



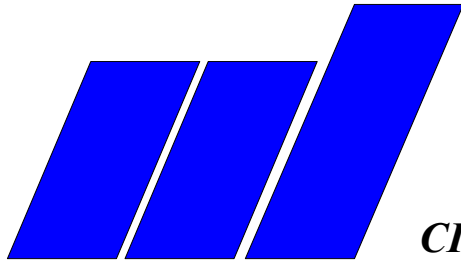
*CITY OF McALLEN, TEXAS*

***Comprehensive Annual Financial Report***

*For The Fiscal Year*

*Ended*

*September 30, 2005*



***CITY OF McALLEN, TEXAS***

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended September 30, 2005**

**Prepared by:  
Department of Finance**

***CITY OF McALLEN, TEXAS***  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

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**INTRODUCTORY SECTION**



December 9, 2005

RICHARD F. CORTEZ, Mayor  
JAN M. KLINCK, Mayor Pro-Tem and Commissioner District 6  
SCOTT C. CRANE, Commissioner District 1  
MARCUS C. BARRERA, Commissioner District 2  
HILDA SALINAS, Commissioner District 3  
AIDA RAMIREZ, Commissioner District 4  
JOHN J. INGRAM, Commissioner District 5

MIKE R. PEREZ, City Manager

Honorable Mayor  
Members of the City Commission  
Members of the Public Utility Board of Trustees  
Citizens of McAllen  
City of McAllen  
McAllen, Texas 78505

State and local law requires that the City of McAllen publish annually a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Accordingly, we hereby respectfully submit the Comprehensive Annual Financial Report of the City of McAllen for the fiscal year ended September 30, 2005.

This report contains management's representations relating to the finances of the City of McAllen. Therefore, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. In order to provide for a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft or misuse as well as to compile sufficient reliable information for the preparation of the City of McAllen's financial statements in conformity with GAAP. Since the cost of internal controls should not outweigh their benefits, the City of McAllen's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We, as management, assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Comprehensive Annual Financial Report is presented in the four traditional sections: introductory, financial, statistical and single audit. The introductory section, which is unaudited, includes this letter of transmittal, an organizational chart and a list of the City of McAllen's principal elected and appointed officials. The financial section includes the basic financial statements, including the related notes, which are covered by the independent auditors' opinion. Required supplementary information, which includes Management's Discussion and Analysis is also included, however, is not covered by the independent auditors' opinion, although the auditors are associated with this information and do apply limited procedures. The financial section also includes various combining and individual fund financial statements and schedules, which are covered by the auditors' opinion, however, only in relation to the basic financial statements taken as a whole. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis. Two



supplemental sections have been added; one, which contains information submitted in compliance with SEC Rule 15c2-12; the other, debt service schedules both for general obligation and revenue bonds.

The City of McAllen is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 as amended and the U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditors' reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in the single audit section of this report.

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

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

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of McAllen's MD&A can be found immediately following the report of the independent auditors.

## CITY STRUCTURE, LOCAL ECONOMIC CONDITION AND OUTLOOK

The City of McAllen, incorporated in 1911 and the largest city in Hidalgo County, is located at the intersection of U. S. Highway 83 and State Highway 336. It is approximately 230 miles south of San Antonio, 150 miles north of Monterrey, Nuevo Leon, Mexico, a city with a population of over 5 million including the surrounding suburbs, and just 7 miles north of Reynosa, Tamps. Mexico. Within a 150-mile radius of McAllen, its trade area represents approximately 10 million people. According to the 2000 census, McAllen's population was 106,414, increasing 26.7% since 1990. Over the last 10 to 15 years, the City's economy has undergone a significant transformation, characterized by a decreasing reliance on agriculture. As a consequence of this transformation, the City has experienced substantial economic growth that has spurred growth in employment with a corresponding decline in its unemployment rate.

According to the Texas Workforce Commission, over the last 14 years the McAllen-Edinburg-Mission MSA employment in the nonagricultural sector has grown from 103,500 in 1991 to 192,500 in 2005—a 86% increase. Currently with total employment at 241,144, the employment rate is 7.8%. Some of the more significant employment numbers by industry, which represent over 76% of total employment, include government; trade, transportation and utilities; education



and health services; and leisure and hospitality.

The Maquiladora "Twin Plant" Program, under which U.S. firms locate manufacturing facilities in Mexico accompanied by warehousing facilities in McAllen's foreign trade zone in order to cut labor costs and remain competitive, has been responsible for a large part of the job growth. Since 1988 the McAllen Economic Development Corporation has been responsible for bringing 220 new companies, representing 16,632 new jobs to McAllen. Its efforts have also resulted in 272 new companies, representing 65,986 new jobs for Reynosa. The impact of the North American Free Trade Agreement (NAFTA), as it continues to develop, has also played a major role in increased trade with Mexico for the City as well as it the State of Texas. During 2004 Texas exported \$46B to Mexico, which represented over 44% of Texas' total exports—making Mexico its Number One Trading Partner. As NAFTA continues to mature, the City of McAllen's international toll bridge, connecting Hidalgo, Texas with Reynosa, will continue to facilitate trade between Mexico and the U. S.; and, more particularly the City with its proximity to Mexico and strong social, economic and cultural ties with the people of Mexico.

As a result of the job growth created by this transforming economy, the City's unemployment rate declined by 59% over the last ten years. McAllen's unemployment rate, which in September 1995 was 13.4%, declined to 5.5% as of September 2005.

By almost any growth index, the City is experiencing, and indications are, will continue to experience substantial growth. Contributors to the City's growth include its position as a regional trade center and medical center, which covers the Lower Rio Grande Valley and Northern Mexico—almost 10 million people, its tourist trade consisting of "Winter Texans"—mostly retired from the northern and Midwestern states escaping the cold grip of winter for 4-6 months and visitors from Mexico, its maquiladora industry, and the effects of NAFTA.

The City is empowered to levy a property tax on both real and business personal property located within its boundaries. The City also has the power by state statute to extend its corporate limits by annexation, which it has done from time to time, as deemed appropriate by the City Commission.

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



MAJOR INITIATIVES  
For the Year 2004-05

The City's staff, following specific directives of the City Commission and the City Manager, has been involved in a variety of projects throughout the year. These projects reflect the City's commitment of ensuring that its citizens are able to live and work in a highly desirable community and include the following:

Hire Firm to Update Foresight McAllen (Master Plan)

**Managements' Response: Completed. Consultant chosen.**

Increase MCN (Channel 12) Programming Relating to Services City Offers

**Managements' Response: Completed. Placed Programming on City Website Schedule.**

Improve Efficiency in the Twelve Worst Intersections

**Managements' Response: Partially Completed, including:**

**10<sup>th</sup> Street & Dove**

**29<sup>th</sup> Street & Nolana**

**23<sup>rd</sup> Street & Nolana**

**10<sup>th</sup> Street & Zinnia**

Hire a Traffic Engineer to Coordinate Traffic Signals Timing on 10<sup>th</sup> Street, 23<sup>rd</sup> Street, Bicentennial Boulevard and Ware Road

**Managements' Response: Completed by a promotion from the Engineering Department.**

Establish Organizational Structure to Implement Heart of the City Project

**Managements' Response: Completed. Heart of the City was formally organized and is seeking an Executive Director.**

Start Construction of Anzalduas Bridge

**Managements' Response: Not completed—awaiting final diplomatic note from Mexico.**

Work Toward Minimizing the Impact of US-VISIT Program by working with other Border Communities from Brownsville to El Paso

**Managements' Response: We continue to lobby for additional resources including technology and staffing that will serve to improve the inspection process when entering the U.S. at our ports of entry. We also are lobbying to include programs like the dedicated commuter lane known as the SENTRI program for low risk frequent travelers at the Hidalgo Port of Entry.**

Widen Ditches with Walking Trails and Plant Wildflowers that Will Promote Wildlife Habitat and Connect Neighborhoods

**Managements' Response: Partially completed. The Public Works Department has widened the Northeast Blueline, Northwest Blueline, McAllen/Pharr East Lateral and McAllen Pharr Southeast Lateral ditches, totaling 8.23 miles. Grass has been planted within these sections of channel and tiers have been prepared for trails.**



Implement an Aggressive Tree Planting Program

**Managements' Response:** Completed tree planting of 2<sup>nd</sup> Street and Bicentennial Trails. Purchased nursery stock from Alice, Texas.

