)</u>	<u>(367,475)</u>	<u>(2,357,475)</u>
Current period claims and changes in estimate	(7,860,316)	(1,129,610)	(1,098,620)	(10,088,546)
Current period claims paid	<u>7,860,316</u>	<u>1,129,610</u>	<u>1,054,917</u>	<u>10,044,843</u>
Claims payable at September 30, 2013	<u><u>\$ (1,750,000)</u></u>	<u><u>\$ (240,000)</u></u>	<u><u>\$ (411,178)</u></u>	<u><u>\$ (2,401,178)</u></u>

(B) Contingent liabilities

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

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

The City has been granted authority from U.S. Citizenship and Immigration Service to operate an EB-5 Visa (also known as the Employment Based 5th Preference Visa) Regional Center, which attracts foreign investment for jobs creation in exchange for expediting applicants for permanent residency. This activity is accounted for in a non-major governmental fund. Under this program a foreign national deposits with the City—in addition to \$10,000 application fee, \$540,000, which is held in deposit pending approval of permanent residency, at which time \$40,000 is released to the City as an administrative fee and the remaining \$500,000 to the investment project selected by applicant. As of September 30, 2013 the account deposited amounted to \$7,640,000.

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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

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

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

Effective October 1, 2008, spouses must have been covered for at least three years prior to retirement, Retirees less than age 65 will have a one-time option to drop coverage and to be reinstated once the retiree reached age 65 and has enrolled in Medicare Parts A and B. Retirees are required to pay 100% of the blended (active and retiree) premium cost for both single and dependent coverage. However, police officers who retired prior to October 1, 2010 with 25 or more years of service pay 50% of the blended premium cost for both single and dependent coverage. As of year end, there were 107 employees who had retired: 55 with single coverage; 30 single coverage with one dependent; and 22 with family coverage.

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

Net OPEB Obligation

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

The City's annual OPEB cost and the percentage cost contributed to the plan for the year ended September 30, 2013 is as follows:

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

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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

- (5) Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefits costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations. For the fiscal year ended September 30, 2013, the actuarial valuation date was October 1, 2012. The actuarial method used was the “projected unit credit” method, the amortization method used was the “level dollar open” method, and the remaining amortization period was 30 years. The asset valuation method was market value and the assumed investment rate of return was 5.5%. The healthcare initial inflation rate was 9%, with an ultimate goal of 5.0%. Assumptions such as projected salary increases and post-retirement benefit increases are not applicable to the plan.

(D) Retirement Plans

(1) Texas Municipal Retirement System

a). Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used the System. This report may be obtained by writing to Texas Municipal Retirement System, P.O. Box 149153,

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

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

b). Contributions

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

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. For the current year the contribution rate was 5.06%. The annual pension cost and the net pension obligation/ (asset) are reflected in the table below.

Fiscal Year Ended	Annual Pension Cost	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation/(Asset)
09/30/2011	\$5,101,423	\$5,101,423	100%	\$0
09/30/2012	\$3,414,628	\$3,414,628	100%	\$0
09/30/2013	\$3,559,374	\$3,559,374	100%	\$0

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 2012, is reflected below.

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

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

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

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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

(2) Firemen's Relief & Retirement Fund

a). Plan Description

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

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

b). Summary of Significant Accounting Policies

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

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

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

CITY OF McALLEN, TEXAS

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September 30, 2013

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

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

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

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

c). Annual Pension Cost

For 2010, the City's annual pension cost was equal to the City's actual and required contributions. The required contribution was established as part of the September 30, 2012 actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, compounded annually (b) projected salary increases of 4.25% per year, compounded annually, (c) inflation rate of 3.00% and (d) the amortization period is calculated from the rate contributed by the City. The plan receives a fixed percentage of pay contribution from the City each year. Thus, the City's contribution is not expressed as a dollar amount. This procedure is permitted under the *Guide to Implementation of GASB Statements 25, 26 and 27 on Pension Reporting and Disclosure by State and Local Government Plans and Employers*. The investment rate of return and the projected salary increases both used the same assumptions with regard to inflation. The actuarial value of assets was determined using the smoothed market value technique, a technique that smoothes the effect of short-term volatility in the market value over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of projected payrolls on an open basis. The net pension obligation and the annual pension cost were developed using a 30-year amortization of the unfunded actuarial accrued liability. The most recent actuarial valuation was done as of September 30, 2012 with update disclosures under governmental accounting standards board statement number 25, number 27, and number 50 as of September 30, 2013. The amounts of the actuarial value of assets represent estimates based upon the assumptions described above. Changes in those estimates will result in changes in such estimates in the future. The amount of benefits ultimately to be paid could differ materially from the current estimates.

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

Schedule of Actuarial Funding Progress

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

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

Schedule of Employer Contributions

Annual pension cost	09/30/13	09/30/12	09/30/11
Annual required contribution (ARC)	\$ 1,602,925	\$ 1,376,033	\$ 1,315,456
Interest on NPO	22,041	14,610	7,968
Adjustments to the ARC	(15,807)	10,478	5,714
Total annual pension cost (APC)	<u>\$ 1,609,159</u>	<u>\$ 1,380,165</u>	<u>\$ 1,317,710</u>
Percentage of annual pension cost contributed	83.1%	93.3%	93.7%
Contributions made	\$ 1,337,910	\$ 1,287,288	\$ 1,234,674
Increase in NPO	\$ 271,249	\$ 92,877	\$ 83,036
NPO at the end of the period	\$ 546,756	\$ 275,507	\$ 182,630

d). Contributions

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

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

Pursuant to the Plan document, a legal instrument binding both the City and its firefighters, the City of McAllen is required to match employee contributions. Benefits paid to former volunteer firefighters are funded by the City when paid to the former volunteer firefighters or beneficiaries. The City's contribution rate for the fiscal year ended September 30, 2013 was 12.75% of annual compensation. Contributions required and paid into the fund as of September 30, 2013 were members, \$1,075,651 and employer, \$1,337,910.

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

CITY OF McALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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

(E) Subsequent events

- The City held a special election on November 2013 for the purpose of asking voters to allow the City to issue general obligation bonds for: street improvements-\$15M; performing arts center-\$15M; and parks and recreation improvements-\$15M. All three propositions were approved. Consequently, this bond issuance was authorized as series 2014 in the amount of \$45M.
- A December 2013 payment was issued in the amount of \$3.8M as per an agreement between the City and a private developer.
- During the year, the City continued to work to resolve pending litigation. One such case continued on the docket after some 13 years of litigation, appeals, and resolution efforts. In October 2013 (subsequent to the close of the FY), the Commission, while continuing to pursue appeals and litigation options, sought to bring the matter to an end by paying the Plaintiff's the sum of \$2.5M to eliminate the uncertainty and nuisance of the ongoing litigation. The payment was made on November 5, 2013 and brought the matter to a conclusion, including the withdrawal by the Texas 13th Court of Appeals of a previously rendered.
- A combination tax and revenue certificates of obligations, series 2014, in the amount of \$12,100,000 at a premium, were approved on February 24, 2014 by the City Commission. Total principal payments will be \$11,850,000.

Required Supplementary Information

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

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

Refer to page 93 of the notes to financial statements for the actuarial assumptions of the plan. These are a required part of RSI.

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

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

Refer to page 96 of the notes to financial statements for the actuarial assumptions of the plan. These are a required part of RS

The next actuarial valuation will be performed as of September 30, 2014.

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

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

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

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

Refer to page 91 of the notes to financial statements for the actuarial assumptions of the plan.

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

Non Major Governmental Funds

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

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

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

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

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

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

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

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

Capital Projects Funds:

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

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

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

CITY OF McALLEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2013

	Special Revenue					
	Hotel Occupancy Tax	Hotel Venue Project	McAllen EB-5 Regional Center	Park Development	Community Development	Miscellaneous Government Grants
ASSETS						
Cash	\$ -	\$ 93,535	\$ 57,227	\$ 871	\$ 19,963	\$ 16,466
Certificate of deposit	-	-	-	487,550	-	-
Investments	25,163	634,946	7,631,119	386,458	-	-
Receivables:						
Accounts	291,668	78,163	-	-	-	-
Taxes	-	-	-	-	-	-
Accrued interest	-	-	-	170	-	-
Other	-	-	-	-	-	21,327
Due from other governments	-	-	-	-	483,049	719,696
Total assets	<u>\$ 316,831</u>	<u>\$ 806,644</u>	<u>\$ 7,688,346</u>	<u>\$ 875,049</u>	<u>\$ 503,012</u>	<u>\$ 757,489</u>
LIABILITIES						
Accounts payable	\$ 81,516	\$ -	\$ 30,206	\$ -	\$ 179,582	\$ -
Accrued liabilities	-	-	6,120	-	22,577	-
Due to other funds	210,408	-	-	-	300,853	717,981
Deferred revenues	-	-	-	-	-	21,327
Advances from other funds	-	-	190,000	-	-	-
Other liabilities	-	-	7,640,000	-	-	-
Total liabilities	<u>291,924</u>	<u>-</u>	<u>7,866,326</u>	<u>-</u>	<u>503,012</u>	<u>739,308</u>
FUND BALANCES						
Restricted	24,907	806,644	-	875,049	-	18,181
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	(177,980)	-	-	-
Total fund balances	<u>24,907</u>	<u>806,644</u>	<u>(177,980)</u>	<u>875,049</u>	<u>-</u>	<u>18,181</u>
Total liabilities and fund balances	<u>\$ 316,831</u>	<u>\$ 806,644</u>	<u>\$ 7,688,346</u>	<u>\$ 875,049</u>	<u>\$ 503,012</u>	<u>\$ 757,489</u>

Downtown Services Parking	Special Revenue			Capital Projects			Total Nonmajor Governmental Funds
	PD Seized	Total	Debt Service	Information Technology	Certificate of Obligation Reservior	Certificate of Obligation Library	
\$ 80,132	\$ 156,792	\$ 424,986	\$ 267	\$ 34	\$ -	\$ 286	\$ 425,573
97,510	975,100	1,560,160	-	97,510	-	-	1,657,670
24,638	4,849,847	13,552,171	284,343	366,717	-	502,634	14,705,865
22	-	369,853	-	-	-	-	369,853
-	-	-	26,282	-	-	-	26,282
34	5,674	5,878	-	290	-	-	6,168
1,591	-	22,918	-	-	-	162,312	185,230
-	-	1,202,745	-	-	-	-	1,202,745
<u>\$ 203,927</u>	<u>\$ 5,987,413</u>	<u>\$ 17,138,711</u>	<u>\$ 310,892</u>	<u>\$ 464,551</u>	<u>\$ -</u>	<u>\$ 665,232</u>	<u>\$ 18,579,386</u>
\$ 27,352	\$ 8,835	\$ 327,491	\$ -	\$ 27,609	\$ -	\$ 23,985	\$ 379,085
21,311	-	50,008	-	-	-	1,080	51,088
-	-	1,229,242	-	-	-	-	1,229,242
-	-	21,327	26,282	-	-	-	47,609
-	-	190,000	-	-	-	-	190,000
474	-	7,640,474	-	-	-	-	7,640,474
<u>49,137</u>	<u>8,835</u>	<u>9,458,542</u>	<u>26,282</u>	<u>27,609</u>	<u>-</u>	<u>25,065</u>	<u>9,537,498</u>
-	5,978,578	7,703,359	284,610	-	-	640,167	8,628,136
154,790	-	154,790	-	-	-	-	154,790
-	-	-	-	436,942	-	-	436,942
-	-	(177,980)	-	-	-	-	(177,980)
<u>154,790</u>	<u>5,978,578</u>	<u>7,680,169</u>	<u>284,610</u>	<u>436,942</u>	<u>-</u>	<u>640,167</u>	<u>9,041,888</u>
<u>\$ 203,927</u>	<u>\$ 5,987,413</u>	<u>\$ 17,138,711</u>	<u>\$ 310,892</u>	<u>\$ 464,551</u>	<u>\$ -</u>	<u>\$ 665,232</u>	<u>\$ 18,579,386</u>

CITY OF McALLEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2013

	Special Revenue						
	Hotel Occupancy Tax	Hotel Venue Project	McAllen EB-5 Regional Center	Park Development	Community Development	Miscellaneous Government Grants	Downtown Services Parking
REVENUES							
Hotel taxes	\$ 3,978,186	\$ 806,571	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	13,314
Intergovernmental	-	-	-	-	4,023,104	1,329,302	-
Charges for services	-	-	109,428	-	-	-	1,174,256
Fines and forfeitures	-	-	-	-	-	-	245,304
Investment earnings	34	73	-	2,587	-	2	543
Net increase (decrease) in the fair value of investments	-	-	-	-	-	-	-
Other	-	-	-	196,000	959	182,580	8,602
Total revenues	<u>3,978,220</u>	<u>806,644</u>	<u>109,428</u>	<u>198,587</u>	<u>4,024,063</u>	<u>1,511,884</u>	<u>1,442,019</u>
EXPENDITURES							
Current:							
General government	1,136,625	-	178,313	-	314,884	12,798	-
Public safety	-	-	-	-	-	1,480,905	-
Highways and streets	-	-	-	-	1,553,527	-	908,561
Health and welfare	-	-	-	-	1,844,271	-	-
Culture and recreation	-	-	-	-	311,381	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>1,136,625</u>	<u>-</u>	<u>178,313</u>	<u>-</u>	<u>4,024,063</u>	<u>1,493,703</u>	<u>908,561</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,841,595</u>	<u>806,644</u>	<u>(68,885)</u>	<u>198,587</u>	<u>-</u>	<u>18,181</u>	<u>533,458</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	(2,841,561)	-	(100,000)	-	-	-	(596,657)
Net other financing sources (uses)	<u>(2,841,561)</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(596,657)</u>
Net change in fund balances	34	806,644	(168,885)	198,587	-	18,181	(63,199)
Fund balances (deficits) at beginning of year	<u>24,873</u>	<u>-</u>	<u>(9,095)</u>	<u>676,462</u>	<u>-</u>	<u>-</u>	<u>217,989</u>
Fund balances (deficits) at end of year	<u>\$ 24,907</u>	<u>\$ 806,644</u>	<u>\$ (177,980)</u>	<u>\$ 875,049</u>	<u>\$ -</u>	<u>\$ 18,181</u>	<u>\$ 154,790</u>

Special Revenue		Capital Projects				Total Nonmajor Governmental Funds
PD Seized	Total	Debt Service	Information Technology	Certificate of Obligation Reservior	Certificate of Obligation Library	
\$ -	\$ 4,784,757	\$ -	\$ -	\$ -	\$ -	\$ 4,784,757
-	-	17,685	-	-	-	17,685
-	13,314	-	-	-	-	13,314
-	5,352,406	-	-	-	-	5,352,406
-	1,283,684	-	-	-	-	1,283,684
624,741	870,045	-	-	-	-	870,045
6,829	10,068	829	1,470	77	604	13,048
-	-	-	(895)	-	-	(895)
-	388,141	-	63,770	-	-	451,911
631,570	12,702,415	18,514	64,345	77	604	12,785,955
-	1,642,620	-	291,163	1,215	-	1,934,998
308,984	1,789,889	-	-	-	-	1,789,889
-	2,462,088	-	-	-	-	2,462,088
-	1,844,271	-	-	-	-	1,844,271
-	311,381	-	-	-	306,170	617,551
-	-	2,620,000	-	-	-	2,620,000
-	-	888,615	-	-	-	888,615
308,984	8,050,249	3,508,615	291,163	1,215	306,170	12,157,412
322,586	4,652,166	(3,490,101)	(226,818)	(1,138)	(305,566)	628,543
-	-	3,506,426	-	-	-	3,506,426
(166,469)	(3,704,687)	-	-	(12,267)	-	(3,716,954)
(166,469)	(3,704,687)	3,506,426	-	(12,267)	-	(210,528)
156,117	947,479	16,325	(226,818)	(13,405)	(305,566)	418,015
5,822,461	6,732,690	268,285	663,760	13,405	945,733	8,623,873
\$ 5,978,578	\$ 7,680,169	\$ 284,610	\$ 436,942	\$ -	\$ 640,167	\$ 9,041,888

NonMajor Enterprise Funds

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

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

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

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

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

CITY OF McALLEN , TEXAS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
September 30, 2013

	Palm View Golf Course	Civic Center	McAllen Express Transit	Transit Terminal	Total
ASSETS					
Current assets:					
Cash	\$ 73,092	\$ 76,278	\$ 13,430	\$ 10,579	\$ 173,379
Certificate of deposit	297,510	97,510	195,020	-	590,040
Investments	272,045	797,988	1,813,364	807,185	3,690,582
Receivables, net:					
Accounts	126	-	-	2,853	2,979
Accrued interest	34	128	517	402	1,081
Due from other funds	-	40,758	-	-	40,758
Due from other governments	-	-	69,945	9,505	79,450
Total currents assets	642,807	1,012,662	2,092,276	830,524	4,578,269
Restricted assets:					
Cash	130,000	-	-	-	130,000
Investments	228,674	300,397	-	-	529,071
Total restricted assets	358,674	300,397	-	-	659,071
Capital assets:					
Land	187,995	358,070	-	1,684,593	2,230,658
Buildings and systems	228,345	1,454,607	-	5,602,219	7,285,171
Improvements other than buildings	7,717,383	1,283,398	468,923	119,052	9,588,756
Machinery and equipment	1,259,908	552,758	6,203,689	542,759	8,559,114
Construction in progress	-	-	20,220	-	20,220
Total capital assets	9,393,631	3,648,833	6,692,832	7,948,623	27,683,919
Less accumulated depreciation	(5,755,997)	(2,461,305)	(3,305,083)	(2,179,613)	(13,701,998)
Net capital assets	3,637,634	1,187,528	3,387,749	5,769,010	13,981,921
Total assets	\$ 4,639,115	\$ 2,500,587	\$ 5,480,025	\$ 6,599,534	\$ 19,219,261

CITY OF McALLEN , TEXAS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
September 30, 2013

	Palm View Golf Course	Civic Center	McAllen Express Transit	Transit Terminal	Total
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 48,150	\$ 21,179	\$ 73,470	\$ 24,060	\$ 166,859
Accrued expenses	28,114	-	43,233	23,262	94,609
Compensated absences due one year	30,000	-	-	30,000	60,000
Other	-	39	-	-	39
Total current liabilities	106,264	21,218	116,703	77,322	321,507
Liabilities(payable from restricted assets):					
Accounts payable	47,394	-	-	-	47,394
Total liabilities(payable from restricted assets)	47,394	-	-	-	47,394
Other noncurrent liabilities:					
Deferred revenues	75,844	12,391	-	-	88,235
Accumulated unpaid compensated absences	46,888	-	49,078	17,048	113,014
Advances from other funds	-	-	-	352,716	352,716
Total other noncurrent liabilities	122,732	12,391	49,078	369,764	553,965
Total liabilities	\$ 276,390	\$ 33,609	\$ 165,781	\$ 447,086	\$ 922,866
NET POSITION					
Net investment in capital assets	3,637,634	1,187,528	3,387,749	5,769,010	13,981,921
Restricted for improvements	-	300,397	-	-	300,397
Unrestricted	725,091	979,053	1,926,495	383,438	4,014,077
Total net position	4,362,725	2,466,978	5,314,244	6,152,448	18,296,395
Total liabilities and net position	\$ 4,639,115	\$ 2,500,587	\$ 5,480,025	\$ 6,599,534	\$ 19,219,261

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, 2013

	<u>Palm View Golf Course</u>	<u>Civic Center</u>	<u>McAllen Express Transit</u>	<u>Transit Terminal</u>	<u>Total</u>
Operating revenues:					
Charges for services	\$ 907,921	\$ 282,029	\$ 460,848	\$ 356,254	\$ 2,007,052
Rentals	-	115,545	-	-	115,545
Other	327,889	18,676	301	14,695	361,561
Total operating revenues	<u>1,235,810</u>	<u>416,250</u>	<u>461,149</u>	<u>370,949</u>	<u>2,484,158</u>
Operating expenses:					
Salaries, wages and employee benefits	679,119	-	1,153,229	613,142	2,445,490
Supplies	100,703	12,509	3,136	44,426	160,774
Contractual and other services	230,957	320,690	221,415	299,274	1,072,336
Repairs and maintenance	109,131	12,123	747,518	31,988	900,760
Depreciation and amortization	338,490	74,426	747,905	315,284	1,476,105
Total operating expenses	<u>1,458,400</u>	<u>419,748</u>	<u>2,873,203</u>	<u>1,304,114</u>	<u>6,055,465</u>
Operating loss	<u>(222,590)</u>	<u>(3,498)</u>	<u>(2,412,054)</u>	<u>(933,165)</u>	<u>(3,571,307)</u>
Nonoperating revenues:					
Investment earnings	1,704	2,477	3,406	1,687	9,274
Net increase (decrease) in the fair value of investments	(278)	392	236	40	390
Nonoperating revenues	<u>1,426</u>	<u>2,869</u>	<u>3,642</u>	<u>1,727</u>	<u>9,664</u>
Loss before contributions and transfers	(221,164)	(629)	(2,408,412)	(931,438)	(3,561,643)
Capital contributions	-	-	1,553,284	147,413	1,700,697
Transfers in	-	568,312	1,942,029	494,447	3,004,788
Transfers out	-	(722,063)	-	-	(722,063)
Changes in net position	(221,164)	(154,380)	1,086,901	(289,578)	421,779
Total net position--beginning	<u>4,583,889</u>	<u>2,621,358</u>	<u>4,227,343</u>	<u>6,442,026</u>	<u>17,874,616</u>
Total net position--ending	<u>\$ 4,362,725</u>	<u>\$ 2,466,978</u>	<u>\$ 5,314,244</u>	<u>\$ 6,152,448</u>	<u>\$ 18,296,395</u>

