



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

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended September 30, 2015**

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

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CITY OF McALLEN, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

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JAMES E. DARLING, Mayor  
HILDA SALINAS, Mayor Pro-Tem and Commissioner District 3  
AIDA RAMIREZ, Mayor Pro-Tem and Commissioner District 4  
RICHARD F. CORTEZ, Commissioner District 1  
TREY PEBLEY, Commissioner District 2  
JOHN J. INGRAM, Commissioner District 5  
VERONICA VELA WHITACRE, Commissioner District 6

ROEL RODRIGUEZ, P.E., City Manager

March 24, 2016

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, 2015.

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

The firm of Grant Thornton, L.L.P., Certified Public Accountants, was selected by the City to perform the audit and have issued an unmodified ("clean") opinion on the City of McAllen's financial statements for the year ended September 30, 2015. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Single Audit Act and OMB Circular A-133. Generally accepted auditing standards and the standards set forth in the Government Accountability Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The auditors' report on the basic financial statements and required supplementary information as well as the individual fund statements and schedules are included in the financial section of this report. The auditors' reports on internal controls and compliance with applicable laws and regulations can be found in the single audit section of this report.

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

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

## PROFILE OF THE GOVERNMENT

The City of McAllen, incorporated in 1911 and the largest city in Hidalgo County, is located at the intersection of U. S. Highway 83 and State Highway 336. It is approximately 230 miles south of San Antonio, 150 miles north of Monterrey, Nuevo Leon, Mexico, a city with a population of over 5.9 million including the surrounding suburbs, and just 7 miles north of Reynosa, Tamps. Mexico. Within a 150-mile radius of McAllen, its trade area represents approximately 10 million people. According to the 2010 census, McAllen's estimated population was 129,877, increasing 23,463 or 22% over that of the 2000 census, 106,414. Using the latest census number as a new base, it is estimated that as of September 30, 2014 and 2015 the population has grown to 136,507 and 138,925 respectively. The City is empowered to levy a property tax on both real and business personal property located within its boundaries. The City also has the power by state statute to extend its corporate limits by annexation, which it has done from time to time, as deemed appropriate by the City Commission.

The City has operated under the council-manager form of government since 1911. Policymaking and legislative authority is vested in the City Commission, which currently consists of a mayor and a six-member commission. The City Commission is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager, City Secretary, Police Chief, Fire Chief, the City Attorney and the Municipal Judges. The City Manager is responsible for carrying out the policies and ordinances of the City Commission, for overseeing the day-to-day operations of the City, and for appointing the heads of the City's departments. The City Commission is elected on a non-partisan basis. In May 2000 the voters decided in favor of single member district representation. Under this system, City Commission members are elected to four-year staggered terms with three elected every two years. The Mayor was and will continue to be elected at large to four-year terms.

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

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

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

## **LOCAL ECONOMY**

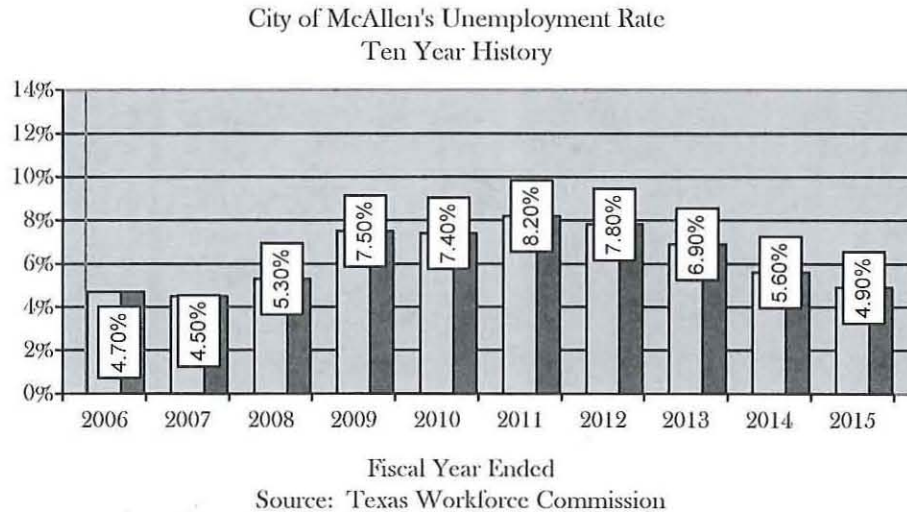
Over the last 15 to 20 years, the City's economy has undergone a significant transformation, characterized by a decreasing reliance on agriculture. As a consequence of this transformation, the City has experienced substantial economic growth that has spurred an increase in employment and a decline in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

According to the Texas Workforce Commission, over the last 10 years the McAllen-Edinburg-Mission MSA employment has grown from 231,999 in 2004 to 302,300 in 2015—a 30.30% increase. At this level, the unemployment rate is 7.9%. Some of the more significant employment numbers by industry, include government; trade, transportation and utilities; education and health services; and leisure and hospitality.

The City's location has positioned it to take advantage of The Maquiladora "Twin Plant" Program, under which U.S. firms locate manufacturing facilities in Mexico accompanied by warehousing facilities in McAllen's foreign trade zone in order to cut labor costs and remain competitive, has been responsible for a large part of the job growth. Since 1988 through 2015, the latest year available, which on a calendar year basis, the McAllen Economic Development Corporation has been responsible for bringing 310 new companies, which including expansions, has created 31,417 jobs in McAllen. Its efforts have also resulted in 360 new companies, which including expansions, has created 135,239 new jobs in Reynosa, Mexico.

The impact of the North American Free Trade Agreement (NAFTA), as it continues to develop, has also played a major role in increased trade with Mexico for the City as well as the State of Texas. During 2015 Texas exported \$94.5 billion to Mexico, which represented over 37.6% of Texas' total exports—making Mexico its Number One Trading Partner. As NAFTA continues to mature, the City of McAllen's international toll bridge, connecting Hidalgo, Texas with Reynosa, will continue to facilitate trade between Mexico and the U. S.; and, more particularly the City with its proximity to Mexico and strong social, economic and cultural ties with the people of Mexico. The Anzalduas International Crossing also provides another bridge to connect the peoples of the U.S. and Mexico and facilitate economic development opportunities between the two countries.

The City's unemployment rate increased by 6.80% when comparing 2006 to 2015 over the last 10 fiscal years, with its unemployment rate, in the 5% range during 2005, rising to 7.5% in 2009, decreasing in 2010 to 7.4%, increasing back up to 8.2% in 2011, decreasing to 7.80 in 2012, before decreasing down to 6.9% in 2013 and further down to 4.9% this year. The unemployment rate decreased due to job growth resulting from a decline in the unemployed, as well as the labor market increased. The good news is that McAllen's employment rates are dropping dramatically and fast approaching the levels not seen since the "boom" years of 2005 to 2007.



Another useful source of information for assessing the City's economy is the *McAllen Area Economic Pulse* report, published by the McAllen Chamber of Commerce. This year's report indicates a marginal improvement over last year. According to the latest report available, September 2015, the economic index for the McAllen Area increased from 184.0 in September 2014 to 190.6 in September 2015. This index reflects, for the McAllen area economy, an increase in retail sales, an increase in lodging tax receipts, airline boarding's, motor vehicle purchases, construction permit values, and average home sales price although bridge crossings were down.

### LONG-TERM FINANCIAL PLANNING

As of September 30, 2015 the City's General Fund unassigned fund balance amounted to \$46.4M, which represents 171 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 2014-15

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 2014-15 as well as the status follows:

#### *Continue to implement City Business Plan*

- Continue Incentive programs for "Destination" Retail Projects including La Plaza Mall  
**Management's Response:** Complete agreement with Simon at La Plaza Mall for construction of Parking Decks for 1300 cars.



- Public Art to City  
**Management's Response:** Veteran's Spire under construction for opening on Veteran's Day. Vaquero statue under construction for 2015 installation at new Vaquero park site at Performing Arts building.

#### *Complete City assets currently in design*

- Construct new Fire Sub-Station #3 at Dallas Street  
**Management's Response:** City completed and held grand opening on September 30, 2015.
- Complete construction on Airport Terminal Expansion  
**Management's Response:** Terminal Expansion completed with the addition of 55,000 square feet along with landscape and lighting improvements with Grand Opening held May 5, 2015.
- Renovate and Improve City Hall for business affairs..  
**Management's Response:** First and second floor completely renovated with departments being fully operational and without interruption of services.
- Park & Ride:  
**Management's Response:** Completed with a Grand Opening held August 27, 2015.
- Balboa Waterline Improvements  
**Management's Response:** Installation of Water lines completed.
- Construction of a South Waste Water Treatment Plant (SWWTP) Project  
**Management's Response:** Design complete and funding in place for the construction of the South Waste Water Treatment Plant.

#### *Improve City Traffic flow and Storm Drainage*

- Traffic Management Improvements  
**Management's Response:** Traffic Signal installation completed on Bicentennial and the following intersections: Tamarack, Pecan, Hackberry, and Business 83; Ware and Sara and Nolana and 29.<sup>th</sup>
- Regional Storm water improvements – Harvey & 4<sup>th</sup> -6<sup>th</sup>; Quince & Redwood, and Quince & 27<sup>th</sup>-31.  
**Management's Response:** South McAllen site improvements completed January, April, and July 2015, respectively.
- Bentsen – Pecan to 3 mile Line expansion.  
**Management's Response:** Construction completed.

#### *Leisure, Cultural and Entertainment*

- Begin construction of Performing Arts Center  
**Management's Response:** Construction contract awarded June 9, 2014 with an anticipated completion date of September 30, 2016.
- McAllen Annual City Parade.  
**Management's Response:** City held its inaugural parade on December 6, 2014 with dignitaries present and will start the tradition with private sector sponsors.
- McAllen City Marathon.  
**Management's Response:** City annual marathon held December 14, 2014. Renamed McAllen Marathon Scott Crane Memorial Run and is scheduled December 13, 2015.

- Establish a Bicycle Loan Program.

**Management's Response:** Bicycle stations constructed at (8) locations in the City of McAllen.

- Hike & Bike Trail on Bentsen Road.

**Management's Response:** Received grant from the 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, 2014. This was the twenty-eighth consecutive year and the twenty-ninth 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.

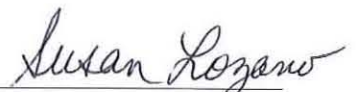
In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget dated October 1, 2014. The budget for October 1, 2015 has been submitted for review and notification of an award is awaited. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document is judged on proficiency in several categories including policy documentation, financial planning and organization.

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

Respectfully submitted,



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



Susan Lozano, CPA, CGFO  
Finance Director

# CITY OF McALLEN, TEXAS

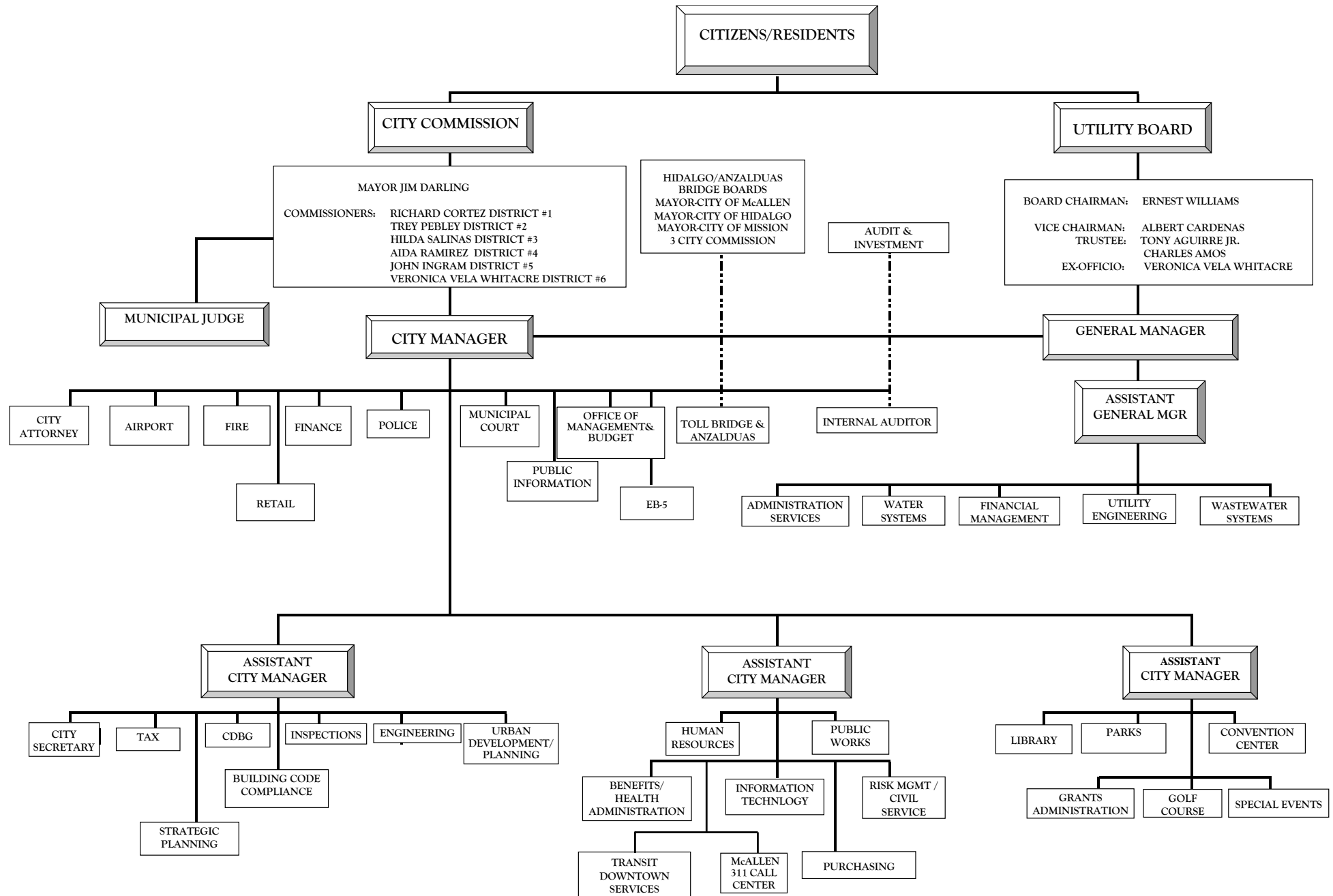
## LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2015

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



## vii





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, 2014**

Executive Director/CEO



Grant Thornton LLP  
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[twitter.com/GrantThorntonUS](https://twitter.com/GrantThorntonUS)

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

### Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of McAllen, Texas (the "City") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's responsibility for the financial statements

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

### Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Firemen's Relief and Retirement Fund, a fiduciary fund of the City of McAllen, which represent 30.6%, 28.3%, and 0.5%, respectively, of the assets, net position/fund balance, and revenues/additions, of the aggregate remaining fund information. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amount included for that fund, is based on the reports of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the 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, based on our audit and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of McAllen, Texas as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Development Corporation Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Emphasis of a matter**

As discussed in Note 1 to the financial statements, the City adopted new accounting guidance in 2015 related to the accounting for pensions. Our opinion is not modified with respect to this matter.

#### **Other Matters**

##### ***Required supplementary information***

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



#### *Supplementary information*

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

#### *Other information*

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

#### **Other reporting required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report, dated March 23, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Grant Thornton LLP*

Houston, Texas  
March 23, 2016

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**City of McAllen, Texas**  
**Management Discussion and Analysis**  
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This discussion and analysis is intended to provide an overview of the City's financial performance for the fiscal year ended September 30, 2015 and the related effect on the City's financial condition. Please read it in conjunction with the transmittal letter on pages i-v and the City's financial statements, which begin on page 19.

**FINANCIAL HIGHLIGHTS**

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

Total government-wide net position decreased \$2M as a result of this year's operations. Governmental activities increased \$11M with business-type activities contributing \$11M. In compliance with GASB Statement 68, \$100K in pension costs were restated to prior year's net position.

- **Governmental Activities – Revenues and Expenses Compared to Last Year** – Total revenues in the aggregate increased \$10M over last year. The increases were in the following categories: property tax increased \$4M, sales taxes increased \$3M and other general revenues increased by \$3M, which is the result of an increase in Police forfeiture funds, \$2.3M over last year. Expenses decreased \$10M or 7% under last year, which is the result of delaying street repaving, \$2M, fewer construction and capital improvement projects, \$8M. The net increase is the result of an \$8M decrease in general government, \$1M decrease in public safety, \$3M increase in both health and welfare and highways and streets, and a \$7M decrease in culture and recreation.
- **Business-Type Activities – Revenues and Expenses Compared to Last Year** – Total revenues reflected an increase of \$7M from last year. Charges for services increased by \$3M, which can be attributed to an increase in Bridge toll rates and the Sewer Fund's commodity rates, as well as an increase in the Sanitation Fund's brush collection charges. Grants and contributions also increased by \$4M, with the majority of the increase noted in the Airport Capital Improvement Fund and Transit System Fund. Expenses increased \$1M or 1.7% over last year with the more significant increase coming from the Airport Fund—\$1M, as the Airport Expansion project was completed in May 2015.
- **City as a Whole – Revenues and Expenses Compared to Last Year** –Governmental revenues reflected an increase of \$10M and business-type activity revenues increased by \$7M, thus generating revenues of \$17M or 7.9% more over last year while expenses decreased by \$9M or 4.0% less 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.

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**Reporting the City as a Whole**

**The Statement of Net Position and the Statement of Activities**

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

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

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

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

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

**Reporting the City's Most Significant Funds**  
**Fund Financial Statements**

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

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



**City of McAllen, Texas**  
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cash. This approach provides a detailed short-term perspective of the City's general government operations and the basic services it provides. This view of the City's operations provides information that helps to determine the extent to which financial resources are available to spend in the near future to finance City programs. The relationship between these governmental fund financial statements and the governmental activities column shown in the government-wide financial statements is shown in the form of a reconciliation presented on the page following each governmental fund financial statement.

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

**The City as Trustee**

**Reporting the City's Fiduciary Responsibilities**

The City is the trustee, or fiduciary, for the Firemen's Pension Fund, Developers' Fund, Communications Group Fund and Payroll Fund. This activity is reported in separate Statements of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position on pages 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.

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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	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 170	\$ 187	\$ 161	\$ 132	\$ 331	\$ 319
Capital assets	296	281	414	397	710	678
Deferred outflows of resources	8.5	-	1.5	0.50	10.0	0.50
Total assets and deferred outflows of resources	<u>\$474.5</u>	<u>\$467.7</u>	<u>\$576.5</u>	<u>\$529.5</u>	<u>\$ 1,051</u>	<u>\$ 997</u>
Long-term debt outstanding	\$ 82.5	\$ 87	\$179.7	\$ 146	\$ 262	\$ 233
Other liabilities	47.2	16	18	15	65	31
Deferred inflows of resources	3.6	12	0.6	-	4.2	12
Total liabilities and deferred inflows of resources	<u>133.3</u>	<u>115</u>	<u>198.4</u>	<u>161</u>	<u>331.7</u>	<u>276</u>
Net position:						
Net investment in capital assets	271	261	245	264	516	525
Restricted	24	23	53	55	77	79
Unrestricted	<u>46</u>	<u>46</u>	<u>80</u>	<u>49</u>	<u>126</u>	<u>117</u>
Total net position	<u>\$ 341</u>	<u>\$ 330</u>	<u>\$ 378</u>	<u>\$ 368</u>	<u>\$ 719</u>	<u>\$ 721</u>

Net position of the City's governmental activities increased by \$11M or 3.30% over last year; primarily as a result of an increase in net investment in capital assets by \$10M, which is mainly due to the Performing Arts Center construction expenditures. 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 \$10M or 2.72% more than last year's amount, which is due to an increase in Bridge toll revenues and the completion of the Airport Expansion project. Generally, the City can only use this net position to finance continuing operations and capital expenses of the enterprise funds.

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

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Changes in Net Position Information (in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 12	\$ 9	\$ 77	\$ 74	\$ 89	\$ 83
Grants and contributions	5	8	14	10	19	18
General revenues:					-	-
Property taxes	39	35	-	-	39	35
Sales tax	64	61	-	-	64	61
Other taxes	12	12	-	-	12	12
Proceeds from sale of capital assets		-	1	2	1	2
Other general revenues	6	3	2	1	8	4
Total revenues	138	128	94	87	232	215
Program expenses						
General government	27	35	-	-	27	35
Public safety	57	58	-	-	57	58
Highways and streets	23	20	-	-	23	20
Health and welfare	8	5	-	-	8	5
Culture and recreation	14	21	-	-	14	21
Interest on long term debt	2	1	-	-	2	1
Water	-	-	17	17	17	17
Sewer	-	-	15	15	15	15
Sanitation	-	-	16	16	16	16
Golf	-	-	1	1	1	1
Transit terminal	-	-	1	1	1	1
Bus	-	-	4	4	4	4
Civic center	-	-	0.4	-	0.4	-
Convention center	-	-	6	6	6	6
Airport	-	-	8	7	8	7
Anzalduas international crossing	-	-	5	5	5	5
McAllen Int'l toll bridge	-	-	7	7	7	7
Total expenses	130	140	80	79	211	219
Excess (Loss) before transfers	8	(12)	14	8	21	(4)
Transfers	3	4	(3)	(4)	-	-
Change in net position	11	(8)	11	4	21	(4)
Beginning net position, October 1	353	361	368	364	721	725
Impact of change in accounting principle	(23)	-	-	-	(23)	-
Ending net position, September 30	\$ 341	\$ 353	\$ 378	\$ 368	\$ 719	\$ 721

**City of McAllen, Texas**  
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Total revenues generated from both governmental and business-type activities this year amounted to \$232M, representing an increase of \$17M or 7.91% over last year due primarily to charges for services, property taxes, and sales tax. Sales tax increased \$3M or 4.9%. Expenses came in at \$211M, \$8M less or 3.7% under last year, as FY 13-14 included large capital outlay expenses for the land purchase for the medical school research facility and student housing complex as well as the completion of the DeLeon Soccer Complex., leaving -\$2M as a decrease to net position. The following analysis considers separately the operations of governmental and business-type activities.

**Governmental Activities**

Total revenues generated from governmental activities this year amounted to \$138M. Expenses came in at \$130M, leaving \$8M as an increase before transfers-in of \$3M, thus increasing net position by \$11M, before a restatement of -\$22.5M to the prior year. The restatement was the result of implementing GASB Statement 68.

The cost of all governmental activities this year was \$130M. 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 \$113M. The other \$17M to finance these programs was paid by those who directly benefited from them (\$12M) and by other governments that subsidized certain programs with grants (\$5M).

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	
	2015	2014	2015	2014
Police	\$ 34	\$ 33	\$ 26	\$ 25
Fire	19	19	19	19
Street maintenace	7	10	6	10
Parks	16	13	15	12
Drainage	3	3	3	3
Total	<u>\$ 79</u>	<u>\$ 78</u>	<u>\$ 69</u>	<u>\$ 69</u>

**Business-type Activities**

Total revenues generated from business-type activities this year amounted to \$94M. Expenses came in at \$80M leaving \$14M before transfers out of \$3M, which, resulted in a net increase to net position of \$11M, before a restatement of \$200K to the prior year. The restatement was the result of implementing GASB Statement 68.

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

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

As a result of this year's operations, governmental funds (as reflected in the balance sheet on page 22-23) combined fund balance totaled \$125M or a decrease of \$4M from last year. Current revenues, including net transfers in, were not sufficient to cover current expenditures, thus, resulting in a decrease to net position by \$4M.

**Revenues and Transfers-In and Other Financing Sources**

The following table presents a summary of general fund, special revenue funds, debt service fund and capital projects funds revenues and transfers-in and other financing sources for the years ended September 30, 2015 and 2014.

Revenues, transfers-in and Other Financing Sources	2015 Amount	% of Total	2014 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
Taxes	\$ 114,763,015	63.92%	\$ 108,469,574	\$ 6,293,441	5.80%
Licenses and permits	1,613,397	0.90%	1,447,712	165,685	11.44%
Intergovernmental	3,502,500	1.95%	6,602,805	(3,100,305)	-46.95%
Charges for services	5,767,795	3.21%	5,220,385	547,410	10.49%
Fines and forfeitures	5,415,137	3.02%	2,556,904	2,858,233	111.78%
Investment income	876,393	0.49%	739,885	136,508	18.45%
Miscellaneous	4,348,725	2.42%	1,784,518	2,564,207	143.69%
Proceeds from capital debt	16,316,031	9.09%	57,723,908	(41,407,877)	-71.73%
Transfers-in	26,945,098	15.01%	18,703,155	8,241,943	44.07%
Totals	<u>\$ 179,548,091</u>	<u>100.00%</u>	<u>\$ 203,248,846</u>	<u>\$(23,700,755)</u>	<u>-11.66%</u>

The \$6.3M increase in taxes is primarily an increase in property tax of \$5M, as property tax rates were increased in FY 14-15, and an increase of \$1M in hotel and venue tax due to an approved 2% rate increase (from 7% to 9%). Licenses and permits and charges for services were relatively flat. The increase of \$3M in fines and forfeitures was largely due to seized funds forfeitures. Funding from federal and state assistance decreased by \$3.1M due to a decline in grant revenue for public safety projects as reflected in intergovernmental revenues' category. Investment earnings also reflect a modest increase as compared to last year. The increase of \$2.5M in the miscellaneous category is a result of governmental reimbursements, \$500K, radio system proceeds, \$500K, developer contributions, \$800K, and an increase in several miscellaneous items and grant funding requests. The increase of \$8M in transfers-in was the result of an increase of transfers to the Development Corporation Fund from the General Insurance Fund, \$5.9M, for funding assistance toward a medical research facility, as well as a transfer in from the Hotel Venue Fund of \$2M to assist with construction costs for the Performing Arts Construction Fund. In the prior year, proceeds from capital debt of \$57M included two bond issues, GO Series 2014 for \$45M and CO Series

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2014 for \$12M; this year the City issued \$16M in GO Refunding bonds, Series 2015, to refund CO Series 2010, resulting in a decrease in proceeds from capital debt of \$41M.

**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, 2015 and 2014.

Expenditures and Transfers-out	2015 Amount	% of Total	2014 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
General government	\$ 27,655,376	15.04%	\$ 36,318,600	\$ (8,663,224)	-23.85%
Public safety	57,159,580	31.08%	58,295,032	(1,135,452)	-1.95%
Highways and streets	18,950,050	10.30%	17,311,957	1,638,093	9.46%
Health and welfare	7,666,200	4.17%	4,563,154	3,103,046	68.00%
Culture and recreation	32,905,919	17.89%	27,296,284	5,609,635	20.55%
Debt service:					
Principal	19,853,534	10.79%	2,765,000	17,088,534	618.03%
Interest and fiscal charges	3,803,374	2.07%	774,407	3,028,967	391.13%
Transfers-out	15,923,896	8.66%	13,544,283	2,379,613	17.57%
Totals	<u>\$ 183,917,929</u>	<u>100.00%</u>	<u>\$ 160,868,717</u>	<u>\$ 23,049,212</u>	<u>14.33%</u>

The increase of \$23M in total expenditures was primarily due to an increase of \$1.6M in highways and streets for infrastructure, drainage, and street maintenance. Health and welfare increased \$3.1M, which is mainly due to the payment of \$2M to the Doctor's Hospital medical district. Culture and recreation functions increased \$5.6M due to the Performing Arts Construction expenditures, which was offset by a decrease of \$8.7M in general government, and a decrease of \$1.1M in public safety. Additionally, expenditures increased in: principal payments—\$17M as well as an increase for interest and fiscal charges—\$3M primarily due to the refunding of CO Series 2010. As indicated, transfers-out increased by \$2.4M compared to last year—primarily due to an increase of transfers from the Hotel Venue Fund—\$2M to the Performing Arts Construction Fund; and from the Capital Improvement Fund—\$350K to the Transit System Fund toward an elimination of an advance.

**Fund Balances**

The governmental fund balances decreased by \$4M, from \$129M in the prior year to \$125M in the current year, which is attributed to the spend down of general obligation and certificate of obligation proceeds received for street improvements, sports facility complex, and the new Performing Arts facility. Fund balances by major funds are discussed below.

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**General Fund**

As a result of this year's operations, total fund balance increased by \$5.3M—to \$49.1M. Fund balance categories reflect \$2.3M in non-spendable, \$457K in restricted, leaving \$46M unassigned. For FY 14-15, paving expenditures totaled \$1.3M against a budget of \$3.6M. Management intends to carry over the unused portion of the paving expenditure balance to FY 15-16. 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 171 days, which is 31 days in excess of the minimum requirement.

**Development Corp Fund**

The fund balance in the Development Corporation Fund reflected a decrease of \$680K, leaving the ending restricted fund balance at \$14.5M.

**Capital Improvement Fund**

The Capital Improvement Fund, whose main funding source is a transfer in from the General Fund from decreasing oil and gas royalty proceeds, ended the year with a net decrease, amounting to \$900K, leaving the assigned fund balance at \$3.8M.

**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 \$11.7M increase to net position. Of that amount, the Water and Sewer Funds accounted for approximately \$1.1M; the Sanitation Fund, \$1.3M; the McAllen International Airport, \$7.1M; the McAllen International Toll Bridge's, \$1.2M. The Convention Center Fund, the Anzalduas International Crossing, and non-major proprietary funds combined generated a net increase amounting to \$900K.

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

***Water Fund***

Operating revenues decreased by less than 1.0% as compared to last year due to significant rainfall received throughout the year and summer months. With operating expenses held to last year's totals, the decrease to net position amounted to \$500K. Combined Water and Sewer Fund working capital is in excess of the board policy of 120 days of operating expenses.

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**Sewer Fund**

Since sewer revenues are impacted by water consumptions as noted above, operating revenues increased by 2.6% from last year due to a commodity rate increase in FY 14-15. Operating expenses decreased 4% under last year, mainly due to tighter controls in operations. 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.

**Sanitation Fund**

This year's operating revenues, representing charges for services, increased \$430K or 2.5% over prior year, which primarily represents a small increase in growth in the customer base, as well an increase in brush pickup revenue. As a whole, operating expenses decreased \$667K or 4% over last year, which is due to tighter controls, leaving an operating income of \$1.2M. The effect of non-operating revenues and capital contributions were minimal. Consequently, the net position increased by \$1.3M. Working capital as of year-end amounted to \$9.7M.

**Convention Center Fund**

Operating revenues were \$2.2M and operating expenses were \$5.7M, leaving an operating loss of \$3.5M, which was partially covered by transfers-in from the Hotel Occupancy Tax Fund in the amount of \$2.4M, as well as a gain of \$1.1M from the sale of capital assets. As a result, the Convention Center reported a decrease in net position of \$1.3M, after a transfer out of \$1.3M. Working capital is now reported at \$2.4M.

**McAllen International Airport Fund**

Operating revenues increased this year by 21% from last year's levels due to an increase in parking and car rental fees. Operating expenses increased by 2%. Even with the increased revenue, the Airport Fund sustained a loss of \$785K before capital contributions and transfers out. Capital contributions from the Passenger Facility Charge as well as the FAA amounted to \$8.9M. 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 \$7M is reported. This years' working capital is reflected at \$6.5M, not considering liabilities payable from restricted assets, which are included in current liabilities.

**McAllen International Toll Bridge Fund**

The table below reflects three types of crossings for 2015, as well as 2014. With the exception of truck crossings, all other categories reflect decreases.

Category	FY 14-15	FY 13-14	Increase (Decrease)	% Increase (Decrease)
Cars	2,822,746	2,834,249	(11,503)	-0.40%
Non-Commercial Trucks & Buses	33,211	33,008	203	0.60%
Passengers in cars	7,056,865	7,085,623	(28,758)	-0.40%

Despite a decline in southbound car crossings of 12K or .40%, revenues came in at \$11M or a slight increase of \$548K over last year. Rental income increased \$418K, however, other income remained relatively flat. Operating expenses increased slightly by \$14K over last year. After considering all other non-operating revenues and expenses, changes in this year's increase in net position totaled \$1.2M.



**City of McAllen, Texas**  
**Management Discussion and Analysis**  
**September 30, 2015**

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 \$33M at September 30, 2015. Working capital, not considering liabilities payable from restricted assets, which are included in current liabilities, at year end amounted to \$1.1M.

**Anzalduas International Crossing**

The table below reflects four types of crossings for 2015, as well as 2014. With the exception of buses and truck crossings, all other categories of crossings reflect increases.

Category	FY 14-15	FY 13-14	Increase (Decrease)	% Increase (Decrease)
Cars	974,930	950,143	24,787	2.61%
Trucks	-	859	(859)	-100.00%
Buses	1,342	1,922	(580)	-30.18%
Passengers in cars	2,437,325	2,375,358	61,967	2.61%

Southbound car crossings increased 25K or 2.6% with revenues coming in at \$3.2M, an increase of \$166K over last year. Operating expenses decreased by \$10K over last year. After a transfer in of \$948K and implementation of GASB Statement No. 68 in the amount of -\$4K, the change in net position was a negative \$338K. This resulted in an ending net position deficit of \$1.1M.

Unrestricted net position is reflected as a deficit in the amount of \$15.2M, 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 \$375K. This increase was primarily to cover street improvements.

**Pensions and Retiree Healthcare**

Effective for fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" created specific reporting requirements for pensions that are different than that used for funding purposes. Valuations are important as the reporting valuation provides a rigorous standard measure that can be used to compare the City's pension liabilities to other governments from around the nation. The funding valuation is important as the actuarial methods used including strategies for repaying any unfunded actuarial accrued liabilities combined with the City's history of making those contributions provides insights regarding the City's commitment to and the effectiveness of its funding strategy. Information contained in the financial statements themselves including the first schedule of Required Supplementary Information (RSI), Schedule of Changes in Net Pension Liability and Related Ratios, is based on the reporting valuation. The second schedule in the RSI, Schedule of Contributions, is based on the funding valuation. On a reporting basis, the City's financial statements reflect a Net Pension Liability as of September 30, 2015 of \$ 1,698,401, which is 2.73% of the City's annual covered payroll of \$62,261,492.

The Firemen's Relief & Retirement Fund (the Plan) reflects a Net Pension Liability as of September 30, 2015 of \$26,152,622, which is 230% of the Plan's annual covered payroll of \$11,365,262.

**City of McAllen, Texas**  
**Management Discussion and Analysis**  
**September 30, 2015**

Information contained in the financial statements themselves including the third schedule of Required Supplementary Information (RSI), Schedule of Changes in Net Pension Liability and Related Ratios, is based on the reporting valuation. The fourth schedule in the RSI, Schedule of Contributions, is based on the funding valuation.

Retiree health care's net OPEB liability has been calculated in accordance with GASB Statement No.45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," to be \$1,142,521, as of September 30, 2015.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of the fiscal year, the City had \$709M in net capital assets.

Capital Assets at Year-end (Net of Depreciation, in Millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 56	\$ 59	\$ 21	\$ 21	\$ 77	\$ 80
Buildings and improvements	87	90	322	301	409	391
Equipment	21	22	20	19	41	41
Infrastructure	82	86	-	-	82	86
Construction in progress	50	24	42	49	92	73
Capitalized interest	-	-	1	1	1	1
Water rights	-	-	7	6	7	6
Totals	<u>\$ 296</u>	<u>\$ 281</u>	<u>\$ 413</u>	<u>\$ 397</u>	<u>\$ 709</u>	<u>\$ 678</u>

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

Memorial Stadium Rehab	\$3
Street projects financed by the City directly and dedicated by developers	2
Drainage projects	2
Public Safety Building Improvements	2
Airport projects	9
Water and Sewer improvement projects	<u>10</u>
Total	<u>\$28</u>

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

**City of McAllen, Texas**  
**Management Discussion and Analysis**  
**September 30, 2015**

**Debt**

At the end of the fiscal year, the City had \$238M in bonds outstanding—as shown in the following table:

Outstanding Debt at Year-end  
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
General/certificate of obligation bonds/note (backed by the City)	\$ 12	\$ 31	\$ -	\$ -	\$ 12	\$ 31
Revenue bonds backed by Specific tax and fee revenues	56	42	170	139	226	181
Totals	<u>\$ 68</u>	<u>\$ 73</u>	<u>\$ 170</u>	<u>\$ 139</u>	<u>\$ 238</u>	<u>\$ 212</u>

For more detailed information on long term debt activity, refer to the notes to financial statements (refer to page 92).