Complete South 2<sup>nd</sup> Street Trails Project

**Managements' Response:** Project is 90% Complete.

Develop a Program that Would Encourage City Staff to Be More Informative and Responsive to Citizens

**Managements' Response:** City Website Upgraded. Citizen Hearings Regarding Major Construction Projects Ongoing.

Start Construction of New Convention Center

**Managements' Response:** Completed. Construction of the New Convention Center commenced on January 10, 2005. It is currently 40% complete and expected to be completed February 14, 2007, followed by a March 2007 opening.

Complete Fire Station Location Study and Bid Out New Main Fire Station

**Managements' Response:** Completed. Fire Station Location Reviewed by City Commission in April 2005. Architectural Firm, Croslin, Completed Schematic of New Number One Station.

Select Site for New Main Library with Citizen Input and Develop Strategy to Finance the Project

**Managements' Response:** Completed Space Program for New Main Library by Providence.

Start Planning Process for New Performing Arts Facility

**Managements' Response:** No Activity.

Build Drainage Detention Facilities at McAuliffe and Garza Schools

**Managements' Response:** Regional Detention Facilities Under Construction and Expected to Be Completed December 2005. Related Park Projects Also Under Contract for Construction.

Buy Additional Right-of-Way for North East Blueline Ditches and Construct Improvements

**Managements' Response:** Purchased 12 Acres @ South Main Drain, West of McColl.

Increase Funding for One-Step Street Recycling Project from \$1,450,000 to \$2,750,000

**Managements' Response:** Completed With 20 Miles of Streets Resurfaced.

Construct the Extension of Dove Avenue West to Taylor Road

**Managements' Response:** Completed With Opening of New Sharyland North Junior High on August 22, 2005.

Start the Construction of Bicentennial Boulevard with the Moving of Railroad Tracks



**Managements' Response: Reviewed by City Commission on August 22, 2005.**

Complete Feasibility Study for new Downtown Parking Garage at 15th and Beaumont.

**Managements' Response: Completed. Alamo Architects Authorized to Finish Construction Drawings.**

Begin Operation of McAllen Express transit under City Department.

**Managements' Response: Completed. McAllen Express commenced operation on January 1, 2005 and its activities are accounted for as a fund of the City.**

Complete Airport Master Plan including extension of existing runway and future second runway.

**Managements' Response: Master Plan Completed and Adopted by City Commission.**

### **MAJOR GOALS FOR FISCAL YEAR 2005-06**

The goals adopted by the Mayor and City Commission for FY 2005-06 are as follows:

*Improve City Traffic Flow and Storm Drainage by:*

- beginning Bentsen Road reconstruction: Expressway to Pecan
- beginning first phase of widening Bentsen: Pecan to 3-Mile by placing irrigation canal underground
- beginning first phase of Bicentennial Parkway north of Nolana to Dove by relocation of railroad facilities
- beginning TxDOT design process for upgrade of Nolana: Jackson to 10<sup>th</sup> Street
- completing new traffic signals along 23<sup>rd</sup> Street corridor
- completing new drainage facilities in STC/Quince area, 4<sup>th</sup> and 8<sup>th</sup> Streets, 2<sup>nd</sup> and Quamasia, 27<sup>th</sup> to 29<sup>th</sup> from Olga to Sarah
- coordinating new drainage outfall for STC Pecan Campus
- continuing alley and street resurfacing program to provide new surface every eight years for arterial and ten years for residential streets
- beginning the acquisition of 10 parcels of right-of-way for Ware Road upgrade, 3-mile to 5 mile, for TxDOT construction in 2008
- beginning the design process with TxDOT relating to the Federal Highway Bill earmarked for the relocation of 10<sup>th</sup> Street (SH 336) due to the need to extend the airport runway
- completing specific traffic consultation studies for intersection improvements, access management, signal timing and roadway expansion



*Continue Effort to Make McAllen an "International Shopping Destination" by:*

- continuing construction on the McAllen Convention Center, scheduled for opening in Spring 2007 with site improvements scheduled for completion during FY 2005-06 and bookings of conventions to begin for 2007
- completing the sale of property for a major new retail shopping and restaurant area at the 70 acres south of the new Convention Center site
- recruiting Convention Center Hotel Developer for City-designated site
- beginning the planning for the new Performing Arts building at the New Convention Center site
- opening Quinta Mazatlan in March 2006 as Wing of World Birding Center and small conference center
- providing partial funding for TxDOT landscape of Expressway 83 right-of-ways in McAllen city limits
- constructing new covered entrance and enhance passenger amenities at McAllen Bus Terminal
- bidding and receiving replacement transit system buses
- completing design of the City parking garage at Beaumont and 15<sup>th</sup> Streets, the construction of which will require a bond sale in 2006
- continuing to market McAllen-Miller International Airport for additional flights to Mexico and Orlando, Florida
- beginning the construction of Anzalduas International Bridge
- opening of new facilities at McAllen-Hidalgo-Reynosa International Bridge to provide better customer service
- continue to aggressively attract maquila supplier companies to located in the McAllen MSA
- planning the establishment of Historical Districts with the completion of City Historical Building and Sites Inventory

*Improve Customer Service by:*

- implementing recommendations to improve the development process



- completing consultant selection and beginning the process to update “Foresight McAllen” Overall Master Plan
- providing greater access to city services by opening of Los Encinos Neighborhood Police Station @ Olga and 28<sup>th</sup> Street in October 2005
- starting construction of New Fire Station One @ Cedar and 22<sup>nd</sup> site

*Improve Water & Wastewater Services by:*

- completing Bentsen Road water and sanitary sewer improvements from Expressway to Daffodil
- finishing construction of sanitary sewer collection system from Airport to South Wastewater Plant
- completing design for increased capacity @ North Wastewater Plant and South Water Plant
- beginning design and acquiring site for replacement of force main along the Bicentennial extension route
- continuing recycling program for green waste/sewer sludge to produce 7,600 tons of bio-solids compost for private and public use

*Improve Quality of Life in McAllen by:*

- providing funding for operations of the City’s “Heart of the City Committee”
- converting public housing @ Vine Terrace to homeownership by rehabilitating 49 units
- continuing funding for McAllen Affordable Housing for scattered site vacant lots in the heart of the City for new home construction
- developing a plan for funding improvements to former Kaepler property on north 23<sup>rd</sup> Street as City park as well as parkland acquisition locations
- opening south loop on 2<sup>nd</sup> Street of the Hike and Bike Trail, which will add 2.5 miles to the existing City trail network
- Opening and operating the City’s first regional storm drainage detention facility and combination city/school parks at Jackson and McAuliffe Elementary Schools
- Opening Gonzales City School Park
- Beginning construction of Dove Landing, Summer Breeze, medical District and La Ventana Parks



- o Completing new landscape project on South Bicentennial entrance to Airport and La Piedad Cemetery access improvements

## FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and local financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

As part of the City's single audit, described earlier, tests were made of the City's internal control structure and of its compliance with applicable laws and regulations, including those related to federal and state financial assistance programs. Although this testing was not sufficient to support an opinion of the City's internal control system or its compliance with laws and regulations related to non-major federal financial assistance programs, the audit for the year ended September 30, 2005, disclosed no material internal control weakness or material violations of laws and regulations.

In addition, the City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Commission. Activities of the general fund, certain special revenue funds, the debt service fund, and the proprietary funds are included in the annual appropriated budget. Project-length budgets are prepared for the capital projects funds. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the departmental level within each fund. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbered amounts lapse at year-end. However, outstanding encumbrances generally are re-appropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, as well as the tables and discussion that follows, the City continues to meet its responsibility for sound financial management.