CITY OF McALLEN, TEXAS
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF CASH FLOW
For the Year Ended September 30, 2013

	Palm View Golf Course	McAllen International Civic Center	McAllen Express Transit	Transit Terminal	Total
Cash flows from operating activities:					
Receipts from customers	\$ 1,235,867	\$ 412,415	\$ 461,150	\$ 378,360	\$ 2,487,792
Payments to employees	(669,909)	-	(1,128,541)	(601,067)	(2,399,517)
Payments to suppliers	(413,392)	(420,381)	(1,099,483)	(367,877)	(2,301,133)
Net cash provided (used) by operating activities	152,566	(7,966)	(1,766,874)	(590,584)	(2,212,858)
Cash flows from noncapital financing activities:					
Transfers from other funds	-	568,312	1,942,029	494,447	3,004,788
Transfers to other funds	-	(722,063)	-	-	(722,063)
Subsidy from federal grant	-	-	1,813,903	205,089	2,018,992
Net cash provided by noncapital financing activities	-	(153,751)	3,755,932	699,536	4,301,717
Cash flows from capital and related financing activities:					
Payments for capital acquisitions	(66,781)	-	(1,032,669)	(1,675)	(1,101,125)
Cash used by capital and related financing activities	(66,781)	-	(1,032,669)	(1,675)	(1,101,125)
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	279,553	350,000	400,000	380,008	1,409,561
Purchase of investments	(309,210)	(162,752)	(1,356,802)	(500,508)	(2,329,272)
Receipt of interest	1,951	3,494	4,194	1,569	11,208
Net cash provided (used) by investing activities	(27,706)	190,742	(952,608)	(118,931)	(908,503)
Net increase (decrease) in cash	58,079	29,025	3,781	(11,654)	79,231
Cash at beginning of year	145,013	47,253	9,649	22,233	224,148
Cash at end of year	\$ 203,092	\$ 76,278	\$ 13,430	\$ 10,579	\$ 303,379

Continued

CITY OF McALLEN, TEXAS
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF CASH FLOW
For the Year Ended September 30, 2013

	Palm View Golf Course	McAllen International Civic Center	McAllen Express Transit	Transit Terminal	Total
Reconciliation of operating loss to net cash provided by operating activities					
Operating loss	\$ (222,590)	\$ (3,498)	\$ (2,412,054)	\$ (933,165)	\$ (3,571,307)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	338,490	74,426	747,905	315,284	1,476,105
Accounts receivable	57	-	-	7,411	7,468
Due from other funds	-	(3,835)	-	-	(3,835)
Accounts payable	23,417	(155)	(127,410)	7,811	(96,337)
Compensated absences payable	6,526	-	20,965	5,890	33,381
Accrued expenses	2,684	-	3,723	6,185	12,592
Due to other funds	-	(100,000)	-	-	(100,000)
Other current liabilities	-	23,481	(3)	-	23,478
Deferred revenue	3,982	1,615	-	-	5,597
Total adjustments	375,156	(4,468)	645,180	342,581	1,358,449
Net cash provided (used) by operating activities	<u>\$ 152,566</u>	<u>\$ (7,966)</u>	<u>\$ (1,766,874)</u>	<u>\$ (590,584)</u>	<u>\$ (2,212,858)</u>
Noncash investing, capital and financing activities:					
Increase (decrease) in fair value of investments	\$ (278)	\$ 392	\$ 236	\$ 40	\$ 390

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

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

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

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
September 30, 2013

	Fleet Materials Management	Employee Benefits	Retiree Health Insurance
ASSETS			
Current assets:			
Cash	\$ 918,195	\$ 141,441	\$ 10,490
Certificates of deposit	-	195,020	-
Investments	-	2,734,868	2,048,044
Receivables, net:			
Accounts	34,173	56,774	4,543
Accrued interest	-	1,400	706
Other	-	3,801	-
Inventories	346,892	-	-
Total current assets	1,299,260	3,133,304	2,063,783
Capital assets	725,938	26,527	-
Less accumulated depreciation	(387,136)	(1,700)	-
Net capital assets	338,802	24,827	-
Advances to other funds	-	-	-
Total assets	<u>\$ 1,638,062</u>	<u>\$ 3,158,131</u>	<u>\$ 2,063,783</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 463,997	\$ 540,397	\$ 33,454
Accrued expense	32,197	1,773,549	240,000
Total current liabilities	496,194	2,313,946	273,454
Other non-current liabilities:			
Accumulated unpaid compensated absences	24,236	16,800	-
Total other non-current liabilities	24,236	16,800	-
Total liabilities	520,430	2,330,746	273,454
NET POSITION			
Net investment in capital assets	338,802	24,827	-
Unrestricted	778,830	802,558	1,790,329
Total net position	1,117,632	827,385	1,790,329
Total liabilities and net position	<u>\$ 1,638,062</u>	<u>\$ 3,158,131</u>	<u>\$ 2,063,783</u>

General Insurance	General Depreciation	Total
\$ 208,624	\$ 2,007	\$ 1,280,757
975,100	200,000	1,370,120
16,113,547	13,966,457	34,862,916
176,093	-	271,583
16,546	13,416	32,068
-	-	3,801
-	-	346,892
17,489,910	14,181,880	38,168,137
18,189	21,371,626	22,142,280
(18,189)	(15,733,973)	(16,140,998)
-	5,637,653	6,001,282
2,035,009	-	2,035,009
<u>\$ 19,524,919</u>	<u>\$ 19,819,533</u>	<u>\$ 46,204,428</u>
\$ 129,238	\$ 36,250	\$ 1,203,336
2,206,759	-	4,252,505
2,335,997	36,250	5,455,841
15,082	-	56,118
15,082	-	56,118
2,351,079	36,250	5,511,959
-	5,637,653	6,001,282
17,173,840	14,145,630	34,691,187
17,173,840	19,783,283	40,692,469
<u>\$ 19,524,919</u>	<u>\$ 19,819,533</u>	<u>\$ 46,204,428</u>

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended September 30, 2013

	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>	<u>Retiree Health Insurance</u>
Operating revenues:			
Charges for services	\$ 3,723,323	\$ -	\$ -
Contributions	<u>-</u>	<u>7,969,540</u>	<u>440,778</u>
Total operating revenues	<u>3,723,323</u>	<u>7,969,540</u>	<u>440,778</u>
Operating expenses:			
Salaries, wages and employee benefits	819,606	238,183	-
Supplies and materials	28,228	3,011	-
Contractual and other services	2,459,470	1,428,019	74,554
Repairs and maintenance	33,050	-	-
Depreciation and amortization	66,727	1,700	-
Self insurance claims	-	7,860,316	266,866
Other	<u>30,534</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>3,437,615</u>	<u>9,531,229</u>	<u>341,420</u>
Operating income (loss)	<u>285,708</u>	<u>(1,561,689)</u>	<u>99,358</u>
Non operating revenues (expenses):			
Investment earnings	-	11,047	3,990
Decrease in fair value of investments	-	(5,327)	(829)
Other	<u>18,727</u>	<u>75,781</u>	<u>-</u>
Net non-operating revenues (expenses)	<u>18,727</u>	<u>81,501</u>	<u>3,161</u>
Change in net position	304,435	(1,480,188)	102,519
Total net position--beginning	<u>813,197</u>	<u>2,307,573</u>	<u>1,687,810</u>
Total net position--ending	<u><u>\$ 1,117,632</u></u>	<u><u>\$ 827,385</u></u>	<u><u>\$ 1,790,329</u></u>

General Insurance	General Depreciation	Total
\$ -	\$ 2,461,706	\$ 6,185,029
3,775,326	-	12,185,644
3,775,326	2,461,706	18,370,673
203,065	-	1,260,854
3,191	-	34,430
1,394,128	-	5,356,171
261,504	-	294,554
-	1,826,220	1,894,647
1,379,917	-	9,507,099
-	-	30,534
3,241,805	1,826,220	18,378,289
533,521	635,486	(7,616)
68,156	44,184	127,377
(44,205)	(23,098)	(73,459)
381,764	29,001	505,273
405,715	50,087	559,191
939,236	685,573	551,575
16,234,604	19,097,710	40,140,894
<u>\$ 17,173,840</u>	<u>\$ 19,783,283</u>	<u>\$ 40,692,469</u>

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2013

	Fleet Materials Management	Employee Benefits	Retiree Health Insurance
Cash flows from operating activities:			
Receipts from customers	\$ 3,711,547	\$ 7,909,947	\$ 491,979
Payments to employees	(824,806)	(221,874)	-
Payments to suppliers	(2,391,106)	(8,929,279)	(325,551)
Net cash provided (used) by operating activities	495,635	(1,241,206)	166,428
Cash flows from non-capital financing activities:			
Advances to other funds	-	-	-
Cash provided by non-capital financing activities	-	-	-
Cash flows from capital and related financing activities:			
Payments for capital acquisitions	(14,087)	(26,527)	-
Proceeds from sale of capital assets	3,600	-	-
Net cash used by capital and related financing activities	(10,487)	(26,527)	-
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	-	2,304,997	500,829
Purchase of investments	-	(944,548)	(671,178)
Receipt of interest	-	10,021	3,663
Net cash provided (used) by investing activities	-	1,370,470	(166,686)
Net increase (decrease) in cash	485,148	102,737	(258)
Cash at beginning of year	433,047	38,704	10,748
Cash at end of year	\$ 918,195	\$ 141,441	\$ 10,490

General Insurance	General Depreciation	Totals
\$ 4,471,195	\$ 2,461,706	\$ 19,046,374
(199,664)	-	(1,246,344)
<u>(3,258,050)</u>	<u>(62,068)</u>	<u>(14,966,054)</u>
<u>1,013,481</u>	<u>2,399,638</u>	<u>2,833,976</u>
<u>(2,035,009)</u>	<u>-</u>	<u>(2,035,009)</u>
<u>(2,035,009)</u>	<u>-</u>	<u>(2,035,009)</u>
-	(1,433,780)	(1,474,394)
<u>1,440</u>	<u>29,002</u>	<u>34,042</u>
<u>1,440</u>	<u>(1,404,778)</u>	<u>(1,440,352)</u>
4,479,409	3,244,346	10,529,581
(3,473,863)	(4,297,148)	(9,386,737)
<u>30,349</u>	<u>20,882</u>	<u>64,915</u>
<u>1,035,895</u>	<u>(1,031,920)</u>	<u>1,207,759</u>
15,807	(37,060)	566,374
<u>192,817</u>	<u>39,067</u>	<u>714,383</u>
<u>\$ 208,624</u>	<u>\$ 2,007</u>	<u>\$ 1,280,757</u>

Continued

CITY OF McALLEN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2013

	Fleet Materials Management	Employee Benefits	Retiree Health Insurance
Operating (loss) income	\$ 285,708	\$ (1,561,689)	\$ 99,358
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	66,727	1,700	-
Accounts receivable	(11,776)	(59,593)	51,201
Inventories	(60,009)	-	-
Accounts payable	220,185	371,773	15,869
Compensated absences payables	(7,376)	12,290	-
Accrued liabilities	2,176	9,170	-
Decrease in other liabilities	-	(14,857)	-
Total adjustments	209,927	320,483	67,070
Net cash provided (used) by operating activities	<u>\$ 495,635</u>	<u>\$ (1,241,206)</u>	<u>\$ 166,428</u>
Noncash investing, capital, and financing activities:			
Decrease in fair value of investments	\$ -	\$ (5,327)	\$ (829)

<u>General Insurance</u>	<u>General Depreciation</u>	<u>Totals</u>
<u>\$ 533,521</u>	<u>\$ 635,486</u>	<u>\$ (7,616)</u>
-	1,826,220	1,894,647
315,543	-	295,375
-	-	(60,009)
365,544	(62,068)	911,303
3,401	-	8,315
(204,528)	-	(193,182)
<u>-</u>	<u>-</u>	<u>(14,857)</u>
<u>479,960</u>	<u>1,764,152</u>	<u>2,841,592</u>
<u><u>\$ 1,013,481</u></u>	<u><u>\$ 2,399,638</u></u>	<u><u>\$ 2,833,976</u></u>
\$ (44,205)	\$ (23,098)	\$ (73,459)

Concluded

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.

CITY OF McALLEN , TEXAS
COMBINING STATEMENT OF NET POSITION
AGENCY FUNDS
September 30, 2013

	Developers Fund	Communications Group Fund	Total
ASSETS			
Cash and cash equivalents	\$ 3,189	\$ 287,068	\$ 290,257
Receivables:			
Interest	2,479	-	2,479
Investments, at fair value:			
TexPool	718,111	-	718,111
Certificate of deposit	487,550	-	487,550
U.S. Government securities	1,496,316	-	1,496,316
	<u>\$ 2,707,645</u>	<u>\$ 287,068</u>	<u>\$ 2,994,713</u>
Total assets			
	<u>\$ 2,707,645</u>	<u>\$ 287,068</u>	<u>\$ 2,994,713</u>
LIABILITIES			
Accounts payable	\$ 4,083	\$ 224	\$ 4,307
Due agency	-	286,844	286,844
Escrow payables	2,703,562	-	2,703,562
	<u>2,703,562</u>	<u>-</u>	<u>2,703,562</u>
Total liabilities			
	<u>\$ 2,707,645</u>	<u>\$ 287,068</u>	<u>\$ 2,994,713</u>

CITY OF McALLEN, TEXAS
AGENCY FUND
DEVELOPER'S FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended September 30, 2013

	Balance 09/30/12	ADDITIONS	DEDUCTIONS	Balance 09/30/13
<u>Assets:</u>				
Cash and equivalents	\$ 2,705	\$ 3,788,131	\$ 3,787,647	\$ 3,189
Investments	2,633,336	3,450,076	3,381,435	2,701,977
Receivables:				
Accrued interest	4,159	9,020	10,700	2,479
Total current assets	<u>\$ 2,640,200</u>	<u>\$ 7,247,227</u>	<u>\$ 7,179,782</u>	<u>\$ 2,707,645</u>
<u>Liabilities:</u>				
Escrow payables	<u>\$ 2,640,200</u>	<u>\$ 534,363</u>	<u>\$ 601,808</u>	<u>\$ 2,707,645</u>
Total liabilities	<u>\$ 2,640,200</u>	<u>\$ 534,363</u>	<u>\$ 601,808</u>	<u>\$ 2,707,645</u>

CITY OF McALLEN, TEXAS
AGENCY FUND
COMMUNICATIONS GROUP
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended September 30, 2013

	Balance 09/30/12	ADDITIONS	DEDUCTIONS	Balance 09/30/13
<u>Assets:</u>				
Cash and equivalents	\$ 53,376	\$ 252,273	\$ 18,581	\$ 287,068
Total current assets	<u>\$ 53,376</u>	<u>\$ 252,273</u>	<u>\$ 18,581</u>	<u>\$ 287,068</u>
<u>Liabilities:</u>				
Payables	\$ -	\$ 22,614	\$ 22,838	\$ 224
Due Agency	<u>53,376</u>	<u>251,425</u>	<u>17,957</u>	<u>286,844</u>
Total liabilities	<u>\$ 53,376</u>	<u>\$ 274,039</u>	<u>\$ 40,795</u>	<u>\$ 287,068</u>

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, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 32,738,629	\$ 32,738,629	\$ 33,208,067	\$ 469,438
Sales	43,625,622	43,625,622	45,619,399	1,993,777
Franchise	6,404,000	6,404,000	6,457,397	53,397
Total taxes	82,768,251	82,768,251	85,284,863	2,516,612
Licenses and permits:				
Business licenses and permits	40,750	40,750	66,197	25,447
Occupational	202,225	202,225	261,071	58,846
Non-business licenses and permits	1,039,150	1,039,150	1,088,568	49,418
Total licenses and permits	1,282,125	1,282,125	1,415,836	133,711
Intergovernmental revenues:				
State shared revenues	430,000	430,000	598,470	168,470
Total intergovernmental revenues	430,000	430,000	598,470	168,470
Charges for services:				
General government	1,408,420	1,408,420	1,462,879	54,459
Public safety	687,400	687,400	785,887	98,487
Highways and streets	500	500	-	(500)
Health	568,200	568,200	649,108	80,908
Culture and recreation	1,127,810	1,127,810	1,097,601	(30,209)
Total charges for services	3,792,330	3,792,330	3,995,475	203,145
Fines and forfeitures:				
Corporations court	1,650,000	1,684,769	1,584,807	(99,962)
Other fines	62,968	62,968	93,881	30,913
Total fines and forfeitures	1,712,968	1,747,737	1,678,688	(69,049)
Investment earnings	265,000	265,000	203,877	(61,123)

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Net increase (decrease) in the fair value of investments	\$ -	\$ -	\$ (171,926)	\$ (171,926)
Other:				
Royalties	1,000,000	1,000,000	936,278	(63,722)
Rents and concessions	40,000	40,000	10,411	(29,589)
Reimbursements	-	-	3,604	3,604
Other	384,800	384,800	203,621	(181,179)
Total other revenues	1,424,800	1,424,800	981,988	(442,812)
Total revenues	91,675,474	91,710,243	94,159,197	2,448,954
EXPENDITURES				
General government:				
City commission:				
Personal services	106,449	107,776	108,032	256
Supplies	4,680	4,680	4,271	(409)
Miscellaneous services	50,263	50,263	75,387	(25,124)
Capital outlay	-	-	9,120	(9,120)
Total city commission	161,392	162,719	196,810	(34,397)
Special service:				
Miscellaneous services	871,800	871,800	940,427	(68,627)
Total special service	871,800	871,800	940,427	(68,627)
City manager:				
Personal services	906,545	920,132	923,153	(3,021)
Supplies	2,430	2,430	1,946	484
Miscellaneous services	46,859	74,959	120,580	(45,621)
Maintenance	1,680	1,680	-	1,680
Capital outlay	50,000	21,900	15,926	5,974
Total city manager	1,007,514	1,021,101	1,061,605	(40,504)
City secretary:				
Personal services	367,317	375,232	394,277	(19,045)
Supplies	4,500	4,500	3,871	629
Miscellaneous services	10,961	10,961	17,932	(6,971)
Maintenance	23,124	23,124	18,451	4,673
Total city secretary	405,902	413,817	434,531	(20,714)

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Audit office:				
Personal services	\$ 188,018	\$ 192,143	\$ 191,424	\$ 719
Supplies	1,316	1,316	2,534	(1,218)
Miscellaneous services	11,182	11,182	9,836	1,346
Total audit office	200,516	204,641	203,794	847
Vital statistics:				
Personal services	155,350	158,004	121,704	36,300
Supplies	7,200	7,200	6,714	486
Miscellaneous services	25,427	25,427	20,074	5,353
Total vital statistics	187,977	190,631	148,492	42,139
Passport facility:				
Personal services	59,540	60,664	67,151	(6,487)
Supplies	990	990	1,060	(70)
Miscellaneous services	5,175	5,175	5,055	120
Maintenance	200	200	-	200
Total passport facility	65,905	67,029	73,266	(6,237)
Municipal court:				
Personal services	1,147,249	1,171,177	1,081,675	89,502
Supplies	8,910	9,180	8,116	1,064
Miscellaneous services	75,181	82,211	66,635	15,576
Maintenance	47,915	75,384	40,135	35,249
Capital outlay	10,000	10,000	6,514	3,486
Total municipal court	1,289,255	1,347,952	1,203,075	144,877
Finance:				
Personal services	1,236,446	1,279,089	1,231,025	48,064
Supplies	20,520	20,520	21,912	(1,392)
Miscellaneous services	157,248	155,848	89,114	66,734
Maintenance	24,932	24,932	4,195	20,737
Capital outlay	-	1,400	3,866	(2,466)
Total finance	1,439,146	1,481,789	1,350,111	131,677