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

During the budget process for fiscal year 2015-16 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 last year's budget by \$3.8M or more than 3.54%. Expenditures were budgeted with a \$3.5M increase or 2.0% over this year's budget.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

  
Roel Rodriguez  
City Manager

  
Susan Lozano, CPA, CGFO  
Finance Director

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**CITY OF McALLEN, TEXAS**  
**STATEMENT OF NET POSITION**  
**September 30, 2015**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash	\$ 2,420,926	\$ 2,643,193	\$ 5,064,119
Certificate of deposits	34,950,150	435,000	35,385,150
Investments	110,603,142	30,071,312	140,674,454
Receivables, net	21,376,601	7,509,000	28,885,601
Internal balances	(2,087,650)	2,087,650	-
Inventories	-	409,509	409,509
Prepaid expense	41,595	37,941	79,536
Notes receivable	-	168,702	168,702
Restricted assets	-	118,022,054	118,022,054
Capital assets not being depreciated:			
Land	55,958,562	21,102,311	77,060,873
Construction in progress	50,044,063	41,890,742	91,934,805
Water rights (perpetual)	-	4,923,100	4,923,100
Goodwill	-	609,713	609,713
Capital assets being depreciated:			
Buildings and systems	84,278,927	321,796,290	406,075,217
Equipment	84,475,951	60,493,019	144,968,970
Improvements	49,653,263	210,618,236	260,271,499
Infrastructure	203,512,586	-	203,512,586
Water rights	-	3,200,000	3,200,000
Accumulated depreciation	(231,464,793)	(251,116,399)	(482,581,192)
Other long term assets	2,254,350	-	2,254,350
Total Assets	466,017,673	574,901,373	1,040,919,046
<b>Deferred outflows of resources:</b>			
Deferred charges on refunding	-	539,097	539,097
Deferred charges - pensions	8,513,968	1,515,164	10,029,132
Total Assets and Deferred Outflows of Resources	<b>\$ 474,531,641</b>	<b>\$ 576,955,634</b>	<b>\$ 1,051,487,275</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	14,476,478	14,290,140	28,766,618
Unearned revenues	608,224	1,548,083	2,156,307
Other	3,670,583	1,782,636	5,453,219
Non-current liabilities:			
Due within one year	11,042,263	9,111,631	20,153,894
Due in more than one year	71,474,984	170,614,579	242,089,563
Net OPEB obligation	1,142,521	-	1,142,521
Net pension liability - Firemen's Pension	26,152,623	-	26,152,623
Net pension liability - TMRS	1,198,224	500,177	1,698,401
Total liabilities	129,765,900	197,847,246	327,613,146
<b>Deferred inflows of resources</b>			
Deferred charges on refunding	369,152	631,922	1,001,074
Deferred charges - pensions	3,224,576	-	3,224,576
Total Liabilities And Deferred Inflows of Resources	133,359,628	198,479,168	331,838,796
<b>NET POSITION</b>			
Net investment in capital assets	271,338,778	245,028,871	516,367,649
Restricted for:			
Economic Development	14,510,490	-	14,510,490
Capital projects	-	41,463,534	41,463,534
Federal and state grant awards	6,255,265	-	6,255,265
Hotel Tourism	274,254	-	274,254
Parks	1,209,462	-	1,209,462
Debt service	637,201	6,248,754	6,885,955
Distribution of net surplus revenues	-	5,674,899	5,674,899
Other purposes	1,120,462	-	1,120,462
Unrestricted	45,826,101	80,060,408	125,886,509
Total net position	341,172,013	378,476,466	719,648,479
Total liabilities, deferred inflows of resources, and net position	<b>\$ 474,531,641</b>	<b>\$ 576,955,634</b>	<b>\$ 1,051,487,275</b>

**CITY OF McALLEN, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2015**

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Governmental activities:</b>			
General government	\$ 26,748,778	\$ 2,088,536	\$ 471,679
Public safety	57,338,636	7,394,577	299,903
Highways and streets	23,018,428	1,108,870	4,532
Health and welfare	7,676,848	414,699	1,012,255
Culture and recreation	13,810,026	1,202,362	172,821
Interest on long-term debt	2,159,876	-	-
Total governmental activities	130,752,592	12,209,044	1,961,190
<b>Business-type activities:</b>			
Water services	17,161,204	15,659,444	-
Sewer services	15,063,966	15,378,193	-
Sanitation services	16,352,417	17,398,629	945
Golf course services	1,365,580	1,264,069	-
Civic center services	417,072	383,717	-
Convention center services	5,660,315	2,071,647	-
Airport services	7,922,418	6,974,726	-
Transit services	1,432,186	42,838	424,171
Bus services	3,621,901	1,064,209	904,096
Bridge services--anzalduas	4,552,866	3,219,969	-
Bridge services	6,877,304	13,600,185	-
Total business-type activities	80,427,229	77,057,626	1,329,212
Total primary government	211,179,821	89,266,670	3,290,402
General revenues:			
Property taxes			
Hotel occupancy tax			
Sales taxes			
Franchise taxes			
Unrestricted investment earnings			
Royalties			
Miscellaneous			
Gain on sale of capital assets			
Transfers			
Total general revenues, special items, and transfers			
Change in net position			
Net position - at beginning of year, restated			

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

Net (Expenses) Revenues and Changes in Net Position			
Capital Grants and Contributions	Primary Government		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (24,188,563)	\$ -	\$ (24,188,563)
333,808	(49,310,348)	-	(49,310,348)
2,432,464	(19,472,562)	-	(19,472,562)
-	(6,249,894)	-	(6,249,894)
640,017	(11,794,826)	-	(11,794,826)
-	(2,159,876)	-	(2,159,876)
3,406,289	(113,176,069)	-	(113,176,069)
47,806	-	(1,453,954)	(1,453,954)
881,504	-	1,195,731	1,195,731
-	-	1,047,157	1,047,157
-	-	(101,511)	(101,511)
-	-	(33,355)	(33,355)
-	-	(3,588,668)	(3,588,668)
8,977,886	-	8,030,194	8,030,194
3,057,983	-	2,092,806	2,092,806
77,514	-	(1,576,082)	(1,576,082)
-	-	(1,332,897)	(1,332,897)
-	-	6,722,881	6,722,881
13,042,693	-	11,002,302	11,002,302
16,448,982	(113,176,069)	11,002,302	(102,173,767)
39,050,045	-	-	39,050,045
5,479,719	-	-	5,479,719
63,758,787	-	-	63,758,787
6,613,745	-	-	6,613,745
1,077,441	649,882	-	1,727,323
828,482	-	-	828,482
4,332,402	1,220,285	-	5,552,687
-	1,123,687	-	1,123,687
3,086,193	(3,086,193)	-	-
124,226,814	(92,339)	-	124,134,475
11,050,745	10,909,963	-	21,960,708
330,121,268	367,566,503	-	697,687,771
\$ 341,172,013	\$ 378,476,466	\$ -	\$ 719,648,479

**CITY OF McALLEN, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2015**

	<u>General</u>	<u>Development Corp.</u>
<b>ASSETS</b>		
Cash	\$ 1,207,847	\$ 70,576
Certificates of deposit	-	-
Investments	50,390,584	14,915,211
Receivables, net:		
Taxes	11,724,436	2,524,109
Accounts	1,609,038	16
Accrued interest	26,291	11,310
Other	570,141	-
Due from other funds	195,862	-
Due from other governments	127,207	200,856
Prepays	41,595	-
Board advances	2,254,349	-
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 68,147,350</u>	<u>\$ 17,722,078</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 2,648,685	\$ 1,180,132
Accrued liabilities	3,034,105	369,206
Due to other funds	-	319,420
Unearned revenues	608,224	-
Other	905,565	-
	<u>                    </u>	<u>                    </u>
Total liabilities	7,196,579	1,868,758
Deferred inflows of resources	<u>11,828,243</u>	<u>1,338,332</u>
Total liabilities and deferred inflows of resources	<u>19,024,822</u>	<u>3,207,090</u>
Fund balances:		
Nonspendable	2,295,944	-
Restricted	457,022	14,514,988
Committed	-	-
Assigned	-	-
Unassigned	46,369,562	-
	<u>                    </u>	<u>                    </u>
Total fund balances	<u>49,122,528</u>	<u>14,514,988</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 68,147,350</u>	<u>\$ 17,722,078</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>
\$ 116,733	\$ 717,427	\$ 2,112,583
300,000	34,590,150	34,890,150
3,053,167	27,359,763	95,718,725
-	-	-
-	117,756	14,366,301
-	383,126	1,992,180
3,164	18,878	59,643
4,244	600	574,985
-	-	195,862
774,921	499,277	1,602,261
-	-	41,595
-	-	2,254,349
<u>\$ 4,252,229</u>	<u>\$ 63,686,977</u>	<u>\$ 153,808,634</u>
\$ 255,669	\$ 1,847,225	\$ 5,931,711
156,473	901,216	4,461,000
-	413,529	732,949
-	-	608,224
-	2,765,017	3,670,582
412,142	5,926,987	15,404,466
-	117,757	13,284,332
412,142	6,044,744	28,688,798
-	-	2,295,944
-	56,517,726	71,489,736
-	513,561	513,561
3,840,087	610,946	4,451,033
-	-	46,369,562
3,840,087	57,642,233	125,119,836
<u>\$ 4,252,229</u>	<u>\$ 63,686,977</u>	<u>\$ 153,808,634</u>

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**CITY OF McALLEN, TEXAS**  
**Reconciliation of the Balance Sheet of the Governmental Funds**  
**to the Statement of Net Position**  
**September 30, 2015**

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Total governmental fund balances (refer to page 23) \$ 125,119,836

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. 284,384,426

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-\$3,604,336; sales taxes-\$5,518,596; weed and lot cleaning-\$693,789; others-\$1,213,262; and Mission repayment on Series B Bridge bonds, \$2,254,349. 13,284,332

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position. 24,793,059

Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds, including unpaid compensated absences, (\$10,391,400), sales tax revenue bonds payable, (\$75,000), accrued interest, (\$336,464), certificates of obligation, (\$11,645,000), general obligations (\$56,815,000), premium, (\$3,573,648), deferred inflows of resources, (\$3,593,728), Firemen's net pension liability, (\$26,152,623), OPEB obligation, (\$1,142,521), deferred outflows of resources, \$8,513,968, and TMRS net pension liability, (\$1,198,224). (106,409,640)

Net position of governmental activities 341,172,013

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, 2015**

	<u>General</u>	<u>Development Corp</u>
<b>REVENUES</b>		
Taxes	\$ 90,125,099	\$ 15,734,994
Licenses and permits	1,597,010	-
Intergovernmental	2,000	172,106
Charges for services	4,663,555	-
Fines and forfeitures	1,505,643	-
Investment earnings	394,552	107,553
Net increase in the fair value of investments	80,064	19,629
Other	2,137,921	564,285
	<u>100,505,844</u>	<u>16,598,567</u>
Total revenues		
	<u>100,505,844</u>	<u>16,598,567</u>
<b>EXPENDITURES</b>		
Current:		
General government	18,878,258	5,554,319
Public safety	52,677,013	-
Highways and streets	9,789,103	5,925,312
Health and welfare	2,131,645	4,412,204
Culture and recreation	16,912,664	2,066,419
Debt service:		
Principal	-	25,000
Interest and fiscal charges	-	5,400
	<u>100,388,683</u>	<u>17,988,654</u>
Total expenditures		
	<u>100,388,683</u>	<u>17,988,654</u>
Excess of revenues over (under) expenditures	<u>117,161</u>	<u>(1,390,087)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	10,197,181	5,900,000
Transfers out	(5,021,595)	(5,189,299)
Issuance of debt	-	-
Bond premium	-	-
	<u>5,175,586</u>	<u>710,701</u>
Net other financing sources		
	<u>5,175,586</u>	<u>710,701</u>
Net change in fund balances	5,292,747	(679,386)
Fund balances at beginning of year	43,829,781	15,194,374
	<u>43,829,781</u>	<u>15,194,374</u>
Fund balances at end of year	<u>\$ 49,122,528</u>	<u>\$ 14,514,988</u>

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

<b>Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 8,902,922	\$ 114,763,015
-	16,387	1,613,397
470,963	2,857,431	3,502,500
-	1,104,240	5,767,795
-	3,909,494	5,415,137
26,836	240,006	768,947
5,948	1,805	107,446
1,192,461	454,058	4,348,725
<u>1,696,208</u>	<u>17,486,343</u>	<u>136,286,962</u>
1,188,574	2,034,225	27,655,376
1,693,601	2,788,966	57,159,580
1,117,540	2,118,095	18,950,050
-	1,122,351	7,666,200
1,104,117	12,822,719	32,905,919
-	19,828,534	19,853,534
-	3,797,974	3,803,374
<u>5,103,832</u>	<u>44,512,864</u>	<u>167,994,033</u>
<u>(3,407,624)</u>	<u>(27,026,521)</u>	<u>(31,707,071)</u>
2,863,491	7,984,426	26,945,098
(352,716)	(5,360,286)	(15,923,896)
-	15,035,000	15,035,000
-	1,281,031	1,281,031
<u>2,510,775</u>	<u>18,940,171</u>	<u>27,337,233</u>
(896,849)	(8,086,350)	(4,369,838)
<u>4,736,936</u>	<u>65,728,583</u>	<u>129,489,674</u>
<u>\$ 3,840,087</u>	<u>\$ 57,642,233</u>	<u>\$ 125,119,836</u>

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**CITY OF McALLEN, TEXAS**  
**Reconciliation of the Statement of Revenues**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended September 30, 2015**

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

Net change in fund balances--total governmental funds (refer to page 27)	\$ (4,369,838)
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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 \$31,868,245 exceeded depreciation, net of depreciation (\$14,057,931) in the current period.	17,810,314
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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.	951,444
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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 position.	3,695,000
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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 (\$120,417) is compensated absences, \$288,745 accrued interest expense, \$1,039,759 bond premium amortization expense, (\$1,668,276) Firemen's Fund net pension liability, and \$2,926,902, pension expense.	2,466,713
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	<u>(9,502,886)</u>
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Change in net position of governmental activities	<u><u>\$ 11,050,747</u></u>
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The notes to the financial statements are an integral part of this statement.

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**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes:				
Property	\$ 34,847,424	\$ 34,847,424	\$ 35,627,720	\$ 780,296
Sales:				
City sales	47,697,314	47,697,314	47,204,977	(492,337)
Mixed drink	785,000	785,000	818,816	33,816
Franchise	6,620,500	6,620,500	6,473,586	(146,914)
Total taxes	89,950,238	89,950,238	90,125,099	174,861
Licenses and permits:				
Business licenses and permits	55,000	55,000	76,582	21,582
Occupational	254,100	254,100	260,738	6,638
Non-business licenses and permits	1,013,500	1,013,500	1,259,690	246,190
Total licenses and permits	1,322,600	1,322,600	1,597,010	274,410
Intergovernmental revenues:				
State shared revenues	-	-	2,000	2,000
Total intergovernmental revenues	-	-	2,000	2,000
Charges for services:				
General government	2,199,500	2,199,500	2,103,350	(96,150)
Public safety	693,000	693,000	694,749	1,749
Highways and streets	3,000	3,000	4,630	1,630
Health	607,950	607,950	713,865	105,915
Culture and recreation	1,140,710	1,140,710	1,146,961	6,251
Total charges for services	4,644,160	4,644,160	4,663,555	19,395
Fines and forfeitures:				
Corporations court	1,550,000	1,611,497	1,450,244	(161,253)
Other fines	65,000	65,000	55,399	(9,601)
Total fines and forfeitures	1,615,000	1,676,497	1,505,643	(170,854)
Investment earnings	375,000	375,000	394,552	19,552

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Net increase in fair value of investments	\$ -	\$ -	\$ 80,064	\$ 80,064
Other:				
Royalties	1,000,000	1,000,000	828,482	(171,518)
Rents and concessions	10,000	10,000	21,211	11,211
Reimbursements	-	-	610,752	610,752
Other	18,100	18,100	677,476	659,376
Total other revenues	1,028,100	1,028,100	2,137,921	1,109,821
Total revenues	98,935,098	98,996,595	100,505,844	1,509,249
<b>EXPENDITURES</b>				
General government:				
City commission	191,659	191,659	299,115	(107,456)
Special service	811,800	811,800	759,407	52,393
City manager	1,408,253	1,408,253	1,280,418	127,835
City secretary	486,503	486,503	526,711	(40,208)
Vital statistics	159,074	159,074	157,293	1,781
Passport facility	94,604	94,604	84,842	9,762
Audit office	251,652	251,652	119,732	131,920
Municipal court	1,377,321	1,438,818	1,287,893	150,925
Finance	1,303,194	1,303,194	1,126,448	176,746
Budget & management	357,520	357,520	331,635	25,885
Tax office	944,012	944,012	1,029,606	(85,594)
Purchasing and contracting	577,276	577,276	512,185	65,091
Legal	1,334,970	1,334,970	1,369,372	(34,402)
Grant administration	403,584	403,584	407,763	(4,179)
Right of way	188,898	188,898	167,326	21,572
Human resources	805,311	805,311	745,762	59,549
Risk management	651,761	651,761	651,761	-
Planning	1,210,823	1,210,823	904,620	306,203
Information technology	2,713,331	2,713,331	2,537,049	176,282
Public information office	728,108	728,108	722,771	5,337
311 Call center	204,401	204,401	186,380	18,021
City hall	607,344	607,344	642,019	(34,675)
Development Center	110,434	110,434	104,947	5,487
Building maintenance	801,076	801,076	793,431	7,645
Non-departmental activities	2,150,435	2,150,435	2,129,772	20,663
Contingency	(1,275,000)	(1,275,000)	-	(1,275,000)
Total general government	18,598,344	18,659,841	18,878,258	(218,417)

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Public safety:				
Police	\$ 31,703,319	\$ 31,703,319	\$ 31,105,740	\$ 597,579
Animal control	384,443	420,662	337,801	82,861
Communication technology	337,696	337,696	295,366	42,330
Fire	16,803,453	16,803,453	17,579,457	(776,004)
Traffic operations	2,473,724	2,473,724	2,352,207	121,517
Building code compliance	1,009,152	1,009,152	1,006,442	2,710
Total public safety	52,711,787	52,748,006	52,677,013	70,993
Highways and streets:				
Engineering services	1,852,359	1,852,359	1,690,862	161,497
Street cleaning	419,572	452,291	410,050	42,241
Street maintenance	6,342,243	6,492,778	3,796,193	2,696,585
Street lighting	1,977,001	1,977,001	2,419,099	(442,098)
Sidewalk construction	342,637	348,392	240,240	108,152
Drainage	1,405,365	1,493,444	1,232,659	260,785
Total highways and streets	12,339,177	12,616,265	9,789,103	2,827,162
Health and welfare:				
Health code compliance	1,180,989	1,180,989	1,243,361	(62,372)
Graffiti cleaning	154,613	154,613	154,076	537
Other agencies	367,662	367,662	734,208	(366,546)
Total health and welfare	1,703,264	1,703,264	2,131,645	(428,381)
Culture and recreation:				
Parks and recreation administration	572,119	572,119	511,374	60,745
Parks	6,875,800	6,875,800	6,362,746	513,054
Recreation	1,574,995	1,574,995	1,377,095	197,900
Pools	905,701	905,701	870,287	35,414
Las palmas community center	408,245	408,245	396,562	11,683
Recreation center-Lark	534,544	534,544	508,693	25,851
Recreation center-Palmview	532,606	532,606	469,920	62,686

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Quinta mazatlan	\$ 536,877	\$ 536,877	\$ 537,021	\$ (144)
Library	3,519,049	3,519,049	3,191,148	327,901
Library branch-Lark	470,172	470,172	452,117	18,055
Library branch-Palmview	496,579	496,579	460,042	36,537
Other agencies	983,259	983,259	983,259	-
Museums	792,400	792,400	792,400	-
Total culture and recreation	18,202,346	18,202,346	16,912,664	1,289,682
Total expenditures	103,554,918	103,929,722	100,388,683	3,541,039
Excess of revenues over expenditures	(4,619,820)	(4,933,127)	117,161	5,050,288
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	9,443,115	9,443,115	10,197,181	754,066
Transfers out	(4,507,300)	(4,697,300)	(5,021,595)	(324,295)
Net other financing sources	4,935,815	4,745,815	5,175,586	429,771
Net change in fund balances	315,995	(187,312)	5,292,747	5,480,059
Fund balances at beginning of year	43,829,781	43,829,781	43,829,781	-
Fund balances at end of year	\$ 44,145,776	\$ 43,642,469	\$ 49,122,528	\$ 5,480,059

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

**CITY OF McALLEN, TEXAS**  
**DEVELOPMENT CORPORATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Sales tax	\$ 15,823,750	\$ 15,823,750	\$ 15,734,994	\$ (88,756)
Intergovernmental revenues	5,269,465	6,709,465	172,106	(6,537,359)
Investment earnings	100,000	100,000	107,553	7,553
Net increase (decrease) in the fair value of investments	-	-	19,629	19,629
Other	<u>1,667,729</u>	<u>2,690,229</u>	<u>535,536</u>	<u>(2,154,693)</u>
Total revenues	<u>22,860,944</u>	<u>25,323,444</u>	<u>16,569,818</u>	<u>(8,753,626)</u>
<b>EXPENDITURES</b>				
Current:				
General government	9,736,297	10,182,797	5,554,319	4,628,478
Public safety	50,000	34,000	-	34,000
Highways and streets	8,792,280	9,447,110	5,925,312	3,521,798
Health and welfare	2,412,801	4,412,801	4,412,204	597
Culture and recreation	5,237,836	7,452,594	2,066,419	5,386,175
Debt service:				
Principal	25,000	25,000	25,000	-
Interest and fiscal charges	<u>4,594</u>	<u>4,594</u>	<u>5,400</u>	<u>(806)</u>
Total expenditures	<u>26,258,808</u>	<u>31,558,896</u>	<u>17,988,654</u>	<u>13,570,242</u>
Excess (deficiency) of revenues over expenditures	<u>(3,397,864)</u>	<u>(6,235,452)</u>	<u>(1,418,836)</u>	<u>4,816,616</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,900,000	5,900,000	5,900,000	-
Transfers out	<u>(5,699,224)</u>	<u>(5,786,538)</u>	<u>(5,189,299)</u>	<u>597,239</u>
Total other financing sources	<u>200,776</u>	<u>113,462</u>	<u>710,701</u>	<u>597,239</u>
Net changes in fund balances	(3,197,088)	(6,121,990)	(708,135)	5,413,855
Fund balances--beginning	<u>15,194,374</u>	<u>15,194,374</u>	<u>15,194,374</u>	<u>-</u>
Fund balances--ending	<u>\$ 11,997,286</u>	<u>\$ 9,072,384</u>	<u>\$ 14,486,239</u>	<u>\$ 5,413,855</u>

**CITY OF McALLEN, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**September 30, 2015**

	<b>Business Type Activities-Enterprise Funds</b>				
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Convention Center</b>	<b>McAllen International Airport</b>
<b>ASSETS</b>					
Current assets:					
Cash	\$ 184,928	\$ 2	\$ 229,182	\$ 81,069	\$ 419,164
Certificate of deposit	-	45,000	300,000	-	30,000
Investments	2,829,299	1,729,646	8,917,859	2,684,683	6,066,395
Receivables, net:					
Accounts	1,798,210	1,696,809	1,835,171	22,051	221,127
Accrued interest	2,229	1,028	5,802	806	3,871
Other	-	14,537	-	-	-
Due from other funds	-	-	-	175,127	-
Due from other governments	-	-	247	-	750,873
Inventories, at cost	42,589	-	-	-	-
Interfund loan	-	-	-	-	-
Prepaid expense	-	-	-	37,941	-
Restricted assets:					
Cash and cash equivalents	499,361	1,109,988	15,074	5,155	127,985
<b>Total current assets</b>	<b>5,356,616</b>	<b>4,597,010</b>	<b>11,303,335</b>	<b>3,006,832</b>	<b>7,619,415</b>
Noncurrent assets:					
Restricted assets:					
Investments	12,397,016	71,227,623	8,635,793	1,468,833	6,022,883
Accrued interest	-	-	7,659	-	-
Interfund loan receivable	3,684,885	-	-	-	-
Other	22,232	-	-	-	922,220
<b>Total noncurrent restricted assets</b>	<b>16,104,133</b>	<b>71,227,623</b>	<b>8,643,452</b>	<b>1,468,833</b>	<b>6,945,103</b>
Capital assets:					
Land	3,039,265	2,257,236	1,101,490	5,711,485	3,251,781
Buildings and systems	62,555,673	105,992,519	2,379,267	56,281,224	32,480,501
Improvements other than buildings	60,654,471	37,569,994	532,748	6,733,381	81,933,827
Machinery and equipment	7,981,135	7,544,780	24,653,026	2,955,170	2,684,146
Construction in progress	3,264,441	27,969,560	9,152	-	9,411,561
Goodwill	-	-	-	-	-
Water rights	8,123,100	-	-	-	-
Less accumulated depreciation and amortization	(63,489,835)	(67,018,977)	(18,732,777)	(13,720,747)	(52,449,984)
<b>Total capital assets (net of accumulated depreciation and amortization)</b>	<b>82,128,250</b>	<b>114,315,112</b>	<b>9,942,906</b>	<b>57,960,513</b>	<b>77,311,832</b>
Other noncurrent assets					
Loans receivable	84,351	84,351	-	-	-
Board advances	-	-	-	-	-
<b>Total other noncurrent assets</b>	<b>84,351</b>	<b>84,351</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total noncurrent assets</b>	<b>98,316,734</b>	<b>185,627,086</b>	<b>18,586,358</b>	<b>59,429,346</b>	<b>84,256,935</b>
<b>Total assets</b>	<b>\$ 103,673,350</b>	<b>\$ 190,224,096</b>	<b>\$ 29,889,693</b>	<b>\$ 62,436,178</b>	<b>\$ 91,876,350</b>
Deferred outflows of resources:					
Deferred charges on refundings	335,434	203,663	-	-	-
Deferred charges - pensions	371,974	233,577	378,148	108,557	95,695
<b>Total assets and deferred outflows of resources</b>	<b>\$ 104,380,758</b>	<b>\$ 190,661,336</b>	<b>\$ 30,267,841</b>	<b>\$ 62,544,735</b>	<b>\$ 91,972,045</b>

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

Business-type Activities-Enterprise Funds				Governmental Activities
McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 297,728	\$ 114,774	\$ 460,306	\$ 1,787,153	\$ 1,164,383
-	-	60,000	435,000	60,000
1,826,129	1,122,154	4,895,147	30,071,312	14,884,417
8,188	-	3,482	5,585,038	371,350
-	-	1,938	15,674	11,184
-	-	-	14,537	430,765
-	-	363,202	538,329	-
150,669	-	769,526	1,671,315	5,362
-	-	-	42,589	366,920
-	-	-	-	2,185,006
-	-	-	37,941	-
154,123	79,879	151,264	2,142,829	-
2,436,837	1,316,807	6,704,865	42,341,717	19,479,387
9,495,750	1,859,807	134,525	111,242,230	-
-	-	-	7,659	-
-	-	-	3,684,885	-
-	-	-	944,452	-
9,495,750	1,859,807	134,525	115,879,226	-
573,798	2,936,598	2,230,658	21,102,311	4,928,005
11,976,770	42,823,095	7,307,240	321,796,289	-
3,254,474	8,017,194	11,789,324	210,485,413	132,823
2,230,250	970,334	10,680,520	59,699,361	25,581,799
1,147,685	88,343	-	41,890,742	-
609,713	-	-	609,713	-
-	-	-	8,123,100	-
(10,566,175)	(8,778,399)	(15,823,928)	(250,580,822)	(18,177,590)
9,226,515	46,057,165	16,183,814	413,126,107	12,465,037
-	-	-	168,702	-
16,397,628	-	-	16,397,628	-
16,397,628	-	-	16,566,330	-
35,119,893	47,916,972	16,318,339	545,571,663	12,465,037
\$ 37,556,730	\$ 49,233,779	\$ 23,023,204	\$ 587,913,380	\$ 31,944,424
-	-	-	539,097	-
74,086	27,782	170,809	1,460,628	54,536
\$ 37,630,816	\$ 49,261,561	\$ 23,194,013	\$ 589,913,105	\$ 31,998,960

Continued

**CITY OF McALLEN, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**September 30, 2015**

	<b>Business Type Activities-Enterprise Funds</b>				
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Convention Center</b>	<b>McAllen International Airport</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 903,473	\$ 2,306,504	\$ 765,571	\$ 138,072	\$ 700,587
Accrued expenses	426,742	1,180,300	269,817	75,886	1,286,779
Due to other funds	-	-	-	-	-
Due to other government agencies	-	-	-	-	-
Customer deposits payable	2,499,647	-	-	48,265	-
Compensated absences	408,898	251,395	337,193	74,964	96,093
Current portion of revenue bonds	1,649,458	4,486,542	-	-	395,000
Interfund loan	-	-	-	-	-
Other	16,684	100,000	300	255,984	30,934
Total current liabilities	<u>5,904,902</u>	<u>8,324,741</u>	<u>1,372,881</u>	<u>593,171</u>	<u>2,509,393</u>
Other noncurrent liabilities:					
Revenue bonds, net of current portion	17,379,386	107,903,778	-	-	7,970,000
Compensated absences	59,938	93,151	101,299	49,261	22,093
Interfund notes payable	-	-	-	-	3,684,885
Unearned revenues	232,168	495,000	468,816	133,149	-
Board advances	-	-	-	-	-
Net pension liability	122,794	77,107	124,832	35,836	31,590
Total other noncurrent liabilities	<u>17,794,286</u>	<u>108,569,036</u>	<u>694,947</u>	<u>218,246</u>	<u>11,708,568</u>
Total liabilities	<u>23,699,188</u>	<u>116,893,777</u>	<u>2,067,828</u>	<u>811,417</u>	<u>14,217,961</u>
Deferred inflows of resources - refunding	<u>353,877</u>	<u>278,045</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>\$ 24,053,065</u>	<u>\$ 117,171,822</u>	<u>\$ 2,067,828</u>	<u>\$ 811,417</u>	<u>\$ 14,217,961</u>
<b>NET POSITION</b>					
Net investments in capital assets	63,204,495	10,630,372	9,942,906	57,960,513	65,043,172
Restricted for:					
Capital projects	12,746,633	18,391,903	-	1,473,988	5,435,190
Debt service	547,126	3,930,183	-	-	292,001
Distribution of net surplus revenues	-	-	-	-	-
Unrestricted	<u>3,829,439</u>	<u>40,537,056</u>	<u>18,257,107</u>	<u>2,298,817</u>	<u>6,983,721</u>
Total net position	<u>80,327,693</u>	<u>73,489,514</u>	<u>28,200,013</u>	<u>61,733,318</u>	<u>77,754,084</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 104,380,758</u>	<u>\$ 190,661,336</u>	<u>\$ 30,267,841</u>	<u>\$ 62,544,735</u>	<u>\$ 91,972,045</u>

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



Business-type Activities-Enterprise Funds				Governmental Activities
McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 913,440	\$ 117,288	\$ 915,065	\$ 6,760,000	\$ 1,598,378
-	150,394	283,278	3,673,196	2,507,893
1,242	-	-	1,242	-
950,066	-	-	950,066	-
-	-	-	2,547,912	-
84,435	-	22,653	1,275,631	-
-	1,305,000	-	7,836,000	-
1,328,623	-	-	1,328,623	-
50,072	-	39	454,013	-
3,327,878	1,572,682	1,221,035	24,826,683	4,106,271
-	32,305,987	-	165,559,151	-
14,042	16,646	129,038	485,468	45,889
856,384	-	-	4,541,269	-
116,855	-	102,095	1,548,083	-
-	16,397,628	-	16,397,628	-
24,457	9,171	56,387	482,174	18,003
1,011,738	48,729,432	287,520	189,013,773	63,892
4,339,616	50,302,114	1,508,555	213,840,456	4,170,163
-	-	-	631,922	-
\$ 4,339,616	\$ 50,302,114	\$ 1,508,555	\$ 214,472,378	\$ 4,170,163
9,226,515	12,446,180	16,183,814	244,637,967	12,465,037
2,637,157	740,036	38,627	41,463,534	-
503,104	976,340	-	6,248,754	-
5,674,899	-	-	5,674,899	-
15,249,525	(15,203,109)	5,463,017	77,415,573	15,363,760
33,291,200	(1,040,553)	21,685,458	375,440,727	27,828,797
\$ 37,630,816	\$ 49,261,561	\$ 23,194,013	\$ 589,913,105	\$ 31,998,960

Concluded

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**CITY OF MCALLEN, TEXAS**  
**Reconciliation of the Statement of Net Position of the Proprietary Funds**  
**to the Government-Wide Statement of Net Position**  
**September 30, 2015**

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Fund equity - total proprietary funds (page 39)	\$ 375,440,727
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Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business-type activities.

3,035,739
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Net position of business-type activities

\$ 378,476,466
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**CITY OF McALLEN, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**For the Year Ended September 30, 2015**

	<b>Business Type Activities-Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Convention Center</b>
<b>Operating revenues</b>				
Charges for services	\$ 15,244,137	\$ 14,984,408	\$ 17,320,489	\$ 990,710
Rentals	-	-	-	1,033,167
Other	875,307	393,786	78,140	147,770
Total operating revenues	16,119,444	15,378,194	17,398,629	2,171,647
<b>Operating expenses</b>				
Salaries, wages and employee benefits	5,733,627	3,552,473	5,883,517	1,653,793
Supplies	3,046,524	679,070	326,779	126,870
Contractual and other services	2,567,410	3,031,302	4,850,925	1,962,611
Repairs and maintenance	626,845	425,117	3,170,042	373,782
Depreciation and amortization	4,262,777	5,658,492	2,014,457	1,582,447
Self insurance claims	-	-	-	-
Other	-	-	-	-
Total operating expenses	16,237,183	13,346,454	16,245,720	5,699,503
Operating income (loss)	(117,739)	2,031,740	1,152,909	(3,527,856)
<b>Non operating revenues (expenses)</b>				
Intergovernmental	-	-	945	-
Investment earnings	103,997	187,886	132,731	28,743
Net increase (decrease) in fair value of investments	18,760	24,763	21,824	4,580
Interest expense	(1,017,374)	(1,422,902)	-	-
Interest on board advances	-	-	-	-
Bond related charges--issuance cost	(127,641)	(144,275)	-	-
Gain (loss) on sale of capital assets	23,215	-	(2,602)	1,102,569
Other	598,726	-	-	-
Net non-operating revenues (expenses)	(400,317)	(1,354,528)	152,898	1,135,892
Income (loss) before contributions and transfers	(518,056)	677,212	1,305,807	(2,391,964)
Capital contributions	47,806	881,504	-	-
Transfers in	-	-	-	2,435,582
Transfers out	-	-	-	(1,300,504)
Change in net position	(470,250)	1,558,716	1,305,807	(1,256,886)
Total net position at beginning of year, restated	80,797,943	71,930,798	26,894,206	62,990,204
Total net position--ending	\$ 80,327,693	\$ 73,489,514	\$ 28,200,013	\$ 61,733,318

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
\$ 2,807,756	\$ 11,221,926	\$ 3,182,441	\$ 1,783,223	\$ 67,535,090	\$ 6,536,976
4,129,117	2,310,672	15,098	299,203	7,787,257	-
37,853	67,587	22,430	672,407	2,295,280	13,859,509
6,974,726	13,600,185	3,219,969	2,754,833	77,617,627	20,396,485
1,486,507	1,136,903	421,033	2,667,344	22,535,197	1,421,569
79,800	89,069	22,177	163,503	4,533,792	32,019
1,884,789	1,029,194	289,799	1,447,423	17,063,453	6,566,715
338,413	212,001	67,296	865,966	6,079,462	695,673
3,604,916	604,697	1,530,387	1,599,792	20,857,965	2,038,802
-	-	-	-	-	12,666,051
-	-	-	-	-	306,501
7,394,425	3,071,864	2,330,692	6,744,028	71,069,869	23,727,330
(419,699)	10,528,321	889,277	(3,989,195)	6,547,758	(3,330,845)
-	-	-	1,328,267	1,329,212	19,777
81,948	2,944	1,494	22,384	562,127	180,295
13,363	-	-	4,465	87,755	20,753
(476,164)	(38,270)	(1,600,510)	-	(4,555,220)	-
-	576,160	(576,160)	-	-	-
-	-	-	-	(271,916)	-
-	-	-	505	1,123,687	59,605
14,965	(3,725,318)	-	-	(3,111,627)	724,222
(365,888)	(3,184,484)	(2,175,176)	1,355,621	(4,835,982)	1,004,652
(785,587)	7,343,837	(1,285,899)	(2,633,574)	1,711,776	(2,326,193)
8,977,886	-	-	3,135,497	13,042,693	-
-	-	947,888	2,443,610	5,827,080	3,670,000
(1,103,965)	(6,096,804)	-	(412,000)	(8,913,273)	(11,605,009)
7,088,334	1,247,033	(338,011)	2,533,533	11,668,276	(10,261,202)
70,665,750	32,044,167	(702,542)	19,151,925	363,772,451	38,089,999
\$ 77,754,084	\$ 33,291,200	\$ (1,040,553)	\$ 21,685,458	\$ 375,440,727	\$ 27,828,797

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**CITY OF MCALLEN, TEXAS**  
**Reconciliation of the Statement Revenues, Expenses and Changes in Fund Net Position of the Proprietary Funds**  
**to the Government-Wide Statement of Activities**  
**For The Year Ended September 30, 2015**

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Change in net position - total proprietary funds (page 43)	\$ 11,668,276
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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>(758,313)</u>
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Change in net position of business-type activities	<u><u>\$ 10,909,963</u></u>
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**CITY OF McALLEN, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended September 30, 2015**

	<b>Business Type Activities</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>McAllen Convention Center</b>
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 16,293,967	\$ 15,358,847	\$ 17,530,083	\$ 2,209,051
Payments to employees	(6,016,031)	(3,748,997)	(6,077,336)	(1,713,920)
Payments to suppliers	(6,503,556)	(4,963,720)	(8,426,703)	(2,665,432)
Net cash provided (used) by operating activities	3,774,380	6,646,130	3,026,044	(2,170,301)
<b>Cash flows from noncapital financing activities:</b>				
Transfers from other funds	-	-	-	2,435,582
Transfers to other funds	-	-	-	(1,300,504)
Subsidy from federal grant	-	-	945	-
Board advances	-	-	-	-
Distribution of income to City of Hidalgo	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	945	1,135,078
<b>Cash flows from capital and related financing activities:</b>				
Capital contributions	-	608,882	-	-
Purchases of capital assets	(3,166,866)	(15,034,616)	(2,687,011)	(81,952)
Proceeds from sale of capital assets	23,215	-	40,724	1,300,504
Proceeds from loan for capital improvements	-	-	-	-
Proceeds from bond issuance	-	39,475,763	-	-
Principal repayments-bonds and notes	(1,577,100)	(3,600,900)	-	-
Interest paid	(1,052,182)	(1,378,180)	-	-
Net cash provided (used) by capital and related financing activities	(5,772,933)	20,070,949	(2,646,287)	1,218,552
<b>Cash flows from investing activities:</b>				
Proceeds from sales and maturities of investments	3,439,384	10,936,209	2,033,352	-
Purchase of investments	(1,490,791)	(37,959,338)	(2,691,386)	(210,397)
Receipt of interest	143,343	240,810	167,679	36,953
Net cash provided (used) by investing activities	2,091,936	(26,782,319)	(490,355)	(173,444)
Net increase (decrease) in cash	93,383	(65,240)	(109,653)	9,885
Cash at beginning of year	590,906	1,175,230	353,909	76,339
Cash at end of year	\$ 684,289	\$ 1,109,990	\$ 244,256	\$ 86,224

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



Business Type Activities					Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 7,167,195 (1,535,649) (2,544,089)	\$ 13,387,808 (1,200,358) (1,299,378)	\$ 3,219,969 (443,259) (367,448)	\$ 2,760,228 (2,819,496) (2,495,403)	\$ 77,927,148 (23,555,046) (29,265,729)	\$ 18,700,830 (1,478,050) (20,931,876)
3,087,457	10,888,072	2,409,262	(2,554,671)	25,106,373	(3,709,096)
- (1,103,965)	- (5,148,107)	- -	1,771,474 (412,000)	4,207,056 (7,964,576)	3,670,000 (9,570,000)
- -	- (947,888)	- 947,888	4,278,992 -	4,279,937 -	19,777 -
- (1,103,965)	(3,700,777) (9,796,772)	- 947,888	- 5,638,466	(3,700,777) (3,178,360)	- (5,880,223)
8,590,293 (9,251,699)	- (941,371)	- (42,742)	- (2,814,808)	9,199,175 (34,021,065)	- (3,543,798)
- -	- 2,239,581	- -	- -	1,364,443 2,239,581	4,512,815 -
- (385,000)	- (54,574)	- (1,250,000)	- -	39,475,763 (6,867,574)	- -
(466,653)	(38,270)	(1,635,364)	-	(4,570,649)	-
(1,513,059)	1,205,366	(2,928,106)	(2,814,808)	6,819,674	969,017
- (789,326)	16,362,716 (18,742,553)	3,779,373 (4,118,524)	12,022,673 (12,151,615)	48,573,707 (78,153,930)	10,915,051 (2,712,386)
101,977	2,944	1,494	29,973	725,173	226,398
(687,349)	(2,376,893)	(337,657)	(98,969)	(28,855,050)	8,429,063
(216,916)	(80,227)	91,387	170,018	(107,363)	(191,239)
764,065	532,078	103,266	441,552	4,037,345	1,355,622
\$ 547,149	\$ 451,851	\$ 194,653	\$ 611,570	\$ 3,929,982	\$ 1,164,383

Continued

**CITY OF McALLEN, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS-(Continued)**  
**For the Year Ended September 30, 2015**

	<b>Business Type Activities</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>McAllen Convention Center</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income (loss)	\$ (117,739)	\$ 2,031,740	\$ 1,152,909	\$ (3,527,856)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	4,262,777	5,658,492	2,014,457	1,582,447
Deferred outflows - pension	(371,974)	(233,577)	(378,148)	(108,557)
(Increase) decrease in accounts receivable	(107,893)	(19,343)	131,508	15,255
(Increase) decrease in intergovernmental receivables	-	-	(247)	-
(Increase) decrease in due from other funds	-	-	-	9,633
(Increase) decrease in prepaid items	2,419	-	197	12,514
(Increase) decrease in inventories	(2,343)	-	-	-
Increase (decrease) in accounts payable	320,146	1,068,761	(105,926)	(218,946)
Increase (decrease) in customer deposits payable	56,135	-	-	(11,125)
Increase (decrease) in compensated absences payable	8,093	(321)	74,358	17,149
Increase (decrease) in accrued liabilities	(36,968)	658,977	47,188	(1,171)
Increase (decrease) in due to other funds	(377,652)	-	-	-
Increase (decrease) in net pension liability	70,889	44,514	72,065	20,688
Increase (decrease) in other current liabilities	-	(1,861,020)	-	16,492
Increase (decrease) in unearned revenues	68,490	(702,093)	17,683	23,176
Total adjustments	3,892,119	4,614,390	1,873,135	1,357,555
Net cash provided by (used) by operating activities	<u>\$ 3,774,380</u>	<u>\$ 6,646,130</u>	<u>\$ 3,026,044</u>	<u>\$ (2,170,301)</u>
<b>Noncash investing, capital and financing activities:</b>				
Contributions of capital assets	47,806	92,234	-	-
Increase (decrease) in fair value of investments	18,760	24,763	21,824	4,580

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
\$ (419,699)	\$ 10,528,321	\$ 889,277	\$ (3,989,195)	\$ 6,547,758	\$ (3,330,845)
3,604,916	604,697	1,530,387	1,599,792	20,857,965	2,038,802
(95,695)	(74,086)	(27,782)	(170,809)	(1,460,628)	(54,536)
192,467	(1,802,602)	-	2,994	(1,587,614)	(1,732,360)
-	-	-	-	(247)	(5,362)
-	-	-	2,408	12,041	-
-	-	-	-	15,130	-
-	-	-	-	(2,343)	80,207
(419,104)	30,887	11,824	(189,256)	498,386	(308,824)
-	-	-	-	45,010	-
27,091	(6,483)	299	(15,149)	105,037	(13,381)
179,944	16,547	6,207	156,933	1,027,657	(393,190)
-	-	-	-	(377,652)	-
18,237	14,120	5,293	32,552	278,358	10,393
(700)	(13,554)	(6,243)	-	(1,865,025)	-
-	1,590,225	-	15,059	1,012,540	-
3,507,156	359,751	1,519,985	1,434,524	18,558,615	(378,251)
\$ 3,087,457	\$ 10,888,072	\$ 2,409,262	\$ (2,554,671)	\$ 25,106,373	\$ (3,709,096)
-	-	-	-	140,040	-
13,363	-	-	4,465	87,755	20,753

Concluded

**CITY OF McALLEN , TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**September 30, 2015**

	<u>Pension Trust</u> <u>Firemen's</u> <u>Relief and</u> <u>Retirement</u> <u>Fund</u>	<u>Agencies</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 321,048	\$ 1,261,711
Receivables:		
Interest	13,438	1,562
Other	-	10,738
Investments, at fair value:		
TexPool	-	1,964,096
Certificate of deposit	-	-
Domestic and international equities	25,035,975	-
Treasury and corporate bonds	8,531,353	1,502,547
Alternate investments	<u>8,399,150</u>	<u>-</u>
 Total investments	 <u>41,966,478</u>	 <u>3,466,643</u>
 Total assets	 <u>42,300,964</u>	 <u>4,740,654</u>
<b>LIABILITIES</b>		
Accounts payable	-	875,737
Due agency	-	1,470,568
Escrow payables	<u>-</u>	<u>2,394,349</u>
 Total liabilities	 <u>-</u>	 <u><u>\$ 4,740,654</u></u>
<b>NET POSITION</b>		
Net position restricted for pension	<u><u>\$ 42,300,964</u></u>	

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

**CITY OF McALLEN , TEXAS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended September 30, 2015**

	<u>Pension Trust</u>
	<u>Firemen's Relief and Retirement Fund</u>
<b>ADDITIONS</b>	
Contributions:	
Member	\$ 1,223,445
Employer	<u>1,477,483</u>
Total contributions	<u>2,700,928</u>
Investment earnings:	
Interest and dividends	924,652
Gain on sale of investments	3,630,518
Net appreciation (depreciation) in fair value of investments	<u>(6,746,265)</u>
Total investment earnings	(2,191,095)
Less: investment expense	<u>275,928</u>
Net investment earnings	<u>(2,467,023)</u>
Total additions	<u>233,905</u>
<b>DEDUCTIONS</b>	
Benefits	2,532,106
Refund of contributions	52,969
DROP payments	585,633
Administrative expense	<u>46,070</u>
Total deductions	<u>3,216,778</u>
Changes in net position	(2,982,873)
<b>NET POSITION RESTRICTED FOR PENSION</b>	
Net position--beginning	<u>45,283,837</u>
Net position--ending	<u><u>\$ 42,300,964</u></u>

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

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# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

### **I. Summary of significant accounting policies**

#### **(A) Reporting entity**

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

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

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

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

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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

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

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

GASB Statement No. 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.

