

**CITY OF HIDALGO, TEXAS**  
**COMPREHENSIVE ANNUAL**  
**FINANCIAL REPORT**  
**SEPTEMBER 30, 2017**

**CITY OF HIDALGO, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2017**

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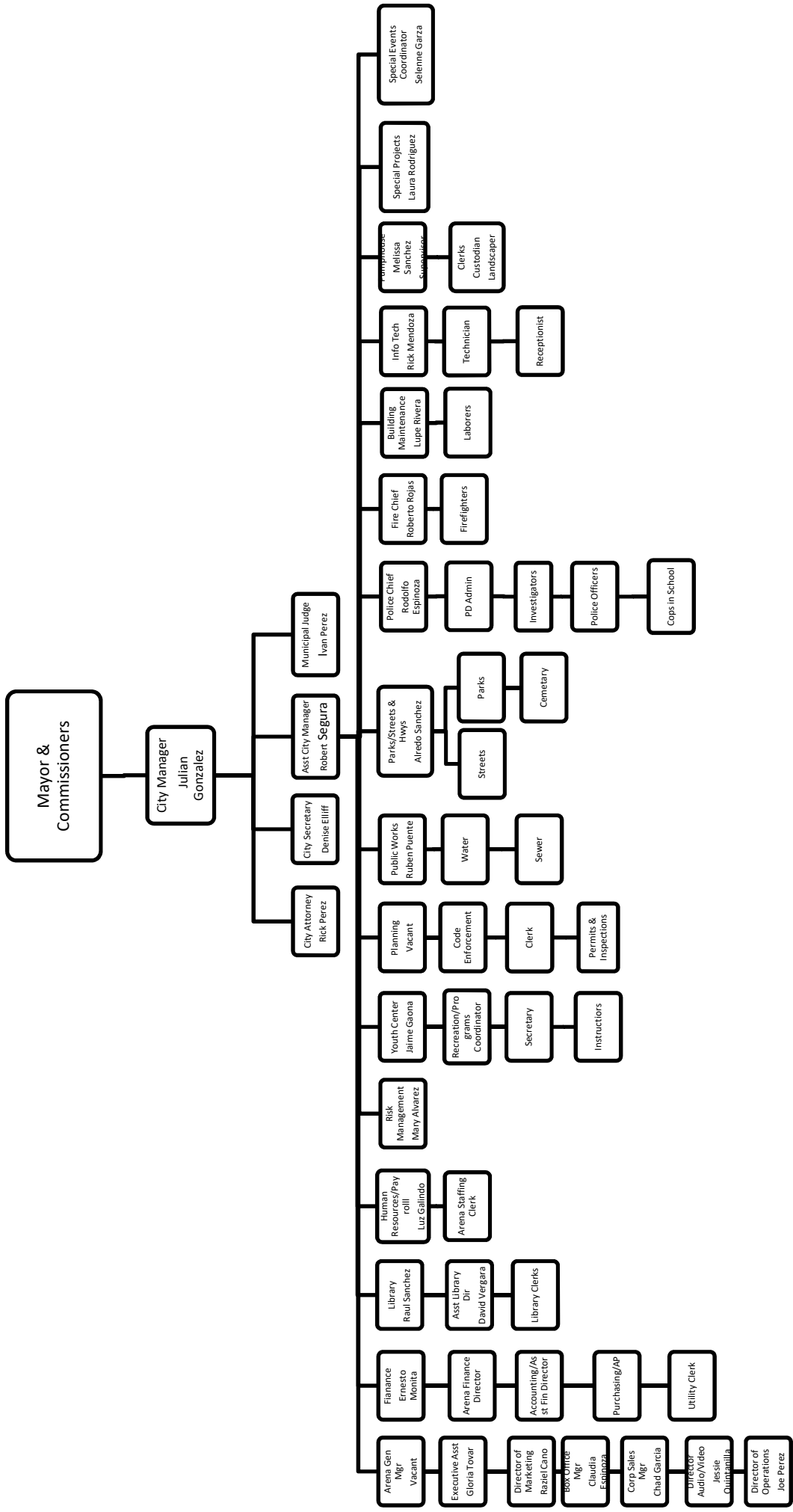
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**PART I**  
**INTRODUCTION SECTION**

# CITY OF HIDALGO

## Organizational Chart



**CITY OF HIDALGO, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**AS OF SEPTEMBER 30, 2017**  
**CITY OFFICIALS**

Mayor

Sergio Coronado

Mayor – Pro Tem

Gustavo “Gus” Sanchez

City Council

Rodolfo “Rudy” Franz

Linda Ayala

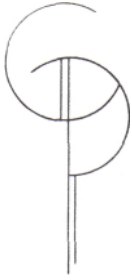
Osiel Trevino

Abram Ramirez

Julian Gonzalez  
City Manager

**PART II**  
**FINANCIAL SECTION**





# GARCIA & PENA

Certified Public Accountants

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301 West 4th

Weslaco, Texas 78599

956-969-1433 • Fax 956-968-1467 • 956-421-4601

Manuel B. Garcia, CPA

Jaime X. Pena, CPA

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of the City Council  
City of Hidalgo, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and remaining fund information of The City of Hidalgo, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

Honorable Mayor and  
Members of the City Council  
City of Hidalgo, Texas

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

### **Unmodified Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund information of the City of Hidalgo, Texas, as of September 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit and Qualified Opinion on Aggregate Remaining Fund Information**

The financial statements referred to above do not include financial data for the one of the City's legally separate component unit: Texas Municipal Facilities Corporation (TMFC-State Farm Arena). Accounting principles generally accepted in the United States of America require financial data for all component units to be reported with the financial data of the City's primary government unless the City also issues separate financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity's financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenue, and expenses of the aggregate discretely presented component units would have presented as \$225,042.

### **Adverse Opinions**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit and Qualified Opinion on Aggregate Remaining Fund Information" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Hidalgo, Texas, as of September 30, 2017, or the changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit and Qualified Opinion on Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the City of Hidalgo, Texas, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 9 and budgetary comparison information on page 19, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Honorable Mayor and  
Members of the City Council  
City of Hidalgo, Texas

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

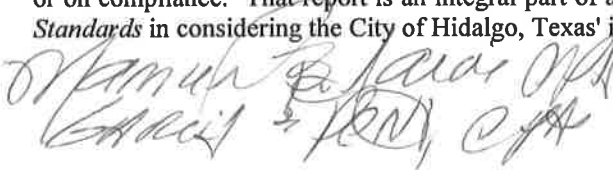
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hidalgo, Texas' basic financial statements. The introductory section, combining and individual non-major fund financial statements and supplementary information (pages 70 to 79), are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards (Page 102) is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations, (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The introductory section 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 assurances on them.

The combining and individual non-major fund financial statements, supplemental information (pages 70 to 79), and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2018 on our consideration of the City of Hidalgo, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hidalgo, Texas' internal control over financial reporting and compliance.



Garcia & Pena,  
Certified Public Accountants  
Weslaco, Texas

July 18, 2018

# City of Hidalgo, Texas

## Management's Discussion and Analysis

As management of the City of Hidalgo, we offer the readers of the City of Hidalgo's financial statements this narrative overview and analysis of the financial activities of the City of Hidalgo for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with the additional information that has been furnished in our letter of transmittal, which can be found on pages i-vii of this report.

### Financial Highlights

- The assets of the City exceeded liabilities at the close of the most recent fiscal year by \$36,489,206 (net position). Of this amount, \$8,282,722 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$939,013. Governmental activities contributed an increase of \$935,177, and the Business-type activities by \$3,836. Both total revenues and total expenses reflect increases compared to prior year with revenues increasing by 4.71% and expenses by 1.64%.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$7,753,454, an increase of \$845,050 in comparison to prior year. Approximately 83.25% of this amount (\$6,454,465) is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$6,454,465 or 61.15% of total General Fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Hidalgo's basic financial statements. The City of Hidalgo's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements** - The government-wide financial statements are designed to provide readers with a broad overview of the City of Hidalgo's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all the City of Hidalgo's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Hidalgo is improving or deteriorating.

The *Statement of Activities* - presents information showing how the government's net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the City of Hidalgo that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Hidalgo include: general government; public safety; highways and streets; health and welfare; economic development; and culture and recreation. The business-type activities of the City of Hidalgo include the Utility System, which includes water, sewer, garbage, and brush services.

The government-wide financial statements include not only the City of Hidalgo itself (known as the primary government), but also legally separate component units for which the City of Hidalgo is financially accountable: Economic Development Corporation. The government-wide financial statements can be found on pages 13-15 of this report.

# City of Hidalgo, Texas

## Management's Discussion and Analysis

**Fund financial statements** - A *fund* is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hidalgo, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City of Hidalgo funds can be divided into three categories: governmental funds, proprietary funds, and discretely presented component units.

**Governmental Funds** - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Hidalgo maintains two major and two non-major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Debt Service Fund, which are considered major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* starting on page 73 of this report.

The City of Hidalgo adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 23 of this report.

**Proprietary Funds** - The City of Hidalgo maintains two different types of proprietary funds.

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Hidalgo uses enterprise funds to account for its water and sewer system, and solid waste operation.

*Internal Service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Hidalgo uses an internal service fund to account for health insurance premiums, medical claims, and health administrative fees. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility System, which includes water, sewer, garbage, and brush collections which, is considered to be a major fund of the City of Hidalgo. Conversely, the internal service fund is a single presentation in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 26-31 of this report.

**Discretely Presented Component Units** – Discretely presented component units are legally separate from the City. The component units are intended to operate on a self-supporting basis through user charges or the collection of sales tax. The unit is discretely presented because the City has a voting majority, imposition of will, financial benefit and financial accountability over the units. The unit also maintains a September 30<sup>th</sup> fiscal year-end. The one discretely presented component unit is the Hidalgo Economic Development Corporation. The basic fund financial statements for the Discretely Presented Component Unit can be found on pages 24-25 of this report.

## City of Hidalgo, Texas Management's Discussion and Analysis

**Notes to the financial statements** - The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-67 of this report.

**Other information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Hidalgo's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 68-71 of this report.

The combining statements referred to earlier, in connection with non-major governmental funds, are presented immediately following the required supplementary information on pensions. The combining statements and individual fund schedules begin on page 71 of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Hidalgo, assets exceeded liabilities by \$36,489,206 at the close of the most recent fiscal year.

The following table summarizes the City's net position at September 30, 2017.

	<b>City of Hidalgo Net Position September 30, 2017</b>					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 14,482,198	\$ 13,517,002	\$ 5,370,256	\$ 4,991,499	\$ 19,852,454	\$ 18,508,501
Capital assets	23,024,951	23,529,351	11,297,610	11,689,280	34,322,561	35,218,631
Total assets	<u>37,507,149</u>	<u>37,046,353</u>	<u>16,667,866</u>	<u>16,680,779</u>	<u>54,175,015</u>	<u>53,727,132</u>
Total deferred outflows of resources	967,185	1,126,860	123,795	142,650	1,090,980	1,269,510
Long-term liabilities	7,523,113	8,061,230	3,120,912	3,181,183	10,644,025	11,242,413
Other liabilities	920,160	1,147,945	655,694	611,059	1,575,854	1,759,004
Total liabilities	<u>8,443,273</u>	<u>9,209,175</u>	<u>3,776,606</u>	<u>3,792,242</u>	<u>12,219,879</u>	<u>13,001,417</u>
Total deferred inflows of resources	6,528,020	6,470,011	28,890	48,858	6,556,910	6,518,869
Net position						
Net investment in capital assets	18,064,890	17,863,948	8,399,071	8,792,916	26,463,961	26,656,864
Restricted	1,211,213	982,700	531,310	528,549	1,742,523	1,511,249
Unrestricted (deficit)	4,226,938	3,647,379	4,055,784	3,660,864	8,282,722	7,308,243
Total net position	<u>\$ 23,503,041</u>	<u>\$ 22,494,027</u>	<u>\$ 12,986,165</u>	<u>\$ 12,982,329</u>	<u>\$ 36,489,206</u>	<u>\$ 35,476,356</u>

By far the largest portion of the City's net position (65 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Hidalgo uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Hidalgo's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the City of Hidalgo is able to report positive balances in all three categories of net position; both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's overall net position increased \$939,013 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

## City of Hidalgo, Texas Management's Discussion and Analysis

**Governmental Activities** - During the current fiscal year, net position for governmental activities increased \$935,177 from the prior fiscal year for an ending balance of \$23,503,041.

### Analysis of Changes in Net Position

The following table summarizes the changes in the City's net position from its activities for the fiscal year ended September 30, 2017.

	<b>City of Hidalgo Changes in Net Position September 30, 2017</b>					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,739,630	\$ 3,765,118	\$ 2,927,104	\$ 2,813,715	\$ 6,666,734	\$ 6,578,833
Operating grants and contributions	494,139	872,242	-	-	494,139	872,242
Capital grants and contributions	270,822	1,084,929	-	-	270,822	1,084,929
General Revenues:						
Property taxes	2,088,214	1,887,021	-	-	2,088,214	1,887,021
Sales taxes	1,842,323	1,967,253	-	-	1,842,323	1,967,253
Other taxes	684,539	499,341	-	-	684,539	499,341
Bridge revenue	3,788,729	3,741,075	-	-	3,788,729	3,741,075
Other	160,793	197,859	95,563	59,482	256,356	257,341
<b>Total revenues</b>	<b>13,069,189</b>	<b>14,014,838</b>	<b>3,022,667</b>	<b>2,873,197</b>	<b>16,091,856</b>	<b>16,888,035</b>
<b>Expenses:</b>						
General government	2,612,568	2,618,767	-	-	2,612,568	2,618,767
Public safety	4,011,203	3,781,703	-	-	4,011,203	3,781,703
Highways and streets	1,497,517	1,609,036	-	-	1,497,517	1,609,036
Economic development	-	130,327	-	-	-	130,327
Culture and recreation	2,790,340	3,026,629	-	-	2,790,340	3,026,629
Health and welfare	58,449	57,997	-	-	58,449	57,997
Interest on long-term debt	206,837	247,433	56,784	54,581	263,621	302,014
Employee health benefit plan, net	957,098	1,149,626	-	-	957,098	1,149,626
Water services	-	-	1,484,226	1,324,490	1,484,226	1,324,490
Sewer services	-	-	833,003	908,407	833,003	908,407
Garbage and brush	-	-	644,050	606,545	644,050	606,545
Other	-	-	768	1,222	768	1,222
<b>Total expenses</b>	<b>12,134,012</b>	<b>12,621,518</b>	<b>3,018,831</b>	<b>2,895,245</b>	<b>15,152,843</b>	<b>15,516,763</b>
Increases in net position before transfers	935,177	1,393,320	3,836	(22,048)	939,013	1,371,272
Transfers	-	-	-	-	-	-
Changes in net position	935,177	1,393,320	3,836	(22,048)	939,013	1,371,272
Net position 10/01/15, As Restated	22,567,864	21,174,544	12,982,329	13,004,377	35,550,193	34,178,921
Net position - 09/30/16	<b>\$ 23,503,041</b>	<b>\$ 22,567,864</b>	<b>\$ 12,986,165</b>	<b>\$ 12,982,329</b>	<b>\$ 36,489,206</b>	<b>\$ 35,550,193</b>

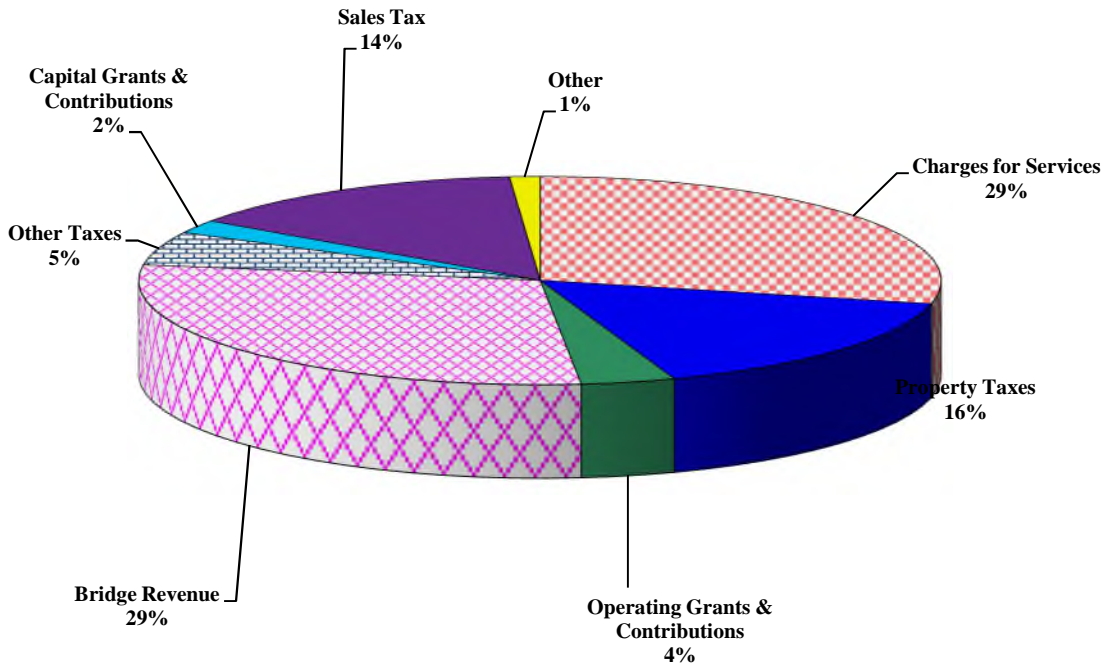
Total revenues generated from for this year were \$16,091,856, a decrease of \$796,179 compared to last year.

- Capital grants and contributions reflected the largest decrease of 98.21% or \$814,107 compared to prior year.
- Operating grants and contributions decreased by \$378,103 compared to prior year.
- Charges for services increased by \$87,901 compared to prior year.
- General revenue increased by \$308,130 in comparison to prior year. General revenues include property tax (24.27% increase); sales tax (1.50% decrease); bridge revenue (5.75% increase) and other revenue (22.23% decrease).

# City of Hidalgo, Texas Management's Discussion and Analysis

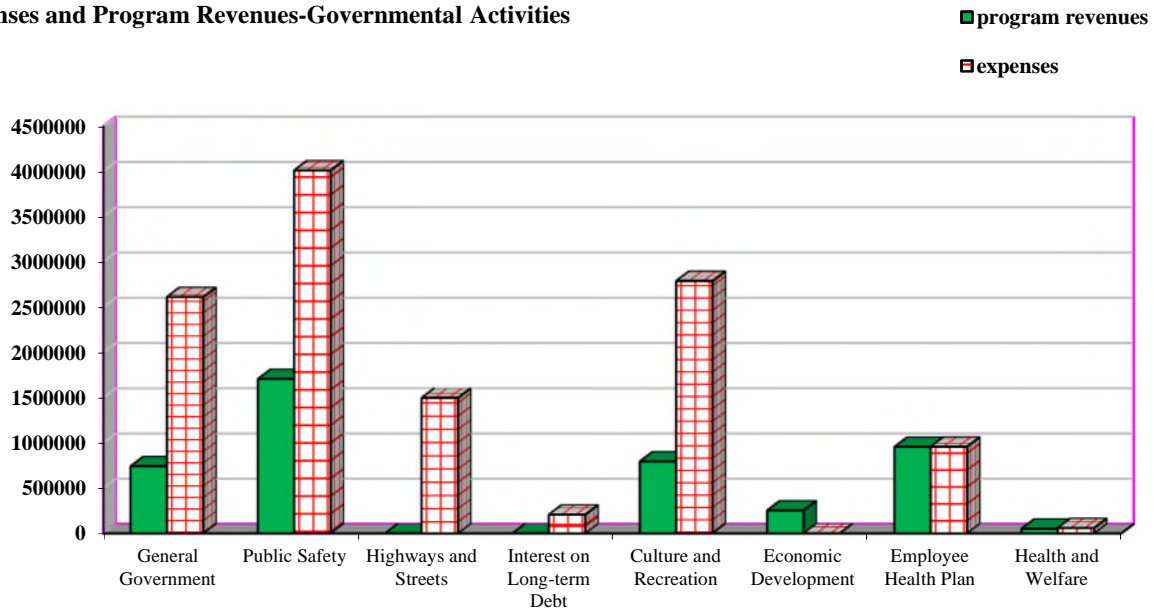
The following graph displays the distribution of revenues generated from governmental activities.

### Revenues by Source-Governmental Activities



The following graph displays the portion of expenses funded by program revenues. Overall, general revenues funded approximately 60.58% of total expenses for fiscal year 2017.

### Expenses and Program Revenues-Governmental Activities





## City of Hidalgo, Texas Management's Discussion and Analysis

Expenses for governmental activities of the City totaled \$12,134,012 for the year ended September 30, 2017, a decrease of 3.86% compared to fiscal year 2016. The most significant changes occurred in the following areas:

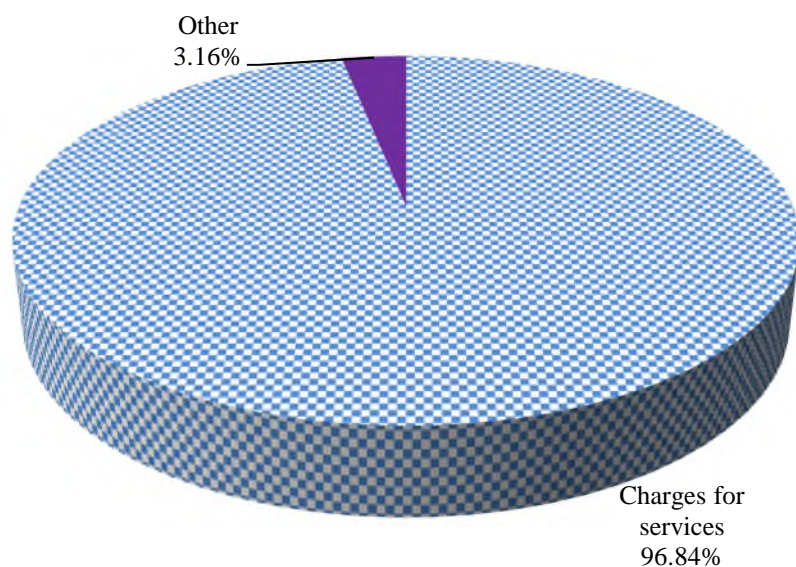
- Culture and recreation reflected the largest decrease of 11.61%.
- Employee health benefit plan decreased by \$192,528, due to a decrease in premiums and health claims, which decreased by 16.75% from the fiscal year 2016.
- Public safety increased by 6.06%.

**Business-type Activities** - Results of Business-type activities increased the City of Hidalgo's net position by \$3,836. Revenues increased by \$149,470 or 5.20% and expenses increased by \$123,586 or 4.27% in comparison with prior year.

- Charges for Services increased 4.02% in comparison to the prior year. The Rio Grande Valley experienced a drought during fiscal year 2017, which normally increases consumption of water.
- Other revenue increased by \$36,081 compared to prior year. \$19,270 of this amount is attributed to water and sewer franchise fees collected in fiscal year 2017.
- Expenses for business-type activities of the City totaled \$3,018,831 reflecting an increase of \$123,586 compared to prior year. The majority of the increase is reflected in the Water Service Department.

