



COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of McGregor, Texas

*Year ended September 30, 2018*

Prepared by  
Financial Services Department  
Carolyn Baker, Financial Services Director

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

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**INTRODUCTORY SECTION (UNAUDITED)**

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April 5, 2019

Honorable Mayor, Members of the City Council, and  
Citizens of the City of McGregor, Texas

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of McGregor (the "City") for the fiscal year ended September 30, 2018. The purpose of this report is to provide the Council, the public, management, staff, and other interested parties with detailed information reflecting the City's financial condition. The Texas Local Government Code Chapter 103.001 requires an annual audit of municipalities. This statutory requirement is addressed in the City's financial management plan, which includes the objective that a Comprehensive Annual Financial Report will be prepared by the Director of Finance. The Comprehensive Annual Financial Report includes a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The City has complied with this requirement and the auditors' report is included.

The City's independent auditor, M. Vail and Associates P.C., has issued an unmodified opinion on the City of McGregor's financial statement for the year ended September 30, 2018. An unmodified opinion represents the highest level of audit assurance issuable for financial statements. The independent auditor's report is located at the front of the financial section of this report.

Management assumes full responsibility for the completeness and reliability of the information contained in this report which is based on a framework of internal controls established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

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

### ***Profile of the City***

The City of McGregor, Texas, is located in McLennan County, adjacent to Waco, Texas on its western boundary. The City was incorporated as a Texas municipal corporation in 1882. It has an estimated population of 5,071 residents. As a municipal corporation, the City is empowered by state statutes to levy a tax on real and business personal property located within the corporate boundaries. Among its additional powers is that of annexation to extend the corporate limits when deemed appropriate.

The City of McGregor is a home rule city operating under a council/manager form of government. The City Council is comprised of the Mayor and five Council members. The Mayor and one council member are elected at-large, and the remaining council members are elected by ward, with all serving two year terms. The Mayor Pro-Tem is selected by the City Council from among the council members. The City Council is responsible for adopting the annual budget, appointing committees, hiring the City Attorney, City Manager, City Secretary and Municipal Court Judge, as well as enacting ordinances and establishing the tax rate.

The City Manager, appointed by the City Council, is the chief administrative officer for the City, and is responsible for appointing the various department directors, implementing the policies and ordinances adopted by the City Council, and managing day-to-day operations of the City.

The basic financial statements of the City include all governmental activities, functions and organizations for which it is financially accountable pursuant to and as defined by the Governmental Accounting Standards Board (GASB). The City is also accountable for a legally separate McGregor Economic Development Corporation (MEDC). Additional information on the MEDC can be found in the notes to the financial statements.

### ***Services Provided***

The City of McGregor is a full service city and provides the following: maintenance of streets and infrastructure; parks, recreation and cultural activities; public safety including emergency management, police and (volunteer) fire; solid waste services through third party contract; water and wastewater distribution and collection systems; and an executive airport. The City also provides emergency medical services through a third party contract with Coryell Memorial EMS.

### ***Economic Conditions and Outlook***

The City of McGregor benefits from its location in the growing Central Texas area. It is situated at the junction of US Highway 84 and State Highway 317 in Western McLennan County. These thoroughfares carry thousands of vehicles every day.

This largely rural community provides a variety of industrial, commercial and retail opportunities. The McGregor Industrial Park covers over 9,000 acres of developable land and is the site of the former Navy Weapons Industrial Reserve Plant. It was transferred to the city as the result of congressional action beginning in 1974. This process was completed in 2006, when the City received a Ready for Reuse Determination from the Texas Commission on Environmental Quality and the U.S. Environmental Protection Agency. SpaceX is the anchor tenant in the McGregor Industrial Park. Quest, formerly McCallum Sweeney Consulting Inc., is in the process of aiding the McGregor Industrial Park in acquiring "mega-site" and "mega-park" status.

McGregor provides air access to the area by means of the McGregor Executive Airport. This former World War II training facility was acquired by the city in 1947. It has been the recipient of extensive capital improvements by the Texas Department of Transportation (TxDOT) Aviation Division with grants totaling in excess of \$11 million, which includes grants for the expansion of taxiway and hangar facilities, a grant to install a game resistant perimeter fence and a grant to construct apron area, t-hangars and to rehabilitate the runway.

The airport includes a 5,501 foot main runway and an adjacent 3,484 foot runway. It provides both AvGas and Jet A fuel capabilities through a fully certified flight based operator. The facility is a base for several corporate jets and turboprop aircraft. A flight school operates at the airport, which offers numerous hangar and tie-down capabilities. The existing airport master plan and TxDOT capital expansion plan include technology designed to assist the air commuting public.

The City also houses the only AMTRAK Station in McLennan County. This facility boards an average of 5,126 persons annually and is served by two trains daily. Local interest has focused on ways to enhance and beautify this facility in hopes of expanding the tourism base that it represents. It is within walking distance of the downtown area where retail services include several restaurants.



McGregor has a good residential base and is within easy commuting distance to many Waco attractions as well as Interstate 35. A mix of residential housing (single and multi-family) is being constructed; such expansion is a necessary component of supporting the industrial base of the City.

The City is undergoing growth with the addition of new businesses, new multi-family housing, new apartment complex and a new subdivision. While the City of McGregor welcomes the growth, the City must be able to keep up with the growing demand for services. The City Council and staff must continue to work towards a sustainable level of finances so demands for services are met on a timely basis.

### ***Long-term Financial Planning***

In recent years the City has attended to its capital planning needs to prepare for growth and expansion in the community. This includes preparation and adoption of a master water plan, a master wastewater plan, and a park recreation and open space master plan. City staff continually reviews the comprehensive master plan, zoning ordinances and the subdivision regulations.

The capital expansion of the City's aging infrastructure was the subject of a "cost of service and water/wastewater rate study" in April, 2009. Based on the results of that study the City implemented revised water and wastewater rates designed to provide for the delivery of current services; establish a defined revenue source for debt service on new improvements; and set up a long-term capital reserve. The City continues to improve or replace infrastructure. Attending to the infrastructure needs of the City is one of the best ways to enhance economic development. Improved water and wastewater systems will service industrial, commercial, retail and residential prospects who seek to locate in McGregor.

In 2013, the City of McGregor, in cooperation with the McGregor Economic Development Corporation, the McGregor Chamber of Commerce, and the McGregor Independent School District, completed a long-term planning process known as "McGregor Vision 2030, Pushing the Limits." As a part of this process the City and EDC have joined together to purchase an abandoned building which will be converted into a community center. The "McGregor Vision 2030, Pushing the Limits" plan was reviewed and re-evaluated during fiscal year 2017.

City-wide street improvements including utility line relocations and acquisition of road maintenance equipment was attained with the proceeds from the Series 2016 CO's. Work is nearing completion in Phase 3 of the Street Bond project. In addition, the additional overhead storage tank to increase water capacity is near completion. In 2017, CO's were issued to construct city-wide street improvements (including utility line relocations), construct a splash pad, Water and Wastewater System improvements, City Hall renovations and City Park improvements. In 2018 two CO's were issued with the first CO being used for the City's portion of a water line between the cities of McGregor, Woodway and Waco and for waterworks and sewer system improvements. The community center renovation plans are complete and the City issued the 2018A CO as the financing source for the project. The 2018A CO covers the design, renovation, construction and improvements to the land and facilities (The Exchange Property) for entertainment, tourist and public park purposes and events.

### ***Local Economy***

Due to its excellent location, McGregor provides a host of services to support the farming and ranching industry. These include numerous feed and farm related retail operations that provide resources as well as jobs for local residents.

McGregor is home to two automobile dealerships, three financial institutions, financial planning and accounting services, legal services, a weekly newspaper, a chamber of commerce, a state certified economic development board and numerous dining establishments. Foster-Wheeler operates a plant in

the City for the manufacture of pressurized tanks used in electric generation and other industrial purposes. Behlen Country Manufacturing, a maker of farming equipment and a major employer, has set up operations in McGregor and purchased the building previously owned by Smead Manufacturing. The Trane Company builds HVAC units and is one of the City's top ten employers.

McGregor's air, highway, and rail transportation systems provide ideal access to the community. Enhanced public access can be a catalyst to development and expanded opportunities for business, commercial, industrial and retail activity.

The McGregor Industrial park is home to Ferguson Industries (the world's largest distributor of Kohler products) and Space Exploration Technologies, Inc. (Space X), which has contracts with NASA to develop rocket engines to enable space freight aircraft to access the International Space Station. The City has recently renewed and expanded a lease agreement with Space X which includes an option for the company to purchase the property. The City has a three year lease agreement with Customer Contact Channels, Inc., (C3) which operates a call center for health insurance companies.

McGregor stands to benefit from a unique mix of rural, urban and regional elements coupled with transportation enhancements that few smaller cities can offer. Added to this are the capital and strategic planning efforts that establish the basis for expanded business opportunity, recreation and quality of life.

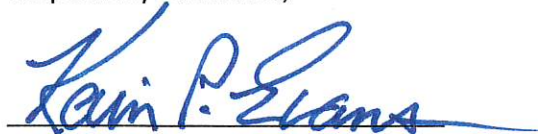
#### ***Awards and Acknowledgements***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the city of McGregor for its comprehensive annual financial reports for the fiscal years ended September 30, 2009 through September 30, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A certificate of Achievement is awarded for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We would like to express our appreciation to all staff members who assisted and contributed to the preparation of this report. We would also like to thank the Mayor and City Council members for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully Submitted,



Kevin P. Evans, CECD  
City Manager



Carolyn Baker  
Finance Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

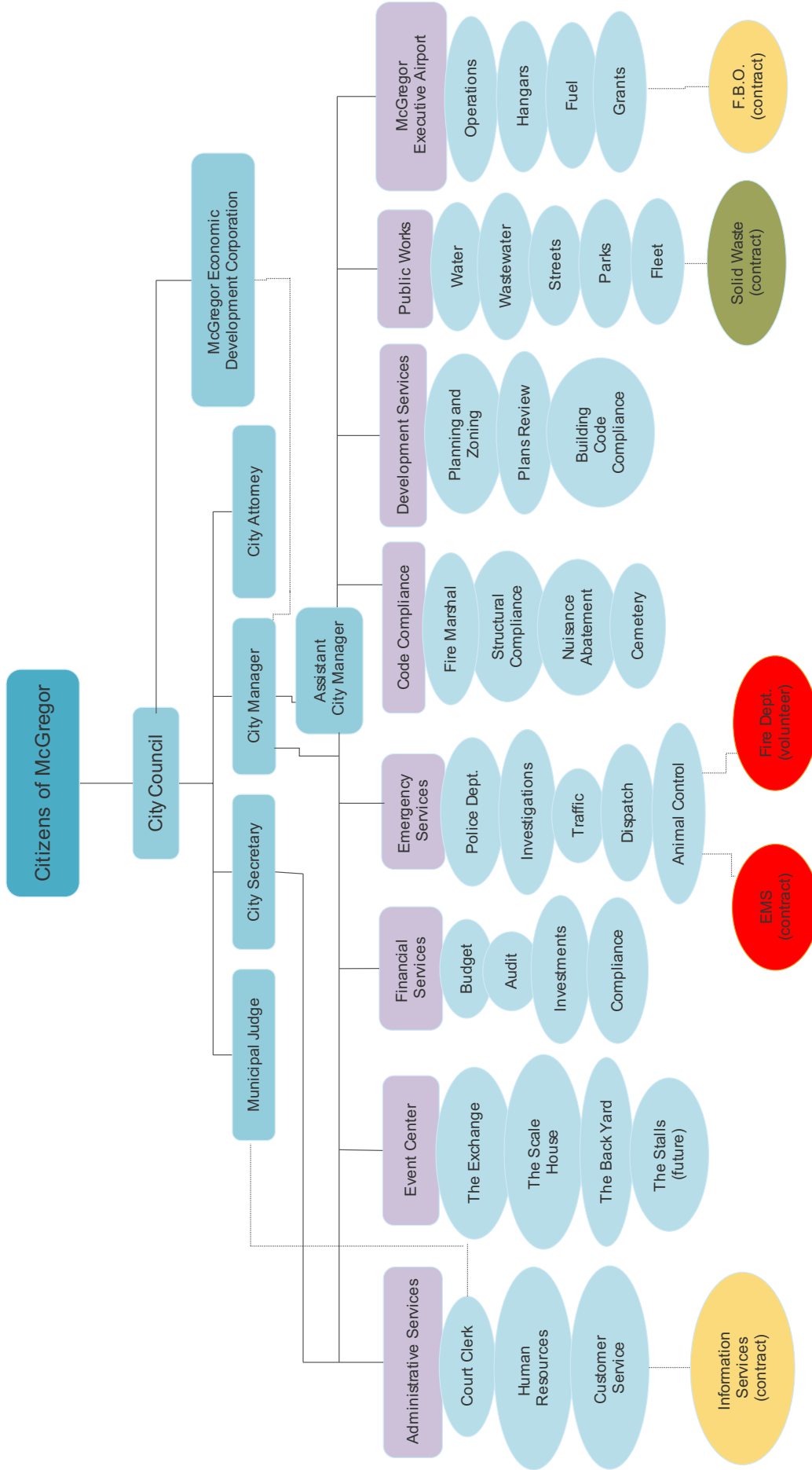
**City of McGregor  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2017**

*Christopher P. Morill*

Executive Director/CEO





City of McGregor, Texas  
City Officials

*Elected Officials:*

<i>Mayor</i>	<i>Jimmy Hering</i>	<i>At-Large</i>
<i>Mayor Pro-Tem</i>	<i>Andrew Henderson, Sr</i>	<i>Ward 1</i>
<i>Council Member</i>	<i>Anthony Ocampo</i>	<i>At-Large</i>
<i>Council Member</i>	<i>Paul Allison</i>	<i>Ward 2</i>
<i>Council Member</i>	<i>David Taylor</i>	<i>Ward 3</i>
<i>Council Member</i>	<i>Jeff Douglas</i>	<i>Ward 4</i>

*Appointed Officials:*

<i>City Manager</i>	<i>Kevin P. Evans</i>
<i>Assistant City Manager</i>	<i>Paul Kilpatrick</i>
<i>Chief of Police</i>	<i>James W. Burson, Sr.</i>
<i>City Secretary</i>	<i>Angelia Sloan</i>
<i>Airport Manager</i>	<i>Robert Blanchard</i>
<i>Finance Director</i>	<i>Carolyn Baker</i>
<i>Code Enforcement Director</i>	<i>Bryan Edds</i>
<i>Community Development Director</i>	<i>Michael T. Olson</i>

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FINANCIAL SECTION SECTION

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
City of McGregor, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of McGregor (The "City"), Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the general fund, Schedule of Contributions, and Schedule of Changes in Net Pension Liability and Related Ratio on pages 11–23 and 58–60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements on pages 61-62 and budgetary comparison schedules for Debt Service Funds on page 63 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections on pages 1-7 and 66-92 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with Government Auditing Standards, we have also issued our report dated April 24, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reports 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 Governments Auditing Standards in considering City's internal control over financial reporting and compliance.

*M. C. Ail & Associates, P.C.*

Richardson, Texas  
April 24, 2019

## MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

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City of McGregor, Texas  
Management's Discussion and Analysis  
Year Ended September 30, 2018

As management of The City of McGregor, (City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018.

**Financial Highlights**

**Government-wide financial statements**

- The total assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$24,222,649.
- Unrestricted net position was \$2,047,690; these funds may be used to meet ongoing obligations.
- Total net position increased by \$1,284,463.
- Total debt, net of premiums and discounts increased by \$3,444,981 or 18%.
- General Obligation bonds for \$4,105,000 were issued in 2018. These bonds were for capital improvements for the McGregor-Waco-Woodway Waterline Project and the design, renovation, construction and improvements for a community center.
- \$1,101,499 in outstanding debt was retired.
- \$973,065 of outstanding debt (principal) is due within one year as of September 30, 2018.

**Fund Financial Statements**

- Governmental funds reported combined ending fund balance of \$9,139,643.
  - A decrease of \$1,150,465 in fund balance is due primarily to transfer out to Water Fund, Waste Water Fund and Park Development Fund.
  - General Fund unassigned fund balance was \$1,580,096, or 38% of total general fund expenditures during FY 2018. This represents 5 months of cash for operations at September 30, 2018.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to The City's basic financial statements. The City of McGregor's basic financial statements are comprised of three components:

- 1) *Government-wide Financial Statements*
- 2) *Fund Financial Statements, and*
- 3) *Notes to the Financial Statements*

The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements this report contains other supplementary information that will enhance the reader's understanding of the financial condition of the City.

City of McGregor, Texas  
Management's Discussion and Analysis  
Year Ended September 30, 2018

***Basic Financial Statements***

The first two statements (pages 28-29) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 31-34) are **Fund Financial Statements**. These statements focus on the activities of the individual components within the City government. These statements are more detailed than the government-wide statements. The two sections in the Fund Financial Statements are 1) the Governmental Fund financial statements and 2) the Proprietary Fund financial statements.

Following the Fund Financial Statements, are the notes beginning on page 34. The notes to the financial statements explain in more detail the data contained within the statements. After the notes section, the Required Supplementary Information (pages 66-68) is provided to show additional financial and economic details about the City.

***Government-Wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the finances of the City of McGregor, in a manner similar to a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The Statement of Net Position presents information on all of the City of McGregor's assets and deferred outflows and liabilities and deferred inflows of resources, 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 McGregor is improving or deteriorating. The Statement of Net Position combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. In order to assess the overall health or financial condition of the City, other non-financial factors should be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure.

The Statement of Activities presents information on how the City's net position changed during the most recent fiscal year. All changes in net position are 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 leave).

Both of the government-wide financial statements distinguish functions of the City 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 include general government, public safety, municipal services (public works), community development, parks and recreation. The business-type activities of the City include water supply and distribution, wastewater collection and treatment and a general purpose airport.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate McGregor Economic Development Corporation (MEDC) for which the City is financially accountable. Financial information for the MEDC is presented as a discrete component and is not included with the primary government. The MEDC is presented in a separate column

City of McGregor, Texas  
Management's Discussion and Analysis  
Year Ended September 30, 2018

in the government-wide financial statements. The MEDC government-wide financial statements can be found in the pages that follow this discussion. Complete financial statements of the MEDC may be obtained at the City's administrative offices.

The government-wide financial statements are on pages 28-29 of this report.

***Fund Financial Statements***

The fund financial statements provide a more detailed look at the City's most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by state law or bond covenants. The City of McGregor, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the following year. Governmental funds are reported using an accounting method called modified accrual accounting which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him/her determine if there are more or less financial resources available to finance the City's programs

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 McGregor maintains three major governmental funds and seven nonmajor 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 major general fund, debt service fund, and capital projects fund. The nonmajor funds are summarized in the other governmental funds column. The nonmajor funds combining schedules are included in the Combining and Individual Statements and Schedules section of this report.