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

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



# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

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

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

This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The City has not determined the impact of the implementation of this standard.

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

The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The City has not determined the impact of the implementation of this standard.

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

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

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

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

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

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

#### *Government-wide Financial Statements*

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

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

#### *Fund Financial Statements*

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

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

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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

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similar items are recognized as revenue as soon all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

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

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

# CITY OF McALLEN, TEXAS

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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 general depreciation fund for rolling stock used within departments of the General Fund. In

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

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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 for the operations and maintenance of a consolidated regional public safety services communication system. The City also includes the *Payroll Fund* as an agency fund.

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

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

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

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

### **(D) Assets, liabilities, and net position**

#### **(1) Authorized Investments**

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

## **CITY OF McALLEN, TEXAS**

### **NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

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### **(2) Receivables and payables**

Lending/borrowing between funds that results in amounts outstanding at the end of the fiscal year are referred to as either “due to/from other funds” or “advances to/from other funds.” “Due to/from other funds” represents the current portion of interfund loans. The noncurrent portion of interfund loans is reflected as interfund loans on the fund financial statements. With respect to the government-wide financial statements, any residual balances outstanding between the governmental activities and business-type activities are reported as “internal balances.”

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

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

### **(3) Inventories and prepaid items**

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

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

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

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

### **(4) Restricted assets**

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

### **(5) Capital assets**

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

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

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

Depreciation of capital assets used by proprietary funds, including those acquired by contributed capital, is charged as an expense against their operations in the fund financial statements as well as the government-wide financial statements. Depreciation of general capital assets used by funds categorized as governmental activities is not provided in the fund financial statements, however is included in the gross expense by function in the government-wide Statement of Activities. Capital assets, accumulated depreciation as well as the net amount are reported on proprietary fund statement of net position and in both the governmental activities and business-



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type activities column of the government-wide statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

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

### (6) Compensated absences

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

### (7) Long-term obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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

### (8) Fund balances

Fund balance, reported in governmental funds, which has some level of constraint placed on it, is classified as nonspendable, restricted, committed, or assigned. The amount remaining, which can be spent for any lawful purpose is classified as unassigned. Amounts classified as restricted have constraints placed on the use by law, regulations of other governments, creditors, grantors or by enabling legislation. Those classified as committed are constrained by the City Commission through an ordinance for specific purposes, but are neither restricted nor committed. Reversing a commitment would require City Commission approval through an ordinance. Non-spendable amounts cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The City Commission has delegated the authority to make assignments to the City Manager with Commission direction.

# CITY OF McALLEN, TEXAS

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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.

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

	Major Funds			Non-major	
	General	Development Corp.	Capital Improvements	Funds Other	Total
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Board advances	\$ 2,254,349	\$ -	\$ -	\$ -	\$ 2,254,349
Prepays	41,595	-	-	-	41,595
<b>Restricted for:</b>					
Law enforcement	-	-	-	6,271,858	6,271,858
Debt service	-	-	-	632,703	632,703
Economic development	-	14,514,988	-	181,120	14,696,108
Tourism	-	-	-	299,184	299,184
Capital improvements	-	-	-	47,358,021	47,358,021
Radio communication system	457,022	-	-	565,378	1,022,400
Parks	-	-	-	1,209,462	1,209,462
<b>Committed to:</b>					
Downtown services parking	-	-	-	513,561	513,561
<b>Assigned to:</b>					
Information technology projects	-	-	-	610,946	610,946
Other capital projects	-	-	3,840,087	-	3,840,087
<b>Unassigned</b>	<u>46,369,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,369,562</u>
Total fund balances	<u>\$ 49,122,528</u>	<u>\$ 14,514,988</u>	<u>\$ 3,840,087</u>	<u>\$ 57,642,233</u>	<u>\$ 125,119,836</u>

The amount of fund balance restricted by enabling legislation totaled \$16,770,132, as of September 30, 2015.

### (9) Minimum fund balance policy

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

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

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

The Anzalduas Bridge Fund's net position reflects a deficit in the amount of \$1,040,553 primarily as a result of advances from the Hidalgo Bridge, as authorized by the board of trustees. These advances supported the annual debt service requirements and interest on the advances. The Hidalgo Bridge Board of trustees has no intention of calling these advances, which will be repaid once the resources are available. In addition, the Employee Benefits Fund reflects a deficit net position in the amount of \$1,262,919. It is estimated that this temporary shortfall will be covered by a health insurance premium rate increase, plan design changes to reduce expenses, and negotiations with several vendors to ensure lower fees.

### **(11) Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has several deferred outflows of resources classifications that qualifies for reporting in this category for business-type activities and government wide activities: deferred charges on refundings, pension contributions made after measurement date, deferred charges on actuarial losses, and differences in projected and actual earnings on pension assets. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. The other categories of deferred outflows of resources pertain to implementing GASB 68.

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

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## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

<u>Deferred Inflows</u>	<u>Amount</u>
Property taxes	\$ 3,604,336
Weedy lots	693,789
Mission Repayment on Series B	2,254,349
Sales taxes	5,518,596
Other	<u>1,213,262</u>
Totals	<u>\$ 13,284,332</u>

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

### **(12) Restatement of Net Position at Beginning of Year**

The implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* resulted in prior year adjustment of -\$22,516,522 to pension expense for governmental activities and -\$211,426 for business type activities at the government-wide level. At the fund level, pension expense was adjusted by -\$203,817; and fleet materials management fund, an internal service fund was adjusted by -\$7,611. The changes in the beginning net position for FY 2014 are reflected on the following tables:

<u>Government-wide Statement of Activities</u>	<u>Net position at 9/30/2014, as previously reported</u>	<u>Change in reporting pension expense</u>	<u>Net position at 9/30/2014, as restated</u>
Governmental Activities	\$ 352,637,790	\$ (22,516,522)	\$ 330,121,268
Business-type Activities	\$ 367,777,929	\$ (211,426)	\$ 367,566,503

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2015**

### Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund

Fund Level	Net position at 9/30/2014, as previously reported	Change in reporting pension expense	Net position at 9/30/2014, as restated
Water	\$ 80,849,847	\$ (51,904)	\$ 80,797,943
Sewer	\$ 71,963,391	\$ (32,593)	\$ 71,930,798
Sanitation	\$ 26,946,973	\$ (52,767)	\$ 26,894,206
Convention Center	\$ 63,005,352	\$ (15,148)	\$ 62,990,204
McAllen Int'l Airport	\$ 70,679,103	\$ (13,353)	\$ 70,665,750
McAllen Int'l Toll Bridge	\$ 32,054,507	\$ (10,340)	\$ 32,044,167
Anzalduas Int'l Crossing	\$ (698,664)	\$ (3,878)	\$ (702,542)
Other Proprietary Funds	\$ 19,175,759	\$ (23,834)	\$ 19,151,925
Fleet -Internal Service Fund	\$ 1,199,945	\$ (7,611)	\$ 1,192,334

## 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.

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

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.

### **(B) Excess of expenditures over appropriations**

For the year ended September 30, 2015, 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:

# CITY OF McALLEN, TEXAS

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September 30, 2015

Department:

City commission	\$ 107,456
City secretary	40,208
Tax office	85,594
Legal	34,402
Grant administration	4,179
City hall	34,675
Fire	776,004
Street lighting	442,098
Health code compliance	62,372
Other agencies	366,546
Quinta mazatlan	<u>144</u>
Total general fund	<u>\$ 1,953,678</u>

### 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, 2015, 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, 2015 are reflected in the table that follows:

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

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### Investment Maturities (in Years)

	Fair Value	1 or less	2	3+
Tex Pool	\$ 104,215,613	\$ 104,215,613	\$ -	\$ -
Money Market	37,469,076	37,469,076	-	-
Certificates of deposit	35,745,098	32,745,098	3,000,000	-
U.S. Government securities	111,832,703	-	33,938,539	77,894,164
	<u>\$ 289,262,490</u>	<u>\$ 174,429,787</u>	<u>\$ 36,938,539</u>	<u>\$ 77,894,164</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 and like a pool, as described in GASB Statement No. 59, *Financial Instrument Omnibus*. As such, TexPool uses amortized cost to report net assets



# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

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

	<u>Government Agencies</u>	<u>Certificates of Deposit</u>
< 1 Year	\$ -	\$ 32,745,098
1-3 Years	<u>111,832,703</u>	<u>3,000,000</u>
Total	<u>\$ 111,832,703</u>	<u>\$ 35,745,098</u>
Weighted Average Maturity	919 Days	128 Days

*Credit risk.* As of September 30, 2015, the investments in the State's investment pool was rated AAAM by Standards and Poor's. Available funds were invested in certificates of deposit, all of which are under the Federal Deposit Insurance Corporation limit, as well as with the City's depository bank, PlainsCapital Bank, an independently owned bank. However, the collateral pledged against the certificates of deposit with PlainsCapital Bank is comprised of government securities, which carry AAA rating from Moody's and AA+ from S&P. The government securities consist of instruments issued by the Federal Home Loan Bank, Federal Home Loan Mortgage Association and Federal Farm Credit Bank, all of which are rated AAA by Moody's Investors Service and AA+ by S&P. The City's investment policy limits authorized investments to TexPool, certificates of deposits, U.S. Treasuries, federal government agencies, including mortgage backed securities, commercial paper and municipal bonds.

*Concentration of credit risk.* The certificate of deposits holdings at September 30, 2015 represents 12.36% of the total portfolio. The U.S. government agencies category represents 38.66% of the total portfolio. Within this category, securities issued by the Federal Home Loan Bank represent 13% of the portfolio, those issued by the Federal Home Loan Mortgage Corporation represent 69%, and those issued by Federal Farm Credit Bank represent 18%. 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, 2015

### 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, 2015. The table below reflects the composition of these investments.

Firemen's Relief and Retirement Fund Investments:		Investment Policy	
	Fair Value	% of Portfolio	Asset Allocation
Equities:			
Domestic	\$ 18,434,763	44%	30-60%
International	6,601,212	16%	10-30%
Equities total	25,035,975		
Fixed income			
Treasury/corporate bonds	8,531,353		
Fixed income total	8,531,353	20%	20-50%
Alternative investments	8,399,150	20%	0-20%
Total portfolio	\$ 41,966,478	100%	

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, 2015 amount to \$7,191,517 and have weighted-average duration of 3.78 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.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage of Total</u>	<u>Weighted-Average Duration (Years)</u>
Corporate bonds	\$ 788,196	10.96%	5.56
Government agencies	1,351,536	18.79%	0.51
Government bonds	4,669,346	64.93%	5.82
Government MBS	382,078	5.31%	5.06
Sub-pranationals	5,567	0.08%	-0.1
Municipal & derivatives	<u>(5,206)</u>	<u>-0.07%</u>	-0.1
Total interest rate sensitive bonds	<u>\$ 7,191,517</u>	100.00%	<u>3.78</u>

*Credit risk.* Using Standard and Poor's rating system for fixed income securities as of September 30, 2015 the Plan's bonds were rated as noted below. The investment policy is silent on the subject.

<u>S&amp;P Rating</u>	<u>Fair Value</u>	<u>Percentage of Total</u>
AAA	\$1,918,372	26.68%
AA	390,106	5.42%
A	1,033,831	14.38%
BBB	1,727,439	24.02%
BB	1,081,299	15.04%
B	728,357	10.13%
C	10,139	0.14%
CC	6,759	0.09%
CCC	230,125	3.20%
Not rated	<u>65,090</u>	<u>0.91%</u>
Total credit sensitive bonds	\$7,191,517	100.00%

*Foreign currency risk.* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Plan holds investments in American Depositary Receipts ("ADRs") which have currency risk; however, they are not included in foreign currency as they are denominated in U.S. dollars and accounted for at fair market value. The Plan had indirect exposure to foreign currency risk of \$6,601,221 through

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

its investments in international mutual funds, foreign stock and convertible securities as of September 30, 2015. The investment policy is silent on the subject of foreign currency risk.

### (B) Receivables

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

	Accounts	Taxes	Interest	Inter- governmental	Other	Net Receivables
Governmental activities:						
General	\$ 1,609,038	\$ 11,724,436	\$ 26,291	\$ 127,207	\$ 570,141	\$ 14,057,113
Development corp.	16	2,524,109	11,310	200,856	-	2,736,291
Capital Improvement	-	-	3,164	774,921	4,244	782,329
Nonmajor governmental and internal service funds	2,717,046	117,756	30,062	504,639	431,365	3,800,868
Total governmental	<u>\$ 4,326,100</u>	<u>\$ 14,366,301</u>	<u>\$ 70,827</u>	<u>\$ 1,607,623</u>	<u>\$ 1,005,750</u>	<u>\$ 21,376,601</u>
Business-type activities:						
Water	\$ 1,798,210	\$ -	\$ 2,229	\$ -	\$ -	\$ 1,800,439
Sewer	1,696,809	-	1,028	-	14,537	1,712,374
Sanitation	1,835,171	-	5,802	247	-	1,841,220
Convention center	22,051	-	806	-	-	22,857
McAllen international airport	221,127	-	3,871	750,873	-	975,871
McAllen international toll bridge	8,188	-	-	150,669	-	158,857
Nonmajor enterprise and fleet fund	225,918	-	1,938	769,526	-	997,382
Total business type	<u>\$ 5,807,474</u>	<u>\$ -</u>	<u>\$ 15,674</u>	<u>\$ 1,671,315</u>	<u>\$ 14,537</u>	<u>\$ 7,509,000</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 2015 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 \$74,288; sewer accounts by \$69,884; and sanitation accounts by \$86,003.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

### (C) Capital assets

Capital asset activity for the year ended September 30, 2015 was as follows:

	Beginning		Transfers/	Ending
	Balance	Increases	Retirement	Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 59,311,047	\$ 1,100,726	(4,453,211)	\$ 55,958,562
Construction in progress	24,504,725	25,411,765	127,573	50,044,063
Total capital assets, not being depreciated	83,815,772	26,512,491	(4,325,638)	106,002,625
Capital assets, being depreciated:				
Buildings and improvements	133,036,911	895,279	-	133,932,190
Equipment	79,809,206	5,774,652	(1,107,907)	84,475,951
Infrastructure	201,402,089	2,110,497	-	203,512,586
Total capital assets being depreciated	414,248,206	8,780,428	(1,107,907)	421,920,727
Less accumulated depreciation for:				
Buildings and improvements	(42,947,963)	(4,417,497)	-	(47,365,460)
Equipment	(58,131,303)	(5,408,764)	980,334	(62,559,733)
Infrastructure	(115,350,589)	(6,189,011)	-	(121,539,600)
Total accumulated depreciation	(216,429,855)	(16,015,272)	980,334	(231,464,793)
Total capital assets being depreciated, net	197,818,351	(7,234,844)	(127,573)	190,455,934
Governmental activities capital assets, net \$	281,634,123	\$ 19,277,647	\$ (4,453,211)	\$ 296,458,559

**CITY OF McALLEN, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

Depreciation expense, exclusive of \$980,334 in depreciation retirement, was charged to governmental functions as follows:

General government	\$ 1,627,855
Public safety	2,525,167
Highways and streets, which includes the depreciation of general infrastructure assets	6,384,157
Health and welfare	9,050
Culture and recreation	3,511,702
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>1,957,341</u>
Total depreciation-governmental activities	<u><u>\$ 16,015,272</u></u>

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2015**

<b>Business-type activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers/ Retirements</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 21,027,005	\$ 273,241	\$ (197,935)	\$ 21,102,311
Construction in progress	49,439,369	25,225,985	(32,774,612)	41,890,742
Water rights (perpetual)	4,923,100	-	-	4,923,100
Goodwill	609,713	-	-	609,713
Total capital assets, not being depreciated	<u>75,999,187</u>	<u>25,499,226</u>	<u>(32,972,547)</u>	<u>68,525,866</u>
Capital assets, being depreciated:				
Buildings and systems	314,631,495	621,002	6,543,793	321,796,290
Improvements other than buildings	171,990,457	4,979,346	26,230,817	203,200,620
Machinery and equipment	55,951,131	5,558,331	(1,016,443)	60,493,019
Development cost	7,417,616	-	-	7,417,616
Water rights (non-perpetual)	2,200,000	1,000,000	-	3,200,000
Total capital assets being depreciated	<u>552,190,699</u>	<u>12,158,679</u>	<u>31,758,167</u>	<u>596,107,545</u>
Less accumulated depreciation for:				
Buildings and systems	(107,744,789)	(11,010,077)	402,756	(118,352,110)
Improvement other than buildings	(84,836,217)	(5,171,571)	(414,368)	(90,422,156)
Machinery and equipment	(36,946,315)	(4,462,338)	985,300	(40,423,353)
Development cost	(880,326)	(185,440)	(516)	(1,066,282)
Water rights	(742,498)	(110,000)	-	(852,498)
Total accumulated depreciation	<u>(231,150,145)</u>	<u>(20,939,426)</u>	<u>973,172</u>	<u>(251,116,399)</u>
Total capital assets being depreciated, net	<u>321,040,554</u>	<u>(8,780,747)</u>	<u>32,731,339</u>	<u>344,991,146</u>
Business-type activities				
Capital assets net	<u>\$ 397,039,741</u>	<u>\$ 16,718,479</u>	<u>\$ (241,208)</u>	<u>\$ 413,517,012</u>

**CITY OF McALLEN, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

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

Water	\$ 4,262,777
Sewer	5,658,492
Sanitation	2,014,457
Golf course	290,928
Civic center	67,976
Convention center	1,582,447
McAllen international airport	3,604,916
McAllen express	662,641
Transit terminal	578,247
McAllen international toll bridge	604,697
Anzalduas international crossing	1,530,387
In addition, depreciation on capital assets held by the City's Fleet management funds is charged to the various functions based on their usage of the assets	<u>81,461</u>
Total depreciation-business type activities	<u><u>\$ 20,939,426</u></u>



# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

At September 30, 2015, 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	\$ 1,328,815	Local and grant
Public safety building renovation	543,578	Local
Sewer improvements	44,852,573	Local and bond funds
Park improvements	63,223	Local
Water improvements	628,175	Local
		Local, bond funds
Airport improvements	2,091,164	and grants
Electric bus implementation	313,067	Local and grant
Palm View Golf Course renovation	51,095	Local
Hidalgo Bridge facility improvements	1,915,985	Local
Performing arts center	31,462,894	Local and bond funds
Minor repairs	34,000	Local
	<u>\$ 83,284,569</u>	

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

The compositions of inter-fund balances as of September 30, 2015 are reflected below.

<u>Receivable Fund:</u>	<u>Payable Fund:</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	\$ 194,620
	McAllen Toll Bridge	<u>1,242</u>
	Total Governmental Funds	<u>195,862</u>
Civic Center Fund	Non-Major Governmental Fund	<u>43,782</u>
Convention Center Fund	Non-Major Governmental Fund	<u>175,127</u>
Transit System Fund	Development Corp Fund	<u>319,420</u>
Water Fund	Airport Fund	<u>3,684,885</u>
General Insurance	McAllen Toll Bridge	<u>1,092,503</u>
General Depreciation	McAllen Toll Bridge	<u>1,092,504</u>
	Total Proprietary Funds	<u>6,408,221</u>
	Combined totals	<u><u>\$ 6,604,083</u></u>

A loan arrangement between the Water Fund and the Airport Fund for the airport building expansion was agreed in the amount of \$4,500,000. The current outstanding balance totals \$3,684,885. Payment terms and conditions of this arrangement are to be determined later. In addition, the General Insurance and General Depreciation Funds initiated a short and long term note payable arrangement to provide tenant improvements and port of entry upgrades in the amount of \$2,185,007. It is disclosed in this section of the notes, since it is not a third party transaction.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2015**

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 on the following page reflects the transfer activity at year end.

Transfer In:								
	General Fund	Capital Imprv and Development Corp.	Convention Center	Nonmajor Governmental	Nonmajor Proprietary	Anzalduas Int'l Crossing Fund	Internal Service	Total
Transfer out:								
General fund	\$ -	\$ 828,482	\$ -	\$ 4,193,113	\$ -	\$ -	\$ -	\$ 5,021,595
Development corp/CIP	3,707,300	-	-	-	1,834,715	-	-	5,542,015
Nonmajor prop.	-	-	-	412,000	-	-	-	412,000
Nonmajor gov.	237,000	-	2,435,582	2,078,809	608,895	-	-	5,360,286
Convention center	-	-	-	1,300,504	-	-	-	1,300,504
Internal service	-	7,935,009	-	-	-	-	3,670,000	11,605,009
McAllen int'l toll bridge	5,148,916	-	-	-	-	947,888	-	6,096,804
McAllen int'l airport	1,103,965	-	-	-	-	-	-	1,103,965
<b>Total</b>	<b>\$10,197,181</b>	<b>\$8,763,491</b>	<b>\$2,435,582</b>	<b>\$ 7,984,426</b>	<b>\$ 2,443,610</b>	<b>\$ 947,888</b>	<b>\$3,670,000</b>	<b>\$36,442,178</b>

During the year, the General Fund transferred \$828,482 of surplus revenues to the Capital Improvement Fund to assist in funding some major projects contemplated in next year's budget. It also provided funding in the amount of \$3,507,300 to the Debt Service Fund, a non-major governmental fund. This funding is to cover the debt service requirements of the General Obligation Refunding Bonds, Series 2015. During the year, a transfer of \$495,813 was made to establish a non-major fund, Public Education Government Fund, which was originally reflected as restricted. Additionally, the original advance of \$190,000 to the McAllen EB5 Fund was reclassified as a transfer.

The Development Corporation provided funding for operating costs to the McAllen Express Fund and Transit System Fund in the amounts of \$846,574 and \$635,425 respectively. Additionally, the original advance of \$352,716 to the Transit System Fund was reclassified as a transfer. It also transferred \$3,707,300 to the General Fund for operating expenditures associated with the public safety building. In addition, the Development Corporation received \$5,900,000 from the General Depreciation Fund for providing assistance toward the land purchase for a state of the art research facility and student housing complex located on the Doctor's Hospital campus. Also, the original advance to the Capital Improvement Fund from the General Insurance Fund in the amount of \$2,035,009 was reclassified as a transfer.

## **CITY OF McALLEN, TEXAS**

### **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

The Hotel Occupancy Tax Fund, a non-major governmental fund, transferred collections of \$2,435,582 and \$608,895, to the Convention Center and Civic Center respectively. The transfer of \$237,000 from the Downtown Service Parking Fund, a non-major governmental fund, to the General Fund is a reimbursement for debt service requirements on the debt related to the downtown parking garage. The transfer of \$190,000 from the General Fund to the McAllen EB-5 Fund, a non-major governmental fund, represents the reclassification of the advance for start-up costs.

The General Insurance Fund and the Retiree Health Insurance Fund provided funding for operational costs to the Employee Benefits Fund, in the amounts of \$2,170,000 and \$1,500,000, respectively.

The Transit System Fund advance from the Capital Improvement Fund, \$352,716, was reclassified as a transfer, which is reflected in the non-major proprietary column.

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 \$1,300,504 to the Performing Arts-General Obligation Fund for funding expenditures related to the Performing Arts Center.

The Civic Center Depreciation Fund, a non-major proprietary fund, transferred \$412,000 to the Performing Arts Center to assist with construction expenditures.

The amount reflected from the McAllen International Toll Bridge Fund to the General Fund of \$5,148,916 represents the City's share of surplus net revenue from operation of the international toll bridge. Additionally, it transferred \$947,888 to the Anzalduas International Crossing Fund for debt service requirements on the International Toll Bridge System Revenue Bonds, Series 2007B.

#### **(E) Operating leases**

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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

<u>Year Ending</u>	<u>GSA</u>	<u>UETA</u>	<u>Total</u>
2016	\$ 2,118,988	\$ 240,000	\$ 2,358,988
2017	2,118,988	240,000	2,358,988
2018	2,118,988	240,000	2,358,988
2019	2,118,988	240,000	2,358,988
2020	2,118,988	240,000	2,358,988
2021-2025	10,594,940	1,315,000	11,909,940
2026-2029	<u>8,475,952</u>	<u>1,195,000</u>	<u>9,670,952</u>
Totals	<u>\$ 29,665,832</u>	<u>\$ 3,710,000</u>	<u>\$ 33,375,832</u>

### **(F) Long-term liabilities**

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

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

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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

### 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%	\$ 75,000
\$42,380,000 General Obligation Bonds, Series 2014 due in annual installments ranging from \$600,000 to \$3,085,000 per year through February 15, 2034, with a final installment of \$3,085,000; interest at 3.00% to 5.00%	41,780,000
\$11,850,000 Combination Tax and Revenue Certificates of Obligation, Series 2014 due in annual installments ranging from \$205,000 to \$840,000 per year through February 15, 2034, with a final installment of \$840,000; interest at 3.00% to 4.00%	11,645,000
\$15,035,000 General Obligation Refunding Bonds, Series 2015 due in annual installments ranging from \$3,000,000 to \$3,450,000 per year through February 15, 2020, with a final installment of \$3,450,000; interest at 3.50% to 4.00%	15,035,000
Unamortized bond premium	3,590,847
Net OPEB obligation	1,142,521
Net pension liability	26,152,623
TMRS net pension liability	1,198,224
Unpaid accumulated compensated absences	<u>10,391,400</u>
Total general long-term liabilities	<u>\$ 111,010,615</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, 2015, including interest, are reflected on following page.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 4,715,000	\$ 2,605,876
2017	4,855,000	2,459,138
2018	5,055,000	2,261,175
2019	5,265,000	2,028,419
2020	5,475,000	1,818,494
2021-2025	12,800,000	7,213,619
2026-2030	15,575,000	4,430,253
2031-2034	<u>14,795,000</u>	<u>1,209,056</u>
Totals	<u>\$ 68,535,000</u>	<u>\$ 24,026,030</u>

### (2) Revenue bonds and other

The City also issues bonds, for which it pledges revenue, derived from the activity using the bond-financed assets, to pay debt service. The total amount of interest expense paid on revenue bonds in the current period was \$4,555,220. The following schedule is an analysis of the business-type activity long-term debt, including related revenue bonds.

**CITY OF McALLEN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2015**

Business-type activities:

Payable from Water Fund:

\$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%	\$ 8,064,808
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\$9,363,200 Waterworks and Sewer System Revenue and Refunding Bonds, Series 2015 due in annual installments from \$380,000 to \$1,825,000 through February 1, 2030: interest at 2.00% to 5.00%	9,363,200
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Unamortized bond premium	1,600,836
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TMRS net pension liability	122,794
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Unpaid accumulated compensated absences	<u>468,836</u>
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Total water fund	<u>\$ 19,620,474</u>
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# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

Payable from Sewer Fund:

\$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% \$ 20,240,192

\$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 33,840,000

\$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 875,000

\$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%. 6,320,000

\$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%. 181,000

\$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%. 2,450,000

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

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

Unamortized bond premium 1,803,980

**CITY OF McALLEN, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

Payable from Sewer Fund (Continued):

TMRS net pension liability	\$ 77,107
Unpaid accumulated compensated absences	<u>344,546</u>
Total sewer fund	<u>\$ 113,488,625</u>

Payable from Sanitation Fund:

TMRS net pension liability	\$ 124,832
Unpaid accumulated compensated absences	<u>438,492</u>
Total sanitation fund	<u>\$ 563,324</u>

Payable from Palm View Golf Course Fund:

TMRS net pension liability	\$ 15,116
Unpaid accumulated compensated absences	<u>82,776</u>
Total palm view golf course fund	<u>\$ 97,892</u>

Payable from Convention Center Fund:

TMRS net pension liability	\$ 35,836
Unpaid accumulated compensated absences	<u>124,225</u>
Total convention center fund	<u>\$ 160,061</u>

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

Payable from McAllen International Airport Fund:

\$9,820,000 Combination Tax and Revenue Certificate of Obligation  
Bonds, Series 2011 due in annual installments from \$325,000  
to \$710,000 through September 30, 2031: interest at 2.00% to 4.75% \$ 8,365,000

TMRS net pension liability 31,590

Unpaid accumulated compensated absences 118,186

Total airport fund \$ 8,514,776

Payable from McAllen Express Fund:

TMRS net pension liability \$ 37,874

Unpaid accumulated compensated absences 67,032

Total McAllen Express Fund \$ 104,906

Payable from Transit System Fund:

TMRS net pension liability \$ 3,397

Unpaid accumulated compensated absences 1,883

Total Transit System Fund \$ 5,280

Payable from McAllen International Toll Bridge Fund:

TMRS net pension liability \$ 24,457

Unpaid accumulated compensated absences 98,477

Total McAllen International Toll Bridge Fund \$ 122,934

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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% \$ 22,300,000

Payable from Anzalduas International Crossing Fund (Continued):

\$13,160,000 International Toll Bridge System Revenue Bonds, Series 2007B  
due in annual installments from \$340,000 to \$915,000 through 10,895,000  
March 1, 2032: interest at 4.00% to 5.00%

TMRS net pension liability 9,171

Unpaid accumulated compensated absences 16,466

Unamortized bond premium 415,987

Total Anzalduas International Crossing Fund \$ 33,636,624

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

TMRS net pension liability \$ 18,003

Unpaid accumulated compensated absences 28,691

Total Fleet Materials Management Fund \$ 46,694

Total Proprietary Fund Debt \$ 176,361,590

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 7,836,000	\$ 4,457,494
2017	8,036,000	4,248,134
2018	8,277,000	4,016,980
2019	8,582,000	3,757,691
2020	7,863,000	3,511,099
2021-2025	41,932,000	13,862,690
2026-2030	39,730,000	7,313,576
2031-2035	23,145,000	2,100,117
2036-2040	15,665,000	1,114,052
2041-2045	<u>9,185,000</u>	<u>365,502</u>
Total bonds outstanding	<u>\$ 170,251,000</u>	<u>\$ 44,747,335</u>

### General Obligation and Revenue Bonds Refunding

Due to favorable interest rates, during fiscal year 2015, \$16,316,031, including premium, of Series 2015 General Obligation and Refunding Bonds were issued to refund \$16,130,000 of the City's previously issued and outstanding GO bonds, plus accrued interest and interest costs. In addition, \$19,287,075, including premium, of Series 2015 Waterworks and Sewer System Refunding Bonds were issued to refund \$16,720,000 of the City's previously issued and outstanding Revenue Bonds, Series 2005, plus accrued interest and interest costs. The proceeds were deposited with an escrow agent for redemption on March 3, 2015.

As a result of the refundings, the City reduced its aggregate debt service payments to maturity by \$3,932,078 for the Waterworks and Sewer System bonds and \$1,119,104 for the GO bonds and obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$3,311,189 for Waterworks and Sewer bonds and \$1,086,650 for the GO bonds.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2015**

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

Long-term liability activity for the year ended September 30, 2015 is shown on the following table:

	Balance at September 30, 2014	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2015	Amounts Due Within One Year
<b>Governmental activities:</b>					
Sales tax revenue bonds	\$ 100,000	\$ -	\$ (25,000)	\$ 75,000	\$ 25,000
Certificates of obligation	30,845,000	-	(19,200,000)	11,645,000	430,000
General obligation bonds	42,380,000	15,035,000	(600,000)	56,815,000	4,260,000
Bond premium	3,887,561	1,281,031	(1,577,745)	3,590,847	574,182
Compensated absences	10,303,250	914,081	(825,931)	10,391,400	5,753,081
TMRS net pension liability	-	1,198,224		1,198,224	
Net OPEB obligation	1,225,918	-	(83,397)	1,142,521	-
Fire net pension liability	814,623	26,152,623	(814,623)	26,152,623	-
Total general long-term	89,461,889	44,580,959	(23,126,696)	111,010,615	11,042,263
<b>Business-Type activities:</b>					
Revenue bonds payable	139,304,000	56,720,000	(25,773,000)	170,251,000	7,836,000
Compensated absences	1,683,065	376,239	(269,694)	1,789,610	1,275,631
Bond premium	2,185,491	2,702,225	(1,066,913)	3,820,803	-
TMRS net pension liability	-	500,177	-	500,177	-
Total proprietary fund debt	143,172,556	60,298,641	(27,109,607)	176,361,590	9,111,631

With respect to governmental activities; compensated absences, TMRS net pension liability, net OPEB obligation and the Fire net pension liability are liquidated by the General Fund. Under business-type activities, the TMRS net pension liabilities are liquidated by the respective proprietary funds and Fleet fund. In addition, interfund notes payable of \$4,541,269 was reflected at the end of September 30, 2015 under the business-type activities and will be liquidated by the Airport and Toll Bridge Funds.

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

### **(4) Debt covenants**

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

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

## **IV. Other information**

### **(A) Risk Management**

The City is exposed to various risks or torts; theft of, damage to, and destruction of assets; injuries to employees, citizens and the general public; and natural disasters. During fiscal year 2015, 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, 2015. Inter-fund premiums are based primarily on claims experience and are reported as interfund services provided and used.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

	<b>Employee Benefits</b>	<b>Retiree Health Insurance</b>	<b>General Insurance</b>	<b>Total</b>
Claims payable at September 30, 2013	\$ (1,750,000)	\$ (240,000)	\$ (411,178)	\$ (2,401,178)
Current period claims and changes in estimate	(9,053,786)	(1,049,307)	(3,131,226)	(13,234,319)
Current period claims paid	9,053,786	1,049,307	3,212,046	13,315,139
Claims payable at September 30, 2014	(1,750,000)	(240,000)	(330,358)	(2,320,358)
Current period claims and changes in estimate	(11,223,481)	(1,226,471)	(1,151,416)	(13,601,368)
Current period claims paid	11,223,481	1,226,471	1,076,062	13,526,014
Claims payable at September 30, 2015	<u>\$ (1,750,000)</u>	<u>\$ (240,000)</u>	<u>\$ (405,712)</u>	<u>\$ (2,395,712)</u>

### **(B) Contingent liabilities**

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

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

The City has been granted authority from U.S. Citizenship and Immigration Service to operate an EB-5 Visa (also known as the Employment Based 5<sup>th</sup> Preference Visa) Regional Center, which attracts foreign investment for jobs creation in exchange for expediting applicants for permanent residency. This activity is accounted for in a non-major governmental fund. Under this program a foreign national deposits with the City—in addition to \$10,000 application fee,



## CITY OF McALLEN, TEXAS

### NOTES TO FINANCIAL STATEMENTS

September 30, 2015

\$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, 2015, the deposit amount totaled \$2,765,000.

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

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

Effective October 1, 2008, spouses must have been covered for at least three years prior to retirement. Retirees less than age 65 will have a one-time option to drop coverage and to be reinstated once the retiree reached age 65 and has enrolled in Medicare Parts A and B. Retirees are required to pay 100% of the blended (active and retiree) premium cost for both single and dependent coverage. However, police officers who retired prior to October 1, 2010 with 25 or more years of service pay 50% of the blended premium cost for both single and dependent coverage. As of year-end, there were 196 employees who had retired: 59 with single coverage and 137 dependent subscribers.

- (2) Funding Policy: The policy of the City is to fund the plan on a pay-as-you-go basis.
- (3) Annual OPEB Cost and Net OPEB Obligation: The Retiree Health Insurance Fund's (Fund) ARC is actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The most current actuarial valuation was October 1, 2014. The following table shows the Fund's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Fund's net OPEB obligation. This net OPEB obligation in the amount of \$1,142,521 is recorded in the governmental activities column of the statement of net position.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2015**

### Net OPEB Obligation

Annual required contribution	\$ 751,799
Interest on net OPEB obligation	67,425
Adjustment to annual required contribution	<u>(84,372)</u>
Annual OPEB cost	734,852
Contributions made	<u>(818,249)</u>
Decrease in net OPEB obligation	(83,397)
Net OPEB obligation at beginning of year	<u>1,225,918</u>
Net OPEB obligation at end of year	<u><u>\$ 1,142,521</u></u>

The City's annual OPEB cost and the percentage cost contributed to the plan for the year ended September 30, 2015 is as follows:

Year Ended September 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset) at Year End
2008	\$ 548,770	136.6%	\$ (201,098)
2009	551,544	96.2%	(179,896)
2010	882,368	51.5%	248,430
2011	876,453	63.1%	572,194
2012	862,625	44.7%	1,049,270
2013	845,460	90.3%	1,131,455
2014	736,159	87.2%	1,225,918
2015	734,852	111.3%	1,142,521

- (4) **Funded Status and Funding Progress:** The funding of the plan was based on the actuarial valuation dated October 1, 2014. The study reported the unfunded actuarial accrued liability (UAAL) at \$8,137,801 with an annual required contribution of \$751,799. The actuarial value of assets was \$0, resulting in an UAAL of \$8,137,801. The City contributed \$734,852 at year end. The City will also be required to have an actuarial valuation performed at least every two years.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2015**

The next actuarial valuation will be performed at the end of September 30, 2016. The table below reflects the funding progress.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/10	-	8,076,583	8,076,583	0.0%	62,858,165	12.8%
10/01/12	-	7,165,857	7,165,857	0.0%	62,616,631	11.4%
10/01/14	-	8,137,801	8,137,801	0.0%	67,484,896	12.1%

- (5) Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefits costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations. For the fiscal year ended September 30, 2015, the actuarial valuation date was October 1, 2014. The actuarial method used was the “projected unit credit” method, the amortization method used was the “level dollar open” method, and the remaining amortization period was 30 year open period. The asset valuation method was market value and the assumed investment rate of return was 4.5%. The healthcare initial inflation rate was 5.2%, with an ultimate goal of 4.2%. Assumptions such as projected salary increases and post-retirement benefit increases are not applicable to the plan.

### **(D) Retirement Plans**

#### **(1) Texas Municipal Retirement System**

##### **a). Plan Description**

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

### b). Benefits provided

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

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

Plan provisions for the City are as follows:

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

Employees covered by benefit terms –

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	412
Inactive employees entitled to but not yet receiving benefits	304
Active employees	<u>1,489</u>
Total	2,205

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

c). Contributions

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

Employees for the City of McAllen were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2015, the City made contributions of 6.53%.

d). Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions--

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0% per year composed of an assumed 3.0% inflation rate and a 4.0% net real rate of return

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

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. This experience study was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and the long-term funding needs of TMRS.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	<u>5.0%</u>	8.50%
Total	100.00%	

### Discount Rate—

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed the employee contributions will remain at the current 7% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

Changes in the Net Pension Liability—

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2013	\$ 201,245,807	\$ 200,527,895	\$ 717,912
Changes for the year:			
Service cost	6,805,485	-	6,805,485
Interest	14,011,751	-	14,011,751
Difference between expected and actual experience	12,762	-	12,762
Changes in assumptions	-	-	-
Contributions-employer	-	4,139,770	(4,139,770)
Contributions-employee	-	4,367,657	(4,367,657)
Net investment income	-	11,471,696	(11,471,696)
Benefit payments, including refunds of employee contributions	(8,961,369)	(8,961,369)	-
Administrative expense		(119,767)	119,767
Other	-	(9,847)	9,847
Net Changes	11,868,629	10,888,140	980,489
Balance at 12/31/2014	\$ 213,114,436	\$ 211,416,035	\$ 1,698,401

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6%)	Current Discount Rate (7%)	1% Increase in Discount Rate (8%)
City's net pension liability	\$32,877,240	\$1,698,401	\$(23,904,963)

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

### Pension Plan Fiduciary Net Position—

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

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

For the year ended September 30, 2015, the City recognized pension expense of \$3,057,135.

At September 30, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 10,918
Difference between projected and actual investment earnings	2,052,206
Contributions subsequent to the measurement date	3,081,743
Total	<u>\$ 5,144,867</u>

\$3,081,743 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ending September 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in future pension expense as follows:



# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

Year ended	
<u>Dec 31</u>	
2015	\$ 514,895
2016	514,895
2017	514,895
2018	514,897
2019	1,844
Thereafter	<u>1,698</u>
Total	<u>\$ 2,063,124</u>

(2) Firemen's Relief & Retirement Fund

a). Plan Description

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

At the September 30, 2015 valuation and measurement date, the following members were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	95
Terminated employees entitled to but not yet receiving benefits	7
Active members	<u>161</u>
Total	263

The City issues a publicly-available financial report that includes financial statements and required supplementary information for the Firemen's Relief & Retirement Fund. This financial report may be obtained by writing to the City of McAllen Finance Director, P.O. Box 220, McAllen, Texas 78505-0220 or by calling (956) 681-1081.

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,

## **CITY OF McALLEN, TEXAS**

### **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan document.

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

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

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

**Death Benefits** – Duty-related death benefits, payable to a member's spouse for as long as they are living, equal the sum of (a) 38.67% of the member's highest 60-month average salary, (b) plus two-thirds of any additional service benefit earned by the member as of the date of their death. The death benefit is payable for life, but it ceases upon remarriage. Effective January 1, 2006 the widowed spouse of a member who completed 10 or more years of service prior to their death will have the death benefit payments terminated in the event of remarriage. In addition to the above spousal death benefit, each unmarried child of the member will receive a monthly benefit of 7.73 percent of the fire fighter's highest 60-month average salary. Orphan benefits continue until the child reaches age 18. However, benefits will continue until age 22 for a child who is a full-time student. If the member's spouse dies or remarries,

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

or if the member has no spouse on the date of their death, each eligible orphan will receive a monthly benefit of 15.47 percent of the member's highest 60-month average salary. Orphan benefits are continued for life to disabled children. The total of all benefits paid as a result of the death of an active fund member may not exceed the disability or retirement benefits such member had earned as of the date of their death. The total of all benefits paid as a result of the death of a retired member may not exceed the retirement benefit the member was receiving as of the date of their death. Benefits are reduced pro rata, if necessary, in order to satisfy these limitations.