### Debt Administration

At year-end, the City had six debt issues outstanding, amounting to \$47M. all of which are revenue bonds. Of this amount, \$45M is related to the Water and Sewer Funds; \$2M, to the Bridge Fund; and \$325K, to the Development Corp, which is secured by sales tax receipts. During last fiscal year all remaining general obligation bonds were redeemed, leaving the City debt-free with regard to that type of issue. Prior to the redemption, both Standard & Poor's



Corporation (S&P) and Fitchratings upgraded the general obligation bonds to AA-. During this year, in conjunction with the issuance of the Water & Sewer Bonds Series 2005, both rating agencies upgraded this credit from A+ to AA-. Last year, S&P upgraded the sales tax revenue bonds to A+ as well. Texas statutes do not prescribe a debt limit; however, by custom, an economic debt of 5% of the assessed valuation on the tax roll is considered practical.

### **Risk Management**

In 1989 the City initiated a risk management program for workers' compensation and general liability insurance. Under this program, various risk control techniques, including employee accident prevention training, have been implemented to minimize accident-related losses. Third-party coverage is currently maintained for workers' compensation claims in excess of \$250,000 as the City self-funds the first \$250,000 in claims. Third-party coverage is also currently maintained for general liability claims in excess of \$10,000. User funds provide revenues to this fund on the basis of what the state manual rates would otherwise be if the City purchased traditional level premium coverage.

### **Cash Management Policies and Practices**

Cash temporarily idle during the year was invested in interest-earning demand deposit accounts, certificates of deposit, obligations of the United States of America, its agencies and instrumentalities, all of which were authorized under the Public Funds Investment Act of 1987, as amended by the 76th Legislature, effective September 1, 1999, "the Act" (Chapter 2256 of the Local Government Code). "The Act" requires cities and other political subdivisions, among other things, to adopt a written investment policy, conduct an annual review of the policy, have an annual compliance audit performed, require all those designed as investment officers to undergo training and prepare and submit quarterly reports to the governing body.

The current bank depository agreement provides for rates on demand accounts, at the 91-day TBill rate minus 19 basis points; and certificate of deposits, at the treasury bill/note rate of equal maturities plus 0-26 basis points, depending the term ranging from 1 day to over a year. A significant amount of the City's portfolio has been allocated to certificates of deposit. The bank contract requires that any amount deposited with the bank, including accrued interest, be 110% collateralized by FDIC insurance, obligations of the United States of America, its agencies and instrumentalities. Collateral securing the City's funds is required to be kept at the Federal Reserve Bank of Boston. Collateral is valued weekly.

As stated in the City's investment policy, its objectives are safety, liquidity and yield, in that order. Investment maturities range from 1 day to 4 years. All investments held by the City during the year and at September 30, 2005 are classified in the category of lowest custodial risk as defined by the Governmental Accounting Standards Board. During the year, the City recognized \$4.5M in investment earnings, net of the amount reported in the Firemen's Relief & Retirement Fund, an increase of \$.4M from prior year, which is inclusive of the \$671K loss in the mark-to-market adjustment. The blended rate for this year was in the range of 2 ½% to 3%.



Other Information  
***Independent Audit***

State statutes require an annual audit by independent certified public accountants. The firm of Long, Chilton, L.L.P., was selected by the City to perform this function. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Single Audit Act and OMB Circular A-133. Generally accepted auditing standards and the standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The auditors' report on the basic financial statements, required supplementary information and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports on internal controls and compliance with applicable laws and regulations can be found in the single audit section of this report.

***Awards***

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the year ended September 30, 2004. This was the eighteenth consecutive year and the nineteenth overall that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfies both generally accepted accounting principles and applicable legal requirements.


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

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget dated October 1, 2004. The budget for October 1, 2005 has been submitted for review and notification of an award is awaited. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document is judged on proficiency in several categories including policy documentation, financial planning and organization.

***Acknowledgments***

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

Respectfully submitted,



Jerry W. Dale, CPA CGFO  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of McAllen,  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