The following graph represents revenues by source for Business-type Activities:

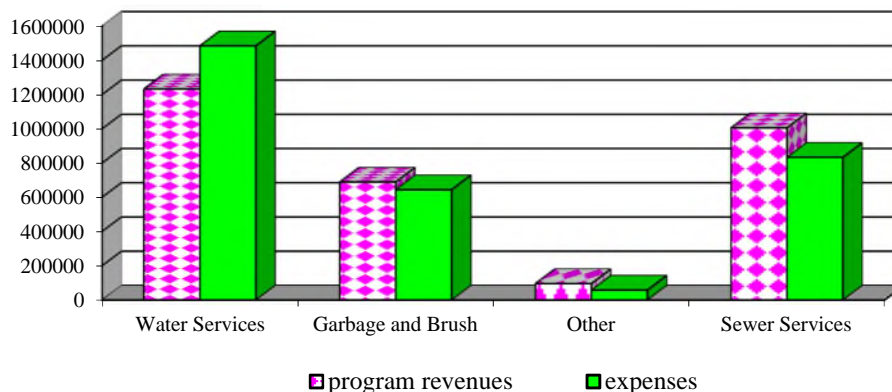
### Revenues by Source-Business-type Activities



## City of Hidalgo, Texas Management's Discussion and Analysis

The following graph displays the portion of expenses funded by program revenues.

**Expenses and Program Revenues-Business-type Activities**



### Financial Analysis of Government's Funds

As noted earlier, the City of Hidalgo uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the City of Hidalgo governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Hidalgo's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to a particular purpose by either the City of Hidalgo, an external party, a group or individual that has been delegated authority to assign resources to be used for particular purposes by the City of Hidalgo City Council.

As of September 30, 2017, the City of Hidalgo's governmental funds reported a combined fund balance of \$7,753,454, an increase of \$845,050 compared with the prior year. Approximately 93.78% of this amount (\$6,454,465) constitutes the unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is categorized as either: non-spendable or restricted to indicate that it is: a) not in spendable form (\$87,776), or b) restricted for particular purposes (\$1,211,213).

The General Fund is the main operating fund of the City of Hidalgo. At the end of the current fiscal year, the total fund balance was \$6,882,615, reflecting an increase of \$659,312 compared to prior year, with the unassigned portion of the fund balance being \$6,454,465. As a measure of the General Fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 61.15% of total General Fund expenditures, while total fund balance represents approximately 56.82% of the same amount.

The Debt Service Fund, a major fund, had a \$6,275 increase in fund balance during the current fiscal year. The increase was attributed to the reduction in interest payments.

Other governmental funds had an increase of \$179,463 in fund balance during the current fiscal year. The increase is a result of the tax increment revenue recognized in the Tax Increment Revenue Zone Fund from both the City and Hidalgo County.

## City of Hidalgo, Texas Management's Discussion and Analysis

### Revenues and Transfers-In

The following table presents a summary of General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds revenues and transfers-in for the fiscal years ended September 30, 2017 and 2016. Some of the increases or decreases in the categories are due to classification of accounts in prior fiscal year.

<b>Revenues &amp; Transfers-In</b>					
	<b>2017</b>	<b>% of</b>	<b>2016</b>	<b>Amount of</b>	<b>%</b>
	<b>Amount</b>	<b>Total</b>	<b>Amount</b>	<b>Increase</b>	<b>Increase</b>
				<b>(Decrease)</b>	<b>(Decrease)</b>
Taxes	\$ 4,600,973	37.05%	\$ 4,352,098	\$ 248,875	5.72%
Licenses and permits	362,137	2.92%	353,391	8,746	2.47%
Intergovernmental	422,806	3.40%	1,658,569	(1,235,763)	-74.51%
Charges for services	1,458,204	11.74%	1,483,437	(25,233)	-1.70%
Fines and forfeitures	963,271	7.76%	833,710	129,561	15.54%
Investment income	21,206	0.17%	8,498	12,708	149.54%
Tax increment revenue	253,358	2.04%	251,461	1,897	0.75%
Miscellaneous	228,006	1.84%	230,394	(2,388)	-1.04%
Bridge revenue	3,788,729	30.51%	3,741,075	47,654	1.27%
Capital leases	-	0.00%	-	-	-100.00%
Loan proceeds	105,278	0.85%	939,518	(834,240)	100.00%
Sale of assets	-	0.00%	5,945	(5,945)	-100.00%
Transfers-in	215,390	1.73%	222,273	(6,883)	-100.00%
<b>Total</b>	<b>\$ 12,419,358</b>	<b>100.00%</b>	<b>\$ 14,080,369</b>	<b>\$ (1,661,011)</b>	<b>-11.80%</b>

- Total taxes increased 5.72% compared to prior year. Property tax increased by \$188,607 or 10.00%, sales tax decreased by \$124,930 or 6.35%, and other taxes decreased by \$185,198 or 37.09% from the prior year.
- Intergovernmental revenues reflect a decrease of \$1,235,763. The prior year amount included the grant from the Texas Historical Commission, the grant of the Heritage Foundation of Hidalgo County, and the grant from the Federal Emergency Management Agency (FEMA), which were not received in the current year.
- Charges for services decreased \$25,233 compared to the prior year.
- Fines and forfeitures increased by \$129,561 or 15.54% compared to the prior year.
- Other areas that reflect decreases include loan proceeds with \$105,278. The City borrowed funds from Government Capital for the purchase of heavy equipment.
- Tax increment revenues reflect a slight increase of \$1,897.

## City of Hidalgo, Texas Management's Discussion and Analysis

### 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, and other financing uses for the fiscal years ended September 30, 2017 and 2016.

	<b>Expenditures &amp; Transfer-Out</b>				
	<b>2017 Amount</b>	<b>Percent of Total</b>	<b>2016 Amount</b>	<b>Amount of Increase (Decrease)</b>	<b>Percent of Increase (Decrease)</b>
General government	\$ 2,257,913	19.51%	\$ 2,302,743	\$ (44,830)	-1.95%
Public safety	3,717,704	32.12%	3,538,719	178,985	5.06%
Highways and streets	722,113	6.24%	800,385	(78,272)	-9.78%
Health and welfare	57,790	0.50%	57,461	329	0.57%
Culture and recreation	2,603,003	22.49%	2,692,004	(89,001)	-3.31%
Economic development	-	0.00%	130,327	(130,327)	-100.00%
Capital projects	982,936	8.49%	2,140,183	(1,157,247)	-54.07%
Debt service:					
Principal	807,496	6.98%	1,406,473	(598,977)	-42.59%
Interest and fiscal charges	209,963	1.81%	250,848	(40,885)	-16.30%
Transfers-out	215,390	1.86%	222,273	(6,883)	100.00%
<b>Total</b>	<b>\$ 11,574,308</b>	<b>100.00%</b>	<b>\$ 13,541,416</b>	<b>\$ (1,967,108)</b>	<b>-14.53%</b>

- General government decreased by \$44,830 primarily in the judicial (municipal court) department.
- Public safety increased \$178,985 from the prior year. The police department's increase in salaries of \$97,542 and \$95,614 in other services and charges contributed to this increase.
- Highways and streets decreased \$78,272 from the prior year, where a decrease of \$86,115 is in salaries.
- There were \$-0- economic development payments because it was decided that the Economic Development Corporation would pay the agreements payments.
- Culture and recreation decreased \$89,001, which includes the \$609,413 for BorderFest expenditures, a decrease of \$154,540 from the prior year, and an increase of \$76,133 for parks and recreations expenditures compared to the prior year.
- Capital projects includes \$589,351 in construction-in-progress projects, \$360,333 in machinery and equipment, \$1,292 in furniture and fixtures, and \$31,960 in building and improvements.

**Proprietary Funds.** The City of Hidalgo's Proprietary Funds provide the same type of information found in the government-wide financial statements.

At the end of the year, total net position amounted to \$12,986,329; an increase of \$3,836 from prior year.

Although revenues increase by 4.03% compared to prior year, they are not sufficient to cover the expenses incurred in the Utility Fund. The City increased the water rates slightly in fiscal year 2016 but the base rates remained the same. Sewer and garbage rates were not increased.

Operating expenses increased by 8.07%, while depreciation expense reflected a decrease of 103,899 or 17.18% in comparison to prior year.

The City will continue monitoring the revenues and expenses and determine whether to adjust water and sewer rates if necessary.

# City of Hidalgo, Texas

## Management's Discussion and Analysis

### General Fund Budgetary Highlights

During the year, the City Commission did amend the budget once during the year. Overall revenues exceed budget by \$766,752 and expenditures were over budget by \$542,846. The following are some of the various differences as reflected on page 73:

- Property tax revenue reflected a negative variance of \$34.
- Franchise taxes reflected a positive variance of \$141,715 compared to the budgeted amount.
- The most significant positive revenue variance of \$164,265 is reflected in fines and forfeitures compared to the budgeted amount.
- Bridge revenue also reflected a positive variance of \$85,128 compared to the budgeted amount.
- Miscellaneous revenues reflected a positive variance of \$142,205 compared to the budgeted amount.
- General administration department also reflected a negative variance of \$28,810 compared to the budgeted amount.
- Public safety department reflected a negative variance of \$287,017 compared to the budgeted amount.
- Capital project expenditures reflected a negative variance of \$163,455 compared to the budgeted amount.
- Debt expenditures reflected a negative variance of \$34,144 compared to the budgeted amount.

### Capital Asset and Debt Administration

**Capital assets.** The City of Hidalgo's investment in capital assets for its governmental and business type activities as of September 30, 2017, amounts to \$34,322,561 (net of accumulated depreciation). Investment in capital assets includes: land, buildings and improvements, machinery and equipment, streets, storm drainage, sanitary sewer system, and water system. The total decrease in the City of Hidalgo's investment in capital assets for the current fiscal year was \$820,669.

The following table summarizes the City's total capital assets.

	<b>City of Hidalgo</b>					
	<b>Capital Assets</b>					
	<b>Net of Depreciation</b>					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and water rights	\$ 3,831,480	\$ 3,831,480	\$ 261,447	\$ 261,447	\$ 4,092,927	\$ 4,092,927
Bridge interest	189,750	189,750	-	-	189,750	189,750
Buildings and system	7,013,807	7,408,553	8,769,872	8,728,215	15,783,679	16,136,768
Furniture and fixtures	54,567	64,492	-	-	54,567	64,492
Machinery and equipment	1,261,759	1,198,262	142,978	61,297	1,404,737	1,259,559
Infrastructure	7,785,580	7,429,972	2,015,629	2,179,365	9,801,209	9,609,337
Construction in progress	2,888,008	3,406,842	107,684	383,555	2,995,692	3,790,397
Total	<u>\$ 23,024,951</u>	<u>\$ 23,529,351</u>	<u>\$ 11,297,610</u>	<u>\$ 11,613,879</u>	<u>\$ 34,322,561</u>	<u>\$ 35,143,230</u>

Additional information on the City of Hidalgo's capital assets can be found in note F on pages 46-47 of this report.

## City of Hidalgo, Texas Management's Discussion and Analysis

**Long-term debt** - At the end of the current fiscal year, the City of Hidalgo had total outstanding long-term debt of \$10,743,625, a decrease of \$567,365 compared to prior year. The primary reason for the increase is attributed to the pension related debt. Additional information on the City of Hidalgo's long-term debt can be found in note H on pages 49-51 of this report.

The following table summarizes the City's total long-term debt obligations.

	<b>City of Hidalgo Outstanding Debt</b>					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation debt	\$ 1,420,000	\$ 1,879,000	\$ -	\$ -	\$ 1,420,000	\$ 1,879,000
Revenue bonds	2,650,000	2,805,000	2,820,000	2,870,000	5,470,000	5,675,000
Tax notes	-	-	-	-	-	-
Note	757,933	752,380	69,765	-	827,698	752,380
Accrued Interest	30,241	33,366	8,774	8,846	39,015	42,212
Capital leases	101,887	195,658	-	-	101,887	195,658
Other Payable	-	-	-	26,364	-	26,364
Compensated absences	282,481	222,144	25,015	23,134	307,496	245,278
Pension related debt	2,280,571	2,207,049	296,958	288,049	2,577,529	2,495,098
<b>Total</b>	<b>\$ 7,523,113</b>	<b>\$ 8,094,597</b>	<b>\$ 3,220,512</b>	<b>\$ 3,216,393</b>	<b>\$ 10,743,625</b>	<b>\$ 11,310,990</b>

### Economic Factors and Next Year's Budgets and Rates

- According to Sperling's Best Places, the unemployment rate for the City of Hidalgo is 8.20% compared to the Nation of 5.1%
- Appraised values provided by the Hidalgo County Appraisal District and used in preparing the 2017-2018 Budget were \$64.5 million higher than the prior year.
- The 2018 Budget was prepared using an adopted tax rate of \$0.3514 per \$100 valuation. With a tax rate distribution of \$0.2511 to General Fund and \$0.1003 to Debt Service Fund. The tax rate remained the same as prior year.
- Utility rates remained unchanged in the 2018 Budget.
- The City is currently analyzing its current financial situation and will implement the necessary measures to maintain adequate levels of fund balance in the General Fund to mitigate risks, provide a back-up plan for revenue shortfalls, and ensure that appropriate amounts are available for emergencies.

### Requests for Information

This financial report is designed to provide a general overview of the City of Hidalgo's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 704 East Texano Drive, City of Hidalgo, Texas, 78557.

**City of Hidalgo, Texas  
Management's Discussion and Analysis**

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## **BASIC FINANCIAL STATEMENTS**



**CITY OF HIDALGO, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	
<b>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>				
Cash and Cash Equivalents	\$ 3,203,822	\$ 2,404,905	\$ 5,608,727	\$ 1,462,222
Certificates of Deposit	1,487,425	-	1,487,425	-
Restricted Cash and Investments	-	531,310	531,310	-
Receivable, Net	1,240,056	604,592	1,844,648	1,454,843
Internal Balances	(1,755,566)	1,755,566	-	-
Due from Component Units	64,389	-	64,389	(64,389)
Due from State Farm Arena	2,840,934	-	2,840,934	-
Due from Other Governments	7,260,795	65,000	7,325,795	-
Due from Others	52,567	6,959	59,526	-
Inventory	64,514	-	64,514	400,000
Other Current Assets	23,262	1,924	25,186	-
Capital Assets, Net				
Non-depreciable Assets	6,909,238	369,131	7,278,369	621,730
Depreciable Assets, Net	16,115,713	10,928,479	27,044,192	-
<b>Total Assets</b>	37,507,149	16,667,866	54,175,015	3,874,406
<b>Deferred Outflow of Resources (Note J)</b>	967,185	123,795	1,090,980	-
<b>Total Assets and Deferred Outflow of Resources</b>	\$ 38,474,334	\$ 16,791,661	\$ 55,265,995	\$ 3,874,406

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

**CITY OF HIDALGO, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 292,202	\$ 66,791	\$ 358,993	\$ 144,042
Accrued Liabilities	440,194	-	440,194	-
Other Liabilities	179,629	10,129	189,758	-
Due to Other Governments	8,135	-	8,135	-
Due to Others	-	-	-	2,750
Unearned Revenues	-	-	-	-
Customer Deposits Payable	-	479,174	479,174	-
Non-current Liabilities				
Due in one year	839,693	110,667	950,360	30,848
Due in more than one year	6,683,420	3,109,845	9,793,265	495,997
<b>Total Liabilities</b>	8,443,273	3,776,606	12,219,879	673,637
<b>Deferred Inflow of Resources (Note J)</b>	6,528,020	28,890	6,556,910	-
<b>Net position</b>				
Invested in Capital Assets, Net of Related Debt	18,064,890	8,399,071	26,463,961	94,885
Restricted For:				
Debt Service	183,933	472,499	656,432	-
Construction	13	58,811	58,824	-
Economic Development	686,893	-	686,893	3,105,884
Federal and State Awards	73,249	-	73,249	-
Municipal Court	216,318	-	216,318	-
Other Purposes	50,807	-	50,807	-
Unrestricted	4,226,938	4,055,784	8,282,722	-
<b>Total Net Assets</b>	23,503,041	12,986,165	36,489,206	3,200,769
<b>Total Liabilities, Deferred Inflow of Resources, and Net Position</b>	\$ 38,474,334	\$ 16,791,661	\$ 55,265,995	\$ 3,874,406

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

**CITY OF HIDALGO, TEXAS  
STATEMENT OF ACTIVITIES  
SEPTEMBER 30, 2017**

Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$ 2,612,568	\$ 742,137	\$ -	\$ -
Public Safety	4,011,203	1,348,805	176,137	182,025
Highways & Streets	1,497,517	-	-	-
Health and Welfare	58,449	51,017	-	-
Culture & Recreation	2,790,340	641,653	64,644	88,797
Economic Development	-	-	253,358	-
Interest on Long-Term Debt	206,837	-	-	-
Employee Health Benefit Plan, Net	957,098	956,018	-	-
<b>Total Governmental Activities</b>	<b>12,134,012</b>	<b>3,739,630</b>	<b>494,139</b>	<b>270,822</b>
<b>Business-type Activities:</b>				
Water Services	1,484,226	1,232,720	-	-
Sewer Services	833,003	1,005,513	-	-
Garbage and Brush	644,050	688,871	-	-
Irrigation and Landscaping	768	-	-	-
Interest on Long-Term Debt	56,784	-	-	-
<b>Total Business-type Activities</b>	<b>3,018,831</b>	<b>2,927,104</b>	<b>-</b>	<b>-</b>
<b>Total Governmental and Business-type Activities</b>	<b>\$ 15,152,843</b>	<b>\$ 6,666,734</b>	<b>\$ 494,139</b>	<b>\$ 270,822</b>
<b>Component units:</b>				
Capital Contribution to Governmental-type Activities	\$ -	-	-	-
General Expenditures	452,703	-	-	-
<b>Total Component Units</b>	<b>\$ 452,703</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**General Revenues**

Taxes:

Property Taxes, Levied for General Purposes

Sales Taxes

Franchise Taxes

Other Taxes

Unrestricted Investment Earnings

Bridge Revenue

Gain (Loss) on sale of Capital Assets

Miscellaneous

Transfers

**Total General Revenues**

**Changes in Net Position**

**Net Position at Beginning of Year, As Restated**

**Net Position at End of Year**

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

Net (Expense) Revenue and  
Changes in Net Position

Primary Government			
Governmental Activities	Business-type Activities	Totals	Component Unit
\$ (1,870,431)	\$ -	\$ (1,870,431)	
(2,304,236)	-	(2,304,236)	
(1,497,517)	-	(1,497,517)	
(7,432)	-	(7,432)	
(1,995,246)	-	(1,995,246)	
253,358	-	253,358	
(206,837)	-	(206,837)	
(1,080)	-	(1,080)	
<u>(7,629,421)</u>		<u>(7,629,421)</u>	
	(251,506)	(251,506)	
	172,510	172,510	
	44,821	44,821	
	(768)	(768)	
	<u>(56,784)</u>	<u>(56,784)</u>	
<u>-</u>	<u>(91,727)</u>	<u>(91,727)</u>	
(7,629,421)	(91,727)	(7,721,148)	
			\$ -
			<u>(452,703)</u>
			<u>(452,703)</u>
2,088,214	-	2,088,214	-
1,842,323	-	1,842,323	614,108
629,215	-	629,215	-
55,324	-	55,324	-
21,584	13,918	35,502	42,936
3,788,729	-	3,788,729	-
-	-	-	-
139,209	81,645	220,854	18,779
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>8,564,598</u>	<u>95,563</u>	<u>8,660,161</u>	<u>675,823</u>
935,177	3,836	939,013	223,120
<u>22,567,864</u>	<u>12,982,329</u>	<u>35,550,193</u>	<u>2,977,649</u>
<u>\$ 23,503,041</u>	<u>\$ 12,986,165</u>	<u>\$ 36,489,206</u>	<u>\$ 3,200,769</u>

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

**GOVERNMENTAL FUNDS**

**CITY OF HIDALGO, TEXAS  
BALANCE SHEETS  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017 AND 2016**

	General Fund	Debt Service Fund	Non-Major Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,188,793	\$ 41,267	\$ 935,600
Designated Cash and Investments	1,487,425	-	-
Receivables, net			
Property Taxes	141,604	81,275	-
Sales Taxes	381,407	-	-
Franchise Taxes	23,297	-	-
Other Receivables	612,473	-	-
Due from Other Funds	1,488,186	270,714	22,108
Due from Component Unit	64,389	-	-
Due from State Farm Arena	2,434,916	-	-
Due from Other Governments	7,258,730	2,065	-
Due from Others	52,567	-	-
Inventories	64,514	-	-
Prepaid Expenses	23,262	-	-
Other Assets	-	-	-
<b>Total Assets</b>	<u>\$ 16,221,563</u>	<u>\$ 395,321</u>	<u>\$ 957,708</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 292,202	\$ -	\$ -
Wages Payable	440,194	-	-
Other Liabilities	71,993	-	-
Due to Other Funds	2,047,218	134,511	270,802
Due to Other Governments	8,135	-	-
Due to Others	-	-	-
Deferred Revenues	-	-	-
<b>Total Liabilities</b>	<u>2,859,742</u>	<u>134,511</u>	<u>270,802</u>
<b>Deferred Inflows of Resources</b>			
Deferred Revenues (Note J)	6,479,206	76,877	-
<b>Total Deferred Inflows of Resources</b>	<u>6,479,206</u>	<u>76,877</u>	<u>-</u>
<b>Fund Balances</b>			
<b>Reserved for:</b>			
Inventories	64,514	-	-
Prepaid	23,262	-	-
<b>Assigned to:</b>			
Debt Service	-	183,933	-
Capital Projects	-	-	13
Economic Development	-	-	686,893
Municipal Court	216,318	-	-
Federal or State Funds Grant Restriction	73,249	-	-
Other Purposes	50,807	-	-
Unassigned:	6,454,465	-	-
<b>Total Fund Balances</b>	<u>6,882,615</u>	<u>183,933</u>	<u>686,906</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 16,221,563</u>	<u>\$ 395,321</u>	<u>\$ 957,708</u>

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

<u>Totals</u>	
<u>2017</u>	<u>2016</u>
\$ 3,165,660	\$ 1,800,118
1,487,425	1,481,781
222,879	204,141
381,407	438,165
23,297	36,961
612,473	149,473
1,781,008	1,318,531
64,389	55,437
2,434,916	3,078,569
7,260,795	8,354,272
52,567	166,719
64,514	54,178
23,262	31,677
-	-
<u>\$ 17,574,592</u>	<u>\$ 17,170,022</u>
\$ 292,202	\$ 321,651
440,194	633,718
71,993	75,158
2,452,531	2,981,327
8,135	8,945
-	-
-	-
<u>3,265,055</u>	<u>4,020,799</u>
<u>6,556,083</u>	<u>6,314,656</u>
<u>6,556,083</u>	<u>6,314,656</u>
64,514	54,178
23,262	31,677
183,933	177,658
13	12
686,893	507,431
216,318	71,805
73,249	165,475
50,807	44,556
<u>6,454,465</u>	<u>5,855,612</u>
<u>7,753,454</u>	<u>6,908,404</u>
<u>\$ 17,574,592</u>	<u>\$ 17,170,022</u>

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

**CITY OF HIDALGO, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**  
**TO STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017 AND 2016**