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

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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

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

### d). Net Pension Liability

Total pension liability is developed by subtracting the present value of future service costs from the present value of future benefits. The net pension liability is calculated by subtracting the plan fiduciary net position from the pension liability. The components of the net pension liability of the Plan at September 30, 2015 were as follows:

Total pension liability	\$	68,453,587
Plan fiduciary net pension		<u>42,300,964</u>
Net pension liability	\$	<u>26,152,623</u>
Fiduciary net position		
as a percentage of total pension liability		61.80%
Covered payroll		11,365,262
Net pension liability as a % of covered payroll		230.11%

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

### Actuarial Assumptions -

The total pension liability was determined by an actuarial valuation as of October 1, 2014 and rolled forward to the measurement date of September 30, 2015, the Plan's fiscal year end.

Valuation date	October 1, 2014
Measurement date	September 30, 2015
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Equivalent single amortization period of the unfunded liabilities	29.0 years
Asset valuation method	Five-year smoothed value with a 20% of market value corridor
Actuarial assumptions:	
Investment rate of return	7.5% per annum, compounded annually
Projected salary increases	4.00% to 8.60%, including inflation based on service at attained age (fund specific)
Inflation	3.00% per year
Cost-of-living adjustment	None
Mortality	Employee and health annuitant combined rates from the RP-2000 Mortality Table, projected to 2015 using Scale AA, with separate rates for males and females
Other information	There have been no benefit changes since the October 1, 2014 valuation date

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

The investment rate of return and the projected salary increases both used the same assumptions with regard to inflation. Best estimates of long-term real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summaries in the table below:

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

### Discount Rate—

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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2015**

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

	Increase (Decrease)		
	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension <u>Liability</u>
	(a)	(b)	(a) - (b)
Balance at 9/30/2014	\$ 68,108,494	\$ 45,283,836	\$ 22,824,658
Changes for the year:			
Service cost	1,824,526	-	1,824,526
Interest	4,884,830	-	4,884,830
Difference between expected and actual experience	221,439	-	221,439
Changes in assumptions	(3,414,995)	-	(3,414,995)
Benefit payments, including refunds of member contributions	(3,170,707)	(3,170,707)	-
Contributions-employer	-	1,477,483	(1,477,483)
Contributions-members	-	1,223,445	(1,223,445)
Expected net investment income	-	3,376,943	(3,376,943)
Gain or (loss) due to difference in projected vs actual earnings	-	(5,843,966)	5,843,966
Expected administrative expense		(46,070)	46,070
Other	-	-	-
Net Changes	<u>345,093</u>	<u>(2,982,872)</u>	<u>3,327,965</u>
Balance at 9/30/2015	<u>\$ 68,453,587</u>	<u>\$ 42,300,964</u>	<u>\$ 26,152,623</u>

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

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

	1% Decrease in Discount Rate <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase in Discount Rate <u>(8.5%)</u>
Plan’s net pension liability	\$34,548,819	\$26,152,623	\$19,127,012

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

For the year ended September 30, 2015, the Plan recognized pension expense of \$990,721.

At September 30, 2015, the Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 209,092	\$ -
Changes in actuarial assumptions	-	3,224,576
Difference between projected and actual investment earnings	<u>4,675,173</u>	<u>-</u>
Total	<u>\$ 4,884,265</u>	<u>\$ 3,224,576</u>



# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Year ended <u>Sept 30</u>	
2016	\$ 990,721
2017	990,721
2018	990,721
2019	990,722
2020	(178,072)
2021-2025	(890,360)
2026-2030	(890,360)
2031-2032	(344,404)
Total	<u><u>\$1,659,689</u></u>

### d). Contributions

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

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

Pursuant to the Plan document, a legal instrument binding both the City and its firefighters, the City of McAllen is required to match employee contributions. Benefits paid to former volunteer firefighters are funded by the City when paid to the former volunteer firefighters or beneficiaries. The City's contribution rate for the fiscal year ended September 30, 2015 was 13.25% of annual compensation. Contributions required and paid into the fund as of September 30, 2015 were members, \$1,223,445 and employer, \$1,477,483.

### e). Other pension information

In September 2003, Texas voters approved an amendment to the Texas Constitution, which provided that once certain benefits are granted to retirees, those benefits may not be subsequently reduced. It was codified as Article XVI, Section 66, of the Texas Constitution. The amendment applies only to the City of McAllen Firefighters' Relief and Retirement Plan.

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

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

**E) Tax Increment Reinvestment Zone Number One**

On December 22, 2014, the City Commission passed a resolution establishing Tax Increment Reinvestment Zone Number One, City of McAllen, Texas (TIRZ#1) containing approximately 2,571 acres of land located in the northern most area of the City's jurisdictional limits and designating the area as a reinvestment zone being commonly referred to as the "Tres Lagos Development Project". The City has committed to contribute to the Tax Increment Fund created for TIRZ#1 80% of its tax increment derived from the City's maintenance and operations ad valorem taxes generated therein for 30 years. The amount to be contributed to TIRZ #1 is based upon the incremental increase in the appraised value each January 1<sup>st</sup> compared to the base year appraised value of property in the Zone as of January 1, 2014. On November 18, 2014, the Commissioners Court of Hidalgo County passed and approved a Resolution of Intent to Participate in TIRZ#1 by pledging 77% of its maintenance and operation portion of the County's assessed and collected taxes during the term of TIRZ #1. The amount contributed by both taxing entities will be set aside for capital improvement projects within TIRZ #1 beginning with taxes levied after January 1, 2015. As of September 30, 2015, there was no activity to report for TIRZ #1.

**(F) Public Improvement District (PID)**

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

**(G) Subsequent events**

- On October 26, 2015, the City sold a 2.42 acre parcel of land to a developer at a sale price of \$952,246 to build a hotel at the Convention Center area complex. This contemporary hotel will feature 99 suites. It is the fourth hotel to be located at the McAllen Convention Center site.

## **CITY OF McALLEN, TEXAS**

### **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

- Preliminary stages of construction has begun on Tres Lagos, McAllen's newest upscale, master-planned community. The City is soliciting bids for the community's spine infrastructure, the backbone to delivering gigabyte speed internet and other technological features of the development. Tres Lagos is a 2,571-acre planned community located in McAllen's extraterritorial jurisdiction.
- The City closed on the sale of Civic Center property on February 26, 2016. The intent of the developer is to build an upscale retail destination within the south McAllen jurisdiction.
- On December 14, 2015, the City created a second TIRZ known as Tax Increment Reinvestment Zone Number Two, City of McAllen, Texas (TIRZ#2). This second TIRZ covers approximately 1,702 acres located in the south central area of City. The City has committed to contribute to the Tax Increment Fund created for TIRZ#2 60% of its tax increment derived from the City's maintenance and operations ad valorem taxes generated therein for 20 years.
- On December 30, 2015, the City passed an ordinance approving and adopting an Amended Service and Assessment Plan and Assessment Roll for the Tres Lagos Public Improvement District (PID) to add a debt service assessment (DSA) to facilitate the funding of capital improvements for the PID.
- Pursuant to TMRS policy of conducting experience studies every four year, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7% to 6.75% and changing the inflation assumption from 3% to 2.5%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be as large as originally projected. While the actual impact on the City's valuation for December 31, 2015 is not known, the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution.

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# **Required Supplementary Information**

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

	Measurement Year 2014
<b>Total pension liability:</b>	
Service cost	\$ 6,805,485
Interest(on the total pension liability)	14,011,751
Changes of benefit terms	-
Difference between expected and actual experience	12,762
Change in assumptions	-
Benefit payments, including refunds of employee contributions	<u>(8,961,369)</u>
Net change in total pension liability	11,868,629
Total pension liability - beginning	<u>201,245,807</u>
Total pension liability - ending (a)	<u><u>\$ 213,114,436</u></u>
<b>Plan fiduciary net position:</b>	
Contributions - employer	\$ 4,139,770
Contributions - employee	4,367,657
Net investment income	11,471,696
Benefit payments, including refunds of employee contributions	(8,961,369)
Administrative expense	(119,767)
Other	<u>(9,847)</u>
Net change in plan fiduciary net position	10,888,140
Plan fiduciary net position - beginning	<u>200,527,895</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 211,416,035</u></u>
Net pension liability - ending (a) - (b)	\$ 1,698,401
Plan fiduciary net position as a percentage of total pension liability	99.20%
Covered employee payroll	\$ 62,261,492
Net pension liability as a percentage of covered employee payroll	2.73%

**City of McAllen, Texas**  
**Required Supplementary Information – (Unaudited)**  
**Texas Municipal Retirement System**  
**Schedule of Contributions**  
**Fiscal Year 2015 (Previous years unavailable)**

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

**Notes to Schedule:**

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

Methods and Assumptions Used to Determine Contribution Rate for 2015:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	12 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 – 2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information: There were no benefit changes during the year.

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

	Measurement Year 2015
<b>Total pension liability:</b>	
Service cost	\$ 1,824,526
Interest(on the total pension liability)	4,884,830
Changes of benefit terms	-
Difference between expected and actual experience	221,439
Change in assumptions	(3,414,995)
Benefit payments, including refunds of member contributions	<u>(3,170,707)</u>
Net change in total pension liability	345,093
Total pension liability - beginning	<u>68,108,494</u>
Total pension liability - ending (a)	<u><u>\$ 68,453,587</u></u>
<b>Plan fiduciary net position:</b>	
Contributions - employer	\$ 1,477,483
Contributions - members	1,223,445
Benefit payments, including refunds of member contributions	(3,170,707)
Expected net investment income	3,376,943
Gain or (loss) due to difference in projected vs actual earnings	(5,843,966)
Expected Administrative expense	<u>(46,070)</u>
Net change in plan fiduciary net position	(2,982,872)
Plan fiduciary net position - beginning	<u>45,283,836</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 42,300,964</u></u>
Net pension liability - ending (a) - (b)	\$ 26,152,623
Plan fiduciary net position as a percentage of total pension liability	61.80%
Covered employee payroll	\$ 11,365,262
Net pension liability as a percentage of covered employee payroll	230.11%



**City of McAllen, Texas**  
**Required Supplementary Information – (Unaudited)**  
**Firemen's Relief and Retirement Fund**  
**Schedule of Contributions**  
**Fiscal Year 2015 (Previous years unavailable)**

Fiscal Year	(1) Actuarial determined contribution	(2) Contribution in relation to the actuarially determined contribution	(3) Contribution excess (deficiency) (2) -(1)	(4) Covered employee payroll	(5) Contributions as a percentage of covered employee payroll (2)/(4)
2015	\$ 1,477,483	\$ 1,477,483	\$ -	\$ 11,365,262	13.00%

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

Methods and Assumptions Used to Determine Contribution Rate for 2015:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Pay, Open
Remaining Amortization Period	29 years
Asset Valuation Method	5 Year smoothed market; 20% soft corridor
Inflation	3.0%
Salary Increases	4.00% to 8.60% including inflation based on service at attained age
Investment Rate of Return	7.75%
Retirement Age	Experience-based table of rates that are specific to the Firemen's Relief and Retirement Fund
Mortality	Employee and healthy annuitant combined rates from RP-2000 Mortality Table, projected to 2024 using Scale AA, with separate rates for males and females.
Other Information:	There were no benefit changes during the year.

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
10/01/06	\$ -	\$ 4,568,795	\$ 4,568,795	0.0%	\$ 51,690,160	8.8%
10/01/08	-	7,253,404	7,253,404	0.0%	60,443,815	12.0%
10/01/10	-	8,076,583	8,076,583	0.0%	62,858,165	12.8%
10/01/12	-	7,165,857	7,165,857	0.0%	62,616,631	11.4%
10/01/14	-	8,137,801	8,137,801	0.0%	67,484,896	12.1%

Refer to page 97 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.

**City of McAllen, Texas**  
**Required Supplementary Information – (Unaudited)**  
**Post Employment Benefit Plan**  
**Schedule of Employer Contributions**  
**Last Eight Fiscal Years**

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2008	\$548,770	\$ 749,433	136.6%
2009	551,544	530,342	96.2%
2010	882,368	454,042	51.5%
2011	876,453	552,689	63.1%
2012	862,625	385,549	44.7%
2013	845,460	763,275	90.3%
2014	736,159	641,696	87.2%
2015	734,852	818,249	111.3%

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# Non Major Governmental Funds

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

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

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

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

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

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

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

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

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

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

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

## Capital Projects Funds:

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

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

Performing Arts G.O. Construction Fund was established to account for all expenditures related to the construction of the Performing Arts Center as funded with General Obligation Funds Series

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

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

CITY OF McALLEN, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
September 30, 2015

	Special Revenue						
	Hotel Occupancy Tax	Hotel Venue Project	McAllen EB-5 Regional Center	Parkland Zones	Community Development	Miscellaneous Government Grants	Downtown Services Parking
<b>ASSETS</b>							
Cash	\$ 33,496	\$ 186,734	\$ 189,613	\$ 50,395	\$ 8,989	\$ 12,055	\$ 43,408
Certificate of deposit	-	-	-	-	-	-	-
Investments	4	44,967	2,760,829	1,159,031	-	-	526,926
Receivables:							
Accounts	297,976	85,143	-	-	-	-	7
Taxes	-	-	-	-	-	-	-
Accrued interest	-	-	-	36	-	-	-
Other	-	-	-	-	-	-	600
Due from other governments	-	-	-	-	309,901	189,376	-
Total assets	<u>\$ 331,476</u>	<u>\$ 316,844</u>	<u>\$ 2,950,442</u>	<u>\$ 1,209,462</u>	<u>\$ 318,890</u>	<u>\$ 201,431</u>	<u>\$ 570,941</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 87,637	\$ -	\$ -	\$ -	\$ 301,683	\$ 1,584	\$ 30,470
Accrued liabilities	-	42,590	4,322	-	17,207	-	26,893
Due to other funds	218,909	-	-	-	-	183,254	-
Advances from other funds	-	-	-	-	-	-	-
Other liabilities	-	-	2,765,000	-	-	-	17
Total liabilities	<u>306,546</u>	<u>42,590</u>	<u>2,769,322</u>	<u>-</u>	<u>318,890</u>	<u>184,838</u>	<u>57,380</u>
Deferred inflows of resources	-	-	-	-	-	-	-
Total liabilities and deferred inflows	<u>306,546</u>	<u>42,590</u>	<u>2,769,322</u>	<u>-</u>	<u>318,890</u>	<u>184,838</u>	<u>57,380</u>
<b>FUND BALANCES</b>							
Restricted	24,930	274,254	181,120	1,209,462	-	16,593	-
Committed	-	-	-	-	-	-	513,561
Assigned	-	-	-	-	-	-	-
Total fund balances	<u>24,930</u>	<u>274,254</u>	<u>181,120</u>	<u>1,209,462</u>	<u>-</u>	<u>16,593</u>	<u>513,561</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 331,476</u>	<u>\$ 316,844</u>	<u>\$ 2,950,442</u>	<u>\$ 1,209,462</u>	<u>\$ 318,890</u>	<u>\$ 201,431</u>	<u>\$ 570,941</u>

Special Revenue			Capital Projects						Total Nonmajor Governmental Funds
PD Seized	Public Education Governmental	Total	Debt Service	Information Technology	Street Improvements	Performing Arts-G.O.	Performin Arts-C.O.	Sports Facilities	
\$ 15,508	\$ 5,197	\$ 545,395	\$ 36,150	\$ 14,980	\$ 6,104	\$ 44,064	\$ 70,734	\$ -	\$ 717,427
-	-	-	-	-	10,588,150	4,953,600	7,896,750	11,151,650	34,590,150
6,589,943	560,181	11,641,881	596,554	606,742	3,543,593	2,127,866	5,481,177	3,361,950	27,359,763
-	-	-	-	-	-	-	-	-	-
-	-	383,126	-	-	-	-	-	-	383,126
-	-	-	117,756	-	-	-	-	-	117,756
3,893	-	3,929	-	-	3,661	715	3,918	6,655	18,878
-	-	600	-	-	-	-	-	-	600
-	-	499,277	-	-	-	-	-	-	499,277
<u>\$ 6,609,344</u>	<u>\$ 565,378</u>	<u>\$ 13,074,208</u>	<u>\$ 750,460</u>	<u>\$ 621,722</u>	<u>\$ 14,141,508</u>	<u>\$ 7,126,245</u>	<u>\$ 13,452,579</u>	<u>\$ 14,520,255</u>	<u>\$ 63,686,977</u>
\$ 218,066	\$ -	\$ 639,440	\$ -	\$ 10,776	\$ 191,991	\$ 1,003,448	\$ 621	\$ 949	1,847,225
136,013	-	227,025	-	-	-	674,191	-	-	901,216
-	-	402,163	-	-	-	-	-	11,366	413,529
-	-	-	-	-	-	-	-	-	-
-	-	2,765,017	-	-	-	-	-	-	2,765,017
<u>354,079</u>	<u>-</u>	<u>4,033,645</u>	<u>-</u>	<u>10,776</u>	<u>191,991</u>	<u>1,677,639</u>	<u>621</u>	<u>12,315</u>	<u>5,926,987</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>117,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,757</u>
<u>354,079</u>	<u>-</u>	<u>4,033,645</u>	<u>117,757</u>	<u>10,776</u>	<u>191,991</u>	<u>1,677,639</u>	<u>621</u>	<u>12,315</u>	<u>6,044,744</u>
6,255,265	565,378	8,527,002	632,703	-	13,949,517	5,448,606	13,451,958	14,507,940	56,517,726
-	-	513,561	-	-	-	-	-	-	513,561
-	-	-	-	610,946	-	-	-	-	610,946
<u>6,255,265</u>	<u>565,378</u>	<u>9,040,563</u>	<u>632,703</u>	<u>610,946</u>	<u>13,949,517</u>	<u>5,448,606</u>	<u>13,451,958</u>	<u>14,507,940</u>	<u>57,642,233</u>
<u>\$ 6,609,344</u>	<u>\$ 565,378</u>	<u>\$ 13,074,208</u>	<u>\$ 750,460</u>	<u>\$ 621,722</u>	<u>\$ 14,141,508</u>	<u>\$ 7,126,245</u>	<u>\$ 13,452,579</u>	<u>\$ 14,520,255</u>	<u>\$ 63,686,977</u>

**CITY OF McALLEN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2015**

	Special Revenue						
	Hotel Occupancy Tax	Hotel Venue Project	McAllen EB-5 Regional Center	Parkland Zones	Community Development	Miscellaneous Government Grants	Downtown Services Parking
<b>REVENUES</b>							
Hotel taxes	\$ 4,262,268	\$ 1,217,451	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-	-	-
Franchise taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	16,387
Intergovernmental	-	-	-	-	2,223,150	634,281	-
Charges for services	-	-	-	-	-	-	1,104,240
Fines and forfeitures	-	-	-	-	-	-	196,725
Investment earnings	14	808	-	2,737	-	(2)	331
Net increase (decrease) in the fair value of investments	-	-	-	1,046	-	-	-
Other	-	-	-	242,495	-	188,890	8,349
Total revenues	4,262,282	1,218,259	-	246,278	2,223,150	823,169	1,326,032
<b>EXPENDITURES</b>							
Current:							
General government	1,217,791	-	12,975	-	333,167	-	-
Public safety	-	-	-	-	-	824,184	-
Highways and streets	-	-	-	-	95,259	-	963,097
Health and welfare	-	-	-	-	1,122,351	-	-
Culture and recreation	-	-	-	-	672,373	570	-
Debt service:							
Principal	-	205,000	-	-	-	-	-
Interest and fiscal charges	-	654,834	-	-	-	-	-
Total expenditures	1,217,791	859,834	12,975	-	2,223,150	824,754	963,097
Excess (deficiency) of revenues over (under) expenditures	3,044,491	358,425	(12,975)	246,278	-	(1,585)	362,935
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	190,000	-	-	-	-
Transfers out	(3,044,477)	(2,078,809)	-	-	-	-	(237,000)
Issuance of debt	-	-	-	-	-	-	-
Bond premium	-	-	-	-	-	-	-
Net other financing sources (uses)	(3,044,477)	(2,078,809)	190,000	-	-	-	(237,000)
Net change in fund balances	14	(1,720,384)	177,025	246,278	-	(1,585)	125,935
Fund balances at beginning of year	24,916	1,994,638	4,095	963,184	-	18,178	387,626
Fund balances at end of year	\$ 24,930	\$ 274,254	\$ 181,120	\$ 1,209,462	\$ -	\$ 16,593	\$ 513,561



Special Revenue			Capital Projects						Total Nonmajor Governmental Funds
PD Seized	Public Education Government	Total	Debt Service	Information Technology	Street Improvements	Performing Arts-G.O.	Performing Arts-C.O.	Sports Facilities	
\$ -	\$ -	\$ 5,479,719	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,479,719
-	-	-	3,283,041	-	-	-	-	-	3,283,041
-	140,162	140,162	-	-	-	-	-	-	140,162
-	-	16,387	-	-	-	-	-	-	16,387
-	-	2,857,431	-	-	-	-	-	-	2,857,431
-	-	1,104,240	-	-	-	-	-	-	1,104,240
3,712,769	-	3,909,494	-	-	-	-	-	-	3,909,494
48,732	181	52,801	813	4,961	46,168	50,586	35,521	49,156	240,006
-	-	1,046	-	759	-	-	-	-	1,805
-	-	439,734	-	-	-	5,029	9,295	-	454,058
3,761,501	140,343	14,001,014	3,283,854	5,720	46,168	55,615	44,816	49,156	17,486,343
-	70,778	1,634,711	-	399,514	-	-	-	-	2,034,225
1,964,782	-	2,788,966	-	-	-	-	-	-	2,788,966
-	-	1,058,356	-	-	1,059,739	-	-	-	2,118,095
-	-	1,122,351	-	-	-	-	-	-	1,122,351
-	-	672,943	-	-	4,693	12,124,280	6,417	14,386	12,822,719
-	-	205,000	19,623,534	-	-	-	-	-	19,828,534
-	-	654,834	3,143,140	-	-	-	-	-	3,797,974
1,964,782	70,778	8,137,161	22,766,674	399,514	1,064,432	12,124,280	6,417	14,386	44,512,864
1,796,719	69,565	5,863,853	(19,482,820)	(393,794)	(1,018,264)	(12,068,665)	38,399	34,770	(27,026,521)
-	495,813	685,813	3,507,300	-	-	2,490,809	1,300,504	-	7,984,426
-	-	(5,360,286)	-	-	-	-	-	-	(5,360,286)
-	-	-	15,035,000	-	-	-	-	-	15,035,000
-	-	-	1,281,031	-	-	-	-	-	1,281,031
-	495,813	(4,674,473)	19,823,331	-	-	2,490,809	1,300,504	-	18,940,171
1,796,719	565,378	1,189,380	340,511	(393,794)	(1,018,264)	(9,577,856)	1,338,903	34,770	(8,086,350)
4,458,546	-	7,851,183	292,192	1,004,740	14,967,781	15,026,462	12,113,055	14,473,170	65,728,583
\$ 6,255,265	\$ 565,378	\$ 9,040,563	\$ 632,703	\$ 610,946	\$ 13,949,517	\$ 5,448,606	\$ 13,451,958	\$ 14,507,940	\$ 57,642,233

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# NonMajor Enterprise Funds

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

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

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

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

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

**CITY OF McALLEN , TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**September 30, 2015**

	<b>Palm View Golf Course</b>	<b>Civic Center</b>	<b>McAllen Express Transit</b>	<b>Transit Terminal</b>	<b>Total</b>
<b>ASSETS</b>					
Current assets:					
Cash	\$ 179,836	\$ 43,827	\$ 78,540	\$ 158,103	\$ 460,306
Certificate of deposit	60,000	-	-	-	60,000
Investments	524,357	1,859,195	1,010,474	1,501,121	4,895,147
Receivables, net:					
Accounts	52	-	3,430	-	3,482
Accrued interest	-	972	486	480	1,938
Due from other funds	-	43,782	-	319,420	363,202
Due from other governments	-	-	117,123	652,403	769,526
<b>Total currents assets</b>	<b>764,245</b>	<b>1,947,776</b>	<b>1,210,053</b>	<b>2,631,527</b>	<b>6,553,601</b>
Restricted assets:					
Cash	126,264	25,000	-	-	151,264
Investments	120,898	13,627	-	-	134,525
<b>Total restricted assets</b>	<b>247,162</b>	<b>38,627</b>	<b>-</b>	<b>-</b>	<b>285,789</b>
Capital assets:					
Land	187,995	358,070	-	1,684,593	2,230,658
Buildings and systems	228,345	1,454,607	-	5,624,288	7,307,240
Improvements other than buildings	7,717,383	1,283,398	489,143	2,299,400	11,789,324
Machinery and equipment	1,508,947	552,758	5,380,849	3,237,966	10,680,520
<b>Total capital assets</b>	<b>9,642,670</b>	<b>3,648,833</b>	<b>5,869,992</b>	<b>12,846,247</b>	<b>32,007,742</b>
Less accumulated depreciation	(6,365,646)	(2,600,136)	(3,774,834)	(3,083,312)	(15,823,928)
<b>Net capital assets</b>	<b>3,277,024</b>	<b>1,048,697</b>	<b>2,095,158</b>	<b>9,762,935</b>	<b>16,183,814</b>
<b>Total assets</b>	<b>4,288,431</b>	<b>3,035,100</b>	<b>3,305,211</b>	<b>12,394,462</b>	<b>23,023,204</b>
Deferred outflows of resources - pensions	45,790	-	114,730	10,289	170,809
<b>Total assets and deferred outflows of resources</b>	<b>\$ 4,334,221</b>	<b>\$ 3,035,100</b>	<b>\$ 3,419,941</b>	<b>\$ 12,404,751</b>	<b>\$ 23,194,013</b>

**CITY OF McALLEN , TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**September 30, 2015**

	<u>Palm View Golf Course</u>	<u>Civic Center</u>	<u>McAllen Express Transit</u>	<u>Transit Terminal</u>	<u>Total</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 46,535	\$ 13,411	\$ 119,300	\$ 718,122	\$ 897,368
Accrued expenses	33,084	-	68,519	181,675	283,278
Compensated absences	22,653	-	-	-	22,653
Other	-	39	-	-	39
Total current liabilities	<u>102,272</u>	<u>13,450</u>	<u>187,819</u>	<u>899,797</u>	<u>1,203,338</u>
Liabilities(payable from restricted assets):					
Accounts payable	<u>17,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,697</u>
Total liabilities(payable from restricted assets)	<u>17,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,697</u>
Other noncurrent liabilities:					
Unearned revenues	84,922	17,173	-	-	102,095
Compensated absences	60,123	-	67,032	1,883	129,038
Net pension liability	<u>15,116</u>	<u>-</u>	<u>37,874</u>	<u>3,397</u>	<u>56,387</u>
Total other noncurrent liabilities	<u>160,161</u>	<u>17,173</u>	<u>104,906</u>	<u>5,280</u>	<u>287,520</u>
Total liabilities	<u>\$ 280,130</u>	<u>\$ 30,623</u>	<u>\$ 292,725</u>	<u>\$ 905,077</u>	<u>\$ 1,508,555</u>
<b>NET POSITION</b>					
Net investment in capital assets	3,277,024	1,048,697	2,095,158	9,762,935	16,183,814
Restricted for improvements	-	38,627	-	-	38,627
Unrestricted	<u>777,067</u>	<u>1,917,153</u>	<u>1,032,058</u>	<u>1,736,739</u>	<u>5,463,017</u>
Total net position	<u>4,054,091</u>	<u>3,004,477</u>	<u>3,127,216</u>	<u>11,499,674</u>	<u>21,685,458</u>
Total liabilities and net position	<u>\$ 4,334,221</u>	<u>\$ 3,035,100</u>	<u>\$ 3,419,941</u>	<u>\$ 12,404,751</u>	<u>\$ 23,194,013</u>

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**CITY OF McALLEN , TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**For the Year Ended September 30, 2015**

	<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	\$ 928,601	\$ 264,835	\$ 550,054	\$ 39,733	\$ 1,783,223
Rentals	-	105,392	193,811	-	299,203
Other	<u>335,468</u>	<u>13,490</u>	<u>320,344</u>	<u>3,105</u>	<u>672,407</u>
Total operating revenues	<u>1,264,069</u>	<u>383,717</u>	<u>1,064,209</u>	<u>42,838</u>	<u>2,754,833</u>
Operating expenses:					
Salaries, wages and employee benefits	706,948	-	1,804,831	155,565	2,667,344
Supplies	107,704	12,555	43,244	-	163,503
Contractual and other services	153,518	311,905	598,110	383,890	1,447,423
Repairs and maintenance	84,204	29,229	445,427	307,106	865,966
Depreciation and amortization	<u>290,928</u>	<u>67,976</u>	<u>662,641</u>	<u>578,247</u>	<u>1,599,792</u>
Total operating expenses	<u>1,343,302</u>	<u>421,665</u>	<u>3,554,253</u>	<u>1,424,808</u>	<u>6,744,028</u>
Operating loss	<u>(79,233)</u>	<u>(37,948)</u>	<u>(2,490,044)</u>	<u>(1,381,970)</u>	<u>(3,989,195)</u>
Nonoperating revenues:					
Intergovernmental	-	-	904,096	424,171	1,328,267
Investment earnings	3,012	10,243	3,413	5,716	22,384
Net increase (decrease) in the fair value of investments	240	987	64	3,174	4,465
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>505</u>	<u>505</u>
Nonoperating revenues	<u>3,252</u>	<u>11,230</u>	<u>907,573</u>	<u>433,566</u>	<u>1,355,621</u>
Loss before contributions and transfers	<u>(75,981)</u>	<u>(26,718)</u>	<u>(1,582,471)</u>	<u>(948,404)</u>	<u>(2,633,574)</u>
Capital contributions	-	-	77,514	3,057,983	3,135,497
Transfers in	-	608,895	846,574	988,141	2,443,610
Transfers out	<u>-</u>	<u>(412,000)</u>	<u>-</u>	<u>-</u>	<u>(412,000)</u>
Change in net position	<u>(75,981)</u>	<u>170,177</u>	<u>(658,383)</u>	<u>3,097,720</u>	<u>2,533,533</u>
Total net position beginning of year, restated	<u>4,130,072</u>	<u>2,834,300</u>	<u>3,785,599</u>	<u>8,401,954</u>	<u>19,151,925</u>
Total net position--ending	<u>\$ 4,054,091</u>	<u>\$ 3,004,477</u>	<u>\$ 3,127,216</u>	<u>\$ 11,499,674</u>	<u>\$ 21,685,458</u>

**CITY OF McALLEN, TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**STATEMENT OF CASH FLOW**  
**For the Year Ended September 30, 2015**

	<b>Palm View Golf Course</b>	<b>McAllen International Civic Center</b>	<b>McAllen Express Transit</b>	<b>Transit Terminal</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>					
Receipts from customers	\$ 1,264,040	\$ 386,122	\$ 1,066,363	\$ 43,703	\$ 2,760,228
Payments to employees	(734,147)	-	(1,917,972)	(167,377)	(2,819,496)
Payments to suppliers	(332,309)	(475,013)	(1,083,638)	(604,443)	(2,495,403)
Net cash provided (used) by operating activities	197,584	(88,891)	(1,935,247)	(728,117)	(2,554,671)
<b>Cash flows from noncapital financing activities:</b>					
Transfers from other funds		608,895	846,574	316,005	1,771,474
Transfers to other funds		(412,000)	-	-	(412,000)
Subsidy from federal grant	-	-	969,131	3,309,861	4,278,992
Net cash provided by noncapital financing activities	-	196,895	1,815,705	3,625,866	5,638,466
<b>Cash flows from capital and related financing activities:</b>					
Payments for capital acquisitions	(249,039)	-	(39,846)	(2,525,923)	(2,814,808)
Cash used by capital and related financing activities	(249,039)	-	(39,846)	(2,525,923)	(2,814,808)
<b>Cash flows from investing activities:</b>					
Proceeds from sales and maturities of investments	617,386	3,570,725	2,665,014	5,169,548	12,022,673
Purchase of investments	(385,449)	(3,776,466)	(2,556,360)	(5,433,340)	(12,151,615)
Receipt of interest	4,168	12,173	4,584	9,048	29,973
Net cash provided (used) by investing activities	236,105	(193,568)	113,238	(254,744)	(98,969)
Net increase (decrease) in cash	184,650	(85,564)	(46,150)	117,082	170,018
Cash at beginning of year	121,450	154,391	124,690	41,021	441,552
Cash at end of year	\$ 306,100	\$ 68,827	\$ 78,540	\$ 158,103	\$ 611,570

Continued



**CITY OF McALLEN, TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**STATEMENT OF CASH FLOW**  
**For the Year Ended September 30, 2015**

	<b>Palm View Golf Course</b>	<b>McAllen International Civic Center</b>	<b>McAllen Express Transit</b>	<b>Transit Terminal</b>	<b>Total</b>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities</b>					
Operating loss	\$ (79,233)	\$ (37,948)	\$ (2,490,044)	\$ (1,381,970)	\$ (3,989,195)
Adjustment to reconcile operating loss to net cash provided by operating activities:					
Depreciation	290,928	67,976	662,641	578,247	1,599,792
Deferred outflows - pension	(45,790)	-	(114,730)	(10,289)	(170,809)
(Increase) decrease in accounts receivable	(28)	-	2,154	868	2,994
(Increase) decrease in due from other funds	-	2,408	-	-	2,408
Increase (decrease) in accounts payable	699	(123,972)	3,143	(69,126)	(189,256)
Increase (decrease) in net pension liability	8,726	-	21,865	1,961	32,552
Increase (decrease) in compensated absences payable	6,735	-	(14,724)	(7,160)	(15,149)
Increase (decrease) in accrued liabilities	3,133	-	(5,552)	159,352	156,933
Increase (decrease) in unearned revenues	12,414	2,645	-	-	15,059
Total adjustments	276,817	(50,943)	554,797	653,853	1,434,524
Net cash provided (used) by operating activities	<u>\$ 197,584</u>	<u>\$ (88,891)</u>	<u>\$ (1,935,247)</u>	<u>\$ (728,117)</u>	<u>\$ (2,554,671)</u>
<b>Noncash investing, capital and financing activities:</b>					
Increase (decrease) in fair value of investments	240	987	64	3,174	4,465

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# Internal Service Funds

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

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

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

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

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

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

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**September 30, 2015**

	<b>Fleet Materials Management</b>	<b>Employee Benefits</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 856,040	\$ 47,509
Certificates of deposit	-	-
Investments	-	798,378
Receivables, net:		
Accounts	222,436	21,217
Accrued interest	-	-
Due from other governments	-	-
Other	-	430,765
Interfund loan	-	-
Inventories	366,920	-
Total current assets	1,445,396	1,297,869
Capital assets	926,481	40,998
Less accumulated depreciation	(535,577)	(15,220)
Net capital assets	390,904	25,778
Total assets	\$ 1,836,300	\$ 1,323,647
Deferred outflows of resources - pension	54,536	-
Total Assets and Deferred Outflow of Resources	\$ 1,890,836	\$ 1,323,647
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 319,843	\$ 797,566
Accrued expense	39,124	1,781,930
Total current liabilities	358,967	2,579,496
Other non-current liabilities:		
Net pension liability	18,003	-
Accumulated unpaid compensated absences	28,691	7,070
Total other non-current liabilities	46,694	7,070
Total liabilities	405,661	2,586,566
<b>NET POSITION</b>		
Net investment in capital assets	390,904	25,778
Unrestricted	1,094,271	(1,288,697)
Total net position	1,485,175	(1,262,919)
Total liabilities and net position	\$ 1,890,836	\$ 1,323,647

<b>Retiree Health Insurance</b>	<b>General Insurance</b>	<b>General Depreciation</b>	<b>Total</b>
\$ 2,544	\$ 240,121	\$ 18,169	\$ 1,164,383
-	-	60,000	60,000
727,660	6,795,062	6,563,317	14,884,417
(2,881)	130,578	-	371,350
-	6,059	5,125	11,184
-	5,362	-	5,362
-	-	-	430,765
-	1,092,503	1,092,503	2,185,006
-	-	-	366,920
727,323	8,269,685	7,739,114	19,479,387
-	4,946,194	24,728,954	30,642,627
-	(18,189)	(17,608,604)	(18,177,590)
-	4,928,005	7,120,350	12,465,037
\$ 727,323	\$ 13,197,690	\$ 14,859,464	\$ 31,944,424
-	-	-	54,536
\$ 727,323	\$ 13,197,690	\$ 14,859,464	\$ 31,998,960
\$ 38,715	\$ 279,055	\$ 163,199	\$ 1,598,378
240,000	446,839	-	2,507,893
278,715	725,894	163,199	4,106,271
-	-	-	18,003
-	10,128	-	45,889
-	10,128	-	63,892
278,715	736,022	163,199	4,170,163
-	4,928,005	7,120,350	12,465,037
448,608	7,533,663	7,575,915	15,363,760
448,608	12,461,668	14,696,265	27,828,797
\$ 727,323	\$ 13,197,690	\$ 14,859,464	\$ 31,998,960

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**For the Year Ended September 30, 2015**

	<b>Fleet Materials Management</b>	<b>Employee Benefits</b>	<b>Retiree Health Insurance</b>
Operating revenues:			
Charges for services	\$ 4,430,963	\$ -	\$ -
Contributions	-	9,361,794	490,903
Total operating revenues	4,430,963	9,361,794	490,903
Operating expenses:			
Salaries, wages and employee benefits	838,201	279,328	-
Supplies and materials	24,227	3,749	-
Contractual and other services	3,158,839	1,544,211	83,400
Repairs and maintenance	48,520	-	-
Depreciation and amortization	81,461	8,200	-
Self insurance claims	-	11,223,481	366,508
Other	28,943	277,558	-
Total operating expenses	4,180,191	13,336,527	449,908
Operating income (loss)	250,772	(3,974,733)	40,995
Non operating revenues (expenses):			
Intergovernmental	-	-	-
Investment earnings	-	2,496	12,368
Net increase (decrease) in fair value of investments	-	(564)	(510)
Other	42,069	110,410	-
Net non-operating revenues (expenses)	42,069	112,342	11,858
Income (loss) before contributions and transfers	292,841	(3,862,391)	52,853
Transfers in	-	3,670,000	-
Transfers out	-	-	(1,500,000)
Change in net position	292,841	(192,391)	(1,447,147)
Total net position-at beginning of year	-	(1,070,528)	1,895,755
Total net position-at beginning of year, restated	1,192,334	-	-
Total net position--ending	\$ 1,485,175	\$ (1,262,919)	\$ 448,608

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

<b>General Insurance</b>	<b>General Depreciation</b>	<b>Total</b>
\$ -	\$ 2,106,013	\$ 6,536,976
4,006,812	-	13,859,509
<u>4,006,812</u>	<u>2,106,013</u>	<u>20,396,485</u>
304,040	-	1,421,569
4,043	-	32,019
1,780,265	-	6,566,715
647,153	-	695,673
-	1,949,141	2,038,802
1,076,062	-	12,666,051
-	-	306,501
<u>3,811,563</u>	<u>1,949,141</u>	<u>23,727,330</u>
<u>195,249</u>	<u>156,872</u>	<u>(3,330,845)</u>
19,777	-	19,777
60,101	105,330	180,295
7,711	14,116	20,753
571,743	59,605	783,827
<u>659,332</u>	<u>179,051</u>	<u>1,004,652</u>
854,581	335,923	(2,326,193)
-	-	3,670,000
<u>(4,205,009)</u>	<u>(5,900,000)</u>	<u>(11,605,009)</u>
(3,350,428)	(5,564,077)	(10,261,202)
15,812,096	20,260,342	36,897,665
-	-	1,192,334
<u>\$ 12,461,668</u>	<u>\$ 14,696,265</u>	<u>\$ 27,828,797</u>

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Year Ended September 30, 2015**

	<b>Fleet Materials Management</b>	<b>Employee Benefits</b>	<b>Retiree Health Insurance</b>
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 4,305,485	\$ 9,357,872	\$ 502,350
Payments to employees	(875,701)	(293,055)	-
Payments to suppliers	(3,466,704)	(13,038,899)	(462,239)
Net cash provided (used) by operating activities	(36,920)	(3,974,082)	40,111
<b>Cash flows from non-capital financing activities:</b>			
Subsidy from federal grant	-	-	-
Transfers from other funds	-	3,670,000	-
Transfers to other funds	-	-	(1,500,000)
Cash provided (used) by non-capital financing activities	-	3,670,000	(1,500,000)
<b>Cash flows from capital and related financing activities:</b>			
Payments for capital acquisitions	(119,126)	-	-
Proceeds from sale of capital assets	-	-	-
Net cash provided (used) by capital and related financing activities	(119,126)	-	-
<b>Cash flows from investing activities:</b>			
Proceeds from sales and maturities of investments	-	945,995	1,751,464
Purchase of investments	-	(657,809)	(325,388)
Receipt of interest	-	4,821	16,768
Net cash provided (used) by investing activities	-	293,007	1,442,844
Net increase (decrease) in cash	(156,046)	(11,075)	(17,045)
Cash at beginning of year	1,012,086	58,584	19,589
Cash at end of year	\$ 856,040	\$ 47,509	\$ 2,544