The City of McGregor adopts an annual appropriated budget for the general fund, debt service, and nonmajor special revenue funds and utility operating funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. This comparison can be found in the Required Supplementary Information section of this report.

The Governmental Fund financial statements can be found on pages 31-34 of this report.

City of McGregor, Texas  
Management's Discussion and Analysis  
Year Ended September 30, 2018

*Proprietary funds*

The City charges customers for the services it provides. These services are generally reported in the proprietary funds. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The City of McGregor maintains three enterprise or proprietary funds:

- 1) water,
- 2) wastewater,
- 3) municipal airport

The proprietary fund financial statements provide information for the water, sewer and municipal airport enterprise funds, all of which are major funds of the City of McGregor.

The basic proprietary fund financial statements can be found on pages 31-33 of this report.

***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. More detailed information on long-term debt activity and capital asset activity is presented in the relevant disclosures in the notes to the financial statements. The notes to the financial statements can be found on the pages immediately following the financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's budgetary comparison information for the General Fund and progress in funding its obligation to provide pension benefits to its' employees. This presentation of the City's pension liability is based on the adoption of GASB 68, *Accounting and Financial Reporting for Pensions*. Ultimately ten (10) years of data will be displayed in the Required Supplementary section of this report.

**Accounting Changes**

The following statements for the Governmental Accounting Standards Board (GASB) were effective for the City in the fiscal year ending September 30, 2018:

GASB Statement 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Revenues, and Net Position" was issued in June 2011 to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

GASB Statement 65, "Items Previously Reported as Assets and Liabilities" improves financial reporting by clarifying the appropriate use of the elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.



City of McGregor, Texas  
Management's Discussion and Analysis  
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GASB Statement 66: "Technical Corrections-2012" enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidelines that could diminish the consistency of financial reporting.

GASB Statement 67: "Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25" improves financial reporting by state and local governmental pension plans.

GASB Statement 68: "Accounting and Financial Reporting for Pensions" establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through plans that are covered by the scope of this Statement as well as for nonemployer governments that have a legal obligation to contribute to those plans.

GASB Statement 75: "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

#### **Government wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$24,222,649 as of September 30, 2018.

The largest portion (59%) of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure and improvements), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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. The unrestricted net position of \$2,047,690 may be used to meet the government's ongoing obligations to the citizens and creditors. At the end of FY 2018, the City of McGregor was able to report positive balances in all three categories of net position (the government as a whole as well as for governmental and business-type activities).

The following table is a comparative summary of net position as of September 30, 2018 and September 30, 2017:

City of McGregor, Texas  
Management's Discussion and Analysis  
Year Ended September 30, 2018

City of McGregor, Texas  
Net Position  
September 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 10,354,350	\$ 9,962,222	\$ 2,125,526	\$ 1,556,438	\$ 12,479,876	\$ 11,518,660
Capital assets, net of accumulated depreciation	17,679,853	14,038,047	16,613,152	16,540,491	34,293,005	30,578,538
Total assets	\$ 28,034,203	\$ 24,000,269	\$ 18,738,678	\$ 18,096,929	\$ 46,772,881	\$ 42,097,198
Deferred outflows of resources	(150,518)	154,813	(23,521)	67,798	(174,039)	222,611
Total assets and deferred outflows of resources	27,883,685	24,155,082	18,715,157	18,164,727	46,598,842	42,319,809
Current and Other liabilities	1,737,813	132,552	1,153,315	1,837,946	2,891,128	1,970,498
Long-term liabilities	19,701,549	16,916,680	130,920	391,438	19,832,469	17,308,118
Total Liabilities	21,439,362	17,049,232	1,284,235	2,229,384	22,723,597	19,278,616
Deferred Inflows of resources	194,666	103,007	-	-	194,666	103,007
Total Liabilities and deferred inflows of resources:	21,634,028	17,152,239	1,284,235	2,229,384	22,918,263	19,381,623
Net Position:						
Net investment in capital assets	(1,852,850)	4,105,894	16,468,260	16,189,001	14,615,410	20,294,895
Restricted	7,559,549	917,996	-	-	7,559,549	917,996
Unrestricted	542,956	1,978,952	1,504,734	(253,657)	2,047,690	1,725,295
Total net position	\$ 6,249,655	\$ 7,002,842	\$ 17,972,994	\$ 15,935,344	\$ 24,222,649	\$ 22,938,186

The \$1,284,463 increase to \$24,222,649 in total net position is due to increases in both governmental and business-type activities. The increase is mainly attributable to the sale of the apartment complex. Net investment in capital assets for governmental activities went down \$5,958,744 while net investment in capital assets for the business-type activities increased \$279,259.

#### Governmental Activities

Governmental activities increased net position before transfers by \$444,840 and business-type activities increased net position before transfers by \$838,667 for an increase in total net position before transfers of \$1,283,507. which can be attributed to community services increased \$99,391. Key elements of this City wide increase are shown in the following table:

City of McGregor, Texas  
Management's Discussion and Analysis  
Year Ended September 30, 2018

City of McGregor, Texas  
Changes in Net Position  
September 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>REVENUES</b>						
Program Revenues:						
Charges for services	\$ 524,613	\$ 663,313	\$ 4,554,053	\$ 4,560,587	\$ 5,078,666	\$ 5,223,900
Capital grants and contributions	300,000	-	34,178	50,000	334,178	50,000
General Revenues:						
Property taxes	2,195,430	2,012,269	-	-	2,195,430	2,012,269
Sales taxes	788,941	794,137	-	-	788,941	794,137
Franchise taxes	353,102	349,614	-	-	353,102	349,614
Hotel-Motel tax	25,960	32,989	-	-	25,960	32,989
Interest	153,830	116,256	6,757	3,013	160,587	119,269
Sale of assets	78,590	1,512	-	752,699	78,590	754,211
Land lease	1,180,818	1,175,469	7,700	\$ -	1,188,518	1,175,469
Miscellaneous	345,555	124,958	-	7,300	345,555	132,258
Total revenues	<u>5,946,839</u>	<u>5,270,517</u>	<u>4,602,688</u>	<u>5,373,599</u>	<u>10,549,527</u>	<u>10,644,116</u>
<b>EXPENSES</b>						
Governmental activities:						
Administrative services	1,055,849	1,157,753	-	-	1,055,849	1,157,753
Community services	637,790	538,399	-	-	637,790	538,399
Development services	501,075	187,700	-	-	501,075	187,700
Emergency services	1,446,600	1,429,388	-	-	1,446,600	1,429,388
Financial services	213,879	195,514	-	-	213,879	195,514
Municipal services	1,073,097	1,358,182	-	-	1,073,097	1,358,182
Interest on long-term debt	573,709	693,699	-	-	573,709	693,699
Business-type activities:						
Municipal Airport funds	-	-	309,258	277,360	309,258	277,360
Rachael Arms Apartments fund	-	-	-	126,124	-	126,124
Waste water fund	-	-	638,333	721,928	638,333	721,928
Water fund	-	-	2,816,430	2,532,137	2,816,430	2,532,137
Total expenses	<u>5,501,999</u>	<u>5,560,635</u>	<u>3,764,021</u>	<u>3,657,549</u>	<u>9,266,020</u>	<u>9,218,184</u>
Change in net position before special items and transfers	444,840	(290,118)	838,667	1,716,050	1,283,507	1,425,932
Transfers	(1,198,027)	506,894	1,198,984	(506,894)	-	-
Change in net position	<u>(753,187)</u>	<u>216,776</u>	<u>2,037,651</u>	<u>1,209,156</u>	<u>1,283,507</u>	<u>1,425,932</u>
Net position-beginning	<u>7,002,842</u>	<u>6,786,067</u>	<u>15,935,344</u>	<u>14,726,188</u>	<u>21,512,255</u>	<u>21,512,255</u>
Net position-ending	<u>6,249,655</u>	<u>7,002,842</u>	<u>17,972,995</u>	<u>15,935,344</u>	<u>24,222,650</u>	<u>22,938,186</u>

The \$444,840 increase in net position before transfer for the City reflects the increase in interest on long-term debt due to issuance of 2018 and 2018A bonds. The decrease in miscellaneous revenues is related to the closing of the Rachael Arms Apartment fund and transferring remaining fund balance to General fund. Business-type expenses increased \$106,472, and business type revenues decreased by \$770,910 mainly due to the sale of Rachael Arms Apartments. Charges for services decreased by 2%.

The government-wide presentation of expenses attempts to consolidate all revenues and expenses on a basis similar to a private business. This presentation removes capital spending and principal payments on debt. Governmental activities expenses decreased in FY 2018 compared to FY 2017 by \$58,636 to \$5,501,999.

Revenues by source – governmental activities

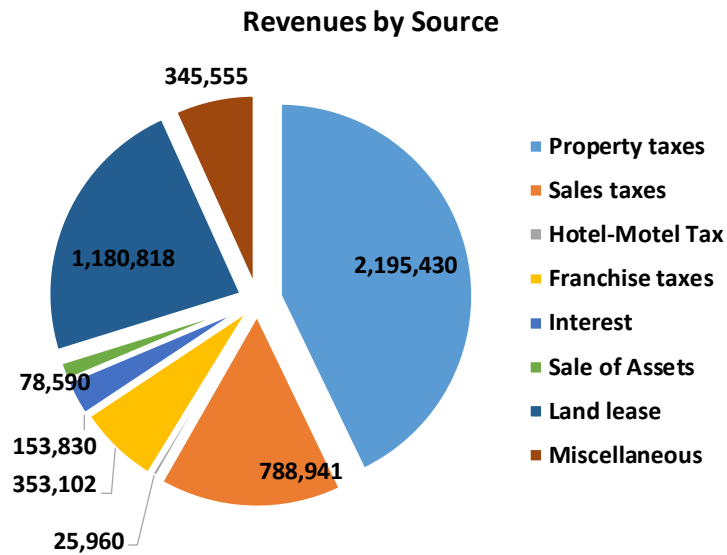
Property taxes, sales taxes, and land leases provide 81% of the revenues for the governmental activities. The pie chart below provides a graphic representation of the City's governmental revenues by source. Administrative services and Community services constitute 79% of the program revenue and 16.1% of

City of McGregor, Texas  
 Management's Discussion and Analysis  
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expenses for the governmental activities. Emergency Services and Municipal Services represent 60% of the expenses for governmental activities. The bar chart on the next page depicts the graphic representation of the City's expenses and any directly related revenues by source.

City of McGregor, Texas  
 Revenues by Source  
 Governmental Activities  
 For the Year Ended September 30, 2018

Revenues Source	Revenue	% of Total
Property taxes	2,195,430	42.86%
Sales taxes	788,941	15.40%
Hotel-Motel Tax	25,960	0.51%
Franchise taxes	353,102	6.89%
Interest	153,830	3.00%
Sale of Assets	78,590	1.53%
Land lease	1,180,818	23.05%
Miscellaneous	345,555	6.75%
Total	\$ 5,122,226	100.00%

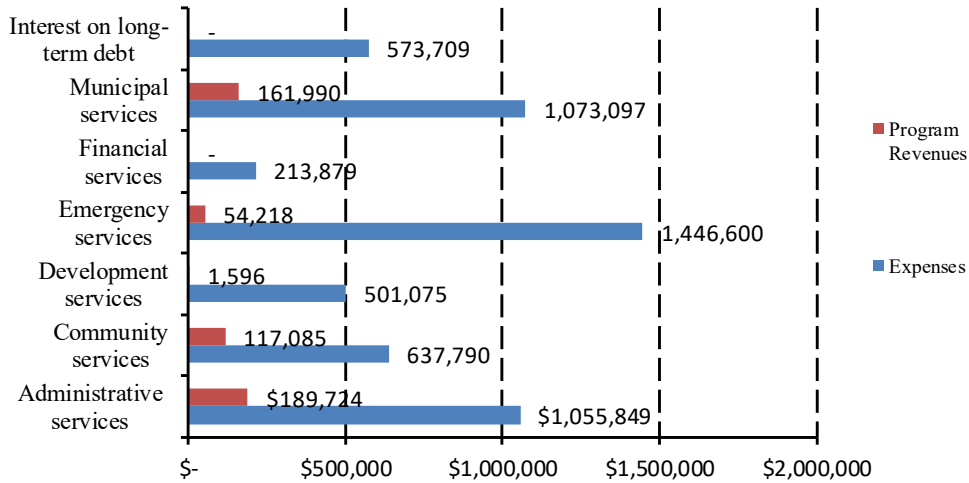


City of McGregor, Texas  
Management's Discussion and Analysis  
Year Ended September 30, 2018

City of McGregor, Texas  
Expenses and Program Revenues  
Governmental Activities  
For the Year Ended September 30, 2018

Funds	Expenses	% of Total	Program Revenues	% of Total	Net (Expense) Revenue
Administrative services	\$ 1,055,849	19.19%	\$ 189,724	36.16%	\$ (866,125)
Community services	637,790	11.59%	117,085	22.32%	(520,705)
Development services	501,075	9.11%	1,596	0.30%	(499,479)
Emergency services	1,446,600	26.29%	54,218	10.33%	(1,392,382)
Financial services	213,879	3.89%	-	0.00%	(213,879)
Municipal services	1,073,097	19.50%	161,990	30.88%	(911,107)
Interest on long-term debt	573,709	10.43%	-	0.00%	(573,709)
Total	<u>\$ 5,501,999</u>	<u>100.00%</u>	<u>\$ 524,613</u>	<u>100.00%</u>	<u>\$ (4,977,386)</u>

**Expenses and Program Revenues - Governmental Activities**



City of McGregor, Texas  
 Management's Discussion and Analysis  
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Revenues by source – business-type activities

Charges for services account for 99% of the revenues for business-type activities. The pie chart found below provides a graphic representation of the City's business-type revenues by source.

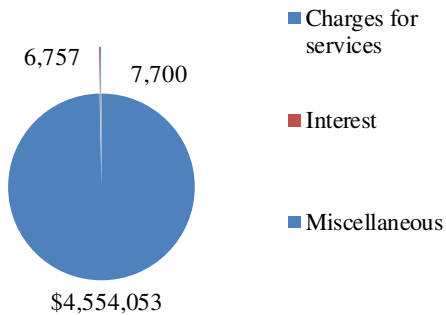
Expenses and program revenues – business-type activities are shown in the bar chart on the next page with Water Fund and Sewer Fund making up 92% of total.

Business-type activities increased the City's net position before contributions and transfers by \$838,667.

City of McGregor, Texas  
 Revenues by Source  
 Business-Type Activities  
 For the Year Ended September 30, 2018

Revenues Source	Revenue	% of Total
Charges for services	\$ 4,554,053	99.68%
Interest	6,757	0.15%
Miscellaneous	7,700	0.17%
Total	\$ 4,568,510	100.00%

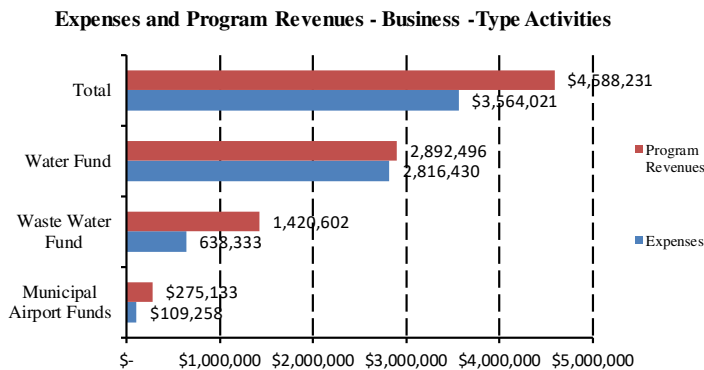
Revenues by Source



City of McGregor, Texas  
Management's Discussion and Analysis  
Year Ended September 30, 2018

City of McGregor, Texas  
Expenses and Program Revenues  
Business-Type Activities  
For the Year Ended September 30, 2018

Funds	Expenses	% of Total	Program Revenues	% of Total	Net (Expense) Revenue
Municipal Airport Funds	\$ 109,258	3.07%	\$ 275,133	6.00%	\$ 165,875
Waste Water Fund	638,333	17.91%	1,420,602	30.96%	782,269
Water Fund	2,816,430	79.02%	2,892,496	63.04%	76,066
Total	\$ 3,564,021	100.00%	\$ 4,588,231	100.00%	\$ 1,024,210



**Financial Analysis of the City's Funds**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

- General Fund

The General Fund is the primary governmental fund of the City of McGregor. The fund balance of the General Fund decreased by \$1,832,675 during FY 2018 as compared to an increase of \$1,198,051 in FY 2017. Revenues increased 6,914 and expenditures decreased \$393,784 in FY 2018. Expenditures were in excess of revenues by \$203,715. Transfers in and out of the fund netted (\$2,036,391). At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,139,643, a decrease of \$1,150,465.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$1,580,095. As a measure of the general fund's

City of McGregor, Texas  
Management's Discussion and Analysis  
Year Ended September 30, 2018

liquidity, it may be useful to compare unreserved fund balance to total general fund expenditures. Unassigned fund balance represents 37% of total general fund expenditures.

- Debt Service Fund

The Debt Service Fund ended the fiscal year with a total fund balance of \$137,458 compared to \$126,737 at the end of FY 2018. This fund balance is restricted for the payment of debt. Tax revenues in the Debt Service Fund increased \$7,050 to \$677,893. Debt service payments from the fund totaled \$1,506,463. Debt service payments are supported by transfers from the water and wastewater funds of \$807,196.

- Capital Project Funds

In FY 2018 Certificates of Obligation were issued for \$4,105,000 for the McGregor-Waco-Woodway Waterline Project and the McGregor Exchange Event Center. In FY 2018 the fund balance saw an increase of \$174,517. All of the fund balance is available for capital projects.

- Non-Major Funds

The Non-Major Funds include the Hotel and Motel Tax fund, the Court Technology fund, the Court Building Security fund, the Industrial Park Capital fund, the Park Development fund and the McGregor Exchange fund and the Cemetery fund. The fund balances in the total non-major funds increased \$496,972.