	2017	2016
Total fund balance-total governmental funds	\$ 7,753,454	\$ 6,908,404
Prior period adjustment	-	-
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets used in governmental activities are not financial resources; therefore, are not reported in the governmental fund balance sheet	23,024,951	23,529,351
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds		
Property Taxes	207,882	193,779
Internal Service Funds are used by management to charge the cost of certain activities, such as insurance and fleet management, and are then charged to individual funds. The assets and liabilities of the Internal Service Fund are:		
Current assets	\$ 444,180	
Liabilities	(1,191,679)	
Net of amount allocated to business-type activities	-	
	(747,499)	(746,797)
Long-term liabilities are not due and payable in the current period; therefore, are not reported in the governmental fund balance sheet	(4,960,061)	(5,665,405)
Payables for compensated absences which are not due in the current period are not reported in the funds	(282,481)	(222,144)
Net pension liability which is not due in the current period and therefore not reported in the funds	(2,280,571)	(2,207,049)
Unamortized pension unavailable for current period expenditures and are therefore deferred in the Statement of Net Position	967,185	1,126,860
Unamortized pension unavailable for current period revenue and are therefore deferred in the Statement of Net Position	(179,819)	(349,135)
Net position of governmental activities	\$ 23,503,041	\$ 22,567,864

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



**CITY OF HIDALGO, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2017 AND 2016**

	General Fund	Debt Service Fund	Non-Major Governmental Funds
<b>Revenues</b>			
Property Taxes	\$ 1,479,755	\$ 594,356	\$ -
Sales Taxes	1,842,323	-	-
Franchise Taxes	629,215	-	-
Hotel Occupancy Taxes	37,866	-	-
Other Taxes	17,458	-	-
Licenses and Permits	362,137	-	-
Intergovernmental Revenues	422,806	-	253,358
Charges for Services	1,458,204	-	-
Fines and Forfeitures	963,271	-	-
Bridge Revenue	3,788,729	-	-
Interest Earned	16,759	1,055	3,392
Miscellaneous & Other Income	228,006	-	-
<b>Total Revenues</b>	<u>11,246,529</u>	<u>595,411</u>	<u>256,750</u>
<b>Expenditures</b>			
Current:			
General Government	2,257,163	750	-
Public Safety	3,717,704	-	-
Highways & Streets	722,113	-	-
Health and Welfare	57,790	-	-
Culture & Recreation	2,603,003	-	-
Non-Departmental Expenditures	-	-	-
Capital Outlay	982,936	-	-
Debt Service:			
Principal	193,496	614,000	-
Interest	20,187	189,776	-
<b>Total Expenditures</b>	<u>10,554,392</u>	<u>804,526</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	692,137	(209,115)	256,750
<b>Other Financing Sources (Uses)</b>			
Transfers In/ (Out)	(138,103)	215,390	(77,287)
380 Agreement Expenditures	-	-	-
Note Proceeds/Capital Leases	105,278	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(32,825)</u>	<u>215,390</u>	<u>(77,287)</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	659,312	6,275	179,463
<b>Fund balances, October 1, As Restated</b>	<u>6,223,303</u>	<u>177,658</u>	<u>507,443</u>
<b>Fund balances, September 30</b>	<u>\$ 6,882,615</u>	<u>\$ 183,933</u>	<u>\$ 686,906</u>

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

<u>Totals</u>	
<u>2017</u>	<u>2016</u>
\$ 2,074,111	\$ 1,885,504
1,842,323	1,967,253
629,215	416,761
37,866	64,595
17,458	17,985
362,137	353,391
676,164	1,910,030
1,458,204	1,483,437
963,271	833,710
3,788,729	3,741,075
21,206	8,498
228,006	236,339
<u>12,098,690</u>	<u>12,918,578</u>
2,257,913	2,302,743
3,717,704	3,538,719
722,113	800,385
57,790	57,461
2,603,003	2,692,004
-	-
982,936	2,140,183
807,496	1,406,473
209,963	250,848
<u>11,358,918</u>	<u>13,188,816</u>
739,772	(270,238)
-	-
-	(130,327)
105,278	939,519
<u>105,278</u>	<u>809,192</u>
845,050	538,954
<u>6,908,404</u>	<u>6,369,450</u>
<u>\$ 7,753,454</u>	<u>\$ 6,908,404</u>

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

**CITY OF HIDALGO, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF ACTIVITIES**  
**SEPTEMBER 30, 2017 AND 2016**

	2017	2016
Net change in fund balances-total governmental funds	\$ 845,050	\$ 538,954
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 are allocated over the estimated useful lives and reported as depreciation expense. The capital outlay (\$982,936) in the current period exceeded current year depreciation expense (\$1,487,336)	(504,400)	477,224
Governmental funds do not report the retirement of fixed assets. In the Government-Wide Statement of Revenues, Expenditures, and Changes in Fund Balance this is the amount of fixed assets retired in the current period	-	-
The issuance of long-term debt (e.g., notes) provides current financial resource to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. This amount is the net effect of these differences.		
Note Proceeds/Capital Lease (105,278)		
Principal Retirement 807,496	702,218	466,954
Compensated absences in the statement of activities does not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.	(60,337)	(39,707)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.	3,126	3,415
Some property tax will not be collected for several months after the City's fiscal year-end, they are not considered "available" revenues in the governmental funds.	14,103	1,517
Pension expense for the current period not recorded in the governmental funds	(63,881)	(154)
Internal Service Funds are used by management to charge the cost of certain activities, such as insurance and fleet management, and are then charged to individual funds. The assets and liabilities of the Internal Internal Service Fund are:		
Change in Net Position (702)	(702)	(54,883)
Change in net position of governmental activities	\$ 935,177	\$ 1,393,320

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

**CITY OF HIDALGO, TEXAS  
GOVERNMENTAL FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budget</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Final Budget Favorable (Unfavorable)</b>
<b>Revenues</b>				
Property Taxes	\$ 2,279,018	\$ 2,089,136	\$ 2,074,111	\$ (15,025)
Sales Taxes	1,942,900	1,879,133	1,842,323	(36,810)
Franchise Taxes	395,000	487,500	629,215	141,715
Hotel Occupancy Taxes	59,500	45,600	37,866	(7,734)
Other Taxes	15,500	20,980	17,458	(3,522)
Licenses & Permits	296,400	315,215	362,137	46,922
Intergovernmental Revenues	348,000	312,929	676,164	363,235
Charges for Services	1,425,535	1,339,953	1,458,204	118,251
Fines & Forfeitures	550,055	799,006	963,271	164,265
Bridge Revenue	3,398,000	3,703,601	3,788,729	85,128
Interest Earned	5,928	11,398	21,206	9,808
Miscellaneous & Other Income	71,350	85,801	228,006	142,205
<b>Total revenues</b>	<u>10,787,186</u>	<u>11,090,252</u>	<u>12,098,690</u>	<u>1,008,438</u>
<b>Expenditures</b>				
<b>Current</b>				
General Government	2,305,408	2,228,353	2,257,913	(29,560)
Public Safety	3,571,868	3,430,687	3,717,704	(287,017)
Public Works	779,652	735,618	722,113	13,505
Health & Welfare	62,804	60,161	57,790	2,371
Culture & Recreation	2,588,657	2,557,707	2,603,003	(45,296)
Non-Departmental Expenses	-	-	-	-
Capital Outlay	749,500	819,481	982,936	(163,455)
Debt Service:				
Principal	674,000	788,596	807,496	(18,900)
Interest	189,776	194,720	209,963	(15,243)
<b>Total expenditures</b>	<u>10,921,665</u>	<u>10,815,323</u>	<u>11,358,918</u>	<u>(543,595)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(134,479)	274,929	739,772	464,843
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In (Out)	-	-	-	-
380 Agreement Expenditures	-	-	-	-
Note Proceeds/ Capital Lease	-	105,278	105,278	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>105,278</u>	<u>105,278</u>	<u>-</u>
<b>Net Changes in Fund Balances</b>	<u>\$ (134,479)</u>	<u>\$ 380,207</u>	845,050	<u>\$ 464,843</u>
<b>Fund Balance, October 1, As Restated</b>			<u>6,908,404</u>	
<b>Fund Balance, September 30</b>			<u>\$ 7,753,454</u>	

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

## **COMPONENT UNITS**

**CITY OF HIDALGO, TEXAS  
COMBINING BALANCE SHEET  
COMPONENT UNIT  
SEPTEMBER 30, 2017 AND 2016**

	Economic Development Corporation of Hidalgo	
	2017	2016
<b>Assets</b>		
Cash and Cash Equivalents	\$ 1,462,222	\$ 1,586,539
Accounts Receivable	10,150	-
Other Receivables	1,444,693	1,155,690
Due From Other Funds	-	-
Assets Held for Resale	400,000	400,000
<b>Total Assets</b>	<b>\$ 3,317,065</b>	<b>\$ 3,142,229</b>
 <b>Liabilities and Fund Balance</b>		
Accounts Payable	\$ 36,804	\$ 15,387
Contract Payable	107,238	-
Due to Other Funds	64,389	55,449
Due to Others	2,750	1,550
<b>Total Liabilities</b>	211,181	72,386
 <b>Fund Balances</b>		
Special Revenues	3,105,884	3,069,843
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,317,065</b>	<b>\$ 3,142,229</b>

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

**CITY OF HIDALGO, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
COMPONENT UNIT  
SEPTEMBER 30, 2017 AND 2016**

	Economic Development Corporation of Hidalgo	
	2017	2016
<b>Revenues</b>		
Sales Taxes	\$ 614,108	\$ 655,751
Intergovernmental Revenues	-	-
Interest	42,936	22,548
Other Revenues	18,779	3,684
<b>Total Revenues</b>	675,823	681,983
<b>Expenditures</b>		
Personal Services	160,205	122,628
Bank Service Charges	3,948	9,525
Administrative Costs	49,204	38,819
Advertising & Promotion	45,458	53,341
Travel & Training	6,677	17,725
Rent Expense	15,600	14,550
Business Incentives	121,101	31,844
Professional Fees		
Legal Fees	37,573	18,381
Consultants	-	59,250
Other Fees	8,000	33,540
Capital Outlay		
Hidalgo Viejo	161,168	144,538
Debt Service		
Principal	25,911	25,274
Interest	4,937	5,663
<b>Total Expenditures</b>	639,782	575,078
<b>Excess (deficiency) of revenues over expenditures</b>	36,041	106,905
<b>Other financing sources (uses)</b>		
Transfers in (out)	-	-
<b>Total other financing sources (uses)</b>	-	-
<b>Excess of (deficiency) revenues and other sources over expenditures and other (uses)</b>	36,041	106,905
<b>Fund Balance, October 1</b>	3,069,843	2,962,938
<b>Fund balances, September 30</b>	\$ 3,105,884	\$ 3,069,843

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

**PROPRIETARY FUNDS**



**CITY OF HIDALGO, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2017 AND 2016**

	Utility Fund		Internal Service Fund
	2017	2016	
<b>Assets and Deferred Outflows of Resources</b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 2,404,905	\$ 1,393,444	\$ 38,162
Restricted cash and investments	531,310	528,549	-
Utility and trade receivables, net	604,592	621,300	-
Due from other funds	2,031,514	2,372,394	-
Due from component unit	-	12	406,018
Due from other governments	65,000	65,000	-
Due from others	6,959	8,873	-
Prepaid Expenses	1,924	1,927	-
Capital assets - net			
Non-depreciable assets	369,131	720,403	-
Depreciable assets	10,928,479	10,968,877	-
<b>Total Assets</b>	16,943,814	16,680,779	444,180
<b>Deferred Outflow of Resources</b>			
Pension	123,795	142,650	-
<b>Total Assets and Deferred Outflows of Resources</b>	\$ 17,067,609	\$ 16,823,429	\$ 444,180
<b>Liabilities Deferred Inflow of Resources and Net Position</b>			
<b>Liabilities</b>			
Accounts payable	\$ 66,791	\$ 43,960	\$ -
Claims payable	-	-	107,636
Other liabilities	7,964	6,791	-
Customer deposits payable	479,174	468,851	-
Due to other funds	275,948	-	1,084,043
Deferred revenues	2,165	56,247	-
Non-current liabilities :			
Due in one year	110,667	98,010	-
Due in more than one year	3,109,845	3,118,383	-
<b>Total Liabilities</b>	4,052,554	3,792,242	1,191,679
<b>Deferred Inflow of Resources</b>			
Pension	28,890	48,858	-
<b>Net Position</b>			
Invested in capital assets, net of related debt	8,399,071	8,792,916	-
Restricted	531,310	528,549	-
Unrestricted	4,055,784	3,660,864	(747,499)
<b>Total Net Position</b>	12,986,165	12,982,329	(747,499)
<b>Total Liabilities, Deferred Inflow of Resources and Net Position</b>	\$ 17,067,609	\$ 16,823,429	\$ 444,180

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

**CITY OF HIDALGO, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2017 AND 2016**

	Utility Fund		Internal Service Fund
	2017	2016	
<b>Operating Revenues</b>			
Water sales	\$ 1,091,589	\$ 992,810	\$ -
Sewer charges	890,394	816,045	-
Garbage fees	574,246	561,589	-
Brush fees	114,625	113,481	-
Other operating revenues			
Penalties	163,910	151,950	-
Tap fees	68,190	50,550	-
Connect/Reconnect fees	24,150	24,690	-
Other	81,645	157,552	956,018
<b>Total Operating Revenues</b>	<u>3,008,749</u>	<u>2,868,667</u>	<u>956,018</u>
<b>Operating Expenses</b>			
Personal expenses	663,805	676,562	957,098
Other services and charges	1,041,784	862,606	-
Supplies	111,799	90,443	-
Contractual services	644,050	606,545	-
<b>Total Operating Expenses</b>	<u>2,461,438</u>	<u>2,236,156</u>	<u>957,098</u>
<b>Operating Income (Loss) Before Depreciation</b>	547,311	632,511	(1,080)
Depreciation	500,609	604,508	-
<b>Operating Income (Loss)</b>	46,702	28,003	(1,080)
<b>Non-operating Revenues (Expenses)</b>			
Interest income	13,918	4,530	378
Interest expense	(56,784)	(54,581)	-
Bad debt expense	-	-	-
<b>Total non-operating revenues (expenses)</b>	<u>(42,866)</u>	<u>(50,051)</u>	<u>378</u>
<b>Excess of Revenues Over Expenditures Before Capital Grants and Transfers</b>	3,836	(22,048)	(702)
<b>Capital Grants and Transfers</b>			
Capital Grants	-	-	-
Transfers (Out)	-	-	-
<b>Total Capital Grants and Transfers</b>	-	-	-
<b>Changes in Net Position</b>	3,836	(22,048)	(702)
<b>Net position, October 1</b>	<u>12,982,329</u>	<u>13,004,377</u>	<u>(746,797)</u>
<b>Net position, September 30</b>	<u>\$ 12,986,165</u>	<u>\$ 12,982,329</u>	<u>\$ (747,499)</u>

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

**CITY OF HIDALGO, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2017 AND 2016**

	Utility Fund		Internal Service Fund
	2017	2016	
<b>Cash flows provided (used) by operating activities:</b>			
Receipts from customers	\$ 2,954,134	\$ 2,793,715	\$ 956,018
Receipts from others	29,480	72,031	-
Operating grants	-	-	-
Payment (to) from other funds	616,841	(124,339)	(31,573)
Payments to employees for services	(654,130)	(676,790)	-
Payments to suppliers for good and services	(1,773,629)	(1,557,598)	(924,566)
<b>Net cash provided (used) by operating activities</b>	<b>1,172,696</b>	<b>507,019</b>	<b>(121)</b>
<b>Cash flow from non-capital financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash flows provided (used) by capital and related financing activities</b>			
Capital asset purchases	(108,939)	(447,924)	-
Retirement of long-term debt	(109,755)	(73,336)	-
Interest paid	(56,854)	(54,734)	-
Capital grants	-	-	-
Note proceeds	103,156	-	-
Note proceed held in escrow	-	-	-
<b>Net cash provided (used) by capital and related financial activities</b>	<b>(172,392)</b>	<b>(575,994)</b>	<b>-</b>
<b>Cash flow provided (used) by investing activities:</b>			
Interest received	13,918	4,530	378
<b>Net cash provided (used) by investment activities</b>	<b>13,918</b>	<b>4,530</b>	<b>378</b>
Net increase (decrease) in cash and cash equivalents	1,014,222	(64,445)	257
Cash and cash equivalents, October 1	1,921,993	1,986,438	37,905
<b>Cash and cash equivalents, September 30</b>	<b>\$ 2,936,215</b>	<b>\$ 1,921,993</b>	<b>\$ 38,162</b>

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

**CITY OF HIDALGO, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2017 AND 2016**

	Utility Fund		Internal Service Fund
	2017	2016	
Reconciliation of operating loss to net cash provided by (used) in operating activities:			
Operating Income (Loss)	\$ 46,702	\$ 28,003	\$ (1,080)
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation expense	500,609	604,508	-
(Increase) Decrease in accounts receivable	16,708	(29,550)	-
(Increase) Decrease in due from other funds	616,828	(124,339)	(406,018)
(Increase) Decrease in due from others	1,926	17,098	-
(Increase) Decrease in prepaid expenses	3	(19)	-
(Increase) Decrease in deferred outflow of resources	-	(70,836)	-
Increase (Decrease) in net pension liability	-	80,130	-
Increase (Decrease) in deferred revenues	(54,082)	(3,285)	-
Increase (Decrease) in accounts payable	22,831	1,150	-
Increase (Decrease) in claims payable	-	-	32,532
Increase (Decrease) in other liabilities	1,173	827	-
Increase (Decrease) in customer deposits	10,323	12,835	-
Increase (Decrease) in due to other funds	-	-	374,445
Increase (Decrease) in compensated absences	1,879	(228)	-
Increase (Decrease) in deferred outflow of resources	-	(9,275)	-
<b>Net cash provided (used) by operating activities</b>	<b>\$ 1,164,900</b>	<b>\$ 507,019</b>	<b>\$ (121)</b>

	Utility Fund		Internal Service Fund
	2017	2016	
Reconciliation of total cash and cash investments:			
Cash and cash equivalents	\$ 2,404,905	\$ 1,393,444	\$ 38,162
Restricted cash and investments	531,310	528,549	-
Bank overdraft	-	-	-
<b>Total cash and cash equivalents</b>	<b>\$ 2,936,215</b>	<b>\$ 1,921,993</b>	<b>\$ 38,162</b>

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

**CITY OF HIDALGO, TEXAS**  
**UTILITY FUND**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Final Budget Favorable (Unfavorable)</u>
<b>Utility Revenues</b>			
Water sales	\$ 952,755	\$ 1,091,589	\$ 138,834
Sewer charges	784,504	890,394	105,890
Garbage fees	513,533	574,246	60,713
Brush fees	103,264	114,625	11,361
Other services fees	-	-	-
<b>Total Utility</b>	<u>2,354,056</u>	<u>2,670,854</u>	<u>316,798</u>
<b>Other Operating Revenues</b>			
Penalties	135,350	163,910	28,560
Tap fees	52,000	68,190	16,190
Connect/reconnect fees	19,350	24,150	4,800
<b>Total Other Operating Revenues</b>	<u>206,700</u>	<u>256,250</u>	<u>49,550</u>
<b>Other</b>			
Rents and royalties	-	-	-
Franchise fees	75,183	74,222	(961)
Capital recovery fees	-	-	-
Contribution	-	-	-
Miscellaneous	4,920	7,423	2,503
Sale of assets	-	-	-
<b>Total Other</b>	<u>80,103</u>	<u>81,645</u>	<u>1,542</u>
<b>Non-Operating Revenues</b>			
Interest Income	9,150	13,918	4,768
<b>Capital Grants and Transfers</b>			
Capital Grants	-	-	-
<b>Total Revenues</b>	<u>\$ 2,650,009</u>	<u>\$ 3,022,667</u>	<u>\$ 372,658</u>

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

**CITY OF HIDALGO, TEXAS**  
**UTILITY FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Final Budget Favorable (Unfavorable)</u>
<b><u>UTILITY FUND</u></b>			
<b>Water Department</b>			
Personal Services	\$ 442,040	\$ 456,514	\$ (14,474)
Other Services & Charges	626,638	796,578	(169,940)
Supplies	69,040	72,948	(3,908)
<b>Total Water Department</b>	<u>1,137,718</u>	<u>1,326,040</u>	<u>(188,322)</u>
<b>Sewer Department</b>			
Personal Services	210,653	207,291	3,362
Other Services & Charges	265,782	245,206	20,576
Supplies	38,300	38,083	217
<b>Total Sewer Department</b>	<u>514,735</u>	<u>490,580</u>	<u>24,155</u>
<b>Garbage/Refuse Department</b>			
Contracted Services	674,500	644,050	30,450
<b>Total Garbage/Refuse Department</b>	<u>674,500</u>	<u>644,050</u>	<u>30,450</u>
<b>Irrigation &amp; Landscaping</b>			
Personal Services	-	-	-
Other Services & Charges	400	-	400
Supplies	650	768	(118)
<b>Total Irrigation &amp; Landscaping</b>	<u>1,050</u>	<u>768</u>	<u>282</u>
<b>Non-Operating Expense</b>			
Interest Expense	56,849	56,784	65
<b>Total Expenditures</b>	<u>\$ 2,384,852</u>	<u>\$ 2,518,222</u>	<u>(133,370)</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. General Statement

The City of Hidalgo, Texas had its origins as a Spanish land grant settled by colonizer Jose Escandon in 1749. In 1848, now part of Texas and the United States merchant John Young founded the town site and named it Edinburg, later changed it to Hidalgo in 1876, in honor of Father Miguel Hidalgo y Costilla, the priest that sparked the revolution for Mexico's independence.

The Citizens of Hidalgo, Texas voted on September 30, 1959 to incorporate the City.

In May of 1995 the voters officially adopted the Home Rule Act, which conferred the City the powers of Title 22, Revised Civil Statutes of Texas, 1911, Charter 13 Title 28, AN 1175 Revised Civil Statutes of Texas, 1925, and Section 4, Chapter 147, Acts of the 33<sup>rd</sup> Legislature, General Laws Regular Session.

The City of Hidalgo, Texas operates under a Commission-Manager form of government and provides the following services as authorized by its charter: general government, (legislative, city secretary, general administration, court, tax, and building maintenance), public safety (police and fire protection), street and highways, health, planning and zoning, culture and recreation (library and parks), and public improvements. Other services include water delivery, wastewater collection (sewer service) and sanitation (garbage collection).

The accounting and reporting policies of the City of Hidalgo, Texas as reflected in the accompanying financial statements conform to generally accepted accounting principles (GAAP) in the United States of America applicable to state and local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the more significant accounting and reporting policies and reported practices used by the City.

The City implemented GASB Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis-for State and Local governments*. GASB Statement No. 34 required the City to report and depreciates new infrastructure assets.

2. Financial Reporting Entity

The accompanying financial statements present the reporting entity, which consists of the primary government. Financial reporting standards also require the City of Hidalgo, Texas 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.



**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Hidalgo, Texas, and its component units, entities for which the City is considered to be financial accountable. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

*Blended component units* – Blended component units, although legally separate entities, are in substance part of the government's operations and so data from these units are combined with data of the primary government. The City of Hidalgo, Texas, does not include any blended component units.

*Discretely presented component units* – Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City. Discretely presented component units includes the following:

- The Hidalgo Economic Development Corporation (HEDC) was organized on the behalf of the City of Hidalgo, Texas for the specific public purpose of the promotion and development of the commercial, industrial, and manufacturing enterprise to promote and encourage employment and the public welfare.