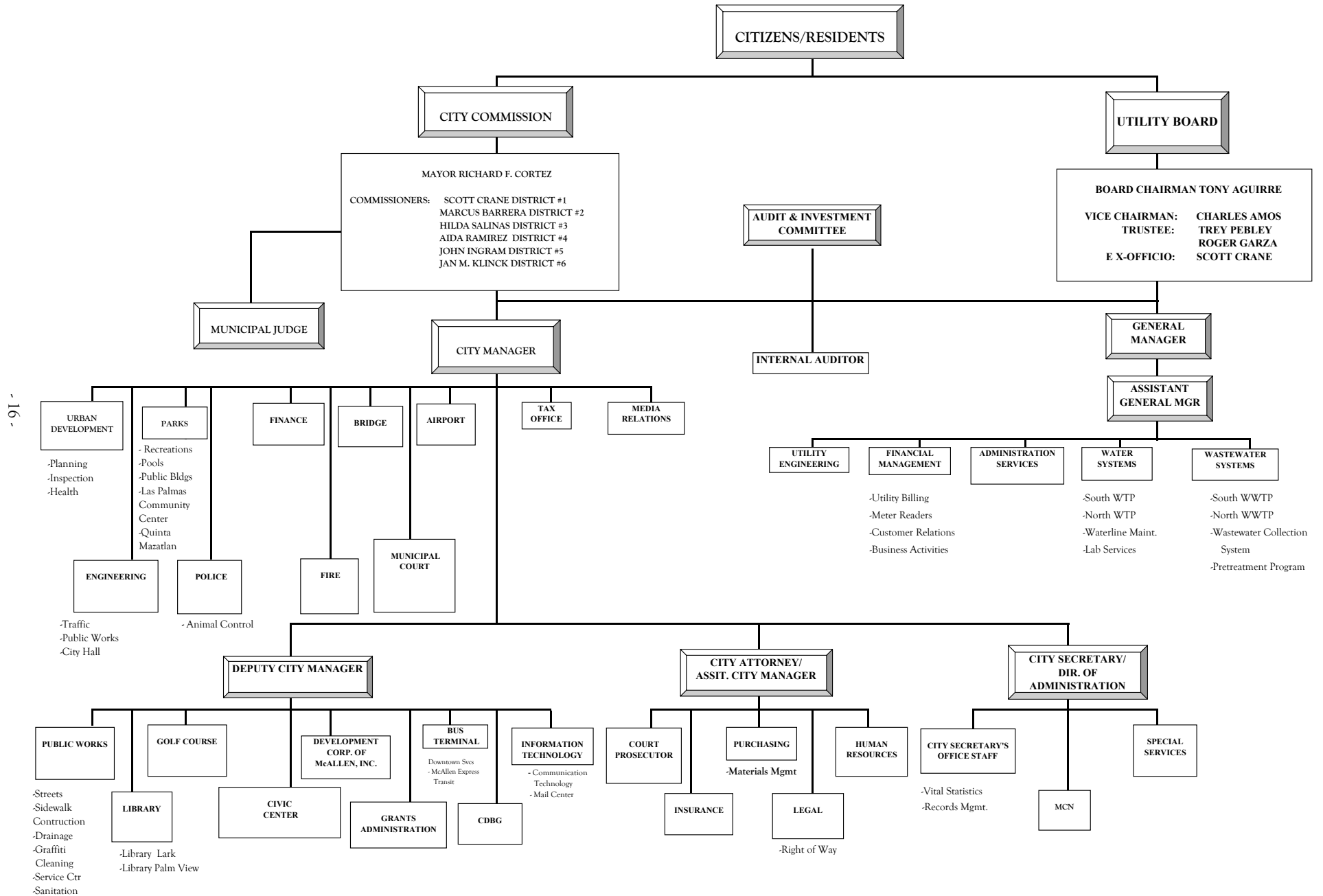
*Nancy L. Ziehl*

President

*Jeffrey R. Emer*

Executive Director

# CITY OF McALLEN, TEXAS



# CITY OF McALLEN, TEXAS

## LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2005

Mayor.....	Richard Cortez
Mayor Pro-Tem-Commissioner District 6 .....	Jan M. Klinck
Commissioner District 1 .....	Scott Crane
Commissioner District 2 .....	Marcus Barrera
Commissioner District 3 .....	Hilda Salinas
Commissioner District 4 .....	Aida Ramirez
Commissioner District 5 .....	John Ingram
Public Utility Board Chairman .....	Tony Aguirre
Public Utility Board Vice-Chairman .....	Charles Amos
Trustee Place 3 .....	Trey Pebley
Trustee Place 4.....	Roger Garza
Ex-Officio Member.....	Scott Crane
City Manager .....	Mike R. Perez
General Manager.....	Roel Rodriguez, P.E.
Deputy City Manager.....	Brent Branham
Director of Engineering .....	Pilar Rodriguez, P.E.
Attorney .....	James E. Darling
Administrator of Financial Services .....	Jerry W. Dale
Administrator of Internal Services.....	Alfredo Garcia
Administrator of Urban Development .....	Julianne Rankin
Aviation Director .....	Derald Lary
Bridge Superintendent .....	George Ramon
City Secretary .....	Annette Villarreal
Acting Fire Chief .....	Amado Cano
Parks and Recreation Director .....	Larry Pressler
Human Resources Director.....	Joseph LaBeau
Police Chief.....	Victor Rodriguez

**FINANCIAL SECTION**



# LONG CHILTON, LLP

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS AND INDIVIDUALS

Members - Division of Firms,  
American Institute of CPAs

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Harlingen, Texas 78550  
(956) 423-3765  
Fax (956) 428-7520  
[www.longchilton.com](http://www.longchilton.com)

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of McAllen, Texas (the "City") as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of City of McAllen, Texas' management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

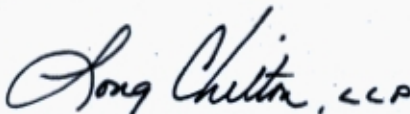
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of McAllen, Texas at September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Development Corporation Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2005, on our consideration of City of McAllen's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis on pages 23 through 35 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise City of McAllen, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical data as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical data, as listed in the Table of Contents herein, have been summarized from City of McAllen, Texas' records and were not subjected to the audit procedures applied in the audit of the basic financial statements; accordingly, we do not express an opinion on such data. The accompanying supplemental information on the Texas Municipal Retirement System and the Firemen's Relief and Retirement Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.



**LONG CHILTON, LLP**  
*Certified Public Accountants*

Harlingen, Texas  
December 9, 2005



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This discussion and analysis is intended to provide an overview of the City's financial performance for the fiscal year ended September 30, 2005 and the related effect on the City's financial condition. Please read it in conjunction with the transmittal letter on pages 3-13 and the City's financial statements, which begin on page 39.

### FINANCIAL HIGHLIGHTS

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

Total government-wide net assets increased \$36M as a result of this year's operations. Governmental activities contributed \$18M with the balance of \$18M resulting from business-type activities.

- **Governmental Activities – Revenues and Expenses Compared to Last Year** – Total revenues increased \$8M over last year. Most line items increased—the exception being other general revenues, which decreased \$3M, which was primarily due to a land sale amounting to \$4.5M last year offset by an increase in oil and gas royalties of \$2M. Leading the increase was sales tax, which increased \$4M. Property taxes increased 2M due to growth in the property values and declining debt service requirements. Hotel/motel taxes rebounded from pre-9/11 levels this year as well. Expenditures increased \$6M or 8%, which is largely attributable to public safety and highways and streets.
- **Business-Type Activities – Revenues and Expenses Compared to Last Year** – Total revenues remained flat with last year's level with increase in charges for services offset by decrease in grant revenues. Expenses increased \$3M or 8% over last year with increases of \$1M each attributable to water, sewer and sanitation services.
- **City as a Whole – Revenues and Expenses Compared to Last Year** – Both governmental and business-type activity revenues increased \$9M or 8% over last year while expenses increased by \$9M or 8% for the same reasons as previously discussed.

#### ***General Fund Performance***

As a result of this year's operations, the General Fund reported a \$13.5M increase to fund balance before transfers out to the Capital Improvement Fund. After transferring \$6.3M to that fund, a \$7.2M increase in fund balance resulted. Taxes and charges for services as well as other less significant revenue increases exceeded the amended budget by \$8.2M, while expenditures and transfers-out were \$1.4M under the amended budget—all of which resulted in fund balance settling in at \$54.9M.

### USING THE ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 39 and 40-41) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 46. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in

more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

## Reporting the City as a Whole

### The Statement of Net Assets and the Statement of Activities

One of the central concerns in assessing any City's finances could be summarized in the question, "Is the City as a whole better off or worse off as a result of the year's activities?" Our analysis addressing this question begins on page 26. The analysis includes a condensed summary of the government-wide financial statements—The Statement of Net Assets and the Statement of Activities, which present information about the City in way that facilitates answering this question. These statements are presented much like the private-sector companies—including *all* assets and liabilities using the *accrual basis of accounting*. All revenues and expenses for the current year are reported without regard to when cash is received or paid.

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

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

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

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

## Reporting the City's Most Significant Funds

### Fund Financial Statements

Our analysis of the City's major funds commences on page 27. The fund financial statements are presented on pages 46 through 71. These statements present detailed information about the City's more significant funds as opposed to the City as a whole. Funds are established for various reasons—some are required by state law; others, by bond covenants. Some funds are established by the City Commission to assist in managing money that is to be spent for particular purposes. For example, the Community Development Block Grant Fund was established to demonstrate that the money received from the U. S. Department of Housing and Urban Development was used for purposes established by the federal

government. The City has two categories of funds, which can be used for public purpose—*governmental* and *proprietary*. Each category uses a different accounting approach.

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

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

## The City as Trustee

### Reporting the City’s Fiduciary Responsibilities

The City is the trustee, or fiduciary, for the Firemen’s Pension Fund. This activity is reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 72 and 73. These activities are not included with the City’s other government-wide financial information since the City cannot use these assets to finance its programs or operations. The City’s is responsible for ensuring that these funds are used for their intended purpose.

# THE CITY AS A WHOLE

The City's Condensed Statement of Net Assets is presented in the table below.

	Net Assets (in Millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$117	\$109	\$114	\$99	\$231	\$208
Capital assets	<u>151</u>	<u>140</u>	<u>183</u>	<u>167</u>	<u>334</u>	<u>307</u>
Total assets	<u>268</u>	<u>249</u>	<u>297</u>	<u>266</u>	<u>565</u>	<u>515</u>
Long-term debt outstanding	6	5	52	42	58	47
Other liabilities	<u>9</u>	<u>9</u>	<u>10</u>	<u>8</u>	<u>19</u>	<u>17</u>
Total liabilities	<u>15</u>	<u>14</u>	<u>62</u>	<u>50</u>	<u>77</u>	<u>64</u>
Net assets:						
Invested in capital assets,						
Net of debt	151	139	141	136	292	275
Restricted	12	21	78	53	90	74
Unrestricted	<u>90</u>	<u>75</u>	<u>16</u>	<u>28</u>	<u>106</u>	<u>103</u>
Total net assets	<u>\$253</u>	<u>\$235</u>	<u>\$235</u>	<u>\$217</u>	<u>\$488</u>	<u>\$452</u>

The table below presents more detail on revenues and expenses.