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<u>General Insurance</u>	<u>General Depreciation</u>	<u>Totals</u>
\$ 3,521,614	\$ 1,013,509	\$ 18,700,830
(309,294)	-	(1,478,050)
(3,872,982)	(91,052)	(20,931,876)
<u>(660,662)</u>	<u>922,457</u>	<u>(3,709,096)</u>
19,777	-	19,777
-	-	3,670,000
(2,170,000)	(5,900,000)	(9,570,000)
<u>(2,150,223)</u>	<u>(5,900,000)</u>	<u>(5,880,223)</u>
-	(3,424,672)	(3,543,798)
4,453,210	59,605	4,512,815
<u>4,453,210</u>	<u>(3,365,067)</u>	<u>969,017</u>
-	8,217,592	10,915,051
(1,729,189)	-	(2,712,386)
67,041	137,768	226,398
<u>(1,662,148)</u>	<u>8,355,360</u>	<u>8,429,063</u>
(19,823)	12,750	(191,239)
<u>259,944</u>	<u>5,419</u>	<u>1,355,622</u>
<u>\$ 240,121</u>	<u>\$ 18,169</u>	<u>\$ 1,164,383</u>

Continued

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Year Ended September 30, 2015**

	<b>Fleet Materials Management</b>	<b>Employee Benefits</b>	<b>Retiree Health Insurance</b>
Operating (loss) income	\$ 250,772	\$ (3,974,733)	\$ 40,995
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	81,461	8,200	-
Deferred outflows - pension	(54,536)	-	-
(Increase) decrease in accounts receivable	(167,545)	(3,922)	11,447
(Increase) decrease in inventories	80,207	-	-
(Increase) decrease in intergovernmental receivables	-	-	-
Increase (decrease) in accounts payable	(244,315)	5,007	(12,331)
Increase (decrease) in net pension liability	10,393	-	-
Increase (decrease) in compensated absences payable	1,688	(11,919)	-
Increase (decrease) in accrued liabilities	4,955	3,285	-
Total adjustments	(287,692)	651	(884)
Net cash provided (used) by operating activities	\$ (36,920)	\$ (3,974,082)	\$ 40,111
<b>Noncash investing, capital, and financing activities:</b>			
Increase in fair value of investments	-	(564)	(510)

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<u>General Insurance</u>	<u>General Depreciation</u>	<u>Totals</u>
\$ 195,249	\$ 156,872	\$ (3,330,845)
-	1,949,141	2,038,802
-	-	(54,536)
(479,836)	(1,092,504)	(1,732,360)
-	-	80,207
(5,362)	-	(5,362)
33,867	(91,052)	(308,824)
-	-	10,393
(3,150)	-	(13,381)
(401,430)	-	(393,190)
<u>(855,911)</u>	<u>765,585</u>	<u>(378,251)</u>
<u>\$ (660,662)</u>	<u>\$ 922,457</u>	<u>\$ (3,709,096)</u>
7,711	14,116	20,753

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# Agency Funds

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

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

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

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

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

**CITY OF McALLEN , TEXAS**  
**COMBINING STATEMENT OF NET POSITION**  
**AGENCY FUNDS**  
**September 30, 2015**

	<b>Developers Fund</b>	<b>Communication Group Fund</b>	<b>Payroll Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 76,554	\$ 335,002	\$ 850,155	\$ 1,261,711
Receivables:				
Interest	1,562	-	-	1,562
Other	-	-	10,738	10,738
Investments, at fair value:				
TexPool	813,686	1,150,410	-	1,964,096
US government securities	1,502,547	-	-	1,502,547
	<u>2,394,349</u>	<u>1,485,412</u>	<u>860,893</u>	<u>4,740,654</u>
Total assets	\$ 2,394,349	\$ 1,485,412	\$ 860,893	\$ 4,740,654
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 14,844	\$ 860,893	\$ 875,737
Due agency	-	1,470,568	-	1,470,568
Escrow payables	2,394,349	-	-	2,394,349
	<u>2,394,349</u>	<u>1,485,412</u>	<u>860,893</u>	<u>4,740,654</u>
Total liabilities	\$ 2,394,349	\$ 1,485,412	\$ 860,893	\$ 4,740,654

**CITY OF McALLEN, TEXAS**  
**AGENCY FUND**  
**DEVELOPER'S FUND**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**Year Ended September 30, 2015**

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	<u>Balance</u> <u>09/30/14</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>Balance</u> <u>09/30/15</u>
<b><u>Assets:</u></b>				
Cash and equivalents	\$ 9,504	\$ 9,558,192	\$ 9,491,142	\$ 76,554
Investments:				
Tex-pool	715,287	4,649,503	4,551,104	813,686
Certificate of deposits	487,550	-	487,550	-
Government securities	1,749,925	3,503,909	3,751,287	1,502,547
Receivables:				
Accrued interest	4,668	19,319	22,425	1,562
	<u>4,668</u>	<u>19,319</u>	<u>22,425</u>	<u>1,562</u>
Total current assets	<u>\$ 2,966,934</u>	<u>\$ 17,730,923</u>	<u>\$ 18,303,508</u>	<u>\$ 2,394,349</u>
<b><u>Liabilities:</u></b>				
Escrow payables	<u>\$ 2,966,935</u>	<u>\$ 795,670</u>	<u>\$ 1,368,256</u>	<u>2,394,349</u>
	<u>\$ 2,966,935</u>	<u>\$ 795,670</u>	<u>\$ 1,368,256</u>	<u>\$ 2,394,349</u>

**CITY OF McALLEN, TEXAS  
AGENCY FUND  
COMMUNICATIONS GROUP  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year Ended September 30, 2015**

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	<b>Balance 09/30/14</b>	<b>ADDITIONS</b>	<b>DEDUCTIONS</b>	<b>Balance 09/30/15</b>
<b><u>Assets:</u></b>				
Cash and equivalents	\$ 808,170	\$ 971,316	\$ 1,444,484	\$ 335,002
Investments	-	1,150,410	-	1,150,410
	<u>-</u>	<u>1,150,410</u>	<u>-</u>	<u>1,150,410</u>
Total current assets	<u>\$ 808,170</u>	<u>\$ 2,121,726</u>	<u>\$ 1,444,484</u>	<u>\$ 1,485,412</u>
<b><u>Liabilities:</u></b>				
Payables	\$ 690	\$ 266,409	\$ 252,255	\$ 14,844
Due Agency	807,480	663,088		1,470,568
	<u>807,480</u>	<u>663,088</u>	<u></u>	<u>1,470,568</u>
Total liabilities	<u>\$ 808,170</u>	<u>\$ 929,497</u>	<u>\$ 252,255</u>	<u>\$ 1,485,412</u>



**CITY OF McALLEN, TEXAS**  
**AGENCY FUND**  
**PAYROLL FUND FUND**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**Year Ended September 30, 2015**

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	<b>Balance 09/30/14</b>	<b>ADDITIONS</b>	<b>DEDUCTIONS</b>	<b>Balance 09/30/15</b>
<b><u>Assets:</u></b>				
Cash and equivalents	\$ 834,493	\$ 92,839,385	\$ 92,823,723	\$ 850,155
Receivables:				
Other	13,074	135,292	137,628	10,738
	<u>847,567</u>	<u>92,974,677</u>	<u>92,961,351</u>	<u>860,893</u>
Total current assets	<u>\$ 847,567</u>	<u>\$ 92,974,677</u>	<u>\$ 92,961,351</u>	<u>\$ 860,893</u>
<b><u>Liabilities:</u></b>				
Payables	<u>\$ 847,567</u>	<u>\$ 43,813,447</u>	<u>\$ 43,800,121</u>	<u>\$ 860,893</u>
	<u>\$ 847,567</u>	<u>\$ 43,813,447</u>	<u>\$ 43,800,121</u>	<u>\$ 860,893</u>
Total liabilities	<u>\$ 847,567</u>	<u>\$ 43,813,447</u>	<u>\$ 43,800,121</u>	<u>\$ 860,893</u>

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# **Individual Budget Schedules and Other**

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Taxes:				
Property	\$ 34,847,424	\$ 34,847,424	\$ 35,627,720	\$ 780,296
Sales	47,697,314	47,697,314	47,204,977	(492,337)
Mixed drink	785,000	785,000	818,816	33,816
Franchise	6,620,500	6,620,500	6,473,586	(146,914)
Total taxes	<u>89,950,238</u>	<u>89,950,238</u>	<u>90,125,099</u>	<u>174,861</u>
Licenses and permits:				
Business licenses and permits	55,000	55,000	76,582	21,582
Occupational	254,100	254,100	260,738	6,638
Non-business licenses and permits	<u>1,013,500</u>	<u>1,013,500</u>	<u>1,259,690</u>	<u>246,190</u>
Total licenses and permits	<u>1,322,600</u>	<u>1,322,600</u>	<u>1,597,010</u>	<u>274,410</u>
Total intergovernmental revenues	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>
Charges for services:				
General government	2,199,500	2,199,500	2,103,350	(96,150)
Public safety	693,000	693,000	694,749	1,749
Highways and streets	3,000	3,000	4,630	1,630
Health	607,950	607,950	713,865	105,915
Culture and recreation	<u>1,140,710</u>	<u>1,140,710</u>	<u>1,146,961</u>	<u>6,251</u>
Total charges for services	<u>4,644,160</u>	<u>4,644,160</u>	<u>4,663,555</u>	<u>19,395</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Fines and forfeitures:				
Corporations court	\$ 1,550,000	\$ 1,611,497	\$ 1,450,244	\$ (161,253)
Other fines	<u>65,000</u>	<u>65,000</u>	<u>55,399</u>	<u>(9,601)</u>
Total fines and forfeitures	<u>1,615,000</u>	<u>1,676,497</u>	<u>1,505,643</u>	<u>(170,854)</u>
Investment earnings	<u>375,000</u>	<u>375,000</u>	<u>394,552</u>	<u>19,552</u>
Net increase (decrease) in the fair value of investments	<u>-</u>	<u>-</u>	<u>80,064</u>	<u>80,064</u>
Other:				
Royalties	1,000,000	1,000,000	828,482	(171,518)
Rents and concessions	10,000	10,000	21,211	11,211
Reimbursements	-	-	610,752	610,752
Other	<u>18,100</u>	<u>18,100</u>	<u>677,476</u>	<u>659,376</u>
Total other revenues	<u>1,028,100</u>	<u>1,028,100</u>	<u>2,137,921</u>	<u>1,109,821</u>
Total revenues	<u>\$ 98,935,098</u>	<u>\$ 98,996,595</u>	<u>\$100,505,844</u>	<u>\$ 1,509,249</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>EXPENDITURES</b>				
General government:				
City commission:				
Personal services	\$ 126,526	\$ 126,526	\$ 183,860	\$ (57,334)
Supplies	4,680	4,680	5,285	(605)
Miscellaneous services	<u>60,453</u>	<u>60,453</u>	<u>109,971</u>	<u>(49,518)</u>
Total city commission	<u>191,659</u>	<u>191,659</u>	<u>299,116</u>	<u>(107,457)</u>
Special service:				
Miscellaneous services	<u>811,800</u>	<u>811,800</u>	<u>759,406</u>	<u>52,394</u>
Total special service	<u>811,800</u>	<u>811,800</u>	<u>759,406</u>	<u>52,394</u>
City manager:				
Personal services	1,314,962	1,314,962	1,187,920	127,042
Supplies	2,430	2,430	3,473	(1,043)
Miscellaneous services	88,181	88,181	85,367	2,814
Maintenance	1,680	1,680	3,161	(1,481)
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>497</u>	<u>503</u>
Total city manager	<u>1,408,253</u>	<u>1,408,253</u>	<u>1,280,418</u>	<u>127,835</u>
Budget & management:				
Personal service	331,470	331,470	305,765	25,705
Supplies	5,000	5,501	5,391	110
Miscellaneous services	8,050	6,900	7,063	(163)
Maintenance	13,000	12,699	12,699	-
Capital outlay	<u>-</u>	<u>950</u>	<u>715</u>	<u>235</u>
Total budget & management	<u>357,520</u>	<u>357,520</u>	<u>331,633</u>	<u>25,887</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
City secretary:				
Personal services	\$ 442,453	\$ 442,453	\$ 482,765	\$ (40,312)
Supplies	4,500	4,500	4,142	358
Miscellaneous services	20,366	20,366	21,956	(1,590)
Maintenance	<u>19,184</u>	<u>19,184</u>	<u>17,849</u>	<u>1,335</u>
Total city secretary	<u>486,503</u>	<u>486,503</u>	<u>526,712</u>	<u>(40,209)</u>
Audit office:				
Personal services	210,646	210,646	108,088	102,558
Supplies	2,275	3,135	3,829	(694)
Miscellaneous services	38,731	36,483	6,427	30,056
Capital outlay	<u>-</u>	<u>1,388</u>	<u>1,388</u>	<u>-</u>
Total audit office	<u>251,652</u>	<u>251,652</u>	<u>119,732</u>	<u>131,920</u>
Vital statistics:				
Personal services	130,216	130,216	137,246	(7,030)
Supplies	7,200	7,200	6,059	1,141
Miscellaneous services	<u>21,658</u>	<u>21,658</u>	<u>13,988</u>	<u>7,670</u>
Total vital statistics	<u>159,074</u>	<u>159,074</u>	<u>157,293</u>	<u>1,781</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Passport facility:				
Personal services	\$ 81,844	\$ 81,844	\$ 77,998	\$ 3,846
Supplies	1,490	1,490	1,393	97
Miscellaneous services	7,320	7,320	5,451	1,869
Maintenance	200	200	-	200
Capital outlay	3,750	3,750	-	3,750
Total passport facility	94,604	94,604	84,842	9,762
Municipal court:				
Personal services	1,257,361	1,257,361	1,147,795	109,566
Supplies	8,910	10,690	8,118	2,572
Miscellaneous services	77,842	68,842	43,653	25,189
Maintenance	22,702	81,934	77,341	4,593
Capital outlay	10,506	19,991	10,984	9,007
Total municipal court	1,377,321	1,438,818	1,287,891	150,927
Finance:				
Personal services	1,126,776	1,126,776	948,819	177,957
Supplies	18,520	18,520	18,464	56
Miscellaneous services	147,404	144,904	144,585	319
Maintenance	10,494	10,494	9,641	853
Capital outlay	-	2,500	4,936	(2,436)
Total finance	1,303,194	1,303,194	1,126,445	176,749



**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Tax office:				
Personal services	\$ 256,817	\$ 256,817	\$ 258,118	\$ (1,301)
Supplies	5,833	7,233	7,325	(92)
Miscellaneous services	672,055	671,155	756,041	(84,886)
Maintenance	9,307	8,807	8,123	684
Total tax office	<u>944,012</u>	<u>944,012</u>	<u>1,029,607</u>	<u>(85,595)</u>
Purchasing and contracting:				
Personal services	561,828	561,828	486,656	75,172
Supplies	7,220	7,220	7,303	(83)
Miscellaneous services	8,228	5,228	15,458	(10,230)
Capital outlay	-	3,000	2,767	233
Total purchasing and contracting	<u>577,276</u>	<u>577,276</u>	<u>512,184</u>	<u>65,092</u>
Legal:				
Personal services	967,019	967,019	928,710	38,309
Supplies	3,078	3,078	3,769	(691)
Miscellaneous services	364,873	341,873	392,245	(50,372)
Capital outlay	-	23,000	44,646	(21,646)
Total legal	<u>1,334,970</u>	<u>1,334,970</u>	<u>1,369,370</u>	<u>(34,400)</u>
Grant administration:				
Personal services	330,784	330,784	334,028	(3,244)
Supplies	8,347	14,697	15,830	(1,133)
Miscellaneous services	64,453	58,103	57,904	199
Total grant administration	<u>403,584</u>	<u>403,584</u>	<u>407,762</u>	<u>(4,178)</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Right of way:				
Personal services	\$ 134,947	\$ 134,947	\$ 133,987	\$ 960
Supplies	1,454	1,454	1,453	1
Miscellaneous services	52,497	52,497	31,886	20,611
Total right of way	188,898	188,898	167,326	21,572
Human resources:				
Personal services	644,476	644,476	629,634	14,842
Supplies	16,165	22,628	21,538	1,090
Miscellaneous services	134,670	121,207	84,528	36,679
Maintenance	10,000	10,000	4,806	5,194
Capital outlay	-	7,000	5,256	1,744
Total human resources	805,311	805,311	745,762	59,549
Risk management:				
Liability insurance	651,761	651,761	651,761	-
Total risk management	651,761	651,761	651,761	-
Planning:				
Personal services	1,069,145	1,069,145	824,589	244,556
Supplies	75,780	75,780	29,685	46,095
Miscellaneous services	42,578	42,578	25,492	17,086
Maintenance	18,970	18,970	6,320	12,650
Other	(19,000)	(19,000)	-	(19,000)
Capital outlay	23,350	23,350	18,531	4,819
Total planning	1,210,823	1,210,823	904,617	306,206

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Information technology:				
Personal services	\$ 1,660,791	\$ 1,660,791	\$ 1,684,681	\$ (23,890)
Supplies	17,548	17,548	20,124	(2,576)
Miscellaneous services	251,204	209,232	135,310	73,922
Maintenance	495,788	451,961	438,620	13,341
Capital outlay	<u>288,000</u>	<u>373,799</u>	<u>258,315</u>	<u>115,484</u>
Total information technology	<u>2,713,331</u>	<u>2,713,331</u>	<u>2,537,050</u>	<u>176,281</u>
Public information office:				
Personal services	641,760	641,760	645,123	(3,363)
Supplies	5,000	5,000	6,826	(1,826)
Miscellaneous services	74,646	74,646	65,131	9,515
Maintenance	<u>6,702</u>	<u>6,702</u>	<u>5,692</u>	<u>1,010</u>
Total public information office	<u>728,108</u>	<u>728,108</u>	<u>722,772</u>	<u>5,336</u>
311 Call center:				
Personal services	176,401	176,401	171,625	4,776
Supplies	500	500	1,225	(725)
Miscellaneous services	-	-	13,528	(13,528)
Maintenance	21,500	21,500	-	21,500
Capital outlay	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Total 311 Call center	<u>204,401</u>	<u>204,401</u>	<u>186,378</u>	<u>18,023</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
City hall:				
Personal services	\$ 103,888	\$ 103,888	\$ 98,125	\$ 5,763
Supplies	19,900	19,900	14,593	5,307
Miscellaneous services	336,891	336,891	356,819	(19,928)
Maintenance	146,665	146,665	172,369	(25,704)
Capital outlay	-	-	112	(112)
Total city hall	<u>607,344</u>	<u>607,344</u>	<u>642,018</u>	<u>(34,674)</u>
Development center				
Personal services	29,634	29,634	32,540	(2,906)
Supplies	14,300	14,300	14,269	31
Miscellaneous services	57,700	57,700	50,082	7,618
Maintenance	8,000	8,000	8,057	(57)
Capital outlay	<u>800</u>	<u>800</u>	<u>-</u>	<u>800</u>
Total development center	<u>110,434</u>	<u>110,434</u>	<u>104,948</u>	<u>5,486</u>
Building maintenance:				
Personal services	655,898	655,898	664,383	(8,485)
Supplies	17,732	17,732	21,978	(4,246)
Miscellaneous services	16,570	16,570	16,638	(68)
Maintenance	37,376	37,376	27,134	10,242
Capital outlay	<u>73,500</u>	<u>73,500</u>	<u>63,296</u>	<u>10,204</u>
Total building maintenance	<u>801,076</u>	<u>801,076</u>	<u>793,429</u>	<u>7,647</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Economic development:				
McAllen Economic Development Corp.	\$ 1,383,195	\$ 1,383,195	\$ 1,383,195	\$ -
Chambers of commerce	<u>644,200</u>	<u>644,200</u>	<u>644,200</u>	<u>-</u>
Total economic development	<u>2,027,395</u>	<u>2,027,395</u>	<u>2,027,395</u>	<u>-</u>
Non-departmental activities	123,040	123,040	102,377	20,663
Contingency	<u>(1,275,000)</u>	<u>(1,275,000)</u>	<u>-</u>	<u>(1,275,000)</u>
Total general government	<u>18,598,344</u>	<u>18,659,841</u>	<u>18,878,244</u>	<u>(218,403)</u>
Public safety:				
Police:				
Personal services	28,296,962	28,296,962	27,607,711	689,251
Supplies	396,091	396,091	447,512	(51,421)
Miscellaneous services	1,349,202	1,349,202	1,431,485	(82,283)
Maintenance	1,777,320	1,777,320	1,432,313	345,007
Other	(350,000)	(350,000)	-	(350,000)
Capital outlay	<u>233,744</u>	<u>233,744</u>	<u>186,718</u>	<u>47,026</u>
Total police	<u>31,703,319</u>	<u>31,703,319</u>	<u>31,105,739</u>	<u>597,580</u>
Animal control:				
Personal services	259,708	259,708	226,797	32,911
Supplies	12,000	12,000	10,101	1,899
Miscellaneous services	28,735	28,735	26,875	1,860
Maintenance	54,000	46,496	37,809	8,687
Capital outlay	<u>30,000</u>	<u>73,723</u>	<u>36,219</u>	<u>37,504</u>
Total animal control	<u>384,443</u>	<u>420,662</u>	<u>337,801</u>	<u>82,861</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Communication technology:				
Personal services	\$ 229,005	\$ 229,005	\$ 219,996	\$ 9,009
Supplies	4,376	4,376	4,120	256
Miscellaneous services	100,815	100,815	94,485	6,330
Maintenance	3,500	3,500	1,442	2,058
Other	-	-	(24,677)	24,677
Total communication technology	<u>337,696</u>	<u>337,696</u>	<u>295,366</u>	<u>42,330</u>
Fire:				
Personal services	14,725,840	14,725,840	15,240,427	(514,587)
Supplies	273,243	318,243	301,805	16,438
Miscellaneous services	1,215,292	1,160,292	1,204,690	(44,398)
Maintenance	520,933	520,933	744,015	(223,082)
Capital outlay	<u>68,145</u>	<u>78,145</u>	<u>88,519</u>	<u>(10,374)</u>
Total fire	<u>16,803,453</u>	<u>16,803,453</u>	<u>17,579,456</u>	<u>(776,003)</u>
Traffic operations:				
Personal services	1,520,245	1,520,245	1,422,109	98,136
Supplies	115,492	115,492	118,693	(3,201)
Miscellaneous services	340,063	340,063	326,265	13,798
Maintenance	360,924	360,924	314,283	46,641
Capital outlay	<u>137,000</u>	<u>137,000</u>	<u>170,858</u>	<u>(33,858)</u>
Total traffic operations	<u>2,473,724</u>	<u>2,473,724</u>	<u>2,352,208</u>	<u>121,516</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Building code compliance:				
Personal services	\$ 915,366	\$ 915,366	\$ 932,626	\$ (17,260)
Supplies	13,687	13,687	7,929	5,758
Miscellaneous services	59,285	59,285	48,469	10,816
Maintenance	20,814	20,814	17,418	3,396
Total building code compliance	1,009,152	1,009,152	1,006,442	2,710
Total public safety	52,711,787	52,748,006	52,677,012	70,994
Highways and streets:				
Engineering services:				
Personal services	1,637,471	1,637,471	1,460,990	176,481
Supplies	13,000	13,000	11,973	1,027
Miscellaneous services	125,809	125,809	163,155	(37,346)
Maintenance	45,969	45,969	41,199	4,770
Capital outlay	30,110	30,110	13,548	16,562
Total engineering	1,852,359	1,852,359	1,690,865	161,494
Street cleaning:				
Personal services	194,706	227,425	229,666	(2,241)
Supplies	2,330	2,330	1,896	434
Miscellaneous services	106,509	106,509	104,942	1,567
Maintenance	111,427	111,427	68,483	42,944
Capital outlay	4,600	4,600	5,065	(465)
Total street cleaning	419,572	452,291	410,052	42,239

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Street maintenance:				
Personal services	\$ 1,675,565	\$ 1,826,100	\$ 1,463,031	\$ 363,069
Supplies	29,607	29,607	27,763	1,844
Miscellaneous services	234,280	234,280	230,210	4,070
Maintenance	4,380,691	4,380,691	2,053,178	2,327,513
Capital outlay	22,100	22,100	22,010	90
Total street maintenance	6,342,243	6,492,778	3,796,192	2,696,586
Street lighting:				
Miscellaneous services	1,904,326	1,904,326	2,349,364	(445,038)
Maintenance	72,675	72,675	69,735	2,940
Total street lighting	1,977,001	1,977,001	2,419,099	(442,098)
Sidewalk construction:				
Personal services	235,378	241,133	151,994	89,139
Supplies	30,132	30,132	27,192	2,940
Miscellaneous services	27,575	27,575	27,545	30
Maintenance	38,352	38,352	28,354	9,998
Capital outlay	11,200	11,200	5,156	6,044
Total sidewalk construction	342,637	348,392	240,241	108,151
Drainage:				
Personal services	736,318	824,397	654,176	170,221
Supplies	20,052	20,052	13,123	6,929
Miscellaneous services	316,737	316,737	310,364	6,373
Maintenance	302,658	302,658	222,983	79,675
Capital outlay	29,600	29,600	32,013	(2,413)
Total drainage	1,405,365	1,493,444	1,232,659	260,785
Total highways and streets	12,339,177	12,616,265	9,789,108	2,827,157



**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Health and welfare:				
Health code compliance:				
Personal services	\$ 1,002,097	\$ 1,002,097	\$ 974,952	\$ 27,145
Supplies	27,995	27,995	23,155	4,840
Miscellaneous services	95,622	95,622	174,836	(79,214)
Maintenance	52,275	52,275	67,853	(15,578)
Capital outlay	<u>3,000</u>	<u>3,000</u>	<u>2,565</u>	<u>435</u>
Total health code compliance	<u>1,180,989</u>	<u>1,180,989</u>	<u>1,243,361</u>	<u>(62,372)</u>
Graffiti cleaning:				
Personal services	105,406	105,406	106,670	(1,264)
Supplies	10,181	10,181	8,894	1,287
Miscellaneous services	12,551	12,551	12,558	(7)
Maintenance	23,875	23,875	20,064	3,811
Capital outlay	<u>2,600</u>	<u>2,600</u>	<u>5,890</u>	<u>(3,290)</u>
Total graffiti cleaning	<u>154,613</u>	<u>154,613</u>	<u>154,076</u>	<u>537</u>
Other agencies:				
Humane society	337,662	337,662	612,360	(274,698)
Other health and welfare agencies	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total other agencies	<u>367,662</u>	<u>367,662</u>	<u>642,360</u>	<u>(274,698)</u>
Total health and welfare	<u>1,703,264</u>	<u>1,703,264</u>	<u>2,039,797</u>	<u>(336,533)</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Culture and recreation:				
Parks and recreation administration:				
Personal services	\$ 397,187	\$ 397,187	\$ 352,001	\$ 45,186
Supplies	5,850	5,850	5,035	815
Miscellaneous services	125,987	125,987	135,730	(9,743)
Maintenance	22,795	22,795	16,238	6,557
Capital outlay	<u>20,300</u>	<u>20,300</u>	<u>2,370</u>	<u>17,930</u>
Total parks and recreation administration	<u>572,119</u>	<u>572,119</u>	<u>511,374</u>	<u>60,745</u>
Parks:				
Personal services	3,835,356	3,835,356	3,554,348	281,008
Supplies	174,654	174,654	186,658	(12,004)
Miscellaneous services	2,033,350	2,033,350	1,823,819	209,531
Maintenance	565,940	565,940	613,584	(47,644)
Capital outlay	<u>266,500</u>	<u>266,500</u>	<u>184,339</u>	<u>82,161</u>
Total parks	<u>6,875,800</u>	<u>6,875,800</u>	<u>6,362,748</u>	<u>513,052</u>
Recreation:				
Personal services	1,254,090	1,254,090	1,042,437	211,653
Supplies	35,450	35,450	58,266	(22,816)
Miscellaneous services	240,413	240,413	253,101	(12,688)
Maintenance	11,042	11,042	9,679	1,363
Capital outlay	<u>34,000</u>	<u>34,000</u>	<u>13,610</u>	<u>20,390</u>
Total recreation	<u>1,574,995</u>	<u>1,574,995</u>	<u>1,377,093</u>	<u>197,902</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Pools:				
Personal services	\$ 640,024	\$ 640,024	\$ 611,390	\$ 28,634
Supplies	83,100	83,100	79,798	3,302
Miscellaneous services	122,077	122,077	105,954	16,123
Maintenance	56,700	56,700	71,254	(14,554)
Capital outlay	3,800	3,800	1,892	1,908
Total pools	905,701	905,701	870,288	35,413
Las palmas community center:				
Personal services	293,974	293,974	282,392	11,582
Supplies	11,380	11,380	13,728	(2,348)
Miscellaneous services	66,990	66,990	77,642	(10,652)
Maintenance	11,387	11,387	16,435	(5,048)
Capital outlay	24,514	24,514	6,365	18,149
Total las palmas community center	408,245	408,245	396,562	11,683
Recreation center-Lark:				
Personal services	353,000	353,000	331,399	21,601
Supplies	22,030	22,030	23,637	(1,607)
Miscellaneous services	124,114	124,114	132,600	(8,486)
Maintenance	13,000	13,000	15,680	(2,680)
Capital outlay	22,400	22,400	5,376	17,024
Total recreation center-Lark	534,544	534,544	508,692	25,852

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Recreation center-Palmview:				
Personal services	\$ 350,341	\$ 350,341	\$ 314,470	\$ 35,871
Supplies	20,805	20,805	19,578	1,227
Miscellaneous services	119,960	119,960	121,455	(1,495)
Maintenance	16,000	16,000	10,499	5,501
Capital outlay	25,500	25,500	3,917	21,583
Total recreation center-Palmview	532,606	532,606	469,919	62,687
Quinta mazatlan:				
Personal services	350,637	350,637	341,502	9,135
Supplies	23,350	23,350	22,524	826
Miscellaneous services	116,525	116,525	129,963	(13,438)
Maintenance	22,265	22,265	22,117	148
Capital outlay	24,100	24,100	20,914	3,186
Total quinta mazatlan	536,877	536,877	537,020	(143)
Library:				
Personal services	2,307,964	2,307,964	2,064,720	243,244
Supplies	93,600	117,600	86,148	31,452
Miscellaneous services	622,820	628,820	648,198	(19,378)
Maintenance	160,665	130,665	108,917	21,748
Capital outlay	334,000	334,000	283,168	50,832
Total library	3,519,049	3,519,049	3,191,151	327,898

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Library branch-Lark:				
Personal services	\$ 422,479	\$ 422,479	\$ 412,924	\$ 9,555
Supplies	9,150	9,150	5,332	3,818
Miscellaneous services	13,293	15,713	13,994	1,719
Maintenance	5,250	2,830	-	2,830
Capital outlay	20,000	20,000	19,866	134
Total library branch-Lark	<u>470,172</u>	<u>470,172</u>	<u>452,116</u>	<u>18,056</u>
Library branch-Palmview:				
Personal services	445,586	445,586	425,953	19,633
Supplies	10,500	10,500	7,279	3,221
Miscellaneous services	14,993	17,663	7,027	10,636
Maintenance	5,500	2,830	1,379	1,451
Capital outlay	20,000	20,000	18,405	1,595
Total library branch-Palmview	<u>496,579</u>	<u>496,579</u>	<u>460,043</u>	<u>36,536</u>
Other agencies	<u>983,259</u>	<u>983,259</u>	<u>1,075,107</u>	<u>(91,848)</u>
Museums	<u>792,400</u>	<u>792,400</u>	<u>792,400</u>	<u>-</u>
Total culture and recreation	<u>18,202,346</u>	<u>18,202,346</u>	<u>17,004,513</u>	<u>1,197,833</u>
Total expenditures	<u>103,554,918</u>	<u>103,929,722</u>	<u>100,388,683</u>	<u>3,541,039</u>
Excess of revenues over expenditures	<u>(4,619,820)</u>	<u>(4,933,127)</u>	<u>117,161</u>	<u>5,050,288</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 9,443,115	\$ 9,443,115	\$ 10,197,181	\$ (754,066)
Transfers out	<u>(4,507,300)</u>	<u>(4,697,300)</u>	<u>(5,021,595)</u>	<u>324,295</u>
Net other financing sources	<u>4,935,815</u>	<u>4,745,815</u>	<u>5,175,586</u>	<u>(429,771)</u>
Net change in fund balances	315,995	(187,312)	5,292,747	5,480,059
Fund balances at beginning of year	<u>43,829,781</u>	<u>43,829,781</u>	<u>43,829,781</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ 44,145,776</u></u>	<u><u>\$ 43,642,469</u></u>	<u><u>\$ 49,122,528</u></u>	<u><u>\$ 5,480,059</u></u>

**CITY OF McALLEN, TEXAS**  
**HOTEL OCCUPANCY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Hotel tax	\$ 4,357,426	\$ 4,357,426	\$ 4,262,268	\$ (95,158)
Investment earnings	<u>-</u>	<u>-</u>	<u>14</u>	<u>14</u>
Total revenues	<u>4,357,426</u>	<u>4,357,426</u>	<u>4,262,282</u>	<u>(95,144)</u>
<b>EXPENDITURES</b>				
Current:				
General government	<u>1,239,774</u>	<u>1,239,774</u>	<u>1,217,791</u>	<u>21,983</u>
Total expenditures	<u>1,239,774</u>	<u>1,239,774</u>	<u>1,217,791</u>	<u>21,983</u>
Excess (deficiency) of revenues over expenditures	<u>3,117,652</u>	<u>3,117,652</u>	<u>3,044,491</u>	<u>(117,127)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(2,729,672)</u>	<u>(2,729,672)</u>	<u>(3,044,477)</u>	<u>(314,805)</u>
Total other financing sources (uses)	<u>(2,729,672)</u>	<u>(2,729,672)</u>	<u>(3,044,477)</u>	<u>(314,805)</u>
Net changes in fund balances	387,980	387,980	14	(387,966)
Fund balances--beginning	<u>24,916</u>	<u>24,916</u>	<u>24,916</u>	<u>-</u>
Fund balances--ending	<u>\$ 412,896</u>	<u>\$ 412,896</u>	<u>\$ 24,930</u>	<u>\$ (387,966)</u>

**CITY OF McALLEN, TEXAS**  
**HOTEL VENUE PROJECT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Hotel tax	\$ 1,238,358	\$ 1,238,358	\$ 1,217,451	\$ (20,907)
Investment earnings	-	-	808	808
Total revenues	<u>1,238,358</u>	<u>1,238,358</u>	<u>1,218,259</u>	<u>(20,099)</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	-	-	-	-
Debt service:				
Principal	205,000	205,000	205,000	-
Interest and fiscal charges	<u>654,028</u>	<u>654,028</u>	<u>654,834</u>	<u>(806)</u>
Total expenditures	<u>859,028</u>	<u>859,028</u>	<u>859,834</u>	<u>(806)</u>
Excess (deficiency) of revenues over expenditures	<u>379,330</u>	<u>379,330</u>	<u>358,425</u>	<u>(19,293)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(2,078,809)</u>	<u>(2,078,809)</u>	<u>(2,078,809)</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,078,809)</u>	<u>(2,078,809)</u>	<u>(2,078,809)</u>	<u>-</u>
Net changes in fund balances	(1,699,479)	(1,699,479)	(1,720,384)	(19,293)
Fund balances--beginning	<u>1,994,638</u>	<u>1,994,638</u>	<u>1,994,638</u>	<u>-</u>
Fund balances--ending	<u>\$ 295,159</u>	<u>\$ 295,159</u>	<u>\$ 274,254</u>	<u>\$ (19,293)</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, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<b>EXPENDITURES</b>				
Current:				
General government	-	-	12,975	12,975
Total expenditures	-	-	12,975	12,975
Excess (deficiency) of revenues over expenditures	-	-	(12,975)	(12,975)
Transfers in	-	190,000	190,000	-
Net changes in fund balances	-	190,000	177,025	3
Fund balances--beginning	4,095	4,095	4,095	-
Fund balances--ending	<u>\$ 4,095</u>	<u>\$ 194,095</u>	<u>\$ 181,120</u>	<u>\$ 3</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, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Intergovernmental	\$ 1,957,714	\$ 1,957,714	\$ 2,223,150	\$ 265,436
Total revenues	<u>1,957,714</u>	<u>1,957,714</u>	<u>2,223,150</u>	<u>265,436</u>
<b>EXPENDITURES</b>				
Current:				
General government	342,214	342,214	333,167	9,047
Highways and streets	334,229	334,229	95,259	238,970
Health and welfare	1,011,371	1,011,371	1,122,351	(110,980)
Culture and recreation	<u>269,900</u>	<u>269,900</u>	<u>672,373</u>	<u>(402,473)</u>
Total expenditures	<u>1,957,714</u>	<u>1,957,714</u>	<u>2,223,150</u>	<u>(265,436)</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, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Licenses and permits	\$ 12,000	\$ 12,000	\$ 16,387	\$ 4,387
Charges for services	1,117,747	1,117,747	1,104,240	(13,507)
Fines and forfeitures	230,000	230,000	196,725	(33,275)
Investment earnings	-	-	331	331
Other	7,200	7,200	8,349	1,149
	<u>1,366,947</u>	<u>1,366,947</u>	<u>1,326,032</u>	<u>(40,915)</u>
<b>EXPENDITURES</b>				
Current:				
Highways and streets	1,244,914	1,244,914	963,097	281,817
	<u>1,244,914</u>	<u>1,244,914</u>	<u>963,097</u>	<u>281,817</u>
Excess (deficiency) of revenues over expenditures	122,033	122,033	362,935	240,902
Transfers out	(237,000)	(237,000)	(237,000)	-
Total other financing sources (uses)	(237,000)	(237,000)	(237,000)	-
Net changes in fund balances	(114,967)	(114,967)	125,935	240,902
Fund balances--beginning	387,626	387,626	387,626	-
Fund balances--ending	<u>\$ 272,659</u>	<u>\$ 272,659</u>	<u>\$ 513,561</u>	<u>\$ 240,902</u>

**CITY OF McALLEN, TEXAS**  
**DEVELOPMENT CORPORATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Sales tax	\$ 15,823,750	\$ 15,823,750	\$ 15,734,994	\$ (88,756)
Intergovernmental revenues	5,269,465	6,709,465	172,106	(6,537,359)
Investment earnings	100,000	100,000	107,553	7,553
Net increase (decrease) in the fair value of investments	-	-	19,629	19,629
Other	<u>1,667,729</u>	<u>2,690,229</u>	<u>535,536</u>	<u>(2,154,693)</u>
Total revenues	<u>22,860,944</u>	<u>25,323,444</u>	<u>16,569,818</u>	<u>(8,753,626)</u>
<b>EXPENDITURES</b>				
Current:				
General government	9,736,297	10,182,797	5,554,319	4,628,478
Public safety	50,000	34,000	-	34,000
Highways and streets	8,792,280	9,447,110	5,925,312	3,521,798
Health and welfare	2,412,801	4,412,801	4,412,204	597
Culture and recreation	5,237,836	7,452,594	2,066,419	5,386,175
Debt service:				
Principal	25,000	25,000	25,000	-
Interest and fiscal charges	<u>4,594</u>	<u>4,594</u>	<u>5,400</u>	<u>(806)</u>
Total expenditures	<u>26,258,808</u>	<u>31,558,896</u>	<u>17,988,654</u>	<u>13,570,242</u>
Excess (deficiency) of revenues over expenditures	<u>(3,397,864)</u>	<u>(6,235,452)</u>	<u>(1,418,836)</u>	<u>4,816,616</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,900,000	5,900,000	5,900,000	-
Transfers out	<u>(5,699,224)</u>	<u>(5,786,538)</u>	<u>(5,189,299)</u>	<u>597,239</u>
Total other financing uses	<u>200,776</u>	<u>113,462</u>	<u>710,701</u>	<u>597,239</u>
Net changes in fund balances	(3,197,088)	(6,121,990)	(708,135)	5,413,855
Fund balances--beginning	<u>15,194,374</u>	<u>15,194,374</u>	<u>15,194,374</u>	<u>-</u>
Fund balances--ending	<u>\$ 11,997,286</u>	<u>\$ 9,072,384</u>	<u>\$ 14,486,239</u>	<u>\$ 5,413,855</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, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Property tax	\$ 3,145,763	\$ 3,145,763	\$ 3,283,041	\$ 137,278
Interest	-	-	813	813
Total revenues	3,145,763	3,145,763	3,283,854	138,091
<b>EXPENDITURES</b>				
Current:				
Debt service:				
Principal	3,465,000	3,465,000	19,623,534	(16,158,534)
Interest and fiscal charges	3,188,063	3,188,063	3,143,140	44,923
Total expenditures	6,653,063	6,653,063	22,766,674	(16,113,611)
Excess (deficiency) of revenues over expenditures	(3,507,300)	(3,507,300)	(19,482,820)	(15,975,520)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,507,300	3,507,300	3,507,300	-
Transfers out	-	-	-	-
Issuance of debt	-	-	15,035,000	15,035,000
Bond premium	-	-	1,281,031	1,281,031
Total other financing sources (uses)	3,507,300	3,507,300	19,823,331	16,316,031
Net changes in fund balances	-	-	340,511	340,511
Fund balance--beginning	292,192	292,192	292,192	-
Fund balance--ending	\$ 292,192	\$ 292,192	\$ 632,703	\$ 340,511