The Hidalgo Economic Development Corporation (HEDC) is governed by a five-member board of directors, each of which is appointed by the City Council as per the bylaws. HEDC's primary source of revenues is sales tax revenues generated by the City of Hidalgo, Texas. In addition, the City approves the major expenditures and revolving loan fund of HEDC and must approve amendments to HEDC's bylaws and Articles of Incorporation. HEDC is presented as a governmental fund type component unit and has the same fiscal year as the City. There were no significant adjustments needed to convert the fund statements of HEDC to compliance with GASB 34 requirements.

- The State Farm Arena was organized by the City of Hidalgo on August 14, 2001 for the purpose of aiding and acting on behalf of the City to accomplish certain governmental purposes of the City, that include the acquisition, construction, equipping, financing, operation, and maintenance of land and other municipal facilities. The State Farm Arena is a multiple-use venue suitable for professional and amateur sports, entertainment, cultural, tourist, and convention and/or public service activities. Presently, the State Farm Arena facilities are used by a professional hockey team, professional arena football team, and professional basketball team, as well as for all of the aforementioned activities. The State Farm Arena is governed by a five-member board of directors, each of which is appointed by the City Council. The State Farm Arena has the same fiscal year-end as the City.

City Management has elected to omit the State Farm Arena financial information from the City's Audited Financial Statements for the fiscal year ended September 30, 2017. Note S shows the condensed financial statements of the State Farm Arena.

A copy of the component units' financial statements can be obtained by contacting the Office of the City Secretary at City Hall, 704 E. Texano, Hidalgo, Texas 78557.

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Basis of Presentation

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the City. The effect of inter-fund activity, within the governmental and business-type activities columns, has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund –

General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Revenue Fund –

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to finance specific activities.

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Debt Service Fund –

Debt Service Fund is used to account for the accumulation of financial resources 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 reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Capital Projects Fund –

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Proprietary Funds-

Proprietary Funds are accounted for using the economic resources measurements focus and the accrual basis of accounting. The accounting objectives are determination of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary fund:

Utility Fund –

Utility Fund is used to account for the provision of water, sewer, and garbage and brush pick-up service to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for garbage pick-up services, and the payment of, long-term debt principal and interest for water and wastewater debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Additionally, the City reports the Internal Service Fund which is used to account for the City's Employee Health Benefit Plan provided to departments of the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

5. Government-wide Financial Statements and Fund Financial Statement

Governmental Financial Statement -

The government-wide financial statements consist of the statement of net position and the statement of activities. These new statements report information on all the activities of the reporting entity with the exception of fiduciary activity. Generally, the effect of interfund 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.

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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.

**6. Measurement Focus/Basis of Accounting and Financial Statement Presentation**

Measurement focus refers to what is being measured: basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and wastewater services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurements focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrent of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the City has a legal claim to the resources, the deferred revenue is removed from the combined balance sheet and revenue is recognized.

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Stewardship, Compliance and Accountability**

7. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except for certain major and non-major special revenue funds, which adopt project-length budgets. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds, as well as for the water and sewer funds.

Unused appropriations for the annual budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. On or before the end of June of each year, all agencies of the City submit requests for appropriation to the city secretary so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations by fund function, and activity for the next fiscal year.

Before October 1, the proposed budget is presented to the City Commission for review. The City Commissioners hold a public hearing and may add to, subtract from or change appropriations by fund, function and activity but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City Secretary or the revenue estimates must be changed by an affirmative vote of a majority of the City Commissioners.

The City Secretary is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the overall fund total of appropriated expenditures of any fund must be approved by the City Commission.

Expenditures Over-Appropriations

For the fiscal year September 30, 2017 expenditures in the General Fund exceeded budgeted appropriations in five (5) expenditure categories.

8. Encumbrances

Encumbrance accounting, under which purchase orders for the future expenditure of monies are recorded in order to reserve the portion of the applicable budget appropriations, is not used by the City of Hidalgo, Texas.

9. Assets, Liabilities and Equity

**a. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the proprietary fund type considers cash and cash equivalents to include all highly liquid investments with maturity of three months or less when purchased.

Investments

In accordance with provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools," investments are reported at fair value, which is determined by market value. Certificates of deposits are reported at carrying amount which reasonably estimates fair value.

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b. Credit Risks**

*Custodial Credit Risk*

Deposits and Certificates of Deposits

Custodial credit risk refers to the risk that in the event of a bank failure, the City's deposits may not be returned to it.

In accordance with the City's fiscal policy as approved by the Board, the City maintains demand and time deposits under the terms of the depository agreement. The local depository banks are members of the Federal Reserve System.

In no time during the fiscal year did the City's deposits go over the Federal Deposit Insurance Corporation (FDIC) insurance of \$250,000 and the pledged securities at the local depository bank.

*Interest Rate Risk*

The City's investment policy limits investment maturities to no more than two years from the date of purchase.

*Concentration of Credit Risk*

The City's policy limits the deposits in any one-bank institution to their extent of FDIC coverage, and where applicable with bank depository agreements, but it is silent in the concentration of balances in the various types of accounts.

*Fair Values of Financial Instruments*

The following methods of assumptions were used by the City in estimating its fair value disclosures for financial instruments:

- Cash, cash equivalents, short-term investments, and promises to give are due in less than one year. The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

State statutes authorize the City to invest in the obligations of the United States of America, State of Texas, obligations of states, agencies, counties, cities, and any other political subdivisions of any state having a rating no less than A or its equivalent by a nationally recognized investment rating firm, certificates of deposit issued by state and national banks guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) and/or further collateralized by additional pledged securities above the FDIC limits, and fully collateralized direct repurchased agreements.

**c. Property Tax**

The State of Texas Constitution limits the City's ad valorem tax rate for all purposes to \$2.50 per one hundred dollars of assessed valuation. Ad valorem tax revenue during the year ended September 30, 2017 was levied using a rate of \$.3514 per one hundred dollars of assessed valuation based on 100 percent of estimated market value.

Legislation has been passed by the Texas Legislature which affects the methods of property appraisal in the City. This legislation, with certain exceptions, exempts intangible personal property, household goods, and family-owned automobiles (unless specifically authorized by resolution of the governing body) from taxation. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of county appraisal districts and for a state property board.

**CITY OF HIDALGO, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The appraisal of property within the city is the responsibility of the Hidalgo County Tax Appraisal District. The Appraisal District is required under the Property Tax Code to appraise all property within the county on the basis of 100 percent of its market value. The value of real property within the Appraisal District must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The city may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action.

Under this legislation, the City continues to set tax rates on city property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate of the previous year by more than 8 percent, qualified voters of the city may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the effective tax rate.

The City bills and collects its own property taxes through a contractual agreement with the County of Hidalgo. Collections of the city taxes and remittance of them are accounted for in the County of Hidalgo Tax Collection Agency Fund. City property tax revenues are recognized when levied to the extent that they result in current receivables. January 1 is the assessment date. March 31 is the end of the rendition period for the Appraisal District.

By September 30, the City adopts the tax rate. On October 1 taxes are levied and payable by January 31. Property taxes attach as an enforceable lien on property as of January 1. Uncollected taxes are placed in the hands of the attorney for legal action on February 1, following year of assessment.

Property tax is levied each October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the City. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the City Council. Appraised values are established by the Appraisal Board of Review at 100% for estimated fair market value.

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 July 1 to file suits on real estate property. As of July 1, 15% collection costs may be added to all delinquent accounts. Current tax collections for the year ended September 30, 2017, were 95.26% of the tax levy.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. 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 Generally Accepted Accounting Principles have been recognized as revenue.

The City charter of the City of Hidalgo, Texas, does not provide for a debt limit, therefore, no computation can be made. However, at September 30, 2017, the City had a tax margin of \$2.1486 for every \$100 valuation based upon a maximum ad valorem tax of \$2.50 for every \$100 valuation imposed by Texas Constitutional law.

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d. Prepaid Items and Inventories**

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the prepaid items have been recorded as un-spendable to signify that a portion of fund balance is not available for other subsequent expenditures.

**e. Restricted Assets**

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets, because their use is limited by applicable bond covenants or City Ordinance. Funds restricted include amounts set aside to subsidize potential deficiencies from the enterprise funds operations that could adversely affect debt service payments, amounts set aside from the proceeds of revenue bond issuances that are required for payment of construction, amounts set aside for debt service payments over the succeeding twelve months, amounts set aside for unexpected contingencies or to fund asset replacements, as well as amounts set aside from customer's deposits.

Restricted assets at September 30, 2017 were as follows:

	2017	2016
1. <u>Bond Reserve Fund</u>		
The Utility Fund (Water and Sewer Fund) certificates of obligation bond indenture requires that during the period of time the bonds are outstanding the City must maintain specific separate accounts to record debt service transactions, as well as comply with other debt services requirements. Assets in this fund are restricted and can be used only in accordance with the bond indenture	\$ 472,499	\$ 470,043
2. <u>USDA (Waste Water Treatment Plant)</u>		
The Utility Fund (Water and Sewer Fund) received funds from the U.S Department of Agriculture for the water and disposal systems for the Rural Community Grants that has not been expended as of September 30, 2017.	16,253	16,169
3. <u>Subdivider Deposits</u>		
The Utility Fund (Water and Sewer Fund) holds deposits that were received from Subdividers until released/used.	42,558	42,337
Total Restricted Assets	\$ 531,310	\$ 528,549

**f. Inventories**

The inventories in the Governmental Funds and Proprietary Funds consist of supplies and are recorded at the lower of weighted average cost or market.

**g. Inter-fund Receivables and Payables**

Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "Internal balances".



**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**h. Transactions Between Funds**

Legally authorized transfers are treated as inter-fund transfers and are included in the results of operations of both Governmental and Proprietary Funds. The City allocates to the Proprietary Funds an indirect cost percentage of information technology services, salaries, and related costs of personnel who perform administrative services for those funds but are paid through the General Fund along with other indirect costs deemed necessary for their operations. During the year ended September 30, 2017, the City allocated \$350,000 as a transfer for such services.

**i. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available.

Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$1,000 or more and over one year of useful life. Infrastructure assets, capitalized have an original cost of \$5,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-50 years
Water and Wastewater System	30-50 years
Infrastructure	20-35 years
Machinery and Equipment	5 –10 years
Improvements	20 years

**j. Compensated Absences**

Vacation

Full-time employees shall be eligible to use vacation leave with pay after six (6) months of service with the City. 0-9 years: Eight (8) hours or one (1) day per month or ten (10) days plus two (2) personal days per year. Maximum accumulation is twenty (20) days. Leave accumulated over maximum during the year will not be lost until the end of the calendar year. 10 Years or More: Ten (10) hours or one and ¼ (1.25) days per month or fifteen (15) days plus two (2) personal days per year. Maximum accumulation is thirty (30) days. Leave accumulated over maximum during the year will not be lost until the end of the calendar year.

Sick Leave

Full-time employees shall earn sick leave at a rate of eight (8) hours or one (1) day per month and may accrue up to forty-five (45) days. If the employee begins work prior to the sixteenth (16) day of the month, he will earn a sick leave day for that month. Sick leave accumulated over maximum during the year will not be lost until the end of the calendar year. Full-time employees shall be eligible to use sick leave with pay after six (6) months service with the City.

At September 30, 2017, the liability for accrued vacation leave and accrued sick leave is approximately \$307,496. The amount applicable to the Proprietary Funds of \$25,015 has been recorded in the Utility Funds. The amount applicable to the General Fund Long-Term Debt has been recorded in the Long-Term Debt as \$282,481.

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**k. Nature and Purpose of Reservations and Designation of Fund Equity**

The fund equity reserves for revenue bonds retirement and construction. Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

The “revenue bond construction” account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The “revenue bond current debt service” account is used to segregate resources accumulated for debt service payments over the next twelve months. The “revenue bond future debt service” account is used to report resources set aside to make potential future deficiencies in the revenue bond current debt service account. The fund equity designation for subsequent years’ expenditures primarily represents capital outlays.

Fund balance, reported in governmental funds, which has some level of constraint placed on it, is classified as non-spendable, restricted, committed, or assigned. The amount remaining, which can be spent for any lawful purpose is classified as unassigned. Amounts classified as restricted have constraints placed on the use by law, regulations of other governments, creditors, grantors or be 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 are amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

**l. Net Position**

Net position represents the difference between assets, deferred outflow of resources, and liabilities, deferred inflow of resources. Net position in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**m. Implementation of New Accounting Principles**

The City elected to utilize the infrastructure transition option in the implementation of GASB Statement No. 34 (GASB 34), “Basic Financial Statements-Management’s Discussion and Analysis-for State and Local Governments” and in fiscal year 2010 capitalized its major infrastructure networks; street, drainage and parks. It is using in the absence of actual cost information, weighted average age calculation for estimating the historical cost of these infrastructure networks.

**n. Reclassification**

Certain items in the prior year have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported net income.

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

As a result of implementing the infrastructure transition provision of GASB 34, net assets at October 1, 2016 is reconciled as follows:

	Governmental Activities
Net Assets, October 1, 2016 as previously reported	\$ 6,908,404
Internal Service Fund Balance	(746,797)
Deferred Revenue - Tax	193,779
Capital Fixed Assets, net	51,007,216
Estimated Depreciation at October 1, 2016	(27,477,865)
Prior Period Reclassification	(73,837)
Long-Term Debt	(7,316,873)
Net Assets, October 1, 2016	\$ 22,494,027

**NOTE B. BUDGET BASIS OF ACCOUNTING**

The City of Hidalgo, Texas prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the Statements of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual-General Fund to provide a meaningful comparison of actual results with the budget.

The major differences between budget and GAAP basis in the General Fund are that total property taxes collected are recognized as revenues (budget) as opposed to recognizing the current year levy as revenues (GAAP).

Adjustments necessary to convert the General Fund's excess of revenues and other sources over expenditure and other uses on the budget basis to a GAAP basis are provided below:

Excess of revenues and other uses over expenditures and other sources-budget basis	\$ 659,312
Accrued Interest	3,126
Net of Capital Fixed Assets	982,936
Current Year Levy in Excess of Collection	57,938
Excess of revenues and other usources over expenditures and other uses-GAAP Basic	\$ 1,703,312

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE C. CASH AND CASH INVESTMENTS**

The City’s funds are deposited and invested under the terms of a depository agreement. The depository bank, deposits for safekeeping and trust, approved pledged securities in an amount sufficient to protect the City funds on a day-to-day basis during the period of the contract.

The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC) insurance.

**Deposit and Credit Risks  
Custodial Credit Risk**

Custodial credit risk refers to the risk that in the event of a bank failure, the City’s deposits may not be returned to them.

It is the City’s policy, as well as a requirement in its depository agreement, for deposits plus accrued interest thereon to be 102% secured by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation insurance. The City’s deposits, including certificates of deposit, were fully insured or collateralized as required by the state statutes at September 30, 2016 in one bank. At year-end, the respective bank balance totaled \$5,209,040. Of the total balance, \$500,000 (\$250,000 per bank institution) was covered by Federal Depository Insurance Corporation (FDIC). The remainder was covered by collateral with a value of \$7,848,713.

The collateral was held at third party banks (safekeeping banks) in the City’s name under a joint safekeeping agreement between various banks and the City as detailed below:

	Bank Balance	Carrying Value
Lone Star National Bank-Cash	\$ 5,209,040	\$ 5,093,381
Total	\$ 5,209,040	\$ 5,093,381

At September 30, 2017 the insurance and collateral pledges are summarized as follows:

	FDIC Coverage	Securites Pledged	Cash on Deposit	Excess (Deficiency) In Depository Security
Lone Star National Bank	\$ 250,000	\$ 7,848,713	\$ 5,209,040	\$ 2,889,673
Total	\$ 250,000	\$ 7,848,713	\$ 5,209,040	\$ 2,889,673

There are no investments as of September 30, 2017.

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE D. CHANGES IN PROPERTY TAX RECEIVABLE**

A summary of all activity regarding delinquent taxes for the year ended September 30, 2017 is as follows:

Delinquent taxes receivable, October 1, 2016	\$ 204,141
Tax Levy 2016	2,063,115
Less collection and tax roll adjustments	<u>(2,044,376)</u>
Net delinquent taxes receivable, September 30, 2017	<u><u>\$ 222,880</u></u>

The addition to the tax levy for the year ended September 30, 2017 consisted of the following:

Taxable value of real and tangible property and improvements	\$ 586,234,370
Tax rate per \$100 of valuation	<u>0.3514%</u>
Subtotal	2,060,028
2016 Tax ceilings (tax freeze) adjusted levy,	<u>3,087</u>
Total 2016 Tax Levy	<u><u>\$ 2,063,115</u></u>

The collection rates percentage for the prior three (5) years has been 98.60%. Based on these collection rates percentages, the City has decided that there will not be an accrual for allowance for doubtful accounts.

**NOTE E. NOTES RECEIVABLE**

The Hidalgo Economic Development Corporation (HEDC) was awarded funds from the U.S. Department Of Agriculture (USDA) for a Rural Business Enterprise Program Grant (RBEG) and an Intermediary Relending Program (IRP) to start a revolving loan program. The purpose of this program is to offer low interest loans to existing or new businesses in the City of Hidalgo.

The total amount of commitment under the revolving loan program was \$1,275,000. The loans have terms ranging from 3 to 10 years with interest rates of 3% to 6%. As of September 30, 2017, the balance for notes receivable was \$1,403,299.

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE F. CAPITAL ASSETS**

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

	Balance @ 9/30/16	Additions	Retirements	Balance @ 9/30/17
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 3,806,480	\$ -	\$ -	\$ 3,806,480
Mineral Interest	25,000	-	-	25,000
Toll Bridge Interest	189,750	-	-	189,750
Construction-in-progress	3,406,842	589,351	1,108,185	2,888,008
Total Non-Depreciable	<u>7,428,072</u>	<u>589,351</u>	<u>1,108,185</u>	<u>6,909,238</u>
Capital assets, being depreciated:				
Buildings & Improvements	14,975,958	83,033	-	15,058,991
Machinery & Equipment	6,495,663	360,333	18,963	6,837,033
Furniture & Fixtures	205,542	1,292	-	206,834
Infrastructure	21,901,981	1,057,112	-	22,959,093
Total Depreciable	<u>43,579,144</u>	<u>1,501,770</u>	<u>18,963</u>	<u>45,061,951</u>
Less accumulated depreciation for:				
Buildings & Improvements	7,567,405	477,779	-	8,045,184
Machinery and Equipment	5,297,401	296,836	18,963	5,575,274
Furniture & Fixtures	141,051	11,216	-	152,267
Infrastructure	14,472,008	701,505	-	15,173,513
Total accumulated depreciation	<u>27,477,865</u>	<u>1,487,336</u>	<u>18,963</u>	<u>28,946,238</u>
Total capital assets, being depreciation, net	<u>16,101,279</u>	<u>14,434</u>	<u>-</u>	<u>16,115,713</u>
Governmental activities, capital assets, net	<u>\$ 23,529,351</u>	<u>\$ 603,785</u>	<u>\$ 1,108,185</u>	<u>\$ 23,024,951</u>

Depreciation is provided in the funds in amounts sufficient to allocate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service life by type of assets are noted in Note A.

Depreciation was charged to government functions as follows:

	2017	2016
General Government	\$ 279,811	\$ 304,797
Public Safety	259,951	220,638
Highways and Street	770,788	808,014
Culture and Recreation	176,786	329,510
Total Depreciation-Governmental activities	<u>\$1,487,336</u>	<u>\$ 1,662,959</u>

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE F. CAPITAL ASSETS (CONTINUED)**

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

	Balance @ 9/30/16	Additions	Retirements	Balance @ 9/30/17
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 161,647	\$ -	\$ -	\$ 161,647
Water Rights	99,800	-	-	99,800
Construction-in-Progress	458,956	5,783	357,055	107,684
Total Non-Depreciable	<u>720,403</u>	<u>5,783</u>	<u>357,055</u>	<u>369,131</u>
Capital assets, being depreciated:				
Buildings and Improvements	15,053,746	357,055	-	15,410,801
Vehicles	355,234	40,540	-	395,774
Machinery and Equipment	427,749	62,616	-	490,365
Infrastructure	6,316,129	-	-	6,316,129
Total Depreciable	<u>22,152,858</u>	<u>460,211</u>	<u>-</u>	<u>22,613,069</u>
Less accumulated depreciation for:				
Buildings and Improvements	6,325,532	315,397	-	6,640,929
Vehicles	341,786	5,774	-	347,560
Machinery and Equipment	379,898	15,703	-	395,601
Infrastructure	4,136,765	163,735	-	4,300,500
Total accumulated depreciation	<u>11,183,981</u>	<u>500,609</u>	<u>-</u>	<u>11,684,590</u>
Total capital assets, being depreciated, net	<u>10,968,877</u>	<u>(40,398)</u>	<u>-</u>	<u>10,928,479</u>
Business-type activities, capital assets, net	<u>\$ 11,689,280</u>	<u>\$ (34,615)</u>	<u>\$ 357,055</u>	<u>\$ 11,297,610</u>

Depreciation and amortization was charged to business-type activity functions as follows:

	2017	2016
Water	\$ 158,186	\$ 189,658
Sewer	342,423	414,850
Total Depreciation-Business-Type Activities	<u>\$ 500,609</u>	<u>\$ 604,508</u>

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE G. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Due to/from primary government and component unit:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 2,434,916	\$ -
State Farm Arena		2,434,916
Internal Service Fund	406,018	
State Farm Arena	-	406,018
Total Funds	<u>\$ 2,840,934</u>	<u>\$ 2,840,934</u>
General Fund	\$ 64,389	\$ -
Economic Development Corporation	-	64,389
Total Funds	<u>\$ 64,389</u>	<u>\$ 64,389</u>

Interfund balances at September 30, 2017 consisted of the following individual fund receivables and payables:

	<u>Receivable</u>	<u>Payable</u>
General Fund		
Utility Fund	\$ 275,948	\$ 2,031,514
Debt Service Fund	128,107	-
Capital Projects Fund	88	-
Internal Service Fund	1,084,043	-
Tax Increment Reinvestment Zone	-	15,704
Total General Fund	<u>1,488,186</u>	<u>2,047,218</u>
Debt Service Fund		
General Fund	-	128,107
Tax Increment Reinvestment Zone	270,714	6,404
Total Debt Service Fund	<u>270,714</u>	<u>134,511</u>
Capital Projects Fund		
General Fund	-	88
Tax Increment Reinvestment Zone Fund		
General Fund	15,704	-
Utility Fund	6,404	-
Debt Service Fund	-	270,714
Total Tax Increment Reinvestment Zone Fund	<u>22,108</u>	<u>270,714</u>
Utility Fund		
General Fund	2,031,514	275,948
Total Utility Fund	<u>2,031,514</u>	<u>275,948</u>
<u>Internal Service Fund</u>		
Employee Health Benefit Plan		
General Fund	-	1,084,043
Total Funds	<u>\$ 3,812,522</u>	<u>\$ 3,812,522</u>



**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE H. LONG-TERM DEBT**

Long-Term Debt as of September 30, 2017 is as follows:

	2017	2016
<b><u>Governmental Activities Long-Term Debt</u></b>		
<u>Governmental Bonds</u>		
\$3,635,000 Tax Increment Revenue & Limited Tax Certificates of Obligation, Series 2010, dated August 3, 2010 due in annual installments of \$140,000 to \$500,000 to August 1, 2030. Interest rate at 3.00% to 4.38%.	\$ 2,650,000	\$ 2,805,000
\$3,520,000 General Obligation Refunding Bonds, Taxable Series 2011 dated October 13, 2011. Interest rate at 4.490%.	1,420,000	1,879,000
Total Governmental Bonds	4,070,000	4,684,000
<u>Notes Payable</u>		
Note payable to fund Old Courthouse Restoration Project	690,000	752,380
Capital Lease payable to Government Capital Corporation on November 14, 2016 for the purchase of vehicles, machinery and equipment due in three (3) annual payments beginning April 30, 2017.	67,933	-
Total Governmental Notes Payable	757,933	752,380
Total Governmental Long-term Debt	\$ 4,827,933	\$ 5,436,380
<b><u>Component Unit Long-Term Debt</u></b>		
<u>HEDC Fund</u>		
\$750,000 promissory note collateralized by City of Hidalgo's IRP Revolving Fund, personal property, and other rights and interests the USDA may require. Interest will accrue at 1%. Interest only payments due annually for first 2 years; thereafter, there are annual payments of principal and interest due. Originated August 1, 2006 and matures August 1, 2036.	\$ 526,846	\$ 552,757
Total Long-Term Debt -HEDC	\$ 526,846	\$ 552,757
<b><u>Business-Type Activities Long-Term Debt</u></b>		
<u>Revenue Bonds</u>		
\$3,059,000 Waterworks & Sewer Systems Revenue Bonds, Series 2011 dated January 25, 2011 for the purpose of water and wastewater improvements through September 20, 2052. Interest at 1.87%	\$ 2,820,000	\$ 2,919,000
Capital Lease payable to Government Capital Corporation on November 14, 2016 for the purchase of vehicles, machinery and equipment due in three (3) annual payments beginning April 30, 2017.	69,765	-
Total Business-Type Long-Term Debt	\$ 2,889,765	\$ 2,919,000

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE H. LONG-TERM DEBT (CONTINUED)**

During the year ended September 30, 2017 the following changes occurred:

	Balance @ 9/30/2016	Additions	Reductions	Balance @ 9/30/2017	Due Within One Year
<b>Governmental Activities:</b>					
Capital Leases	\$ 195,658	\$ -	\$ 93,771	\$ 101,887	\$ 80,588
Bonds Payable	4,684,000	-	614,000	4,070,000	420,000
Notes Payable	752,379	105,278	99,724	757,933	151,610
Accrued Interest	33,366	30,241	33,366	30,241	30,240
Compensated Absences	222,144	282,481	222,144	282,481	157,255
Net Pension Liability	2,207,049	73,522	-	2,280,571	-
Total	<u>8,094,596</u>	<u>491,522</u>	<u>1,063,005</u>	<u>7,523,113</u>	<u>839,693</u>
<b>Component Unit:</b>					
Notes Payable	<u>552,757</u>	<u>-</u>	<u>25,911</u>	<u>526,846</u>	<u>30,848</u>
<b>Business-Type Activities:</b>					
Revenue Bonds	2,870,000	-	50,000	2,820,000	51,000
Notes Payable	-	103,156	33,391	69,765	36,521
Accrued Interest on Bonds	8,846	8,774	8,846	8,774	8,774
Other Payable	26,364	-	26,364	-	-
Compensated Absences	23,134	25,015	23,134	25,015	14,372
Net Pension Liability	288,049	8,909	-	296,958	-
Total	<u>3,216,393</u>	<u>145,854</u>	<u>141,735</u>	<u>3,220,512</u>	<u>110,667</u>
<b>Total Long-Term Debt</b>	<u><u>\$ 11,863,746</u></u>	<u><u>\$ 637,376</u></u>	<u><u>\$ 1,230,651</u></u>	<u><u>\$ 11,270,471</u></u>	<u><u>\$ 981,208</u></u>

Debt Service bond requirements are as follows:

Year Ending September 30,	Bonds				
	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2018	\$ 420,000	\$ 167,435	\$ 51,000	\$ 26,438	\$ 664,873
2019	435,000	148,736	53,000	25,959	662,695
2020	461,000	129,243	54,000	25,463	669,706
2021	469,000	125,366	55,000	24,699	674,065
2022-2026	1,364,000	338,716	291,000	112,128	2,105,844
2027-2031	871,000	206,330	329,000	108,122	1,514,452
2032-2054	-	-	1,987,000	268,872	2,255,872
Total	<u><u>\$ 4,020,000</u></u>	<u><u>\$ 1,115,826</u></u>	<u><u>\$ 2,820,000</u></u>	<u><u>\$ 591,681</u></u>	<u><u>\$ 8,547,507</u></u>

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE H. LONG-TERM DEBT (CONTINUED)**

Year Ending September 30,	Notes Payable					Component Unit HEDC Principal	Total
	Governmental Activities		Capital Lease	Business Type Activities			
	Principal	Interest					
2018	\$ 151,610	\$ 73,684	\$ 101,887	\$ 36,521	\$ 30,848	\$ 394,550	
2019	151,610	28,758	-	33,244	30,848	244,460	
2020	151,610	21,569	-	-	30,848	204,027	
2021	89,230	19,822	-	-	30,848	139,900	
2022-2026	213,873	28,930	-	-	154,240	397,043	
2027-2031	-	-	-	-	154,240	154,240	
2032-2039	-	-	-	-	90,037	90,037	
Total	<u>\$ 757,933</u>	<u>\$ 172,763</u>	<u>\$ 101,887</u>	<u>\$ 69,765</u>	<u>\$ 521,909</u>	<u>\$ 1,624,257</u>	

**NOTE I. RECEIVABLES**

	Governmental Activities:		Business Type Activities:	Total Receivable
	General Fund	Debt Service Fund	Utility Fund	
	Property Tax	\$ 141,604	\$ 81,275	
Sales Tax	381,407	-	-	381,407
Franchise Tax	23,297	-	-	23,297
Other Receivables	408,182	-	-	408,182
Utility Receivables	-	-	672,226	672,226
Allowance for Uncollectible	-	-	(67,634)	(67,634)
Net Receivable	<u>\$ 954,490</u>	<u>\$ 81,275</u>	<u>\$ 604,592</u>	<u>\$ 1,640,357</u>

**NOTE J. 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 (expenses/expenditure) until then.

<u>Deferred Outflows of Resources</u>	Governmental Activities	Business-Type Activities	Total
Deferred Revenue-Pension	<u>\$ 967,185</u>	<u>\$ 123,795</u>	<u>\$ 1,090,980</u>

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES CONTINUED**

In addition to liabilities, the statement of financial position and/or 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.

<b><u>Deferred Inflows of Resources</u></b>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deferred Revenue-Anzalduas Bridge	\$ 6,348,201	\$ -	\$ 6,348,201
Deferred Revenue-Pension	179,819	28,890	208,709
Total Deferred Inflows of Revenues	<u>\$ 6,528,020</u>	<u>\$ 28,890</u>	<u>\$ 6,556,910</u>

In the General Fund, \$6,348,201 of deferred revenues relates to advances made to the City of McAllen, Texas pursuant to the agreement on the Anzalduas Bridge. The remainder of deferred revenues relates to miscellaneous unearned revenues. Unearned utility revenues represent the largest portion of the total amount reflected as deferred revenues.

At the government 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 one category that qualified as deferred inflows or resources.

The following table described the items and amounts:

<b><u>Deferred Inflows of Resources</u></b>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Deferred Revenue-Property Taxes	\$ 131,005	\$ 76,877	\$ 207,882
Deferred Revenues-Anzalduas Bridge	6,348,201	-	6,348,201
Total Deferred Inflows of Resources	<u>\$ 6,479,206</u>	<u>\$ 76,877</u>	<u>\$ 6,556,083</u>

**NOTE K. SELF-INSURANCE PROGRAM**

The City has established a self-insured health insurance plan for all employees. Coverage is provided for all employees. The employees may add dependents by payroll withholding. The plans are managed by Assured Benefits Administrators. The City of Hidalgo, Texas has purchased a “stop loss” insurance policy (in excess of \$65,000) to protect itself from catastrophic claims under the medical program.

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE L. WATER AND SEWER SERVICE RATES**

The City of Hidalgo, Texas has established the following water and sewer rates based on an ordinance order dated September 30, 2013:

	Minimum Bill Up To 1,000 Gallons	All Over 1,000 Gallons (Per Gallon)
<b>WATER SERVICE</b>		
<b>(a) Residential Rate:</b>		
3/4"	\$ 9.00	\$ 1.27
1"	\$ 9.50	\$ 1.40
1 1/2"	\$ 14.50	\$ 1.40
2"	\$ 19.50	\$ 1.40
 <b>(b) Commerical Rate:</b>		
3/4"	\$ 9.00	\$ 1.40
1"	\$ 9.50	\$ 1.40
1 1/2"	\$ 14.50	\$ 1.40
2"	\$ 19.50	\$ 1.40
3"	\$ 26.50	\$ 1.40
4"	\$ 34.50	\$ 1.40
5"	\$ 49.50	\$ 1.40
 <b>SEWER SERVICE</b>		
<b>(a) Residential Rates:</b>		
Minimum bill for up to 1,000 gallons	\$ 9.00	First 1,000 gallons (base)
All over 1,000 gallons (per gallon)	\$ 1.27 /	1,000 gallons
 <b>(b) Commerical Rates:</b>		
Minimum bill for up to 1,000 gallons	\$ 9.00 /	First 1,000 gallons (base)
All over 1,000 gallons (per gallon)	\$ 1.27 /	1,000 gallons

**NOTE M. PENSION PLAN**

(1). Texas Municipal Retirement System

a. Plan Description

The City participates as one of 860 plans in the non-traditional, 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 Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.org](http://www.tmr.org).

All eligible employees of the City are required to participate in TMRS.

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE M. PENSION PLAN (CONTINUED)**

b. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefits provisions are adopted by the governing body of the City, within the options available in the state statues 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 choose to receive their retirement benefit in one of seven payments options. 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%
Matching ratio (City employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	age 60/5 or Any/20
Updated Service Credit	100%
	Repeating Transfers
Annuity Increase (to retirees)	70% of CPI

Employees covered by benefit terms:

At December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	107
Active employees	<u>150</u>
Total	<u><u>286</u></u>

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 of the City of Hidalgo were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Hidalgo were 12.56% and 12.57% in calendar year 2017 and 2016 respectively. The City’s contributions to TMRS for fiscal year ending September 30, 2017 were \$517,293 and were equal to the required contributions.

d. Net Pension Liability

The City’s Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE M. PENSION PLAN (CONTINUED)**

Actuarial Assumptions

Inflation	2.5% per year
Overall payroll growth	3.50% to 10.5% including inflation per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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 Tables with Blue Collar Adjustment, 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. For disabled annuitants, the gender-distinct RP2000 Combined Health Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. This experience study in TMRS was for the period December 31, 2010 through December 31, 2014. 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. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments to 6.75% per year. 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 long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was 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.

In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE M. PENSION PLAN (CONTINUED)**

At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rated of return for each major asset class are summarized in the following table:

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

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee 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 active and inactive employees. 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.

**Changes in Net Pension Liability**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b) (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balance at 12/31/2015	\$ 15,693,518	\$ 13,200,237	\$ 2,493,281
Changes for the year:			
Service cost	907,194	-	907,194
Interest	1,072,788	-	1,072,788
Difference between expected and actual experience	60,168	-	60,168
Changes of assumptions	-	-	-
Contributions-employer	-	691,412	(691,412)
Contributions-employee	-	383,013	(383,013)
Net investment income	-	892,095	(892,095)
Benefit payment, including refunds of employee contributions	(507,929)	(507,929)	-
Administrative expense	-	(10,075)	10,075
Other Changes	-	(543)	543
Net changes	<u>1,532,221</u>	<u>1,447,973</u>	<u>84,248</u>
Balance at 12/31/2016	<u>\$ 17,225,739</u>	<u>\$ 14,648,210</u>	<u>\$ 2,577,529</u>



**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE M. PENSION PLAN (CONTINUED)**

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

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

	1% Decrease in Discount Rate (5.75%)	Current Single Rate Assumption Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 5,511,589	\$ 2,577,529	\$ 234,878

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.org](http://www.tmr.org).

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

For the year ended September 30, 2017, the City recognized pension expense of \$608,651.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 60,168	\$ -
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	-	(1,079)
Contributions subsequent to the measurement date	517,293	-
Total	\$ 577,461	\$ (1,079)

\$1,090,980 reported as deferred outflows of resources related to pensions resulting from contributions subsequent the measurement data will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in future pension expense as follows:

Year-Ended 31-Dec		
2018	\$	72,399
2019		108,079
2020		182,539
2021		1,961
Thereafter		-
Total	\$	364,978

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE M. PENSION PLAN (CONTINUED)**

(2). Texas Emergency Services Retirement System

a. Plan Description

The Texas Emergency Services Retirement System (TESRS) is an agency of the State of Texas. The TESRS was created as a standalone agency by the 83<sup>rd</sup> Legislature via the passage of SB 220, effective September 1, 2013, to assume the related functions of the abolished Office of the Fire Fighters' Pension Commissioner. While the agency is new, the System has been in existence since 1977. TESRS, which is under the authority of Title 8, Subtitle H, Chapters 861-865 of the Texas Government Code, provides death and disability benefits to active volunteer fire fighters and first responders, and a pension to members with vested service, as well as to their survivor/beneficiaries. TESRS issues a publicly available Annual Financial Report, which includes financial statement, notes, and required supplementary information, which can be obtained at [www.tesrs.org](http://www.tesrs.org).

b. Benefits Provided

Senate Bill 411, 65<sup>th</sup> Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79<sup>th</sup> Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percentage increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service. Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse or dependent children.

Employees covered by benefit terms.

Retirees and beneficiaries receiving benefits	0
Inactive members entitled to but not yet receiving benefits	0
Active members	<u>0</u>
Total	0

c. Contributions

Under TESRS, contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contributions is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts the future retiree annuities.

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE M. PENSION PLAN (CONTINUED)**

The State is required to contribute an amount necessary to make the System “actuarially sound” each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. The Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2014, the Part Two contribution rate was 0%, since the first actuarial valuation report after adoption of the rules showed the System to have an adequate contribution arrangement without any Part Two contributions.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate. The City’s total contribution to TESRS for the year ending September 30, 2017, was \$216.

- d. Net Pension Liability  
The City’s Net Pension Liability (NPL) was measured as of August 31, 2014 for TESRS, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actual Assumptions

Inflation	3.5% per year
Overall payroll growth	N/A
Investment Rate of Return	7.75% net of pension plan investment Expense, including inflation
Mortality assumption	RP-2000 Combined Healthy Lives Mortality Tables for males and for Females projected to 2018 by scale AA

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (unexpected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.5%). In addition, the final 7.75% assumption reflected a reduction 0.20% for adverse deviation.

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE M. PENSION PLAN (CONTINUED)**

The target allocation and expected 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>
Equities		
Large cap domestic	23.00%	5.20%
Small cap domestic	10.00%	5.80%
Developed	21.00%	5.50%
International		
Emerging markets	6.00%	5.40%
Master Limited Partnerships	5.00%	7.10%
Fixed income		
Domestic	21.00%	1.40%
International	5.00%	1.60%
Total	<u>91.00%</u>	

**City's Proportion of Net Pension Liability TESRS**

The City's proportionate share of the net pension liability of the TESRS at September 30, 2017 is \$-0- and the proportion percentage of the aggregate net pension liability allocated to the City is 0.010%. The City's proportion of the net pension liability was based on actual required contributions of each of the participating departments for the plan's fiscal year.

**Pension Plan Fiduciary Net Position:**

The TESRS detailed information about the pension plan's Fiduciary Net Position is available in a separate-issued financial report and may be obtained on the internet at [www.tesrs.org](http://www.tesrs.org).

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

To the year ended September 30, 2017, the City recognized pension expense of \$-0- for the TESRS pension plan.

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE M. PENSION PLAN (CONTINUED)**

As of September 30, 2017, the City reported outflows of resources and deferred inflows of resources related to TESRS are as follows:

	TESRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ -
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	-	-
Total	\$ -	\$ -

\$-0- of contributions paid to the pension plan subsequent to measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the next fiscal year. The remaining deferred outflows and (inflows) of resources related to pensions will be amortized and recognized in pension expense as follows:

Year-Ended 31-Dec	TESRS
2017	\$ -
2018	-
2019	-
2020	-
Thereafter	-
Total	\$ -

**NOTE N. TAX INCREMENT REINVESTMENT ZONE NUMBER ONE**

On December 30, 2006, the Commission passed a resolution establishing Tax Increment Reinvestment Zone Number One, City of Hidalgo, Texas (TIRZ#1) containing approximately 629.6 acres of land located throughout the City’s jurisdictional limits and designating the area as a reinvestment zone. The City has committed to contribute to the Tax Increment Fund created for TIRZ#1 100% of its tax increment derived from the City’s maintenance and operations ad valorem taxes generated therein for 25 years of the designated reinvestment zone. The amount to be contributed TIRZ#1 is based upon the incremental increase in the appraisal value each January 1<sup>st</sup> compared to the base year appraised value of property in the investment zone as of January 1, 2006. The amount contributed will be set aside for capital improvement projects including street improvements, water/wastewater treatment capacity and sewer collections, and distribution improvements, drainage improvements, pump-house area improvements, historical preservation and economic development.

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE O. INTEREST IN INTERNATIONAL TOLL BRIDGES**

McAllen International Bridge

Pursuant to an inter-local agreement dated January 11, 1960 with the City of McAllen, Texas and as amended by an inter-local agreement dated April 1, 2003, the City of Hidalgo, Texas receives 36% of the un-allocated balance of surplus net revenues from the operations of the McAllen International Toll Bridge.

The City of Hidalgo, Texas' share of bridge revenues for the twelve (12) months ended September 30, 2017 was \$3,788,729. At September 30, 2017, the City had collected \$2,927,581 of these revenues, leaving a balance due to the City of \$861,148.

Bridge revenues represent 33.46% of total General Fund revenue in the year ended September 30, 2017.

The intangible asset of \$189,750 represents the City's original investment in the McAllen International Toll Bridge. The intangible asset has an indefinite life and is not subject to amortization, and is recognized in the Governmental Capital Assets.

Anzalduas Bridge

Pursuant to the Hidalgo-Mission-McAllen Inter-local Government Agreement, dated April 1, 2003 ('2003 Agreement'), the City of McAllen, Texas and the City of Mission, Texas own will operate, upon completing construction of the project, the Anzalduas International Crossing ("Anzalduas Bridge") links United States, south of Mission, Texas and the westernmost part of Reynosa, Tamaulipas, Mexico. According to that agreement, the ownership interest of the City of McAllen and the City of Mission are 66 2/3% and 33 1/3%, respectively. The agreement also provides that complete management and control of the Anzalduas Bridge, with the exception of fixing rates and charges for services and the issuance of debt, which is reserved by the Board of Commissioners of McAllen, shall be vested in a board of Trustees consisting of five (5) voting members, two of which are appointed from the existing members of the Hidalgo Bridge Board by McAllen, with the mayors of the cities of McAllen, Hidalgo, and Mission serving as ex-officio non-voting Board members. The Mayor of Granjeno also serves as an ex-officio non-voting member of the Board. In addition, the budget is subject to final approval by the Board of Commissioners of McAllen.

The agreement also provides that these cities as well as the City of Hidalgo will share in the unallocated balance of surplus net revenues at the following percentages: City of McAllen, 44%, City of Mission, 23%, and the City of Hidalgo, 33%, in order to finance the construction of the Anzalduas Bridge, the City of McAllen in July 2007, issues \$39,160,000 in revenue bonds in two separate series, \$26,000,000 Series 2007A and \$13,160,000 Series 2007B. The bonds are secured by a pledge of net revenues to the McAllen International Toll Bridge ("Hidalgo Bridge"), located in Hidalgo, Texas and Anzalduas Bridge. According to the 2003 Agreement, both the City of McAllen and the City of Hidalgo are responsible for the Series 2007A bonds from each City's respective share of net revenues of the Hidalgo Bridge.

Only the City of McAllen is responsible for 2007B bonds from its share of net revenues of the Hidalgo Bridge. The date of completion and commencement of operations was December 2009.

As of September 30, 2017, the Anzalduas Special and Start-Up Fund advance payable to the Hidalgo Bridge amounts to \$11,994,483 of which the City of Hidalgo's portion is \$4,318,014.

Additionally, the Hidalgo Bridge advance payable was \$4,403,145 of which the City of Hidalgo's portion was \$1,585,132. Upon satisfying debt obligations, revenues from these operations are to be distributed to pay back these advances. The aggregate amount to be paid back to the City of Hidalgo is \$6,120,876. This amount is reflected in the financial statements as deferred revenues. It is expected that these distributions in future years to the City of Hidalgo will constitute revenues for the City of Hidalgo's General Fund.

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE P. RISK MANAGEMENT**

The City is exposed to various uncertainties for losses related to intentional and unintentional torts; theft of, damage to and destruction of real and personal property; errors-and-omissions; catastrophes, medical and dental claims by employees; employee illnesses and injuries and pollution claims for which the City carries commercial insurance coverage. There have been no significant reductions in insurance coverage from the previous year. No negotiated settlements or jury awards have exceeded policy limits in any of the past three years. The City is a member of an intergovernmental risk pool. The risk pool is an inter-local non-assessable agency with present unreserved resources in excess of \$225,700,000 (as of September 30, 2005, the most recently audited financial statements completed for the risk pool). Reinsurance is provided by several A and A++ rated companies in amounts ranging from \$3,000,000 to \$90,000,000 depending on type of insurance coverage.

City management is not aware of any pending or alleged claims that could exceed the policy limits of the present insurance coverage.

**NOTE Q. CONTINGENT LIABILITIES**

The City is currently involved in litigation claims against it that are generally incidental to its operations. However, it is the opinion of the City's management that the City's liability in those cases that are not covered by liability insurance will not be material to the financial statements. Accordingly, no provision has been made in the financial statements for these contingent liabilities. The City received a substantial portion of its financial resources in the form of state and federal grants. Expenditure of such funds generally requires compliance with terms and conditions specified in the grant agreement. These funds are also subject by the grantor agency. Any disallowed costs resulting from such audit could become the responsibility of the City and repayment could be requested from nonfederal resources.

**NOTE R. EXPENDITURES OVER APPROPRIATIONS**

General fund expenditures exceeded appropriations by the indicated amounts in the following categories, which are budgeted in conformity with accounting principles generally accepted in the United States of America.

	Expenditures (Over) Appropriation
General Government	\$ 28,810
Public Safety	287,017
Culture & Recreation	45,296
Capital Outlay	163,455
Debt Service - Principal	18,900
Debt Service - Interest	15,244

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 excess actual revenues over budgeted revenues.

**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE S. TEXAS MUNICIPAL FACILITIES CORPORATION – STATE FARM ARENA**

City Management has elected to omit the TMFC-State Farm Arena financial information from the City's Audited Financial Statements for the fiscal year ended September 30, 2017.