**Changes in Net Assets**  
(in Millions)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Revenues						
Program revenues:						
Charges for services	\$7	\$7	\$54	\$46	\$61	\$53
Federal grants	11	12	4	1	15	13
State grants	-	-	-	-	-	-
General revenues:						
Property taxes	23	22	-	-	23	22
Sales tax	49	46	-	-	49	46
Other taxes	9	9	-	-	9	9
Federal entitlements	-	-	-	-	-	-
Other general revenues	<u>10</u>	<u>10</u>	<u>4</u>	<u>4</u>	<u>14</u>	<u>14</u>
Total revenues	109	106	62	51	171	157
Program expenses						
General government	17	14	-	-	17	14
Public safety	42	39	-	-	42	39
Highways and streets	15	13	-	-	15	13
Health and welfare	4	6	-	-	4	6
Culture and recreation	12	12	-	-	12	12
Interest on long-term debt	-	-	Incl	Incl		
Water	-	-	12	10	12	10
Sewer	-	-	9	8	9	8
Sanitation	-	-	10	9	10	9
Golf	-	-	1	1	1	1
Transit terminal	-	-	1	1	1	1
Civic center	-	-	1	1	1	1
Airport	-	-	5	4	5	4
Bus services	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Bridge	<u>-</u>	<u>-</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>
Total expenses	<u>90</u>	<u>84</u>	<u>45</u>	<u>40</u>	<u>135</u>	<u>124</u>
Excess (deficiency)						
Before special items						
And transfers	19	22	17	11	36	33
Transfers	<u>(1)</u>	<u>(6)</u>	<u>1</u>	<u>6</u>	<u>-</u>	<u>-</u>
Increase (decrease)						
In net assets	<u>\$18</u>	<u>\$16</u>	<u>\$18</u>	<u>\$17</u>	<u>\$36</u>	<u>\$33</u>

Total revenues generated from both governmental and business-type activities this year amounted to \$171M. Expenses came in at \$135M, leaving \$36 as an increase to net assets.

#### Governmental Activities

Total revenues generated from governmental activities this year amounted to \$109M. Expenses came in at \$90M, leaving \$19M as an increase to net assets before transfers. A net increase of \$1M in transfers to business-type activities was provided, resulting in an all-inclusive increase to net assets amounting to \$118M.

The cost of all governmental activities this year was \$90M. However, as shown on the Statement of Activities on pages 44-45, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$72M. The other \$18M to finance these programs was paid by those who directly benefited from them (\$7M) and by other governments that subsidized certain programs with grants (\$11M).

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

#### Governmental Activities (in Millions)

	<u>Total Cost Of Services</u>		<u>Net Cost Of Services</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Police	\$28	\$26	20	19
General government	17	13	14	11
Highways and streets	15	11	10	8
Fire	10	10	10	10
Health and Welfare	<u>4</u>	<u>5</u>	<u>3</u>	<u>3</u>
Total	<u>\$74</u>	<u>\$65</u>	<u>\$57</u>	<u>\$51</u>

#### Business-type Activities

Total revenues generated from business-type activities this year amounted to \$62M. Expenses came in at \$45M, leaving \$17M as an increase to net assets before transfers, from which a net of \$1M in transfers were received from governmental activities—resulting in an all-inclusive increase to net assets amounting to \$18M.

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

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

As a result of this year's operations, governmental funds (as reflected in the balance sheet on page 46) increased combined fund balance to \$85M, an increase of \$4M from last year. The increase came about largely due to an increase in the General Fund offset by a decrease in the Capital Improvement Fund.

*Revenues and Transfers-In*

The following table presents a summary of general fund, special revenue funds, debt service fund and capital projects funds revenues and transfers-in for the years ended September 30, 2005 and 2004.

<u>Revenues &amp; Transfers-In</u>	<u>2005 Amount</u>	<u>% of Total</u>	<u>2004 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Taxes	\$80,911,770	67.61%	\$75,683,872	\$5,227,898	6.91%
Licenses & permits	1,481,650	1.24%	1,401,360	80,290	5.72%
Intergovernmental	5,985,818	5.00%	7,303,811	-1,317,993	-18.05%
Charges for services	3,385,392	2.83%	3,403,159	-17,767	-0.05%
Fines and Forfeitures	2,204,354	1.84%	2,344,084	-139,730	-6.00%
Investment Income	2,067,760	1.73%	1,686,288	381,472	22.62%
Miscellaneous	7,998,219	6.68%	10,244,476	-2,246,257	-21.93%
Transfers-in	<u>15,644,414</u>	<u>13.07%</u>	<u>26,698,057</u>	<u>-11,053,643</u>	<u>-41.40%</u>
Total	<u>\$119,679,377</u>	<u>100.00%</u>	<u>\$128,765,107</u>	<u>\$9,085,730</u>	<u>-7.06%</u>

***Taxes***

The most significant increase in taxes this year is attributable to sales tax, which increased \$3M or 7% over last year. It was followed by property tax, which posted a \$1.8M or 8% increase. Also contributing to the increase, but to a lesser extent in terms of dollars, franchise taxes increased 5% and hotel occupancy tax, by 6%.

***Intergovernmental***

A decrease in grant activity translated into a decrease in this revenue by \$1.3M—lead primarily by a decline in the Community Development Block Program.

***Investment Income***

Investment income increased generally due to a pick-up in yields and to a larger portfolio, to a lesser extent.

### *Miscellaneous*

The most significant influence in declining miscellaneous revenues was a drop in oil and gas royalties of \$2.4M—declining to \$5.6M.

### *Transfers-In*

Last year the General Fund transferred a more significant amount to the Capital Improvement Fund, representing an estimate of surplus fund balance in the General Fund.

### *Expenditures and Transfers-Out*

The following table presents a summary of general fund, special revenue funds, debt service fund and capital projects funds expenditures, transfers-out and other financing uses for the years ended September 30, 2005 and 2004.

<b><u>Expenditures &amp; Transfers-Out</u></b>	<b><u>2005 Amount</u></b>	<b><u>Percent of Total</u></b>	<b><u>2004 Amount</u></b>	<b><u>Amount of Increase (Decrease)</u></b>	<b><u>Percent of Increase (Decrease)</u></b>
General government	\$17,356,283	15.03%	\$15,573,246	\$1,783,037	11.45%
Public safety	42,590,348	36.87%	37,466,003	5,124,345	13.68%
Highways & streets	18,059,597	15.63%	21,599,260	-3,539,663	16.39%
Health & welfare	4,011,452	3.47%	5,710,156	-1,698,704	-29.75%
Culture & recreation	16,698,716	14.46%	17,059,656	-360,940	2.12%
Debt service:					
Principal	25,000	0.02%	5,915,000	-5,890,000	-99.58%
Interest & fiscal charges	17,472	0.02%	314,546	-297,074	-94.45%
Transfers-out and other financing uses	<u>16,753,532</u>	<u>14.50%</u>	<u>32,549,077</u>	<u>-15,795,545</u>	<u>-48.53%</u>
Total	<u>\$115,512,400</u>	<u>100.00%</u>	<u>\$136,186,944</u>	<u>-\$20,674,544</u>	<u>-15.18%</u>

The decrease in total expenditures and transfers-out this year was primarily due to an unusually large amount of transfers-out last year—primarily from the General Fund to the Capital Improvement Fund, which represented surplus fund balance. Also contributing to the decrease was debt service payments on bond indebtedness. Last year the City retired the remaining balances of all general obligation debt, leaving only \$375,000 of indebtedness related to a sales tax revenue bond issue. The growth in spending in the general government category was the result of increased capital projects over last year as well as a 5% increase in maintenance and operating expenditures in the General Fund. Most of the increase in public safety is attributable to maintenance and operating expenditures in the General Fund. The



decreases in highways and streets, health and welfare as well as culture and recreation resulted from a lower level of spending for capital projects.

#### **Fund Balances**

Combined fund balance for the governmental fund types increased \$4M, from a balance of \$81M in the prior year to \$85M as of the current fiscal yearend. Fund balances by major fund are discussed below.

#### ***General Fund***

Due to the strong performance from property tax and sales tax revenues as well as keeping expenditures as a whole under control, fund balance increased by \$7M—despite transferring \$6M to the Capital Improvement Fund for funding future capital projects. As of September 30, 2005, fund balance amounts to \$54.9M. Of that amount, \$1.4M is reserved for an interfund advance to the Sanitation Fund, as well as \$157K reserved for encumbrances—leaving \$53.3M unreserved and therefore currently available for future spending. During fiscal year 1997-98, the City adopted, by resolution, a financial policy requiring, minimum of 140 days of operating expenses in fund balance. Based upon next year's operating budget, exclusive of capital outlay and transfers-out, fund balance represents 251 days, which is 111 days in excess of the minimum requirement.