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Tax office:				
Personal services	\$ 257,931	\$ 262,831	\$ 244,279	\$ 18,552
Supplies	4,334	4,334	4,794	(460)
Miscellaneous services	674,569	674,569	724,458	(49,889)
Maintenance	9,331	9,331	8,653	678
Total tax office	946,165	951,065	982,184	(31,119)
Purchasing and contracting:				
Personal services	484,637	494,629	444,314	50,315
Supplies	7,020	7,020	4,461	2,559
Miscellaneous services	6,803	6,803	4,566	2,237
Maintenance	-	-	-	-
Total purchasing and contracting	498,460	508,452	453,341	55,111
Legal:				
Personal services	885,218	905,169	1,011,722	(106,553)
Supplies	3,078	3,078	4,450	(1,372)
Miscellaneous services	264,016	264,016	512,616	(248,600)
Total legal	1,152,312	1,172,263	1,528,788	(356,525)
Grant administration:				
Personal services	299,515	305,088	274,174	30,914
Supplies	8,347	10,647	11,135	(488)
Miscellaneous services	64,385	62,085	63,786	(1,701)
Total grant administration	372,247	377,820	349,095	28,725
Right of way:				
Personal services	117,536	124,883	129,101	(4,218)
Supplies	1,454	1,454	1,453	1
Miscellaneous services	54,584	54,584	44,935	9,649
Total right of way	173,574	180,921	175,489	5,432

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Human resources:				
Personal services	\$ 452,068	\$ 467,010	\$ 480,783	\$ (13,773)
Supplies	9,265	7,865	7,464	401
Miscellaneous services	155,279	149,619	136,606	13,013
Maintenance	4,556	4,000	4,000	-
Capital outlay	-	1,476	-	1,476
Total human resources	621,168	629,970	628,853	1,117
Risk management:				
Liability insurance	651,761	651,761	651,761	-
Total risk management	651,761	651,761	651,761	-
Planning:				
Personal services	1,018,916	1,036,714	775,468	261,246
Supplies	16,195	19,225	20,316	(1,091)
Miscellaneous services	66,022	61,992	35,474	26,518
Maintenance	18,717	19,717	15,734	3,983
Other	(19,000)	(19,000)	(5,799)	(13,201)
Total planning	1,100,850	1,118,648	841,193	277,455
Information technology:				
Personal services	1,448,933	1,477,641	1,396,500	81,141
Supplies	17,548	17,548	19,945	(2,397)
Miscellaneous services	251,798	251,798	244,694	7,104
Maintenance	401,127	401,127	437,931	(36,804)
Capital outlay	273,000	273,000	252,049	20,951
Total information technology	2,392,406	2,421,114	2,351,119	69,995
Public information office:				
Personal services	498,330	508,778	478,371	30,407
Supplies	12,393	12,393	17,679	(5,286)
Miscellaneous services	55,690	55,690	42,417	13,273
Maintenance	9,717	9,717	5,997	3,720
Capital outlay	13,600	13,600	-	13,600
Total public information office	589,730	600,178	544,464	55,714

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
City hall:				
Personal services	\$ 96,348	\$ 98,410	\$ 94,470	\$ 3,940
Supplies	20,257	20,257	16,559	3,698
Miscellaneous services	390,132	390,132	357,259	32,873
Maintenance	195,000	195,000	90,203	104,797
Capital outlay	-	-	330	(330)
Total city hall	701,737	703,799	558,821	144,978
Building maintenance:				
Personal services	450,820	459,180	509,772	(50,592)
Supplies	12,182	12,182	17,537	(5,355)
Miscellaneous services	12,452	12,452	12,142	310
Maintenance	50,766	50,766	41,191	9,575
Total building maintenance	526,220	534,580	580,642	(46,062)
Economic development:				
McAllen Economic Development Corp.	1,383,195	1,383,195	1,383,195	-
Chambers of commerce	669,200	669,200	669,200	-
Total economic development	2,052,395	2,052,395	2,052,395	-
Non-departmental activities	123,040	123,040	118,405	4,635
Contingency	(207,333)	(1,320,265)	-	(1,320,265)
Total general government	17,324,139	16,467,220	17,428,661	(961,441)
Public safety:				
Police:				
Personal services	26,215,011	26,691,233	26,291,026	400,207
Supplies	391,654	391,654	518,892	(127,238)
Miscellaneous services	1,141,744	1,141,744	1,090,804	50,940
Maintenance	1,599,172	1,599,172	1,811,112	(211,940)
Other	(350,000)	(350,000)	(535,219)	185,219
Capital outlay	308,520	308,520	247,715	60,805
Total police	29,306,101	29,782,323	29,424,330	357,993

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Animal control:				
Personal services	\$ 185,756	\$ 188,766	\$ 158,257	\$ 30,509
Supplies	10,000	10,000	4,763	5,237
Miscellaneous services	31,131	31,131	29,791	1,340
Maintenance	57,947	57,947	56,506	1,441
Capital outlay	30,000	30,000	24,800	5,200
Total animal control	314,834	317,844	274,117	43,727
Communication technology:				
Personal services	163,848	167,464	199,082	(31,618)
Supplies	8,257	8,257	4,451	3,806
Miscellaneous services	81,345	81,345	76,580	4,765
Maintenance	4,375	4,375	2,214	2,161
Other	-	-	(106,565)	106,565
Total communication technology	257,825	261,441	175,762	85,679
Fire:				
Personal services	14,592,388	14,690,773	14,379,652	311,121
Supplies	236,652	258,616	253,563	5,053
Miscellaneous services	988,444	1,064,977	1,126,058	(61,081)
Maintenance	421,339	532,839	652,028	(119,189)
Capital outlay	157,955	157,955	157,929	26
Total fire	16,396,778	16,705,160	16,569,230	135,930
Traffic operations:				
Personal services	1,325,488	1,350,090	1,315,996	34,094
Supplies	115,492	115,492	113,615	1,877
Miscellaneous services	310,639	310,639	308,558	2,081
Maintenance	345,268	345,268	329,206	16,062
Capital outlay	64,250	64,250	72,446	(8,196)
Total traffic operations	2,161,137	2,185,739	2,139,821	45,918
Building code compliance:				
Personal services	849,700	866,690	875,161	(8,471)
Supplies	12,487	12,487	10,807	1,680
Miscellaneous services	117,095	117,095	53,827	63,268
Maintenance	16,855	16,855	17,208	(353)
Capital outlay	12,000	12,000	12,000	-
Total building code compliance	1,008,137	1,025,127	969,003	56,124
Total public safety	49,444,812	50,277,634	49,552,263	725,371

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Highways and streets:				
Engineering services:				
Personal services	\$ 1,644,284	\$ 1,678,143	\$ 1,565,006	\$ 113,137
Supplies	21,032	19,032	10,801	8,231
Miscellaneous services	129,469	125,869	114,044	11,825
Maintenance	40,807	46,407	53,070	(6,663)
Other	-	-	(38,485)	38,485
Capital outlay	6,000	6,000	6,000	-
Total engineering	1,841,592	1,875,451	1,710,436	165,015
Street cleaning:				
Personal services	177,325	180,098	161,746	18,352
Supplies	3,330	3,330	1,852	1,478
Miscellaneous services	104,025	104,025	102,345	1,680
Maintenance	138,545	138,545	100,997	37,548
Total street cleaning	423,225	425,998	366,940	59,058
Street maintenance:				
Personal services	1,482,763	1,510,091	1,296,835	213,256
Supplies	37,515	37,515	23,868	13,647
Miscellaneous services	674,578	674,578	672,250	2,328
Maintenance	4,346,503	4,346,503	4,215,586	130,917
Capital outlay	13,500	13,500	12,725	775
Total street maintenance	6,554,859	6,582,187	6,221,264	360,923
Street lighting:				
Miscellaneous services	1,904,326	1,904,326	2,093,762	(189,436)
Maintenance	72,675	232,675	85,144	147,531
Total street lighting	1,977,001	2,137,001	2,178,906	(41,905)
Sidewalk construction:				
Personal services	217,985	220,994	194,350	26,644
Supplies	36,200	36,200	29,194	7,006
Miscellaneous services	12,908	12,908	12,923	(15)
Maintenance	40,222	40,222	37,484	2,738
Capital outlay	10,600	10,600	4,639	5,961
Total sidewalk construction	317,915	320,924	278,590	42,334

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Drainage:				
Personal services	\$ 651,363	\$ 661,295	\$ 585,747	\$ 75,548
Supplies	23,412	23,412	14,107	9,305
Miscellaneous services	377,198	377,198	360,127	17,071
Maintenance	326,920	326,920	290,782	36,138
Capital outlay	54,000	54,000	3,024	50,976
Total drainage	1,432,893	1,442,825	1,253,787	189,038
Total highways and streets	12,547,485	12,784,386	12,009,923	774,463
Health and welfare:				
Health code compliance:				
Personal services	917,613	934,832	894,303	40,529
Supplies	19,385	19,385	27,935	(8,550)
Miscellaneous services	126,060	126,060	73,670	52,390
Maintenance	45,639	45,639	75,762	(30,123)
Total health code compliance	1,108,697	1,125,916	1,071,670	54,246
Graffiti cleaning:				
Personal services	98,546	100,608	100,577	31
Supplies	10,181	10,181	8,744	1,437
Miscellaneous services	23,551	23,551	18,058	5,493
Maintenance	21,691	21,691	22,053	(362)
Total graffiti cleaning	153,969	156,031	149,432	6,599
Other agencies:				
Humane society	237,662	237,662	525,558	(287,896)
Other health and welfare agencies	5,000	5,000	5,000	-
Total other agencies	242,662	242,662	530,558	(287,896)
Total health and welfare	1,505,328	1,524,609	1,751,660	(227,051)

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Culture and recreation:				
Parks and recreation administration:				
Personal services	\$ 383,061	\$ 391,284	\$ 413,940	\$ (22,656)
Supplies	6,311	6,311	7,778	(1,467)
Miscellaneous services	97,996	97,996	124,720	(26,724)
Maintenance	20,595	20,595	21,300	(705)
Capital outlay	10,000	10,000	8,391	1,609
Total parks and recreation administration	517,963	526,186	576,129	(49,943)
Parks:				
Personal services	3,323,534	3,385,360	3,219,458	165,902
Supplies	165,004	165,004	178,539	(13,535)
Miscellaneous services	1,885,811	1,885,811	1,819,939	65,872
Maintenance	422,077	422,077	584,277	(162,200)
Capital outlay	-	-	11	(11)
Total parks	5,796,426	5,858,252	5,802,224	56,028
Recreation:				
Personal services	1,184,630	1,191,622	1,030,836	160,786
Supplies	45,760	45,760	31,334	14,426
Miscellaneous services	234,698	234,698	220,608	14,090
Maintenance	4,560	4,560	14,594	(10,034)
Capital outlay	18,500	18,500	-	18,500
Total recreation	1,488,148	1,495,140	1,297,372	197,768
Pools:				
Personal services	582,743	603,980	529,593	74,387
Supplies	71,975	71,975	92,086	(20,111)
Miscellaneous services	97,339	97,339	81,278	16,061
Maintenance	37,784	37,784	52,988	(15,204)
Capital outlay	12,265	12,265	925	11,340
Total pools	802,106	823,343	756,870	66,473
Las palmas community center:				
Personal services	282,827	287,697	251,363	36,334
Supplies	14,987	14,987	10,804	4,183
Miscellaneous services	75,423	75,423	74,810	613
Maintenance	15,750	15,750	9,746	6,004
Capital outlay	5,000	5,000	2,553	2,447
Total las palmas community center	393,987	398,857	349,276	49,581

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Recreation center-Lark:				
Personal services	\$ 331,509	\$ 336,854	\$ 233,582	\$ 103,272
Supplies	25,695	25,695	20,378	5,317
Miscellaneous services	87,400	87,400	132,023	(44,623)
Maintenance	9,000	9,000	10,870	(1,870)
Capital outlay	28,600	28,600	22,664	5,936
Total recreation center-Lark	482,204	487,549	419,517	68,032
Recreation center-Palmview:				
Personal services	329,737	334,776	294,974	39,802
Supplies	19,445	19,445	18,483	962
Miscellaneous services	107,505	107,505	131,677	(24,172)
Maintenance	9,825	9,825	15,200	(5,375)
Capital outlay	13,600	13,600	7,291	6,309
Total recreation center-Palmview	480,112	485,151	467,625	17,526
H2O hut:				
Supplies	84,000	39,000	13,241	25,759
Maintenance	-	5,000	256	4,744
Capital outlay	-	40,000	9,655	30,345
Total H2O hut	84,000	84,000	23,152	60,848
Quinta mazatlan:				
Personal services	347,052	353,253	309,423	43,830
Supplies	23,645	23,645	18,754	4,891
Miscellaneous services	93,963	93,963	116,341	(22,378)
Maintenance	22,801	22,801	24,341	(1,540)
Capital outlay	17,085	17,085	16,887	198
Total quinta mazatlan	504,546	510,747	485,746	25,001
Library:				
Personal services	2,195,093	2,234,656	1,962,994	271,662
Supplies	86,357	86,357	92,733	(6,376)
Miscellaneous services	608,705	601,605	631,663	(30,058)
Maintenance	84,139	84,139	83,439	700
Capital outlay	201,250	208,350	176,616	31,734
Total library	3,175,544	3,215,107	2,947,445	267,662

CITY OF McALLEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Library branch-Lark:				
Personal services	\$ 351,301	\$ 358,989	\$ 367,036	\$ (8,047)
Supplies	16,656	16,656	13,036	3,620
Miscellaneous services	9,913	9,913	9,765	148
Maintenance	22,400	22,400	10,091	12,309
Capital outlay	36,700	36,700	28,755	7,945
Total library branch-Lark	436,970	444,658	428,683	15,975
Library branch-Palmview:				
Personal services	371,399	377,096	324,415	52,681
Supplies	8,937	8,937	9,463	(526)
Miscellaneous services	9,913	9,913	9,791	122
Maintenance	5,700	5,700	4,798	902
Capital outlay	36,700	36,700	34,095	2,605
Total library branch-Palmview	432,649	438,346	382,562	55,784
Other agencies	669,059	669,059	669,059	-
Museums	798,112	798,112	798,112	-
Total culture and recreation	16,061,826	16,234,507	15,403,772	830,735
Total expenditures	96,883,590	97,288,356	96,146,279	1,142,077
Excess of revenues over expenditures	(5,208,116)	(5,578,113)	(1,987,082)	3,591,031
OTHER FINANCING SOURCES (USES)				
Transfers in	10,017,635	10,017,635	10,502,701	485,066
Transfers out	(4,506,426)	(10,540,326)	(10,450,326)	90,000
Net other financing sources (uses)	5,511,209	(522,691)	52,375	575,066
Net change in fund balances	303,093	(6,100,804)	(1,934,707)	4,166,097
Fund balances at beginning of year	45,810,264	45,810,264	45,810,264	-
Fund balances at end of year	\$ 46,113,357	\$ 39,709,460	\$ 43,875,557	\$ 4,166,097

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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Hotel tax	\$ 3,280,200	\$ 3,280,200	\$ 3,978,186	\$ 697,986
Investment earnings	<u>-</u>	<u>-</u>	<u>34</u>	<u>34</u>
Total revenues	<u>3,280,200</u>	<u>3,280,200</u>	<u>3,978,220</u>	<u>698,020</u>
EXPENDITURES				
Current:				
General government	<u>937,200</u>	<u>937,200</u>	<u>1,136,625</u>	<u>(199,425)</u>
Total expenditures	<u>937,200</u>	<u>937,200</u>	<u>1,136,625</u>	<u>(199,425)</u>
Excess (deficiency) of revenues over expenditures	<u>2,343,000</u>	<u>2,343,000</u>	<u>2,841,595</u>	<u>498,595</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,343,000)</u>	<u>(2,343,000)</u>	<u>(2,841,561)</u>	<u>(498,561)</u>
Total other financing sources (uses)	<u>(2,343,000)</u>	<u>(2,343,000)</u>	<u>(2,841,561)</u>	<u>(498,561)</u>
Net changes in fund balances	-	-	34	34
Fund balances--beginning	<u>24,873</u>	<u>24,873</u>	<u>24,873</u>	<u>-</u>
Fund balances--ending	<u>\$ 24,873</u>	<u>\$ 24,873</u>	<u>\$ 24,907</u>	<u>\$ 34</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Charges for services	\$ -	\$ -	\$ 109,428	\$ 109,428
Total revenues	-	-	109,428	109,428
EXPENDITURES				
Current:				
General government	-	-	178,313	(178,313)
Total expenditures	-	-	178,313	(178,313)
Excess (deficiency) of revenues over expenditures	-	-	(68,885)	(68,885)
Transfers in	-	90,000	-	(90,000)
Transfers out	-	-	(100,000)	(100,000)
Net changes in fund balances	-	90,000	(168,885)	(258,885)
Fund balances--beginning	(9,095)	(9,095)	(9,095)	-
Fund balances--ending	<u>\$ (9,095)</u>	<u>\$ 80,905</u>	<u>\$ (177,980)</u>	<u>\$ (258,885)</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 2,094,722	\$ 2,094,722	\$ 4,023,104	\$ 1,928,382
Other	<u>-</u>	<u>-</u>	<u>959</u>	<u>959</u>
Total revenues	<u>2,094,722</u>	<u>2,094,722</u>	<u>4,024,063</u>	<u>1,929,341</u>
EXPENDITURES				
Current:				
General government	366,689	366,689	314,884	51,805
Highways and streets	693,700	693,700	1,553,527	(859,827)
Health and welfare	979,383	979,383	1,844,271	(864,888)
Culture and recreation	<u>54,950</u>	<u>54,950</u>	<u>311,381</u>	<u>(256,431)</u>
Total expenditures	<u>2,094,722</u>	<u>2,094,722</u>	<u>4,024,063</u>	<u>(1,929,341)</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, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Licenses and permits	\$ 12,000	\$ 12,000	\$ 13,314	\$ 1,314
Charges for services	1,171,641	1,171,641	1,174,256	2,615
Fines and forfeitures	230,000	230,000	245,304	15,304
Investment earnings	-	-	543	543
Other	7,200	7,200	8,602	1,402
Total revenues	1,420,841	1,420,841	1,442,019	21,178
EXPENDITURES				
Current:				
Highways and streets	1,017,342	1,030,197	908,561	121,636
Total expenditures	1,017,342	1,030,197	908,561	121,636
Excess (deficiency) of revenues over expenditures	403,499	390,644	533,458	142,814
Transfers out	(596,657)	(596,657)	(596,657)	-
Total other financing sources (uses)	(596,657)	(596,657)	(596,657)	-
Net changes in fund balances	(193,158)	(206,013)	(63,199)	142,814
Fund balances--beginning	217,989	217,989	217,989	-
Fund balances--ending	\$ 24,831	\$ 11,976	\$ 154,790	\$ 142,814

CITY OF McALLEN, TEXAS
DEVELOPMENT CORPORATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For Fiscal Year Ended September 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Sales tax	\$ 14,883,487	\$ 14,883,487	\$ 15,206,468	\$ 322,981
Intergovernmental revenues	813,098	863,098	477,341	(385,757)
Investment earnings	100,000	100,000	98,121	(1,879)
Net decrease in the fair value of investments	-	-	(68,778)	(68,778)
Total revenues	<u>15,796,585</u>	<u>15,846,585</u>	<u>15,713,152</u>	<u>(133,433)</u>
EXPENDITURES				
Current:				
General government	7,620,829	7,801,829	430,125	7,371,704
Public safety	100,000	100,000	65,440	34,560
Highways and streets	7,014,895	8,913,882	5,118,956	3,794,926
Health and welfare	1,650,826	1,650,826	1,612,496	38,330
Culture and recreation	6,464,000	7,897,951	3,335,106	4,562,845
Debt service:				
Principal	25,000	25,000	25,000	-
Interest and fiscal charges	<u>7,213</u>	<u>7,213</u>	<u>7,750</u>	<u>(537)</u>
Total expenditures	<u>22,882,763</u>	<u>26,396,701</u>	<u>10,594,873</u>	<u>15,801,828</u>
Excess (deficiency) of revenues over expenditures	<u>(7,086,178)</u>	<u>(10,550,116)</u>	<u>5,118,279</u>	<u>15,668,395</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(6,529,902)</u>	<u>(6,529,902)</u>	<u>(6,529,902)</u>	<u>-</u>
Total other financing (uses)	<u>(6,529,902)</u>	<u>(6,529,902)</u>	<u>(6,529,902)</u>	<u>-</u>
Net changes in fund balances	(13,616,080)	(17,080,018)	(1,411,623)	15,668,395
Fund balances--beginning	<u>26,419,908</u>	<u>26,419,908</u>	<u>26,419,908</u>	<u>-</u>
Fund balances--ending	<u>\$ 12,803,828</u>	<u>\$ 9,339,890</u>	<u>\$ 25,008,285</u>	<u>\$ 15,668,395</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, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Property tax	\$ -	\$ -	\$ 17,685	\$ 17,685
Interest	-	-	829	829
Total revenues	-	-	18,514	18,514
EXPENDITURES				
Current:				
Debt service:				
Principal	2,620,000	2,620,000	2,620,000	-
Interest and fiscal charges	886,426	886,426	888,615	(2,189)
Total expenditures	3,506,426	3,506,426	3,508,615	(2,189)
Excess (deficiency) of revenues over expenditures	(3,506,426)	(3,506,426)	(3,490,101)	16,325
OTHER FINANCING SOURCES (USES)				
Transfers in	3,506,426	3,506,426	3,506,426	-
Total other financing sources	3,506,426	3,506,426	3,506,426	-
Net changes in fund balances	-	-	16,325	16,325
Fund balance--beginning	268,285	268,285	268,285	-
Fund balance--ending	\$ 268,285	\$ 268,285	\$ 284,610	\$ 16,325