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 1,515,306	\$ 2,242,311
Accounts Receivable, Net	919,324	1,454,873
Prepaid Items	841,251	1,087,693
Capital Assets, Net	12,251,700	15,088,379
Total Assets	<u>\$ 15,527,581</u>	<u>\$ 19,873,256</u>
<b>Liabilities</b>		
Accounts Payable	\$ 127,116	\$ 137,671
Due to Primary Government	2,840,934	3,078,569
Accrued Expenses	355,230	284,761
Deferred Revenues	4,039,213	8,172,394
Deposits Payable	180,358	187,358
Event Liabilities	38,548	58,527
Long-Term Debt:		
Due in One Year	250,907	245,000
Due in More Than one Year	10,072,000	10,317,045
Total Liabilities	<u>17,904,306</u>	<u>22,481,325</u>
<b>Net Assets</b>		
Investment in Capital Assets, Net of Related Debt	1,928,793	4,526,334
Unrestricted	(4,305,518)	(7,134,403)
Total Net Assets	<u>(2,376,725)</u>	<u>(2,608,069)</u>
Total Liabilities and Net Assets	<u>\$ 15,527,581</u>	<u>\$ 19,873,256</u>



**CITY OF HIDALGO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE T. 380 ECONOMIC DEVELOPMENT PROGRAM AGREEMENTS**

The City of Hidalgo, Texas is committed to the promotion of high quality development in all parts of the City and to an ongoing improvement in the quality of life for its citizens. The City of Hidalgo, Texas has previously developed economic development programs and incentives designed to encourage high quality business, commercial, professional sports and manufacturing concerns to locate, remain, and expand in the City of Hidalgo, Texas. Now the City of Hidalgo, Texas seeks to enhance its economic development efforts to attract and retain high quality development and jobs by establishing Chapter 380 Economic Development Program Agreements.

These 380 Economic Development Program Agreements are established in an effort to develop and expand the local economy by promoting and encouraging development and redevelopment projects that enhance the City's economic base, and diversify and expand job opportunities or by promoting and encouraging projects that create additional revenue for the City without substantially increasing the demand on City services or infrastructure. The ultimate goal and public purpose of programs established is to protect and enhance the City's fiscal ability to provide high quality municipal services for the safety, comfort and enjoyment of the City of Hidalgo, Texas residents.

**SALES TAX REBATE AGREEMENTS – CHAPTER 378 AGREEMENTS**

In addition to the 380 Agreement, the City also offered sales rebates as additional incentives to the developer and retail establishments, locating within the development project. These rebates are not recorded as a liability or commitment, as the individual amounts are not known until the sales taxes are collected. These are to be reimbursed beginning June 2008. Total amount reimbursed sales tax proceeds were \$121,101 for 2017.

**NOTE U. PRIOR PERIOD ADJUSTMENT**

	General Fund	Total Governmental Funds	Government-Wide Governmental Activities
Net Position, October 1, 2016	\$ 5,746,166	\$ 6,295,613	\$ 21,100,707
Changes in Net Position	403,300	538,954	1,393,320
Prior Period Adjustment:			
Accounts receivable adjustment	(5,516)	(5,516)	(5,516)
Accounts payable adjustment	79,353	79,353	79,353
Total Prior Period Adjustment:	<u>73,837</u>	<u>73,837</u>	<u>73,837</u>
Net Position, October 1, 2016, Restated	<u>\$ 6,223,303</u>	<u>\$ 6,908,404</u>	<u>\$ 22,567,864</u>

**NOTE V. SUBSEQUENT EVENTS**

Subsequent events were evaluated through July 18, 2018, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HIDALGO, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**FOR AGENT MULTIPLE-EMPLOYER PENSION PLAN**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)**  
**LAST TWO FISCAL YEAR (PREVIOUS YEARS UNAVAILABLE)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Total pension liability</b>			
Service Cost	\$ 640,227	\$ 839,158	\$ 907,194
Interest (on the Total Pension Liability)	966,835	1,015,679	1,072,788
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(615,483)	(170,708)	60,168
Change of assumptions	-	115,267	-
Benefit payments, including refunds of employee contributions	(394,531)	(392,012)	(507,929)
<b>Net Change in Total Pension Liability</b>	<u>597,048</u>	<u>1,407,384</u>	<u>1,532,221</u>
<b>Total Pension Liability - Beginning</b>	<u>13,689,086</u>	<u>14,286,134</u>	<u>15,693,518</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>14,286,134</u></u>	<u><u>15,693,518</u></u>	<u><u>17,225,739</u></u>
 <b>Plan Fiduciary Net Position</b>			
Contributions - Employer	539,233	672,380	691,412
Contributions - Employee	315,222	362,599	383,013
Net Investment Income	654,693	18,519	892,095
Benefit payments, including refunds of employee contributions	(394,531)	(392,012)	(507,929)
Administrative Expense	(6,835)	(11,280)	(10,075)
Other	(562)	(557)	(543)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>1,107,220</u>	<u>649,649</u>	<u>1,447,973</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>11,443,368</u>	<u>12,550,588</u>	<u>13,200,237</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$ 12,550,588</u></u>	<u><u>\$ 13,200,237</u></u>	<u><u>\$ 14,648,210</u></u>
 <b>Net Pension Liability - Ending (a)-(b)</b>	<u><u>\$ 1,735,546</u></u>	<u><u>\$ 2,493,281</u></u>	<u><u>\$ 2,577,529</u></u>
 <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	87.85%	84.11%	85.04%
 <b>Covered Employee Payroll</b>	\$ 4,502,831	\$ 5,179,990	\$ 5,471,618
 <b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	38.54%	48.13%	47.11%

Notes to Schedule of Changes in Net Pension Liability and Related Ratios  
GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, this schedule provides the information of those years for which information is available.

**CITY OF HIDALGO, TEXAS**  
**SCHEDULE OF THE CITY'S PROPORTIONATE OF THE NET PENSION**  
**LIABILITIES OF COST-SHARING MULTIPLE-EMPLOYER PENSION PLAN**  
**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TMRS)**  
**LAST TWO FISCAL YEAR (PREVIOUS YEARS UNAVAILABLE)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
City's proportion of the net pension liability	0.01%	0.00%	0.00%
City's proportionate share of the net pension liability	\$ 1,817	\$ 1,817	\$ 1,817
City's number of active members	4	0	0
City's net pension liability per active member	\$ 454	\$ -	\$ -
Plan fiduciary net position as a percentage of the total pension liability	83.45%	0.00%	0.00%

Notes to Schedule of Changes in Net Pension Liability and Related Ratios

GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, this schedule provides the information of those years for which information is available.

**CITY OF HIDALGO, TEXAS  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)  
FISCAL YEAR 2017 (PREVIOUS YEARS UNAVAILABLE)**

Fiscal Year	(1) Actuarially Determined Contribution	(2) Contributions in relation to the Actuarially Determined Contribution	(3) Contributions Excess (Deficiency) (2) - (1)	(4) Covered Employee Payroll	(5) Contributions as a percentage of Covered Employee Payroll (2) / (4)
2014	\$ 522,726	\$ 522,726	\$ -	\$ 4,462,028	11.71%
2015	613,608	613,608	-	5,179,990	11.85%
2016	691,412	691,412	-	5,471,618	12.64%

**Notes to Schedule of Contributions:**

**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates for 2015:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
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:**

Notes Adopted restricted prior service credit

**CITY OF HIDALGO, TEXAS  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)  
FISCAL YEAR 2017 (PREVIOUS YEARS UNAVAILABLE)**

Fiscal Year	(1) Actuarially Determined Contribution	(2) Contributions in relation to the Actuarially Determined Contribution	(3) Contributions Excess (Deficiency) (2) - (1)	(4) Number of Active Members	(5) Contribution Per Active Member (1) / (4)
2014	\$ 432	\$ 216	\$ 216	4	\$ 108
2015	-	-	-	4	-
2016	-	-	-	4	-

**Notes to Schedule of Contributions:**

**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of August 31, every two years

**Methods and Assumptions Used to Determine Contribution Rates for 2015:**

Actuarial Cost Method	Entry Age Normal
Discount Rate	7.75%
Inflation	3.50%
Salary Increases	Not applicable
Investment Rate of Return	7.75%
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 Healthy Lives Mortality Tables male and females projected to 2018 by scale AA

**Other Information:**

Notes No Changes

**SUPPLEMENTARY INFORMATION**

**CITY OF HIDALGO, TEXAS  
NOTES TO SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2017**

**Stewardship, Compliance, and Accountability**

*Budgets and Budgetary Accounting*

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except for certain major and non-major special revenue funds, which adopt project-length budgets. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds, as well as for the Utility Funds.

Unused appropriations for the annual budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

On or before the end of June of each year, all agencies of the City submit requests for appropriation to the City Manager so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations by fund function, and activity for the next fiscal year.

Before October 1, the proposed budget is presented to the City Commission for review. The City Commissioners hold a public hearing and may add to, subtract from or change appropriations by fund, function and activity, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City Manager or the revenue estimates must be changed by an affirmative vote of a majority of the City Commissioners.

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the overall fund total of appropriated expenditures of any fund must be approved by the Board of Commissioners.

*Expenditures Over Appropriations*

For the fiscal year September 30, 2017, expenditures in the General Fund exceeded budgeted appropriations in the following functions:

General Government	\$	28,810
Public Safety	\$	287,017
Culture & Recreation	\$	45,296
Capital Outlay	\$	163,455
Debt Service - Principal	\$	18,900
Debt Service - Interest	\$	15,244



**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS SCHEDULES**

**CITY OF HIDALGO, TEXAS  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017 AND 2016**

	<u>Special Revenue Funds</u>		<u>2017</u>	<u>2016</u>
	<u>Capital Projects Fund</u>	<u>Tax Increment Reinvestment Zone Fund</u>		
<b>Assets</b>				
Cash and Cash investments	\$ 101	\$ 935,499	\$ 935,600	\$ 736,808
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	22,108	22,108	251,461
<b>Total Assets</b>	<u>\$ 101</u>	<u>\$ 957,607</u>	<u>\$ 957,708</u>	<u>\$ 988,269</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	88	270,714	270,802	480,826
Unearned revenue	-	-	-	-
<b>Total Liabilities</b>	<u>88</u>	<u>270,714</u>	<u>270,802</u>	<u>480,826</u>
<b>Fund Balances</b>				
Non-Major funds	<u>13</u>	<u>686,893</u>	<u>686,906</u>	<u>507,443</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 101</u>	<u>\$ 957,607</u>	<u>\$ 957,708</u>	<u>\$ 988,269</u>

**CITY OF HIDALGO, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2017 AND 2016**

	Special Revenue Funds		2017	2016
	Capital Projects Fund	Tax Increment Reinvestment Zone Fund		
<b>Revenues</b>				
Intergovernmental revenue	\$ -	\$ 253,358	\$ 253,358	\$ 251,461
Interest	1	3,391	3,392	639
Other	-	-	-	-
<b>Total Revenues</b>	1	256,749	256,750	252,100
<b>Expenditures</b>				
Miscellaneous	-	-	-	-
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	-	-	-	-
<b>Excess (deficiency) of revenues over expenditures</b>	1	256,749	256,750	252,100
<b>Other financing sources (uses)</b>				
Transfers in	-	193,427	193,427	144,966
Transfers out	-	(270,714)	(270,714)	(266,514)
<b>Net other financing sources (uses)</b>	-	(77,287)	(77,287)	(121,548)
<b>Net change in fund balances</b>	1	179,462	179,463	130,552
<b>Fund Balances, October 1</b>	12	507,431	507,443	376,891
<b>Fund Balances, September 30</b>	\$ 13	\$ 686,893	\$ 686,906	\$ 507,443

**GENERAL FUND SCHEDULES**

**CITY OF HIDALGO, TEXAS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>Budget</u>	<u>2017 Actual</u>	<u>Variance Final Budget Favorable (Unfavorable)</u>	<u>2016 Actual</u>
<b>Revenues</b>				
Property Taxes	\$ 1,479,789	\$ 1,479,755	\$ (34)	\$ 1,301,776
Sales Taxes	1,879,133	1,842,323	(36,810)	1,967,253
Franchise Taxes	487,500	629,215	141,715	416,761
Hotel Occupancy Taxes	45,600	37,866	(7,734)	64,595
Other Taxes	20,980	17,458	(3,522)	17,985
Licenses & Permits	315,215	362,137	46,922	353,391
Intergovernmental Revenues	312,929	422,806	109,877	1,658,569
Charges for Services	1,339,953	1,458,204	118,251	1,483,437
Fines & Forfeitures	799,006	963,271	164,265	833,710
Bridge Revenue	3,703,601	3,788,729	85,128	3,741,075
Interest Earned	10,270	16,759	6,489	7,645
Miscellaneous & Other Income	85,801	228,006	142,205	236,339
<b>Total revenues</b>	<u>10,479,777</u>	<u>11,246,529</u>	<u>766,752</u>	<u>12,082,536</u>
<b>Expenditures</b>				
<b>Current</b>				
General Government	2,228,353	2,257,163	(28,810)	2,301,993
Public Safety	3,430,687	3,717,704	(287,017)	3,538,719
Public Works	735,618	722,113	13,505	800,385
Health & Welfare	60,161	57,790	2,371	57,461
Culture & Recreation	2,557,707	2,603,003	(45,296)	2,692,004
Non-Departmental Expenditures	-	-	-	-
Capital Outlay	819,481	982,936	(163,455)	2,140,183
Debt Service				
Principal	174,596	193,496	(18,900)	822,473
Interest	4,943	20,187	(15,244)	34,485
<b>Total expenditures</b>	<u>10,011,546</u>	<u>10,554,392</u>	<u>(542,846)</u>	<u>12,387,703</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	468,231	692,137	223,906	(305,167)
<b>Other Financing Sources (Uses)</b>				
Transfers (Out)	(138,103)	(138,103)	-	(100,725)
380 Agreement Expenditures	-	-	-	(130,327)
Note Proceeds	105,278	105,278	-	939,519
<b>Total Other Financing Sources (Uses)</b>	<u>(32,825)</u>	<u>(32,825)</u>	<u>-</u>	<u>708,467</u>
<b>Net Changes in Fund Balances</b>	<u>\$ 435,406</u>	659,312	<u>\$ 223,906</u>	403,300
<b>Fund Balance, October 1, As Restated (Note U)</b>		<u>6,223,303</u>		<u>5,746,166</u>
<b>Fund Balance, September 30</b>		<u>\$ 6,882,615</u>		<u>\$ 6,149,466</u>

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

**CITY OF HIDALGO, TEXAS  
GENERAL FUND  
SCHEDULE OF REVENUES-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Final Budget Favorable (Unfavorable)</u>
<b>Taxes</b>			
General Property Taxes			
Advalorem Taxes	\$ 1,445,939	\$ 1,446,939	\$ 1,000
Penalties and Interest on Taxes	33,850	32,816	(1,034)
<b>Total General Property Taxes</b>	<u>1,479,789</u>	<u>1,479,755</u>	<u>(34)</u>
<b>Other Taxes</b>			
City Sales Taxes	1,879,133	1,842,323	(36,810)
Franchise Taxes	487,500	629,215	141,715
Hotel Occupancy Taxes	45,600	37,866	(7,734)
Other Taxes	20,980	17,458	(3,522)
<b>Total Other Taxes</b>	<u>2,433,213</u>	<u>2,526,862</u>	<u>93,649</u>
<b>Total Taxes</b>	<u>3,913,002</u>	<u>4,006,617</u>	<u>93,615</u>
<b>Licenses and Permits</b>			
Business Licenses and Permits	308,910	354,486	45,576
Non-business licenses and Permits	6,305	7,651	1,346
<b>Total Licenses and Permits</b>	<u>315,215</u>	<u>362,137</u>	<u>46,922</u>
<b>Intergovernmental Revenue</b>			
Federal Grants	171,185	220,433	49,248
State Grants	141,744	202,373	60,629
Urban County	-	-	-
<b>Total Intergovernmental Revenue</b>	<u>312,929</u>	<u>422,806</u>	<u>109,877</u>
<b>Charges for Services</b>			
Administrative Fees	350,000	380,000	30,000
Public Safety	326,379	392,677	66,298
Health	32,300	25,010	(7,290)
Culture & Recreation			
BorderFest	360,749	375,823	15,074
Festival of Lights	173,928	173,925	(3)
Pump House	7,300	7,859	559
Other	68,797	76,903	8,106
Cemetery Charges	20,500	26,007	5,507
<b>Total Charges for Services</b>	<u>\$ 1,339,953</u>	<u>\$ 1,458,204</u>	<u>\$ 118,251</u>

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

**CITY OF HIDALGO, TEXAS  
GENERAL FUND  
SCHEDULE OF REVENUES-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Final Budget Favorable (Unfavorable)</u>
<b>Fines and Forfeitures</b>			
Municipal Court Fines	\$ 689,850	\$ 839,934	\$ 150,084
Time Payment	18,750	21,006	2,256
Municipal Court Technology Fees	27,550	31,844	4,294
Municipal Court Security Fees	20,350	23,271	2,921
Arrest Fees	34,800	40,073	5,273
Money Confiscated	-	-	-
City Library Fines and Fees	7,706	7,143	(563)
<b>Total Fines and Forfeits</b>	<u>799,006</u>	<u>963,271</u>	<u>164,265</u>
<b>Bridge Revenue</b>			
Bridge Revenue	3,703,601	3,788,729	85,128
<b>Total Bridge Revenue</b>	<u>3,703,601</u>	<u>3,788,729</u>	<u>85,128</u>
<b>Interest</b>			
Interest Revenue	10,270	16,759	6,489
<b>Total Interest</b>	<u>10,270</u>	<u>16,759</u>	<u>6,489</u>
<b>Other Revenues/Reimbursements</b>			
Refunds/Disbursements	25,809	59,006	33,197
Rents and Royalties	27,600	45,415	17,815
Contribution	6,250	95,802	89,552
Miscellaneous	26,142	27,783	1,641
Sale of Assets	-	-	-
<b>Total Miscellaneous Revenues</b>	<u>85,801</u>	<u>228,006</u>	<u>142,205</u>
<b>Total Revenues</b>	<u>\$ 10,479,777</u>	<u>\$ 11,246,529</u>	<u>\$ 766,752</u>

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



**CITY OF HIDALGO, TEXAS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Final Budget Favorable (Unfavorable)</u>
<b><u>GENERAL GOVERNMENT</u></b>			
<b>City General Administration</b>			
Personal Services	\$ 1,054,628	\$ 1,087,348	\$ (32,720)
Other Services & Charges	450,983	467,465	(16,482)
Supplies	17,450	18,240	(790)
<b>Total General Administration</b>	<u>1,523,061</u>	<u>1,573,053</u>	<u>(49,992)</u>
<b>Judicial-Corporation Court</b>			
Personal Services	216,302	210,966	5,336
Other Services & Charges	55,812	56,049	(237)
Supplies	5,738	5,604	134
<b>Total Judicial-Corporation Court</b>	<u>277,852</u>	<u>272,619</u>	<u>5,233</u>
<b>Building Maintenance</b>			
Personal Services	152,593	149,330	3,263
Other Services & Charges	10,886	10,352	534
Supplies	7,880	8,209	(329)
<b>Total Building Maintenance</b>	<u>171,359</u>	<u>167,891</u>	<u>3,468</u>
<b>Information Technology</b>			
Personal Services	174,509	156,982	17,527
Other Services & Charges	78,222	83,403	(5,181)
Supplies	3,350	3,215	135
<b>Total Information Technology</b>	<u>256,081</u>	<u>243,600</u>	<u>12,481</u>
<b>Total General Government</b>	<u>2,228,353</u>	<u>2,257,163</u>	<u>(28,810)</u>
<b><u>PUBLIC SAFETY</u></b>			
<b>POLICE DEPARTMENT</b>			
<b>Police</b>			
Personal Services	1,839,327	2,109,276	(269,949)
Other Services & Charges	222,236	250,732	(28,496)
Supplies	104,850	115,433	(10,583)
<b>Total Police</b>	<u>2,166,413</u>	<u>2,475,441</u>	<u>(309,028)</u>
<b>Police Programs/Grants</b>			
Personal Services	506,527	504,920	1,607
Other Services & Charges	41,600	19,330	22,270
Supplies	-	-	-
<b>Total Police Programs/Grants</b>	<u>548,127</u>	<u>524,250</u>	<u>23,877</u>
<b>Total Police Department</b>	<u>2,714,540</u>	<u>2,999,691</u>	<u>(285,151)</u>

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

**CITY OF HIDALGO, TEXAS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Final Budget Favorable (Unfavorable)</u>
<b><u>PUBLIC SAFETY (CONTINUED)</u></b>			
<b>Fire Suppression</b>			
Personal Services	\$ 441,735	\$ 441,119	\$ 616
Other Services & Charges	65,411	64,261	1,150
Supplies	29,050	37,584	(8,534)
<b>Total Fire Suppression</b>	<u>536,196</u>	<u>542,964</u>	<u>(6,768)</u>
<b>Code Enforcement</b>			
Personal Services	137,625	128,234	9,391
Other Services & Charges	39,201	42,606	(3,405)
Supplies	3,125	4,209	(1,084)
<b>Total Code Enforcement</b>	<u>179,951</u>	<u>175,049</u>	<u>4,902</u>
<b>Total Public Safety</b>	<u>3,430,687</u>	<u>3,717,704</u>	<u>(287,017)</u>
<b><u>HEALTH &amp; WELFARE</u></b>			
<b>Health &amp; Welfare</b>			
Personal Services	53,061	50,122	2,939
Other Services & Charges	2,350	2,053	297
Supplies	1,200	1,839	(639)
<b>Total Health &amp; Welfare</b>	<u>56,611</u>	<u>54,014</u>	<u>2,597</u>
<b>Mosquito Control Program</b>			
Personal Services	-	-	-
Other Services & Charges	-	-	-
Supplies	3,550	3,776	(226)
<b>Total Mosquito Control Program</b>	<u>3,550</u>	<u>3,776</u>	<u>(226)</u>
<b>Total Health &amp; Welfare</b>	<u>60,161</u>	<u>57,790</u>	<u>2,371</u>
<b><u>PUBLIC WORKS</u></b>			
<b>Streets &amp; Highways</b>			
Personal Services	363,218	321,009	42,209
Other Services & Charges	338,100	364,999	(26,899)
Supplies	34,300	36,105	(1,805)
<b>Total Streets &amp; Highways</b>	<u>735,618</u>	<u>722,113</u>	<u>13,505</u>
<b>Total Public Works</b>	<u>735,618</u>	<u>722,113</u>	<u>13,505</u>

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

**CITY OF HIDALGO, TEXAS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Final Budget Favorable (Unfavorable)</u>
<b><u>CULTURE &amp; RECREATION</u></b>			
<b>BorderFest</b>			
Other Services & Charges	\$ 611,319	\$ 609,413	\$ 1,906
<b>Total BorderFest</b>	<u>611,319</u>	<u>609,413</u>	<u>1,906</u>
<b>Festival of Lights</b>			
Other Services & Charges	237,020	237,687	(667)
<b>Total Festival of Lights</b>	<u>237,020</u>	<u>237,687</u>	<u>(667)</u>
<b>Pump House Preservative Project</b>			
Personal Services	172,224	175,194	(2,970)
Other Services & Charges	42,600	43,484	(884)
Supplies	5,500	4,923	577
<b>Total Pump House Preservative Project</b>	<u>220,324</u>	<u>223,601</u>	<u>(3,277)</u>
<b>Library</b>			
Personal Services	179,462	182,773	(3,311)
Other Services & Charges	45,300	40,848	4,452
Supplies	8,700	9,182	(482)
<b>Total Library</b>	<u>233,462</u>	<u>232,803</u>	<u>659</u>
<b>Parks &amp; Recreation</b>			
Personal Services	654,681	685,950	(31,269)
Other Services & Charges	151,925	160,209	(8,284)
Supplies	31,125	32,242	(1,117)
<b>Total Parks &amp; Recreation</b>	<u>837,731</u>	<u>878,401</u>	<u>(40,670)</u>
<b>Cemetary Expenses</b>			
Personal Services	40,484	41,223	(739)
Other Services & Charges	-	-	-
Supplies	-	-	-
<b>Total Cemetary Expenses</b>	<u>40,484</u>	<u>41,223</u>	<u>(739)</u>
<b>Youth Center</b>			
Personal Services	231,472	234,473	(3,001)
Other Services & Charges	80,569	95,093	(14,524)
Supplies	7,105	7,187	(82)
<b>Total Youth Center</b>	<u>319,146</u>	<u>336,753</u>	<u>(17,607)</u>