### **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide statements, but in more detail.

Unrestricted net position of the water, sewer and municipal airport at the end of the current fiscal year amounted to \$1,504,734. Net position increased \$2,037,650 from the prior year. The increase was due primarily to the sale of Rachael Arms Apartment complex. Other factors regarding the finances were addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

General Fund revenues are mainly derived from taxes, charges for services, fines and land leases. Other miscellaneous revenues are from the sale of assets, after hours testing penalties and other items. Property taxes in the General Fund are derived from the maintenance and operations ("M&O") portion of the tax rate. The M&O rate in effect for FY 2018 was 0.410714 per \$100 of valuation. The adopted tax rate for FY 2018 was \$0.594010 per \$100 of valuation. The remainder of the tax rate is used to fund the City's debt service and is the interest and sinking (I&S) rate. The I&S rate for FY 2018 was \$0.183296 per \$100 of valuation.

Total General Fund revenues for FY 18 were \$4,377,518 and were \$6,914 more than FY 2017. Tax revenues for General Fund include property tax, sales tax, franchise tax and mixed beverage tax. General Fund tax revenues were \$174,423 higher than last fiscal year.



City of McGregor, Texas  
Management's Discussion and Analysis  
Year Ended September 30, 2018

Other categories of revenues in General Fund include fines and court fee, licenses and permits, interest, other revenues. Fines and court fees decreased \$138,927 as compared to FY 2017 while licenses and permits increased by \$43,271 and interest earnings went up by \$37,573.

Total General Fund activities are broken down into the following main categories:

- Administrative services – This category includes City Manager, City Council, City Secretary and shared departmental expenditures.
- Development services – This category includes Community Development, Permits and Inspections
- Community services – This category includes Parks, Code Enforcement and Cemetery
- Municipal services – This category includes Court, Fleet Maintenance and the Street Department
- Emergency services – This category includes the Police department and MVFD
- Financial services – This category includes the Finance Department

General Fund expenditures, including capital purchases, for the year totaled \$4,173,803 and were \$812,494, or 16% below budget. Compared to FY 2017, expenditures were down by \$393,784, or 8%.

**Capital Asset and Debt Administration**

Capital Assets

The City of McGregor's investment in capital assets for its governmental and business-type activities as of September 30, 2018 amounts to \$34,293,005 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, water and sewer system, and construction in progress.

City of McGregor, Texas  
Comparative Statement of Capital Assets  
September 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	3,791,011	3,491,011	838,245	793,565	4,629,256	4,284,576
Construction in progress	5,178,421	2,156,363	1,876,896	1,262,299	7,055,317	3,418,662
Building and improvements	5,883,026	5,319,651	642,435	671,180	6,525,461	5,990,831
Machinery & equipment	1,473,093	1,619,815	375,182	462,582	1,848,275	2,082,397
Intangible assets	58,375	63,239	22,430	24,673	80,805	87,912
Infrastructure	1,295,927	1,387,968	12,857,964	13,326,191	14,153,891	14,714,159
Capital assets, net	<u>17,679,853</u>	<u>14,038,047</u>	<u>16,613,152</u>	<u>16,540,490</u>	<u>34,293,005</u>	<u>30,578,537</u>

Additional information on the City's capital assets can be found in note 3.A.4 of this report.

Long-term Debt

At the end of the 2018 fiscal year, the City had total bonded debt outstanding of \$19,532,703. All debt service payments were made in 2018 and new debt was issued in the amount of \$ 4,105,000.

Additional information on the City's long-term debt can be found in note 4.B.1,2,3 and 4.D of this report.

City of McGregor, Texas  
Management's Discussion and Analysis  
Year Ended September 30, 2018

**Economic Factors and Next Year's Program of Services (Budget) and Rates**

Growth in tax base – net taxable values increased from \$ 336,919,943 in FY 2017, to \$347,073,105 in FY 2018 for a net increase of \$10,153,162, or 3%. The increase included new value market of \$2,621,900.

The overall property tax rate remained steady at \$0.594 per \$100 in FY 2018. Growth in the tax base valuation resulted in a 2.65% increase in the overall tax levy, from \$2,009,296 in FY 2017 to \$2,062,548 in FY 2018.

The FY 2018 adopted General Fund budget includes a modest 9.2% increase in expenditures from the FY 2017 adopted budget. The increase is mainly for purchase of additional capital and increases in personnel costs. In total, the City's adopted FY 2018 general fund budget includes a beginning fund balance of \$3,412,771 and a projected ending fund balance of \$3,142,556. The decrease is due to the transfer of funds from sale of apartment complex to water and wastewater funds and transfer of funds to Park Development Fund.

**Component Unit**

The government-wide financial statements for the McGregor Economic Development Corporation (MEDC), a component unit of the City of McGregor, are included in this report. Separate financial statements including fund statements for the MEDC are available at the City's administrative offices.

**Component Unit Financial Highlights**

- The assets of the MEDC exceeded its liabilities by \$1,091,060 at September 30, 2018.
- Net position decreased \$175,295 in comparison with the prior year.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City of McGregor's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, 302 S. Madison, PO Box 192, McGregor, Texas, 76657.

## BASIC FINANCIAL STATEMENTS

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City of McGregor, Texas  
Statement of Net Position  
September 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 9,440,855	\$ 1,608,314	\$ 11,049,169	\$ 564,994
Receivables (net of allowance for uncollectibles)	913,055	516,777	1,429,832	101,904
Other current asset	440	435	875	-
Total current assets	<u>10,354,350</u>	<u>2,125,526</u>	<u>12,479,876</u>	<u>666,898</u>
Noncurrent assets:				
Net pension asset	-	-	-	22,695
Land	3,791,011	838,245	4,629,256	416,843
Airport	-	4,968,110	4,968,110	-
Construction in progress	2,156,363	1,876,896	4,033,259	-
Water and sewer system	-	13,857,187	13,857,187	-
Other capital assets	21,552,703	3,516,035	25,068,738	29,843
Accumulated depreciation	(9,820,224)	(8,443,321)	(18,263,545)	(20,113)
Total noncurrent assets	<u>17,679,853</u>	<u>16,613,152</u>	<u>34,293,005</u>	<u>449,268</u>
Total assets	<u>28,034,203</u>	<u>18,738,678</u>	<u>46,772,881</u>	<u>1,116,166</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources	(150,518)	(23,521)	(174,039)	-
Total deferred outflows of resources	<u>(150,518)</u>	<u>(23,521)</u>	<u>(174,039)</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>27,883,685</u>	<u>18,715,157</u>	<u>46,598,842</u>	<u>1,116,166</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and other current liabilities	514,367	257,602	771,969	8,609
Customer deposits	-	188,270	188,270	-
Internal Balances	-	542,071	542,071	-
Accrued interest payable	79,668	-	79,668	-
Due within one year	1,143,778	165,372	1,309,150	-
Total current liabilities	<u>1,737,813</u>	<u>1,153,315</u>	<u>2,891,128</u>	<u>8,609</u>
Noncurrent liabilities:				
Due in more than one year	19,524,296	30,244	19,554,540	-
Net pension liability	177,253	100,676	277,929	-
Total noncurrent liabilities	<u>19,701,549</u>	<u>130,920</u>	<u>19,832,469</u>	<u>-</u>
Total liabilities	<u>21,439,362</u>	<u>1,284,235</u>	<u>22,723,597</u>	<u>8,609</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources	194,666	-	194,666	16,497
Total deferred inflows of resources	<u>194,666</u>	<u>-</u>	<u>194,666</u>	<u>16,497</u>
Total liabilities and deferred inflows of resources	<u>21,634,028</u>	<u>1,284,235</u>	<u>22,918,263</u>	<u>25,106</u>
<b>NET POSITION</b>				
Net investment in capital assets	(1,852,850)	16,468,260	14,615,410	9,731
Restricted for:				
Capital Projects	6,133,859	-	6,133,859	-
Debt Service	137,459	-	137,459	-
Special Purpose	1,288,231	-	1,288,231	224,175
Unrestricted	542,956	1,504,734	2,047,690	857,154
Total net position	<u>\$ 6,249,655</u>	<u>\$ 17,972,994</u>	<u>\$ 24,222,649</u>	<u>\$ 1,091,060</u>

*The accompanying notes are an integral part of this statement.*

City of McGregor, Texas  
Statement of Activities  
For the Year Ended September 30, 2018

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
Administrative services	\$ 1,055,849	\$ 189,724	\$ -	\$ -
Community services	637,790	117,085	-	300,000
Development services	501,075	1,596	-	-
Emergency services	1,446,600	54,218	-	-
Financial services	213,879	-	-	-
Municipal services	1,073,097	161,990	-	-
Interest on long-term debt	573,709	-	-	-
Total governmental activities	<u>5,501,999</u>	<u>524,613</u>	<u>-</u>	<u>300,000</u>
Business-type activities:				
Municipal Airport Funds	309,258	240,955	-	34,177
Waste Water Fund	638,333	1,420,602	-	-
Water Fund	2,816,430	2,892,496	-	-
Total business-type activities	<u>3,764,021</u>	<u>4,554,053</u>	<u>-</u>	<u>34,177</u>
Total primary government	<u>\$ 9,266,020</u>	<u>\$ 5,078,666</u>	<u>\$ -</u>	<u>\$ 334,177</u>
<b>Component units:</b>				
Economic Development Corp	\$ 591,364	\$ -	\$ -	\$ -
Total component units	<u>\$ 591,364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:  
Property taxes  
Sales taxes  
Hotel-Motel Tax  
Franchise taxes  
Interest  
Sale of Assets  
Land lease  
Miscellaneous  
Transfers  
Total general revenues, special items, and transfers  
Change in net position  
Net position - beginning as restated  
Net position - ending

*The accompanying notes are an integral part of this statement.*

City of McGregor, Texas  
Statement of Activities  
For the Year Ended September 30, 2018

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (866,125)	\$ -	\$ (866,125)	\$ -
(220,705)	-	(220,705)	-
(499,479)	-	(499,479)	-
(1,392,382)	-	(1,392,382)	-
(213,879)	-	(213,879)	-
(911,107)	-	(911,107)	-
(573,709)	-	(573,709)	-
<u>(4,677,386)</u>	<u>-</u>	<u>(4,677,386)</u>	<u>-</u>
-	(34,126)	(34,126)	-
-	782,269	782,269	-
-	76,066	76,066	-
-	824,209	824,209	-
<u>(4,677,386)</u>	<u>824,209</u>	<u>(3,853,177)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (591,364)</u>
-	-	-	(591,364)
2,195,430	-	2,195,430	-
788,941	-	788,941	393,129
25,960	-	25,960	-
353,102	-	353,102	-
153,830	6,757	160,587	4,215
78,590	-	78,590	10
1,180,818	-	1,180,818	-
345,555	7,700	353,255	18,715
(1,198,027)	1,198,984	957	-
<u>3,924,199</u>	<u>1,213,441</u>	<u>5,137,640</u>	<u>416,069</u>
(753,187)	2,037,650	1,284,463	(175,295)
<u>7,002,842</u>	<u>15,935,344</u>	<u>22,938,186</u>	<u>1,266,355</u>
<u>\$ 6,249,655</u>	<u>\$ 17,972,994</u>	<u>\$ 24,222,649</u>	<u>\$ 1,091,060</u>

*The accompanying notes are an integral part of this statement.*

City of McGregor, Texas  
Balance Sheet  
Governmental Funds  
September 30, 2018

	General Fund	Debt Service Funds	Capital Project Funds	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,633,292	\$ 137,458	\$ 6,390,091	\$ 1,280,014	\$ 9,440,855
Property taxes receivable	51,372	22,927	-	-	74,299
Sales taxes receivable	149,808	-	-	-	149,808
Receivables (net of allowance for uncollectibles)	8,195	-	-	8,264	16,459
Franchise taxes receivable	9,305	-	-	-	9,305
Municipal court receivable	663,183	-	-	-	663,183
Other assets	440	-	-	-	440
Total assets	<u>\$ 2,515,595</u>	<u>\$ 160,385</u>	<u>\$ 6,390,091</u>	<u>\$ 1,288,278</u>	<u>\$ 10,354,349</u>
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	258,086	-	256,233	48	514,367
Unearned revenues	677,413	22,926	-	-	700,339
Total liabilities	<u>935,499</u>	<u>22,926</u>	<u>256,233</u>	<u>48</u>	<u>1,214,706</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Total deferred inflow of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>935,499</u>	<u>22,926</u>	<u>256,233</u>	<u>48</u>	<u>1,214,706</u>
<b>FUND BALANCES (DEFICITS)</b>					
Restricted	-	137,459	6,133,858	1,288,230	7,559,547
Unassigned	1,580,096	-	-	-	1,580,096
Total fund balances (deficits)	<u>\$ 1,580,096</u>	<u>\$ 137,459</u>	<u>\$ 6,133,858</u>	<u>\$ 1,288,230</u>	<u>\$ 9,139,643</u>
Total liabilities and fund balances (deficits)	<u>\$ 2,515,595</u>	<u>\$ 160,385</u>	<u>\$ 6,390,091</u>	<u>\$ 1,288,278</u>	<u>\$ 10,354,349</u>

*The accompanying notes are an integral part of this statement.*



City of McGregor, Texas  
 Reconciliation of the Governmental Funds Balance Sheet  
 To the Statement of Net Position  
 September 30, 2018

Fund balances of governmental funds	\$9,139,643
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	17,679,853
Long-term liabilities, including bonds payable, leases payable, net pension liability, and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(20,845,327)
Revenues earned but not available within sixty days of the year end are not recognized as revenue in the fund financial statements	505,673
Accrued interest payable are not due in the current period and therefore are not reported in the funds	(79,668)
Deferred outflows of resources in governmental activities are not financial resources and, therefore, are not reported in the funds.	(150,519)
Net position of governmental activities	\$6,249,655

*The accompanying notes are an integral part of this statement.*

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended September 30, 2018

	General Fund	Debt Service Funds	Capital Project Funds	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 1,517,536	\$ 677,893	\$ -	\$ -	\$ 2,195,429
Sales taxes	788,941	-	-	-	788,941
Franchise taxes	353,102	-	-	-	353,102
Permits and fees	92,183	-	-	-	92,183
Fines/forfeitures	168,572	-	-	7,754	176,326
Service fees	113,464	-	-	-	113,464
Administrative fees	36,692	-	-	-	36,692
Recreation fees	14,831	-	-	101,991	116,822
Donations	263	-	-	-	263
Interest earnings	8,152	680	108,692	36,306	153,830
Land leases	1,180,818	-	-	-	1,180,818
Miscellaneous income	24,373	31,416	-	286,400	342,189
Sale of Assets	78,591	-	-	-	78,591
Hotel-Motel Tax	-	-	-	25,960	25,960
Total revenues	<u>4,377,518</u>	<u>709,989</u>	<u>108,692</u>	<u>458,411</u>	<u>5,654,610</u>
<b>EXPENDITURES</b>					
Current:					
Administrative services	908,010	1,125	10,656	16,650	936,441
Community services	456,150	-	-	159,142	615,292
Development services	179,073	-	-	73,818	252,891
Emergency services	1,329,047	-	-	-	1,329,047
Financial services	213,879	-	-	-	213,879
Municipal services	863,187	-	3,571	289	867,047
Debt service:					
Administrative charges	-	200	149,052	-	149,252
Interest	-	609,363	-	-	609,363
Principal retirement	20,879	895,775	-	-	916,654
Capital outlay:					
Administrative services	52,749	-	524,613	-	577,362
Community services	13,154	-	-	315,100	328,254
Emergency services	137,675	-	-	-	137,675
Municipal services	-	-	2,940,667	7,276	2,947,943
Total expenditures	<u>4,173,803</u>	<u>1,506,463</u>	<u>3,628,559</u>	<u>572,275</u>	<u>9,881,100</u>
Excess (deficiency) of revenues over expenditures	<u>203,715</u>	<u>(796,474)</u>	<u>(3,519,867)</u>	<u>(113,864)</u>	<u>(4,226,490)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Debt Proceeds	-	-	4,105,000	-	4,105,000
Premium on bond issuance	-	-	169,052	-	169,052
Transfers out	(2,055,006)	-	(665,673)	-	(2,720,679)
Transfers in	18,615	807,196	86,005	610,836	1,522,652
Total other financing sources (uses)	<u>(2,036,391)</u>	<u>807,196</u>	<u>3,694,384</u>	<u>610,836</u>	<u>3,076,025</u>
Net change in fund balances	(1,832,676)	10,722	174,517	496,972	(1,150,465)
Fund balances - beginning	3,412,771	126,736	5,959,341	791,260	10,290,108
Fund balances - ending	<u>\$ 1,580,095</u>	<u>\$ 137,458</u>	<u>\$ 6,133,858</u>	<u>\$ 1,288,232</u>	<u>\$ 9,139,643</u>

*The accompanying notes are an integral part of this statement.*

City of McGregor, Texas  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in  
 Fund Balances to the Statement of Activities  
 For the Year Ended September 30, 2018

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Net change in fund balances - total governmental funds	(\$1,150,465)
Amounts reported for governmental activities in the statement of net position are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation (\$647,495) was less than the increase in capital assets (\$3,525,215) in the current period.	3,341,806
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report, as expenditures, the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(3,351,482)
Pension related expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	114,725
Certain revenues and expenditures in the government-wide statement of activities that do not use or provide current financial resources are not reported as revenues and expenditures in the governmental funds.	(7,771)
Capital contribution of donated capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, capital contribution of donated capital assets is not reported as revenue in the governmental funds.	300,000
Change in net position of governmental activities	<u>(\$753,187)</u>

*The accompanying notes are an integral part of this statement.*

City of McGregor, Texas  
Statement of Net Position  
Proprietary Funds  
September 30, 2018