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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 30,000	\$ 30,000	\$ 354,414	\$ 324,414
Investment earnings	-	-	33,945	33,945
Net increase (decrease) in the fair value of investments	-	-	(37,764)	(37,764)
Other	<u>3,275,892</u>	<u>3,275,892</u>	<u>495,383</u>	<u>(2,780,509)</u>
Total revenues	<u>3,305,892</u>	<u>3,305,892</u>	<u>845,978</u>	<u>(2,459,914)</u>
EXPENDITURES				
Current:				
General government	2,815,000	2,815,000	2,173,813	641,187
Public safety	3,420,000	3,693,150	1,239,302	2,453,848
Highways and streets	6,896,601	7,723,946	1,982,978	5,740,968
Culture and recreation	<u>4,345,883</u>	<u>4,764,783</u>	<u>2,768,466</u>	<u>1,996,317</u>
Total expenditures	<u>17,477,484</u>	<u>18,996,879</u>	<u>8,164,559</u>	<u>10,832,320</u>
Deficiency of revenues over expenditures	<u>(14,171,592)</u>	<u>(15,690,987)</u>	<u>(7,318,581)</u>	<u>8,372,406</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>6,957,072</u>	<u>12,900,972</u>	<u>8,344,699</u>	<u>(4,556,273)</u>
Total other financing sources (uses)	<u>6,957,072</u>	<u>12,900,972</u>	<u>8,344,699</u>	<u>(4,556,273)</u>
Net changes in fund balances	(7,214,520)	(2,790,015)	1,026,118	3,816,133
Fund balances--beginning	<u>8,157,697</u>	<u>8,157,697</u>	<u>8,157,697</u>	<u>-</u>
Fund balances--ending	<u>\$ 943,177</u>	<u>\$ 5,367,682</u>	<u>\$ 9,183,815</u>	<u>\$ 3,816,133</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Other	\$ -	\$ -	\$ 63,770	\$ 63,770
Net increase (decrease) in the fair value of investments	-	-	(895)	(895)
Investment earnings	-	-	1,470	1,470
	<u>-</u>	<u>-</u>	<u>64,345</u>	<u>64,345</u>
EXPENDITURES				
Current:				
General government	232,000	232,000	291,163	(59,163)
	<u>232,000</u>	<u>232,000</u>	<u>291,163</u>	<u>(59,163)</u>
Excess (deficiency) of revenues over expenditures	(232,000)	(232,000)	(226,818)	5,182
OTHER FINANCING SOURCES (USES)				
Net changes in fund balances	(232,000)	(232,000)	(226,818)	5,182
Fund balances--beginning	663,760	663,760	663,760	-
Fund balances--ending	<u>\$ 431,760</u>	<u>\$ 431,760</u>	<u>\$ 436,942</u>	<u>\$ 5,182</u>

CITY OF McALLEN, TEXAS
CERTIFICATE OF OBLIGATION LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Other	\$ 409,000	\$ 409,000	\$ -	\$ (409,000)
Investment earnings	<u>-</u>	<u>-</u>	<u>604</u>	<u>604</u>
Total revenues	<u>409,000</u>	<u>409,000</u>	<u>604</u>	<u>(408,396)</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>935,404</u>	<u>935,404</u>	<u>306,170</u>	<u>629,234</u>
Total expenditures	<u>935,404</u>	<u>935,404</u>	<u>306,170</u>	<u>629,234</u>
Excess (deficiency) of revenues over expenditures	<u>(526,404)</u>	<u>(526,404)</u>	<u>(305,566)</u>	<u>220,838</u>
OTHER FINANCING SOURCES (USES)				
Net changes in fund balances	(526,404)	(526,404)	(305,566)	220,838
Fund balances--beginning	<u>945,733</u>	<u>945,733</u>	<u>945,733</u>	<u>-</u>
Fund balances--ending	<u>\$ 419,329</u>	<u>\$ 419,329</u>	<u>\$ 640,167</u>	<u>\$ 220,838</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2013

	<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	\$ 9,812,577	\$ 9,812,577	\$ 9,211,866	\$ (600,711)
Commercial accounts	5,263,228	5,263,228	5,567,194	303,966
Industrial customers	<u>646,931</u>	<u>646,931</u>	<u>469,242</u>	<u>(177,689)</u>
Total water sales	<u>15,722,736</u>	<u>15,722,736</u>	<u>15,248,302</u>	<u>(474,434)</u>
Service charges:				
Tap fees	250,000	250,000	257,450	7,450
Connect fees	110,000	110,000	139,830	29,830
Reconnect fees	160,000	160,000	119,210	(40,790)
Other services	<u>725,500</u>	<u>725,500</u>	<u>820,985</u>	<u>95,485</u>
Total service charges	<u>1,245,500</u>	<u>1,245,500</u>	<u>1,337,475</u>	<u>91,975</u>
Total operating revenues	<u>16,968,236</u>	<u>16,968,236</u>	<u>16,585,777</u>	<u>(382,459)</u>
Non-operating revenues:				
Investment earnings	174,906	174,906	88,301	(86,605)
Net increase (decrease) in the fair value of investment	-	-	(53,384)	(53,384)
Other	<u>-</u>	<u>-</u>	<u>182,148</u>	<u>182,148</u>
Total non-operating revenues	<u>174,906</u>	<u>174,906</u>	<u>217,065</u>	<u>42,159</u>
Total revenues	<u>17,143,142</u>	<u>17,143,142</u>	<u>16,802,842</u>	<u>(340,300)</u>
Expenses:				
Water plant:				
Salaries and benefits	1,544,973	1,582,466	1,483,519	98,947
Supplies and raw water purchases	3,505,410	3,631,810	3,440,606	191,204
Contractual and other services	1,519,554	1,482,254	1,446,103	36,151
Repairs and maintenance	<u>365,832</u>	<u>397,532</u>	<u>390,778</u>	<u>6,754</u>
Total water plant	<u>6,935,769</u>	<u>7,094,062</u>	<u>6,761,006</u>	<u>333,056</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Water lab:				
Salaries and benefits	\$ 253,192	\$ 259,579	\$ 250,471	\$ 9,108
Supplies	31,130	30,530	30,267	263
Contractual and other services	40,370	40,070	38,066	2,004
Repairs and maintenance	20,990	20,990	9,422	11,568
Total water lab	345,682	351,169	328,226	22,943
Transmission and distribution:				
Salaries and benefits	1,645,816	1,684,646	1,494,103	190,543
Supplies	31,500	25,400	24,161	1,239
Contractual and other services	97,610	90,310	62,662	27,648
Repairs and maintenance	285,751	295,351	283,221	12,130
Total Transmission and distribution	2,060,677	2,095,707	1,864,147	231,560
Water meters:				
Salaries and benefits	726,071	744,561	686,148	58,413
Supplies	24,965	24,965	18,509	6,456
Contractual and other services	55,385	52,385	38,229	14,156
Repairs and maintenance	90,357	90,357	65,415	24,942
Total water meters	896,778	912,268	808,301	103,967
Utility billing:				
Salaries and benefits	367,361	376,476	334,001	42,475
Supplies	44,000	42,800	31,030	11,770
Contractual and other services	292,875	292,875	247,204	45,671
Repairs and maintenance	100	400	368	32
Total utility billing	704,336	712,551	612,603	99,948

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Customer relations:				
Salaries and benefits	\$ 681,777	\$ 698,878	\$ 674,225	\$ 24,653
Supplies	15,560	15,960	15,158	802
Contractual and other services	85,787	83,287	59,521	23,766
Repairs and maintenance	1,700	48,400	48,316	84
Total customer relations	<u>784,824</u>	<u>846,525</u>	<u>797,220</u>	<u>49,305</u>
Administration:				
Salaries and benefits	910,483	821,467	765,790	55,677
Supplies	8,806	9,206	8,576	630
Contractual and other services	522,330	493,330	527,988	(34,658)
Repairs and maintenance	21,115	58,815	49,868	8,947
Total administration	<u>1,462,734</u>	<u>1,382,818</u>	<u>1,352,222</u>	<u>30,596</u>
Non-departmental expenses:				
Liability insurance	90,073	90,073	90,073	-
Interest and fiscal charges	1,294,300	1,294,300	1,284,439	9,861
Bond principal requirements	1,448,903	1,448,903	-	1,448,903
Other	-	-	28,155	(28,155)
Capital outlay	5,311,500	8,105,439	3,150,273	4,955,166
Total non-departmental expenses	<u>8,144,776</u>	<u>10,938,715</u>	<u>4,552,940</u>	<u>6,385,775</u>
Total expenses	<u>21,335,576</u>	<u>24,333,815</u>	<u>17,076,665</u>	<u>7,257,150</u>
Excess (deficiency) of revenues over budget	<u>\$ (4,192,434)</u>	<u>\$ (7,190,673)</u>	<u>\$ (273,823)</u>	<u>\$ 6,916,850</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2013

	<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	\$ -	\$ -	\$ (3,866,222)	\$ (3,866,222)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	3,150,273	3,150,273
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as a reduction of bonds payable per GAAP basis	<u>1,448,903</u>	<u>1,448,903</u>	<u>-</u>	<u>1,448,903</u>
Net income-GAAP basis	<u>\$ (5,641,337)</u>	<u>\$ (8,639,576)</u>	<u>\$ (989,772)</u>	<u>\$ 7,649,804</u>

CITY OF McALLEN, TEXAS
WATER FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2013

	<u>Current Debt Service</u>	<u>Customer Deposits</u>	<u>Depreciation</u>
Cash, certificates of deposit, and investments at September 30, 2012	\$ 704,180	\$ 2,344,038	\$ 7,836,478
Cash receipts:			
Transfers in	2,755,244	-	1,419,151
Operating activities	-	973,280	-
Interest received	904	-	18,285
	<u>2,756,148</u>	<u>973,280</u>	<u>1,437,436</u>
Total cash receipts	<u>2,756,148</u>	<u>973,280</u>	<u>1,437,436</u>
Total cash available	<u>3,460,328</u>	<u>3,317,318</u>	<u>9,273,914</u>
Cash disbursements:			
Other	-	-	33,243
Transfers out	937	-	-
Refunds	-	943,363	-
Capital acquisition	-	-	443,474
Principal payments	1,448,903	-	-
Interest and fiscal charges (net)	1,295,325	-	-
	<u>2,745,165</u>	<u>943,363</u>	<u>476,717</u>
Total cash disbursements	<u>2,745,165</u>	<u>943,363</u>	<u>476,717</u>
Cash, certificates of deposit, and investments at September 30, 2013	<u>\$ 715,163</u>	<u>\$ 2,373,955</u>	<u>\$ 8,797,197</u>
Cash, certificates of deposit, and investments at September 30, 2013 is comprised of the following:			
Cash	\$ -	\$ -	\$ 2,127
Certificates of deposit	-	2,373,955	1,097,550
Investments (net)	715,163	-	7,466,109
Accrued Interest	-	-	11,902
Note receivable	-	-	219,509
	<u>-</u>	<u>-</u>	<u>219,509</u>
Totals	<u>\$ 715,163</u>	<u>\$ 2,373,955</u>	<u>\$ 8,797,197</u>

Capital Improvement	Water Revenue Bonds	Total
\$ 8,172,425	\$ 1,235,845	\$ 20,292,966
872,000	-	5,046,395
-	-	973,280
7,508	2,854	29,551
879,508	2,854	6,052,080
9,051,933	1,238,699	26,345,046
-	-	33,243
-	-	937
-	-	943,363
1,682,936	1,056,124	3,182,534
-	-	1,448,903
-	-	1,295,325
1,682,936	1,056,124	6,904,305
\$ 7,368,997	\$ 182,575	\$ 19,437,887
\$ 6,286	\$ 171	\$ 8,584
500,000	177,550	4,149,055
6,855,237	4,684	15,041,193
7,474	170	19,546
-	-	219,509
\$ 7,368,997	\$ 182,575	\$ 19,437,887

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2013

	<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	\$ 13,770,424	\$ 13,770,424	\$ 14,257,672	\$ 487,248
Industrial surcharges	394,186	394,186	266,527	(127,659)
Other services	<u>225,500</u>	<u>225,500</u>	<u>316,460</u>	<u>90,960</u>
Total operating revenues	<u>14,390,110</u>	<u>14,390,110</u>	<u>14,840,659</u>	<u>450,549</u>
Non-operating revenues:				
Investment earnings	185,797	185,797	99,806	(85,991)
Net increase (decrease) in the fair value of investment	-	-	(45,190)	(45,190)
Other	<u>2,406,000</u>	<u>2,406,000</u>	<u>325,347</u>	<u>(2,080,653)</u>
Total non-operating revenues	<u>2,591,797</u>	<u>2,591,797</u>	<u>379,963</u>	<u>(2,211,834)</u>
Total revenues	<u>16,981,907</u>	<u>16,981,907</u>	<u>15,220,622</u>	<u>(1,761,285)</u>
Expenses:				
Sewer plant:				
Salaries and benefits	1,908,195	1,908,565	1,888,573	19,992
Supplies	302,200	202,600	199,127	3,473
Contractual and other services	1,744,689	1,991,489	2,049,093	(57,604)
Repairs and maintenance	<u>222,766</u>	<u>204,166</u>	<u>201,943</u>	<u>2,223</u>
Total sewer plant	<u>4,177,850</u>	<u>4,306,820</u>	<u>4,338,736</u>	<u>(31,916)</u>
Sewer lab:				
Salaries and benefits	293,297	301,745	300,818	927
Supplies	51,347	42,347	41,507	840
Contractual and other services	19,330	18,530	16,068	2,462
Repairs and maintenance	<u>8,410</u>	<u>5,710</u>	<u>5,262</u>	<u>448</u>
Total sewer lab	<u>372,384</u>	<u>368,332</u>	<u>363,655</u>	<u>4,677</u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Sewer collection:				
Salaries and benefits	\$ 956,218	\$ 982,421	\$ 935,635	\$ 46,786
Supplies	435,000	385,000	384,790	210
Contractual and other services	294,890	298,590	308,773	(10,183)
Repairs and maintenance	383,143	286,843	281,185	5,658
Total sewer collection	2,069,251	1,952,854	1,910,383	42,471
Administration:				
Salaries and benefits	457,153	471,655	454,364	17,291
Supplies	6,000	2,500	2,432	68
Contractual and other services	677,591	768,691	912,034	(143,343)
Repairs and maintenance	9,850	38,950	38,829	121
Total administration	1,150,594	1,281,796	1,407,659	(125,863)
Non-departmental expenses:				
Employee benefits	107,216	93	-	93
Liability insurance	72,201	72,201	72,201	-
Interest and fiscal charges	1,533,732	1,533,732	1,374,154	159,578
Bond principal requirements	2,771,097	2,771,097	-	2,771,097
Other	-	-	(27,684)	27,684
Capital outlay	14,802,100	16,512,100	3,151,839	13,360,261
Total non-departmental expenses	19,286,346	20,889,223	4,598,194	16,291,029
Total expenses	27,056,425	28,799,025	12,590,943	16,208,082

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2013

	<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	\$ (10,074,518)	\$ (11,817,118)	\$ 2,629,679	\$ 14,446,797
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(4,311,760)	(4,311,760)
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as reduction of bonds payable per GAAP basis	2,771,097	2,771,097	-	2,771,097
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	3,151,840	3,151,840
Net income-GAAP basis	<u>\$ (12,845,615)</u>	<u>\$ (14,588,215)</u>	<u>\$ 1,469,759</u>	<u>\$ 16,057,974</u>

CITY OF McALLEN, TEXAS
SEWER FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2013

	Current Debt Service	Bond Reserve	Reserve for Improvements	TWDB Debt Service	Depreciation
Cash, certificates of deposit, and investments at September 30, 2012	<u>\$ 764,027</u>	<u>\$ 707,272</u>	<u>\$ -</u>	<u>\$ 760,786</u>	<u>\$ 8,032,584</u>
Cash receipts:					
Transfers from operating cash	2,974,384	300,798	-	1,230,334	2,155,880
Contributed capital	-	-	-	-	-
Valuation allowance	-	-	-	-	(20,385)
Due from internal funds	-	-	-	-	-
Due sewer fund	-	-	-	-	-
Interest received	978	776	-	621	34,172
Debt proceeds	<u>-</u>	<u>-</u>	<u>11,289,469</u>	<u>-</u>	<u>-</u>
Total cash receipts	<u>2,975,362</u>	<u>301,574</u>	<u>11,289,469</u>	<u>1,230,955</u>	<u>2,169,667</u>
Total cash available	<u>3,739,389</u>	<u>1,008,846</u>	<u>11,289,469</u>	<u>1,991,741</u>	<u>10,202,251</u>
Cash disbursements:					
Other	-	-	-	-	19,196
Due sewer fund and internal funds	984	-	-	-	-
Principal payments	1,586,097	-	-	1,185,000	-
Interest and fiscal charges (net)	1,375,808	-	-	10,033	-
Capital acquisitions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>320,320</u>
Total cash disbursements	<u>2,962,889</u>	<u>-</u>	<u>-</u>	<u>1,195,033</u>	<u>339,516</u>
Cash, certificates of deposit, and investments at September 30, 2013	<u><u>\$ 776,500</u></u>	<u><u>\$ 1,008,846</u></u>	<u><u>\$ 11,289,469</u></u>	<u><u>\$ 796,708</u></u>	<u><u>\$ 9,862,735</u></u>
Cash, certificates of deposit, and investments at September 30, 2013 is comprised of the following:					
Cash	\$ -	\$ -	\$ -	\$ -	\$ 55,433
Cash-escrow agent	-	-	-	-	-
Certificates of deposit	-	-	-	-	637,550
Investments (net)	776,500	1,008,846	11,289,469	796,408	9,161,180
Accrued Interest	-	-	-	-	8,572
Other receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>300</u>	<u>-</u>
Totals	<u><u>\$ 776,500</u></u>	<u><u>\$ 1,008,846</u></u>	<u><u>\$ 11,289,469</u></u>	<u><u>\$ 796,708</u></u>	<u><u>\$ 9,862,735</u></u>

<u>Capital Improvement</u>	<u>Sewer Revenue Bonds</u>	<u>Sewer Series 2012</u>	<u>Sewer 2009-TWDB</u>	<u>Total</u>
<u>\$ 11,145,575</u>	<u>\$ 11,014,356</u>	<u>\$ 1,792,880</u>	<u>\$ -</u>	<u>34,217,480</u>
639,100	-	-	185,000	7,485,496
100,000	-	194,674	-	294,674
(18,389)	-	-	-	(38,774)
-	-	77,841	271,449	349,290
-	-	233,291	797,772	1,031,063
38,093	14,907	-	-	89,547
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,289,469</u>
<u>758,804</u>	<u>14,907</u>	<u>505,806</u>	<u>1,254,221</u>	<u>21,754,986</u>
<u>11,904,379</u>	<u>11,029,263</u>	<u>2,298,686</u>	<u>1,254,221</u>	<u>55,972,466</u>
-	-	309,168	-	328,364
1,100,115	-	116,587	322,788	1,539,490
-	-	-	-	2,771,097
-	-	-	-	1,385,841
<u>2,087,501</u>	<u>47,311</u>	<u>503,714</u>	<u>931,433</u>	<u>3,890,279</u>
<u>3,187,616</u>	<u>47,311</u>	<u>929,469</u>	<u>1,254,221</u>	<u>9,915,071</u>
<u>\$ 8,716,763</u>	<u>\$ 10,981,952</u>	<u>\$ 1,369,217</u>	<u>\$ -</u>	<u>\$ 44,802,190</u>
\$ 36,612	\$ 410	\$ -	\$ -	\$ 92,455
-	-	1,369,217	-	1,369,217
687,550	1,170,120	-	-	2,495,220
7,785,535	9,811,013	-	-	40,628,951
7,066	409	-	-	16,047
<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,300</u>
<u>\$ 8,716,763</u>	<u>\$ 10,981,952</u>	<u>\$ 1,369,217</u>	<u>\$ -</u>	<u>\$ 44,802,190</u>