#### ***Development Corp Fund***

The fund balance of the Development Corp Fund increased from \$7.4M in the prior year to \$8.6M—an increase of \$1.2M.

#### ***Capital Improvement Fund***

The fund balance of the Capital Improvement Fund decreased \$4.5M—from \$22.5M in the prior year to \$18M.

#### **PROPRIETARY FUND TYPES (Enterprise Funds and Internal Service Funds)**

#### **Enterprise Funds**

The City's enterprise operations consist of the McAllen Public Utility (Water and Sewer Funds), Sanitation Fund, Palm View Golf Course, Transit Terminal Fund, McAllen International Civic Center Fund, McAllen International Airport Fund, McAllen Express Transit Fund, which was added this year, and the McAllen International Toll Bridge Fund. In the aggregate, the proprietary funds reported a \$17M increase to net assets—from \$216M in the prior year to \$233M.

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

### ***Water Fund***

Operating revenues increased by 18%--largely due to increased consumption, brought about primarily by a decline in rainfall. Operating expenses increased proportionally to 22% over last year, which was largely due to the new Northwest Water Treatment Plant becoming operational—leaving income before contributions and transfers at \$3M. Working capital as of year-end amounted to \$6.7M, which represents 367 days of operating expenditures budgeted for next year's operations. The board policy is a minimum of 120 days.

### ***Sewer Fund***

Operating revenues increased by \$1M or 14%, primarily due to an increase in commodity rate and to a lesser extent to increased consumption. Operating expenses were 16% over last year—driven by chemical, electricity as well as other operating costs. The increase to net assets amounted to \$2.6M. Working capital as of year-end amounted to \$8.6M, which represents 471 days of operating expenditures budgeted for next year's operations. The board policy is a minimum of 120 days.

### ***Sanitation Fund***

This year's operating revenues, representing charges for services, increased \$1M or 9% over prior year, which is primarily due to phasing out the business of dumpsters to private carriers as well as an increase in the customer base. As a whole, operating expenses increased \$852K, which resulted primarily from an increase in staffing as well as increased landfill cost due to increased volume—leaving an operating income of \$946K. Considering the effect of non-operating revenues, net assets increased by \$1M. Working capital as of year-end amounted to \$3.4M.

### ***McAllen International Civic Center Fund***

With operating revenues decreasing \$29K and expenses increasing \$103K, the Civic Center operated at a loss amounting to \$1M. With an increase in interest earnings, the net loss before transfers amounted to \$558K. Funding, provided by a transfer from a portion of hotel occupancy taxes, which increased over last year as well as a transfer from the Development Corporation to its restricted account for construction of a new convention center, resulted in an increase to net assets of \$7M. Within the restricted asset portion of the Statement of Net Assets, almost \$43M has been accumulated to assist in funding the new convention center. As a result of transferring \$1.8M to restricted assets to be used for funding construction of the new Convention Center, working capital at year-end declined to \$372K.

### ***McAllen International Airport Fund***

Operating revenues increased this year by 24% from last year's levels, while operating expenses increased by only 5%. As a result operating loss amounted to \$490M. Considering other income, most of which related to the passenger facility charge and grant reimbursements from the FAA, the net increase in net assets before transfers for the current year amounted to \$2M. Transfers-out to the City amounted to \$1M to reimburse for public safety personnel assigned to the Airport. As a result, an increase in net assets of \$1M is reported. Working capital has decreased to \$389K.

### ***McAllen International Toll Bridge Fund***

After the two years following 9-11, in which southbound car crossings declined by 7% in fiscal year 2002-03, slowing to 4% in fiscal year 2003-04, this year may have reached the low with crossings remaining substantially flat with last year.

<b><u>Category</u></b>	<b><u>FY 04-05</u></b>	<b><u>FY 03-04</u></b>	<b><u>Inc (Dec)</u></b>	<b><u>% Inc (Dec)</u></b>
Cars	5,440,901	5,465,002	(24,101)	(.4%)
Trucks	20,484	20,238	246	1.22%
Buses	24,311	25,525	(1,214)	(4.76%)
People	14,111,631	14,256,027	(144,396)	(1.01%)

The increase in net assets from operating income increased \$862K over last year.

Operating revenues increased by \$1M or 9%, despite the southbound car and truck crossings remaining substantially flat, reflecting the car toll 25c increase.

Over the last several years, the bridge has been redirecting truck traffic to the neighboring international bridge in Pharr, Texas in order to alleviate congestion in downtown Reynosa, Tamualipas, Mexico, which borders the bridge port of entry as well as avoid shipments of hazardous materials.

With operating expenses increasing by \$183K, operating income approached the \$10M range.

Net assets increased to \$1.7M as a result of this year' operations primarily due to the 25c increase in the car toll rate, becoming effective on February 1, 2005 and amounting to \$884K. This increase was implemented for the purpose of establishing the Anzalduas Start-Up Fund to supplement the Anzalduas International Bridge Fund—both of which, as restricted accounts, are intended to assist in funding operations of a planned new bridge through its start-up period. The other factor influencing the increase in net assets was non-operating revenues, specifically, capital grant revenues.

Net assets, and its components, over time serve as a meaningful measure of the Bridge's financial position. The Bridge's assets exceed liabilities by \$21M at September 30, 2005. Working capital at year end amounted to \$1.9M.

### ***General Fund Budgetary Highlights***

During the year the City Commission amended the budget several times. One category of adjustments related to requests not considered during the normal budgetary process. Despite increasing budgeted expenditures and transfers-out by \$3M, actual expenditures came under budget by \$1.5M.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year, the City had \$330M in capital assets.

#### Capital Assets at Year-end (Net of Depreciation, in Millions)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>2005</u>	<u>2004</u>	<u>2004</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$23	\$21	\$13	\$13	\$36	\$34
Buildings and improvements	42	40	131	116	173	156
Equipment	17	15	10	8	27	23
Infrastructure	63	58	11	8	74	66
Construction in progress	<u>6</u>	<u>6</u>	<u>14</u>	<u>19</u>	<u>20</u>	<u>25</u>
Totals	<u>\$151</u>	<u>\$140</u>	<u>\$179</u>	<u>\$164</u>	<u>\$330</u>	<u>\$304</u>

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

Renovation of Historic Facility (Quinta Mazatlan)-Wing of World Birding Center	\$2
Hike & Bike Trails	1
Park Development	1
Street projects	6
Drainage projects	4
Water and sewer improvement projects	15
Bridge improvement projects	<u>2</u>
Airport improvement projects	<u>3</u>
Total	<u>\$34</u>

For more detailed information on capital asset activity, refer to the notes to financial statements. Please refer to page number 91 and page number 93 of notes to financial statements.

### Debt

At the end of the fiscal year, the City had \$48M in bonds outstanding—as shown in the following table:

#### Outstanding Debt at Year-end (in Millions)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
General obligation bonds (backed by the City)	\$-	\$-	\$-	\$-	\$-	\$-
Revenue bonds (backed By specific tax and fee revenues	=	=	48	39	48	39
Totals	<u>\$-</u>	<u>\$-</u>	<u>\$48</u>	<u>\$39</u>	<u>\$48</u>	<u>\$39</u>

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

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

During the budget process for fiscal year 2005-06 the elected and appointed officials considered many factors including the forces driving the economy—among which were job growth, growth in new housing, bank deposits, retail sales growth, the unemployment rate, and inflation. As a result of the deliberations, property tax rates were left unchanged. Within the governmental funds, revenues are conservatively budgeted to decline by \$4.5M from this year's actual of \$102M. Expenditures on the other hand, were budgeted with a \$21M increase, which primarily represents spending down fund balance in the Capital Improvement Fund.

#### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to inform the citizens, taxpayers and customers of the City of McAllen as well as its investors and creditors about the City's finances and to provide accountability for the public support that it receives. If you have any questions about the report or need additional financial information, contact the Finance Director's Office at the City of McAllen, 1300 Houston, McAllen, Texas 78505.