	Business-type Activities			Total Enterprise Funds
	Water Fund	Waste Water Fund	Municipal Airport Funds	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 540,690	\$ 434,554	\$ 633,069	\$ 1,608,313
Receivables (net of allowance for uncollectibles)	340,986	162,884	12,907	516,777
Total current assets	<u>881,676</u>	<u>597,438</u>	<u>645,976</u>	<u>2,125,090</u>
Noncurrent assets:				
Land	90,850	187,867	559,527	838,244
Construction in progress	1,259,904	537,383	79,609	1,876,896
Water and sewer system	7,581,276	6,275,912	-	13,857,188
Airport	-	-	6,574,095	6,574,095
Other capital assets	324,796	667,732	917,522	1,910,050
Less: accumulated depreciation	(4,052,736)	(1,581,049)	(2,809,536)	(8,443,321)
Total noncurrent assets	<u>5,204,090</u>	<u>6,087,845</u>	<u>5,321,217</u>	<u>16,613,152</u>
Total assets	<u>6,085,766</u>	<u>6,685,283</u>	<u>5,967,193</u>	<u>18,738,242</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources	(17,081)	(4,114)	(2,325)	(23,520)
Total deferred outflows of resources	<u>(17,081)</u>	<u>(4,114)</u>	<u>(2,325)</u>	<u>(23,520)</u>
Total assets and deferred outflows of resources	<u>6,068,685</u>	<u>6,681,169</u>	<u>5,964,868</u>	<u>18,714,722</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and other current liabilities	219,921	22,660	15,020	257,601
Customer and tenant deposits	178,470	-	9,800	188,270
Compensated absences - current	13,180	5,039	2,262	20,481
Capital lease-current	7,925	7,925	-	15,850
Total current liabilities	<u>419,496</u>	<u>35,624</u>	<u>27,082</u>	<u>482,202</u>
Noncurrent liabilities:				
Net pension liability	54,606	36,840	9,230	100,676
Bonds and notes payable	-	-	129,041	129,041
Compensated absences	25,122	4,299	823	30,244
Total noncurrent liabilities	<u>79,728</u>	<u>41,139</u>	<u>139,094</u>	<u>259,961</u>
Total liabilities	<u>499,224</u>	<u>76,763</u>	<u>166,176</u>	<u>742,163</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Total deferred inflows of resources	-	-	-	-
Total liabilities and deferred inflows of resources	<u>499,224</u>	<u>76,763</u>	<u>166,176</u>	<u>742,163</u>
<b>NET POSITION</b>				
Net investment in capital assets	5,196,164	6,079,920	5,192,176	16,468,260
Unrestricted	373,733	524,485	606,516	1,504,734
Total net position	<u>\$ 5,569,897</u>	<u>\$ 6,604,405</u>	<u>\$ 5,798,692</u>	<u>\$ 17,972,994</u>

*The accompanying notes are an integral part of this statement.*

City of McGregor, Texas  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended September 30, 2018

	Business-type Activities			
	Water Fund	Waste Water Fund	Municipal Airport Funds	Total Enterprise Funds
<b>OPERATING REVENUES</b>				
Service fees	\$ 1,459	\$ -	\$ -	\$ 1,459
Leases/rentals	-	-	46,733	46,733
Water sales	2,455,233	-	-	2,455,233
Sewer charges	-	1,395,115	-	1,395,115
Solid waste	365,744	-	-	365,744
Hangar rent	-	-	161,576	161,576
Flowage fees	-	-	21,088	21,088
Penalties and late charges	66,817	25,127	-	91,944
Tap fees	2,100	300	-	2,400
Miscellaneous income	8,844	60	11,558	20,462
Total operating revenues	<u>2,900,197</u>	<u>1,420,602</u>	<u>240,955</u>	<u>4,561,754</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	496,570	196,257	69,927	762,754
Supplies and maintenance	151,090	52,677	25,601	229,368
Contractual services	1,827,505	137,095	34,317	1,998,917
Utilities	88,390	67,298	7,052	162,740
Miscellaneous expenses	3,855	106	-	3,961
Bad debt	9,773	4,758	-	14,531
Depreciation	239,247	180,142	167,226	586,615
Total operating expenses	<u>2,816,430</u>	<u>638,333</u>	<u>304,123</u>	<u>3,758,886</u>
Operating income (loss)	<u>83,767</u>	<u>782,269</u>	<u>(63,168)</u>	<u>802,868</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest earnings	6,597	-	160	6,757
Interest expense	-	-	(5,136)	(5,136)
Total nonoperating revenues (expenses)	<u>6,597</u>	<u>-</u>	<u>(4,976)</u>	<u>1,621</u>
Income (loss) before contributions and transfers	<u>90,364</u>	<u>782,269</u>	<u>(68,144)</u>	<u>804,489</u>
Capital Grants	-	-	34,178	34,178
Transfers in	1,293,455	731,340	200,000	2,224,795
Transfers out	(258,189)	(567,623)	(200,000)	(1,025,812)
Change in net position	<u>1,125,630</u>	<u>945,986</u>	<u>(33,966)</u>	<u>2,037,650</u>
Total net position - beginning	4,444,267	5,658,419	5,832,658	15,935,344
Total net position - ending	<u>\$ 5,569,897</u>	<u>\$ 6,604,405</u>	<u>\$ 5,798,692</u>	<u>\$ 17,972,994</u>

*The accompanying notes are an integral part of this statement.*

City of McGregor, Texas  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water	Wastewater	Municipal Airport	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from customers	\$ 2,871,172	\$ 1,447,358	\$ 232,923	\$ 4,551,453
Payments to employees	(504,836)	(202,664)	(72,207)	(779,707)
Payments to suppliers	(2,017,978)	(257,722)	(56,060)	(2,331,760)
Net cash provided by operating activities	<u>348,358</u>	<u>986,972</u>	<u>104,656</u>	<u>1,439,986</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Payments on due to other funds	(696,515)	(697,700)	-	(1,394,215)
Transfer from other funds	1,293,455	731,340	200,000	2,224,795
Transfer to other funds	(258,189)	(567,623)	(200,000)	(1,025,812)
Net cash (used) by noncapital financing	<u>338,751</u>	<u>(533,983)</u>	<u>-</u>	<u>(195,232)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital contributions	-	-	34,178	34,178
Acquisition of capital assets	(570,413)	(9,255)	(79,609)	(659,277)
Principal and interest paid on capital leases	(9,180)	(9,180)	(29,599)	(47,959)
Net cash (used) by capital and related financing activities	<u>(579,593)</u>	<u>(18,435)</u>	<u>(75,030)</u>	<u>(673,058)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	6,597	-	160	6,757
Interest paid	-	-	(5,136)	(5,136)
Net cash provided by investing activities	<u>6,597</u>	<u>-</u>	<u>(4,976)</u>	<u>1,621</u>
Net Increase (decrease) in cash and cash equivalents	114,113	434,554	24,650	573,317
Cash and cash equivalents - beginning	426,577	-	608,419	1,034,996
Cash and cash equivalents - ending	<u>\$ 540,690</u>	<u>\$ 434,554</u>	<u>\$ 633,069</u>	<u>\$ 1,608,313</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	83,769	782,270	(63,169)	802,870
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	239,247	180,142	167,226	586,615
Bad debt expense	9,773	4,758	-	14,531
Changes in assets and liabilities:				
(Increase) decrease in receivables	(29,026)	26,756	(8,032)	(10,302)
(Increase) decrease in deferred outflows of resources	36,188	26,325	5,284	67,797
Increase (decrease) in accounts payable	44,581	(546)	10,610	54,645
Increase (decrease) in customer deposits	8,281	-	300	8,581
Increase (decrease) in compensated absences	11,749	5,030	581	17,360
Increase (decrease) in net pension liability	(73,285)	(41,877)	(10,469)	(125,631)
Increase (decrease) in deferred inflow of resources	17,081	4,114	2,325	23,520
Net cash provided by operating activities	<u>\$ 348,358</u>	<u>\$ 986,972</u>	<u>\$ 104,656</u>	<u>\$ 1,439,986</u>

*The accompanying notes are an integral part of this statement.*

# City of McGregor, Texas

## Notes to the Financial Statements

For the year ended September 30, 2018

### **1. Summary of Significant Accounting Policies**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant of the government's accounting policies are described below.

#### **A. Reporting Entity**

The City of McGregor, Texas (City) was incorporated under the laws of the State of Texas. The City operates under a Council-Manager form of government as provided by the Home Rule Charter, and provides the following services: emergency services (police and fire), municipal services (streets), community services (recreation), development services (planning and zoning and code enforcement), and general administrative and finance services. Other services include water and sewer operations and sanitation. The City also operates the municipal airport and Rachael Arms Apartments. Fire protection is provided by the McGregor Volunteer Fire Department. The City, for financial purposes, includes all of the funds relevant to the operations of the City of McGregor.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Component units of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

#### **Discretely Presented Component Unit**

The City of McGregor Economic Development Corporation (EDC), although legally separate from the City, provides services for the benefit of the City and its residents under the Development Corporation Act of 1979 as defined in Section 4B of the Act. It is responsible for certain economic development expenditures benefiting all citizens of the government and is financed by a portion of sales tax revenue and is governed by a board of directors that are appointed by and serve at the discretion of the City Council. The EDC is reported as a governmental entity and its accounts are maintained on the modified accrual basis of accounting. Since the EDC is a component of the City, the City is financially accountable for the EDC because the City Council approves the EDC's budget, levies sales taxes, and must approve any debt issuances. Complete financial statements for the EDC may be obtained at the City's administrative offices.

#### **B. Government-wide and Fund Financial Statements**

##### *1) Reconciliation of Balance Sheet to the Statement of Net Position*

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the government-wide statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. The differences between the Balance Sheet and the Statement of Net Position are as follows:

# City of McGregor, Texas

## Notes to the Financial Statements

### B. Government-wide and Fund Financial Statements (Continued)

Fund balance of governmental funds	\$9,139,643
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	3,791,011
Construction in progress	5,178,421
Buildings and improvements	9,642,368
Machinery and equipment	3,444,847
Intangible assets	470,532
Infrastructure	4,972,898
Less: Accumulated depreciation	<u>(9,820,224)</u>
	<u>17,679,853</u>

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Bonds payable	(19,532,703)
Capital leases	(306,347)
Compensated absences	(126,695)
Premium/Discount on bonds	(702,329)
Net pension liability	<u>(177,253)</u>
	<u>(20,845,327)</u>

Revenues earned but not available within sixty days of the year end are not	505,673
-----------------------------------------------------------------------------	---------

Accrued interest payable are not due in the current period and therefore are not reported in the funds	(79,668)
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Deferred outflows of resources in governmental activities are not financial resources and, therefore, are not reported in the funds:

Differences between expected and actual economic experience	(252,427)
Changes in actuarial assumptions	22,724
Difference between projected and actual investment earnings	(81,698)
Contributions subsequent to the measurement date	<u>160,882</u>
	<u>(150,519)</u>

Net position of governmental activities	<u>\$ 6,249,655</u>
-----------------------------------------	---------------------



# City of McGregor, Texas

## Notes to the Financial Statements

### **B. Government-wide and Fund Financial Statements (continued)**

2) *Reconciliation of Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities*

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Net change in fund balances - total governmental funds	(\$1,150,465)
--------------------------------------------------------	---------------

Amounts reported for governmental activities in the statement of net position are different because: Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation (\$649,428) was less than the increase in capital assets (\$3,991,234) in the current period.

	3,341,806
--	-----------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report, as expenditures, the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These represent the net changes in long-term debt:

Capital leases	916,654
Bond payable	(4,105,000)
Compensated absences	(29,738)
Bond premium	(139,425)
	(3,357,509)

Pension related expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Changes in net pension liability	420,056
Changes in deferred outflows of resources related to pension	(305,331)
	114,725

Certain revenues and expenditures in the government-wide statement of activities that do not use or provide current financial resources are not reported as revenues and expenditures in the governmental funds:

Revenues earned but not available within sixty days of the year end are not recognized as revenue in the fund financial statements	(7,771)
Interest expense accrued	6,027
	(1,744)

Capital contribution of donated capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, capital contribution of donated capital assets is not reported as revenue in the governmental funds.

	300,000
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	(\$753,187)
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The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment of city government. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues* in the statement of activities.

# City of McGregor, Texas

## Notes to the Financial Statements

### **B. Government-wide and Fund Financial Statements (continued)**

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. The City has no fiduciary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major funds:

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

**Debt Service Fund** - The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**Capital Projects Fund** - The capital projects fund is used to account for the use of debt proceeds to acquire or construct capital assets.

**Water Fund** - The Water fund is used to account for the water utility services provided by the City.

**Sewer Fund** - The Sewer fund is used to account for the wastewater utility services provided by the City.

**Executive Airport Fund** - The Executive Airport fund is used to account for the activities of the airport owned by the City.

# City of McGregor, Texas

## Notes to the Financial Statements

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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. The principal operating revenues of the proprietary funds are charges to customers for water sales, wastewater services, sanitation services, airport fees, and rents for apartments. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. Assets and Liabilities**

#### *1) Pooled Cash, Investments and Temporary Deposits*

The City's cash and cash equivalents for purposes of reporting cash flows of proprietary funds consist of cash on hand, demand deposits and deposits in the City's internal cash and investment pool with a maturity of three months or less. State statutes authorize the City to invest in U.S. Treasury and agency securities, commercial paper, money market mutual funds, repurchase agreements, and government investment pools. Investments for the City, as well as for its component units, are reported at fair value. The City invests in local government investment pools (LGIPs) that were created to function as money market mutual funds within the meaning of Rule 2a-7 of the Investment Company Act of 1940. Each of these LGIPs seeks to maintain a constant \$1.00 net asset value per share.

#### *2) Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

# City of McGregor, Texas

## Notes to the Financial Statements

### **D. Assets and Liabilities (Continued)**

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible accounts.

Property taxes are levied on October 1 and attach as an enforceable lien on property as of January 1. Statements are mailed on October 1, or as soon thereafter as possible, and are due upon receipt. All unpaid taxes become delinquent if not paid before February 1 of the following year.

#### *3) Capital Assets and Depreciation*

Capital assets, which include property, plant, equipment, infrastructure (e.g., roads, bridges, and similar items), and water rights are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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

Property, plant and equipment are depreciated using the straight-line method. The useful lives of all depreciable assets are as follows:

Buildings and building improvements	20-50 years
Land Improvements	20-50 years
Infrastructure	20-40 years
Machinery and Equipment	3-10 years

#### *4) Compensated Absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

#### *5) Long-term Obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, as well as issuance costs, are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are reported as expenses in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums, as well as bond issuance cost, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, received, are reported as debt service expenditures.

# City of McGregor, Texas

## Notes to the Financial Statements

### **E. Nature and Purpose of Designations of Fund Equity**

In 2011, the City has implemented the following GASB 54, *Funds Balance in Financial Reporting in Governmental Fund Type Definitions*. Under GASB 54, the City classifies its equity into five categories.

1. Non-spendable Fund Balance – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. Examples include inventories, long-term receivables, endowment principal, and/or prepaid/deferred items.
2. Restricted Fund Balance – Includes amounts that can be spent only for the specific purposes as imposed by law, or imposed by creditors, grantors, contributors, or other governments' laws and regulations. Examples include federal and state grant programs, retirement of long-term debt, and construction.
3. Committed Fund Balance – Includes amounts that can be used only for the specific purposes as determined by the governing body by formal action recorded in the minutes of the governing body. Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. The City Council must take action to commit funds for a specific purpose prior to the end of the fiscal year, but the amount of the commitment may be determined after the end of the fiscal year.
4. Assigned Fund Balance – Includes amounts intended to be used by the City for specific purposes. Pursuant to GASB 54, this intent can be expressed by an official or body to which the governing body delegates that authority. Examples take on the similar appearance as those enumerated for committed fund balance, including the appropriation of existing fund balance to eliminate a deficit in next year's budget.
5. Unassigned Fund Balance – Includes the residual classification of the general fund and includes all amounts not contained in other classifications. By accounting for amounts in other funds, the City has implicitly assigned the funds for the purposes of those particular funds.

The City's highest level of decision-making authority is governed by the City Council. Passage of a resolution would be required to establish, modify, or rescind a fund balance commitment. The city Council has the authority to assign amounts to specific purposes. The City considers restricted amounts spent when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Expenditures incurred for purposes for which amounts to any of the unrestricted fund balance classifications could be used are classified using the highest level of spending constraint available at the time of the expenditures. The City staff recommends a fund balance of no less than 90 days with a preferred balance of 120 days.

### **F. Net Position**

Net position represents the difference between assets and liabilities. Net position invested 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. In circumstances where an expense is to be made for a purpose for which amounts are available in multiple net position classifications, restricted net position will be fully utilized first followed by unrestricted as necessary.

# City of McGregor, Texas

## Notes to the Financial Statements

### **G. Risk Management**

The City purchases commercial insurance with Texas Municipal League to reduce exposure to risks of loss related to natural disasters, injuries to employees, errors and omissions, and damage or theft of assets. The City accounts for risk management issues in accordance with GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues.

### **H. Fair Value Measurements**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72 provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The investments in government pools are measured at net asset value or amortized cost and are exempt from reporting in the fair value hierarchy, as further described in Note 3.

### **I. Upcoming and Newly Implemented Accounting Pronouncements**

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), addresses accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.

## **2. Stewardship, Compliance, and Accountability**

### **Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Annual, appropriated budgets are adopted for the general fund, debt service funds, special revenue funds, and proprietary funds. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all capital projects funds.

# City of McGregor, Texas

## Notes to the Financial Statements

### 2. Stewardship, Compliance, and Accountability (Continued)

Prior to August 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance.

Expenditures may not legally exceed appropriations at the fund level for each legally adopted annual budget. The City Council made supplemental budgetary appropriation changes during the fiscal year. In addition, transfer of appropriations between funds requires the approval of the City Council. The reported budgetary data has been revised for these amendments legally authorized during the year.

### 3. Detailed Notes on All funds

#### A. Assets

##### 1) Deposits

At September 30, 2018, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$12,172,375 and the combined bank account balances amounted to \$11,614,162. The difference of \$558,212 is due to a combination of deposits in transit and outstanding checks. The City's cash deposits at September 30, 2018 and during the fiscal year ended September 30, 2018, were entirely covered by FDIC insurance or by collateral pledged by the City's bank and held by the City's agent bank in the City's name.

##### 2) Investments

State statutes authorize the City to invest in U.S. Treasury Obligations, agencies and instrumentalities, in obligations of the State of Texas and other political subdivisions of any state rated "A" or above by Standard and Poor's Corporation or Moody's, and repurchase agreements. The City did not engage in repurchase nor reverse repurchase agreement transactions during the year.

The State Comptroller of Public Accounts exercises oversight responsibility over the external investment pools. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. The government pool uses amortized cost rather than the market value to report net assets to compute share price.

At September 30, 2018 the book value of the City's deposits in TexPool local government investment pool was \$211,370, and the combined account balances at TexPool amounted to \$211,370. The average monthly rate of the pool was 1.0151% the weighted average maturity of the pool was 34 days and the fair value per share was 1.0003.

At September 30, 2018 the book value of the City's deposits in TexSTAR local government investment pool was \$601,135, and the combined account balances at TexSTAR amounted to \$601,135. The average monthly rate of the pool was 2.1735% the weighted average maturity of the pool was 28 days and the fair value per share was 1.00002.

At September 30, 2018 the book value of the City's deposits in the Local Government Investment Cooperative (LOGIC) was \$6,973,140, and the combined account balances at LOGIC amounted to \$6,973,140. The average

# City of McGregor, Texas

## Notes to the Financial Statements

### A. Assets (continued)

monthly rate of LOGIC was 2.2829% the weighted average maturity of LOGIC was 42 days and the fair value per share was 1.00021.