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Solid waste collections	\$ 16,321,401	\$ 16,321,401	\$ 16,531,707	\$ 210,306
Other services	<u>50,000</u>	<u>50,000</u>	<u>206,976</u>	<u>156,976</u>
Total operating revenues	<u>16,371,401</u>	<u>16,371,401</u>	<u>16,738,683</u>	<u>367,282</u>
Non-operating revenues:				
Investment earnings	-	-	56,777	56,777
Net increase (decrease) in the fair value of investment	-	-	(31,683)	(31,683)
Other	<u>-</u>	<u>-</u>	<u>9,317</u>	<u>9,317</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>34,411</u>	<u>34,411</u>
Total revenues	<u>16,371,401</u>	<u>16,371,401</u>	<u>16,773,094</u>	<u>401,693</u>
Expenses:				
Facilities administration:				
Salaries and benefits	729,987	743,310	669,170	74,140
Supplies	15,750	15,750	15,948	(198)
Contractual and other services	951,220	951,220	1,040,387	(89,167)
Repairs and maintenance	56,630	56,630	54,149	2,481
Capital outlay	<u>290,600</u>	<u>328,537</u>	<u>124,441</u>	<u>204,096</u>
Total facilities administration	<u>2,044,187</u>	<u>2,095,447</u>	<u>1,904,095</u>	<u>191,352</u>
Brush collection:				
Salaries and benefits	1,294,414	1,315,910	1,121,662	194,248
Supplies	256,570	256,570	174,202	82,368
Contractual and other services	125,500	125,500	154,741	(29,241)
Repairs and maintenance	506,343	506,343	558,043	(51,700)
Capital outlay	<u>259,855</u>	<u>266,635</u>	<u>78,200</u>	<u>188,435</u>
Total brush collection	<u>2,442,682</u>	<u>2,470,958</u>	<u>2,086,848</u>	<u>384,110</u>

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Residential collection:				
Salaries and benefits	\$ 1,204,595	\$ 1,225,144	\$ 1,118,730	106,414
Supplies	34,359	34,359	24,751	9,608
Contractual and other services	551,200	551,200	614,610	(63,410)
Repairs and maintenance	807,769	807,769	1,039,004	(231,235)
Capital outlay	129,850	129,850	44,945	84,905
Total residential collection	<u>2,727,773</u>	<u>2,748,322</u>	<u>2,842,040</u>	<u>(93,718)</u>
Commercial box collection:				
Salaries and benefits	1,065,702	1,083,985	980,794	103,191
Supplies	41,479	41,479	40,734	745
Contractual and other services	1,213,900	1,213,900	1,246,059	(32,159)
Repairs and maintenance	825,234	825,234	1,072,112	(246,878)
Capital outlay	84,850	84,850	-	84,850
Total commercial box collection	<u>3,231,165</u>	<u>3,249,448</u>	<u>3,339,699</u>	<u>(90,251)</u>
Roll offs:				
Salaries and benefits	279,297	284,085	302,296	(18,211)
Supplies	5,750	5,750	5,238	512
Contractual and other services	258,500	258,500	240,014	18,486
Repairs and maintenance	166,929	166,929	260,553	(93,624)
Capital outlay	6,500	6,500	-	6,500
Total roll offs	<u>716,976</u>	<u>721,764</u>	<u>808,101</u>	<u>(86,337)</u>
Recycling:				
Salaries and benefits	983,822	999,572	822,892	176,680
Supplies	41,606	41,606	37,688	3,918
Contractual and other services	254,193	254,193	371,274	(117,081)
Repairs and maintenance	134,119	134,119	173,829	(39,710)
Capital outlay	431,600	431,600	201,679	229,921
Total recycling	<u>1,845,340</u>	<u>1,861,090</u>	<u>1,607,362</u>	<u>253,728</u>

CITY OF McALLEN, TEXAS
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Composting:				
Salaries and benefits	\$ 302,428	\$ 307,146	\$ 270,306	\$ 36,840
Supplies	26,000	26,000	25,964	36
Contractual and other services	232,500	232,500	232,518	(18)
Repairs and maintenance	75,715	75,715	112,419	(36,704)
Capital outlay	82,250	106,239	70,148	36,091
Total composting	718,893	747,600	711,355	36,245
Non-departmental expenses:				
Depreciation fund-capital outlay	1,741,292	2,122,702	1,587,467	535,235
Liability insurance	104,898	104,898	104,898	-
Total non-departmental expenses	1,846,190	2,227,600	1,692,365	535,235
Total expenses	15,573,206	16,122,229	14,991,865	1,130,364
Excess (deficiency) of revenues over budget	798,195	249,172	1,781,229	1,532,057
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(2,012,586)	(2,012,586)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	2,106,880	2,106,880
Net income-GAAP basis	\$ 798,195	\$ 249,172	\$ 1,875,523	\$ 1,626,351

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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Green fees	\$ 630,020	\$ 630,020	\$ 624,235	\$ (5,785)
Membership sales	190,000	190,000	165,535	(24,465)
Cart rental	274,157	274,157	279,600	5,443
Rentals and other sales	<u>169,060</u>	<u>169,060</u>	<u>166,440</u>	<u>(2,620)</u>
Total operating revenues	<u>1,263,237</u>	<u>1,263,237</u>	<u>1,235,810</u>	<u>(27,427)</u>
Non-operating revenues:				
Investment earnings	1,000	1,000	1,704	704
fair value of investment	<u>-</u>	<u>-</u>	<u>(278)</u>	<u>(278)</u>
Total non-operating revenues	<u>1,000</u>	<u>1,000</u>	<u>1,426</u>	<u>426</u>
Total revenues	<u>1,264,237</u>	<u>1,264,237</u>	<u>1,237,236</u>	<u>(27,001)</u>
Expenses:				
Salaries and benefits	740,232	757,765	679,119	78,646
Supplies	116,733	116,733	100,703	16,030
Contractual and other services	216,782	216,782	230,957	(14,175)
Repairs and maintenance	94,321	94,321	109,131	(14,810)
Capital outlay	<u>65,000</u>	<u>65,000</u>	<u>66,781</u>	<u>(1,781)</u>
Total expenses	<u>1,233,068</u>	<u>1,250,601</u>	<u>1,186,691</u>	<u>63,910</u>
Excess (deficiency) of revenues over budget	31,169	13,636	50,545	36,909
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(338,490)	(338,490)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>66,781</u>	<u>66,781</u>
Net income-GAAP basis	<u>\$ 31,169</u>	<u>\$ 13,636</u>	<u>\$ (221,164)</u>	<u>\$ (234,800)</u>

CITY OF McALLEN, TEXAS
TRANSIT TERMINAL FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 256,826	\$ 256,826	\$ 282,931	\$ 26,105
Concessions-other	61,906	61,906	73,323	11,417
Other services	8,630	8,630	14,695	6,065
Total operating revenues	<u>327,362</u>	<u>327,362</u>	<u>370,949</u>	<u>43,587</u>
Non-operating revenues:				
Investment earnings	-	-	1,687	1,687
Net increase in the fair value of investments	-	-	40	40
Intergovernmental	209,236	209,236	147,413	(61,823)
Total non-operating revenues	<u>209,236</u>	<u>209,236</u>	<u>149,140</u>	<u>(60,096)</u>
Total revenues	<u>536,598</u>	<u>536,598</u>	<u>520,089</u>	<u>(16,509)</u>
Expenses:				
Salaries and benefits	592,815	608,606	613,142	(4,536)
Supplies	48,129	48,129	44,426	3,703
Contractual and other services	242,482	242,482	299,274	(56,792)
Repairs and maintenance	25,060	25,060	31,988	(6,928)
Capital outlay	125,000	125,000	1,675	123,325
Total expenses	<u>1,033,486</u>	<u>1,049,277</u>	<u>990,505</u>	<u>58,772</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(496,888)	(512,679)	(470,416)	42,263
Transfers:				
Transfers in	494,447	494,447	494,447	-
Excess (deficiency) of revenues over budget	<u>(2,441)</u>	<u>(18,232)</u>	<u>24,031</u>	<u>42,263</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(315,284)	(315,284)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>1,675</u>	<u>1,675</u>
Net income-GAAP basis	<u>\$ (2,441)</u>	<u>\$ (18,232)</u>	<u>\$ (289,578)</u>	<u>\$ (271,346)</u>

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL CIVIC CENTER FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 116,800	\$ 116,800	\$ 115,545	\$ (1,255)
Concessions-other	131,770	131,770	282,029	150,259
Other services	14,000	14,000	18,676	4,676
Total operating revenues	<u>262,570</u>	<u>262,570</u>	<u>416,250</u>	<u>153,680</u>
Non-operating revenues:				
Investment earnings	551	551	2,477	1,926
fair value of investments	-	-	392	392
Total non-operating revenues	<u>551</u>	<u>551</u>	<u>2,869</u>	<u>2,318</u>
Total revenues	<u>263,121</u>	<u>263,121</u>	<u>419,119</u>	<u>155,998</u>
Expenses:				
Supplies	10,500	10,500	12,509	(2,009)
Contractual and other services	310,631	310,631	320,690	(10,059)
Repairs and maintenance	17,000	17,000	12,123	4,877
Total expenses	<u>338,131</u>	<u>338,131</u>	<u>345,322</u>	<u>(7,191)</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(75,010)	(75,010)	73,797	148,807
Transfers:				
Transfers in	468,600	468,600	568,312	99,712
Transfers out	(722,063)	(722,063)	(722,063)	-
Excess (deficiency) of revenues over budget	<u>(328,473)</u>	<u>(328,473)</u>	<u>(79,954)</u>	<u>248,519</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(74,426)	(74,426)
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>\$ (328,473)</u>	<u>\$ (328,473)</u>	<u>\$ (154,380)</u>	<u>\$ 174,093</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 1,030,000	\$ 1,030,000	\$ 1,060,281	\$ 30,281
Concessions-other	859,825	859,825	966,063	106,238
Other services	175,750	175,750	154,510	(21,240)
Total operating revenues	<u>2,065,575</u>	<u>2,065,575</u>	<u>2,180,854</u>	<u>115,279</u>
Non-operating revenues:				
Investment earnings	5,000	5,000	8,447	3,447
Net increase (decrease) in the fair value of investments	<u>-</u>	<u>-</u>	<u>(5,691)</u>	<u>(5,691)</u>
Total non-operating revenues	<u>5,000</u>	<u>5,000</u>	<u>2,756</u>	<u>(2,244)</u>
Total revenues	<u>2,070,575</u>	<u>2,070,575</u>	<u>2,183,610</u>	<u>113,035</u>
Expenses:				
Salaries and benefits	1,575,070	1,603,956	1,479,283	124,673
Supplies	70,675	70,675	90,340	(19,665)
Contractual and other services	1,462,565	1,462,565	1,793,640	(331,075)
Repairs and maintenance	310,832	310,832	241,599	69,233
Capital outlay	500,000	500,000	18,088	481,912
Total expenses	<u>3,919,142</u>	<u>3,948,028</u>	<u>3,622,950</u>	<u>325,078</u>
Excess (deficiency) of revenues over over expenses (budget basis) before transfers	(1,848,567)	(1,877,453)	(1,439,340)	438,113
Transfers:				
Transfers in	1,874,400	1,874,400	2,273,249	398,849
Transfers out	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(474,167)</u>	<u>(503,053)</u>	<u>333,909</u>	<u>836,962</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,591,126)	(1,591,126)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>18,088</u>	<u>18,088</u>
Net income-GAAP basis	<u>\$ (474,167)</u>	<u>\$ (503,053)</u>	<u>\$ (1,239,129)</u>	<u>\$ (736,076)</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 2,246,000	\$ 2,246,000	\$ 2,301,783	\$ 55,783
Rentals	2,687,000	2,687,000	2,747,325	60,325
Other services	<u>213,500</u>	<u>213,500</u>	<u>256,357</u>	<u>42,857</u>
Total operating revenues	<u>5,146,500</u>	<u>5,146,500</u>	<u>5,305,465</u>	<u>158,965</u>
Non-operating revenues:				
Intergovernmental	16,404,888	16,763,875	5,036,937	(11,726,938)
Investment earnings	30,000	30,000	34,855	4,855
Net increase (decrease) in the fair value of investments	-	-	(10,985)	(10,985)
Other	<u>-</u>	<u>-</u>	<u>(8,044)</u>	<u>(8,044)</u>
Total non-operating revenues	<u>16,434,888</u>	<u>16,793,875</u>	<u>5,052,763</u>	<u>(11,741,112)</u>
Total revenues	<u>21,581,388</u>	<u>21,940,375</u>	<u>10,358,228</u>	<u>(11,582,147)</u>
Expenses:				
Salaries and benefits	1,687,409	1,733,857	1,621,572	112,285
Supplies	67,500	70,500	64,147	6,353
Contractual and other services	1,439,038	1,477,858	1,401,559	76,299
Repairs and maintenance	408,727	420,727	404,330	16,397
Capital outlay	<u>33,062,912</u>	<u>33,456,899</u>	<u>8,994,404</u>	<u>24,462,495</u>
Total administrative expenses	<u>36,665,586</u>	<u>37,159,841</u>	<u>12,486,012</u>	<u>24,673,829</u>
Non-departmental expenses (income):				
Interest and fiscal charges	356,699	356,699	356,582	117
Bond related expense	-	-	8,662	(8,662)
Capitalized interest	<u>-</u>	<u>-</u>	<u>(351,201)</u>	<u>351,201</u>
Total non-departmental expenses	<u>356,699</u>	<u>356,699</u>	<u>14,043</u>	<u>342,656</u>
Total expenses	<u>37,022,285</u>	<u>37,516,540</u>	<u>12,500,055</u>	<u>25,016,485</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, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(15,440,897)	(15,576,165)	(2,141,827)	13,434,338
Transfers:				
Transfers out	(1,103,965)	(1,103,965)	(1,103,965)	-
Excess (deficiency) of revenues over budget	(16,544,862)	(16,680,130)	(3,245,792)	13,434,338
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(3,362,614)	(3,362,614)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	8,994,404	8,994,404
Net income-GAAP basis	<u>\$ (16,544,862)</u>	<u>\$ (16,680,130)</u>	<u>\$ 2,385,998</u>	<u>\$ 19,066,128</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 9,998,842	\$ 9,998,842	\$ 10,300,629	\$ 301,787
Rentals	1,609,897	1,609,897	1,516,042	(93,855)
Other	<u>2,925,000</u>	<u>2,925,000</u>	<u>195,081</u>	<u>(2,729,919)</u>
Total operating revenues	<u>14,533,739</u>	<u>14,533,739</u>	<u>12,011,752</u>	<u>(2,521,987)</u>
Non-operating revenues:				
Investment earnings	-	-	4,036	4,036
Other	<u>-</u>	<u>-</u>	<u>774,389</u>	<u>774,389</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>778,425</u>	<u>778,425</u>
Total revenues	<u>14,533,739</u>	<u>14,533,739</u>	<u>12,790,177</u>	<u>(1,743,562)</u>
Expenses:				
Administration:				
Salaries and benefits	187,360	191,444	232,273	(40,829)
Supplies	24,800	24,800	11,436	13,364
Contractual and other services	363,075	363,075	317,140	45,935
Repairs and maintenance	2,110	2,110	8,454	(6,344)
Capital outlay	<u>4,579,571</u>	<u>4,797,153</u>	<u>1,642,910</u>	<u>3,154,243</u>
Total administration	<u>5,156,916</u>	<u>5,378,582</u>	<u>2,212,213</u>	<u>3,166,369</u>
Operations :				
Salaries and benefits	1,361,814	1,378,549	889,300	489,249
Supplies	80,906	80,906	62,454	18,452
Contractual and other services	481,487	481,487	582,758	(101,271)
Repairs and maintenance	<u>175,000</u>	<u>175,000</u>	<u>172,170</u>	<u>2,830</u>
Total operations	<u>2,099,207</u>	<u>2,115,942</u>	<u>1,706,682</u>	<u>409,260</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, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Non-departmental expenses:				
Liability insurance	\$ 50,368	\$ 50,368	\$ 50,368	\$ -
Other	2,978,833	2,978,833	3,226,208	(247,375)
Total non-departmental expenses	3,029,201	3,029,201	3,276,576	(247,375)
Total expenses	10,285,324	10,523,725	7,195,471	3,328,254
Excess (deficiency) of revenues over expenses (budget basis) before transfers	4,248,415	4,010,014	5,594,706	1,584,692
Transfers:				
Transfers out	(5,295,704)	(5,295,704)	(5,572,317)	(276,613)
Net transfers	(5,295,704)	(5,295,704)	(5,572,317)	(276,613)
Excess (deficiency) of revenues over budget	(1,047,289)	(1,285,690)	22,389	1,308,079
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(552,627)	(552,627)
Interest on board advances	-	-	525,915	525,915
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	1,642,910	1,642,910
Net income-GAAP basis	<u>\$ (1,047,289)</u>	<u>\$ (1,285,690)</u>	<u>\$ 1,638,587</u>	<u>\$ 2,924,277</u>

CITY OF McALLEN, TEXAS
McALLEN INTERNATIONAL TOLL BRIDGE FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2013

	<u>Reserved for City Distribution</u>	<u>Contingency</u>	<u>Bridge Capital Improvement</u>	<u>Total</u>
Cash and investments at September 30, 2012	\$ 4,610,438	\$ 502,198	\$ 1,142,149	\$ 6,254,785
Add:				
Transfers in	4,770,033	-	727,042	5,497,075
Other	-	-	774,388	774,388
Interest earned	1,249	476	745	2,470
Total additions	4,771,282	476	1,502,175	6,273,933
Less payments:				
Capital assets	-	-	1,682,298	1,682,298
Interfund transfers	4,608,653	-	-	4,608,653
Total payments	4,608,653	-	1,682,298	6,290,951
Cash and investments at September 30, 2013	<u>\$ 4,773,067</u>	<u>\$ 502,674</u>	<u>\$ 962,026</u>	<u>\$ 6,237,767</u>
Cash and investments at September 30, 2013 are comprised of the following:				
Cash	\$ -	\$ -	\$ 56,089	\$ 56,089
Investments	4,771,818	502,198	905,937	6,179,953
Accrued interest	1,249	476	-	1,725
	<u>\$ 4,773,067</u>	<u>\$ 502,674</u>	<u>\$ 962,026</u>	<u>\$ 6,237,767</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, 2013

	<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	\$ 2,504,919	\$ 2,504,919	\$ 2,833,040	\$ 328,121
Rentals	-	-	14,026	14,026
Other	44,000	44,000	43,635	(365)
	<u>2,548,919</u>	<u>2,548,919</u>	<u>2,890,701</u>	<u>341,782</u>
Total operating revenues				
Non-operating revenues:				
Investment earnings	1,200	1,200	2,220	1,020
	<u>1,200</u>	<u>1,200</u>	<u>2,220</u>	<u>1,020</u>
Total non-operating revenues				
Total revenues	<u>2,550,119</u>	<u>2,550,119</u>	<u>2,892,921</u>	<u>342,802</u>
Expenses:				
Administration:				
Salaries and benefits	133,258	136,359	106,048	30,311
Supplies	6,200	6,200	6,236	(36)
Contractual and other services	265,577	265,577	245,813	19,764
Repairs and maintenance	700	700	669	31
Capital outlay	-	-	7,950	(7,950)
	<u>405,735</u>	<u>408,836</u>	<u>366,716</u>	<u>42,120</u>
Total administration				
Operations :				
Salaries and benefits	374,535	380,223	279,752	100,471
Supplies	15,000	15,000	8,918	6,082
Contractual and other services	38,028	46,028	66,385	(20,357)
Repairs and maintenance	42,094	42,094	34,581	7,513
Capital outlay	22,000	14,000	-	14,000
	<u>491,657</u>	<u>497,345</u>	<u>389,636</u>	<u>107,709</u>
Total operations				

CITY OF McALLEN, TEXAS
ANZALDUAS INTERNATIONAL CROSSING FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Non-departmental expenses:				
Liability insurance	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Interest and fiscal charges	1,734,320	1,734,320	1,731,561	2,759
Interest on board advances	-	-	525,915	(525,915)
Bond related charges	-	-	17,043	(17,043)
Bond principal requirement	1,150,000	1,150,000	-	1,150,000
Total non-departmental expenses	2,896,320	2,896,320	2,286,519	609,801
Total expenses	3,793,712	3,802,501	3,042,871	759,630
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(1,243,593)	(1,252,382)	(149,950)	1,102,432
Transfers:				
Transfers in	940,404	940,404	963,664	23,260
Excess (deficiency) of revenues over budget	(303,189)	(311,978)	813,714	1,125,692
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,534,336)	(1,534,336)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	7,950	7,950
Net income-GAAP basis	\$ (303,189)	\$ (311,978)	\$ (712,672)	\$ (400,694)

CITY OF McALLEN, TEXAS
ANZALDUAS INTERNATIONAL CROSSING FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
IN RESTRICTED ACCOUNTS
For Fiscal Year Ended September 30, 2013

	Contingency Reserve	Current Debt Service Series A-\$26M	Current Debt Service Series B-\$13M
Cash and investments at September 30, 2012	\$ 78,830	\$ 546,395	\$ 256,065
Add:			
Transfers	45,000	1,962,284	963,664
Interest earned	92	-	309
Total additions	45,092	1,962,284	963,973
Less payments:			
Principal payments	-	765,000	385,000
Capital assets	-	-	-
Interfund transfers	-	-	-
Interest and fiscal charges	-	1,179,453	555,942
Total payments	-	1,944,453	940,942
Cash and investments at September 30, 2013	\$ 123,922	\$ 564,226	\$ 279,096
Cash and investments at September 30, 2013 are comprised of the following:			
Cash	\$ -	\$ -	\$ -
Investments	123,922	564,226	279,096
	\$ 123,922	\$ 564,226	\$ 279,096