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

**CITY OF HIDALGO, TEXAS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Final Budget Favorable (Unfavorable)</u>
<b><u>CULTURE &amp; RECREATION (CONTINUED)</u></b>			
<b>United Way - Venture Grant</b>			
Personal Services	\$ 31,446	\$ 19,388	\$ 12,058
<b>Total United Way-Venture Grant</b>	<u>31,446</u>	<u>19,388</u>	<u>12,058</u>
<b>Tournaments/Concessions</b>			
Other Services & Charges	26,775	23,734	3,041
Supplies	-	-	-
<b>Total Tournaments/Concessions</b>	<u>26,775</u>	<u>23,734</u>	<u>3,041</u>
<b>Total Culture &amp; Recreation</b>	<u>2,557,707</u>	<u>2,603,003</u>	<u>(45,296)</u>
<b><u>NON-DEVELOPMENTAL EXPENDITURES</u></b>			
<b>Urban County Program</b>			
Personal Services	-	-	-
Other Services & Charges	-	-	-
Supplies	-	-	-
<b>Total Urban County Program</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Non-Department Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>CAPITAL OUTLAY</u></b>			
General Government	41,392	46,266	(4,874)
Public Safety-Police	102,937	144,736	(41,799)
Public Safety-Fire	11,200	93,873	(82,673)
Public Works - Code Enforcement	13,250	13,250	-
Public Works - Streets	526,088	478,663	47,425
Health & Welfare	-	-	-
Culture & Recreation	124,614	206,148	(81,534)
<b>Total Capital Outlay</b>	<u>819,481</u>	<u>982,936</u>	<u>(163,455)</u>
<b><u>DEBT SERVICE</u></b>			
Capital Lease Payments	98,843	93,772	5,071
Notes Payable Payments	75,753	99,724	(23,971)
Interest Expense	4,943	20,187	(15,244)
<b>Total Debt Service</b>	<u>179,539</u>	<u>213,683</u>	<u>(34,144)</u>
<b>Total Expenditures</b>	<u>\$ 10,011,546</u>	<u>\$ 10,554,392</u>	<u>\$ (542,846)</u>

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

**PART III**  
**STATISTICAL SECTION**

**CITY OF HIDALGO, TEXAS  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS**

	<b>FISCAL YEAR</b>			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Governmental Activities</b>				
Net investment in capital assets	\$ 16,445,173	\$ 15,631,259	\$ 11,938,305	\$ 16,322,605
Restricted	-	-	2,252,722	170,089
Unrestricted	6,548,220	6,580,445	6,137,415	5,664,388
Total governmental activities net position	<u>\$ 22,993,393</u>	<u>\$ 22,211,704</u>	<u>\$ 20,328,442</u>	<u>\$ 22,157,082</u>
<b>Business-Type Activities</b>				
Net investment in capital assets	\$ 9,540,292	\$ -	\$ 8,608,056	\$ 8,435,097
Restricted	-	-	-	-
Unrestricted	1,104,189	10,511,063	1,581,506	1,899,385
Total business-type activities net position	<u>\$ 10,644,481</u>	<u>\$ 10,511,063</u>	<u>\$ 10,189,562</u>	<u>\$ 10,334,482</u>
<b>Primary Government</b>				
Net investment in capital assets	\$ 25,985,465	\$ 15,631,259	\$ 20,546,361	\$ 24,757,702
Restricted	-	-	2,252,722	170,089
Unrestricted	7,652,409	17,091,508	7,718,921	7,563,773
Total primary government net position	<u>\$ 33,637,874</u>	<u>\$ 32,722,767</u>	<u>\$ 30,518,004</u>	<u>\$ 32,491,564</u>

**CITY OF HIDALGO, TEXAS  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS**

<b>FISCAL YEAR</b>					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 16,697,322	\$ 18,802,889	\$ 16,722,623	\$ 16,953,133	\$ 17,863,948	\$ 15,501,838
355,162	534,690	1,559,642	928,136	982,700	1,211,213
3,940,259	3,535,238	3,136,560	3,219,438	3,267,433	6,789,990
<u>\$ 20,992,743</u>	<u>\$ 22,872,817</u>	<u>\$ 21,418,825</u>	<u>\$ 21,100,707</u>	<u>\$ 22,114,081</u>	<u>\$ 23,503,041</u>
\$ 11,125,759	\$ 11,308,436	\$ 9,437,650	\$ 8,876,162	\$ 8,792,916	\$ 8,263,958
-	-	399,658	884,577	528,549	531,310
2,797,948	3,092,444	3,332,126	3,243,638	3,660,864	4,080,799
<u>\$ 13,923,707</u>	<u>\$ 14,400,880</u>	<u>\$ 13,169,434</u>	<u>\$ 13,004,377</u>	<u>\$ 12,982,329</u>	<u>\$ 12,876,067</u>
\$ 27,823,081	\$ 30,111,325	\$ 26,160,273	\$ 25,829,295	\$ 26,656,864	\$ 23,765,796
355,162	534,690	1,959,300	1,812,713	1,511,249	1,742,523
6,738,207	6,627,682	6,468,686	6,463,076	6,928,297	10,870,789
<u>\$ 34,916,450</u>	<u>\$ 37,273,697</u>	<u>\$ 34,588,259</u>	<u>\$ 34,105,084</u>	<u>\$ 35,096,410</u>	<u>\$ 36,379,108</u>

**CITY OF HIDALGO, TEXAS  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Expenses</b>				
<b>Governmental Activities</b>				
General Government	\$ 2,135,570	\$ 2,483,892	\$ 2,384,919	\$ 2,767,488
Public Safety	4,614,233	4,639,648	4,347,874	3,990,637
Highways and streets	905,649	1,032,200	2,261,706	1,073,321
Health and welfare	70,624	77,051	74,279	65,130
Economic development	-	448,543	441,567	447,217
Culture and recreation	1,873,501	1,769,943	1,660,302	1,684,241
Employee Health Benefit Plan, Net	-	-	-	-
Interest on long-term debt	393,603	362,200	419,259	382,220
Total governmental activities expenses	<u>9,993,180</u>	<u>10,813,477</u>	<u>11,589,906</u>	<u>10,410,254</u>
<b>Business-type Activities</b>				
Utility system	2,174,677	2,261,168	2,474,897	2,404,299
Water services	-	-	-	-
Sewer services	-	-	-	-
Garbage and brush	-	-	-	-
Irrigation and landscaping	-	-	-	-
Interest on long-term debt	-	-	-	-
Total business-type activities expenses	<u>2,174,677</u>	<u>2,261,168</u>	<u>2,474,897</u>	<u>2,404,299</u>
Total primary government expenses	<u>\$ 12,167,857</u>	<u>\$ 13,074,645</u>	<u>\$ 14,064,803</u>	<u>\$ 12,814,553</u>
<b>Program Revenues</b>				
<b>Governmental Activities</b>				
Charges for services				
General government	\$ -	\$ -	\$ -	\$ 356,952
Public Safety	-	-	-	394,318
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Other activities	-	-	-	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total governmental activities program revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>751,270</u>
<b>Business-type activities</b>				
Charges for services				
Utility system	1,980,361	2,104,767	2,119,990	2,428,987
Water services	-	-	-	-
Sewer services	-	-	-	-
Garbage and brush	-	-	-	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>1,980,361</u>	<u>2,104,767</u>	<u>2,119,990</u>	<u>2,428,987</u>
Total primary government program revenues	<u>\$ 1,980,361</u>	<u>\$ 2,104,767</u>	<u>\$ 2,119,990</u>	<u>\$ 3,180,257</u>
<b>Net (expense)/revenue</b>				
Governmental activities	\$ (9,993,180)	\$ (10,813,477)	\$ (11,589,906)	\$ (9,658,984)
Business-type activities	(194,316)	(156,401)	(354,907)	24,688
Total primary government net expense	<u>\$ (10,187,496)</u>	<u>\$ (10,969,878)</u>	<u>\$ (11,944,813)</u>	<u>\$ (9,634,296)</u>



**CITY OF HIDALGO, TEXAS  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS**

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 3,127,792	\$ 2,896,706	\$ 2,170,088	\$ 2,273,508	\$ 2,618,767	\$ 2,612,568
4,164,597	2,642,915	3,636,406	3,722,345	3,781,703	4,011,203
900,720	1,653,588	1,591,654	1,437,258	1,609,036	1,497,517
68,094	64,052	57,617	53,978	57,997	58,449
275,536	-	147,309	97,397	130,327	-
1,534,062	896,463	1,853,604	1,763,763	3,026,629	2,790,340
-	-	284,626	760,787	1,149,626	957,098
295,039	284,319	277,056	236,228	247,433	206,837
<u>10,365,840</u>	<u>8,438,043</u>	<u>10,018,360</u>	<u>10,345,264</u>	<u>12,621,518</u>	<u>12,134,012</u>
2,338,136	2,425,335	-	-	-	-
-	-	1,282,781	1,239,424	1,324,490	1,512,276
-	-	809,741	1,080,845	908,407	915,051
-	-	469,872	550,818	606,545	644,050
-	-	26,676	2,828	1,222	768
-	-	56,993	55,458	54,581	56,784
<u>2,338,136</u>	<u>2,425,335</u>	<u>2,646,063</u>	<u>2,929,373</u>	<u>2,895,245</u>	<u>3,128,929</u>
<u>\$ 12,703,976</u>	<u>\$ 10,863,378</u>	<u>\$ 12,664,423</u>	<u>\$ 13,274,637</u>	<u>\$ 15,516,763</u>	<u>\$ 15,262,941</u>
\$ 515,203	\$ 1,026,544	\$ 621,078	\$ 589,722	\$ 663,391	\$ 742,137
-	-	930,094	813,691	1,159,612	1,348,805
-	-	-	-	-	-
-	-	64,732	42,724	28,364	51,017
-	-	174,454	225,863	819,171	641,653
-	-	-	809,341	1,094,580	956,018
-	-	632,463	770,628	872,242	494,139
-	-	-	402,536	704,983	270,822
<u>515,203</u>	<u>1,026,544</u>	<u>2,422,821</u>	<u>3,654,505</u>	<u>5,342,343</u>	<u>4,504,591</u>
2,407,569	2,517,762	-	-	-	-
-	-	1,142,310	1,184,133	1,155,617	1,232,720
-	-	959,145	761,380	983,028	1,005,513
-	-	638,681	657,428	675,070	688,871
-	-	-	359,024	-	-
-	-	791,135	-	-	-
<u>2,407,569</u>	<u>2,517,762</u>	<u>3,531,271</u>	<u>2,961,965</u>	<u>2,813,715</u>	<u>2,927,104</u>
<u>\$ 2,922,772</u>	<u>\$ 3,544,306</u>	<u>\$ 5,954,092</u>	<u>\$ 6,616,470</u>	<u>\$ 8,156,058</u>	<u>\$ 7,431,695</u>
\$ (9,850,637)	\$ (7,411,499)	\$ (7,595,539)	\$ (6,690,759)	\$ (7,279,175)	\$ (7,629,421)
69,433	92,427	885,208	32,592	(81,530)	(201,825)
<u>\$ (9,781,204)</u>	<u>\$ (7,319,072)</u>	<u>\$ (6,710,331)</u>	<u>\$ (6,658,167)</u>	<u>\$ (7,360,705)</u>	<u>\$ (7,831,246)</u>

**CITY OF HIDALGO, TEXAS  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>General Revenue and Other Changes in Net Position</b>				
Governmental activities				
Taxes				
Property taxes	\$ 1,204,485	\$ 1,758,456	\$ 1,498,650	\$ 1,958,047
Sales taxes	1,320,798	1,550,727	1,249,008	1,439,822
Franchise taxes	331,556	357,999	344,762	391,045
Hotel/motel taxes	8,258	29,070	15,417	43,145
Alcoholic beverage taxes	13,432	14,238	13,643	9,602
Toll bridge revenue	3,789,038	3,185,857	2,781,964	2,757,893
Other grants and contributions	408,405	376,844	729,081	3,016,943
Penalty and interest	57,448	62,480	76,686	78,398
Investment earnings	182,431	126,626	99,374	10,044
Gain (loss) on sale of capital assets	-	-	-	-
Miscellaneous	5,817,516	2,577,450	2,896,952	1,764,545
Special item	-	-	-	-
Transfers	-	-	-	-
Total governmental activities	<u>13,133,367</u>	<u>10,039,747</u>	<u>9,705,537</u>	<u>11,469,484</u>
Business-type activities				
Investment earnings	-	-	-	-
Other grants and contributions	-	-	-	-
Miscellaneous	37,250	32,553	33,406	18,273
Special item	-	-	-	-
Transfers	-	-	-	-
Total business-type activities	<u>37,250</u>	<u>32,553</u>	<u>33,406</u>	<u>18,273</u>
Total primary government	<u>\$ 13,170,617</u>	<u>\$ 10,072,300</u>	<u>\$ 9,738,943</u>	<u>\$ 11,487,757</u>
 Change in Net Position				
Governmental activities	\$ 3,140,187	\$ (773,730)	\$ (1,884,369)	\$ 1,810,500
Business-type activities	(157,066)	(123,848)	(321,501)	42,961
Total primary government	<u>\$ 2,983,121</u>	<u>\$ (897,578)</u>	<u>\$ (2,205,870)</u>	<u>\$ 1,853,461</u>

**CITY OF HIDALGO, TEXAS  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS**

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 1,781,622	\$ 1,556,041	\$ 1,785,337	\$ 1,810,298	\$ 1,887,021	\$ 2,088,214
1,229,114	1,446,192	1,529,920	1,929,195	1,967,253	1,842,323
403,018	396,469	402,999	407,170	416,761	629,215
45,504	45,332	53,845	71,023	82,580	55,324
7,878	5,684	12,354	5,685	8,661	21,584
2,973,203	3,226,208	3,428,995	3,663,548	3,741,075	3,788,729
323,761	1,853,510	-	-	-	-
69,694	49,912	-	-	-	-
13,589	13,347	11,196	-	-	-
-	-	(55,769)	105,864	5,945	-
2,020,758	1,009,908	72,025	69,367	183,253	139,209
-	-	-	-	-	-
-	-	-	-	-	-
<u>8,868,141</u>	<u>9,602,603</u>	<u>7,240,902</u>	<u>8,062,150</u>	<u>8,292,549</u>	<u>8,564,598</u>
-	-	2,780	2,840	4,530	13,918
-	379,517	-	-	-	-
17,596	23,943	14,506	38,536	54,952	81,645
3,517,603	-	-	-	-	-
-	-	-	-	-	-
<u>3,535,199</u>	<u>403,460</u>	<u>17,286</u>	<u>41,376</u>	<u>59,482</u>	<u>95,563</u>
<u>\$ 12,403,340</u>	<u>\$ 10,006,063</u>	<u>\$ 7,258,188</u>	<u>\$ 8,103,526</u>	<u>\$ 8,352,031</u>	<u>\$ 8,660,161</u>
\$ (982,496)	\$ 2,191,104	\$ (354,637)	\$ 1,371,391	\$ 1,013,374	\$ 935,177
3,604,632	495,887	902,494	73,968	(22,048)	(106,262)
<u>\$ 2,622,136</u>	<u>\$ 2,686,991</u>	<u>\$ 547,857</u>	<u>\$ 1,445,359</u>	<u>\$ 991,326</u>	<u>\$ 828,915</u>

**CITY OF HIDALGO, TEXAS  
FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**

	<b>FISCAL YEAR</b>				
	2008	2009	2010	2011	2012
<b>GENERAL FUND</b>					
<b>Pre GASB 54</b>					
Reserved	\$ 99,352	\$ 99,352	\$ -	\$ -	\$ -
Unreserved	5,463,466	5,512,016	5,436,880	5,179,245	-
<b>Total Pre GASB 54</b>	<b>\$ 5,562,818</b>	<b>\$ 5,611,368</b>	<b>\$ 5,436,880</b>	<b>\$ 5,179,245</b>	<b>\$ -</b>
<b>Post GASB 54</b>					
Nonspendable					
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid	-	-	-	-	-
Restricted					
Municipal court	-	-	-	-	-
Federal and state funds grant	-	-	-	-	-
Other purposes	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	4,512,505
<b>Total Post GASB 54</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,512,505</b>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>					
<b>Pre GASB 54</b>					
Reserved	\$ 255,052	\$ 248,786	\$ 2,252,722	\$ 116,637	\$ -
Unreserved, reported in Special revenue funds	125,749	53,918	831	53,452	-
<b>Total Pre GASB 54</b>	<b>\$ 380,801</b>	<b>\$ 302,704</b>	<b>\$ 2,253,553</b>	<b>\$ 170,089</b>	<b>\$ -</b>
<b>Post GASB 54</b>					
Nonspendable					
Prepaid	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted					
Capital Improvements	-	-	-	-	(678,523)
Debt Service	-	-	-	-	45,136
Municipal Court	-	-	-	-	-
PD Asset Sharing	-	-	-	-	-
Tax Increment	-	-	-	-	310,026
<b>Total Post GASB 54</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (323,361)</b>

**CITY OF HIDALGO, TEXAS  
FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**

<b>FISCAL YEAR</b>				
2013	2014	RESTATED 2015	2016	2016
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 16,274	\$ 29,474	\$ 48,368	\$ 54,178	\$ 64,514
-	-	28,436	31,677	23,262
90,593	107,435	127,043	71,805	216,318
216,204	282,028	217,792	165,475	73,249
-	-	33,854	44,556	50,807
-	-	-	-	-
-	-	-	-	-
4,164,505	4,549,787	5,290,673	5,855,612	6,454,465
<u>\$ 4,487,576</u>	<u>\$ 4,968,724</u>	<u>\$ 5,746,166</u>	<u>\$ 6,223,303</u>	<u>\$ 6,882,615</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	12	12	12	13
40,874	148,738	172,556	177,658	183,933
-	-	-	-	-
-	-	-	-	-
201,996	135,403	376,879	507,431	686,893
<u>\$ 242,870</u>	<u>\$ 284,152</u>	<u>\$ 549,447</u>	<u>\$ 685,101</u>	<u>\$ 870,839</u>

**CITY OF HIDALGO, TEXAS  
GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Franchise Tax</b>	<b>Other Taxes</b>	<b>Total</b>
2008	\$ 1,204,485	\$ 1,320,798	\$ 331,556	\$ 21,690	\$ 2,878,529
2009	1,758,456	1,550,727	357,999	43,308	3,710,490
2010	1,498,650	1,249,008	344,762	29,060	3,121,480
2011	1,958,047	1,439,822	391,045	52,747	3,841,661
2012	1,781,622	1,229,114	403,018	53,382	3,467,136
2013	1,556,041	1,446,192	396,469	51,016	3,449,718
2014	1,785,337	1,529,920	402,999	66,199	3,784,455
2015	1,810,298	1,929,195	407,170	76,708	4,223,371
2016	1,887,021	1,967,253	416,761	91,241	4,362,276
2017	2,088,214	1,842,323	629,215	76,908	4,636,660

**CITY OF HIDALGO, TEXAS**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(Modified Accrual Basis of Accounting)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Revenues</b>					
Taxes	\$ 3,178,411	\$ 3,687,835	\$ 3,483,121	\$ 3,771,932	\$ 3,590,620
Toll bridge revenues	3,789,038	3,185,885	2,781,964	2,757,893	2,973,203
Licenses and permits	260,664	234,182	259,916	209,036	226,608
Intergovernmental	408,405	376,844	729,081	3,016,943	323,761
Charges for services	820,448	733,169	853,547	751,270	515,203
Fines	1,508,526	1,241,745	1,114,447	877,283	1,261,055
Investment earnings	182,431	126,626	99,374	10,044	13,589
Other revenues	3,202,467	986,361	744,007	656,672	410,370
Miscellaneous	25,411	21,592	21,787	21,554	122,726
Total Revenues	<u>13,375,801</u>	<u>10,594,239</u>	<u>10,087,244</u>	<u>12,072,627</u>	<u>9,437,135</u>
<b>Expenditures</b>					
General government	1,866,979	1,912,138	1,913,506	2,064,667	2,301,346
Public safety	4,104,953	3,776,476	3,605,608	3,419,986	3,477,243
Highways and streets	787,517	840,384	1,875,589	687,204	752,164
Health and Welfare	62,243	57,870	61,598	52,449	56,905
Economic development	-	371,816	366,166	371,816	224,282
Culture and recreation	1,619,844	1,443,856	1,376,856	1,400,795	1,281,499
Capital projects	2,095,819	637,023	1,304,387	5,346,873	1,377,004
Debt service					
Principal	1,402,144	1,219,221	971,360	707,603	650,000
Interest	393,581	357,043	415,793	380,473	295,039
Other charges	-	-	-	-	-
Total expenditures	<u>12,333,080</u>	<u>10,615,827</u>	<u>11,890,863</u>	<u>14,431,866</u>	<u>10,415,482</u>
Excess of revenues over (under) expenditures	1,042,721	(21,588)	(1,803,619)	(2,359,239)	(978,347)
<b>Other financing sources (uses)</b>					
Transfers in	-	-	1,544,325	1,272,594	331,983
Transfers out	-	(600,000)	(1,952,243)	(1,272,594)	(331,983)
Long-term debt proceeds	-	-	3,688,791	-	-
Loans proceeds	-	600,000	298,000	-	-
Capital leases	129,222	-	-	-	-
Sale of capital assets	-	-	-	-	-
Gain/(Loss) on sale of land inventory	-	-	-	-	-
Total other financing sources (uses)	<u>129,222</u>	<u>-</u>	<u>3,578,873</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 1,171,943</u>	<u>\$ (21,588)</u>	<u>\$ 1,775,254</u>	<u>\$ (2,359,239)</u>	<u>\$ (978,347)</u>
Debt service as a percentage of noncapital expenditures <sup>(1)</sup>	18.78%	20.26%	22.11%	13.61%	25.08%

**CITY OF HIDALGO, TEXAS**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(Modified Accrual Basis of Accounting)**

Restated 2013	2014	2015	2016	2017
\$ 3,619,236	\$ 4,039,831	\$ 4,209,217	\$ 4,352,098	\$ 4,600,973
3,226,208	3,428,995	3,663,548	3,741,075	3,788,729
325,588	371,078	319,897	353,391	362,137
103,735	393,956	789,710	1,910,030	676,164
813,012	822,851	803,002	1,483,437	1,458,204
760,789	596,429	549,101	833,710	963,271
12,372	10,909	5,685	8,498	21,206
-	-	-	-	-
119,194	72,025	175,231	236,339	228,006
<u>8,980,134</u>	<u>9,736,074</u>	<u>10,515,391</u>	<u>12,918,578</u>	<u>12,098,690</u>
2,071,398	1,895,807	2,096,705	2,302,743	2,257,913
2,956,524	3,383,170	3,663,968	3,538,719	3,717,704
685,529	742,595	853,093	800,385	722,113
64,052	57,617	55,614	57,461	57,790
131,185	147,309	97,397	130,327	-
1,176,455	1,354,733	1,481,605	2,692,004	2,603,003
712,753	781,586	640,229	2,140,183	982,936
551,400	570,085	615,813	1,406,473	807,496
287,306	280,741	242,170	250,848	209,963
-	-	-	-	-
<u>8,636,602</u>	<u>9,213,643</u>	<u>9,746,594</u>	<u>13,319,143</u>	<u>11,358,918</u>
343,532	522,431	768,797	(400,565)	739,772
-	305,307	215,701	215,701	215,390
-	(305,307)	(215,701)	(215,701)	(215,390)
-	-	-	-	-
-	-	-	-	-
-	-	278,274	939,519	105,278
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>278,274</u>	<u>939,519</u>	<u>105,278</u>
<u>\$ 343,532</u>	<u>\$ 522,431</u>	<u>\$ 1,047,071</u>	<u>\$ 538,954</u>	<u>\$ 845,050</u>
-116.47%	33.14%	16.76%	21.65%	15.90%



**CITY OF HIDALGO, TEXAS**  
**ASSESSED VALUE AND ESTIMATED ACTUAL OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended September 30,	Real Property		Non-Real Property	Less:
	Residential Property	Non-Homesite & Ag. Property	Personal Property	Tax Exempt Real Property
2008	\$ 121,438,360	\$ 323,975,726	\$ 38,958,880	\$ 90,858,629
2009	136,996,797	371,131,740	39,689,252	125,399,247
2010	144,083,021	352,666,961	46,705,031	126,440,238
2011	145,327,794	396,584,397	51,041,234	132,727,449
2012	149,378,307	393,163,630	48,677,642	134,081,793
2013	152,281,333	391,653,639	50,566,740	137,567,447
2014	152,026,141	423,735,935	59,924,020	149,868,151
2015	153,488,001	420,875,498	54,607,697	149,808,913
2016	165,930,312	437,031,688	72,539,556	153,824,707
2017	179,805,791	497,383,832	74,274,791	165,230,044

1. Tax rate per every \$100 valuation of property.
2. The estimated property value is derived directly from the Levy Roll Tax Totals provided by the Hidalgo County Tax Assessor.