TexPool, TexSTAR, and LOGIC have been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investments pools and authorize eligible governmental entities to invest their public funds through the investment pools.

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

#### a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Sept. 30, 2018</u>
TexPool	\$ 211,370	N/A	AAAm
TexSTAR	\$ 601,135	N/A	AAAm
Logic	\$ 6,973,140	N/A	AAAm

The City's Investment Policy is to minimize credit risk by:

1. Limiting investments to suitable and authorized investments including obligations of the United States, its agencies or instrumentalities, bank certificates of deposits, fully collateralized direct repurchase agreements, money market mutual funds and local government investment pools meeting requirements under the Public Funds Investment Act, rated no lower than AAA and are authorized by City Council action.
2. Pre-qualifying the financial institutions and broker/dealers with which the City will do business.
3. Investment portfolio diversification so that losses on individual securities are minimized.

#### b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.



# City of McGregor, Texas

## Notes to the Financial Statements

### A. Assets (continued)

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

#### c. Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. This is controlled through the City's investment policies on diversification:

1. Investments are limited to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. treasury securities).
2. Limiting investment in securities that have higher credit risks.
3. Investing in securities with varying maturities.
4. Continuously investing in a portion of the portfolio in readily available funds such as local government investment pools, money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

#### d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policies regarding interest rate risk are:

1. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
2. Investing operating funds primarily in shorter-term securities, money market funds or similar investment pools.

#### e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

#### 3) *Receivables*

Receivables as of the year ended September 30, 2018 for the City's individual major funds including the allowances for uncollectible accounts, are as follows:

City of McGregor, Texas

Notes to the Financial Statements

**A. Assets (continued)**

	General Fund	Debt Service Fund	Water Fund	Waste Water Fund	Municipal Airport Fund	Total
Receivables:						
Property tax	81,324	36,295	531,086	\$ -	\$ -	\$ 648,705
Sales tax	149,808	-	-	-	-	149,808
Franchise fees	9,305	-	-	-	-	9,305
Municipal Court fines	1,881,861	-	-	-	-	1,881,861
Customer accounts	8,195	-	-	238,801	12,907	259,903
Gross Receivables	2,130,493	36,295	531,086	238,801	12,907	2,949,582
Less: Allowance for uncollectibles	(1,248,630)	(13,367)	(189,665)	(75,917)	-	(1,527,579)
Net total receivables	\$ 881,863	\$ 22,928	\$ 341,421	\$ 162,884	\$ 12,907	\$ 1,422,003

4) Capital Assets

Capital assets, additions, disposals, and depreciation for governmental activities and business-type activities for the year ended September 30, 2018 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,491,011	\$ 300,000	\$ -	\$ 3,791,011
Construction in progress	2,156,363	3,247,938	(225,880)	5,178,421
Totals, capital assets not being depreciated	5,647,374	3,547,938	(225,880)	8,969,432
Capital assets, being depreciated:				
Buildings and Improvements	8,879,076	763,292	-	9,642,368
Machinery and Equipment	3,257,618	187,229	-	3,444,847
Intangible Assets	470,532	-	-	470,532
Infrastructure	4,954,243	18,655	-	4,972,898
Totals, capital assets being depreciated	17,561,469	969,176	-	18,530,645
Less: accumulated depreciation for				
Buildings and Improvements	(3,559,425)	(199,917)	-	(3,759,342)
Machinery and Equipment	(1,637,803)	(333,951)	-	(1,971,754)
Intangible Assets	(407,293)	(4,864)	-	(412,157)
Infrastructure	(3,566,275)	(110,696)	-	(3,676,971)
Total accumulated depreciation	(9,170,796)	(649,428)	-	(9,820,224)
Total capital assets being depreciated, net	8,390,673	319,748	-	8,710,421
City capital assets, net	\$ 14,038,047	\$ 3,867,686	\$ (225,880)	\$ 17,679,853

In July 2018, the EDC Board approved the donation of the “Exchange Property” from the EDC to the City. The donation is shown as an increase on the capital asset table above for \$300,000. This donation is presented on the Government-Wide financial statements as a capital contribution with a corresponding increase in capital assets for the fair value of the donated asset. Fair value approximated cost on the date of the donation

# City of McGregor, Texas

## Notes to the Financial Statements

### A. Assets (continued)

<b>Business-type activities:</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$793,565	\$ 44,680	\$ -	\$ 838,245
Construction in progress	1,262,299	614,597		1,876,896
Totals, capital assets not being depreciated	<u>2,055,864</u>	<u>659,277</u>	<u>-</u>	<u>2,715,141</u>
Capital assets, being depreciated:				
Buildings and Improvements	1,325,535	-	-	1,325,535
Machinery and Equipment	886,069	-	-	886,069
Intangible Assets	123,267	-	-	123,267
Infrastructure	20,006,461	-	-	20,006,461
Totals, capital assets being depreciated	<u>22,341,332</u>	<u>-</u>	<u>-</u>	<u>22,341,332</u>
Less: accumulated depreciation for:				
Buildings and Improvements	(654,355)	(28,745)	-	(683,100)
Machinery and Equipment	(423,487)	(87,400)	-	(510,887)
Intangible Assets	(98,594)	(2,243)	-	(100,837)
Infrastructure	(6,680,270)	(468,227)	-	(7,148,497)
Total accumulated depreciation	<u>(7,856,706)</u>	<u>(586,615)</u>	<u>-</u>	<u>(8,443,321)</u>
Total capital assets being depreciated, net	<u>14,484,626</u>	<u>(586,615)</u>	<u>-</u>	<u>13,898,011</u>
<b>City capital assets, net</b>	<u>\$16,540,490</u>	<u>\$ 72,662</u>	<u>\$ -</u>	<u>\$ 16,613,152</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Government activities:	
Administrative	\$ 261,193
Community Services	22,498
Emergency Services	117,553
Transportation	248,184
	<u>\$ 649,428</u>
Business-type activities:	
Water	\$ 239,246
Sewer	180,142
Airport	167,226
	<u>\$ 586,614</u>

### B. Liabilities

#### 1) Changes in general long-term liabilities:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Capital Leases	\$ 415,383	\$ -	\$ (109,036)	\$ 306,347	\$ 75,783
Certificates of Obligation and Bonds	16,235,321	4,105,000	(807,618)	19,532,703	973,065
Compensated absences	96,957	181,956	(152,218)	126,695	56,851
Unamortized bond premium	565,904	169,052	(32,627)	702,329	38,079
Totals	<u>\$ 17,313,565</u>	<u>\$ 4,456,008</u>	<u>\$ (1,101,499)</u>	<u>\$ 20,668,074</u>	<u>\$ 1,143,778</u>

# City of McGregor, Texas

## Notes to the Financial Statements

### B. Liabilities (continued)

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Business-type Activities</b>					
Capital Leases	\$ 34,209	\$ -	\$ (18,360)	\$ 15,849	\$ 15,849
Notes payable	158,639	-	(29,599)	129,040	129,040
Compensated absences	33,364	50,883	(33,522)	50,725	20,481
Totals	<u>\$ 226,212</u>	<u>\$ 50,883</u>	<u>\$ (81,482)</u>	<u>\$ 195,613</u>	<u>\$ 165,370</u>

The capital lease will be paid by the general fund. The CO's and bonds will be paid by the debt service fund. For the governmental activities, compensated absences are generally liquidated by the general fund.

In February 2017, The City issued City of McGregor, Texas Combination Tax and Revenue Certificates of Obligation, Series 2017 in the amount of \$2,635,000. The bond proceeds will be used for the purpose of paying contractual obligations to construct city-wide street improvements, park improvements, water and sewer system improvements, and city hall renovations, and pay related professional services. As part of the bond issuance, the City recorded bond premium of \$162,433, which will be deferred and amortized over the life of the bond.

In February and September 2018, the City issued City of McGregor, Texas Combination Tax and Revenue Certificates of Obligation, Series 2018 and Series 2018A in the amount of \$2,015,000 and \$2,090,000 respectively. The bond proceeds will be used for the purpose of paying McGregor-Waco-Woodway Waterline Project's contractual obligations to construct city-wide street improvements, park improvements, water and sewer system improvements, and city hall renovations, and pay related professional services. As part of the bond issuance, the City recorded bond premium of \$89,888 and \$79,164 respectively, which will be deferred and amortized over the life of the bond starting from fiscal year 2019.

Bonds payable at September 30, 2018 are comprised of the following issues for the debt service fund:

# City of McGregor, Texas

## Notes to the Financial Statements

Combination Tax and Revenue Certificates of Obligation, Series 1995, due in annual installments through January 15, 2035 at 5.25% interest.	\$ 228,638
Combination Tax and Revenue Certificates of Obligation, Series 2003, due in annual installments through August 15, 2023 at 4.70% interest.	500,000
Combination Tax and Revenue Refunding Bonds, Series 2004, due in annual installments through August 15, 2019 at 7.00% interest.	99,065
Combination Tax and Revenue Certificates of Obligation, Series 2010, due in annual installments through August 15, 2030 at 4.25% interest.	2,470,000
Combination Tax and Revenue Certificates of Obligation, Series 2013, due in annual installments through August 15, 2026 at 2.77% interest.	625,000
Combination Tax and Revenue Certificates of Obligation, Series 2014, due in annual installments through August 15, 2029 at 2.41% interest.	2,275,000
Combination Tax and Revenue Certificates of Obligation, Series 2016, due in annual installments through August 15, 2036 at 3.25% interest.	6,720,000
Combination Tax and Revenue Certificates of Obligation, Series 2017, due in annual installments through August 15, 2036 at 4.00% interest.	2,510,000
Combination Tax and Revenue Certificates of Obligation, Series 2018, due in annual installments through August 15, 2038 at 3.34% interest.	2,015,000
Combination Tax and Revenue Certificates of Obligation, Series 2018A, due in annual installments through August 15, 2038 at 3.59% interest.	2,090,000
Capital Leases	306,347
Compensated Absences	<u>126,695</u>
Combined Debt	<u><u>\$ 19,965,745</u></u>

# City of McGregor, Texas

## Notes to the Financial Statements

### **B. Liabilities (continued)**

The note payable at September 30, 2018 is comprised of the following issue for the Airport Fund:

Note payable to First National Bank of McGregor, payable in quarterly payments of \$8,500 including interest at 3.4%, renewed annually, used for airport improvements.	\$ 129,040
Capital Leases	15,849
Compensated Absences	<u>50,725</u>
Combined Debt	<u><u>\$ 195,613</u></u>

### **Annual debt service requirements are as follows:**

Governmental Activities:

The annual requirements to amortize the bonded debt outstanding for the debt service fund as of September 30, 2018 are as follows:

Year	Principal	Interest	Total
2019	973,065	708,989	1,682,054
2020	959,000	645,636	1,604,636
2021	1,004,000	611,921	1,615,921
2022	1,045,000	574,092	1,619,092
2023	1,110,000	535,533	1,645,533
2024-2028	6,072,000	2,034,694	8,106,694
2029-2033	4,995,000	1,048,562	6,043,562
2034-2038	3,374,638	282,628	3,657,266
<b>Total</b>	<b>\$ 19,532,703</b>	<b>\$ 6,442,055</b>	<b>\$ 25,974,758</b>

City of McGregor, Texas

Notes to the Financial Statements

**B. Liabilities (continued)**

2) *Capital leases:*

The Public Property Finance Act gives the City authority to enter into capital leases for the acquisition of personal property. Principal repayments due after September 30, 2018 are accounted for in the Statement of net position. The assets acquired through capital leases are as follows:

Asset:	Governmental Activities	Proprietary Activities
Machinery and equipment	\$ 3,444,847	\$ 886,069
Less: Accumulated depreciation	(1,971,754)	(510,887)
Total	\$ 1,473,093	\$ 375,182

The minimum future lease payments are as follows:

Year	Governmental Activities	Proprietary Activities	Total
2019	75,783	15,849	91,632
2020	52,897	-	52,897
2021	43,886	-	43,886
2022	45,512	-	45,512
2023-2027	88,269	-	88,269
<b>Total</b>	<b>\$ 306,347</b>	<b>\$ 15,849</b>	<b>\$ 322,196</b>

Benefits Provided

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

Plan provisions for the City were as follows:

	Plan Year 2018	Plan Year 2017
Deposit rate:	6%	6%
Matching ratio (City to Employee):	2 to 1	2 to 1
Years required for vesting	5 years	5 years
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity to increase (to retirees)	70% of CPI	70% of CPI

# City of McGregor, Texas

## Notes to the Financial Statements

### **B. Liabilities (continued)**

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.

#### Employees covered by benefit terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	51
Active employees	<u>57</u>
	140

#### Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages 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 actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of McGregor were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of McGregor were 10.55% and 10.83% in calendar years 2016 and 2017, respectively. The city's contributions to TMRS for the year ended September 30, 2018, were \$276,417, and were equal to the required contributions.

#### Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% 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 Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000



# City of McGregor, Texas

## Notes to the Financial Statements

### **B. Liabilities (continued)**

Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males 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 16 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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
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	100%	

# City of McGregor, Texas

## Notes to the Financial Statements

### 1. 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 the net pension liability for the City are summarized in the following table:

Changes in the Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2016	\$ 6,803,126	\$ 5,979,510	\$ 823,616
Changes for the year:			
Service cost	359,347	-	359,347
Interest	460,475	-	460,475
Change of benefit terms	-	-	-
Difference between expected and actual experience	(172,348)	-	(172,348)
Changes of assumptions	-	-	-
Contributions - employer	-	266,010	(266,010)
Contributions - employee	-	147,374	(147,374)
Net investment income	-	829,284	(829,284)
Benefit payments, including refunds of employee contributions	(321,894)	(321,894)	-
Administrative expense	-	(4,295)	4,295
Other changes	-	(218)	218
Net changes	325,580	916,262	(590,682)
Balance at 12/31/2017	\$ 7,128,706	\$ 6,895,772	\$ 232,934

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:

City of McGregor, Texas

Notes to the Financial Statements

**B. Liabilities (continued)**

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 1,308,362	\$ 232,935	\$ (639,700)

2. Pension Plan Fiduciary Net Position

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

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

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$251,153 and the calculation of the expense is summarized in the following table:

Schedule of Pension Expense	
Total service cost	\$ 359,347
Interest on the total pension liability	460,475
Current period benefit changes	-
Employee contributions (reduction of expense)	(147,374)
Projected earnings on plan investments (reduction of expense)	(403,617)
Administrative expense	4,295
Other changes in fiduciary net position	218
Recognition of current year outflow (inflow) of resources - liabilities	(57,835)
Recognition of current year outflow (inflow) of resources - assets	(85,133)
Amortization of prior year outflows (inflows) of resources - liabilities	(114,409)
Amortization of prior year outflows (inflows) of resources - assets	85,706
Total pension expense	<u>\$ 101,673</u>

At September 30, 2018, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	2017 Recognized in Current Pension Expense	Deferred (Inflow)/Outflow in future expense
Differences between expected and actual economic experience	\$ -	\$ (172,348)	\$ (57,835)	\$ (114,513)
Changes in actuarial assumptions	-	-	-	-
Difference between projected and actual investment earnings	-	(425,667)	(85,133)	(340,534)
Contributions subsequent to the measurement date	199,977	-	-	-
Total	<u>\$ 199,977</u>	<u>\$ (598,015)</u>	<u>\$ (142,968)</u>	<u>\$ (455,047)</u>

City of McGregor, Texas

Notes to the Financial Statements

**B. Liabilities (continued)**

\$199,977 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Net deferred outflows (inflows) of resources
2018	\$ (141,353)
2019	(87,817)
2020	(85,185)
2021	(85,135)
2022	-
Thereafter	-
	<u>\$ (399,490)</u>

5) *Other post-employment benefit (OPEB) obligations:*

**Plan Description**

Texas Municipal Retirement System (“TMRS”) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments

for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees’ entire careers.

The contribution rate for the Supplemental Death Benefit (SDB) is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees. Due to the significant reserve in the Supplemental Death Fund, the SDB rate for retiree coverage is currently only one-third of the total term cost.

*Employees covered by benefit terms*

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

# City of McGregor, Texas

## Notes to the Financial Statements

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

### **B. Liabilities (continued)**

	2017
Inactive employees or beneficiaries currently receiving benefits	20
Inactive employees entitled to but not yet receiving benefits	7
Active employees	57
Total	84

### ***Actuarial assumptions***

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.50% to 10.5% including inflation
Discount rate*	3.31%
Retirees' share of benefit-related costs	\$0
Administrative expenses	

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality rates – service retirees	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.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

\*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

Note: The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial

### ***Changes in the OPEB Liability***

Changes in the OPEB liability for the City are summarized in the following table:

City of McGregor, Texas

Notes to the Financial Statements

**B. Liabilities (continued)**

	Changes in the OPEB Liability
	Total OPEB Liability (a)
Balance at 12/31/2016	\$ 124,461
Changes for the year:	
Service cost	8,842
Interest on Total OPEB Liability	4,839
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions or other inputs	10,337
Benefit payments	(1,719)
Net changes	22,299
Balance at 12/31/2017	<u>\$ 146,760</u>

Sensitivity of the OPEB liability to changes in the discount rate:

The following presents the OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

Sensitivity of the OPEB Liability to Changes in the Discount Rate			
	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
City's net pension liability	\$ 172,876	\$ 146,760	\$ 126,116

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the fiscal year ended September 30, 2018, the City recognized OPEB expense of \$15,602 and the calculation of the expense is summarized in the following table:

City of McGregor, Texas

Notes to the Financial Statements

**B. Liabilities (continued)**

Schedule of OPEB Expense	
Service cost	\$ 8,842
Interest on total OPEB liability	4,839
Changes in benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience *	-
Changes in assumptions or other inputs **	1,921
Total pension expense	<u>\$ 15,602</u>

\*In the year of implementation, the beginning of year liability is rolled back from the measurement date, so there will be no experience loss / (gain).

\*\*Generally, this will only be the annual change in the municipal bond index rate.

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

	Schedule of Deferred Outflows and	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ -
Changes in assumptions and other inputs	8,416	-
Contributions subsequent to the measurement date	562	-
Total	<u>\$ 8,978</u>	<u>\$ -</u>

\$8,978 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

City of McGregor, Texas

Notes to the Financial Statements

**B. Liabilities (continued)**

Net Deferred Outflows/(Inflows) of Resources

<u>Year ended December 31</u>	<u>Amount</u>
2018	\$ 1,921
2019	1,921
2020	1,921
2021	1,921
2022	732
Thereafter	-
Total	<u>\$ 8,416</u>

**C. Interfund receivables, payables, and transfers**

The purpose of the receivable in the General Fund due from the Water and Sewer Fund is to properly account for a cash deficit in the Water and Sewer Fund. There was no interfund receivables and payables as of September 30, 2018.