**CITY OF McALLEN, TEXAS**  
**STATEMENT OF NET ASSETS**  
**September 30, 2005**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash	\$ 923,920	\$ 1,228,534	\$ 2,152,454
Certificate of deposits	34,616,172	5,865,460	40,481,632
Investments	60,116,426	12,706,842	72,823,268
Receivables, net	15,972,394	4,784,248	20,756,642
Internal balances	5,033,631	(5,033,631)	-
Inventories	-	466,145	466,145
Notes receivable	-	189,722	189,722
Restricted assets	-	93,758,064	93,758,064
Capital assets, net	151,222,944	178,833,963	330,056,907
Other assets	-	3,685,822	3,685,822
Total assets	<u><u>\$ 267,885,487</u></u>	<u><u>\$ 296,485,169</u></u>	<u><u>\$ 564,370,656</u></u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 6,898,704	\$ 8,565,012	\$ 15,463,716
Unearned revenues	724,627	1,779,605	2,504,232
Other	902,454	19,847	922,301
Non-current liabilities:			
Due within one year	3,110,000	3,552,330	6,662,330
Due in more than one year	<u>2,880,754</u>	<u>47,974,468</u>	<u>50,855,222</u>
Total liabilities	<u>14,516,539</u>	<u>61,891,262</u>	<u>76,407,801</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	151,721,693	140,687,796	292,409,489
Restricted for:			
Capital projects	10,954,393	71,087,257	82,041,650
Debt service	-	1,480,670	1,480,670
Other purposes	823,749	5,795,431	6,619,180
Unrestricted	<u>89,869,113</u>	<u>15,542,753</u>	<u>105,411,866</u>
Total net assets	<u>253,368,948</u>	<u>234,593,907</u>	<u>487,962,855</u>
Total liabilities and net assets	<u><u>\$ 267,885,487</u></u>	<u><u>\$ 296,485,169</u></u>	<u><u>\$ 564,370,656</u></u>

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

**CITY OF McALLEN, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For Fiscal Year Ended September 30, 2005**

		Program Revenues		
			Operating	Capital
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 16,625,820	\$ 1,608,627	\$ 655,565	\$ 173,738
Public safety	41,608,209	3,768,756	3,009,183	1,304,707
Highways and streets	14,884,137	555,666	172,145	3,946,040
Health and welfare	4,024,532	54,613	-	1,464,514
Culture and recreation	12,478,352	676,694	98,266	178,129
Interest on long-term debt	17,377	-	-	-
Total governmental activities	89,638,427	6,664,356	3,935,159	7,067,128
<b>Business-type activities:</b>				
Water services	11,829,462	13,548,751	-	65,927
Sewer services	8,644,246	10,506,385	-	41,760
Sanitation services	10,053,540	11,171,374	-	14,169
Golf course services	1,336,992	1,068,863	-	153,092
Civic center services	1,463,999	355,601	-	-
Airport services	4,497,261	4,043,630	193,415	2,216,908
Transit services	634,498	281,539	-	29,924
Bus services	768,139	148,637	-	847,896
Bridge services	5,868,513	12,571,155	-	874,528
Total business-type activities	45,096,650	53,695,935	193,415	4,244,204
Total primary government	134,735,077	60,360,291	4,128,574	11,311,332
General revenues:				
Property taxes				
Hotel occupancy tax				
Sales taxes				
Franchise taxes				
Unrestricted investment earnings				
Contributions				
Miscellaneous				
Transfers				
Total general revenues, special items, and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (14,187,890)	\$ -	\$ (14,187,890)
(33,525,563)	-	(33,525,563)
(10,210,286)	-	(10,210,286)
(2,505,405)	-	(2,505,405)
(11,525,263)	-	(11,525,263)
(17,377)	-	(17,377)
(71,971,784)	-	(71,971,784)
-	1,785,216	1,785,216
-	1,903,899	1,903,899
-	1,132,003	1,132,003
-	(115,037)	(115,037)
-	(1,108,398)	(1,108,398)
-	1,956,692	1,956,692
-	(323,035)	(323,035)
-	228,394	228,394
-	7,577,170	7,577,170
-	13,036,904	13,036,904
(71,971,784)	13,036,904	(58,934,880)
22,967,254	-	22,967,254
3,309,317	-	3,309,317
48,590,129	-	48,590,129
6,046,640	-	6,046,640
2,406,266	2,053,804	4,460,070
5,635,649	33,261	5,668,910
2,284,804	1,251,140	3,535,944
(1,109,118)	1,109,118	-
90,130,941	4,447,323	94,578,264
18,159,157	17,484,227	35,643,384
235,209,791	217,109,680	452,319,471
\$ 253,368,948	\$ 234,593,907	\$ 487,962,855



**CITY OF McALLEN, TEXAS**  
**STATEMENT OF NET ASSETS**  
**September 30, 2004**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash	\$ 489,045	\$ 675,441	\$ 1,164,486
Certificate of deposits	58,583,211	8,294,040	66,877,251
Investments	30,702,228	11,264,820	41,967,048
Receivables, net	14,790,591	4,070,107	18,860,698
Internal balances	4,982,386	(4,982,386)	-
Inventories	-	440,479	440,479
Notes receivable	-	197,688	197,688
Restricted assets	-	79,725,462	79,725,462
Capital assets, net	139,533,586	164,344,240	303,877,826
Other assets	-	2,581,911	2,581,911
Total assets	<u><b>\$ 249,081,047</b></u>	<u><b>\$ 266,611,802</b></u>	<u><b>\$ 515,692,849</b></u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	6,708,354	5,797,903	12,506,257
Unearned revenues	736,494	1,703,782	2,440,276
Other	1,254,453	7,445	1,261,898
Non-current liabilities:			
Due within one year	2,875,000	3,219,775	6,094,775
Due in more than one year	<u>2,296,955</u>	<u>38,773,217</u>	<u>41,070,172</u>
Total liabilities	<u>13,871,256</u>	<u>49,502,122</u>	<u>63,373,378</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	139,183,586	135,776,847	274,960,433
Restricted for:			
Capital projects	9,420,689	57,253,721	66,674,410
Debt service	-	1,417,119	1,417,119
Other purposes	974,543	6,040,940	7,015,483
Unrestricted	<u>85,630,973</u>	<u>16,621,053</u>	<u>102,252,026</u>
Total net assets	<u>235,209,791</u>	<u>217,109,680</u>	<u>452,319,471</u>
Total liabilities and net assets	<u><b>\$ 249,081,047</b></u>	<u><b>\$ 266,611,802</b></u>	<u><b>\$ 515,692,849</b></u>

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

**CITY OF McALLEN, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For Fiscal Year Ended September 30, 2004**

		Program Revenues		
			Operating	Capital
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 14,690,963	\$ 1,470,547	\$ 631,831	\$ -
Public safety	38,751,270	3,900,835	3,407,537	212,024
Highways and streets	12,712,852	567,005	198,864	3,853,250
Health and welfare	5,641,957	58,888	-	3,115,820
Culture and recreation	12,367,664	666,244	89,585	1,106,102
Interest on long-term debt	260,546	-	-	-
Total governmental activities	84,425,252	6,663,519	4,327,817	8,287,196
<b>Business-type activities:</b>				
Water services	9,873,183	11,511,690	-	38,395
Sewer services	7,667,018	9,246,476	-	63,200
Sanitation services	9,273,893	10,215,117	-	-
Golf course services	1,190,232	1,049,520	-	801,801
Civic center services	1,370,414	384,530	-	-
Airport services	4,316,654	3,249,677	-	679,130
Transit services	895,522	267,370	-	-
Bridge services	5,855,638	11,526,384	-	-
Total business-type activities	40,442,554	47,450,764	-	1,582,526
Total primary government	124,867,806	54,114,283	4,327,817	9,869,722
General revenues:				
Property taxes				
Hotel occupancy tax				
Sales taxes				
Franchise taxes				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general revenues, special items, and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (12,588,585)	\$ -	\$ (12,588,585)
(31,230,874)	-	(31,230,874)
(8,093,733)	-	(8,093,733)
(2,467,249)	-	(2,467,249)
(10,505,733)	-	(10,505,733)
(260,546)	-	(260,546)
(65,146,720)	-	(65,146,720)
-	1,676,902	1,676,902
-	1,642,658	1,642,658
-	941,224	941,224
-	661,089	661,089
-	(985,884)	(985,884)
-	(387,847)	(387,847)
-	(628,152)	(628,152)
-	5,670,746	5,670,746
-	8,590,736	8,590,736
(65,146,720)	8,590,736	(56,555,984)
21,481,560	-	21,481,560
3,110,916	-	3,110,916
45,601,935	-	45,601,935
5,776,414	-	5,776,414
1,914,116	2,187,397	4,101,513
8,790,048	918,278	9,708,326
(5,851,020)	5,851,020	-
80,823,969	8,956,695	89,780,664
15,677,249	17,547,431	33,224,680
219,532,542	199,562,249	419,094,791
235,209,791	217,109,680	452,319,471