**CITY OF HIDALGO, TEXAS**  
**ASSESSED VALUE AND ESTIMATED ACTUAL OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**

Total Taxable Assessed Value	Total Direct Tax Rate <sup>1</sup>	Estimated Actual Taxable Value <sup>2</sup>	Assessed Value as a Percentage of Actual Value
\$ 393,514,337	0.3514	\$ 484,372,966	0.81%
422,418,542	0.3514	547,817,789	0.77%
417,014,775	0.3514	543,455,013	0.77%
460,225,976	0.3514	592,953,425	0.78%
457,137,786	0.3514	591,219,579	0.77%
456,934,265	0.3514	594,501,712	0.77%
485,817,945	0.3514	635,686,096	0.76%
479,162,283	0.3514	628,971,196	0.76%
521,676,849	0.3514	675,501,556	0.77%
586,234,370	0.3514	751,464,414	0.78%

**CITY OF HIDALGO, TEXAS  
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

<b>Overlapping Rates<sup>1</sup></b>					
<b>City of Hidalgo</b>					
<b>Tax Year</b>	<b>Fiscal Year</b>	<b>Operating Tax Rate</b>	<b>Debt Service Tax Rate</b>	<b>Total City Tax Rate</b>	<b>Hidalgo County Tax Rate</b>
2007	2007-08	\$ 0.1862	\$ 0.1652	\$ 0.3514	\$ 0.5900
2008	2008-09	0.2020	0.1494	0.3514	0.5900
2009	2009-10	0.2002	0.1512	0.3514	0.5900
2010	2010-11	0.2358	0.1156	0.3514	0.5900
2011	2011-12	0.2442	0.1072	0.3514	0.5900
2012	2012-13	0.2182	0.1332	0.3514	0.5900
2013	2013-14	0.2333	0.1181	0.3514	0.5900
2014	2014-15	0.2322	0.1192	0.3514	0.5900
2015	2015-16	0.2437	0.1077	0.3514	0.5900
2016	2016-17	0.2437	0.1077	0.3514	0.5900

1. Overlapping rates are those of the City, County, and school districts that apply to property owners within the City of Hidalgo Not all overlapping rates apply to City of Hidalgo property owners.

2. (Total Tax Rate)-The allocation of operation and debt service is not available at this time for the County, School Districts Special Districts and the Community College.

Source: Hidalgo County Tax Office

**CITY OF HIDALGO, TEXAS  
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

<b>Overlapping Rates<sup>1</sup></b>					
<b>School District</b>					
<b>Valley View ISD Tax Rate</b>	<b>Hidalgo ISD Tax Rate</b>	<b>South Texas ISD Tax Rate</b>	<b>Drainage Dist. No. 1 Tax Rate</b>	<b>South Texas College Tax Rate</b>	<b>Total Direct &amp; Overlapping Rates<sup>2</sup></b>
\$ 1.2552	\$ 1.3200	\$ 0.0492	\$ 0.0492	\$ 0.1548	\$ 3.77
1.3170	1.3500	0.0492	0.0700	0.1540	3.88
1.3170	1.5864	0.0492	0.0725	0.1498	4.12
1.3170	1.5864	0.0492	0.0725	0.1491	4.12
1.3170	1.5864	0.0492	0.0733	0.1497	4.12
1.2770	1.5564	0.0492	0.0750	0.1507	4.05
1.2770	1.5564	0.0492	0.0957	0.1507	4.07
1.2770	1.5300	0.0492	0.0957	0.1500	4.04
1.2770	1.5300	0.0492	0.0951	0.1850	4.08
1.2770	1.5300	0.0492	0.0951	0.1850	4.08

**CITY OF HIDALGO, TEXAS  
PRINCIPAL PROPERTY TAXPAYERS**

Taxpayer	Tax Year 2017			Tax Year 2007		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
BHS Tres Puentes LLC	\$ 13,099,921	1	2.20%	\$ -	-	-
Wal-Mart Real Estate Business	11,998,164	2	2.02%	-	-	-
Wal-Mart Stores Texas, LLC	9,475,881	3	1.59%	-	-	-
Puente Partners LP	8,152,026	4	1.37%	2,241,936	7	0.57%
Killam Development LTD	5,902,400	5	0.99%	-	-	-
Killam Development LTD	5,300,000	6	0.89%	-	-	-
BSN Medical Inc	4,877,290	7	0.82%	4,993,545	2	1.27%
AEP Texas Central Co.	4,623,400	8	0.78%	-	-	-
TST NA Trim LLC	8,492,643	9	1.43%	-	-	-
UNIMEX Logistics LLC	3,980,703	10	0.67%	-	-	-
Tres Puentes Land Dev Co.	-	-	-	10,451,205	1	2.66%
Grupo Inmobiliario Morales	-	-	-	3,777,437	3	0.96%
Rio Grande Estates LLC	-	-	-	3,035,103	4	0.77%
Verde Tres Puentes Industrial Park	-	-	-	3,008,301	5	0.76%
Austin Avenue Properties LLC	-	-	-	2,597,922	6	0.66%
Firestar Construction & Services	-	-	-	2,182,926	8	0.55%
Logicorp Enterprises	-	-	-	2,177,545	9	0.55%
MDC Prosperity Inc.	-	-	-	2,089,529	10	0.53%
<b>Total</b>	<b>\$ 75,902,428</b>		<b>15.84%</b>	<b>\$ 36,555,449</b>		<b>9.29%</b>

Source: Hidalgo County Tax Assessor

**CITY OF HIDALGO, TEXAS  
RATIO OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Governmental Activities</b>			<b>Business-Type Activities</b>	<b>Total Primary Government</b>	<b>Per Capita</b>
	<b>General Obligation Bonds</b>	<b>Notes Payable</b>	<b>Capital Leases</b>	<b>Revenue Bonds</b>		
2008	\$ 5,545,000	\$ 1,130,978	\$ 589,892	\$ -	\$ 7,265,870	679
2009	4,880,000	1,425,136	345,749	-	6,650,885	603
2010	8,045,000	1,425,136	145,845	-	9,615,981	859
2011	7,485,000	1,425,136	-	-	8,910,136	773
2012	6,835,000	1,425,136	-	-	8,260,136	695
2013	6,365,000	577,717	63,898	3,014,000	10,020,615	819
2014	5,826,000	577,717	32,814	2,967,000	9,403,531	746
2015	5,268,000	552,717	278,274	2,919,000	9,017,991	658
2016	4,684,000	752,380	195,657	2,870,000	8,502,037	614
2017	4,070,000	757,933	101,887	2,820,000	7,749,820	560

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

**CITY OF HIDALGO, TEXAS  
RATIO OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Debt Payable From Business-type Revenues</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property (1)</b>	<b>Per Capita (2)</b>
2008	\$ 5,545,000	\$ 125,749	\$ -	\$ 5,419,251	1.38%	506.80
2009	4,880,000	181,769	-	4,698,231	1.11%	426.14
2010	8,045,000	254,549	-	7,790,451	1.87%	695.70
2011	7,485,000	202,076	-	7,282,924	1.58%	631.43
2012	6,835,000	45,136	-	6,789,864	1.49%	571.54
2013	6,365,000	(140,151)	-	6,505,151	1.42%	531.62
2014	5,826,000	148,738	-	5,677,262	1.17%	450.45
2015	5,268,000	172,556	-	5,095,444	1.06%	371.69
2016	4,684,000	177,658	-	4,506,342	0.86%	325.46
2017	4,070,000	183,933	-	3,886,067	0.66%	280.66

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

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

(2) Population is estimated

**CITY OF HIDALGO, TEXAS  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt Limit	\$ 24,218,648	\$ 27,390,889	\$ 27,172,751	\$ 29,647,671
Total net debt applicable to limit	<u>5,441,195</u>	<u>4,754,251</u>	<u>7,863,231</u>	<u>7,230,451</u>
Legal debt margin	<u>\$ 18,777,453</u>	<u>\$ 22,636,638</u>	<u>\$ 19,309,520</u>	<u>\$ 22,417,220</u>
Total net debt applicable to the limit as a percentage of debt limit	22.47%	17.36%	28.94%	24.39%
 Legal Debt Margin Calculation for Fiscal Year				
Assessed value	\$ 393,514,337	\$ 422,418,542	\$ 417,014,775	\$ 460,225,976
Add back: exempt real property	<u>90,858,629</u>	<u>125,399,247</u>	<u>126,440,238</u>	<u>132,727,449</u>
Total assessed value	<u>\$ 484,372,966</u>	<u>\$ 547,817,789</u>	<u>\$ 543,455,013</u>	<u>\$ 592,953,425</u>
Debt limit (5% of total assessed value)	24,218,648	27,390,889	27,172,751	29,647,671
Debt applicable to limit:				
General obligation bonds	2,009	2,010	2,011	2,012
Less: Amount set aside for repayment of general obligation debt	(103,805)	(125,749)	(181,769)	(254,549)
Less: Business-type general obligations	-	-	-	-
Total net debt applicable to limit	<u>(101,796)</u>	<u>(123,739)</u>	<u>(179,758)</u>	<u>(252,537)</u>
Legal debt margin	<u>\$ 24,320,444</u>	<u>\$ 27,514,628</u>	<u>\$ 27,352,509</u>	<u>\$ 29,900,208</u>

Note: Texas 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 HIDALGO, TEXAS  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2016</u>
\$ 29,560,979	\$ 29,725,086	\$ 31,784,305	\$ 31,448,560	\$ 33,775,078	\$ 37,573,221
<u>6,632,924</u>	<u>6,324,126</u>	<u>5,677,262</u>	<u>5,095,444</u>	<u>4,506,342</u>	<u>3,886,067</u>
<u>\$ 22,928,055</u>	<u>\$ 23,400,960</u>	<u>\$ 26,107,043</u>	<u>\$ 26,353,116</u>	<u>\$ 29,268,736</u>	<u>\$ 33,687,154</u>
22.44%	21.28%	17.86%	16.20%	13.34%	10.34%
\$ 457,137,786	\$ 456,934,265	\$ 485,817,945	\$ 479,162,283	\$ 521,676,849	\$ 586,234,370
<u>134,081,793</u>	<u>137,567,447</u>	<u>149,868,151</u>	<u>149,808,913</u>	<u>153,824,707</u>	<u>165,230,044</u>
\$ 591,219,579	\$ 594,501,712	\$ 635,686,096	\$ 628,971,196	\$ 675,501,556	\$ 751,464,414
29,560,979	29,725,086	31,784,305	31,448,560	33,775,078	37,573,221
2,013	2,014	2,015	2,016	2,017	4,070,000
(202,076)	(40,874)	(148,738)	(172,556)	(177,658)	(183,933)
-	-	-	-	-	-
<u>(200,063)</u>	<u>(38,860)</u>	<u>(146,723)</u>	<u>(170,540)</u>	<u>(175,641)</u>	<u>3,886,067</u>
<u>\$ 29,761,042</u>	<u>\$ 29,763,946</u>	<u>\$ 31,931,028</u>	<u>\$ 31,619,100</u>	<u>\$ 33,950,719</u>	<u>\$ 33,687,154</u>

**CITY OF HIDALGO, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

<u>Fiscal Year Ended September 30</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collection within the Fiscal Year of the Levy</u>		<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>
		<u>Amount</u>	<u>Percentage of Levy</u>		
2008*	\$ -	\$ -	0.0%	\$ -	\$ -
2009*	-	-	0.0%	-	-
2010*	-	-	0.0%	-	-
2011	1,617,234	1,485,615	91.9%	137,286	1,622,901
2012	1,611,061	1,542,241	95.7%	131,165	1,673,406
2013	1,608,659	1,535,527	95.5%	70,543	1,606,070
2014	1,711,754	1,649,344	96.4%	71,847	1,721,191
2015	1,687,119	1,658,684	98.3%	81,640	1,740,324
2016	1,836,354	1,777,310	96.8%	60,207	1,837,517
2017	2,063,115	1,965,386	95.3%	57,316	2,022,702

\*Information not available

## **INSURANCE COVERAGE**

**CITY OF HIDALGO, TEXAS  
INSURANCE COVERAGE  
SEPTEMBER 30, 2017**

<u>Description</u>	<u>Amount</u>
General Liability	\$ 5,000,000
Law Enforcement Liability	1,000,000
Errors and Omission Liability	1,000,000
Blanket Limit - Real and Personal Property	58,766,243
Automobile Liability	1,000,000
Automobile Physical Liability	10,000
Boiler and Machinery	100,000
Mobile Equipment	644,384
Workmen's Compensation and Employer's Liability	Statutory

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

**PART IV**  
**GOVERNMENTAL AUDIT SECTION**

**CITY OF HIDALGO, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE ASSISTANCE**  
**SEPTEMBER 30, 2017**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Funding Period	Program Award Amount	Federal Expenditure
<u>FEDERAL ASSISTANCE</u>					
<u>U.S. Department of Agriculture</u>					
Water and Water Disposal Systems for Rural Community Loan	10.760			\$3,059,000	\$ -
Water and Water Disposal Systems for Rural Community Grant	10.760			2,916,000	-
<u>U.S. Department of Homeland Security</u>					
Passed through the Federal Emergency Management Agency (FEMA)					
Digital Fingerprinting and Photo Identification System	97.067	3016901	09/01/16-08/31/17	23,780	23,685
2016 Stone Garden	97.067	3172601	04/01/16-10/31/17	170,000	162,328
Total Federal Assistance				<u>6,168,780</u>	<u>186,013</u>
<u>STATE ASSISTANCE</u>					
<u>Office of Attorney General</u>					
Grants Administration Division					
Victim Coordinator and Liaison Grant (VCLG) Program		OAG #1771914	09/01/16-08/31/17	42,000	46,949
<u>Texas Department of Public Safety</u>					
Division of Emergency Management					
Local Border Security Program (LBSP-16)		2991203	09/01/16-08/31/17	80,000	80,000
<u>Texas State Comptroller</u>					
Passed through the Texas Department of Transportation					
LEOSE (Travel & Training)				-	-
Total State Assistance				<u>122,000</u>	<u>126,949</u>
Total Federal and State Assistance				<u>\$6,290,780</u>	<u>\$ 312,962</u>

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

**CITY OF HIDALGO, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE ASSISTANCE**  
**SEPTEMBER 30, 2017**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Hidalgo, Texas under the programs of the federal government for the fiscal year ended September 30, 2017. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements of Federal Awards*. Because the schedule represents only a selected portion of the operations of the City of Hidalgo, Texas it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Hidalgo, Texas.

2. Summary of Significant Accounting Policies

Expenditures reports on the schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles, contained in the *Uniform Guidance* and/or *OMB Circular A-87*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Grant/Program Title	CFDA	Grantor Number	Federal Expenditure
<u>FEDERAL ASSISTANCE</u>			
<u>U.S. Department of Homeland Security</u>			
Digital Fingerprinting and Photo Identification System	97.067	3016901	23,685
2016 Stone Garden	97.067	3172601	162,328
Total Federal Assistance			<u>186,013</u>
<u>STATE ASSISTANCE</u>			
<u>Office of Attorney General</u>			
Victim Coordinator and Liaison Grant (VCLG) Program		OAG #1771914	46,949
<u>Texas Department of Public Safety</u>			
Local Border Security Program (LBSP-16)		2991203	80,000
Total State Assistance			<u>126,949</u>
Total Federal and State Assistance			<u>\$ 312,962</u>

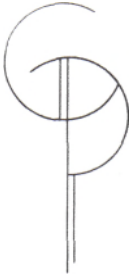
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES: (Page 11)

Program Revenues			
Operating Grants and Contributions		\$ 494,139	
Capital Grants and Contributions		270,822	
Subtotal Grants and Contributions		<u>764,961</u>	
LESS: Other Reimbursable Grants		(451,999)	
Total Grants and Contributions		<u>\$ 312,962</u>	<u>\$ 312,962</u>
Other Reimbursable Grants:			
Urban County of Hidalgo County	\$ 88,797		
United Way	32,000		
Hidalgo County Library System	14,983		
Hidalgo County (TIRZ)	253,358		
Seizures/Forfeitures	43,700		
Other Contribution/Donations	19,161		
Total Other Reimbursable Grants	<u>\$ 451,999</u>		

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

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENTAL AUDITING STANDARDS**





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Manuel B. Garcia, CPA  
Jaime X. Pena, CPA

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members  
Of the City Commission  
Hidalgo, Texas 78557

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hidalgo, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Hidalgo, Texas' basic financial statements, and have issued our report thereon dated July 18, 2018.

Our report was qualified because the financial information of the Texas Municipal Facilities Corporation (TMFC-State Farm Arena) could not be audited because of inadequate financial data available to audit. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental Activities is not reasonably determinable. We were not provided with sufficient audit documentation to confirm the value of the net assets.

### Internal Control Over Financial Reporting

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

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

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

Honorable Mayor and Members  
Of the City Commission

**Compliance and Other Matters**

As part of obtaining reasonable assurance whether the City of Hidalgo, Texas' financial statements are free of 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Hidalgo, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Hidalgo, Texas' response and, accordingly, we express no opinion on it.

**Purpose of This Report**

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



Garcia & Pena, CPAs  
Certified Public Accountants  
Weslaco, Texas

July 18, 2018

**SCHEDULE OF FINDINGS  
AND  
RESPONSES**

**CITY OF HIDALGO, TEXAS  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2017**

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Modified

Internal control over financial reporting:

* Significant deficiency (ies) identified	_____	Yes	_____ <b>X</b> _____	No
* Significant deficiency (ies) identified that are not considered to be material weaknesses?	_____	Yes	_____ <b>X</b> _____	No
Noncompliance material to financial statements noted?	_____	Yes	_____ <b>X</b> _____	No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified:	_____	Yes	_____ <b>X</b> _____	No
* Reportable condition (s) identified that are considered to be material weakness (es).	_____	Yes	_____ <b>X</b> _____	No

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)	_____	Yes	_____ <b>X</b> _____	No
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Identification of major programs:

<u>CFDA Number (s)</u>	<u>Name of Federal Program or Cluster</u>
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N / A

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
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Auditee qualified as low-risk auditee?	_____	Yes	_____ <b>X</b> _____	No
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**CITY OF HIDALGO, TEXAS  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2017**

**Section II – Financial Statement Findings**

**PROGRAM**

**DESCRIPTION**

**Findings for the fiscal year ended September 30, 2017:**

**Reference Number: 16-1**

**Expenditures in Excess of Budget Appropriations**

Context: The City should monitor expenditures to ensure that sufficient budget amounts exist for each budget category prior to approval of expenditures. We noted five (5) negative variance in expenditure categories.

Effect: The City incurs expenditures that are not budgeted in accordance with the City's policies or has not updated the budget to include items not originally budgeted for.

Cause: The City does compare expenditures to budget on a routine basis to ensure expenditures do not exceed budget but failed to adjust budget.

Recommendation: Budget versus actual comparisons should be made on a monthly basis, and control over expenditures should include a review of available budget amounts prior to approval of expenditures. In addition, we recommend that when a new grant/project is approved by the City Commission, the City should also include a budget amendment to include proposed revenues and expenditures.

**Corrective Action Plan:** **The City made a budget amendment to maintain control over expenditures. We will continue to review and compare budget to actual closely.**

**Reference Number 14-2**

**Monthly Account Analysis and Year-End Closing**

Effect: The City is unable to maximize its efficiency for year-end closing and routine account analysis.

Criteria: The City has not established a formal monthly accounting process to facilitate routine account analysis. The City's monthly accounting process should include routine account analysis to identify possible posting errors and allow for timely correction.

Recommendation: We recommend that the City implement a formal policy and procedures over its monthly and year-end closing process. Such an approach would detail all the critical steps for a month-end review of the general ledger balances, bank reconciliations, as well as account analysis. The year-end procedures should also be outlined along with a target date to complete the year-end closing, possible sixty days after year-end. Strict adherence to this schedule should be required because this will allow for timely preparation of year-end financial statements.

**Corrective Action Plan:** **The City has developed and implemented a formal policy and procedure over its year-end closing and audit preparation. The City has also hired an Accountant to assist in completing year-end closing, preparing audit financial statements, and assisting in consulting services.**

**CITY OF HIDALGO, TEXAS  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2017**

**Section III – Prior Year Financial Statement Findings**

**PROGRAM**

**DESCRIPTION**

**Findings for the fiscal year ended September 30, 2016:**

These prior year finding(s) have been corrected.

**Reference Number 14-3**

**Contributions**

Condition Found:

There are no transactions recorded in the City’s general ledger for contributions to the City from grants and from the public.

Effect:

The City’s capital assets are understated by the amounts of donated assets and grant assets.

Criteria:

Generally accepted accounting principles for governments, non-profit, and commercial entities dictate that all asset additions, either purchased, granted, or donated be recorded in the City’s general ledger. Grants and donated items are recognized at market value, or cost.

Recommendation:

We recommend yearly the City establish written procedures to record monthly/quarterly contributions to the City’s general ledger.

**Corrective Action Plan:**

**The City has begun recording yearly contributions as capital assets and/or expenditures.**

**CITY OF HIDALGO, TEXAS  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2017**

**Section IV - Federal Awards Findings**

None Noted

Questioned Costs

None