**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, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Intergovernmental	\$ 1,663,763	\$ 1,663,763	\$ 470,963	\$ (1,192,800)
Investment earnings	-	-	26,836	26,836
Net increase (decrease) in the fair value of investments	-	-	5,948	5,948
Other	<u>120,000</u>	<u>866,427</u>	<u>1,192,461</u>	<u>326,034</u>
Total revenues	<u>1,783,763</u>	<u>2,530,190</u>	<u>1,696,208</u>	<u>(833,982)</u>
<b>EXPENDITURES</b>				
Current:				
General government	727,640	1,784,733	1,188,574	596,159
Public safety	1,570,000	1,912,232	1,693,601	218,631
Highways and streets	1,138,351	1,355,041	1,117,540	237,501
Culture and recreation	<u>1,950,000</u>	<u>2,454,229</u>	<u>1,104,117</u>	<u>1,350,112</u>
Total expenditures	<u>5,385,991</u>	<u>7,506,235</u>	<u>5,103,832</u>	<u>2,402,403</u>
Deficiency of revenues over expenditures	<u>(3,602,228)</u>	<u>(4,976,045)</u>	<u>(3,407,624)</u>	<u>1,568,421</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,000,000	3,035,009	2,863,491	(171,518)
Transfers out	<u>-</u>	<u>(352,716)</u>	<u>(352,716)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,000,000</u>	<u>2,682,293</u>	<u>2,510,775</u>	<u>(171,518)</u>
Net changes in fund balances	(2,602,228)	(2,293,752)	(896,849)	1,396,903
Fund balances--beginning	<u>4,736,936</u>	<u>4,736,936</u>	<u>4,736,936</u>	<u>-</u>
Fund balances--ending	<u>\$ 2,134,708</u>	<u>\$ 2,443,184</u>	<u>\$ 3,840,087</u>	<u>\$ 1,396,903</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, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Net increase (decrease) in the fair value of investments	\$ -	\$ -	\$ 759	\$ 759
Investment earnings	-	-	4,961	4,961
Total revenues	-	-	5,720	5,720
<b>EXPENDITURES</b>				
Current:				
General government	463,500	542,933	399,514	143,419
Total expenditures	463,500	542,933	399,514	143,419
Deficiency of revenues over expenditures	(463,500)	(542,933)	(393,794)	(137,699)
<b>OTHER FINANCING SOURCES (USES)</b>				
Net changes in fund balances	(463,500)	(542,933)	(393,794)	(137,699)
Fund balances--beginning	1,004,740	1,004,740	1,004,740	-
Fund balances--ending	<u>\$ 541,240</u>	<u>\$ 461,807</u>	<u>\$ 610,946</u>	<u>\$ (137,699)</u>

**CITY OF McALLEN, TEXAS**  
**STREET IMPROVEMENTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Investment earnings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,168</u>	<u>\$ 46,168</u>
Total revenues	<u>-</u>	<u>-</u>	<u>46,168</u>	<u>46,168</u>
<b>EXPENDITURES</b>				
Current:				
Highways and streets	12,021,393	12,021,393	1,059,739	10,961,654
Culture and recreation	<u>-</u>	<u>-</u>	<u>4,693</u>	<u>(4,693)</u>
Total expenditures	<u>12,021,393</u>	<u>12,021,393</u>	<u>1,064,432</u>	<u>10,956,961</u>
Deficiency of revenues over expenditures	<u>(12,021,393)</u>	<u>(12,021,393)</u>	<u>(1,018,264)</u>	<u>11,003,129</u>
Net changes in fund balances	(12,021,393)	(12,021,393)	(1,018,264)	11,003,129
Fund balances--beginning	<u>14,967,781</u>	<u>14,967,781</u>	<u>14,967,781</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 2,946,388</u></u>	<u><u>\$ 2,946,388</u></u>	<u><u>\$ 13,949,517</u></u>	<u><u>\$ 11,003,129</u></u>



**CITY OF McALLEN, TEXAS**  
**SPORTS FACILITY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Investment earnings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,156</u>	<u>\$ 49,156</u>
Total revenues	<u>-</u>	<u>-</u>	<u>49,156</u>	<u>49,156</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	<u>14,453,284</u>	<u>14,453,284</u>	<u>14,386</u>	<u>14,438,898</u>
Total expenditures	<u>14,453,284</u>	<u>14,453,284</u>	<u>14,386</u>	<u>14,438,898</u>
Deficiency of revenues over expenditures	<u>(14,453,284)</u>	<u>(14,453,284)</u>	<u>34,770</u>	<u>14,488,054</u>
Net changes in fund balances	(14,453,284)	(14,453,284)	34,770	14,488,054
Fund balances--beginning	<u>14,473,170</u>	<u>14,473,170</u>	<u>14,473,170</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 19,886</u></u>	<u><u>\$ 19,886</u></u>	<u><u>\$ 14,507,940</u></u>	<u><u>\$ 14,488,054</u></u>

**CITY OF McALLEN, TEXAS**  
**PUBLIC EDUCATION GOVERNMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Franchise tax	\$ -	\$ -	\$ 140,162	\$ 140,162
Investment earnings	-	-	181	181
	<u>-</u>	<u>-</u>	<u>140,343</u>	<u>140,343</u>
Total revenues	-	-	140,343	140,343
<b>EXPENDITURES</b>				
Current:				
General government	-	66,250	70,778	(4,528)
	<u>-</u>	<u>66,250</u>	<u>70,778</u>	<u>(4,528)</u>
Total expenditures	-	66,250	70,778	(4,528)
Excess (deficiency) of revenues over expenditures	-	(66,250)	69,565	135,815
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	495,813	495,813	-
	<u>-</u>	<u>495,813</u>	<u>495,813</u>	<u>-</u>
Total other financing sources (uses)	-	495,813	495,813	-
Net changes in fund balances	-	429,563	565,378	135,815
Fund balances--beginning	-	-	-	-
Fund balances--ending	<u>\$ -</u>	<u>\$ 429,563</u>	<u>\$ 565,378</u>	<u>\$ 135,815</u>

**CITY OF McALLEN, TEXAS**  
**PERFORMING ARTS G.O. FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Investment earnings	\$ -	\$ -	\$ 50,586	\$ 50,586
Other	-	-	5,029	5,029
Total revenues	-	-	55,615	55,615
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	24,756,355	25,168,355	12,124,280	13,044,075
Total expenditures	24,756,355	25,168,355	12,124,280	13,044,075
Deficiency of revenues over expenditures	(24,756,355)	(25,168,355)	(12,068,664)	13,099,691
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	14,184,855	14,596,855	2,490,809	(12,106,046)
Total other financing sources (uses)	14,184,855	14,596,855	2,490,809	(12,106,046)
Net changes in fund balances	(10,571,500)	(10,571,500)	(9,577,856)	993,644
Fund balances--beginning	15,026,462	15,026,462	15,026,462	-
Fund balances--ending	<u>\$ 4,454,962</u>	<u>\$ 4,454,962</u>	<u>\$ 5,448,606</u>	<u>\$ 993,644</u>

**CITY OF McALLEN, TEXAS**  
**PERFORMING ARTS C.O. FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Investment earnings	\$ -	\$ -	\$ 35,521	\$ 35,521
Other	<u>-</u>	<u>-</u>	<u>9,295</u>	<u>9,295</u>
Total revenues	<u>-</u>	<u>-</u>	<u>44,816</u>	<u>44,816</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	<u>-</u>	<u>-</u>	<u>6,417</u>	<u>(6,417)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>6,417</u>	<u>(6,417)</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>-</u>	<u>38,399</u>	<u>38,399</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	1,300,504	1,300,504	-
Transfers out	<u>(12,106,046)</u>	<u>(12,106,046)</u>	<u>-</u>	<u>12,106,046</u>
Total other financing sources (uses)	<u>(12,106,046)</u>	<u>(10,805,542)</u>	<u>1,300,504</u>	<u>12,106,046</u>
Net changes in fund balances	(12,106,046)	(10,805,542)	1,338,903	12,144,445
Fund balances--beginning	<u>12,113,055</u>	<u>12,113,055</u>	<u>12,113,055</u>	<u>-</u>
Fund balances--ending	<u>\$ 7,009</u>	<u>\$ 1,307,513</u>	<u>\$ 13,451,958</u>	<u>\$ 12,144,445</u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2015**

	<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	\$ 11,555,539	\$ 11,555,539	\$ 8,847,734	\$ (2,707,805)
Commercial accounts	5,913,386	5,913,386	4,780,417	(1,132,969)
Industrial customers	<u>507,364</u>	<u>507,364</u>	<u>449,615</u>	<u>(57,749)</u>
Total water sales	<u>17,976,289</u>	<u>17,976,289</u>	<u>14,077,766</u>	<u>(3,898,523)</u>
Service charges:				
Tap fees	650,000	650,000	681,592	31,592
Connect fees	170,000	170,000	214,670	44,670
Reconnect fees	160,000	160,000	204,795	44,795
Other services	<u>851,000</u>	<u>851,000</u>	<u>940,621</u>	<u>89,621</u>
Total service charges	<u>1,831,000</u>	<u>1,831,000</u>	<u>2,041,678</u>	<u>210,678</u>
Total operating revenues	<u>19,807,289</u>	<u>19,807,289</u>	<u>16,119,444</u>	<u>(3,687,845)</u>
Non-operating revenues:				
Investment earnings	85,086	85,086	103,997	18,911
Net increase (decrease) in the fair value of investment	-	-	18,760	18,760
Other	<u>-</u>	<u>-</u>	<u>669,748</u>	<u>669,748</u>
Total non-operating revenues	<u>85,086</u>	<u>85,086</u>	<u>792,505</u>	<u>707,419</u>
Total revenues	<u>19,892,375</u>	<u>19,892,375</u>	<u>16,911,949</u>	<u>(2,980,426)</u>
Expenses:				
Water plant:				
Salaries and benefits	1,637,721	1,698,500	1,438,036	260,464
Supplies and raw water purchases	3,750,410	3,750,410	2,937,636	812,774
Contractual and other services	1,516,295	1,516,295	1,240,994	275,301
Repairs and maintenance	<u>407,832</u>	<u>407,832</u>	<u>322,747</u>	<u>85,085</u>
Total water plant	<u>7,312,258</u>	<u>7,373,037</u>	<u>5,939,413</u>	<u>1,433,624</u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Water lab:				
Salaries and benefits	\$ 266,023	\$ 266,023	\$ 250,289	\$ 15,734
Supplies	31,130	31,130	26,505	4,625
Contractual and other services	50,540	50,540	42,251	8,289
Repairs and maintenance	<u>20,990</u>	<u>20,990</u>	<u>17,052</u>	<u>3,938</u>
Total water lab	<u>368,683</u>	<u>368,683</u>	<u>336,097</u>	<u>32,586</u>
Transmission and distribution:				
Salaries and benefits	1,721,009	1,906,156	1,628,909	277,247
Supplies	42,500	42,500	23,901	18,599
Contractual and other services	122,970	122,970	87,384	35,586
Repairs and maintenance	<u>335,751</u>	<u>335,751</u>	<u>157,770</u>	<u>177,981</u>
Total Transmission and distribution	<u>2,222,230</u>	<u>2,407,377</u>	<u>1,897,964</u>	<u>509,413</u>
Water meters:				
Salaries and benefits	755,117	793,813	739,086	54,727
Supplies	24,965	24,965	16,072	8,893
Contractual and other services	51,349	51,349	38,601	12,748
Repairs and maintenance	<u>89,857</u>	<u>89,857</u>	<u>59,119</u>	<u>30,738</u>
Total water meters	<u>921,288</u>	<u>959,984</u>	<u>852,878</u>	<u>107,106</u>
Utility billing:				
Salaries and benefits	384,865	403,413	361,792	41,621
Supplies	38,000	38,000	23,851	14,149
Contractual and other services	347,947	347,947	326,374	21,573
Repairs and maintenance	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
Total utility billing	<u>770,912</u>	<u>789,460</u>	<u>712,017</u>	<u>77,443</u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2015**

	<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	\$ 727,522	\$ 762,769	\$ 667,986	\$ 94,783
Supplies	15,560	15,560	11,375	4,185
Contractual and other services	85,868	85,868	79,047	6,821
Repairs and maintenance	<u>37,750</u>	<u>37,750</u>	<u>11,008</u>	<u>26,742</u>
Total customer relations	<u>866,700</u>	<u>901,947</u>	<u>769,416</u>	<u>132,531</u>
Administration:				
Salaries and benefits	863,800	800,822	647,529	153,293
Supplies	5,000	5,000	7,184	(2,184)
Contractual and other services	499,301	689,190	662,686	26,504
Repairs and maintenance	<u>80,959</u>	<u>80,959</u>	<u>59,149</u>	<u>21,810</u>
Total administration	<u>1,449,060</u>	<u>1,575,971</u>	<u>1,376,548</u>	<u>199,423</u>
Non-departmental expenses:				
Liability insurance	90,073	90,073	90,073	-
Interest and fiscal charges	1,155,969	1,155,969	1,017,374	138,595
Bond principal requirements	1,577,100	1,577,100	-	1,577,100
Other	-	-	127,641	(127,641)
Capital outlay	<u>8,069,024</u>	<u>9,474,309</u>	<u>3,155,219</u>	<u>6,319,090</u>
Total non-departmental expenses	<u>10,892,166</u>	<u>12,297,451</u>	<u>4,390,307</u>	<u>7,907,144</u>
Total expenses	<u>24,803,297</u>	<u>26,673,910</u>	<u>16,274,640</u>	<u>10,399,270</u>
Excess (deficiency) of revenues over expenses (budget basis)	<u>(4,910,922)</u>	<u>(6,781,535)</u>	<u>637,309</u>	<u>7,418,844</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(4,262,777)	(4,262,777)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	3,155,219	3,155,219
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as a reduction of bonds payable per GAAP basis	<u>1,577,100</u>	<u>1,577,100</u>	<u>-</u>	<u>1,577,100</u>
Net loss-GAAP basis	<u>\$ (6,488,022)</u>	<u>\$ (8,358,635)</u>	<u>\$ (470,249)</u>	<u>\$ 7,888,386</u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**IN RESTRICTED ACCOUNTS**  
**For Fiscal Year Ended September 30, 2015**

	<u>Current Debt Service</u>	<u>Customer Deposits</u>	<u>Depreciation</u>
Cash, certificates of deposit, and investments at September 30, 2014	\$ 723,765	\$ 2,427,971	\$ 7,566,505
Cash receipts:			
Transfers in	2,967,215	-	1,453,472
Operating activities	-	953,975	108,600
Interest received	390	-	34,717
Total cash receipts	<u>2,967,605</u>	<u>953,975</u>	<u>1,596,789</u>
Total cash available	<u>3,691,370</u>	<u>3,381,946</u>	<u>9,163,294</u>
Cash disbursements:			
Other	-	-	17,202
Due from other funds	-	-	142,642
Transfers out	390	-	-
Refunds	-	897,840	-
Capital acquisition	-	-	952,561
Principal payments	1,577,100	-	-
Interest and fiscal charges (net)	<u>1,403,477</u>	<u>-</u>	<u>-</u>
Total cash disbursements	<u>2,980,967</u>	<u>897,840</u>	<u>1,112,405</u>
Cash, certificates of deposit, and investments at September 30, 2015	<u>\$ 710,403</u>	<u>\$ 2,484,106</u>	<u>\$ 8,050,889</u>
Cash, certificates of deposit, and investments at September 30, 2015 is comprised of the following:			
Cash	\$ -	\$ -	\$ 159,257
Certificates of deposit	-	2,484,106	90,000
Investments (net)	710,403	-	4,780,048
Accrued Interest	-	-	21,584
Note receivable	<u>-</u>	<u>-</u>	<u>3,000,000</u>
Totals	<u>\$ 710,403</u>	<u>\$ 2,484,106</u>	<u>\$ 8,050,889</u>



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<b>Capital Improvement</b>	<b>Water Revenue Bonds</b>	<b>Total</b>
<u>\$ 6,579,746</u>	<u>\$ 184,403</u>	<u>\$ 17,482,390</u>
692,920	-	5,113,607
-	-	1,062,575
<u>37,037</u>	<u>-</u>	<u>72,144</u>
<u>729,957</u>	<u>-</u>	<u>6,248,326</u>
<u>7,309,703</u>	<u>184,403</u>	<u>23,730,716</u>
69,569	-	86,771
-	-	142,642
-	-	390
-	-	897,840
2,024,975	41,466	3,019,002
-	-	1,577,100
<u>-</u>	<u>-</u>	<u>1,403,477</u>
<u>2,094,544</u>	<u>41,466</u>	<u>7,127,222</u>
<u><u>\$ 5,215,159</u></u>	<u><u>\$ 142,937</u></u>	<u><u>\$ 16,603,494</u></u>
\$ 197,167	\$ 142,937	\$ 499,361
150,000	-	2,724,106
4,175,121	-	9,665,572
7,986	-	29,570
<u>684,885</u>	<u>-</u>	<u>3,684,885</u>
<u><u>\$ 5,215,159</u></u>	<u><u>\$ 142,937</u></u>	<u><u>\$ 16,603,494</u></u>

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**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2015**

	<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	\$ 16,785,666	\$ 16,785,666	\$ 14,676,031	\$ (2,109,635)
Industrial surcharges	363,520	363,520	308,377	(55,143)
Other services	<u>283,500</u>	<u>283,500</u>	<u>393,785</u>	<u>110,285</u>
Total operating revenues	<u>17,432,686</u>	<u>17,432,686</u>	<u>15,378,193</u>	<u>(2,054,493)</u>
Non-operating revenues:				
Investment earnings	123,521	123,521	187,886	64,365
Net increase (decrease) in the fair value of investment	-	-	24,763	24,763
Other	<u>45,540,000</u>	<u>45,540,000</u>	<u>881,504</u>	<u>(44,658,496)</u>
Total non-operating revenues	<u>45,663,521</u>	<u>45,663,521</u>	<u>1,094,153</u>	<u>(44,569,368)</u>
Total revenues	<u>63,096,207</u>	<u>63,096,207</u>	<u>16,472,346</u>	<u>(46,623,861)</u>
Expenses:				
Sewer plant:				
Salaries and benefits	2,052,795	2,076,118	1,869,458	206,660
Supplies	177,200	177,200	181,776	(4,576)
Contractual and other services	1,792,953	2,145,953	2,066,454	79,499
Repairs and maintenance	<u>211,766</u>	<u>211,766</u>	<u>175,833</u>	<u>35,933</u>
Total sewer plant	<u>4,234,714</u>	<u>4,611,037</u>	<u>4,293,521</u>	<u>317,516</u>
Sewer lab:				
Salaries and benefits	370,319	371,157	316,296	54,861
Supplies	51,347	51,347	48,210	3,137
Contractual and other services	7,180	7,180	5,455	1,725
Repairs and maintenance	<u>8,410</u>	<u>8,410</u>	<u>5,008</u>	<u>3,402</u>
Total sewer lab	<u>437,256</u>	<u>438,094</u>	<u>374,969</u>	<u>63,125</u>

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Sewer collection:				
Salaries and benefits	\$ 1,029,456	\$ 1,091,007	\$ 853,006	\$ 238,001
Supplies	497,000	497,000	443,168	53,832
Contractual and other services	286,280	286,280	339,141	(52,861)
Repairs and maintenance	395,143	395,143	207,689	187,454
Total sewer collection	2,207,879	2,269,430	1,843,004	426,426
Administration:				
Salaries and benefits	642,082	665,718	513,713	152,005
Supplies	21,500	21,500	5,916	15,584
Contractual and other services	670,183	670,183	548,051	122,132
Repairs and maintenance	41,659	41,659	36,587	5,072
Total administration	1,375,424	1,399,060	1,104,267	294,793
Non-departmental expenses:				
Employee benefits	61,095	-	-	-
Liability insurance	72,201	72,201	72,201	-
Interest and fiscal charges	2,320,447	2,320,447	1,422,902	897,545
Bond principal requirements	3,600,900	3,600,900	-	3,600,900
Other	-	-	144,275	(144,275)
Capital outlay	65,151,487	71,583,847	16,815,513	54,768,334
Total non-departmental expenses	71,206,130	77,577,395	18,454,891	59,122,504
Total expenses	79,461,403	86,295,016	26,070,652	60,224,364
Excess (deficiency) of revenues over expenses (budget basis)	(16,365,196)	(23,198,809)	(9,598,306)	13,600,503
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(5,658,492)	(5,658,492)
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as reduction of bonds payable per GAAP basis	3,600,900	3,600,900	-	3,600,900
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	16,815,513	16,815,513
Net income-GAAP basis	\$ (19,966,096)	\$(26,799,709)	\$ 1,558,715	\$ 28,358,424

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Sewer collection:				
Salaries and benefits	\$ 1,029,456	\$ 1,091,007	\$ 853,006	\$ 238,001
Supplies	497,000	497,000	443,168	53,832
Contractual and other services	286,280	286,280	339,141	(52,861)
Repairs and maintenance	395,143	395,143	207,689	187,454
Total sewer collection	2,207,879	2,269,430	1,843,004	426,426
Administration:				
Salaries and benefits	642,082	665,718	513,713	152,005
Supplies	21,500	21,500	5,916	15,584
Contractual and other services	670,183	670,183	548,051	122,132
Repairs and maintenance	41,659	41,659	36,587	5,072
Total administration	1,375,424	1,399,060	1,104,267	294,793
Non-departmental expenses:				
Employee benefits	61,095	-	-	-
Liability insurance	72,201	72,201	72,201	-
Interest and fiscal charges	2,320,447	2,320,447	1,422,902	897,545
Bond principal requirements	3,600,900	3,600,900	-	3,600,900
Other	-	-	144,275	(144,275)
Capital outlay	65,151,487	71,583,847	16,815,513	54,768,334
Total non-departmental expenses	71,206,130	77,577,395	18,454,891	59,122,504
Total expenses	79,461,403	86,295,016	26,070,652	60,224,364
Excess (deficiency) of revenues over expenses (budget)	(16,365,196)	(23,198,809)	(9,598,306)	13,600,503
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(5,658,492)	(5,658,492)
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as reduction of bonds payable per GAAP basis	3,600,900	3,600,900	-	3,600,900
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	16,815,513	16,815,513
Net income-GAAP basis	\$ (19,966,096)	\$(26,799,709)	\$ 1,558,715	\$ 28,358,424

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**IN RESTRICTED ACCOUNTS**  
**For Fiscal Year Ended September 30, 2015**

	Current Debt Service	Bond Reserve	Reserve for Improvements	TWDB Debt Service	Depreciation
Cash, certificates of deposit, and investments at September 30, 2014	<u>\$ 791,775</u>	<u>\$ 1,369,346</u>	<u>\$ 7,524,562</u>	<u>\$ 1,258,618</u>	<u>\$ 11,099,362</u>
Cash receipts:					
Escrow proceeds	-	-	-	-	-
Transfers from operating cash	2,998,037	248,152	-	2,628,300	2,829,236
Transfers from internal funds	-	-	-	-	-
Due sewer fund	-	-	29,942,552	-	-
Interest received	429	775	1,962	536	94,376
Valuation allowance	-	-	-	-	-
Capital contributions	-	-	-	-	-
Total cash receipts	<u>2,998,466</u>	<u>248,927</u>	<u>29,944,514</u>	<u>2,628,836</u>	<u>2,923,612</u>
Total cash available	<u>3,790,241</u>	<u>1,618,273</u>	<u>37,469,076</u>	<u>3,887,454</u>	<u>14,022,974</u>
Cash disbursements:					
Other	-	-	-	-	7,552
Due sewer fund and internal funds	406	-	-	-	75,974
Principal payments	1,742,900	-	-	1,858,000	-
Interest and fiscal charges (net)	1,261,353	-	-	228,435	-
Capital acquisitions	-	-	-	-	3,996,495
Total cash disbursements	<u>3,004,659</u>	<u>-</u>	<u>-</u>	<u>2,086,435</u>	<u>4,080,021</u>
Cash, certificates of deposit, and investments at September 30, 2015	<u><u>\$ 785,582</u></u>	<u><u>\$ 1,618,273</u></u>	<u><u>\$ 37,469,076</u></u>	<u><u>\$ 1,801,019</u></u>	<u><u>\$ 9,942,953</u></u>
Cash, certificates of deposit, and investments at September 30, 2015 is comprised of the following:					
Cash	\$ -	\$ -	\$ -	\$ 157,777	\$ 238,540
Certificates of deposit	-	-	-	-	45,000
Investments (net)	785,582	1,618,273	37,469,076	1,643,242	9,648,917
Accrued Interest	-	-	-	-	10,496
Totals	<u><u>\$ 785,582</u></u>	<u><u>\$ 1,618,273</u></u>	<u><u>\$ 37,469,076</u></u>	<u><u>\$ 1,801,019</u></u>	<u><u>\$ 9,942,953</u></u>

<u>Capital Improvement</u>	<u>Sewer Revenue Bonds</u>	<u>Sewer   wer Series 2012   -TWDB</u>	<u>Sewer Series 2015</u>	<u>Total</u>
\$ 12,254,744	\$ 10,992,427	\$ 629,141	\$ -	45,919,975
-	-	518,554	-	518,554
-	-	551,324	8,224,732	17,479,781
179,768	-	-	-	179,768
-	-	-	-	29,942,552
89,064	6,739	-	-	193,881
14,580	-	-	-	14,580
-	-	-	202,322	202,322
283,412	6,739	1,069,878	8,427,054	56,439,938
12,538,156	10,999,166	1,699,019	8,427,054	102,359,913
14,260	-	-	-	21,812
1,595,138	-	228,376	-	1,899,488
-	-	-	-	3,600,900
-	-	-	-	1,489,788
1,662,822	62,950	952,089	8,427,052	15,101,408
3,272,220	62,950	1,180,465	8,427,052	22,113,396
<u>\$ 9,265,936</u>	<u>\$ 10,936,216</u>	<u>\$ 518,554</u>	<u>\$ 2</u>	<u>\$ 72,337,611</u>
\$ 194,731	\$ 384	\$ 518,554	\$ 2	\$ 1,109,988
60,000	-	-	-	105,000
9,004,665	10,935,832	-	-	71,105,587
6,540	-	-	-	17,036
<u>\$ 9,265,936</u>	<u>\$ 10,936,216</u>	<u>\$ 518,554</u>	<u>\$ 2</u>	<u>\$ 72,337,611</u>

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Solid waste collections	\$ 17,053,515	\$ 17,053,515	\$ 17,320,489	\$ 266,974
Other services	-	-	78,140	78,140
Total operating revenues	<u>17,053,515</u>	<u>17,053,515</u>	<u>17,398,629</u>	<u>345,114</u>
Non-operating revenues (expenses):				
Investment earnings	-	-	132,731	132,731
Net increase in the fair value of investment	-	-	21,824	21,824
Other	<u>60,000</u>	<u>60,000</u>	<u>(1,657)</u>	<u>(61,657)</u>
Total non-operating revenues	<u>60,000</u>	<u>60,000</u>	<u>152,898</u>	<u>92,898</u>
Total revenues	<u>17,113,515</u>	<u>17,113,515</u>	<u>17,551,527</u>	<u>438,012</u>
Expenses:				
Facilities administration:				
Salaries and benefits	850,141	850,141	680,071	170,070
Supplies	15,750	15,750	12,458	3,292
Contractual and other services	1,301,220	1,301,220	1,500,567	(199,347)
Repairs and maintenance	55,097	55,097	26,802	28,295
Capital outlay	<u>480,600</u>	<u>672,108</u>	<u>361,723</u>	<u>310,385</u>
Total facilities administration	<u>2,702,808</u>	<u>2,894,316</u>	<u>2,581,621</u>	<u>312,695</u>
Brush collection:				
Salaries and benefits	1,420,576	1,584,979	1,332,839	252,140
Supplies	257,320	257,320	163,083	94,237
Contractual and other services	145,225	145,225	181,232	(36,007)
Repairs and maintenance	540,531	540,531	527,250	13,281
Capital outlay	<u>4,500</u>	<u>4,500</u>	<u>-</u>	<u>4,500</u>
Total brush collection	<u>2,368,152</u>	<u>2,532,555</u>	<u>2,204,404</u>	<u>328,151</u>



**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Residential collection:				
Salaries and benefits	\$ 1,380,190	\$ 1,494,966	\$ 1,357,746	\$ 137,220
Supplies	35,109	35,109	31,394	3,715
Contractual and other services	558,040	558,040	689,318	(131,278)
Repairs and maintenance	934,581	934,581	931,159	3,422
Capital outlay	445,850	445,850	317,682	128,168
Total residential collection	3,353,770	3,468,546	3,327,299	141,247
Commercial box collection:				
Salaries and benefits	1,244,460	1,347,409	1,137,633	209,776
Supplies	42,979	42,979	40,397	2,582
Contractual and other services	1,220,980	1,220,980	1,446,211	(225,231)
Repairs and maintenance	1,119,476	1,119,476	1,198,823	(79,347)
Capital outlay	371,850	371,850	4,099	367,751
Total commercial box collection	3,999,745	4,102,694	3,827,163	275,531
Roll offs:				
Salaries and benefits	299,540	322,321	228,838	93,483
Supplies	5,750	5,750	4,422	1,328
Contractual and other services	273,450	273,450	305,478	(32,028)
Repairs and maintenance	249,874	249,874	260,936	(11,062)
Capital outlay	28,000	28,000	13,727	14,273
Total roll offs	856,614	879,395	813,401	65,994
Recycling:				
Salaries and benefits	1,105,171	1,125,740	883,963	241,777
Supplies	53,606	53,606	49,844	3,762
Contractual and other services	263,943	263,943	362,250	(98,307)
Repairs and maintenance	154,749	154,749	116,011	38,738
Capital outlay	171,000	254,900	101,648	153,252
Total recycling	1,748,469	1,852,938	1,513,716	339,222

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Composting:				
Salaries and benefits	\$ 367,371	\$ 389,782	\$ 262,427	\$ 127,355
Supplies	26,000	26,000	25,180	820
Contractual and other services	252,375	252,375	260,973	(8,598)
Repairs and maintenance	108,551	108,551	109,061	(510)
Capital outlay	2,500	2,500	-	2,500
Total composting	756,797	779,208	657,641	121,567
Non-departmental expenses:				
Depreciation fund-capital outlay	2,589,389	2,660,990	1,888,131	772,859
Liability insurance	104,898	104,898	104,898	-
Total non-departmental expenses	2,694,287	2,765,888	1,993,029	772,859
Total expenses	18,480,642	19,275,540	16,918,274	2,357,266
Excess (deficiency) of revenues over expenses (budget)	(1,367,127)	(2,162,025)	633,253	2,795,278
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(2,014,457)	(2,014,457)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	2,687,011	2,687,011
Net income-GAAP basis	\$ (1,367,127)	\$ (2,162,025)	\$ 1,305,807	\$ 3,467,832

**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, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Operating revenues:				
Green fees	\$ 623,345	\$ 623,345	\$ 632,365	\$ 9,020
Membership sales	176,059	176,059	177,505	1,446
Cart rental	278,667	278,667	297,410	18,743
Rentals and other sales	<u>155,722</u>	<u>155,722</u>	<u>156,789</u>	<u>1,067</u>
Total operating revenues	<u>1,233,793</u>	<u>1,233,793</u>	<u>1,264,069</u>	<u>30,276</u>
Non-operating revenues:				
Investment earnings	1,200	1,200	3,012	1,812
fair value of investment	<u>-</u>	<u>-</u>	<u>240</u>	<u>240</u>
Total non-operating revenues	<u>1,200</u>	<u>1,200</u>	<u>3,252</u>	<u>2,052</u>
Total revenues	<u>1,234,993</u>	<u>1,234,993</u>	<u>1,267,321</u>	<u>32,328</u>
Expenses:				
Salaries and benefits	796,050	796,050	706,948	89,102
Supplies	118,583	118,583	107,704	10,879
Contractual and other services	192,025	192,025	153,518	38,507
Repairs and maintenance	94,490	94,490	84,204	10,286
Capital outlay	<u>258,000</u>	<u>258,000</u>	<u>249,039</u>	<u>8,961</u>
Total expenses	<u>1,459,148</u>	<u>1,459,148</u>	<u>1,301,413</u>	<u>157,735</u>
Excess (deficiency) of revenues over expenses (budget basis)	<u>(224,155)</u>	<u>(224,155)</u>	<u>(34,092)</u>	<u>190,063</u>

**CITY OF McALLEN, TEXAS**  
**PALM VIEW GOLF COURSE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2015**

	<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	\$ -	\$ -	\$ (290,928)	\$ (290,928)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>249,039</u>	<u>249,039</u>
Net loss-GAAP basis	<u>\$ (224,155)</u>	<u>\$ (224,155)</u>	<u>\$ (75,981)</u>	<u>\$ 148,174</u>

**CITY OF McALLEN, TEXAS**  
**TRANSIT TERMINAL FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Operating revenues:				
Rentals	\$ -	\$ -	\$ 33,192	\$ 33,192
Concessions-other	-	-	6,541	6,541
Other services	3,600	3,600	3,105	(495)
Total operating revenues	3,600	3,600	42,838	39,238
Non-operating revenues:				
Investment earnings	-	-	5,716	5,716
Net increase (decrease) in the fair value of investments	-	-	3,174	3,174
Intergovernmental	9,360,270	9,360,270	3,482,154	(5,878,116)
Other	-	-	505	505
Total non-operating revenues	9,360,270	9,360,270	3,491,549	(5,868,721)
Total revenues	9,363,870	9,363,870	3,534,387	(5,829,483)
Expenses:				
Salaries and benefits	281,398	281,398	155,565	125,833
Contractual and other services	-	600,515	383,890	216,625
Repairs and maintenance	308,211	308,211	307,106	1,105
Capital outlay	10,427,072	9,826,557	3,217,560	6,608,997
Total expenses	11,016,681	11,016,681	4,064,121	6,952,560
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(1,652,811)	(1,652,811)	(529,734)	1,123,077
Transfers:				
Transfers in	1,145,350	1,585,380	988,141	(597,239)
Excess (deficiency) of revenues over expenses (budget basis)	(507,461)	(67,431)	458,407	525,838
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(578,247)	(578,247)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	3,217,560	3,217,560
Net income-GAAP basis	\$ (507,461)	\$ (67,431)	\$ 3,097,720	\$ 3,165,151

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**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, 2015**

	<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	\$ 105,392	\$ (11,408)
Concessions-other	131,770	131,770	264,835	133,065
Other services	14,000	14,000	13,490	(510)
Total operating revenues	<u>262,570</u>	<u>262,570</u>	<u>383,717</u>	<u>121,147</u>
Non-operating revenues:				
Investment earnings	651	651	10,243	9,592
Net increase in the fair value of investments	<u>-</u>	<u>-</u>	<u>987</u>	<u>987</u>
Total non-operating revenues	<u>651</u>	<u>651</u>	<u>11,230</u>	<u>10,579</u>
Total revenues	<u>263,221</u>	<u>263,221</u>	<u>394,947</u>	<u>131,726</u>
Expenses:				
Supplies	10,500	11,700	12,555	(855)
Contractual and other services	528,649	507,449	311,905	195,544
Repairs and maintenance	16,900	36,900	29,229	7,671
Capital outlay	<u>291,800</u>	<u>291,800</u>	<u>-</u>	<u>291,800</u>
Total expenses	<u>847,849</u>	<u>847,849</u>	<u>353,689</u>	<u>494,160</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	<u>(584,628)</u>	<u>(584,628)</u>	<u>41,258</u>	<u>625,886</u>
Transfers:				
Transfers in	250,000	250,000	608,895	358,895
Transfers out	<u>-</u>	<u>(412,000)</u>	<u>(412,000)</u>	<u>-</u>
Excess (deficiency) of revenues over expenses (budget basis)	<u>(334,628)</u>	<u>(746,628)</u>	<u>238,153</u>	<u>984,781</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	<u>-</u>	<u>-</u>	<u>(67,976)</u>	<u>(67,976)</u>
Net income-GAAP basis	<u>\$ (334,628)</u>	<u>\$ (746,628)</u>	<u>\$ 170,177</u>	<u>\$ 916,805</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, 2015**

	<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	\$ 1,033,167	\$ 3,167
Concessions-other	1,026,000	1,026,000	990,710	(35,290)
Other services	<u>160,000</u>	<u>160,000</u>	<u>147,770</u>	<u>(12,230)</u>
Total operating revenues	<u>2,216,000</u>	<u>2,216,000</u>	<u>2,171,647</u>	<u>(44,353)</u>
Non-operating revenues:				
Investment earnings	3,000	3,000	28,743	25,743
Net increase in the fair value of investments	-	-	4,580	4,580
Other	<u>-</u>	<u>-</u>	<u>1,102,569</u>	<u>1,102,569</u>
Total non-operating revenues	<u>3,000</u>	<u>3,000</u>	<u>1,135,892</u>	<u>1,132,892</u>
Total revenues	<u>2,219,000</u>	<u>2,219,000</u>	<u>3,307,539</u>	<u>1,088,539</u>
Expenses:				
Salaries and benefits	1,795,100	1,795,100	1,653,793	141,307
Supplies	70,675	70,675	126,870	(56,195)
Contractual and other services	1,599,315	1,599,315	1,962,611	(363,296)
Repairs and maintenance	299,582	299,582	373,782	(74,200)
Capital outlay	<u>340,000</u>	<u>340,000</u>	<u>81,952</u>	<u>258,048</u>
Total expenses	<u>4,104,672</u>	<u>4,104,672</u>	<u>4,199,008</u>	<u>(94,336)</u>
Excess (deficiency) of revenues over over expenses (budget basis) before transfers	(1,885,672)	(1,885,672)	(891,469)	1,182,875
Transfers:				
Transfers in	2,479,672	2,479,672	2,435,582	(44,090)
Transfers out	<u>-</u>	<u>(1,300,504)</u>	<u>(1,300,504)</u>	<u>-</u>
Total transfers	<u>2,479,672</u>	<u>1,179,168</u>	<u>1,135,078</u>	<u>(44,090)</u>
Excess (deficiency) of revenues over expenses (budget basis)	<u>594,000</u>	<u>(706,504)</u>	<u>243,609</u>	<u>950,113</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, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (1,582,447)	\$ (1,582,447)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	81,952	81,952
Net loss-GAAP basis	<u>\$ 594,000</u>	<u>\$ (706,504)</u>	<u>\$ (1,256,886)</u>	<u>\$ (550,382)</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, 2015**

	<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	\$ 2,839,230	\$ 3,227,230	\$ 2,807,756	\$ (419,474)
Rentals	2,600,041	2,600,041	2,960,245	360,204
Other services	391,636	391,636	1,206,725	815,089
Total operating revenues	<u>5,830,907</u>	<u>6,218,907</u>	<u>6,974,726</u>	<u>755,819</u>
Non-operating revenues:				
Intergovernmental	13,191,331	13,300,654	8,977,886	(4,322,768)
Investment earnings	10,500	10,500	81,948	71,448
Net increase in the fair value of investments	-	-	13,363	13,363
Other	-	-	14,965	14,965
Total non-operating revenues	<u>13,201,831</u>	<u>13,311,154</u>	<u>9,088,162</u>	<u>(4,222,992)</u>
Total revenues	<u>19,032,738</u>	<u>19,530,061</u>	<u>16,062,888</u>	<u>(3,467,173)</u>
Expenses:				
Salaries and benefits	1,842,276	1,842,276	1,486,507	355,769
Supplies	103,500	103,500	79,800	23,700
Contractual and other services	1,711,125	1,706,125	1,884,789	(178,664)
Repairs and maintenance	330,668	335,668	338,413	(2,745)
Capital outlay	14,017,538	15,039,008	9,251,697	5,787,311
Total administrative expenses	<u>18,005,107</u>	<u>19,026,577</u>	<u>13,041,206</u>	<u>5,985,371</u>
Non-departmental expenses (income):				
Interest and fiscal charges	341,696	341,696	476,164	(134,468)
Total expenses	<u>18,346,803</u>	<u>19,368,273</u>	<u>13,517,370</u>	<u>5,850,903</u>
Excess of revenues over expenses (budget basis) before transfers	685,935	161,788	2,545,518	2,383,730
Transfers:				
Transfers out	<u>(1,103,965)</u>	<u>(1,103,965)</u>	<u>(1,103,965)</u>	<u>-</u>
Excess (deficiency) of revenues over expenses (budget basis)	<u>(418,030)</u>	<u>(942,177)</u>	<u>1,441,553</u>	<u>2,383,730</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(3,604,916)	(3,604,916)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>9,251,697</u>	<u>9,251,697</u>
Net income-GAAP basis	<u>\$ (418,030)</u>	<u>\$ (942,177)</u>	<u>\$ 7,088,334</u>	<u>\$ 8,030,511</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, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 10,746,861	\$ 10,746,861	\$ 11,221,926	\$ 475,065
Rentals	2,177,188	2,177,188	2,310,672	133,484
Other	<u>171,992</u>	<u>171,992</u>	<u>67,587</u>	<u>(104,405)</u>
Total operating revenues	<u>13,096,041</u>	<u>13,096,041</u>	<u>13,600,185</u>	<u>504,144</u>
Non-operating revenues:				
Investment earnings	<u>352</u>	<u>352</u>	<u>2,944</u>	<u>2,592</u>
Total non-operating revenues	<u>352</u>	<u>352</u>	<u>2,944</u>	<u>2,592</u>
Total revenues	<u>13,096,393</u>	<u>13,096,393</u>	<u>13,603,129</u>	<u>506,736</u>
Expenses:				
Administration:				
Salaries and benefits	199,111	199,111	173,263	25,848
Supplies	24,800	24,800	14,979	9,821
Contractual and other services	382,325	382,325	368,560	13,765
Repairs and maintenance	12,162	12,162	9,820	2,342
Capital outlay	<u>300,000</u>	<u>3,754,660</u>	<u>1,774,841</u>	<u>1,979,819</u>
Total administration	<u>918,398</u>	<u>4,373,058</u>	<u>2,341,463</u>	<u>2,031,595</u>
Operations :				
Salaries and benefits	1,409,883	1,409,883	963,640	446,243
Supplies	85,000	85,000	74,090	10,910
Contractual and other services	508,250	508,250	610,268	(102,018)
Repairs and maintenance	<u>176,000</u>	<u>176,000</u>	<u>202,181</u>	<u>(26,181)</u>
Total operations	<u>2,179,133</u>	<u>2,179,133</u>	<u>1,850,179</u>	<u>328,954</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, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Non-departmental expenses:				
Liability insurance	\$ 50,368	\$ 50,368	\$ 50,368	\$ -
Interest and fiscal charges	-	-	38,270	(38,270)
Bond principal requirement	307,172	307,172	-	307,172
Other	3,140,050	3,140,050	3,725,315	(585,265)
Total non-departmental expenses	3,497,590	3,497,590	3,813,953	(316,363)
Total expenses	6,595,121	10,049,781	8,005,595	2,044,186
Excess of revenues over expenses (budget basis) before transfers	6,501,272	3,046,612	5,597,534	2,550,922
Transfers:				
Transfers out	(5,582,312)	(5,582,312)	(6,096,804)	(514,492)
Net transfers	(5,582,312)	(5,582,312)	(6,096,804)	(514,492)
Excess (deficiency) of revenues over expenses (budget basis)	918,960	(2,535,700)	(499,270)	2,036,430
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(604,697)	(604,697)
Interest on board advances	-	-	576,160	576,160
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	1,774,840	1,774,840
Net income-GAAP basis	\$ 918,960	\$ (2,535,700)	\$ 1,247,033	\$ 3,782,733