Capital Improvement	Total
\$ 281,458	\$ 1,162,748
232,326	3,203,274
283	684
232,609	3,203,958
-	1,150,000
7,950	7,950
18,129	18,129
-	1,735,395
26,079	2,911,474
\$ 487,988	\$ 1,455,232
\$ 18,023	\$ 18,023
469,965	1,437,209
\$ 487,988	\$ 1,455,232

CITY OF McALLEN, TEXAS
McALLEN EXPRESS FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2013

	<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	\$ 332,540	\$ 332,540	\$ 460,848	\$ 128,308
Other services	<u>-</u>	<u>-</u>	<u>301</u>	<u>301</u>
Total operating revenues	<u>332,540</u>	<u>332,540</u>	<u>461,149</u>	<u>128,609</u>
Non-operating revenues:				
Intergovernmental	6,111,171	6,111,171	1,553,284	(4,557,887)
Investment earnings	-	-	3,406	3,406
Increase in the fair value of investments	<u>-</u>	<u>-</u>	<u>236</u>	<u>236</u>
Total non-operating revenues	<u>6,111,171</u>	<u>6,111,171</u>	<u>1,556,926</u>	<u>(4,554,245)</u>
Total revenues	<u>6,443,711</u>	<u>6,443,711</u>	<u>2,018,075</u>	<u>(4,425,636)</u>
Expenses:				
Salaries and benefits	1,232,638	1,251,349	1,153,229	98,120
Supplies	3,600	3,600	3,136	464
Contractual and other services	2,249,021	2,249,021	221,415	2,027,606
Repairs and maintenance	557,873	557,873	747,518	(189,645)
Capital outlay	<u>4,594,095</u>	<u>4,594,095</u>	<u>1,032,669</u>	<u>3,561,426</u>
Total expenses	<u>8,637,227</u>	<u>8,655,938</u>	<u>3,157,967</u>	<u>5,497,971</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(2,193,516)	(2,212,227)	(1,139,892)	(9,923,607)
Transfers:				
Transfers in	<u>1,942,029</u>	<u>1,942,029</u>	<u>1,942,029</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(251,487)</u>	<u>(270,198)</u>	<u>802,137</u>	<u>1,072,335</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(747,905)	(747,905)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>1,032,669</u>	<u>1,032,669</u>
Net income-GAAP basis	<u>\$ (251,487)</u>	<u>\$ (270,198)</u>	<u>\$ 1,086,901</u>	<u>\$ 1,357,099</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Fleet billings	\$ 2,853,400	\$ 2,853,400	\$ 3,444,015	\$ 590,615
Materials management	<u>-</u>	<u>-</u>	<u>279,308</u>	<u>279,308</u>
Total operating revenues	<u>2,853,400</u>	<u>2,853,400</u>	<u>3,723,323</u>	<u>869,923</u>
Non-operating revenues:				
Other	<u>-</u>	<u>-</u>	<u>18,727</u>	<u>18,727</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>18,727</u>	<u>18,727</u>
Total revenues	<u>2,853,400</u>	<u>2,853,400</u>	<u>3,742,050</u>	<u>888,650</u>
Expenses:				
Materials management:				
Salaries and benefits	151,245	154,563	149,636	4,927
Supplies	2,150	2,150	2,383	(233)
Contractual and other services	2,100	2,100	4,276	(2,176)
Repairs and maintenance	<u>3,844</u>	<u>3,844</u>	<u>2,236</u>	<u>1,608</u>
Total materials management	<u>159,339</u>	<u>162,657</u>	<u>158,531</u>	<u>4,126</u>
Fleet operations :				
Salaries and benefits	883,256	897,073	669,970	227,103
Supplies	22,614	22,614	25,845	(3,231)
Contractual and other services	1,608,300	1,608,300	2,442,701	(834,401)
Repairs and maintenance	35,799	35,799	30,814	4,985
Capital outlay	<u>84,500</u>	<u>86,500</u>	<u>14,088</u>	<u>72,412</u>
Total fleet operations	<u>2,634,469</u>	<u>2,650,286</u>	<u>3,183,418</u>	<u>(533,132)</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, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Non-departmental expenses:				
Liability insurance	\$ 12,493	\$ 12,493	\$ 12,493	\$ -
Other	-	-	30,534	(30,534)
Total non-departmental expenses	12,493	12,493	43,027	(30,534)
Total expenses	2,806,301	2,825,436	3,384,976	(559,540)
Excess (deficiency) of revenues over expenses (budget basis)	47,099	27,964	357,074	329,110
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(66,727)	(66,727)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	14,088	14,088
Net income-GAAP basis	\$ 47,099	\$ 27,964	\$ 304,435	\$ 276,471

CITY OF McALLEN, TEXAS
EMPLOYEE BENEFITS FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 7,841,320</u>	<u>\$ 7,841,320</u>	<u>\$ 7,969,540</u>	<u>\$ 128,220</u>
Non-operating revenues:				
Investment earnings	21,760	21,760	11,047	(10,713)
Net increase (decrease) in the fair value of investments	-	-	(5,327)	(5,327)
Other	<u>-</u>	<u>-</u>	<u>75,781</u>	<u>75,781</u>
Total non-operating revenues	<u>21,760</u>	<u>21,760</u>	<u>81,501</u>	<u>59,741</u>
Total revenues	<u>7,863,080</u>	<u>7,863,080</u>	<u>8,051,041</u>	<u>187,961</u>
Expenses:				
Salaries and benefits	228,476	233,699	238,183	(4,484)
Supplies	3,000	3,000	3,011	(11)
Contractual and other services	1,405,840	1,403,215	1,428,019	(24,804)
Self insurance claims	6,967,988	6,967,988	7,860,316	(892,328)
Capital outlay	<u>50,000</u>	<u>52,625</u>	<u>26,527</u>	<u>26,098</u>
Total expenses	<u>8,655,304</u>	<u>8,660,527</u>	<u>9,556,056</u>	<u>(895,529)</u>
Excess (deficiency) of revenues over budget	<u>(792,224)</u>	<u>(797,447)</u>	<u>(1,505,015)</u>	<u>(707,568)</u>
Depreciation expense, not budgeted	-	-	(1,700)	(1,700)
per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>26,527</u>	<u>26,527</u>
Net income-GAAP basis	<u>\$ (792,224)</u>	<u>\$ (797,447)</u>	<u>\$ (1,480,188)</u>	<u>\$ (682,741)</u>

CITY OF McALLEN, TEXAS
RETIREE HEALTH INSURANCE FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 1,257,368</u>	<u>\$ 1,257,368</u>	<u>\$ 440,778</u>	<u>\$ (816,590)</u>
Non-operating revenues:				
Investment earnings	-	-	3,990	3,990
fair value of investments	<u>-</u>	<u>-</u>	<u>(829)</u>	<u>(829)</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>3,161</u>	<u>3,161</u>
Total revenues	<u>1,257,368</u>	<u>1,257,368</u>	<u>443,939</u>	<u>(813,429)</u>
Expenses:				
Contractual and other services	70,200	70,200	74,554	(4,354)
Self insurance claims	<u>888,046</u>	<u>888,046</u>	<u>266,866</u>	<u>621,180</u>
Total expenses	<u>958,246</u>	<u>958,246</u>	<u>341,420</u>	<u>616,826</u>
Deficiency of revenues over budget	<u>299,122</u>	<u>299,122</u>	<u>102,519</u>	<u>(196,603)</u>
Net income-GAAP basis	<u>\$ 299,122</u>	<u>\$ 299,122</u>	<u>\$ 102,519</u>	<u>\$ (196,603)</u>

CITY OF McALLEN, TEXAS
GENERAL INSURANCE FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 3,560,296</u>	<u>\$ 3,560,296</u>	<u>\$ 3,775,326</u>	<u>\$ 215,030</u>
Non-operating revenues:				
Investment earnings	81,000	81,000	68,156	(12,844)
Net increase (decrease) in the fair value of investments	-	-	(44,205)	(44,205)
Other	<u>208,000</u>	<u>208,000</u>	<u>381,764</u>	<u>173,764</u>
Total non-operating revenues	<u>289,000</u>	<u>289,000</u>	<u>405,715</u>	<u>116,715</u>
Total revenues	<u>3,849,296</u>	<u>3,849,296</u>	<u>4,181,041</u>	<u>331,745</u>
Expenses:				
Salaries and benefits	268,209	271,788	203,065	68,723
Supplies	4,000	4,000	3,191	809
Contractual and other services	1,526,564	1,526,564	1,719,128	(192,564)
Self insurance	1,600,000	1,600,000	1,054,917	545,083
Repairs and maintenance	1,417	1,417	261,504	(260,087)
Capital outlay	<u>10,700</u>	<u>10,700</u>	<u>-</u>	<u>10,700</u>
Total expenses	<u>3,410,890</u>	<u>3,414,469</u>	<u>3,241,805</u>	<u>172,664</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	438,406	434,827	939,236	504,409
Transfers out	<u>(2,035,009)</u>	<u>(2,035,009)</u>	<u>-</u>	<u>2,035,009</u>
Excess (deficiency) of revenues over budget	<u>(1,596,603)</u>	<u>(1,600,182)</u>	<u>939,236</u>	<u>2,539,418</u>
GAAP basis adjustments:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income-GAAP basis	<u><u>\$ (1,596,603)</u></u>	<u><u>\$ (1,600,182)</u></u>	<u><u>\$ 939,236</u></u>	<u><u>\$ 2,539,418</u></u>

CITY OF McALLEN, TEXAS
GENERAL DEPRECIATION FUND
SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-charges for services	<u>\$ 2,461,707</u>	<u>\$ 2,461,707</u>	<u>\$ 2,461,706</u>	<u>\$ (1)</u>
Non-operating revenues:				
Investment earnings	-	-	44,184	44,184
Net increase (decrease) in the fair value of investments	-	-	(23,098)	(23,098)
Other	<u>-</u>	<u>-</u>	<u>29,001</u>	<u>29,001</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>50,087</u>	<u>50,087</u>
Total revenues	<u>2,461,707</u>	<u>2,461,707</u>	<u>2,511,793</u>	<u>50,086</u>
Expenses:				
Capital outlay	<u>1,827,214</u>	<u>2,632,591</u>	<u>1,433,780</u>	<u>1,198,811</u>
Total expenses	<u>1,827,214</u>	<u>2,632,591</u>	<u>1,433,780</u>	<u>1,198,811</u>
Excess (deficiency) of revenues over expenses (budget basis)	634,493	(170,884)	1,078,013	1,248,897
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,826,220)	(1,826,220)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>1,433,780</u>	<u>1,433,780</u>
Net income-GAAP basis	<u><u>\$ 634,493</u></u>	<u><u>\$ (170,884)</u></u>	<u><u>\$ 685,573</u></u>	<u><u>\$ 856,457</u></u>

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.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets										
Restricted	\$ 139,183,586	\$ 151,721,693	\$ 171,986,623	\$ 186,857,015	\$ 201,811,831	\$ 219,839,438	\$ 230,172,991	\$ 243,869,333	\$ 254,246,829	\$ 243,681,893
Unrestricted	10,395,232	11,778,142	17,921,869	24,738,888	55,854,614	47,710,091	29,019,666	32,491,873	33,420,883	33,151,044
Total governmental activities net position	<u>\$ 235,209,791</u>	<u>\$ 253,368,948</u>	<u>\$ 277,830,704</u>	<u>\$ 305,014,987</u>	<u>\$ 331,784,883</u>	<u>\$ 344,131,328</u>	<u>\$ 353,187,965</u>	<u>\$ 361,989,769</u>	<u>\$ 355,052,159</u>	<u>\$ 361,350,597</u>
Business-type activities										
Net investment in capital assets										
Restricted	\$ 135,776,847	\$ 140,687,796	\$ 209,134,340	\$ 220,785,257	\$ 230,416,888	\$ 235,021,510	\$ 245,458,038	\$ 254,006,517	\$ 269,408,160	\$ 259,339,759
Unrestricted	64,711,780	78,363,358	44,571,692	46,163,426	45,494,800	52,423,804	27,626,738	28,751,369	49,320,757	50,319,574
Total business-type activities net position	<u>16,621,053</u>	<u>15,542,753</u>	<u>19,168,546</u>	<u>29,769,032</u>	<u>32,304,928</u>	<u>33,396,959</u>	<u>59,404,414</u>	<u>58,277,207</u>	<u>42,513,303</u>	<u>56,415,746</u>
Primary government										
Net investment in capital assets										
Restricted	\$ 274,960,433	\$ 292,409,489	\$ 381,120,963	\$ 407,642,272	\$ 432,228,719	\$ 454,860,968	\$ 475,631,029	\$ 497,875,850	\$ 503,654,989	\$ 503,021,652
Unrestricted	75,107,012	90,141,500	62,493,561	70,902,314	101,349,414	100,133,895	56,646,404	61,243,242	82,741,640	83,470,618
Total primary government activities net position	<u>\$ 432,319,471</u>	<u>\$ 487,962,855</u>	<u>\$ 550,705,282</u>	<u>\$ 601,732,702</u>	<u>\$ 640,001,499</u>	<u>\$ 664,973,601</u>	<u>\$ 685,677,155</u>	<u>\$ 703,024,862</u>	<u>\$ 716,294,379</u>	<u>\$ 727,425,676</u>

(1) As per GASB 63

Source: Comprehensive Annual Financial Reports

No data presented prior to 2002, since GASB 34 pronouncement was not in effect.

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 14,690,963	\$ 16,625,820	\$ 17,758,574	\$ 18,902,664	\$ 21,534,637	\$ 20,045,996	\$ 17,117,884	\$ 21,733,177	\$ 22,505,316	\$ 20,817,432
Public safety	38,751,270	41,608,209	41,964,290	43,294,659	46,437,593	48,085,324	48,869,325	51,471,980	51,714,002	53,799,148
Highways and streets	12,712,852	14,884,137	18,056,177	17,842,276	19,206,764	20,408,868	19,540,947	18,068,891	22,060,953	19,620,592
Health and welfare	5,641,957	4,024,532	3,322,904	4,108,795	5,367,509	5,244,236	5,315,188	5,204,340	5,424,919	5,247,302
Culture and recreation	12,367,664	12,478,352	14,182,788	15,241,701	15,381,730	16,141,618	19,345,749	16,291,072	16,468,099	18,061,693
Interest on long-term debt	260,546	17,377	29,704	223,639	218,719	292,661	543,168	1,108,559	900,520	780,778
Total governmental activities expenses	\$ 84,425,252	\$ 89,638,427	\$ 95,314,437	\$ 98,613,734	\$ 108,946,952	\$ 110,218,703	\$ 111,732,261	\$ 113,878,419	\$ 119,073,809	\$ 118,326,885
Business-type activities:										
Water services	9,873,183	11,829,462	13,011,620	12,953,033	15,068,788	15,716,736	15,273,917	16,687,578	16,492,817	17,390,301
Sewer services	7,667,018	8,644,246	9,110,829	10,066,916	11,290,032	10,207,047	13,001,407	13,002,414	12,704,012	13,787,604
Sanitation services	9,273,893	10,053,540	10,960,409	11,522,697	12,862,854	12,550,573	13,146,685	13,522,385	13,808,444	14,799,650
Golf course services	1,190,232	1,336,992	1,419,748	1,381,746	1,423,536	1,435,269	1,534,412	1,468,387	1,464,808	1,451,413
Civic center services	1,370,414	1,463,999	1,481,792	1,160,949	441,880	441,900	475,155	452,980	398,739	423,632
Convention center services	-	-	-	2,269,201	4,619,870	4,960,887	5,311,447	5,223,853	4,970,522	5,097,875
Airport services	4,316,654	4,497,261	4,655,977	5,040,685	5,269,306	5,882,936	6,329,579	5,964,651	6,672,164	6,867,863
Transit services	895,522	634,498	743,048	773,448	802,198	956,081	1,019,435	1,153,729	1,155,996	1,314,193
Bus services	-	768,139	1,051,887	1,309,375	1,915,380	1,759,980	1,631,623	2,194,468	2,553,618	2,877,020
Amazuldas crossing	-	-	-	200,293	1,493,759	599,426	3,913,017	4,504,328	4,140,909	4,571,611
Bridge services	5,855,638	5,868,513	6,105,402	6,462,091	9,013,061	6,018,329	5,584,690	5,773,631	6,004,265	6,111,267
Total business-type activities expenses	\$ 40,442,534	\$ 45,096,650	\$ 48,545,712	\$ 53,140,434	\$ 64,200,664	\$ 60,509,164	\$ 67,221,367	\$ 69,948,402	\$ 70,366,294	\$ 74,692,429
Total primary government expenses	\$ 124,867,806	\$ 134,735,077	\$ 143,860,149	\$ 152,754,168	\$ 173,147,616	\$ 170,727,867	\$ 178,953,628	\$ 183,826,821	\$ 189,440,103	\$ 193,019,314
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,470,547	\$ 1,608,627	\$ 1,861,027	\$ 2,347,975	\$ 2,254,601	\$ 2,094,534	\$ 2,187,610	\$ 1,938,393	\$ 1,862,654	\$ 2,079,410
Public safety	3,900,835	3,768,756	3,950,042	4,210,066	4,058,995	3,849,128	3,665,263	4,922,835	7,338,779	4,358,385
Highways and streets	567,005	555,666	609,428	897,697	1,257,667	1,168,774	1,132,893	1,164,718	1,140,683	1,178,562
Health and welfare	58,888	54,613	71,060	68,585	525,182	526,815	123,730	85,943	241,620	308,515
Culture and recreation	666,244	676,694	773,555	860,332	924,944	935,219	975,677	1,032,525	1,206,028	1,187,176
Operating grants and contributions	4,327,817	3,935,159	1,917,181	1,920,712	2,022,022	2,016,915	1,955,046	3,326,439	2,579,065	3,592,660
Capital grants and contributions	8,287,196	7,067,128	8,946,949	7,059,478	7,441,811	3,984,011	7,871,082	7,152,106	5,065,923	4,306,512
Total governmental activities program revenues	\$ 19,278,532	\$ 17,666,643	\$ 18,129,242	\$ 17,364,845	\$ 18,485,222	\$ 14,575,396	\$ 17,911,301	\$ 19,622,359	\$ 19,454,732	\$ 17,011,220
Business-type activities:										
Charges for services:										
Water services	11,511,690	13,548,751	15,209,812	13,170,730	15,658,843	15,877,792	13,468,048	16,510,355	15,964,657	16,125,777
Sewer services	9,246,476	10,506,385	11,552,515	12,319,001	14,291,219	14,490,145	13,569,937	14,799,266	14,568,552	14,840,659
Sanitation services	10,215,117	11,171,374	11,483,355	13,348,134	14,706,767	15,103,546	15,431,922	15,903,096	16,669,790	16,738,683
Bridge services	11,526,384	12,571,155	12,939,661	12,445,997	14,447,459	12,916,479	12,815,588	13,194,421	14,559,743	14,902,453
Other	4,951,097	5,898,798	5,580,798	6,502,957	8,824,954	9,191,418	9,371,114	9,709,773	9,536,567	9,870,476
Operating grants and contributions	-	193,415	240,975	869,975	862,086	999,981	747,606	710,754	784,314	853,095
Capital grants and contributions	1,582,526	4,244,204	4,514,298	6,766,010	5,624,181	4,514,464	10,226,872	7,959,050	4,323,382	7,161,439
Total business-type activities program revenues	\$ 49,033,290	\$ 58,133,554	\$ 61,521,414	\$ 65,623,804	\$ 74,415,509	\$ 73,093,825	\$ 75,632,087	\$ 78,786,715	\$ 76,406,995	\$ 80,492,582
Total primary government program revenues	\$ 68,311,822	\$ 75,800,197	\$ 79,650,656	\$ 82,988,649	\$ 92,900,731	\$ 87,669,221	\$ 93,543,388	\$ 98,409,074	\$ 95,861,747	\$ 97,503,802

(Continued)