The purpose of the transfers from the Water and Sewer Funds to the General Fund was to pay for administrative services provided on behalf of these funds by the General Fund, and the purpose of the transfers from the Water and Sewer funds to the debt service fund was to support the payment of debt used to acquire and construct infrastructure. The purpose of the transfers from the Capital Projects Fund to the Water and Sewer funds was for the acquisition and construction of water and waterworks infrastructure.

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
Water Fund	General Fund	53,867
Waste Water Fund	General Fund	42,798
General Fund	Special Revenue Fund	610,836
Capital Projects Fund	Water Fund	570,413
Capital Projects Fund	Waste Water Fund	9,255
Water Fund	Debt Service Fund	204,321
Waste Water Fund	Debt Service Fund	524,825
General Fund	Water Fund	722,085
General Fund	Waste Water Fund	722,085
Total		<u>\$ 3,460,485</u>



# City of McGregor, Texas

## Notes to the Financial Statements

### **D. McGregor Economic Development Corporation**

McGregor Economic Development Corporation (EDC) was established under the provisions of Section 4B of the Development Corporation Act of 1979 as a Texas Municipal Corporation. EDC was organized specifically for the public purposes to study and fund permissible projects prescribed in the Development Corporation Act.

Discrete methodology was used to present the EDC in the financial statements of the City of McGregor. This methodology was selected after evaluation of all the circumstances and available standards. The EDC is supported principally through the collection of a one-half percent sales tax on goods and services sold within the City of McGregor, Texas. These taxes are collected by the State of Texas, remitted to the City of McGregor, and then distributed to the EDC by the City offices.

### **E. Contingencies**

The City is involved in lawsuits with other parties from time to time. While the ultimate result of these matters cannot be predicted with certainty, the City does not expect them to have a materially adverse effect on its Basic Financial Statements.

### **F. Subsequent Events**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through April 24, 2019, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)ED

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City of McGregor, Texas  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,395,591	\$ 1,395,591	\$ 1,517,536	\$ 121,945
Sales taxes	920,000	920,000	788,941	(131,059)
Franchise taxes	316,058	316,058	353,102	37,044
Permits and fees	61,100	61,100	92,183	31,083
Fines/forfeitures	350,000	350,000	168,572	(181,428)
Service fees	154,650	154,650	113,464	(41,186)
Administrative fees	34,123	34,123	36,692	2,569
Recreation fees	48,700	48,700	14,831	(33,869)
Donations	425	425	263	(162)
Interest earnings	8,001	8,001	8,152	151
Land leases	1,173,775	1,173,775	1,180,818	7,043
Miscellaneous income	303,200	303,200	24,373	(278,827)
Sale of Assets	-	-	78,591	78,591
Total revenues	<u>4,765,623</u>	<u>4,765,623</u>	<u>4,377,518</u>	<u>(388,105)</u>
<b>EXPENDITURES</b>				
Current:				
Administrative services	990,157	993,432	908,010	85,422
Community services	581,570	581,020	456,150	124,870
Development services	126,111	137,691	179,073	(41,382)
Emergency services	1,496,057	1,484,077	1,329,047	155,030
Financial services	204,958	204,958	213,879	(8,921)
Municipal services	917,384	983,514	863,187	120,327
Total current	<u>4,316,237</u>	<u>4,384,692</u>	<u>3,949,346</u>	<u>435,346</u>
Debt service:				
Principal retirement	50,000	50,000	20,879	29,121
Total debt service	<u>50,000</u>	<u>50,000</u>	<u>20,879</u>	<u>29,121</u>
Capital outlay:				
Administrative services	92,500	340,265	52,749	287,516
Community services	49,834	50,384	13,154	37,230
Emergency services	111,221	111,621	137,675	(26,054)
Municipal services	115,465	49,335	-	49,335
Total capital outlay	<u>369,020</u>	<u>551,605</u>	<u>203,578</u>	<u>348,027</u>
Total expenditures	<u>4,735,257</u>	<u>4,986,297</u>	<u>4,173,803</u>	<u>812,494</u>
Excess (deficiency) of revenues over expenditures	<u>30,366</u>	<u>(220,674)</u>	<u>203,715</u>	<u>424,389</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(176,816)	(173,541)	(2,055,006)	(1,881,465)
Transfers in	124,000	124,000	18,615	(105,385)
Total other financing sources (uses)	<u>(52,816)</u>	<u>(49,541)</u>	<u>(2,036,391)</u>	<u>(1,986,850)</u>
Net change in fund balances	(22,450)	(270,215)	(1,832,676)	(1,562,461)
Fund balances - beginning	3,412,771	3,412,771	3,412,771	-
Fund balances - ending	<u>\$ 3,390,321</u>	<u>\$ 3,142,556</u>	<u>\$ 1,580,095</u>	<u>\$ (1,562,461)</u>

City of McGregor, Texas  
Schedule of changes in net pension liability and related ratios  
Last 10 years

	2014	2015	2016	2017
<b>Total pension liability</b>				
Service cost	\$ 256,209	\$ 316,522	\$ 336,061	\$ 359,347
Interest	399,957	431,040	443,892	460,475
Change of benefit terms	-	-	-	-
Difference between expected and actual experience	9,483	(165,367)	(267,540)	(172,348)
Changes of assumptions	-	69,368	-	-
Benefit payments, including refunds of employee contributions	(252,695)	(250,836)	(234,882)	(321,894)
<b>Net change in total pension liability</b>	412,954	400,727	277,531	325,580
<b>Total pension liability - beginning</b>	5,711,914	6,124,868	6,525,595	6,803,126
<b>Total pension liability - ending (a)</b>	<u>\$ 6,124,868</u>	<u>\$ 6,525,595</u>	<u>\$ 6,803,126</u>	<u>\$ 7,128,706</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 234,946	\$ 244,043	\$ 243,674	\$ 266,010
Contributions - employee	124,640	137,618	138,582	147,374
Net investment income	282,972	7,870	369,298	829,284
Benefit payments, including refunds of employee contributions	(252,695)	(250,836)	(234,882)	(321,894)
Administrative expense	(2,955)	(4,794)	(4,173)	(4,295)
Other changes	(243)	(237)	(225)	(218)
<b>Net change in plan fiduciary net position</b>	386,665	133,665	512,275	916,262
<b>Plan fiduciary net position - beginning</b>	4,946,906	5,333,571	5,467,236	5,979,511
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 5,333,571</u>	<u>\$ 5,467,236</u>	<u>\$ 5,979,511</u>	<u>\$ 6,895,773</u>
<b>Net pension liability (a) - (b)</b>	\$ 791,297	\$ 1,058,359	\$ 823,615	\$ 232,933
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	87.08%	83.78%	87.89%	96.73%
<b>Covered Payroll</b>	\$ 2,077,329	\$ 2,293,641	\$ 2,309,696	\$ 2,456,230
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	38.09%	46.14%	35.66%	9.48%

**Notes to Schedule:**

FNP may be off a dollar due to rounding.

City of McGregor, Texas  
Schedule of contributions  
Last 10 fiscal years

	2014	2015	2016	2017
Actuarially Determined Contribution	\$ 236,903	\$ 244,043	\$ 256,652	\$ 504,796
Contributions in relation to the actuarially determined contribution	\$ 257,771	\$ 250,486	\$ 262,793	\$ 276,417
Contribution deficiency (excess)	\$ (20,868)	\$ (6,443)	\$ (6,141)	\$ 228,379
Covered payroll	\$2,245,525	\$2,293,641	\$2,385,874	\$ 2,575,821
Contributions as a percentage of covered payroll	11%	11%	11%	11%

### 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:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

Notes There were no benefit changes during the year.

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## COMBINING FINANCIAL STATEMENTS

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City of McGregor, Texas  
Combining Balance Sheet  
Nonmajor Special revenue funds  
September 30, 2018

	COURT TECHNOLOGY FUND	MUN CRT BLDG SECURITY	HOTEL MOTEL TAX FUND	INDUSTRIAL PARK CAP FD	SPECIAL REVENUE FUNDS	Total Nonmajor Special revenue funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 37,830	34,506	54,652	484,884	668,142	\$ 1,280,014
Receivables (net of allowance for uncollectibles)	-	-	8,265	-	-	8,265
Total assets	<u>\$ 37,830</u>	<u>\$ 34,506</u>	<u>\$ 62,917</u>	<u>\$ 484,884</u>	<u>\$ 668,142</u>	<u>\$ 1,288,279</u>
<b>LIABILITIES</b>						
Accounts payable and other current liabilities	\$ -	40	\$ -	(527)	535	\$ 48
Total liabilities	<u>-</u>	<u>40</u>	<u>-</u>	<u>(527)</u>	<u>535</u>	<u>48</u>
<b>FUND BALANCES (DEFICITS)</b>						
Restricted	37,830	34,466	62,916	485,411	667,608	1,288,231
Total fund balances (deficits)	<u>\$ 37,830</u>	<u>\$ 34,466</u>	<u>\$ 62,916</u>	<u>\$ 485,411</u>	<u>\$ 667,608</u>	<u>\$ 1,288,231</u>
Total liabilities and fund balances (deficits)	<u>\$ 37,830</u>	<u>\$ 34,506</u>	<u>\$ 62,916</u>	<u>\$ 484,884</u>	<u>\$ 668,143</u>	<u>\$ 1,288,279</u>

City of McGregor, Texas  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Special revenue funds  
For the Year Ended September 30, 2018

	COURT TECHNOLOGY FUND	MUN CRT BLDG SECURITY	HOTEL MOTEL TAX FUND	INDUSTRIAL PARK CAP FD	SPECIAL REVENUE FUNDS	Total Nonmajor Special revenue funds
<b>REVENUES</b>						
Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines/forfeitures	4,431	3,323	-	-	-	7,754
Donations	-	-	-	-	101,991	101,991
Interest earnings	-	-	-	574	35,732	36,306
Miscellaneous income	-	-	-	-	11,400	11,400
Land lease	-	-	-	-	275,000	275,000
Hotel-Motel Tax	-	-	25,960	-	-	25,960
Total revenues	<u>4,431</u>	<u>3,323</u>	<u>25,960</u>	<u>574</u>	<u>424,123</u>	<u>458,411</u>
<b>EXPENDITURES</b>						
Current:						
Administrative services	-	289	16,650	5,153	140,718	162,810
Community services	7,276	-	-	-	18,424	25,700
Development services	-	-	-	68,665	-	68,665
Debt service:						
Capital outlay:						
Community services	-	-	-	-	315,100	315,100
Total expenditures	<u>7,276</u>	<u>289</u>	<u>16,650</u>	<u>73,818</u>	<u>474,242</u>	<u>572,275</u>
Excess (deficiency) of revenues over expenditures	<u>(2,845)</u>	<u>3,034</u>	<u>9,310</u>	<u>(73,244)</u>	<u>(50,119)</u>	<u>(113,864)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	176,077	434,759	610,836
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,077</u>	<u>434,759</u>	<u>610,836</u>
Net change in fund balances	(2,845)	3,034	9,310	102,833	384,640	496,972
Fund balances - beginning	40,675	31,432	53,606	382,578	282,968	791,259
Fund balances - ending	<u>\$ 37,830</u>	<u>\$ 34,466</u>	<u>\$ 62,916</u>	<u>\$ 485,411</u>	<u>\$ 667,608</u>	<u>\$ 1,288,231</u>

McGregor, TX  
Debt Service Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 671,333	\$ 671,333	\$ 677,893	\$ 6,560
Interest earnings	-	-	680	680
Miscellaneous income	-	-	31,416	31,416
Total revenues	<u>671,333</u>	<u>671,333</u>	<u>709,989</u>	<u>38,656</u>
<b>EXPENDITURES</b>				
Current:				
Administrative services	3,349	3,349	1,125	2,224
Total current	<u>3,349</u>	<u>3,349</u>	<u>1,125</u>	<u>2,224</u>
Debt service:				
Administrative charges	-	-	200	(200)
Interest	829,650	829,650	609,363	220,287
Principal retirement	809,744	809,744	895,775	(86,031)
Total debt service	<u>1,639,394</u>	<u>1,639,394</u>	<u>1,505,338</u>	<u>134,056</u>
Capital outlay:				
Total capital outlay	-	-	-	-
Total expenditures	<u>1,642,743</u>	<u>1,642,743</u>	<u>1,506,463</u>	<u>136,280</u>
Excess (deficiency) of revenues over expenditures	<u>(971,410)</u>	<u>(971,410)</u>	<u>(796,474)</u>	<u>174,936</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	720,867	720,867	807,196	86,329
Total other financing sources (uses)	<u>720,867</u>	<u>720,867</u>	<u>807,196</u>	<u>86,329</u>
Net change in fund balances	(250,543)	(250,543)	10,722	261,265
Fund balances - beginning	126,736	126,736	126,736	-
Fund balances - ending	<u>\$ (123,807)</u>	<u>\$ (123,807)</u>	<u>\$ 137,458</u>	<u>\$ 261,265</u>

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## OTHER INFORMATION SECTION SECTION

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

To the Honorable Mayor and City Council  
City of McGregor, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of McGregor (The "City"), Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 24, 2019.

### Internal Control over Financial Reporting

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

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

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

### Compliance and Other Matters

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

**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.

*M. Mail & Associates, P.C.*

Richardson, Texas

April 24, 2019

STATISTICAL SECTION (UNAUDITED)

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**CITY OF MCGREGOR, TEXAS**  
**NET POSITION BY COMPONENT**  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(Unaudited)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities				
Net Investment in capital assets	\$ 9,157,269	\$ 5,628,770	\$ 8,514,235	\$ 7,341,896
Restricted	283,329	3,477,643	3,223,171	1,789,766
Unrestricted	2,074,138	1,935,562	(1,280,102)	(176,386)
Total governmental activities net position	<u>\$ 11,514,736</u>	<u>\$ 11,041,975</u>	<u>\$ 10,457,304</u>	<u>\$ 8,955,276</u>
Business-type activities				
Net Investment in capital assets	\$ 7,330,108	\$ 7,974,772	\$ 8,129,891	\$ 9,382,207
Restricted	-	-	-	-
Unrestricted	(601,999)	(1,223,153)	(758,734)	754,482
Total business-type activities net position	<u>\$ 6,728,109</u>	<u>\$ 6,751,619</u>	<u>\$ 7,371,157</u>	<u>\$ 10,136,689</u>
Primary government				
Net Investment in capital assets	\$ 16,487,377	\$ 13,603,542	\$ 16,644,126	\$ 16,724,103
Restricted	283,329	3,477,643	3,223,171	1,789,766
Unrestricted	1,472,139	712,409	(2,038,836)	578,096
Total primary government net position	<u>\$ 18,242,845</u>	<u>\$ 17,793,594</u>	<u>\$ 17,828,461</u>	<u>\$ 19,091,965</u>

Table 1

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 6,587,315	\$ 2,232,702	\$ 2,760,176	\$ 4,297,188	\$ 4,105,894	\$ (1,852,850)
689,894	3,399,512	1,532,606	7,366,461	917,996	7,559,549
545,008	1,331,179	1,713,103	(4,877,582)	1,978,952	542,956
<u>\$ 7,822,217</u>	<u>\$ 6,963,393</u>	<u>\$ 6,005,885</u>	<u>\$ 6,786,067</u>	<u>\$ 7,002,842</u>	<u>\$ 6,249,655</u>
\$ 11,898,065	\$ 12,253,701	\$ 14,908,336	\$ 14,939,638	\$ 16,189,001	16,468,260
-	-	-	-	-	-
(397,943)	643,959	(791,536)	(213,450)	(253,657.00)	1,504,734
<u>\$ 11,500,122</u>	<u>\$ 12,897,660</u>	<u>\$ 14,116,800</u>	<u>\$ 14,726,188</u>	<u>\$ 15,935,344</u>	<u>\$ 17,972,994</u>
\$ 18,485,380	\$ 14,486,403	\$ 17,668,512	\$ 19,236,826	\$ 20,294,895	\$ 14,615,410
689,894	3,399,512	1,532,606	7,366,461	917,996	7,559,549
147,065	1,975,138	921,567	(5,091,032)	1,725,295	2,047,690
<u>\$ 19,322,339</u>	<u>\$ 19,861,053</u>	<u>\$ 20,122,685</u>	<u>\$ 21,512,255</u>	<u>\$ 22,938,186</u>	<u>\$ 24,222,649</u>

**CITY OF MCGREGOR, TEXAS**  
**CHANGES IN NET POSITION**  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(Unaudited)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Expenses</b>				
Governmental activities:				
Administrative services	\$ 845,819	\$ 674,424	\$ 981,790	\$ 632,107
Community services	182,478	469,940	274,133	245,030
Development services	240,912	97,221	187,968	139,519
Emergency services	1,070,689	1,208,738	1,024,507	1,253,459
Financial services	153,644	297,229	185,514	157,792
Municipal services	617,349	649,562	363,613	1,192,621
General government	-	-	-	-
Public safety	-	-	-	-
Public services	-	-	-	-
Culture and recreation	-	-	-	-
Depreciation	-	-	-	-
Interest on long term debt	118,123	143,919	360,375	(1,627)
Total governmental activities expenses	<u>3,229,014</u>	<u>3,541,033</u>	<u>3,377,900</u>	<u>3,618,901</u>
Business-type activities:				
Water	1,833,146	1,828,552	1,916,808	1,923,782
Sewer	739,968	907,554	594,138	652,040
Executive Airport	209,842	257,195	192,174	211,086
Rachael Arms Apartments	209,992	234,186	209,402	216,830
Interest expense	-	-	-	-
Total business-type activities expenses	<u>2,992,948</u>	<u>3,227,487</u>	<u>2,912,522</u>	<u>3,003,738</u>
Total primary government expenses	<u>\$ 6,221,962</u>	<u>\$ 6,768,520</u>	<u>\$ 6,290,422</u>	<u>\$ 6,622,639</u>
<b>Program Revenues</b>				
Governmental activities:				
Fees, Fines, and Charges for Services:				
Administrative services	\$ 1,410,035	\$ 1,067,424	\$ 18,400	\$ 923,775
Community services	22,104	11,790	12,463	46,404
Development services	28,089	33,772	347,258	4,257
Financial services	-	-	36,786	-
Emergency services	-	-	168,442	28,778
Municipal services	-	-	5,559	40,142
Cultural and recreational	-	-	-	-
Operating grants and contributions	-	-	-	7,445
Capital grants and contributions	-	-	-	-
Total governmental activities program revenues	<u>1,460,228</u>	<u>1,112,986</u>	<u>588,908</u>	<u>1,050,801</u>
Business-type activities:				
Charges for services:				
Water	1,817,938	1,789,249	2,074,848	2,034,307
Sewer	625,382	807,430	912,692	952,261
Executive Airport	171,348	205,429	156,678	104,553
Rachael Arms Apartments	275,687	246,842	262,385	258,850
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	176,061	1,426,792
Total business-type activities program revenues	<u>2,890,355</u>	<u>3,048,950</u>	<u>3,582,664</u>	<u>4,776,763</u>
Total primary government program revenues	<u>\$ 4,350,583</u>	<u>\$ 4,161,936</u>	<u>\$ 4,171,572</u>	<u>\$ 5,827,564</u>
<b>Net (Expense) Revenue</b>				
Governmental Activities	\$ (1,768,786)	\$ (2,428,047)	\$ (2,788,992)	\$ (2,568,100)
Business-type Activities	(102,593)	(178,537)	670,142	1,773,025
Total Primary government net expense	<u>\$ (1,871,379)</u>	<u>\$ (2,606,584)</u>	<u>\$ (2,118,850)</u>	<u>\$ (795,075)</u>