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**IN RESTRICTED ACCOUNTS**  
**For Fiscal Year Ended September 30, 2015**

	<u>Reserved for City Distribution</u>	<u>Contingency</u>	<u>Bridge Capital Improvement</u>	<u>Total</u>
Cash and investments at September 30, 2014	\$ 5,149,349	\$ 502,843	\$ 1,466,251	7,118,443
Add:				
Transfers in	5,674,466	-	2,945,268	8,619,734
Interest earned	1,242	161	1,188	2,591
Total additions	5,675,708	161	2,946,456	8,622,325
Less payments:				
Capital assets	-	-	942,080	942,080
Interfund transfers	5,148,916	-	-	5,148,916
Total payments	5,148,916	-	942,080	6,090,996
Cash and investments at September 30, 2015	<u>\$ 5,676,141</u>	<u>\$ 503,004</u>	<u>\$ 3,470,627</u>	<u>\$ 9,649,772</u>
Cash and investments at September 30, 2015 are comprised of the following:				
Cash	\$ -	\$ -	\$ 154,123	154,123
Investments	5,676,141	502,743	3,316,504	9,495,388
Accrued interest	-	261	-	261
	<u>\$ 5,676,141</u>	<u>\$ 503,004</u>	<u>\$ 3,470,627</u>	<u>\$ 9,649,772</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, 2015**

	<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	\$ 4,098,318	\$ 3,552,318	\$ 3,182,441	\$ (369,877)
Rentals	-	-	15,098	15,098
Other	56,636	56,636	22,430	(34,206)
Total operating revenues	4,154,954	3,608,954	3,219,969	(388,985)
Non-operating revenues:				
Investment earnings	170	170	1,494	1,324
Other	-	-	-	-
Total non-operating revenues	170	170	1,494	1,324
Total revenues	4,155,124	3,609,124	3,221,463	(387,661)
Expenses:				
Administration:				
Salaries and benefits	144,518	144,518	187,561	(43,043)
Supplies	8,200	8,200	5,170	3,030
Contractual and other services	263,000	248,000	237,896	10,104
Repairs and maintenance	7,000	7,000	820	6,180
Capital outlay	13,500	283,944	126,059	157,885
Total administration	436,218	691,662	557,506	134,156
Operations :				
Salaries and benefits	373,669	373,669	233,472	140,197
Supplies	15,000	15,000	17,007	(2,007)
Contractual and other services	58,028	58,028	39,903	18,125
Repairs and maintenance	41,094	41,094	66,476	(25,382)
Total operations	487,791	487,791	356,858	130,933

**CITY OF McALLEN, TEXAS**  
**ANZALDUAS INTERNATIONAL CROSSING FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Non-departmental expenses:				
Liability insurance	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Interest and fiscal charges	1,633,757	1,633,757	1,630,941	2,816
Interest on board advances	-	-	576,160	(576,160)
Bond related charges	-	-	(30,431)	30,431
Bond principal requirement	1,250,000	1,250,000	-	1,250,000
Total non-departmental expenses	2,895,757	2,895,757	2,188,670	707,087
Total expenses	3,819,766	4,075,210	3,103,034	972,176
Excess (deficiency) of revenues over expenses (budget basis) before transfers	335,358	(466,086)	118,429	584,515
Transfers:				
Transfers in	936,885	936,885	947,888	11,003
Net transfers	936,885	936,885	947,888	11,003
Excess (deficiency) of revenues over expenses (budget basis)	1,272,243	470,799	1,066,317	595,518
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,530,387)	(1,530,387)
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as a reduction of bonds payable per GAAP basis	1,250,000	1,250,000	-	-
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	126,059	126,059
Net loss-GAAP basis	\$ 2,522,243	\$ 1,720,799	\$ (338,011)	\$ (808,810)

**CITY OF McALLEN, TEXAS**  
**ANZALDUAS INTERNATIONAL CROSSING FUND**  
**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**IN RESTRICTED ACCOUNTS**  
**For Fiscal Year Ended September 30, 2015**

	Contingency Reserve	Current Debt Service Series A-\$26M	Current Debt Service Series B-\$13M
Cash and investments at September 30, 2014	\$ 168,971	\$ 581,805	\$ 286,543
Add:			
Transfers	45,000	1,965,137	947,888
Interest earned	102	41	167
Total additions	45,102	1,965,178	948,055
Less payments:			
Principal payments	-	835,000	415,000
Capital assets	-	-	-
Other	-	-	-
Interest and fiscal charges	-	1,112,655	522,692
Total payments	-	1,947,655	937,692
Cash and investments at September 30, 2015	\$ 214,073	\$ 599,328	\$ 296,906
Cash and investments at September 30, 2015 are comprised of the following:			
Cash	\$ -	\$ -	\$ -
Investments	214,073	599,328	296,906
	\$ 214,073	\$ 599,328	\$ 296,906



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Capital Improvement	Total
<u>\$ 653,343</u>	<u>\$ 1,690,662</u>
240,910	3,198,935
<u>356</u>	<u>666</u>
<u>241,266</u>	<u>3,199,601</u>
-	1,250,000
65,231	65,231
-	-
<u>-</u>	<u>1,635,347</u>
<u>65,231</u>	<u>2,950,578</u>
<u>\$ 829,378</u>	<u>\$ 1,939,685</u>
\$ 79,879	\$ 79,879
<u>749,500</u>	<u>1,859,807</u>
<u>\$ 829,379</u>	<u>\$ 1,939,686</u>

**CITY OF McALLEN, TEXAS**  
**McALLEN EXPRESS FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Operating revenues:				
Charges for services	\$ 510,525	\$ 510,525	\$ 550,054	\$ 39,529
Rentals	-	-	193,811	193,811
Other services	615,887	615,887	320,344	(295,543)
Total operating revenues	1,126,412	1,126,412	1,064,209	(62,203)
Non-operating revenues:				
Intergovernmental	1,614,944	1,614,944	981,610	(633,334)
Investment earnings	-	-	3,413	3,413
Increase in the fair value of investments	-	-	64	64
Total non-operating revenues	1,614,944	1,614,944	985,087	(629,857)
Total revenues	2,741,356	2,741,356	2,049,296	(692,060)
Expenses:				
Salaries and benefits	2,156,955	2,156,955	1,804,831	352,124
Supplies	49,629	49,629	43,244	6,385
Contractual and other services	758,028	758,028	598,110	159,918
Repairs and maintenance	639,802	639,802	445,427	194,375
Capital outlay	-	-	39,846	(39,846)
Total expenses	3,604,414	3,604,414	2,931,458	672,956
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(863,058)	(863,058)	(882,162)	(19,104)
Transfers:				
Transfers in	846,574	846,574	846,574	-
Excess (deficiency) of revenues over expenses (budget basis)	(16,484)	(16,484)	(35,588)	(19,104)
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(662,641)	(662,641)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	39,846	39,846
Net income-GAAP basis	\$ (16,484)	\$ (16,484)	\$ (658,383)	\$ (641,899)

**CITY OF McALLEN, TEXAS**  
**FLEET MATERIALS MANAGEMENT FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Fleet billings	\$ 3,470,000	\$ 3,470,000	\$ 4,059,470	\$ 589,470
Materials management	280,000	280,000	371,493	91,493
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>3,750,000</u>	<u>3,750,000</u>	<u>4,430,963</u>	<u>680,963</u>
Non-operating revenues:				
Investment earnings	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>42,069</u>	<u>42,069</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>42,069</u>	<u>42,069</u>
Total revenues	<u>3,750,000</u>	<u>3,750,000</u>	<u>4,473,032</u>	<u>723,032</u>
Expenses:				
Materials management:				
Salaries and benefits	134,083	134,083	123,706	10,377
Supplies	2,750	2,750	2,118	632
Contractual and other services	3,100	3,100	9,533	(6,433)
Repairs and maintenance	3,890	3,890	6,672	(2,782)
Capital outlay	<u>7,200</u>	<u>7,200</u>	<u>-</u>	<u>7,200</u>
Total materials management	<u>151,023</u>	<u>151,023</u>	<u>142,029</u>	<u>8,994</u>
Fleet operations :				
Salaries and benefits	971,579	971,579	714,495	257,084
Supplies	27,914	27,914	22,109	5,805
Contractual and other services	2,406,000	2,406,000	3,136,813	(730,813)
Repairs and maintenance	37,450	37,450	41,848	(4,398)
Capital outlay	<u>113,600</u>	<u>182,549</u>	<u>119,128</u>	<u>63,421</u>
Total fleet operations	<u>3,556,543</u>	<u>3,625,492</u>	<u>4,034,393</u>	<u>(408,901)</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, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Non-departmental expenses:				
Liability insurance	\$ 12,493	\$ 12,493	\$ 12,493	-
Other	-	-	28,943	(28,943)
Total non-departmental expenses	12,493	12,493	41,436	(28,943)
Total expenses	3,720,059	3,789,008	4,217,858	(428,850)
Excess (deficiency) of revenues over expenses (budget basis)	29,941	(39,008)	255,174	294,182
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(81,461)	(81,461)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	119,128	119,128
Net income-GAAP basis	\$ 29,941	\$ (39,008)	\$ 292,841	\$ 331,849

**CITY OF McALLEN, TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	\$ 9,326,463	\$ 9,326,463	\$ 9,361,794	\$ 35,331
Non-operating revenues:				
Investment earnings	12,191	12,191	2,496	(9,695)
Net increase (decrease) in the fair value of investments	1,920	1,920	(564)	(2,484)
Other	102,398	102,398	110,410	8,012
Total non-operating revenues	116,509	116,509	112,342	(4,167)
Total revenues	9,442,972	9,442,972	9,474,136	31,164
Expenses:				
Salaries and benefits	270,817	270,817	279,328	(8,511)
Supplies	3,000	3,000	3,749	(749)
Contractual and other services	1,505,455	1,491,055	1,544,211	(53,156)
Self insurance claims	8,392,550	8,392,550	11,501,039	(3,108,489)
Repairs and maintenance	-	-	-	-
Capital outlay	20,000	34,400	-	34,400
Total expenses	10,191,822	10,191,822	13,328,327	(3,136,505)
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(748,850)	(748,850)	(3,854,191)	(3,105,341)
Transfers in	670,000	3,670,000	3,670,000	-
Excess (deficiency) of revenues over expenses (budget basis)	(78,850)	2,921,150	(184,191)	(3,105,341)
Depreciation expense, not budgeted	-	-	(8,200)	(8,200)
Net loss-GAAP basis	\$ (78,850)	\$ 2,921,150	\$ (192,391)	\$ (3,113,541)

**CITY OF McALLEN, TEXAS**  
**RETIREE HEALTH INSURANCE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 1,361,283</u>	<u>\$ 1,361,283</u>	<u>\$ 490,903</u>	<u>\$ (870,380)</u>
Non-operating revenues:				
Investment earnings	9,660	9,660	12,368	2,708
Net (decrease) in the fair value of investments	<u>-</u>	<u>-</u>	<u>(510)</u>	<u>(510)</u>
Total non-operating revenues	<u>9,660</u>	<u>9,660</u>	<u>11,858</u>	<u>2,198</u>
Total revenues	<u>1,370,943</u>	<u>1,370,943</u>	<u>502,761</u>	<u>(868,182)</u>
Expenses:				
Contractual and other services	100,000	100,000	83,400	100,000
Self insurance claims	<u>1,035,000</u>	<u>1,035,000</u>	<u>366,508</u>	<u>668,492</u>
Total expenses	<u>1,135,000</u>	<u>1,135,000</u>	<u>449,908</u>	<u>685,092</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	235,943	235,943	52,853	183,090
Transfers out	<u>-</u>	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>-</u>
Excess (deficiency) of revenues over expenses (budget basis)	<u>235,943</u>	<u>(1,264,057)</u>	<u>(1,447,147)</u>	<u>(183,090)</u>
Net loss-GAAP basis	<u>\$ 235,943</u>	<u>\$ (1,264,057)</u>	<u>\$ (1,447,147)</u>	<u>\$ (183,090)</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL INSURANCE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	\$ 3,679,412	\$ 3,679,412	\$ 4,006,812	\$ 327,400
Non-operating revenues:				
Intergovernmental	-	-	19,777	19,777
Investment earnings	82,792	82,792	60,101	(22,691)
Net increase (decrease) in the fair value of investments	-	-	7,711	7,711
Other	109,000	109,000	571,743	462,743
Total non-operating revenues	191,792	191,792	659,332	467,540
Total revenues	3,871,204	3,871,204	4,666,144	794,940
Expenses:				
Salaries and benefits	324,912	324,912	304,040	20,872
Supplies	4,000	4,000	4,043	(43)
Contractual and other services	1,703,607	1,752,607	1,780,265	(27,658)
Self insurance	1,200,000	1,200,000	1,076,062	123,938
Repairs and maintenance	1,479	418,454	647,153	(228,699)
Total expenses	3,233,998	3,699,973	3,811,563	(111,590)
Excess (deficiency) of revenues over expenses (budget basis) before transfers	637,206	171,231	854,581	683,350
Operating transfers:				
Transfers out	(670,000)	(4,205,009)	(4,205,009)	-
Excess (deficiency) of revenues over expenses (budget basis)	(32,794)	(4,033,778)	(3,350,428)	683,350
Net loss-GAAP basis	\$ (32,794)	\$ (4,033,778)	\$ (3,350,428)	\$ 683,350

**CITY OF McALLEN, TEXAS**  
**GENERAL DEPRECIATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2015**

	<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>\$ 2,106,012</u>	<u>\$ 2,106,012</u>	<u>\$ 2,106,013</u>	<u>\$ 1</u>
Non-operating revenues:				
Investment earnings	-	-	105,330	105,330
Net increase in the fair value of investments	-	-	14,116	14,116
Other	<u>-</u>	<u>-</u>	<u>59,605</u>	<u>59,605</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>179,051</u>	<u>179,051</u>
Total revenues	<u>2,106,012</u>	<u>2,106,012</u>	<u>2,285,064</u>	<u>179,052</u>
Expenses:				
Capital outlay	<u>4,055,600</u>	<u>5,323,981</u>	<u>3,424,672</u>	<u>1,899,309</u>
Total expenses	<u>4,055,600</u>	<u>5,323,981</u>	<u>3,424,672</u>	<u>1,899,309</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(1,949,588)	(3,217,969)	(1,139,608)	2,078,361
Operating transfers:				
Transfers out	<u>(5,900,000)</u>	<u>(5,900,000)</u>	<u>(5,900,000)</u>	<u>-</u>
Excess (deficiency) of revenues over expenses (budget basis)	<u>(7,849,588)</u>	<u>(9,117,969)</u>	<u>(7,039,608)</u>	<u>2,078,361</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,949,141)	(1,949,141)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>3,424,672</u>	<u>3,424,672</u>
Net loss-GAAP basis	<u>\$ (7,849,588)</u>	<u>\$ (9,117,969)</u>	<u>\$ (5,564,077)</u>	<u>\$ 3,553,892</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.

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

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014*</u>	<u>2015</u>
Governmental activities										
Net investment in capital assets	\$ 171,986,623	\$ 186,857,015	\$ 201,811,831	\$ 219,839,458	\$ 230,172,991	\$ 243,869,333	\$ 234,246,829	\$ 243,681,893	\$ 261,002,031	\$ 271,338,778
Restricted	17,921,869	24,738,888	55,854,614	47,710,091	29,019,666	32,491,873	33,420,883	33,151,044	23,333,654	24,007,134
Unrestricted	87,922,212	93,419,084	74,118,438	76,581,779	93,995,308	85,628,563	87,384,447	84,517,660	45,785,583	45,826,104
Total governmental activities net position	<u>\$ 277,830,704</u>	<u>\$ 305,014,987</u>	<u>\$ 331,784,883</u>	<u>\$ 344,131,328</u>	<u>\$ 353,187,965</u>	<u>\$ 361,989,769</u>	<u>\$ 355,052,159</u>	<u>\$ 361,350,597</u>	<u>\$ 330,121,268</u>	<u>\$ 341,172,016</u>
Business-type activities										
Net investment in capital assets	\$ 209,134,340	\$ 220,785,257	\$ 230,416,888	\$ 235,021,510	\$ 245,458,038	\$ 254,006,517	\$ 269,408,160	\$ 259,339,759	\$ 263,527,417	\$ 245,028,871
Restricted	44,571,692	46,163,426	45,494,800	52,423,804	27,626,738	28,751,369	49,320,757	50,319,574	54,776,089	53,275,318
Unrestricted	19,168,546	29,769,032	32,304,928	33,396,959	59,404,414	58,277,207	42,513,303	56,415,746	49,262,997	80,172,274
Total business-type activities net position	<u>\$ 272,874,578</u>	<u>\$ 296,717,715</u>	<u>\$ 308,216,616</u>	<u>\$ 320,842,273</u>	<u>\$ 332,489,190</u>	<u>\$ 341,035,093</u>	<u>\$ 361,242,220</u>	<u>\$ 366,075,079</u>	<u>\$ 367,566,503</u>	<u>\$ 378,476,463</u>
Primary government										
Net investment in capital assets	\$ 381,120,963	\$ 407,642,272	\$ 432,228,719	\$ 454,860,968	\$ 475,631,029	\$ 497,875,850	\$ 503,654,989	\$ 503,021,652	\$ 524,529,448	\$ 516,367,649
Restricted	62,493,561	70,902,314	101,349,414	100,133,895	56,646,404	61,243,242	82,741,640	83,470,618	78,109,743	77,282,452
Unrestricted	107,090,758	123,188,116	106,423,366	109,978,738	153,399,722	143,905,770	129,897,750	140,933,406	95,048,580	125,998,378
Total primary government activities net position	<u>\$ 550,705,282</u>	<u>\$ 601,732,702</u>	<u>\$ 640,001,499</u>	<u>\$ 664,973,601</u>	<u>\$ 685,677,155</u>	<u>\$ 703,024,862</u>	<u>\$ 716,294,379</u>	<u>\$ 727,425,676</u>	<u>\$ 697,687,771</u>	<u>\$ 719,648,479</u>

(1) As per GASB 63

\* 2014 Restated per GASB 68

Source: Comprehensive Annual Financial Reports

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 17,758,574	\$ 18,902,664	\$ 21,534,637	\$ 20,045,996	\$ 17,117,884	\$ 21,733,177	\$ 22,505,316	\$ 20,817,432	\$ 35,315,069	\$ 26,748,778
Public safety	41,964,290	43,294,659	46,437,593	48,085,324	49,869,325	51,471,980	51,714,002	53,799,148	58,432,712	57,338,636
Highways and streets	18,056,177	17,842,276	19,206,764	20,408,868	19,540,947	18,068,891	22,060,953	19,620,592	20,457,888	23,018,428
Health and welfare	3,322,904	4,108,795	5,967,509	5,244,236	5,315,188	5,204,340	5,424,919	5,247,302	4,604,866	7,676,848
Culture and recreation	14,182,788	15,241,701	15,581,730	16,141,618	19,345,749	16,291,072	16,468,099	18,061,633	20,996,431	13,810,026
Interest on long-term debt	29,704	223,639	218,719	292,661	543,168	1,108,959	900,520	780,778	816,650	2,159,876
Total governmental activities expenses	<u>95,314,437</u>	<u>99,613,734</u>	<u>108,946,952</u>	<u>110,218,703</u>	<u>111,732,261</u>	<u>113,878,419</u>	<u>119,073,809</u>	<u>118,326,885</u>	<u>140,623,616</u>	<u>130,752,592</u>
Business-type activities:										
Water services	13,011,620	12,953,033	15,068,788	15,716,736	15,273,917	16,687,578	16,492,817	17,390,301	17,474,327	17,161,204
Sewer services	9,110,829	10,066,916	11,290,032	10,207,047	13,001,407	13,002,414	12,704,012	13,787,604	15,251,999	15,063,966
Sanitation services	10,960,409	11,522,697	12,862,854	12,550,573	13,146,685	13,522,383	13,808,444	14,799,650	15,756,027	16,352,417
Golf course services	1,419,748	1,381,746	1,423,536	1,435,269	1,534,412	1,468,387	1,464,808	1,451,413	1,401,051	1,365,580
Civic center services	1,481,792	1,160,949	441,880	441,900	475,155	452,980	398,739	423,632	438,233	417,072
Convention center services	-	2,269,201	4,619,870	4,960,887	5,311,447	5,223,853	4,970,522	5,097,875	5,591,643	5,660,315
Airport services	4,655,977	5,040,685	5,269,306	5,882,936	6,329,579	5,964,651	6,672,164	6,867,863	7,385,213	7,922,418
Transit services	748,048	773,448	802,198	936,081	1,019,435	1,153,729	1,155,996	1,314,193	965,054	1,432,186
Bus services	1,051,887	1,309,375	1,915,380	1,759,980	1,631,623	2,194,468	2,553,618	2,877,020	3,973,485	3,621,901
Anzalduas crossing	-	200,293	1,493,759	599,426	3,913,017	4,504,328	4,140,909	4,571,611	4,558,948	4,552,866
Bridge services	6,105,402	6,462,091	9,013,061	6,018,329	5,584,690	5,773,631	6,004,265	6,111,267	6,530,689	6,877,304
Total business-type activities expenses	<u>48,545,712</u>	<u>53,140,434</u>	<u>64,200,664</u>	<u>60,509,164</u>	<u>67,221,367</u>	<u>69,948,402</u>	<u>70,366,294</u>	<u>74,692,429</u>	<u>79,326,669</u>	<u>80,427,229</u>
Total primary government expenses	<u>\$ 143,860,149</u>	<u>\$ 152,754,168</u>	<u>\$ 173,147,616</u>	<u>\$ 170,727,867</u>	<u>\$ 178,953,628</u>	<u>\$ 183,826,821</u>	<u>\$ 189,440,103</u>	<u>\$ 193,019,314</u>	<u>\$ 219,950,285</u>	<u>\$ 211,179,821</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,861,027	\$ 2,347,975	\$ 2,254,601	\$ 2,094,534	\$ 2,187,610	\$ 1,938,393	\$ 1,862,654	\$ 2,079,410	\$ 1,918,951	\$ 2,088,536
Public safety	3,950,042	4,210,066	4,058,995	3,849,128	3,665,263	4,922,835	7,358,779	4,358,385	4,366,315	7,394,577
Highways and streets	609,428	897,697	1,257,667	1,168,774	1,132,893	1,164,718	1,140,683	1,178,562	1,160,689	1,108,870
Health and welfare	71,060	68,585	525,182	526,815	123,730	85,343	241,620	308,515	271,722	414,699
Culture and recreation	773,555	860,332	924,944	935,219	975,677	1,032,525	1,206,028	1,187,176	1,213,111	1,202,362
Operating grants and contributions	1,917,181	1,920,712	2,022,022	2,016,915	1,955,046	3,326,439	2,579,065	3,592,660	2,736,600	1,961,190
Capital grants and contributions	8,946,949	7,059,478	7,441,811	3,984,011	7,871,082	7,152,106	5,065,923	4,306,512	5,303,435	3,406,289
Total governmental activities program revenues	<u>18,129,242</u>	<u>17,364,845</u>	<u>18,485,222</u>	<u>14,575,396</u>	<u>17,911,301</u>	<u>19,622,359</u>	<u>19,454,752</u>	<u>17,011,220</u>	<u>16,970,823</u>	<u>17,576,523</u>
Business-type activities:										
Charges for services:										
Water services	15,209,812	13,170,730	15,658,843	15,877,792	13,468,048	16,510,355	15,964,657	16,125,777	15,689,054	15,659,444
Sewer services	11,552,515	12,519,001	14,291,219	14,490,145	13,369,937	14,799,266	14,568,552	14,840,659	14,976,046	15,378,193
Sanitation services	11,483,355	13,349,134	14,706,767	15,103,546	15,431,922	15,903,096	16,669,790	16,738,683	16,968,558	17,398,629
Bridge services	12,939,661	12,445,997	14,447,459	12,916,479	12,816,588	13,194,421	14,559,743	14,902,453	15,747,749	13,600,185
Other	5,580,798	6,502,957	8,824,954	9,191,418	9,571,114	9,709,773	9,536,557	9,870,476	10,513,929	15,021,175
Operating grants and contributions	240,975	869,975	862,086	999,981	747,606	710,754	784,314	853,095	1,587,799	1,329,212
Capital grants and contributions	4,514,298	6,766,010	5,624,181	4,514,464	10,226,872	7,959,050	4,323,382	7,161,439	8,520,524	13,042,693
Total business-type activities program revenues	<u>61,521,414</u>	<u>65,623,804</u>	<u>74,415,509</u>	<u>73,093,825</u>	<u>75,632,087</u>	<u>78,786,715</u>	<u>76,406,995</u>	<u>80,492,582</u>	<u>84,003,659</u>	<u>91,429,531</u>
Total primary government program revenues	<u>\$ 79,650,656</u>	<u>\$ 82,988,649</u>	<u>\$ 92,900,731</u>	<u>\$ 87,669,221</u>	<u>\$ 93,543,388</u>	<u>\$ 98,409,074</u>	<u>\$ 95,861,747</u>	<u>\$ 97,503,802</u>	<u>\$ 100,974,482</u>	<u>\$ 109,006,054</u>

(Continued)

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (Expense) Revenue										
Governmental activities	\$ (77,185,195)	\$ (82,248,889)	\$ (90,461,730)	\$ (95,643,307)	\$ (93,820,960)	\$ (94,256,060)	\$ (99,619,057)	\$ (101,315,665)	\$ (123,652,793)	\$ (113,176,069)
Business-type activities	12,975,702	12,483,370	10,214,845	12,584,661	8,410,720	8,838,313	6,040,701	5,800,153	4,676,990	11,002,302
Total primary government net expense	<u>\$ (64,209,493)</u>	<u>\$ (69,765,519)</u>	<u>\$ (80,246,885)</u>	<u>\$ (83,058,646)</u>	<u>\$ (85,410,240)</u>	<u>\$ (85,417,747)</u>	<u>\$ (93,578,356)</u>	<u>\$ (95,515,512)</u>	<u>\$ (118,975,803)</u>	<u>\$ (102,173,767)</u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes, levied for general purposes	\$ 24,666,561	\$ 26,590,140	\$ 30,840,205	\$ 32,183,867	\$ 33,061,162	\$ 32,631,332	\$ 33,445,701	\$ 32,783,760	\$ 35,037,958	\$ 39,050,045
Hotel occupancy taxes	3,475,170	3,923,740	4,079,224	3,514,817	3,470,995	3,257,935	3,503,985	4,784,757	5,343,765	5,479,719
Sales tax	53,449,062	56,976,350	58,893,175	54,669,746	53,550,307	54,652,192	58,407,779	60,825,866	61,331,004	63,758,787
Franchise taxes	6,246,017	6,242,578	6,475,882	6,266,684	6,130,317	6,349,157	6,348,331	6,457,397	6,707,777	6,613,745
Unrestricted investment earnings	4,926,087	6,573,818	5,720,841	4,308,531	1,087,577	944,557	675,810	123,546	938,877	1,077,441
Royalties	4,773,487	3,507,509	2,909,479	1,864,867	2,217,798	2,706,824	1,138,925	936,278	944,609	828,482
Gain on sale of capital assets	81,418	-	-	-	-	-	-	-	-	-
Exchange (out) of capital assets to BTA	-	-	-	-	-	-	(15,829,693)	-	-	-
Miscellaneous	3,992,983	2,719,664	2,407,391	2,250,367	382,604	1,223,334	1,727,591	1,188,002	718,857	4,332,402
Transfers	36,166	2,899,373	5,905,429	2,930,873	(610,088)	1,292,533	2,120,871	1,656,644	4,158,872	3,086,193
Total governmental activities	<u>101,646,951</u>	<u>109,433,172</u>	<u>117,231,626</u>	<u>107,989,752</u>	<u>99,290,672</u>	<u>103,057,864</u>	<u>91,539,300</u>	<u>108,756,250</u>	<u>115,181,729</u>	<u>124,226,814</u>
Business-type activities										
Unrestricted investment earnings	3,396,648	5,200,991	5,560,052	2,444,095	639,242	515,713	456,604	157,213	467,440	649,882
Gain on sale of capital assets	16,296,038	31,744	1,629,433	-	-	-	-	-	2,098,640	1,220,285
Miscellaneous	5,648,449	1,608,789	-	527,774	489,538	484,409	1,001	532,137	288,076	1,123,687
Recovery of development costs	-	7,417,616	-	-	-	-	-	-	-	-
Transfers	(36,166)	(2,899,373)	(5,905,429)	(2,930,873)	610,088	(1,292,533)	13,708,822	(1,656,644)	(4,158,872)	(3,086,193)
Total business-type activities	<u>25,304,969</u>	<u>11,359,767</u>	<u>1,284,056</u>	<u>40,996</u>	<u>1,738,868</u>	<u>(292,411)</u>	<u>14,166,427</u>	<u>(967,294)</u>	<u>(1,304,716)</u>	<u>(92,339)</u>
Total primary government	<u>\$ 126,951,920</u>	<u>\$ 120,792,939</u>	<u>\$ 118,515,682</u>	<u>\$ 108,030,748</u>	<u>\$ 101,029,540</u>	<u>\$ 102,765,453</u>	<u>\$ 105,705,727</u>	<u>\$ 107,788,956</u>	<u>\$ 113,877,013</u>	<u>\$ 124,134,475</u>
Change in Net Position										
Governmental activities	\$ 24,461,756	\$ 27,184,283	\$ 26,769,896	\$ 12,346,445	\$ 5,469,712	\$ 8,801,804	\$ (8,079,757)	\$ 7,440,585	\$ (8,471,064)	\$ 11,050,745
Business-type activities	38,280,671	23,843,137	11,498,901	12,625,657	10,149,588	8,545,902	20,207,128	4,832,859	3,372,274	10,909,963
Total government net position	<u>\$ 62,742,427</u>	<u>\$ 51,027,420</u>	<u>\$ 38,268,797</u>	<u>\$ 24,972,102</u>	<u>\$ 15,619,300</u>	<u>\$ 17,347,706</u>	<u>\$ 12,127,371</u>	<u>\$ 12,273,444</u>	<u>\$ (5,098,790)</u>	<u>\$ 21,960,708</u>

(1) As per GASB 63

(Concluded)

Source: Comprehensive Annual Financial Reports

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

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 400,000	\$ 1,396,791	\$ 1,774,762	\$ 2,160,543	\$ 2,295,944
Reserved/Assigned	1,610,164	6,540,485	5,580,194	5,253,567	3,449,615	2,925,598	1,552,643	1,730,634	447,859	457,022
Unreserved/Unassigned	37,695,319	43,546,755	45,909,209	44,182,058	47,422,976	39,649,659	42,860,830	40,370,161	41,221,379	46,369,562
	<u>\$ 39,305,483</u>	<u>\$ 50,087,240</u>	<u>\$ 51,489,403</u>	<u>\$ 49,435,625</u>	<u>\$ 50,872,591</u>	<u>\$ 42,575,257</u>	<u>\$ 45,810,264</u>	<u>\$ 43,875,557</u>	<u>\$ 43,829,781</u>	<u>\$ 49,122,528</u>
Total General Fund										
All Other Governmental Funds										
Reserved-other purposes	\$ 15,054,620	\$ 23,367,311	\$ 34,502,750	\$ 27,576,520	\$ 38,291,958	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved-debt service	-	83,605	104,000	134,456	175,923	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	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	34,036,926	21,395,178	18,159,471	17,132,979	11,855,332	-	-	-	-	-
Nonspendable	-	-	-	-	-	352,716	352,716	352,716	-	-
Restricted	-	-	-	-	-	38,387,750	34,171,127	33,636,421	79,530,591	71,032,714
Committed	-	-	-	-	-	179,755	217,989	154,790	387,626	513,561
Assigned	-	-	-	-	-	12,054,227	8,459,646	9,090,061	5,741,676	4,451,033
	<u>\$ 52,169,677</u>	<u>\$ 47,680,425</u>	<u>\$ 55,854,614</u>	<u>\$ 47,710,092</u>	<u>\$ 72,564,278</u>	<u>\$ -</u>	<u>\$ 43,201,478</u>	<u>\$ 43,233,988</u>	<u>\$ 85,659,893</u>	<u>\$ 75,997,308</u>
Total all other governmental funds										

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

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Taxes	\$ 87,632,429	\$ 93,364,798	\$ 99,953,473	\$ 96,848,195	\$ 96,048,168	\$ 97,069,725	\$ 101,438,055	\$ 105,293,773	\$ 107,695,530	\$ 114,763,015
Licenses and permits	1,486,878	1,633,047	1,591,862	1,393,010	1,331,758	1,373,972	1,536,902	1,429,150	1,447,712	1,613,397
Intergovernmental	3,261,927	4,367,134	4,868,657	4,304,941	7,277,287	8,801,979	6,734,270	6,782,631	7,376,849	3,502,500
Charges for services	3,969,257	4,719,193	5,417,637	5,249,637	5,350,634	4,867,779	5,026,625	5,279,159	5,220,385	5,767,795
Fines and forfeitures	2,214,624	2,311,181	2,240,518	2,170,771	1,901,986	3,185,630	5,422,628	2,548,733	2,556,904	5,415,137
Investment earnings	4,177,110	5,577,715	4,635,946	3,675,833	807,932	728,330	508,483	69,628	739,885	876,393
Other	9,210,805	6,949,566	7,389,981	3,265,362	3,591,386	3,979,302	2,686,826	2,101,208	1,784,518	4,348,725
Total revenues	111,953,030	118,922,634	126,098,074	116,907,749	116,309,151	120,006,717	123,353,789	123,504,282	126,821,783	136,286,962
<b>Expenditures</b>										
General government	17,695,852	18,796,014	18,604,824	19,969,671	16,942,447	20,836,539	19,601,840	19,550,411	34,649,924	25,333,902
Public safety	40,954,974	42,044,757	44,721,496	47,689,420	47,498,138	49,529,997	49,272,439	50,041,327	51,912,722	52,994,445
Highways and streets	13,370,846	13,016,782	12,365,458	14,983,473	12,496,418	11,827,035	18,169,966	13,414,722	13,318,011	10,782,403
Health and welfare	3,333,002	4,110,388	5,964,095	5,255,632	5,285,260	5,168,679	5,388,416	5,208,427	4,552,904	7,512,747
Culture and recreation	12,944,311	13,637,582	13,978,939	14,688,034	17,456,529	14,170,021	14,601,437	15,410,540	17,194,648	17,767,314
Capital outlay	21,677,783	25,285,595	26,157,346	25,276,574	23,274,673	42,517,494	19,836,269	19,896,331	22,156,818	29,946,314
Debt service:										
Principal	25,000	440,000	435,000	2,855,000	511,213	5,560,741	2,530,000	2,645,000	2,765,000	3,695,000
Interest	15,762	198,387	199,993	319,116	178,148	1,510,338	1,012,256	896,365	774,407	3,645,877
Total expenditures	110,017,530	117,529,505	122,427,151	131,036,920	123,642,826	151,120,844	130,412,623	127,063,123	147,324,434	151,678,002
Excess of revenues over (under) expenditures	1,935,500	1,393,129	3,670,923	(14,129,171)	(7,333,675)	(31,114,127)	(7,058,834)	(3,558,841)	(20,502,651)	(15,391,040)
<b>Other Financing Sources (Uses)</b>										
Bond proceeds	4,800,000	-	-	-	29,030,000	-	-	-	54,230,001	-
Other	-	-	-	-	1,117,990	-	-	-	-	-
Transfers in	37,747,066	20,941,598	42,201,877	26,783,190	9,790,572	22,378,622	15,970,624	22,353,826	18,453,155	26,945,098
Bond Premium	-	-	-	-	-	-	-	-	3,493,907	-
Transfers out	(37,710,900)	(16,042,225)	(36,296,448)	(22,852,317)	(9,900,660)	(20,751,659)	(13,849,753)	(20,697,182)	(13,544,283)	(15,923,896)
Total other financing sources (uses)	4,836,166	4,899,373	5,905,429	3,930,873	30,037,902	1,626,963	2,120,871	1,656,644	62,632,780	11,021,202
Net change in fund balances	\$ 6,771,666	\$ 6,292,502	\$ 9,576,352	\$ (10,198,298)	\$ 22,704,227	\$ (29,487,164)	\$ (4,937,963)	\$ (1,902,197)	\$ 42,130,129	\$ (4,369,838)
Debt service as a percentage of noncapital expenditures	0.05%	0.69%	0.66%	3.00%	0.69%	6.51%	3.20%	3.30%	2.83%	6.03%

**Source:** Comprehensive Annual Financial Reports

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

<u>Fiscal Year</u>	<u>Property</u>	<u>Sales</u>	<u>Franchise</u>	<u>Hotel</u>	<u>7%</u>	<u>2%</u>	<u>Total</u>
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
2014	34,312,972	61,331,004	6,707,787	4,156,140	1,187,625	-	107,695,528
2015	38,910,760	62,939,971	6,613,748	4,262,268	1,217,452	-	113,944,199
Change 2006-2015	59.06%	17.76%	5.89%	22.65%	100.00%	-	30.03%



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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Retail	\$ 1,897	\$ 2,138	\$ 2,211	\$ 2,018	\$ 1,735	\$ 1,710	\$ 1,789	\$ 1,844	\$ 1,855	\$ 1,405
Services	157	180	170	153	114	170	181	196	208	174
Wholesale	149	65	76	68	70	100	122	109	118	88
Other	210	178	140	115	311	446	469	491	506	399
Total - All Industries	<u>\$ 2,413</u>	<u>\$ 2,561</u>	<u>\$ 2,597</u>	<u>\$ 2,354</u>	<u>\$ 2,374</u>	<u>\$ 2,426</u>	<u>\$ 2,561</u>	<u>\$ 2,640</u>	<u>\$ 2,687</u>	<u>\$ 2,066</u>

(1)

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

Percent Allocation of Taxable Sales - Retail Only

Building Materials	8%	7%	7%	6%	5%	6%	6%	5%	5%	5%
General Merchandise	27%	27%	32%	31%	28%	27%	28%	28%	28%	27%
Food Stores	6%	5%	5%	5%	6%	6%	6%	6%	6%	6%
Automotive	3%	3%	5%	5%	6%	6%	5%	5%	6%	5%
Clothing	16%	16%	17%	17%	15%	15%	16%	17%	17%	17%
Home Furnishings	12%	11%	12%	12%	13%	13%	13%	13%	12%	12%
Restaurants	13%	12%	13%	14%	17%	17%	17%	17%	17%	19%
Miscellaneous Retail	10%	8%	9%	10%	10%	10%	9%	9%	9%	9%
Total	<u>94%</u>	<u>89%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(1) Represents only three quarters of fiscal year.

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.