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expense) Revenue										
Governmental activities	\$ (65,146,720)	\$ (71,971,784)	\$ (77,185,195)	\$ (82,248,889)	\$ (90,461,710)	\$ (95,643,307)	\$ (93,820,969)	\$ (94,256,060)	\$ (99,619,057)	\$ (101,315,665)
Business-type activities	8,590,736	13,036,904	12,975,702	12,483,370	10,214,845	12,584,661	8,410,720	8,838,313	6,040,701	5,800,153
Total primary government net expense	\$ (56,555,984)	\$ (58,934,880)	\$ (64,209,493)	\$ (69,765,519)	\$ (80,246,865)	\$ (83,058,646)	\$ (85,410,249)	\$ (85,417,747)	\$ (93,578,356)	\$ (95,515,512)
General Revenues and Other Changes in Net Assets										
Governmental activities										
Taxes										
Property taxes, levied for general purposes	\$ 21,481,560	\$ 22,967,254	\$ 24,666,561	\$ 26,590,140	\$ 30,840,205	\$ 32,183,867	\$ 33,061,162	\$ 32,631,332	\$ 33,445,701	\$ 32,783,760
Hotel occupancy taxes	3,110,916	3,309,317	3,475,170	3,923,740	4,079,224	3,514,817	3,470,995	3,257,935	3,503,985	4,794,257
Sales tax	45,601,935	48,590,129	53,449,062	56,976,350	58,893,175	54,669,746	53,550,307	54,652,192	58,407,779	60,825,866
Franchise taxes	5,776,414	6,046,640	6,246,017	6,242,578	6,475,882	6,266,684	6,130,317	6,349,157	6,348,331	6,457,397
Unrestricted investment earnings	1,914,116	2,406,266	4,926,087	6,573,818	5,720,841	4,308,531	1,087,577	944,557	675,810	123,546
Royalties	-	5,635,649	4,773,487	3,507,509	2,909,479	1,864,867	2,217,798	2,706,824	1,138,925	936,278
Gain on sale of capital assets	-	-	81,418	-	-	-	-	-	-	-
Exchange (out) of capital assets to BTA	-	-	-	-	-	-	-	-	(15,829,693)	-
Miscellaneous	8,790,048	2,284,804	3,992,983	2,719,664	2,407,391	2,250,367	382,604	1,223,334	1,727,591	1,188,002
Transfers	(5,851,020)	(1,109,118)	36,166	2,899,373	5,905,429	2,930,873	(610,088)	1,292,533	2,120,871	1,656,644
Total governmental activities	80,823,969	90,130,941	101,646,931	109,433,172	117,231,626	107,989,752	99,290,672	103,057,864	91,539,300	108,756,250
Business-type activities										
Unrestricted investment earnings	2,187,397	2,053,804	3,396,648	5,200,991	5,560,052	2,444,095	639,242	515,713	456,604	157,213
Gain on sale of capital assets	-	-	16,296,038	31,244	1,629,433	-	-	-	-	-
Miscellaneous	918,278	1,284,401	5,648,449	1,688,789	-	527,774	489,538	484,409	1,001	532,137
Recovery of development costs	-	-	-	7,417,616	-	-	-	-	-	-
Transfers	5,851,020	1,109,118	(36,166)	(2,899,373)	(5,905,429)	(2,930,873)	610,088	(1,292,533)	13,708,822	(1,656,644)
Total business-type activities	8,956,695	4,447,223	25,304,969	11,359,767	1,284,056	40,996	1,738,868	(292,411)	14,166,427	(967,294)
Total primary government	\$ 89,780,664	\$ 94,578,164	\$ 126,951,920	\$ 120,792,939	\$ 118,515,682	\$ 108,030,748	\$ 101,029,540	\$ 102,765,453	\$ 105,705,727	\$ 107,788,956
Change in Net Position										
Governmental activities	\$ 15,677,249	\$ 18,159,157	\$ 24,461,756	\$ 27,184,283	\$ 26,769,896	\$ 12,346,445	\$ 5,469,712	\$ 8,801,804	\$ (8,079,757)	\$ 7,440,585
Business-type activities	17,547,431	17,484,227	38,280,671	23,843,137	11,498,901	12,625,657	10,149,588	8,545,902	20,207,128	4,832,859
Total primary government	\$ 33,224,680	\$ 35,643,384	\$ 62,742,427	\$ 51,027,420	\$ 38,268,797	\$ 24,972,102	\$ 15,619,300	\$ 17,347,706	\$ 12,127,371	\$ 12,273,444

(1) As per GASB 63

(Continued)

Source: Comprehensive Annual Financial Reports

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Nonspendable										
Reserved/Assigned	\$ 1,909,821	\$ 1,556,584	\$ 1,610,164	\$ 6,540,485	\$ 5,580,194	\$ 5,253,567	\$ 3,449,615	\$ 400,000	\$ 1,396,791	\$ 1,774,762
Unreserved/Unassigned	\$ 45,747,278	\$ 53,332,096	\$ 37,693,319	\$ 43,546,755	\$ 45,909,209	\$ 44,182,058	\$ 47,422,976	\$ 39,649,659	\$ 1,552,643	\$ 1,730,634
Total General Fund	\$ 47,657,099	\$ 54,888,680	\$ 39,305,483	\$ 50,087,240	\$ 51,489,403	\$ 49,435,625	\$ 50,872,591	\$ 42,975,257	\$ 45,810,264	\$ 43,875,557
All Other Governmental Funds										
Reserved-other purposes	\$ 5,367,655	\$ 5,497,255	\$ 15,054,620	\$ 23,367,311	\$ 34,502,750	\$ 27,576,520	\$ 38,291,938	\$ -	\$ -	\$ -
Reserved-debt service	-	-	-	83,605	104,000	134,456	175,923	-	-	-
Unreserved, reported in:										
Special revenue funds	5,010,942	6,255,048	3,078,131	2,834,331	3,088,393	2,866,137	792,646	-	-	-
Information technology fund	-	-	-	-	-	-	1,398,522	-	-	-
Development corporation fund	-	-	-	-	-	-	20,049,897	-	-	-
Capital projects funds	22,500,823	18,062,511	34,036,926	21,395,178	18,159,471	17,132,979	11,855,332	-	-	-
Nonspendable	-	-	-	-	-	-	-	352,716	352,716	352,716
Restricted	-	-	-	-	-	-	-	38,387,750	34,171,127	33,636,421
Committed	-	-	-	-	-	-	-	179,755	217,989	154,790
Assigned	-	-	-	-	-	-	-	12,054,227	8,459,646	9,090,061
Total all other governmental funds	\$ 32,879,420	\$ 29,814,814	\$ 52,169,677	\$ 47,680,425	\$ 55,854,614	\$ 47,710,092	\$ 72,564,278	\$ 50,974,448	\$ 43,201,478	\$ 43,233,988

Note: The City implemented GASB Statement 34 "Fund Balance Reporting and Governmental Fund Type Definitions" this fiscal year 2011.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 75,683,872	\$ 80,911,770	\$ 87,632,429	\$ 93,364,798	\$ 99,933,473	\$ 96,848,195	\$ 96,048,168	\$ 97,069,725	\$ 101,438,055	\$ 105,293,773
Licenses and permits	1,401,360	1,481,650	1,486,878	1,633,047	1,591,862	1,393,010	1,331,758	1,373,972	1,536,902	1,429,150
Intergovernmental	8,279,063	5,985,818	3,261,927	4,367,134	4,868,657	4,304,941	7,277,287	8,801,979	6,734,270	6,782,631
Charges for services	3,403,139	3,385,392	3,969,257	4,719,193	5,417,637	5,249,637	5,350,634	4,867,779	5,026,625	5,279,159
Fines and forfeitures	2,344,084	2,204,354	2,214,624	2,311,181	2,240,518	2,170,771	1,901,986	3,185,630	5,422,628	2,548,733
Investment earnings	1,686,288	2,067,760	4,177,110	5,577,715	4,635,946	3,675,833	807,932	728,330	508,483	69,628
Other	9,269,224	7,998,219	9,210,805	6,949,566	7,389,981	3,265,562	3,591,386	3,979,302	2,686,826	2,101,208
Total revenues	102,067,050	104,034,963	111,953,030	118,922,634	126,098,074	116,907,749	116,309,151	120,006,717	123,353,789	123,504,282
Expenditures										
General government	14,630,536	16,575,551	17,695,852	18,796,014	18,604,824	19,969,671	16,942,447	20,836,539	19,601,840	19,550,411
Public safety	36,472,347	39,195,430	40,954,974	42,044,757	44,721,496	47,689,420	47,498,138	49,529,997	49,272,439	50,041,327
Highways and streets	8,741,434	10,522,513	13,370,846	13,016,782	12,365,458	14,983,473	12,496,418	11,827,035	18,169,966	13,414,722
Health and welfare	5,645,362	4,007,202	3,333,002	4,110,388	5,964,095	5,255,632	5,285,260	5,168,679	5,388,416	5,208,427
Culture and recreation	11,193,195	11,283,389	12,944,311	13,637,582	13,978,939	14,688,034	17,456,529	14,170,021	14,601,437	15,410,540
Capital outlay	20,725,447	17,132,311	21,677,783	25,285,595	26,157,346	25,276,574	23,274,673	42,517,494	19,836,269	19,896,331
Debt service:										
Principal	5,915,000	25,000	25,000	440,000	435,000	2,855,000	511,213	5,560,741	2,530,000	2,645,000
Interest	314,546	17,472	15,762	198,387	199,993	319,116	178,148	1,510,338	1,012,236	896,365
Total expenditures	103,637,867	98,758,868	110,017,530	117,529,505	122,427,151	131,036,920	123,642,826	151,120,844	130,412,623	127,063,123
Excess of revenues over (under) expenditures	(1,570,817)	5,276,095	1,935,500	1,393,129	3,670,923	(14,129,171)	(7,333,675)	(31,114,127)	(7,058,834)	(3,558,841)
Other Financing Sources (Uses)										
Bond proceeds	-	-	4,800,000	-	-	-	29,030,000	-	-	-
Other	-	-	-	-	-	-	1,117,990	-	-	-
Transfers in	26,698,037	15,644,414	37,747,066	20,941,598	42,201,877	26,783,190	9,790,572	22,378,622	15,970,624	22,353,826
Transfers out	(32,549,077)	(16,753,552)	(37,710,900)	(16,042,225)	(36,296,448)	(22,852,317)	(9,900,660)	(20,751,659)	(13,849,753)	(20,697,182)
Total other financing sources (uses)	(5,851,020)	(1,109,118)	4,836,166	4,899,373	5,905,429	3,930,873	30,037,902	1,626,963	2,120,871	1,656,644
Net change in fund balances	\$ (7,421,837)	\$ 4,166,977	\$ 6,771,666	\$ 6,292,502	\$ 9,576,352	\$ (10,198,298)	\$ 22,704,227	\$ (29,487,164)	\$ (4,937,963)	\$ (1,902,197)
Debt service as a percentage of noncapital expenditures	7.51%	0.05%	0.05%	0.69%	0.66%	3.00%	0.69%	6.51%	3.20%	3.30%

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>7%</u>	<u>Hotel</u>	<u>2%</u>	<u>Total</u>
2004	\$ 21,194,607	\$ 45,601,935	\$ 5,776,414	\$ 3,110,916	\$ -	-	\$ 75,683,872
2005	22,965,684	48,590,129	6,046,640	3,309,317	-	-	80,911,770
2006	24,462,180	53,449,062	6,246,017	3,475,170	-	-	87,632,429
2007	26,222,130	56,976,350	6,242,578	3,923,740	-	-	93,364,798
2008	30,505,191	58,893,175	6,475,882	4,079,225	-	-	99,953,473
2009	32,396,948	54,669,746	6,266,684	3,514,817	-	-	96,848,195
2010	32,896,549	53,550,307	6,130,317	3,470,995	-	-	96,048,168
2011	32,810,441	54,652,192	6,349,157	3,257,935	-	-	97,069,725
2012	33,177,960	58,407,780	6,348,331	3,503,985	-	-	101,438,056
2013	33,225,753	60,825,866	6,457,397	3,978,186	-	806,571	105,293,773
Change 2004-2013	56.77%	33.38%	11.79%	27.88%	100.00%		39.12%

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Retail	\$ 1,644	\$ 1,765	\$ 1,897	\$ 2,138	\$ 2,211	\$ 2,018	\$ 1,735	\$ 1,710	\$ 1,789	\$ 1,404
Services	191	188	157	180	170	153	114	170	181	146
Wholesale	150	154	149	65	76	68	70	100	122	92
Other	109	126	210	178	140	115	311	446	469	369
Total - All Industries	\$ 2,094	\$ 2,233	\$ 2,413	\$ 2,561	\$ 2,597	\$ 2,354	\$ 2,374	\$ 2,426	\$ 2,561	\$ 2,011

(1)

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

Percent Allocation of Taxable Sales - Retail Only

Building Materials	5%	8%	8%	7%	7%	6%	5%	6%	6%	5%
General Merchandise	27%	27%	27%	27%	32%	31%	28%	27%	28%	28%
Food Stores	6%	6%	6%	5%	5%	5%	6%	6%	6%	6%
Automotive	4%	4%	3%	3%	5%	5%	6%	6%	5%	5%
Clothing	15%	16%	16%	16%	17%	17%	15%	15%	16%	17%
Home Furnishings	11%	11%	12%	11%	12%	12%	13%	13%	13%	13%
Restaurants	13%	13%	13%	12%	13%	14%	17%	17%	17%	17%
Miscellaneous Retail	10%	10%	10%	8%	9%	10%	10%	10%	9%	9%
Total	91%	93%	94%	89%	100%	100%	100%	100%	100%	100%

(1) Represents only three quarters of fiscal year.

N/A data not available

Source: State Comptroller's Office

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

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

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
2004	2003	\$ 2,665,073,421	\$ 1,224,284,764	\$ 61,705,091	\$ 124,225,970	\$ 1,104,159,643	\$ 522,550,108	\$ 4,656,898,781	0.42
2005	2004	2,867,999,139	1,395,082,178	76,302,577	145,037,761	1,248,335,732	544,310,822	5,188,446,565	0.42
2006	2005	3,012,119,776	1,524,395,866	77,484,714	159,146,526	1,290,466,084	536,338,311	5,527,274,655	0.42
2007	2006	4,034,338,716	1,568,016,882	79,479,396	146,936,440	1,023,232,516	948,864,893	5,903,139,057	0.42
2008	2007	5,223,070,568	1,824,887,008	96,386,085	138,350,623	1,059,350,233	1,427,513,149	6,914,531,368	0.42
2009	2008	5,342,975,502	1,811,694,737	108,693,602	134,182,390	1,157,900,178	1,448,502,453	7,106,943,956	0.42
2010	2009	5,470,285,311	2,077,102,840	115,185,930	133,174,260	1,257,860,959	1,531,608,214	7,522,001,086	0.42
2011	2010	5,491,264,094	2,160,760,863	121,679,009	28,213,093	1,257,885,005	1,549,344,920	7,510,457,144	0.42
2012	2011	5,492,004,364	2,213,159,640	53,492,220	13,149,573	1,286,916,306	1,557,190,079	7,501,532,024	0.42
2013	2012	4,327,680,248	3,343,176,312	137,187,071	68,824,902	1,013,294,611	1,326,819,524	7,563,343,620	0.43

(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						
		Basic Rate	General Obligation		Total Direct	School Districts						Hidalgo County Drainage District No.1
			Debt	Service		McAllen	Sharyland	P.S.J.A	So. Tx College	Hidalgo	Edinburg	
2004	2003	\$ 0.36	\$ 0.06	\$ 0.42	\$ 0.42	\$ 1.54	\$ 1.54	\$ 1.61	\$ 0.02	\$ 1.57	\$ 1.59	\$ 0.04
2005	2004	0.42	-	0.42	0.42	1.54	1.57	1.61	0.02	1.59	1.58	0.04
2006	2005	0.42	-	0.42	0.42	1.54	1.57	1.61	0.15	1.59	1.59	0.04
2007	2006	0.42	-	0.42	0.42	1.61	1.57	1.61	0.15	1.61	1.58	0.05
2008	2007	0.41	0.01	0.42	0.42	1.48	1.55	1.52	0.15	1.54	1.45	0.07
2009	2008	0.41	0.01	0.42	0.42	1.15	1.19	1.21	0.15	1.32	1.12	0.07
2010	2009	0.41	0.01	0.42	0.42	1.17	1.19	1.27	0.15	1.35	1.19	0.07
2011	2010	0.41	0.01	0.42	0.42	1.17	1.19	1.27	0.15	1.35	1.19	0.07
2012	2011	0.41	0.01	0.42	0.42	1.17	1.20	1.36	0.15	1.44	1.24	0.07
2013	2012	0.43	-	0.43	0.43	1.17	1.29	1.36	0.15	1.56	1.24	0.08

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
2004	2003	\$ 19,619,514	\$ 617,420	\$ 20,236,934	\$ 19,170,840	94.73 %	\$ 955,365	\$ 20,126,205	99.45 %
2005	2004	21,858,925	368,559	22,227,484	20,938,827	94.20	1,143,318	22,082,145	99.35
2006	2005	23,248,262	370,471	23,618,733	22,358,944	94.67	1,094,886	23,453,830	99.30
2007	2006	24,788,834	487,091	25,275,925	23,920,313	94.64	1,133,474	25,053,787	99.12
2008	2007	28,896,119	926,195	29,822,314	27,625,803	92.63	1,150,568	28,776,371	96.49
2009	2008	29,639,988	2,067,032	31,707,020	29,325,155	92.49	1,114,430	30,439,585	96.00
2010	2009	31,356,112	668,253	32,024,365	30,347,810	94.76	1,024,332	31,372,142	97.96
2011	2010	31,313,663	163,882	31,477,545	30,120,972	95.69	960,113	31,081,085	98.74
2012	2011	31,996,395	15,446	32,011,841	30,858,609	96.40	630,868	31,489,477	98.37
2013	2012	32,234,649	(21,260)	32,213,389	31,076,068	96.47	-	31,076,068	96.47

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		Lien Note	Water Revenue Bonds	Sewer Revenue Bonds	International Toll Bridge Bonds	Anzalduas International Crossing Bonds	Airport CO Bonds	Total Primary Government					
			Obligations	Note								Obligations	Note			
2004	\$ -	\$ -	\$ 350,000	\$ -	\$ -	\$ 17,066,400	\$ 19,558,600	\$ 1,930,000	\$ -	\$ -	\$ -	\$ 38,905,000	N/A	N/A		
2005	-	-	325,000	-	-	24,953,600	20,151,400	1,730,000	-	-	-	47,160,000	2.34	2,923		
2006	-	-	300,000	4,800,000	-	24,200,400	19,014,600	1,520,000	-	-	-	49,835,000	2.25	2,912		
2007	-	-	275,000	4,385,000	-	29,352,650	40,137,350	1,295,000	39,160,000	-	-	114,605,000	N/A	N/A		
2008	-	-	250,000	3,975,000	2,400,000	28,364,250	39,360,750	1,060,000	39,160,000	-	-	114,570,000	N/A	N/A		
2009	-	-	225,000	3,545,000	306,954	27,176,000	37,999,000	815,000	39,160,000	-	-	109,226,954	N/A	N/A		
2010	-	29,030,000	200,000	3,100,000	265,741	25,926,500	49,073,500	555,000	38,405,000	-	-	146,555,741	5.53	7,178		
2011	-	26,860,000	175,000	-	-	24,622,050	65,057,950	285,000	37,615,000	-	-	154,615,000	N/A	N/A		
2012	-	24,355,000	130,000	-	-	23,229,672	69,610,330	-	36,795,000	9,495,000	-	163,635,002	6.30	1,227		
2013	-	21,735,000	125,000	-	-	21,780,769	79,156,233	-	35,645,000	9,125,000	-	167,567,002	5.76	1,218		

N/A Information not available

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

*See 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
2004	\$ -	\$ -	N/A
2005	-	-	N/A
2006	-	-	N/A
2007	-	-	N/A
2008	-	-	N/A
2009	-	-	N/A
2010	-	-	N/A
2011	26,860,000	0.36%	203
2012	24,355,000	0.32%	183
2013	21,735,000	0.29%	158

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, 2013

<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	\$ 174,275,000	28.13%	\$ 49,023,558
McAllen Independent School District	98,320,000	92.34%	90,788,688
Sharyland Independent School District	125,516,757	25.80%	32,383,323
P.S.J.A Independent School District	369,925,000	13.11%	48,497,168
Hidalgo County Drainage District #1	90,305,000	27.52%	24,851,936
South Texas College	44,384,991	13.80%	6,125,129
Hidalgo Independent School District	43,665,000	19.63%	8,571,440
Edinburg Independent School District	196,215,000	1.89%	3,708,464
Subtotal, overlapping debt			263,949,706
City of McAllen (direct debt)	21,735,000	100.00%	21,735,000
Total direct and overlapping debt			<u>\$ 285,684,706</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: Texas Education Agency website for school districts.
 Hidalgo County website for Hidalgo County and Water County Drainage District #1

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

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$ 7,563,343,620
Debt limit (5% of assessed value)	378,167,181
Debt applicable to limit:	
General obligation bonds	21,735,000
Less: amount set aside for repayment of general obligation debt	<u>(284,701)</u>
Total net debt applicable to limit	<u>21,450,299</u>
Legal debt margin	<u>\$ 356,716,882</u>

	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	\$ 232,844,939	\$ 259,422,328	\$ 276,363,733	\$ 295,156,953	\$ 345,726,568	\$ 355,347,198	\$ 343,935,483	\$ 348,892,264	\$ 350,989,886	\$ 356,700,467
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	685,351	32,164,571	26,630,593	24,086,715	21,466,714
Legal debt margin	\$ 232,844,939	\$ 259,422,328	\$ 276,363,733	\$ 295,156,953	\$ 345,726,568	\$ 354,661,847	\$ 311,770,912	\$ 322,261,671	\$ 326,903,171	\$ 335,233,753
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.19%	10.32%	8.26%	7.37%	6.40%

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	Coverage	Debt Service		Total Revenues (a)	Less: Operating Expenses (b)	Net Available Revenue	Debt Service		Coverage
					Principal	Interest				Principal	Interest	
2004	\$ 13,363,195	\$ 7,620,642	\$ 5,742,553	3.87	\$ 564,000	\$ 919,797	\$ 9,980,780	\$ 5,105,759	\$ 4,875,021	\$ 1,111,000	\$ 1,049,542	2.26
2005	\$ 15,080,924	\$ 8,595,829	\$ 6,485,095	3.81	\$ 597,600	\$ 1,105,234	\$ 11,470,919	\$ 5,586,088	\$ 5,884,831	\$ 1,172,400	\$ 1,044,476	2.65
2006	\$ 17,354,452	\$ 9,335,864	\$ 8,018,588	4.10	\$ 753,200	\$ 1,202,211	\$ 13,440,241	\$ 6,034,210	\$ 7,406,031	\$ 1,136,800	\$ 952,950	3.54
2007	\$ 15,720,963	\$ 9,225,416	\$ 6,495,547	2.97	\$ 940,800	\$ 1,243,423	\$ 15,342,714	\$ 5,550,727	\$ 9,791,987	\$ 739,200	\$ 1,908,863	3.70
2008	\$ 17,578,762	\$ 11,300,642	\$ 6,278,120	2.88	\$ 988,400	\$ 1,191,688	\$ 16,288,846	\$ 6,363,341	\$ 9,925,505	\$ 776,600	\$ 2,049,023	3.51
2009	\$ 17,273,180	\$ 11,989,744	\$ 5,283,436	2.27	\$ 1,188,250	\$ 1,136,605	\$ 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	1.16	\$ 1,249,500	\$ 1,075,460	\$ 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	1.65	\$ 1,383,900	\$ 1,348,650	\$ 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	1.64	\$ 1,448,903	\$ 1,294,300	\$ 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	1.47	\$ 1,514,610	\$ 1,227,162	\$ 14,899,235	\$ 8,092,635	\$ 6,806,600	\$ 3,313,390	\$ 1,386,497	1.45

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
2004	121,700	Not Available	Not Available	*	23,326	7.50%
2005	125,000	2,017,000	16,136	28.7	24,276	5.50%
2006	129,650	2,218,830	17,114	30.3	24,531	4.70%
2007	130,700	2,294,046	17,552	30.0	24,814	4.50%
2008	132,075	2,504,009	18,959	29.5	25,047	5.30%
2009	133,197	Not Available	Not Available	*	25,154	7.50%
2010	129,877	2,651,569	20,416	32.2	25,164	7.40%
2011	132,338	Not Available	Not Available	N/A	25,263	8.20%
2012	133,979	2,611,251	19,490	30.7	25,310	7.80%
2013	135,120	2,906,693	21,123	32.5	24,500	10.70%
	(A)	(B)		(C)	(D)	(E)

SOURCE:

(A) U.S Census Bureau-2012 and local estimates; 2010 Official U.S. Census

(B) U.S Census Bureau-2012 community survey profile.