Table 2

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$	689,519	\$ 1,071,192	\$ 1,052,375	\$ 1,223,412	\$ 1,157,753	\$ 1,055,849
	304,337	376,790	457,681	422,317	538,399	637,790
	208,405	182,845	377,438	132,723	187,700	501,075
	1,840,992	1,417,876	1,436,745	1,417,828	1,429,388	1,446,600
	183,412	171,062	174,936	190,523	195,514	213,879
	1,310,704	823,860	956,979	1,553,159	1,358,182	1,073,097
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	267,062	65,839	84,846	43,998	693,699	573,709
	<u>4,804,431</u>	<u>4,109,464</u>	<u>4,541,000</u>	<u>4,983,960</u>	<u>5,560,635</u>	<u>5,501,999</u>
	1,917,337	2,082,947	2,519,534	2,467,382	2,532,137	2,816,430
	738,034	606,388	592,445	713,562	721,928	638,333
	254,332	280,330	277,047	276,748	277,360	309,258
	208,312	204,121	214,467	199,688	126,124	-
	-	-	-	-	-	-
	<u>3,118,015</u>	<u>3,173,786</u>	<u>3,603,493</u>	<u>3,657,380</u>	<u>3,657,549</u>	<u>3,764,021</u>
\$	<u>7,922,446</u>	<u>7,283,249</u>	<u>8,144,493</u>	<u>8,641,340</u>	<u>9,218,184</u>	<u>9,266,020</u>
\$	1,110,124	\$ 173,656	\$ 362,204	\$ 429,016	\$ 324,532	\$ 189,724
	61,345	106,154	62,439	119,622	101,102	117,085
	1,457	14,413	2,842	21,546	7,364	1,596
	-	-	-	-	-	-
	201,827	52,721	56,706	56,398	120,773	54,218
	59,754	58,814	94,538	60,404	109,542	161,990
	-	-	-	-	-	-
	(201,491)	-	-	-	-	-
	-	36,551	-	-	-	300,000
	<u>1,233,016</u>	<u>442,309</u>	<u>578,729</u>	<u>686,986</u>	<u>663,313</u>	<u>824,613</u>
	2,275,500	2,235,258	2,429,813	2,531,952	2,813,013	2,892,496
	1,000,064	1,078,002	1,101,217	1,124,221	1,396,294	1,420,602
	170,916	219,433	209,860	247,856	249,239	240,955
	233,100	196,789	247,185	246,367	102,041	-
	-	-	-	-	-	-
	17,562	267,400	24,059	76,992	50,000	34,178
	<u>3,697,142</u>	<u>3,996,883</u>	<u>4,012,134</u>	<u>4,227,388</u>	<u>4,610,587</u>	<u>4,588,231</u>
\$	<u>4,930,158</u>	<u>4,439,193</u>	<u>4,590,863</u>	<u>4,914,374</u>	<u>5,273,900</u>	<u>5,412,844</u>
\$	(3,571,417)	\$ (3,667,155)	\$ (3,962,271)	\$ (4,296,974)	\$ (4,897,322)	\$ (4,677,386)
	579,127	823,098	408,641	570,008	953,038	824,210
	<u>\$ (2,992,290)</u>	<u>\$ (2,844,057)</u>	<u>\$ (3,553,630)</u>	<u>\$ (3,726,966)</u>	<u>\$ (3,944,284)</u>	<u>\$ (3,853,176)</u>



**General Revenues  
and Other Changes in Net Position**

Governmental Activities:

Taxes:

Property taxes	\$ 1,329,439	\$ 1,203,829	\$ 1,260,409	\$ 1,236,801
Sales taxes	384,892	403,731	421,734	474,750
Franchise taxes	332,628	281,155	294,855	282,236
Other taxes	-	-	-	20,804
Land leases	-	-	-	-
Licenses and permits	80,362	116,472	-	-
Investment earnings	10,684	34,095	6,772	5,257
Unrestricted grants and contributions	-	-	-	-
Reimbursements	104,025	73,531	-	-
Gain on sale/retirement of capital assets	-	-	-	-
Miscellaneous	-	-	84,791	34,140
Transfers	19,542	(157,527)	135,760	(987,915)
<b>Total Governmental Activities</b>	<u>2,261,572</u>	<u>1,955,286</u>	<u>2,204,321</u>	<u>1,066,073</u>

Business-type Activities:

Investment earnings	1,515	1,070	648	334
Gain on sale/retirement of capital assets	-	-	-	-
Miscellaneous	-	-	84,508	4,259
Unrestricted grants and contributions	-	-	-	-
Transfers	(19,542)	200,977	(135,760)	987,915
<b>Total Business-type Activities</b>	<u>(18,027)</u>	<u>202,047</u>	<u>(50,604)</u>	<u>992,508</u>

**Total Primary Government**

<b>Total Primary Government</b>	<u>\$ 2,243,545</u>	<u>\$ 2,157,333</u>	<u>\$ 2,153,717</u>	<u>\$ 2,058,581</u>
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**Change in Net Position**

Governmental Activities	\$ 492,786	\$ (472,761)	\$ (584,671)	\$ (1,502,027)
Business-type Activities	(120,620)	23,510	619,538	2,765,533
<b>Total Primary Government</b>	<u>\$ 372,166</u>	<u>\$ (449,251)</u>	<u>\$ 34,867</u>	<u>\$ 1,263,506</u>

\$ 1,468,099	\$ 1,556,572	\$ 1,733,625	\$ 1,931,277	\$ 2,012,269	\$ 2,195,430
566,952	667,679	813,304	806,115	794,137	788,941
291,920	30,659	335,800	348,688	349,614	353,102
12,179	292,585	10,003	22,213	32,989	25,960
-	798,647	1,176,021	1,152,840	1,175,469	1,180,818
-	-	-	-	-	-
3,525	47,736	9,677	91,018	116,256	153,830
-	-	-	-	-	-
-	-	-	-	-	-
87,665	-	55,502	2,030	1,512	78,590
331,643	57,885	257,436	762,960	124,958	345,555
(767,174)	(568,047)	(965,915)	390,113	506,894	(1,198,027)
<u>1,994,809</u>	<u>2,883,716</u>	<u>3,425,453</u>	<u>5,507,254</u>	<u>5,114,098</u>	<u>3,924,199</u>
539	6,394	495	426	3,013	6,757
5,786	-	-	422,767	752,699	-
31,642	-	-	6,300	7,300	7,700
-	-	-	-	-	-
<u>746,340</u>	<u>568,047</u>	<u>965,915</u>	<u>(390,113)</u>	<u>(506,894)</u>	<u>1,198,984</u>
<u>784,307</u>	<u>574,440</u>	<u>966,409</u>	<u>39,380</u>	<u>256,118</u>	<u>1,213,441</u>
<u>\$ 2,779,116</u>	<u>\$ 3,458,156</u>	<u>\$ 4,391,862</u>	<u>\$ 5,546,634</u>	<u>\$ 5,370,216</u>	<u>\$ 5,137,640</u>
\$ (1,576,608)	\$ (783,439)	\$ (536,818)	\$ 1,210,280	\$ 216,776	\$ (753,187)
1,363,434	1,397,538	1,375,050	609,388	1,209,156	2,037,651
<u>\$ (213,174)</u>	<u>\$ 614,099</u>	<u>\$ 838,232</u>	<u>\$ 1,819,668</u>	<u>\$ 1,425,932</u>	<u>\$ 1,284,464</u>

**CITY OF MCGREGOR, TEXAS**  
**FUND BALANCES, GOVERNMENTAL FUNDS**

Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(Unaudited)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund				
Reserved	\$ 27,130	\$ -	\$ -	\$ -
Unreserved	1,529,133	1,399,694		
Unassigned			1,158,076	962,074
Total general fund	<u>\$ 1,556,263</u>	<u>\$ 1,399,694</u>	<u>\$ 1,158,076</u>	<u>\$ 962,074</u>
All Other Governmental Funds				
Reserved for debt service	\$ 82,869	\$ 84,156	\$ -	\$ -
Reserved for restricted purposes	-	-	-	-
Unreserved, reported in:				
Special revenue funds	87,572	129,534	-	-
Capital projects fund	200,460	3,305,915	-	-
Restricted for				
Debt service fund			49,015	34,095
Special revenue funds			151,120	182,996
Capital projects fund			3,009,483	1,572,675
Total all other governmental funds	<u>\$ 370,901</u>	<u>\$ 3,519,605</u>	<u>\$ 3,209,618</u>	<u>\$ 1,789,766</u>

Table 3

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	87,221	96,366			
990,965	1,185,459	1,909,105	2,466,488	3,412,771	1,580,096
<u>\$ 990,965</u>	<u>\$ 1,272,680</u>	<u>\$ 2,005,471</u>	<u>\$ 2,466,488</u>	<u>\$ 3,412,771</u>	<u>\$ 1,580,096</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
43,051	72,342	75,968	136,235	126,736	137,459
229,426	289,961	299,657	365,715	791,260	1,288,230
341,741	2,974,397	1,156,981	6,864,511	5,959,341	6,133,858
<u>\$ 614,218</u>	<u>\$ 4,609,380</u>	<u>\$ 3,538,077</u>	<u>\$ 9,832,949</u>	<u>\$ 10,290,108</u>	<u>\$ 9,139,643</u>

**CITY OF MCGREGOR, TEXAS**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(Unaudited)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>REVENUES:</b>				
Taxes	\$ 1,946,585	\$ 1,865,957	\$ 1,975,367	\$ 2,038,935
Administrative fees	11,450	22,000	11,400	92,129
Licenses and permits	28,089	33,772	36,786	30,086
Investment income	10,684	34,095	2,074	5,257
Fines and forfeitures	159,650	179,779	162,614	129,763
Leases	852,722	830,141	339,641	766,752
Intergovernmental	-	-	-	7,445
Miscellaneous	212,441	209,228	109,684	34,139
Total Revenues	<u>3,221,621</u>	<u>3,174,972</u>	<u>2,637,566</u>	<u>3,104,506</u>
<b>EXPENDITURES:</b>				
Administrative services	600,786	560,890	842,239	780,853
Community services	268,877	349,466	268,591	229,052
Development services	239,473	98,660	73,896	139,519
Emergency services	1,014,263	1,117,925	1,001,417	1,172,881
Financial services	153,644	297,229	197,122	158,988
Municipal services	486,199	678,652	396,297	338,733
General government and administration	-	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Economic and physical development	-	-	-	-
Culture and recreation	-	-	-	-
Grant expenses	-	-	-	-
Capital outlay	350,750	386,805	1,445,322	102,200
Debt Service:				
Principal retirement	128,029	187,935	300,867	527,770
Interest and fiscal charges	103,065	105,171	262,897	282,449
Administrative charges	-	-	-	-
Total expenditures	<u>3,345,086</u>	<u>3,782,733</u>	<u>4,788,648</u>	<u>3,732,445</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(123,465)</u>	<u>(607,761)</u>	<u>(2,151,082)</u>	<u>(627,939)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	48,323	183,782	618,146	692,181
Transfers out	(28,781)	(341,309)	(482,386)	(1,680,096)
Long-term debt issued (paid)	-	3,757,423	1,463,719	-
Leases				
Capital Grants				
Payments to (from) component units	-	-	-	-
Purchase of capital assets	-	-	-	-
Sale of capital assets	-	-	-	-
Debt Proceeds				
Premium on bond issuance				
Total Other Financing Sources (Uses)	<u>19,542</u>	<u>3,599,896</u>	<u>1,599,479</u>	<u>(987,915)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (103,923)</u>	<u>\$ 2,992,135</u>	<u>\$ (551,603)</u>	<u>\$ (1,615,854)</u>
Debt service as a percentage of noncapital expenditures	8.4%	9.4%	20.3%	28.7%

Table 4

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 2,351,315	\$ 2,516,836	\$ 2,917,755	\$ 3,015,170	\$ 3,189,009	\$ 3,337,472
179,438	172,330	145,937	164,287	26,516	36,692
34,576	37,413	38,414	87,373	48,912	92,183
3,524	47,735	9,676	91,018	94,593	153,830
140,943	127,967	342,368	288,993	315,253	176,326
1,064,477	982,058	1,176,021	1,152,840	1,175,469	1,180,818
-	-	-	-	-	-
162,504	193,626	339,558	357,937	372,052	677,289
<u>3,936,777</u>	<u>4,077,963</u>	<u>4,969,729</u>	<u>5,157,618</u>	<u>5,221,804</u>	<u>5,654,610</u>
990,151	885,645	834,516	866,674	903,537	936,441
271,928	287,054	367,944	406,706	511,052	615,292
208,406	182,844	218,672	129,350	187,700	252,891
1,442,506	1,340,926	1,345,669	1,299,886	1,307,839	1,329,047
176,382	171,062	174,936	185,643	195,514	213,879
298,294	452,293	682,279	748,004	1,011,915	867,047
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
338,499	714,839	107,641	1,590,079	2,427,049	3,991,234
642,909	739,225	994,953	988,092	753,858	916,654
267,749	261,356	348,509	294,942	673,075	609,363
-	71,985	-	72,645	97,433	149,252
<u>4,636,824</u>	<u>5,107,229</u>	<u>5,075,119</u>	<u>6,582,021</u>	<u>8,068,972</u>	<u>9,881,100</u>
<u>(700,047)</u>	<u>(1,029,266)</u>	<u>(105,390)</u>	<u>(1,424,403)</u>	<u>(2,847,168)</u>	<u>(4,226,490)</u>
466,050	559,740	971,778	1,025,601	2,448,915	1,522,652
(1,233,223)	(1,127,787)	(1,937,693)	(635,488)	(1,942,021)	(2,720,679)
238,000	3,982,573	-	-	-	-
-	618,936	-	-	-	-
-	-	-	-	-	-
82,565	-	-	-	-	-
-	-	-	7,329,163	2,635,000	4,105,000
-	-	-	-	162,433	169,052
<u>(446,608)</u>	<u>4,033,462</u>	<u>(965,915)</u>	<u>7,719,276</u>	<u>3,304,327</u>	<u>3,076,025</u>
<u>\$ (1,146,655)</u>	<u>\$ 3,004,196</u>	<u>\$ (1,071,305)</u>	<u>\$ 6,294,873</u>	<u>\$ 457,159</u>	<u>\$ (1,150,465)</u>
26.9%	30.1%	37.1%	35.3%	34.7%	25.3%

**CITY OF MCGREGOR, TEXAS**  
**TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS**  
 Last Ten Fiscal Years  
 (Unaudited)

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Table 5

Year	Property	Sales & Hotel-Motel	Franchise	Total
2009	1,229,065	384,892	332,628	1,946,585
2010	1,181,071	403,731	281,155	1,865,957
2011	1,258,778	421,734	294,855	1,975,367
2012	1,261,145	495,554	282,236	2,038,935
2013	1,492,443	575,422	291,920	2,359,785
2014	1,556,572	698,338	292,585	2,547,495
2015	1,758,648	823,307	335,800	2,917,755
2016	1,838,154	828,328	348,688	3,015,170
2017	2,012,269	824,895	349,614	3,186,779
2018	2,195,388	812,217	353,102	3,360,707

**Source:** Annual Financial Reports.

**CITY OF MCGREGOR, TEXAS**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
 Last Ten Fiscal Years  
 (Unaudited)

Table 6

Fiscal Year	Estimated Market Value		Less: Tax-Exempt Property	Total Taxable Assesed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2009	193,816,559	86,929,013	62,723,465	218,022,107	0.557721
2010	205,033,798	77,407,026	62,469,508	219,971,316	0.540000
2011	208,905,300	76,315,772	58,075,159	227,145,913	0.541364
2012	216,094,669	79,413,750	61,497,330	234,011,089	0.530184
2013	217,847,354	255,038,435	229,882,990	243,002,799	0.530184
2014	222,786,614	79,067,700	47,276,416	254,577,898	0.600000
2015	278,385,456	100,037,270	95,833,323	282,589,403	0.595000
2016	288,347,670	127,408,930	112,857,097	302,899,503	0.595000
2017	311,646,499	126,618,740	101,345,296	336,919,943	0.595000
2018	325,810,971	129,619,510	114,416,686	341,013,795	0.594010

**Source:** McClennan County Appraisal District



**CITY OF MCGREGOR, TEXAS**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES (per \$100 of assessed value)**  
 Last Ten Fiscal Years  
 (Unaudited)

Table 7

Fiscal Year	City Direct Rates			Overlapping Rates			
	Operating/ General Rate	General Obligation Debt Service	Total Direct	McGregor Independent School District	Midway Independent School District	McLennan County	McLennan Community College
2009	0.459218	0.098503	0.557721	1.210000	1.320000	0.464700	0.151134
2010	0.481997	0.058003	0.540000	1.190000	1.320000	0.464700	0.156332
2011	0.498549	0.042815	0.541364	1.190000	1.320000	0.464258	0.156306
2012	0.487247	0.042937	0.530184	1.190000	1.320000	0.464258	0.152823
2013	0.401330	0.198670	0.600000	1.185000	1.320000	0.484258	0.151530
2014	0.413065	0.186935	0.600000	1.355000	1.320000	0.535293	0.151530
2015	0.396142	0.198858	0.595000	1.355000	1.320000	0.535293	0.149530
2016	0.407472	0.187528	0.595000	1.355000	1.320000	0.525293	0.149724
2017	0.396412	0.198588	0.595000	1.333800	1.320000	0.525293	0.148898
2018	0.410714	0.183296	0.594010	1.330000	1.320000	0.505293	0.150346

**Source:** McLennan County Appraisal District

**Note:**

°A typical property tax bill would consist of the City, School District, Community College, and County taxes.