**Assessed Value and Actual Value of Taxable Property (1)**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended September 30</b>	<b>Tax Roll Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Minerals</b>	<b>Other</b>	<b>Less: Tax-Exempt Property</b>	<b>Total Net Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
2006	2005	\$ 3,012,119,776	\$ 1,524,395,866	\$ 77,484,714	\$ 159,146,526	\$ 1,290,466,084	\$ 536,338,311	\$ 5,527,274,655	\$ 0.42
2007	2006	4,034,338,716	1,568,016,882	79,479,396	146,936,440	1,023,232,516	948,864,893	5,903,139,057	0.42
2008	2007	5,223,070,568	1,824,887,008	96,386,085	138,350,623	1,059,350,233	1,427,513,149	6,914,531,368	0.42
2009	2008	5,342,975,502	1,811,694,737	108,693,602	134,182,390	1,157,900,178	1,448,502,453	7,106,943,956	0.42
2010	2009	5,470,285,311	2,077,102,840	115,185,930	133,174,260	1,257,860,959	1,531,608,214	7,522,001,086	0.42
2011	2010	5,491,264,094	2,160,760,863	121,679,009	28,213,093	1,257,885,005	1,549,344,920	7,510,457,144	0.42
2012	2011	5,492,004,364	2,213,159,640	53,492,220	13,149,573	1,286,916,306	1,557,190,079	7,501,532,024	0.42
2013	2012	4,327,680,248	3,343,176,312	137,187,071	68,824,902	1,013,294,611	1,326,819,524	7,563,343,620	0.43
2014	2013	4,475,282,922	3,503,723,046	132,720,411	71,783,017	1,011,927,424	1,360,010,810	7,835,426,010	0.43
2015	2014	4,474,949,998	3,533,253,705	124,370,144	73,248,263	1,030,966,285	1,347,181,652	7,889,606,743	0.43

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

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

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

Fiscal Year Ended September 30	Tax Roll Year	City Direct Rates				Overlapping Rates							
		General Obligation			Total Direct	School Districts						Hidalgo County Drainage	Hidalgo County
		Basic Rate	Debt Service	McAllen		Sharyland	P.S.J.A	So. Tx College	Hidalgo	Edinburg	District No.1		
2006	2005	\$ 0.42	\$ -	\$ 0.42	\$ 1.54	\$ 1.57	\$ 1.61	\$ 0.15	\$ 1.59	\$ 1.59	\$ 0.04	\$ 0.59	
2007	2006	0.42	-	0.42	1.61	1.57	1.61	0.15	1.61	1.58	0.05	0.59	
2008	2007	0.41	0.01	0.42	1.48	1.55	1.52	0.15	1.54	1.45	0.07	0.59	
2009	2008	0.41	0.01	0.42	1.15	1.19	1.21	0.15	1.32	1.12	0.07	0.59	
2010	2009	0.41	0.01	0.42	1.17	1.19	1.27	0.15	1.35	1.19	0.07	0.59	
2011	2010	0.41	0.01	0.42	1.17	1.19	1.27	0.15	1.35	1.19	0.07	0.59	
2012	2011	0.41	0.01	0.42	1.17	1.20	1.36	0.15	1.44	1.24	0.07	0.59	
2013	2012	0.43	-	0.43	1.17	1.29	1.36	0.15	1.56	1.24	0.08	0.59	
2014	2013	0.43	-	0.43	1.17	1.29	1.36	0.15	1.56	1.24	0.07	0.59	
2015	2014	0.48	0.04	0.43	1.17	1.34	1.36	0.19	1.53	1.24	0.10	0.59	

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

2015				2006			
Taxpayer	Taxable	Rank	Percentage	Taxable	Rank	Percentage	
	Assessed		of Total City	Assessed		of Total City	
	Value		Taxable	Value		Taxable	
			Assessed			Assessed	
			Value			Value	
Simon Property Group	\$ 85,303,024	1	1.08%	\$ 44,108,254	3	0.80%	
Rio Grande Regional Hospital	54,415,269	2	0.69%	80,627,950	2	1.46%	
Universal Health Services	46,786,593	3	0.59%	90,906,259	1	1.64%	
Palms Crossing LP	41,915,932	4	0.53%	-	-	-	
AEP Texas Central Co.	34,385,960	5	0.44%	36,735,340	4	0.01	
GE Engine Services	33,859,920	6	0.43%			0.00%	
H E Butt Grocery Company	25,856,763	7	0.33%	23,672,753	9	0.43%	
Inland Western	21,877,590	8	0.28%	-	-	-	
McAllen Medical Center	18,219,227	9	0.23%	-	-	-	
Abasto Corp	17,445,951	10	0.22%	-	-	-	
Wal-Mart Stores Texas LP	-		n/a	35,274,128	5	0.64%	
Total E & P USA, Inc.	-		n/a	32,238,960	6	0.58%	
Texas State Bank	-		n/a	30,611,330	7	0.55%	
Sprint Spectrum LP	-		n/a	24,587,890	8	0.44%	
Southwestern Bell				22,968,540	10	0.42%	
	\$ 380,066,229		4.82%	\$ 421,731,404		7.63%	

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
2006	2005	\$ 23,248,262	\$ 370,471	\$ 23,618,733	\$ 22,358,944	94.67%	\$ 1,182,727	\$ 23,541,671	99.67%
2007	2006	24,788,834	487,091	25,275,925	23,920,313	94.64%	1,258,636	25,178,949	99.62%
2008	2007	28,896,119	926,195	29,822,314	27,625,803	92.63%	2,066,678	29,692,481	99.56%
2009	2008	29,639,988	2,067,032	31,707,020	29,325,155	92.49%	2,216,202	31,541,357	99.48%
2010	2009	31,356,112	668,253	32,024,365	30,347,810	94.76%	1,442,909	31,790,719	99.27%
2011	2010	31,313,663	163,882	31,477,545	30,120,972	95.69%	1,162,990	31,283,962	99.39%
2012	2011	31,996,395	15,446	32,011,841	30,858,609	96.40%	939,764	31,798,373	99.33%
2013	2012	32,234,649	(21,260)	32,213,389	31,076,068	96.47%	815,949	31,892,017	99.00%
2014	2013	33,395,738	154,588	33,550,326	32,474,873	96.79%	568,875	33,043,748	98.49%
2015	2014	33,720,873	788,785	34,509,658	33,451,451	96.93%	-	33,451,451	96.93%

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 <sup>a</sup>	Per Capita <sup>a</sup>											
	General Obligation Bonds	Combination Tax and Revenue Certificates of Obligation		Sales Tax Revenue Obligations	Tax Note	Lien Note	Water Revenue Bonds	Sewer Revenue Bonds	International Toll Bridge Bonds	Anzalduas International Crossing Bonds	Airport CO Bonds	Total Primary Government													
2006	\$	-	\$	-	\$	300,000	\$	4,800,000	\$	-	\$	24,200,400	\$	19,014,600	\$	1,520,000	\$	-	\$	-	\$	49,835,000	2.25%	\$	2,912
2007		-		-		275,000		4,385,000		-		29,352,650		40,137,350		1,295,000		39,160,000		-		114,605,000	N/A		N/A
2008		-		-		250,000		3,975,000		2,400,000		28,364,250		39,360,750		1,060,000		39,160,000		-		114,570,000	N/A		N/A
2009		-		-		225,000		3,545,000		306,954		27,176,000		37,999,000		815,000		39,160,000		-		109,226,954	N/A		N/A
2010			-	29,030,000		200,000		3,100,000		265,741		25,926,500		49,073,500		555,000		38,405,000		-		146,555,741	5.53%		7,178
2011			-	26,860,000		175,000		-		-		24,622,050		65,057,950		285,000		37,615,000		-		154,615,000	N/A		N/A
2012			-	24,355,000		150,000		-		-		23,229,672		69,610,330		-		36,795,000		9,495,000		163,635,002	6.30%		1,227
2013			-	21,735,000		125,000		-		-		21,780,769		79,156,233		-		35,645,000		9,125,000		167,567,002	5.76%		1,220
2014			42,380,000	30,845,000		100,000		-		-		20,266,159		75,842,843		-		34,445,000		8,750,000		212,629,002	7.40%		1,548
2015			56,815,000	11,645,000		75,000		-		-		17,428,008		111,262,992		-		33,195,000		8,365,000		238,786,000	8.03%		1,768

N/A Information not available

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

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

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

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property <sup>a</sup>	Per Capita <sup>b</sup>
2006	\$ -	\$ -	N/A
2007	-	-	N/A
2008	-	-	N/A
2009	-	-	N/A
2010	-	-	N/A
2011	26,860,000	0.36%	203
2012	24,355,000	0.32%	183
2013	21,735,000	0.29%	158
2014	73,225,000	0.93%	533
2015	68,460,000	0.87%	507

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

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

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

**CITY OF McALLEN, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**As of September 30, 2015**

<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	\$ 175,805,000	25.85%	\$ 45,445,593
McAllen Independent School District	85,405,000	98.85%	84,422,843
Sharyland Independent School District	112,974,999	26.98%	30,480,655
P.S.J.A Independent School District	331,552,801	13.01%	43,135,019
Hidalgo County Drainage District #1	157,700,000	26.60%	41,948,200
South Texas College	171,015,000	23.92%	40,906,788
Hidalgo Independent School District	42,695,000	21.43%	9,149,539
Edinburg Independent School District	157,610,000	2.78%	<u>4,381,558</u>
Subtotal, overlapping debt			299,870,195
City of McAllen (direct debt)	68,460,000	100.00%	<u>68,460,000</u>
Total direct and overlapping debt			<u><u>\$ 368,330,195</u></u>

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

**Source: Information provided by First Southwest**



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

**Legal Debt Margin Calculation for Fiscal Year 2015**

Assessed value	\$ 7,889,606,743
Debt limit (5% of assessed value)	394,480,337
Debt applicable to limit:	
General obligation bonds	68,460,000
Less: amount set aside for repayment of general obligation debt	<u>(292,191)</u>
Total net debt applicable to limit	<u>68,167,809</u>
Legal debt margin	<u><u>\$ 326,312,528</u></u>

	<b>Fiscal Year</b>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt limit	\$ 276,363,733	\$ 295,156,953	\$ 345,726,568	\$ 355,347,198	\$ 343,935,483	\$ 348,892,264	\$ 350,989,886	\$ 356,700,467	\$ 391,771,301	\$ 394,480,337
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>685,351</u>	<u>32,164,571</u>	<u>26,630,593</u>	<u>24,086,715</u>	<u>21,466,714</u>	<u>72,940,390</u>	<u>68,167,809</u>
Legal debt margin	\$ 276,363,733	\$ 295,156,953	\$ 345,726,568	\$ 354,661,847	\$ 311,770,912	\$ 322,261,671	\$ 326,903,171	\$ 335,233,753	\$ 318,830,911	\$ 326,312,528
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.19%	10.32%	8.26%	7.37%	6.40%	22.88%	20.89%

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

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

Fiscal Year	Water Revenue Bonds						Sewer Revenue Bonds					
	Total Revenues (a)	Less: Operating Expenses (b)	Net Available Revenue	Debt Service		Coverage	Total Revenues (a)	Less: Operating Expenses (b)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2006	\$ 17,354,452	\$ 9,335,864	\$ 8,018,588	\$ 753,200	\$ 1,202,211	4.10	\$ 13,440,241	\$ 6,034,210	\$ 7,406,031	\$ 1,136,800	\$ 952,950	3.54
2007	15,720,963	9,225,416	6,495,547	940,800	1,243,423	2.97	15,342,714	5,550,727	9,791,987	739,200	1,908,863	3.70
2008	17,578,762	11,300,642	6,278,120	988,400	1,191,688	2.88	16,288,846	6,363,341	9,925,505	776,600	2,049,023	3.51
2009	17,273,180	11,989,744	5,283,436	1,188,250	1,136,605	2.27	15,806,052	5,173,309	10,632,743	1,361,750	2,000,014	3.16
2010	14,171,787	11,485,174	2,686,613	1,249,500	1,075,460	1.16	13,625,200	7,403,312	6,221,888	1,425,500	1,934,911	1.85
2011	17,171,510	12,654,063	4,517,447	1,383,900	1,348,650	1.65	15,035,929	7,364,113	7,671,816	2,616,100	1,446,363	1.89
2012	16,572,667	12,081,927	4,490,740	1,448,903	1,294,300	1.64	14,724,233	7,392,664	7,331,569	2,771,097	1,376,273	1.77
2013	16,634,518	12,613,800	4,020,718	1,514,610	1,227,162	1.47	14,899,235	8,092,635	6,806,600	3,313,390	1,386,497	1.45
2014	16,269,236	12,315,395	3,953,841	1,583,751	1,160,204	1.44	15,128,924	8,138,492	6,990,432	3,594,249	1,327,371	1.42
2015	16,864,143	11,974,407	4,889,736	1,649,458	1,016,999	1.83	15,590,842	7,687,962	7,902,880	4,486,542	1,116,563	1.41

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
2006	129,650	\$ 2,218,830	\$ 17,114	30.3	24,531	4.70%
2007	130,700	2,294,046	17,552	30.0	24,814	4.50%
2008	132,075	2,504,009	18,959	29.5	25,047	5.30%
2009	133,197	Not Available	Not Available	*	25,154	7.50%
2010	129,877	2,651,569	20,416	32.2	25,164	7.40%
2011	132,338	Not Available	Not Available	N/A	25,263	8.20%
2012	133,333	2,598,660	19,490	30.7	25,310	7.80%
2013	137,608	2,906,693	21,123	32.5	24,500	10.70%
2014	137,358	2,874,354	20,926	32.0	25,217	8.50%
2015	138,925	2,974,384	21,410	32.5	24,692	4.90%
	(A)	(B)		(C)	(D)	(E)

**SOURCE:**

(A) U.S Census Bureau-2014 and local estimates; 2010 Official U.S. Census

(B) U.S Census Bureau-2014 community survey profile.

(C) U.S Census Bureau-2014 community survey profile.

(D) McAllen Independent School District

(E) U. S. Bureau of Labor Statistics

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

<u>Employer</u>	<u>2015</u>			<u>Employer</u>	<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>		<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
McAllen Independent School District	3,419	1	5.71%	McAllen Independent School District	3,451	1	5.83%
South Texas College	2,200	2	3.67%	City of McAllen	1,801	2	3.04%
McAllen Medical Center	2,000	3	3.34%	McAllen Medical Center	1,700	3	2.87%
City of McAllen	1,877	4	3.13%	South Texas College	1,664	4	2.81%
H-E-B	1,220	5	2.04%	Rio Grande Regional Hospital	1,020	5	1.72%
International Bank of Commerce	1,200	6	2.00%	Wal-Mart	500	6	0.84%
Rio Grande Regional Hospital	1,100	7	1.84%	International Bank of Commerce	425	7	0.72%
Wal-Mart	1,000	8	1.67%	Texas State Bank	400	8	0.68%
GE Engines	650	9	1.09%	Macy's	354	9	0.60%
Dillards	354	10	0.59%	J C Penny Company	350	10	0.59%
Total	<u>15,020</u>		<u>25.08%</u>		<u>11,665</u>		<u>19.70%</u>
	(A)		(B)		(C)		(C)

Source:

(A) McAllen Economic Development Corporation (MEDC)

(B) Texas Workforce Commission for total city employment - 59,877

(C) City of McAllen CAFR Fiscal Year 2006

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

	full time only	full time only	full time only	full time only	full time only	full time only	full time only	full time only	full time only	full time only
<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Government	177	188	185	182	182	188	189	192	192	196
Public Safety:										
Police:										
Officers	264	269	275	275	275	275	281	285	285	285
Civilians	140	140	136	136	143	143	140	136	136	143
Fire:										
Fire fighters and officers	157	159	163	164	164	164	167	167	167	167
Civilians	11	12	13	13	13	12	11	11	11	12
Other	62	78	56	56	56	56	55	56	56	62
Highways and streets	111	112	112	100	100	96	97	97	97	98
Health and welfare	16	16	24	24	25	25	25	26	26	25
Culture and Recreational	177	180	187	186	186	189	192	195	195	197
Downtown Services	11	12	15	17	17	17	17	16	16	16
Water services	126	130	131	135	135	135	138	137	137	137
Sewer services	74	74	81	81	81	81	82	84	84	85
Sanitation	126	128	133	136	136	138	145	148	148	153
Golf Course	13	12	12	12	12	12	15	12	12	12
Convention Center	47	37	38	38	38	37	38	38	38	39
Airport	30	31	38	38	38	38	39	41	41	38
Transit terminal	13	13	12	12	12	12	13	8	8	8
Express transit	20	22	21	22	22	29	30	47	47	47
Bridge	43	43	31	33	33	33	44	32	32	41
Anzalduas Bridge	-	-	-	10	12	13	13	10	10	13
Fleet Services	25	25	25	25	25	21	24	21	21	26
Employee benefits	3	4	5	5	5	5	5	5	5	5
Risk Management	4	4	5	5	5	6	6	7	7	7
Total	<u>1,650</u>	<u>1,689</u>	<u>1,698</u>	<u>1,705</u>	<u>1,715</u>	<u>1,725</u>	<u>1,766</u>	<u>1,771</u>	<u>1,771</u>	<u>1,812</u>

Source: City's Budget Document

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

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Police										
Number of employees-commissioned	260	264	267	262	270	275	280	281	285	285
Number of service calls	147,724	160,000	153,970	162,273	166,653	162,250	157,884	147,528	144,761	152,303
Fire										
Number of firemen	151	157	160	170	158	164	160	167	167	167
Total number of alarm responses	4,359	5,130	4,434	4,391	5,000	4,500	5,711	5,949	5,500	6,674
Code enforcement										
Number of employees	19	21	21	21	20	19	20	20	20	22
Number of building permits	1,987	1,794	1,341	1,308	1,562	1,584	1,869	1,671	1,562	1,559
Development services										
Street Resurfacing (linear miles)	25	26	28	29	21	25	10	26	48	42
Sidewalk Construction (linear feet)	43,084	30,000	36,960	37,100	11,480	10,560	23,930	7,920	1,065	29,304
Cultural and recreational										
Parks and recreation										
Participants in special event programs	418,000	418,000	458,250	425,000	93,250	440,000	440,000	245,000	104,500	360,000
Participants in athletic programs	8,196	9,500	16,400	6,800	17,045	7,500	14,500	16,000	8,145	518
Participants in after school programs	3,240	2,992	3,200	3,100	2,053	1,800	2,200	1,800	1,648	827
Library-main										
Volumes in collection	410,896	364,450	351,950	349,117	359,809	414,135	320,043	323,019	281,643	324,932
Water and sewer system										
Number of water customers	39,060	40,074	40,876	41,607	42,052	42,792	43,306	44,068	44,708	45,830
Number of sewer customers	34,414	35,493	36,229	37,062	37,521	38,184	38,563	39,247	39,802	40,996
Average daily water consumption (gallons)	24,623,690	22,484,700	23,737,233	23,860,020	19,654,727	24,508,796	25,867,849	25,952,225	23,953,301	21,000,000
Maximum storage capacity (gallons) #2 plant	7,100,000	7,100,000	7,900,000	7,900,000	7,900,000	7,900,000	7,900,000	7,900,000	7,900,000	7,900,000
Maximum storage capacity (gallons)-north plant	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Rainfall (inches)	12.27	19.01	27.80	9.65	38.00	24.66	17.88	14.39	24.43	21.22
Sanitation										
Refuse collected (tons)	26,752	27,177	28,695	29,080	29,500	30,000	29,395	122,499	127,562	138,149
Bulky/brush pickups (tons)	200,000	202,000	67,274	19,879	5,500	4,703	30,527	44,187	22,265	30,410
Recyclables collected (tons)	4,515	5,000	8,030	3,926	3,791	4,525	5,235	5,476	4,323	4,323
Golf course										
Total number of rounds	45,840	44,200	42,219	43,803	44,153	41,308	40,977	39,759	36,859	40,447

Source: City Departments  
Estimates: Fiscal Year 2015

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

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Police sub-stations	7	7	6	6	7	7	7	7	6	7
Fire stations	6	6	6	7	7	7	7	7	7	7
Fire hydrants	3,350	3,700	3,800	3,994	3,984	3,988	4,000	4,000	4,200	4200
Development Services										
City area:										
Square miles	47.7 (1)	48.1	48.7	48.8	48.7	48.7	49.6	49.6	49.8	54.5
Acres	30,552 (1)	30,785	31,169	31,222	31,169	31,169	31,733	31,747	31,898	34864
Streets- paved (miles)	645	567	565	495	486	487	464	464	480	540
Cultural and Recreational										
Developed parks (acres)	521	537	668	362	866	705	728	577	600	615
Parks (acres)-undeveloped	432	416	487	410	481	474	417	488	398	382
Swimming pools	4	4	4	4	4	4	4	4	4	4
Tennis courts	25	25	25	15	24	24	24	24	26	36
Lighted baseball diamonds/athletic fields	17	17	17	112	8	12	12	12	12	29
Municipal golf (18-hole course)	1	1	1	1	1	1	1	1	1	1
Water and Sewer										
Water mains (miles)	700	700	703	706	706	803	714	714	1,046	738
Sanitary sewers (miles)	470	470	489	489	489	503	489	500	500	535
Storm (miles)	239	265	268	283	273	273	315	315	315	315

(1) Revised by engineering.

Source: City Departments

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

**Section I--water rates**

The rate charged for water furnished and consumed under the standard water rate schedule by Section 106-82 of the City Ordinance, amended October 1, 2015 to all classes of customers is as follows:

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

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

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

Sprinkler-\$1.85/1,000 gallons

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

<u>Class of customers</u>	<u>Number</u>	<u>Usage (gallons)</u>
Residential	38,098	3,814,659,800
Commercial	7,101	2,773,831,000
Industrial	163	304,238,500
Number of gallons shown to have passed through the master meters at the City's plants #2 and #3 during the period		7,711,960,000
Number of gallons billed		(6,892,729,300)
Estimated water used in fire hydrant testing, etc.		<u>(49,000,000)</u>
Estimated number of gallons unaccounted due to breaks, leaks, etc.		<u><u>770,230,700</u></u>



# Single Audit Section

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of McAllen, Texas (the "City") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 23, 2016.

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

**Internal control over financial reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented,

or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 that we consider to be significant deficiencies in the City's internal control.

#### Compliance and other matters

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

#### City's response to findings

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

#### Intended purpose

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

*Grant Thornton LLP*

Houston, Texas  
March 23, 2016



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

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

### **Report on compliance for each major federal program**

We have audited the compliance of the City of McAllen, Texas (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's responsibility**

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

#### **Auditor's responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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, 2015.

#### Report on internal control over compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the City's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Grant Thornton LLP*

Houston, Texas  
March 23, 2016

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

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

### Report on compliance for each major state program

We have audited the compliance of the City of McAllen, Texas (the "City") with the types of compliance requirements described in the *State of Texas Single Audit Circular* that could have a direct and material effect on each of its major state programs for the year ended September 30, 2015. The City's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Management's responsibility

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

#### Auditor's responsibility

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

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

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

#### 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 each of its major state programs for the year ended September 30, 2015.

#### Report on internal control over compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the City's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Grant Thornton LLP*

Houston, Texas  
March 23, 2016

# CITY OF McALLEN, TEXAS

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2015

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Disbursements/ Expenditures
<b>U.S. Department of Housing and Urban Development</b>				
Direct Program:				
Community Development Block Grant:				
39th Year Entitlement Grant	14.218	CB13MC48506	1,535,436	\$ 645,008
40th Year Entitlement Grant	14.218	CB14MC48506	1,522,800	1,017,778
Home Investment Partnerships Programs	14.239	M11MC480506	585,793	233,509
Home Investment Partnerships Programs	14.239	M12MC480506	465,925	270,547
Emergency Solutions Grant	14.231	S13MC480506	116,811	56,307
Total U.S. Department of Housing and Urban Development				2,223,149
<b>U.S. Department of Transportation</b>				
Direct Program:				
Airport Improvement Program	20.106	3-48-0144-42	4,318,852	376,451
Airport Improvement Program	20.106	3-48-0144-43	680,373	43,196
Airport Improvement Program	20.106	3-48-0144-44	762,352	4,649
Airport Improvement Program	20.106	3-48-0144-45	9,416,163	6,252,534
Federal Transit Capital Investments Grant *	20.500	TX-04-0010-00	495,000	222,466
Federal Transit Formula Grant *	20.507	TX-90-X778-00	1,679,250	96,963
Federal Transit Formula Grant *	20.507	TX-90-X830-01	1,337,939	16,369
Federal Transit Formula Grant *	20.507	TX-90-X906-00	1,962,520	209,311
Federal Transit Formula Grant *	20.507	TX-90-X937-00	5,207,372	1,758
Federal Transit Formula Grant *	20.507	TX-90-Y017-00	3,701,400	1,448,170
Federal Transit Formula Grant *	20.507	TX-90-Y048-00	3,171,640	671,406
Federal Transit Job Access & Reverse Community Program **	20.516	TX-37-X085-00	885,305	162,656
Federal Transit New Freedom Program **	20.521	TX-57-X030-00	108,087	19,807
Capital Assistance Program for Reducing Energy Consumption	20.523	TX-88-0001-00	1,906,908	1,414,858
Federal Highway Administration				
Passed through Texas Department of Transportation				
Highway Planning and Construction	20.205	STP 2011 (243) TE	913,069	139,895
State and Community Highway Safety	20.600	2015-McAllenP-S-1YG-0070	80,070	80,070
State and Community Highway Safety	20.616	2015-McAllenPD-CIOT-00089	4,994	2,531
Total U.S. Department of Transportation				11,163,090
<b>U.S. Department of Justice</b>				
Direct Program:				
Edward Byrne Memorial Justice Assistance Grant	16.738	2014-DJ-BX-0466	19,614	19,614
Equitable Sharing Program	16.922		-	1,496,136
Total U.S. Department of Justice				1,515,750
<b>U.S. Environmental Protection Agency</b>				
Hazardous Waste Management State Program Support	66.801	B2020R6.934/.335	70,510	70,510
Clean Water State Revolving Fund	66.458	TWDB #73633	1,700,000	88,654
Clean Water State Revolving Fund	66.458	TWDB #73640	7,808,511	768,019
Clean Water State Revolving Fund	66.458	TWDB #10435	434,000	111,812
Clean Water State Revolving Fund	66.458	TWDB #73659	3,245,393	226,067
Clean Water State Revolving Fund	66.458	TWDB #73659	40,202,322	9,153,611
Total U.S. Environmental Protection Agency				\$ 10,418,673

\* Federal Transit Cluster

\*\* Transit Services Programs Cluster

**CITY OF McALLEN, TEXAS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

Year Ended September 30, 2015

<b>Federal Grantor/ Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Program or Award Amount</b>	<b>Disbursements/ Expenditures</b>
<b>U.S. Department of Homeland Security</b>				
Emergency Management Performance Grants	97.042	15TX-EMPG-0713	47,138	\$ 47,138
Pass through Assistance to Firefighters Grant Program				
Operations and Safety Program	97.044	EMW-2012-FR-00371	2,201,120	21,927
Pass through Division of Emergency Management				
Hazard Mitigation Grant Program	97.039	FEMA-1931-DR-TX-11	507,532	271,559
Hazard Mitigation Grant Program	97.039	FEMA-1931-DR-TX-12	190,013	119,223
Hazard Mitigation Grant Program	97.039	FEMA-1931-DR-TX-13	658,055	80,181
Homeland Security Grant Program	97.067	2013-SS-00045	129,326	51,398
Homeland Security Grant Program	97.067	2013-SS-00045	38,082	38,082
Homeland Security Grant Program	97.067	2014-SS-00029	87,677	87,677
Homeland Security Grant Program	97.067	2014-SS-00029	12,323	12,323
Homeland Security Grant Program	97.067	2014-SS-00029	233,800	442
Total U.S. Department Homeland Security				<u>729,950</u>
<b>U.S. Department of Commerce (EDA)</b>				
Investments for Public Works & Economic Development Facilities				
South Bentsen Road Industrial Park Improvements	11.300	08-01-04837	600,000	<u>32,211</u>
Total U.S. Department of Commerce				<u>32,211</u>
<b>U.S. Department of Health and Human Services</b>				
Food and Drug Administration Research	93.103	G-T-1410-02102	2,000	<u>2,000</u>
Total U.S. Department of Health and Human Services				<u>2,000</u>
Total federal financial assistance expended				<u>26,084,823</u>
<b>Texas Agencies</b>				
Texas Office of the Attorney General				
2015 Victim Coordinator and Liaison Grant		1553783	40,976	37,262
2016 Victim Coordinator and Liaison Grant		1662303	41,976	3,138
Texas Department of State Health Services				
2015 EMS Local Projects Grant		2015-047749	7,099	5,431
Texas Department of Public Safety				
2015 Local Border Security Program Grant		LBSP-15-50	50,000	50,000
Texas Department of Transportation:				
Routine Airport Maintenance Program		CSJ# M1521MCAL	50,000	50,000
Pass Through - City of Brownsville				
Auto Theft Prevention 2015		SA00T011004115	313,879	292,090
Auto Theft Prevention 2016		SA00T011004116	339,510	24,549
Equitable Sharing Program			-	<u>468,646</u>
Total state financial assistance expended				<u>931,116</u>
Total federal and state financial assistance expended				<u>\$ 27,015,939</u>

## **CITY OF McALLEN, TEXAS**

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

Year Ended September 30, 2015

#### **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, 2015. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

#### **2. Measurement Focus and Basis of Accounting**

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

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

## CITY OF McALLEN, TEXAS

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

Year Ended September 30, 2015

#### 2. Measurement Focus and Basis of Accounting (continued)

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

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

#### 3. Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant – Entitlement Grants	14.218	\$ 1,209,612
Home Investment Partnerships Program	14.239	468,543
Emergency Solutions Grant	14.231	52,847

#### 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**

Year ended September 30, 2015

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No

Identification of major federal program:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
16.922	Equitable Sharing Program
20.500 & 20.507	Federal Transit Cluster
20.523	Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions
66.458	Clean Water State Revolving Fund Cluster

Dollar threshold used to distinguish between Type A and Type B federal programs: \$447,611

Auditee qualified as low-risk auditee? No

**CITY OF MCALLEN, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended September 30, 2015

State Awards

Internal control over major programs:

• Material weakness identified? No

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

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

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

Identification of major state program:

Grant Number

Name of State Program or Cluster

N/A

Equitable Sharing Program

Dollar threshold used to distinguish between Type A  
and Type B state programs: \$300,000

Auditee qualified as low-risk auditee? Yes



**CITY OF MCALLEN, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended September 30, 2015

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding #: 2015-001**

**Capitalized Interest**

**Type of Finding: Significant Deficiency**

**Criteria:**

Generally accepted accounting principles (GAAP), as outlined in GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, prescribes that interest incurred to acquire a capital asset should be included as part of the cost of that asset (interest capitalization). The amount of interest cost to be capitalized as part of the cost of a capital asset is the amount that could have been avoided had that asset not been acquired. Interest capitalization normally begins at the start of preconstruction activities and ends when an asset is substantially complete and ready for use.

**Condition:**

It was noted that interest related to capital related debt issues (Sewer Series 2013 and Waterworks and Sewer System Improvements Series 2015) associated with current construction projects was not being capitalized in accordance with generally accepted accounting principles promulgated by GASB 62. The City calculated the capitalized interest from the inception of the Sewer bonds related to capital projects which was \$260,445.

**Cause:**

The City failed to put procedures in place to evaluate the implications of all applicable standards.

**Effect:**

By not recording the capitalized interest, the City is overstating interest expense and understating the capitalized interest on the financial statements.

**Recommendation:**

We recommend that the City review all proprietary fund debt issues of the City and determine whether there is outstanding construction related projects to ensure all capitalized interest is properly computed and recorded correctly. Additionally, we recommend the City formulate a process to evaluate future issuances of proprietary fund debt for capitalization of interest consideration.

**Management's Response:**

A capitalized interest check off section for each applicable bond issue has been added to the year-end procedures schedule followed in the Finance Department. Appropriate personnel have been designated responsible for completing the journal entries necessary to record the capitalized interest as required by GASB 62.

**Target Completion Date:** Completed and will be followed accordingly during the fiscal year-end closing process.

**CITY OF MCALLEN, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended September 30, 2015

**Finding #: 2015-002**

**Transfer of Completed CIP**

**Type of Finding: Significant Deficiency**

**Criteria:**

In accordance with GASB 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, the City is required to report capital asset balances and related depreciation in the City’s government-wide and proprietary fund financial statements. Included in capital assets are projects which are under construction and have not been completed as of the City’s fiscal year end. These assets are required to be reported as construction-in-progress (CIP) and are not depreciated until their construction is complete and they are placed in service.

**Condition and Context:**

During testing of construction in progress, it was noted that several projects were completed and had not been accounted for as having been placed into service. The adjustments resulted in the following:

**Governmental Type Activities (GTA)**

1. A cumulative reclassification of \$7,130,479 of CIP to depreciable capital assets for assets that were placed into service from FY2014.
2. Resulting in a cumulative increase in depreciation expense of \$542,127 for the same time period as 1.

**Business Type Activities (BTA)**

1. A cumulative reclassification of \$7,796,546 of CIP to depreciable capital assets for assets that were placed into service from FY2010 to FY2015.
2. Resulting in a cumulative increase in depreciation expense of \$491,186 for the same time period as 1.

**Water Fund**

1. A cumulative reclassification of \$1,611,934 of CIP to depreciable capital assets for assets that were placed into service from FY2013 to FY2014.
2. Resulting in a cumulative increase in depreciation expense of \$118,726 for the same time period as 1.

**Sewer Fund**

1. A cumulative reclassification of \$4,406,220 of CIP to depreciable capital assets for assets that were placed into service from FY2010 and FY2013.
2. Resulting in a cumulative increase in depreciation expense of \$357,641 for the same time period as 1.

**Airport Fund**

1. A cumulative reclassification of \$1,778,392 of CIP to depreciable capital assets for assets that were placed into service in FY2015.
2. Resulting in a cumulative increase in depreciation expense of \$14,819 for the same time period as 1.

## **CITY OF MCALLEN, TEXAS**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended September 30, 2015

**Cause:**

During the summer the City was in the process of reviewing all construction-in-progress projects to determine if the assets should be placed into service, this review was not complete at fiscal yearend.

**Effect:**

By not timely transferring completed CIP projects, the City is overstating the CIP balance and understating the related capital asset balances. Additionally, depreciation expense and accumulated depreciation are both understated as the completed project is not being depreciated.

**Recommendation:**

We recommend that the City adhere to their process of inquiring of City departments the status of outstanding CIP projects as well as incorporate an annual review of all outstanding construction in progress projects to determine if assets should be placed into service. Additionally, the City should provide ongoing training to the applicable departments to ensure that they fully understand the requirements related to close out of construction in progress.

**Management's Response:**

Due to the prolonged illness and absenteeism of the capital assets supervisor, the capital assets area was not able to complete all of the assigned duties in regards to the CIP projects. Planned correction actions include assigning staff to assist with the CIP projects to perform monthly reconcilements and follow-up on the status of CIP projects. The monthly reconciliation will include CIP completion dates or dates placed into service, proper recording of capital asset transactions as they are completed and transferred from CIP to the correct capital asset category, and accordingly apply depreciation based on the life of the assets. This monthly process will be reviewed by the Assistant Finance Director to ensure timely and accurate accounting of CIP projects and the progress towards completion.

**Target Completion Date:**

Ongoing

### **SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AND STATE AWARDS**

The audit disclosed no findings required to be reported.

**CITY OF MCALLEN, TEXAS**

**STATUS OF PRIOR YEAR FINDINGS**

Year ended September 30, 2015

**FINANACIAL STATEMENT FINDINGS**

**Finding # 2014-001**

**Allowance for Doubtful Accounts**

**Type of Finding – Significant Deficiency**

**Condition:**

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

**Recommendation:**

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

**Status:**

**Completed**

The City established a bad debt and allowance for doubtful accounts policy. Before year end, receivable balances were reviewed by fund and a write off of uncollectible receivables was determined and presented to the City Commission for write off in September 2015.

**Finding # 2014-002**

**Financial Statement and Supporting Schedules Reconciliation**

**Type of Finding – Significant Deficiency**

**Condition:**

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

**Recommendation:**

We recommend that the City establish policies and procedures to ensure the supporting schedules are reconciled to the financial statements. This could include a detailed checklist identifying the supporting schedules utilized to prepare the financial statements and related notes and assigning a person to be responsible for the accurate reconciliation.

**Status:**

**Completed**

Detailed checklists for capital assets and grants were established.

**CITY OF MCALLEN, TEXAS**

**STATUS OF PRIOR YEAR FINDINGS**

Year ended September 30, 2015

**Finding # 2014-003**

**Accounts Payable Open Items Report**

**Type of Finding – Significant Deficiency**

**Condition:**

Based on our inquiries, management was unable to provide an open payables detail by fund report to support the accounts payable balance. It was our understanding based on prior year response to this matter that the accounting system was going to be modified to allow for and open payables report to be created.

Additionally, it was noted that the City engaged a consultant to assist in the matter during 2014 to create a report.

**Recommendation:**

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

**Status:**

**Completed**

A manually generated report was created by staff and a detailed open items accounts payable list was generated to appropriately monitor accounts payable activity. The list was provided to the external auditors for FY 14-15.

**Finding # 2014-004**

**Revenue Recognition**

**Type of Finding – Significant Deficiency**

**Condition:**

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

**Recommendation:**

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

**Status:**

**Completed**

The City reflected grant revenue as intergovernmental revenue in the General Fund and Miscellaneous Grants Fund for FY 14-15 and created grant revenue accounts linked to the grant expense accounts, as recommended by the auditors.

**CITY OF MCALLEN, TEXAS**

**STATUS OF PRIOR YEAR FINDINGS**

Year ended September 30, 2015

**SINGLE AUDIT FINDINGS**

**Finding # 2014-005**

**Equitable Sharing Program – Federal**

**Davis Bacon**

**Type of Finding – Material Weakness and Material Noncompliance**

**Condition:**

It was noted that the City did not include the provisions of Davis Bacon requirements in their contracts requiring the contractors to pay minimum wages to all laborers and mechanics nor require the contractors to submit weekly certified payrolls.

**Recommendations:**

We recommend the City strengthen their policies and procedures over the communication of federal requirements that all contracts funded with federal financial assistance to be subjected to the Davis Bacon Act requirements. The policies consider defining federal financial assistance as outlined in OMB Circular A-133 to ensure all departments are aware that it is not just grants that are subject to OMB Circular A-133.

**Status:**

**Corrected**

The City of McAllen has implemented two major changes into its process, which will be followed for contracts going forward. Existing construction contracts prior to the finding have been updated except for the contract related to the Public Safety Building additions and renovations, which is due to issues with the contractor and bonding company and the City wanted to ensure the contracting obligations would be met to complete the project. The Purchasing and Contracting Department has updated the Request for Availability of Funds Form, which requires departments to provide detail account and funding information for solicitations that the City procures. This ensures the correct clauses and forms are included as part of the solicitation package and bidders are made aware of the requirements based on the funding source. The second update made is incorporating two new standard operating procedures for federally funded projects: one for the Davis Bacon Policy and one for Federal and State Debarment and Suspension. The new procedures ensure the Davis Bacon is followed through by staff where weekly payroll is required and submitted and reviewed via the WH-347 form issued by the Department of Labor. These payrolls are to be checked against random interviews performed at the job site throughout construction of the project. The second requires the City check suspension and debarment for contractors on the federal sams.gov website as well as the state funded projects through the Texas Comptroller's website.

**Finding # 2014-006**

**Equitable Sharing Program – Federal**

**Procurement, Suspension and Debarment**

**Type of Finding – Significant Deficiency**

**Condition:**

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

**CITY OF MCALLEN, TEXAS**

**STATUS OF PRIOR YEAR FINDINGS**

Year ended September 30, 2015

**Recommendation:**

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

**Status:**

**Corrected**

Purchasing and Contracting Department issued standard operating procedures for the Federal and State Suspension and Debarment. The Director, Assistant Director, Buyers, and Contract Compliance Officer are responsible for reviewing and adhering to the standards in the policy, which was effective July 15, 2015.

**Finding # 2014-007**

**Assistance to Firefighters Grant Program**

**Cash Management**

**Type of Finding: Significant Deficiency**

**Condition:**

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

**Recommendation:**

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

**Status:**

**Corrected**

The City of McAllen assigned appropriate individuals with knowledge of the granted funds to review the required reports prior to submission. Files are on hand with dated activity to document procedures were followed before submission.

**Finding # 2014-008**

**Assistance to Firefighters Grant Program**

**Reporting**

**Type of Finding – Material Weakness**

**Condition:**

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

**Recommendation:**

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

**Status:**

**Corrected**

The City of McAllen implemented a procedure that quarterly reports generated electronically will be printed out first so that a designated individual can review the report prior to submission to ensure accuracy of the data.

**CITY OF MCALLEN, TEXAS**

**STATUS OF PRIOR YEAR FINDINGS**

Year ended September 30, 2015

**Finding # 2014-009**

**Equitable Sharing Program – State**

**Suspension and Debarment**

**Type of Finding – Material Weakness and Material Noncompliance**

**Condition:**

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

**Recommendation:**

We recommend the City of McAllen perform a review of the Parties Excluded from Procurement and Nonprocurement Programs listing to ensure contractors are not suspended or debarred. In addition, we recommend that the City incorporate this review into its established policies and procedures in place for other government funded projects.

**Status:**

**Completed**

Standard operating procedures have been developed and became effective July 13, 2015. To ensure compliance, Purchasing and Contracting staff are printing a copy of the Debarment Verification Search Results obtained from the Systems for Award Management (SAM) and/or by the State of Texas (Texas Comptroller of Public Accountants – Debarred Vendor List) as applicable and a copy of these records is placed in the contract file.

**Finding # 2014-010**

**Equitable Sharing Program – State**

**Equipment Management**

**Type of Finding – Material Weakness and Material Noncompliance**

**Condition:**

The City of McAllen did not meet the equipment requirement of taking a physical inventory of equipment at least once every two years as outlined in the Uniform Grants Management Standards.

**Recommendation:**

We recommend the City of McAllen establish physical inventory policies and procedures to ensure compliance with the equipment requirement. The policy and procedures should include details of preparing for and executing a physical inventory count, and resolving differences between quantities determined by the physical inspection and those shown in the accounting records.

**Status:**

**Completed**

Inventory policies and procedures were established on June 16, 2015 by the Police Director of Fiscal Management and an inventory completed by September 30, 2015.