(C) U.S Census Bureau-2012 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

2013				2004			
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
McAllen Independent School District	4,024	1	7.12%	HEB Food & Drug Stores	Over 1,000	1	
McAllen Medical Center	2,800	2	4.95%	City of McAllen	Over 1,000	2	
City of McAllen	1,996	3	3.53%	McAllen Medical Center	Over 1,000	3	
South Texas College	1,820	4	3.22%	McAllen Independent School Dist.	Over 1,000	4	
Rio Grande Regional Hospital	1,100	5	1.95%	Wal Mart Stores	Over 1,000	5	
Wal-Mart	675	6	1.19%	Rio Grande Foods	Less than 1,000	6	
H-E-B	550	7	0.97%	Rio Grande Regional Hospital	Less than 1,000	7	
International Bank of Commerce	405	8	0.72%	Texas State Bank	Less than 1,000	8	
Valley Coca-Cola Company	380	9	0.67%	Allison Manufacturing	Less than 1,000	9	
Dillards	354	10	0.63%	Central Power & Light Co.	Less than 1,000	10	
Total	14,104 (A)		24.94% (B)		- (C)		0.00% (D)

Unable to calculate these columns due to insufficient data

Source:

(A) McAllen Economic Development Corporation (MEDC)

(B) Texas Workforce Commission for total city employment - 56,542

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

Function/Program	full time only	full time only	full time only	full time only	full time only	full time only	full time only	full time only	full time only	full time only
	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	151	157	166	177	188	185	182	182	188	189
Public Safety:										
Police:										
Officers	258	259	261	264	269	275	275	275	275	281
Civilians	131	134	136	140	140	136	136	143	143	140
Fire:										
Fire fighters and officers	133	138	145	157	159	163	164	164	164	167
Civilians	10	11	11	11	12	13	13	13	12	11
Other	65	66	66	62	78	56	56	56	56	55
Highways and streets	101	112	112	111	112	112	100	100	96	97
Health and welfare	15	15	15	16	16	24	24	25	25	25
Culture and Recreational	169	171	173	177	180	187	186	186	189	192
Water services	108	119	120	126	130	131	135	135	135	138
Sewer services	67	68	68	74	74	81	81	81	81	82
Sanitation	106	115	123	126	128	133	136	136	138	145
Golf Course	19	15	14	13	12	12	12	12	12	15
Convention Center	-	-	-	47	37	38	38	38	37	38
Civic center	15	15	21	-	-	-	-	-	-	-
Airport	23	25	27	30	31	38	38	38	38	39
Transit terminal	10	11	12	13	13	12	12	12	12	13
Express transit	-	19	19	20	22	21	22	22	29	30
Bridge	43	40	42	43	43	31	33	33	33	44
Anzalduas Bridge	-	-	-	-	-	-	10	12	13	13
Fleet Services	19	20	21	25	25	25	25	25	21	24
Employee benefits	2	2	3	3	4	5	5	5	5	5
Risk Management	3	3	3	4	4	5	5	5	6	6
Total	<u>1,448</u>	<u>1,515</u>	<u>1,558</u>	<u>1,639</u>	<u>1,677</u>	<u>1,683</u>	<u>1,688</u>	<u>1,698</u>	<u>1,708</u>	<u>1,749</u>

Source: City's Budget Document

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

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Police										
Number of employees-commissioned	258	259	260	264	267	262	270	275	280	281
Number of service calls	151,000	158,000	147,724	160,000	153,970	162,273	166,653	162,250	157,884	147,528
Fire										
Number of firemen	133	138	151	157	160	170	158	164	160	167
Total number of alarm responses	3,964	4,184	4,359	5,130	4,434	4,391	5,000	4,500	5,711	5,949
Code enforcement										
Number of employees	16	18	19	21	21	21	20	19	20	20
Number of building permits	1,739	2,012	1,987	1,794	1,341	1,308	1,562	1,584	1,869	1,671
Development services										
Street Resurfacing (linear miles)	N/A	18	25	26	28	29	21	25	10	26
Sidewalk Construction (linear feet)	36,960	42,240	43,084	30,000	36,960	37,100	11,480	10,560	23,930	7920
Cultural and recreational										
Parks and recreation										
Participants in special event programs	250,000	250,000	418,000	418,000	438,250	425,000	93,250	440,000	440,000	245,000
Participants in athletic programs	10,500	11,500	8,196	9,500	16,400	6,800	17,045	7,500	14,500	16,000
Participants in after school programs	2,187	3,300	3,240	2,992	3,200	3,100	2,053	1,800	2,200	1,800
Library-main										
Volumes in collection	386,052	404,057	410,896	364,450	351,950	349,117	359,809	414,135	320,043	323,019
Water and sewer system										
Number of water customers	36,299	37,658	39,060	40,074	40,876	41,607	42,952	42,792	43,306	44,068
Number of sewer customers	32,370	33,159	34,414	35,493	36,229	37,062	37,521	38,184	38,563	39,247
Average daily water consumption (gallons)	17,849,551	21,458,458	24,623,690	22,484,700	23,737,233	23,860,020	19,654,727	24,508,796	25,867,849	25,952,225
Maximum storage capacity (gallons) #2 plant	7,100,000	7,100,000	7,100,000	7,100,000	7,900,000	7,900,000	7,900,000	7,900,000	7,900,000	7,900,000
Maximum storage capacity (gallons)-north plant	-	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Rainfall (inches)	25.12	10.76	12.27	19.01	27.80	9.65	38.00	24.66	17.88	14.39
Sanitation										
Refuse collected (tons)	26,801	27,728	26,752	27,177	28,695	29,080	29,500	30,000	29,395	122,459
Bulky/brush pickups (tons)	200,000	200,000	200,000	202,000	67,274	19,879	5,500	4,703	30,527	44,187
Recyclables collected (cubic yds)	4,543	4,543	4,515	5,000	8,030	3,926	3,791	4,525	5,235	5,476
Golf course										
Total number of rounds	43,952	42,621	43,840	44,200	42,219	43,803	44,153	41,308	40,977	39,759
Source: City Departments										
Notes: N/A - Data not available.										
Estimates: Fiscal Year 2013										

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

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Police sub-stations	7	7	7	7	6	6	7	7	7	7
Fire stations	6	6	6	6	6	7	7	7	7	7
Fire hydrants	3,090	3,350	3,350	3,700	3,800	3,994	3,984	3,988	4,000	4,000
Development Services										
City area:										
Square miles	48.1	48.3	47.7 (1)	48.1	48.7	48.8	48.7	48.7	49.6	49.6
Acres	30,782	30,933	30,552 (1)	30,785	31,169	31,222	31,169	31,169	31,733	31,747
Streets- paved (miles)	626	626	645	567	565	495	486	487	464	464
Cultural and Recreational										
Developed parks (acres)	480	551	521	537	668	362	866	705	728	577
Parks (acres)-undeveloped	90	106	432	416	487	410	481	474	417	488
Swimming pools	4	4	4	4	4	4	4	4	4	4
Tennis courts	25	25	25	25	25	15	24	24	24	24
Lighted baseball diamonds/athletic fields	17	17	17	17	17	112	8	12	12	12
Municipal golf (18-hole course)	1	1	1	1	1	1	1	1	1	1
Water and Sewer										
Water mains (miles)	630	677	700	700	703	706	706	803	714	714
Sanitary sewers (miles)	455	475	470	470	489	489	489	503	489	500
Storm (miles)	233	238	239	265	268	283	273	273	315	315

(1) Revised by engineering.

Source: City Departments

Note: N/A - data not available.

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

Schedule 21

Section I--water rates

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

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

\$5.65

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

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

Sprinkler-\$1.80/1,000 gallons

Section II--Estimated unaccounted gallons of water

<u>Class of customers</u>	<u>Number</u>	<u>Usage (gallons)</u>
Residential	37,035	5,043,758,930
Commercial	6,865	3,391,037,100
Industrial	168	328,266,900
Number of gallons shown to have passed through the master meters at the City's plants #2 and #3 during the period		9,472,562,000
Number of gallons billed		(8,763,062,930)
Estimated water used in fire hydrant testing, etc.		(49,000,000)
Estimated number of gallons unaccounted due to breaks, leaks, etc.		<u>660,499,070</u>

Single Audit Section

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

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*

To the 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 accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of McAllen, Texas (the "City"), as of and for the year ended September, 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February, 28, 2014.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Long Chilton, LLP

Long Chilton, LLP
Certified Public Accountants

McAllen, Texas
February 28, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB
CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of McAllen, Texas' (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

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 program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Long Chilton, LLP

Long Chilton, LLP
Certified Public Accountants

McAllen, Texas
February 28, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE STATE
OF TEXAS SINGLE AUDIT CIRCULAR

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

Report on Compliance for the Major State Program

We have audited the City of McAllen, Texas' (the "City") compliance with the types of compliance requirements described in the *State of Texas Single Audit Circular* that could have a direct and material effect on the City's major state program for the year ended September 30, 2013. The City's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major 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 the major state program for the year ended September 30, 2013.

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

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

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

Long Chilton, LLP

Long Chilton, LLP
Certified Public Accountants

McAllen, Texas
February 28, 2014

CITY OF McALLEN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2013

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Disbursements/ Expenditures
U.S. Department of Housing and Urban Development				
Direct Program:				
Community Development Block Grant:				
37th Year Entitlement Grant	14.218	CB11MC48506	1,618,789	664,136
38th Year Entitlement Grant	14.218	CB12MC48506	1,601,178	1,435,659
39th Year Entitlement Grant	14.218	CB13MC48506	1,535,436	-
Disaster Recovery Grant	14.228	10-5109-000-5090	4,027,591	272,645
Home Program	14.239	M09MC480506	666,689	666,689
Home Program	14.239	M10MC480506	664,307	551,438
Home Program	14.239	M11MC480506	585,793	-
Home Program	14.239	M12MC480506	465,925	-
Home Program	14.239	M13MC480506	418,614	-
Emergency Solutions Grant	14.231	S13MC480506	116,811	-
Total U.S. Department of Housing and Urban Development				<u>3,590,567</u>
U.S. Department of Transportation				
Direct Program:				
Airport Improvement Program	20.106	3-48-0144-41	87,122	4,416
Airport Improvement Program	20.106	3-48-0144-42	4,318,852	1,066,570
Airport Improvement Program	20.106	3-48-0144-43	680,373	310,994
Airport Improvement Program	20.106	3-48-0144-44	762,352	27,000
Federal Transit Capital Investments Grant	* 20.500	TX-04-0010-00	495,000	536
Federal Transit Formula Grant	* 20.507	TX-90-X733-00	1,823,797	400,419
Federal Transit Formula Grant	* 20.507	TX-90-X778-00	1,679,250	428,306
Federal Transit Formula Grant	* 20.507	TX-90-X830-01	1,337,939	38,294
Federal Transit Formula Grant	* 20.507	TX-90-X906-00	1,962,520	389,544
Federal Transit Formula Grant	* 20.507	TX-90-X937-00	5,207,372	-
Federal Transit Formula Grant	* 20.507	TX-90-Y017-00	3,701,400	-
Federal Transit Job Access & Reverse Community Program	* 20.516	TX-37-X085-00	885,305	241,687
Federal Transit New Freedom Program	* 20.521	TX-57-X030-00	108,087	56,937
Federal Transit Administration	20.523	TX-88-0001-00	1,906,908	-
Federal Highway Administration				
Passed through Texas Department of Transportation				
Bicentennial Hike & Bike Trail Corridor Beautification Program	20.205	STP 2011 (243) TE	913,069	413,341
Hidalgo International Bridge Improvement Project	20.205	CSJ# 0921-02-204	800,000	774,388
STEP/Comprehensive Grant	20.600	2013-McAllenP-S-RFR-0004	24,976	24,976
STEP/Impaired Driving Mobilization Grant	20.600	2013-McAllenPD- IDM-00011	18,365	14,999
STEP/Click It or Ticket	20.600	2013-McAllenPD-CIOT-00014	6,975	955
Total U.S. Department of Transportation				<u>\$ 4,193,362</u>

CITY OF McALLEN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2013

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Disbursements/ Expenditures
U.S. Department of Justice				
Direct Program:				
Edward Byrne Memorial Justice Assistance Grant	16.738	2012-DJ-BX-0301	25,924	25,924
Edward Byrne Memorial Justice Assistance Grant	16.738	2013-DJ-BX-0617	22,615	-
Equitable Sharing Program	16.922		-	261,384
Total U.S. Department of Justice				\$ 287,308
U.S. Environmental Protection Agency				
Pass through ARRA - Texas Water Development Board	66.458	TWDB #72933	39,485,000	2,320,000
Clean Water State Revolving Fund	66.458	TWDB #72633	1,700,000	195,750
Clean Water State Revolving Fund	66.458	TWDB #73640	7,808,511	-
Clean Water State Revolving Fund	66.458	TWDB #10435	434,000	-
Clean Water State Revolving Fund	66.458	TWDB #73659	3,245,393	-
Total U.S. Environmental Protection Agency				2,515,750
U.S. Department of Homeland Security				
Border Interoperability Demonstration Project	97.120	2011-PD-120-0007	1,881,800	411,830
Pass through Texas Department of Public Safety	97.042	12TX-EMPG-0713	48,389	987
Pass through Texas Department of Public Safety	97.042	13TX-EMPG-0713	46,959	44,351
Pass through Assistance to Firefighters Grant Program Operations and Safety Program	97.044	EMW-2012-FR-00371	2,201,120	-
Pass through Division of Emergency Management Hazard Mitigation Grant Program	97.039	FEMA 1780-008	376,042	184,108
Hazard Mitigation Grant Program	97.039	FEMA 1780-007	1,311,446	171,426
Hazard Mitigation Grant Program	97.039	FEMA-1931-DR-TX-11	507,532	-
Hazard Mitigation Grant Program	97.039	FEMA-1931-DR-TX-12	190,013	-
Hazard Mitigation Grant Program	97.039	FEMA-1931-DR-TX-13	636,717	-
Repetitive Flood Claims Program	97.092	RFC-FY12-003	311,050	186,436
State Homeland Security Program	* 97.067	2011-SS-00019	297,678	297,678
State Homeland Security Program - LETPA	* 97.067	2011-SS-00019	234,846	234,846
State Homeland Security Program	* 97.073	2012-SS-00018	33,683	33,683
State Homeland Security Program	* 97.067	2013-SS-00045	94,929	-
State Homeland Security Program - LETPA	* 97.067	2013-SS-00045	37,921	-
Total U.S. Department Homeland Security				1,565,345
U.S. Department of Energy				
ARRA - Energy Efficiency & Conservation Block Grant	81.128	DE-SC0002917	1,292,500	122,305
Total U.S. Department of Energy				122,305
Total federal financial assistance expended				\$ 12,274,637

CITY OF McALLEN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2013

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Disbursements/ Expenditures
Texas Agencies				
Texas State University		Tobacco Compliance Grant 2013	5,100	\$ 5,100
Texas State University		Tobacco Compliance Grant 2014	6,150	
Texas Office of the Attorney General		VCLG '13	39,258	35,345
Texas Office of the Attorney General		VCLG '14	40,976	3,024
Texas Department of Public Safety		LBSP120052	75,000	54,909
Texas Department of Public Safety		LBSP-13-42	60,000	60,000
Texas Department of Transportation:				
Routine Airport Maintenance Program		CSJ# M321MCALN	50,000	48,895
Pass Through - City of Brownsville				
Auto Theft Prevention 2013		SA00T011004113	292,408	269,219
Auto Theft Prevention 2014		SA00T011004114	292,408	23,609
Equitable Sharing Program			-	214,068
Texas Commission on Environmental Quality:				
Pass Through-				
LRGVDC - Reginal Solid Waste Grant Program		13-21-G01	13,800	12,798
Total state financial assistance expended				<u>726,967</u>
Total federal and state financial assistance expended				<u>\$ 13,001,604</u>

Denotes Stimulus Funding

*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, 2013

1. General

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal and state award programs of City of McAllen, Texas, for the year ended September 30, 2013. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

2. Measurement Focus and Basis of Accounting

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

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

CITY OF McALLEN, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2013

2. Measurement Focus and Basis of Accounting (continued)

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

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

3. Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant – Entitlement Grants	14.218	\$ 853,614
Home Investment Partnerships Program	14.239	1,172,471

4. Basis of Presentation:

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

CITY OF MCALLEN, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified:

Internal control over financial reporting:

- Material weakness (es) identified? _____ yes X no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? _____ yes X no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? _____ yes X no

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

_____ yes X no

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

Unmodified

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.218	Community Development Block Grant
14.228	Disaster Recovery Grant
14.239	Home Program
20.106	Airport Improvement Program
20.205	Bicentennial Hike & Bike Trail Corridor
	Beautification Program & Hidalgo International Bridge Improvement Project
66.458	ARRA- Texas Water Development Board & Clean Water State Revolving Fund
97.067 & 97.073	State Homeland Security Program (Cluster)
81.128	ARRA - Energy Efficiency & Conservation Block Grant

Dollar threshold used to distinguish between type A and type B programs:

\$ 368,239

Auditee qualified as low-risk auditee?

 X yes _____ no

CITY OF MCALLEN, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended September 30, 2013

Section I - Summary of Auditor's Results (Continued)

State Awards

Internal control over major programs:

• Material weakness (es) identified? _____ yes X no

• Significant deficiency (ies) identified that are not considered to be material weaknesses? _____ yes X no

Any audit findings disclosed that are required to be reported in accordance with State of Texas Single Audit Circular? _____ yes X no

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

Unmodified

Identification of major programs:

Grant Number(s)

Name of State Program or Cluster

SA00T011004113/
SA00T011004114

Auto Theft Prevention

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 X yes _____ no

CITY OF MCALLEN, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*CONTINUED*)
For the Year Ended September 30, 2013

Section II - Financial Statement Findings

None.

Section III - Federal & State Awards Findings and Questioned Costs

Federal Awards

None.

State Awards

None.

CITY OF MCALLEN, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*CONTINUED*)
STATUS OF PRIOR YEAR FINDINGS
For the Year Ended September 30, 2013

Financial Statement Findings:

None.

Federal Award Findings:

None.

State Award Findings:

None.

CITY OF MCALLEN, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*CONTINUED*)
CORRECTIVE ACTION PLAN
For the Year Ended September 30, 2013

Not applicable.