**CITY OF MCGREGOR, TEXAS**  
**PRINCIPAL PROPERTY TAX PAYERS**  
 Current Year and Nine Years Ago  
 (Unaudited)

Table 8

Taxpayer	2018			Taxpayer	2009		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assesd Value <sup>a</sup>		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assesd Value <sup>b</sup>
Ferguson Enterprises	\$ 64,497,432	1	17.58%	Ferguson Enterprises	\$ 32,815,264	1	15.05%
Space X Company	26,092,095	2	7.11%	Smead Manufacturing. Co.	9,276,606	2	4.25%
Land O'Lakes Purina Feed LLC	4,721,330	3	1.29%	Haalo LTD	3,722,148	3	1.71%
First National Bank of McGregor	4,400,240	4	1.29%	John McClaren Chevrolet	3,492,003	4	1.60%
Progressive Waste Solutions	4,282,150	5	1.17%	Oncor Electricity Delivery	3,223,890	5	1.48%
Behlen Manufacturing	4,206,350	6	1.15%	Space X Company	3,032,394	6	1.39%
Oncor Electricity Delivery	3,621,270	7	0.99%	Dealers Electric Supply Co	2,374,905	7	1.09%
Jim Turner Chevrolet	3,529,270	8	0.96%	Land O'Lakes Farmland Feed LLC	2,087,763	8	0.96%
Transtech Fabrications, LLC	3,449,025	9	0.94%	Westview Manor Holdings Inc	1,925,729	9	0.88%
Automotive Properties LP	3,277,210	10	0.89%	Richard Eberspacher	1,835,905	10	0.84%
<b>Total</b>	<b>\$ 122,076,372</b>		<b>33.28%</b>	<b>Total</b>	<b>\$ 63,786,607</b>		<b>29.26%</b>
Total AV at 09/30/18:	\$ 366,853,583				\$ 218,022,107		
De Lage Landen Operational Services, LLC							

Source: McLennan County Appraisal District

**CITY OF MCGREGOR, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
 Last Ten Fiscal Years  
 (Unaudited)

Table 9

Fiscal Year	Taxes Levied Within the Fiscal Year of the Levy	Adjustments to Levy in Subsequent Years	Adjusted Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2009	1,217,795	(7,037)	1,210,758	1,193,214	97.98%	12,598	1,205,812	99.59%
2010	1,237,098	(373)	1,236,725	1,154,985	93.36%	77,156	1,232,141	99.63%
2011	1,243,591	(936)	1,242,655	1,211,287	97.40%	27,848	1,239,135	99.72%
2012	1,240,969	241	1,241,210	1,223,578	98.60%	13,135	1,236,713	99.64%
2013	1,458,857	(584)	1,458,273	1,420,948	97.40%	32,497	1,453,446	99.67%
2014	1,540,098	172	1,540,270	1,511,879	98.17%	23,400	1,535,279	99.68%
2015	1,718,623	(4,318)	1,714,305	1,686,090	98.11%	20,113	1,706,203	99.53%
2016	1,835,042	(9,768)	1,825,274	1,786,487	97.35%	23,712	1,810,199	99.17%
2017	2,009,296	364	2,009,661	1,962,491	98.02%	22,795	1,985,286	98.79%
2018	2,180,419		2,180,419	2,142,383	98.26%		2,142,383	98.26%

**Source:** McLennan County Tax Office

**CITY OF MCGREGOR, TEXAS**  
**DIRECT AND OVERLAPPING SALES TAX RATES**  
 Last Ten Fiscal Years  
 (Unaudited)

Table 10

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Fiscal Year	McGregor City Direct Rate	McGregor EDC Rate	McLennan County Rate	State Rate	Combined Rate
2009	1.00%	0.50%	0.50%	6.25%	8.25%
2010	1.00%	0.50%	0.50%	6.25%	8.25%
2011	1.00%	0.50%	0.50%	6.25%	8.25%
2012	1.00%	0.50%	0.50%	6.25%	8.25%
2013	1.00%	0.50%	0.50%	6.25%	8.25%
2014	1.00%	0.50%	0.50%	6.25%	8.25%
2015	1.00%	0.50%	0.50%	6.25%	8.25%
2016	1.00%	0.50%	0.50%	6.25%	8.25%
2017	1.00%	0.50%	0.50%	6.25%	8.25%
2018	1.00%	0.50%	0.50%	6.25%	8.25%

**Source:** Texas Comptroller of Public Accounts.

**CITY OF MCGREGOR, TEXAS**  
**RATIO OF OUTSTANDING DEBT BY TYPE**  
 Last Ten Fiscal Years  
 (Unaudited)

Table 11

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Combination Tax and Revenue Certificates of Obligation	Time Warrants	Notes Payable	Capital Leases	Notes Payable	Capital Leases			
2009	2,215,701	-	-	48,952	373,388	35,202	2,673,243	3.36%	551
2010	5,675,177	-	-	158,965	348,960	44,835	6,227,937	7.51%	1,258
2011	5,445,574	1,463,719	-	88,347	323,958	22,964	7,344,562	8.91%	1,484
2012	5,172,746	1,321,819	-	13,405	297,918	-	6,805,888	7.13%	1,364
2013	4,891,543	1,001,829	-	-	271,540	-	6,164,912	6.17%	1,228
2014	8,441,443	661,829	-	768,457	244,450	-	10,116,179	11.52%	2,007
2015	7,917,004	311,829	-	647,943	216,299	-	9,093,075	9.83%	1,803
2016	14,228,691	-	-	550,052	187,746	49,770	15,016,259	16.34%	2,978
2017	16,795,053	-	-	420,651	158,907	34,209	17,408,820	17.26%	3,443
2018	19,532,703	-	-	306,347	129,040	15,849	19,983,939	19.19%	3,905

**Source:** Annual Financial Reports

**CITY OF MCGREGOR, TEXAS**  
**RATIO OF GENERAL BONDED DEBT OUTSTANDING**  
 Last Ten Fiscal Years  
 (Unaudited)

Table 12

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	Certificates of Obligations	Less: Amounts Available in Debt Service Fund	Total		
2009	2,215,701	203,177	2,012,524	0.92%	414
2010	5,675,177	84,155	5,591,022	2.54%	1,137
2011	5,445,574	49,015	5,396,559	2.38%	1,090
2012	5,172,746	34,095	5,138,651	2.20%	1,030
2013	4,891,543	33,283	4,858,260	2.00%	967
2014	8,441,443	72,342	8,369,101	3.29%	1,660
2015	8,228,833	75,968	8,152,865	2.89%	1,617
2016	14,228,691	136,235	14,092,456	4.65%	2,795
2017	16,795,053	121,518	16,673,535	4.95%	3,298
2018	19,532,703	131,071	19,401,632	5.69%	3,791

**Source:** Annual Financial Reports.

**CITY OF MCGREGOR, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
As of September 30, 2018  
(Unaudited)

Table 13

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
McGregor Independent School District	\$ 25,015,866	76.14%	\$ 18,625,144
McLennan County	26,285,000	2.12%	492,900
McLennan Community College	61,495,000	2.12%	1,239,352
Midway Independent School District	<u>98,396,965</u>	0.34%	<u>316,958</u>
Subtotal, overlapping debt	\$ 211,192,831		20,674,354
<b>City of McGregor (direct debt)</b>	9/30/2018		<u>19,532,065</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 40,206,419</u></u>

**Note:** The percentage of overlapping debt applicable is estimated using taxable assessed values that were obtained from the McLennan County Appraisal District. Applicable percentages were estimated by determining the portion of the taxing authorities' taxable assessed values that are within the City's boundaries and dividing it by the taxing authorities's total taxable assessed values. (Texas Municipal Reports TMR #1909)

**Source:** Municipal Advisory Council of Texas

**CITY OF MCGREGOR, TEXAS**  
**LEGAL DEBT MARGIN INFORMATION**  
 Last Ten Fiscal Years  
 (Unaudited)

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	<u>2009</u>	<u>2010</u>	<u>2011</u>
Annual debt requirement limit	\$ 5,450,553	\$ 5,499,283	\$ 5,851,594
Total net debt applicable to limit	<u>94,510</u>	<u>92,562</u>	<u>98,582</u>
Legal debt margin	<u>\$ 5,356,043</u>	<u>\$ 5,406,721</u>	<u>\$ 5,753,012</u>
Total net debt applicable to the limit as a percentage of debt limit	1.73%	1.68%	1.68%

**Source:** Annual Financial Reports.



**Legal Debt Margin Calculation for Fiscal Year 2018**

Assessed value	\$ 341,013,795
Debt limit (\$2.50 per \$100 valuation)	8,525,345
Debt applicable to limit:	
2003, 2016, portion of 2017, and 2018A Certificates of Obligation - principal and interest	<u>567,384</u>
Legal debt margin	<u><u>\$ 7,957,961</u></u>

		Fiscal Year						
		<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$		5,850,277	\$ 6,072,909	\$ 6,364,447	\$ 7,064,735	\$ 7,479,506	\$ 8,183,279	\$ 8,525,345
		<u>98,565</u>	<u>107,259</u>	<u>109,312</u>	<u>109,312</u>	<u>92,982</u>	<u>493,549</u>	<u>587,384</u>
<u>\$</u>		<u>5,751,712</u>	<u>\$ 5,965,650</u>	<u>\$ 6,255,135</u>	<u>\$ 6,955,423</u>	<u>\$ 7,386,524</u>	<u>\$ 7,689,730</u>	<u>\$ 7,937,961</u>
		1.68%	1.77%	1.72%	1.55%	1.24%	6.03%	6.9%

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

Last Ten Calendar Years

(Unaudited)

Year	City of McGregor Estimated Population (1)	McLennan Co. Personal Income (thousands of dollars) (2)	McLennan Co. Per Capita Personal Income (2)	Median Age	McGregor ISD School Enrollment (4)	McLennan Co. Unemployment Rate (5)
2009	4,856	79,655	16,403	33.2	1,269	6.7%
2010	4,917	82,883	16,856	35.6	1,264	2.1%
2011	4,949	82,395	16,649	35.3	1,318	3.9%
2012	4,990	95,460	19,130	36.6	1,366	2.2%
2013	5,022	99,996	19,912	34.5	1,402	3.8%

Year	City of McGregor Estimated Population (1)	City of McGregor Personal Income (thousands of dollars) (2)	City of McGregor Per Capita Personal Income (2)	Median Age (3)	McGregor ISD School Enrollment (4)	City of McGregor Unemployment Rate (5)
2014	5,041	87,779	17,413	32.2	1,404	4.0%
2015	5,042	92,504	18,347	31.6	1,425	4.1%
2016	5,042	91,879	18,223	31.4	1,425	3.9%
2017	5,056	100,870	19,951	34.3	1,461	5.3%
2018	5,118	104,151	20,350	34.3	1,421	2.9%

**Sources:** (1) U.S. Census Bureau (2009-2017); 2018 estimate  
(2) U.S. Census Bureau (2009-2017); 2018 estimate  
(3) U.S. Census Bureau (2009-2017); 2018 estimate  
(4) McGregor Independent School District  
(5) Texas Workforce Commission (2008 - 2009); U.S. Census Bureau (2010); Greater Waco Chamber of Commerce (2011-2012; 2015;2017)Homefacts (2014).

**Note:** Some data for the year 2009 was reported for McLennan County, since equivalent information for the City of McGregor was not available for that year.

**CITY OF MCGREGOR, TEXAS**  
**PRINCIPAL EMPLOYERS,**  
 Current Year and Nine Years Ago  
 (Unaudited)

Table 16

2018				2009			
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Space Exploration, Inc.	522	2	13.60%	Convergys Management Group	537	1	15.12%
C3 Customer Contact Channels	453	1	11.80%	Smead Manufacturing	395	2	11.12%
McGregor ISD	265	3	6.90%	The Trane Company	350	3	9.86%
The Trane Company	196	4	5.11%	McGregor ISD	233	4	6.56%
Westview Manor	204	5	5.31%	Ferguson Enterprises	185	5	5.21%
Ferguson Enterprises	165	6	4.30%	Westview Manor	180	6	5.07%
Lark	150	7	3.91%	Pace American	175	7	4.93%
Behlen	95	8	2.47%	Centex Waste Management	83	8	2.34%
Trans Tech	10	10	0.26%	Duster Campers	80	9	2.25%
Look Trailers	68	9	1.77%	General Micrographics	70	10	1.97%
<b>Total</b>	<b>3,839</b>		<b>41.84%</b>	<b>Total</b>	<b>3,551</b>		<b>64.43%</b>

**Source:** City Manager's Office, US Census Bureau and MEDC (2008 data not available.)

**Note:** Percentages based on assumed total city employment of 75% of total population

**CITY OF MCGREGOR, TEXAS**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM,**  
 Last Ten Fiscal Years  
 (Unaudited)

Table 17

Function/Program	Fiscal Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Administrative services	4	3	4	4	4	4	4	4	4	3.5
Community services	0	0	0	2	2	2	2.5	2.5	3	3
Development services	2	1	2	1	1	1	1	1	2	2
Emergency services	19	17	17	19	19	19	18	18	18	18
Fleet Maintenance										2
Financial services	1	1	1	2	2	2	2	2	2	2
Streets	6	6	5	4	4	4	7	9	9	8
Parks and Recreation	4	4	3	4	4	4	4	4	5	5
Water	6	6	6	6	6	6	7	7	7	7
Sewer	5	4	5	5	5	5	5	5	4	5
MEDC				1	1	1.5	1.5	2	2	2
Airport	1	1	1	1	1	1	1	1	1	2
Rachael Arms Apartments	<u>1</u>	<u>1</u>	<u>1</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>0</u>	<u>0</u>
Total	<u><u>0</u></u>	<u><u>44</u></u>	<u><u>45</u></u>	<u><u>50.5</u></u>	<u><u>50.5</u></u>	<u><u>51</u></u>	<u><u>54.5</u></u>	<u><u>57</u></u>	<u><u>57</u></u>	<u><u>59.5</u></u>

Source: City HR department.

**CITY OF MCGREGOR, TEXAS**  
**OPERATING INDICATORS BY FUNCTION**  
 Last Nine Fiscal Years  
 (Unaudited)

Table 18

Function/Program	Fiscal Year								
	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Development Services</b>									
Building permits	290	335	284	282	227	264	455	482	426
Building inspections	400	600	550	600	425	525	863	925	640
Code enforcement inspections	60	125	325	560	400	428	440	451	456
<b>Emergency Services</b>									
Adult arrests	187	129	189	216	241	236	228	162	153
Juvenile arrests	38	16	13	31	11	7	3	18	8
Crimes cleared/closed	1,078	833	883	767	308	302	126	387	372
Animals impounded	218	88	145	106	175	268	102	214	201
<b>Municipal Services</b>									
Streets repaired	9	9	3	6	2	14	52	72	23
Potholes repaired (miles)	410	360	375	475	250	51	65	48	47
<b>Water</b>									
Water leaks repaired	66	72	82	112	60	57	44	68	110
New service connections	313	245	250	11	20	34	11	16	33
Reconnections	295	275	600	276	304	302	293	3	6
Daily average consumption	1,350,000	1,561,600	1,967,091	1,993,530	865,000	901,000	959,723	963,899	1,032,616
<b>Wastewater</b>									
Sewer mains cleaned in footage	46,400	55,400	55,400	21,000	28,980	14,215	16,625	9,500	11,925

**Source:** City Departments. Data for earlier years is not available.

\*Change in procedure to determine closed case

**CITY OF MCGREGOR, TEXAS**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
 Last Ten Fiscal Years  
 (Unaudited)

Table 19

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Community Services</b>										
Parks (acres)	86	86	86	86	86	86	86	86	113	113
Playgrounds	4	4	4	4	4	4	4	4	4	4
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	4	4	4	4	4	4	1	1	1	1
Basketball Courts							3	3	3	3
Senior Center	1	1	1	1	1	1	1	1	1	1
<b>Emergency Services</b>										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police and Animal Control Vehicles	7	7	7	11	11	11	11	11	11	11
Fire Stations	2	2	2	2	2	2	2	2	2	2
<b>Municipal Services</b>										
Streets- Paved (miles)	67	67	67	67	67	67	67	67	67	68
Traffic signals	3	3	3	3	3	3	3	3	3	4
Signs Replaced*							71	41	51	45
<b>Water</b>										
Water Mains (miles)	67	67	67	58	60	60	61	61	62	56
Fire Hydrants	125	125	125	128	130	132	147	155	168	184
Storage capacity (thousands of gallons)	1,950	1,950	1,950	2,100	1,725	1,725	1,725	1,725	1,725	2375
<b>Wastewater</b>										
Sanitary Sewers (miles)	67	67	67	60	60	60	62	62	63	63
Treatment capacity (thousands of gallons)	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1100

**Source:** City Departments. \*Data for earlier years is not available.

**City of McGregor, Texas**  
**Schedule of Unamortized Bond Premium**  
**As of September 30, 2018**

Table 20

Years	Amortization				Total Amortization of Bond Premium	Total Unamortized Bond Premium
	2016 Series	2017 Series	2018 Series	2018A Series		
2017	21,505	8,122	-	-	29,627	731,957
2018	21,505	8,122	-	-	29,627	702,330
2019	21,505	8,122	4,494	3,958	38,079	664,251
2020	21,505	8,122	4,494	3,958	38,079	626,172
2021	21,505	8,122	4,494	3,958	38,079	588,093
2022	21,505	8,122	4,494	3,958	38,079	550,013
2023	21,505	8,122	4,494	3,958	38,079	511,934
2024	21,505	8,122	4,494	3,958	38,079	473,855
2025	21,505	8,122	4,494	3,958	38,079	435,776
2026	21,505	8,122	4,494	3,958	38,079	397,697
2027	21,505	8,122	4,494	3,958	38,079	359,618
2028	21,505	8,122	4,494	3,958	38,079	321,538
2029	21,505	8,122	4,494	3,958	38,079	283,459
2030	21,505	8,122	4,494	3,958	38,079	245,380
2031	21,505	8,122	4,494	3,958	38,079	207,301
2032	21,505	8,122	4,494	3,958	38,079	169,222
2033	21,505	8,122	4,494	3,958	38,079	131,143
2034	21,505	8,122	4,494	3,958	38,079	93,064
2035	21,505	8,122	4,494	3,958	38,079	54,984
2036	21,505	8,122	4,494	3,958	38,079	16,905
2037	-	-	4,494	3,958	8,453	8,453
2038	-	-	4,494	3,958	8,453	-
	<b>430,098</b>	<b>162,433</b>	<b>89,888</b>	<b>79,164</b>	<b>761,583</b>	