**CITY OF McALLEN, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**For Fiscal Year Ended September 30, 2005**

	<u>General</u>	<u>Development Corp.</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 745,571	\$ 10,300
Certificates of deposit	12,207,923	-
Investments	39,321,101	4,422,558
Receivables, net:		
Taxes	3,057,248	-
Accounts	8,408,567	2,076,952
Accrued interest	337,425	-
Other	881,348	-
Due from other funds	628,707	-
Due from other governments	825	-
Interfund loan	<u>1,400,000</u>	<u>3,500,000</u>
Total assets	<u><b>\$ 66,988,715</b></u>	<u><b>\$ 10,009,810</b></u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 1,326,987	\$ 254,066
Accrued liabilities	688,414	-
Due to other funds	-	-
Deferred revenues	9,182,180	1,173,961
Other	<u>902,454</u>	<u>-</u>
Total liabilities	<u>12,100,035</u>	<u>1,428,027</u>
Fund balances:		
Reserved for encumbrances	156,584	-
Reserved for interfund loan	1,400,000	3,500,000
Unreserved-designated for economic development	-	1,644,539
Unreserved, reported in non-major funds		
Special revenue funds	-	-
Capital projects-drainage	-	-
Unreserved	<u>53,332,096</u>	<u>3,437,244</u>
Total fund balances	<u>54,888,680</u>	<u>8,581,783</u>
Total liabilities and fund balances	<u><b>\$ 66,988,715</b></u>	<u><b>\$ 10,009,810</b></u>

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

<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 42,740	\$ 70,047	\$ 868,658
13,817,192	1,335,248	27,360,363
5,161,610	2,042,943	50,948,212
-	-	3,057,248
-	275,950	10,761,469
31,416	-	368,841
132,600	272,677	1,286,625
-	-	628,707
-	298,333	299,158
352,716	-	5,252,716
<u><u>\$ 19,538,274</u></u>	<u><u>\$ 4,295,198</u></u>	<u><u>\$ 100,831,997</u></u>
\$ 1,102,722	\$ 513,524	\$ 3,197,299
329,633	19,219	1,037,266
69,247	293,517	362,764
-	272,579	10,628,720
-	-	902,454
<u>1,501,602</u>	<u>1,098,839</u>	<u>16,128,503</u>
-	-	156,584
352,716	-	5,252,716
-	-	1,644,539
-	2,817,804	2,817,804
-	378,555	378,555
17,683,956	-	74,453,296
<u>18,036,672</u>	<u>3,196,359</u>	<u>84,703,494</u>
<u><u>\$ 19,538,274</u></u>	<u><u>\$ 4,295,198</u></u>	<u><u>\$ 100,831,997</u></u>

**CITY OF McALLEN, TEXAS**  
**Reconciliation of the Balance Sheet of the Governmental Funds**  
**to the Statement of Net Assets**  
**September 30, 2005**

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Fund Balances--total governmental funds	\$ 84,703,494
Amounts reported for governmental activities in the statement of net assets (Exhibit 1-A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	146,453,583
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	9,904,093
Internal service funds are used by management to charge the costs of certain activities, such as fleet management and insurance, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	18,272,091
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(5,964,313)</u>
Net assets of governmental activities	<u><u>\$ 253,368,948</u></u>

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

**CITY OF McALLEN, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**September 30, 2005**

	<b>General</b>	<b>Development Corp</b>
<b>REVENUES</b>		
Taxes	\$ 65,454,922	\$ 12,147,531
Licenses and permits	1,481,650	-
Intergovernmental	385,902	-
Charges for services	3,385,392	-
Fines and forfeitures	2,065,480	-
Investment earnings	1,736,885	72,160
Net decrease (increase) in the fair value of investments	(308,256)	-
Other	6,298,727	(1)
	<u>80,500,702</u>	<u>12,219,690</u>
Total revenues		
	<u>80,500,702</u>	<u>12,219,690</u>
<b>EXPENDITURES</b>		
Current:		
General government	13,551,568	1,375,387
Public safety	36,894,866	-
Highways and streets	11,038,348	38,355
Health and welfare	1,070,082	1,501,139
Culture and recreation	11,537,102	-
Debt service:		
Principal	-	25,000
Interest and fiscal charges	-	17,472
	<u>74,091,966</u>	<u>2,957,353</u>
Total expenditures		
	<u>74,091,966</u>	<u>2,957,353</u>
Excess of revenues over (under) expenditures	6,408,736	9,262,337
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	7,112,751	-
Transfers out	(6,289,906)	(8,041,883)
	<u>822,845</u>	<u>(8,041,883)</u>
Net other financing sources (uses)		
	<u>822,845</u>	<u>(8,041,883)</u>
Net change in fund balances	7,231,581	1,220,454
Fund balances at beginning of year	47,657,099	7,361,329
Fund balances at end of year	<u><u>\$ 54,888,680</u></u>	<u><u>\$ 8,581,783</u></u>

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

<b>Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 3,309,317	\$ 80,911,770
-	-	1,481,650
88,745	5,511,171	5,985,818
-	-	3,385,392
-	138,874	2,204,354
523,496	74,688	2,407,229
(29,503)	(1,710)	(339,469)
838,401	861,092	7,998,219
<u>1,421,139</u>	<u>9,893,432</u>	<u>104,034,963</u>
1,076,195	1,353,133	17,356,283
1,846,754	3,848,728	42,590,348
6,851,762	131,132	18,059,597
-	1,440,231	4,011,452
4,625,605	536,009	16,698,716
-	-	25,000
-	-	17,472
<u>14,400,316</u>	<u>7,309,233</u>	<u>98,758,868</u>
(12,979,177)	2,584,199	5,276,095
8,531,663	-	15,644,414
-	(2,421,743)	(16,753,532)
<u>8,531,663</u>	<u>(2,421,743)</u>	<u>(1,109,118)</u>
(4,447,514)	162,456	4,166,977
<u>22,484,186</u>	<u>3,033,903</u>	<u>80,536,517</u>
<u><u>\$ 18,036,672</u></u>	<u><u>\$ 3,196,359</u></u>	<u><u>\$ 84,703,494</u></u>



**CITY OF McALLEN, TEXAS**  
**Reconciliation of the Statement of Revenues**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**September 30, 2005**

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Net change in fund balances--total governmental funds	\$ 4,166,976
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$20,311,093) exceeded depreciation, net of depreciation (\$8,132,803) in the current period.	12,178,290
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In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.	455,615
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	104,316
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	25,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(842,717)
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Internal service funds are used by management to charge the costs of certain activities, such as fleet management and insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	<u>2,071,677</u>
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Change in net assets of governmental activities	<u><u>\$ 18,159,157</u></u>
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The notes to the financial statements are an integral part of this statement.

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes:				
Property	\$ 22,332,678	\$ 22,332,678	\$ 22,965,684	\$ 633,006
Sales	34,062,639	34,062,639	36,442,598	2,379,959
Franchise	<u>5,250,000</u>	<u>5,250,000</u>	<u>6,046,640</u>	<u>796,640</u>
Total taxes	<u>61,645,317</u>	<u>61,645,317</u>	<u>65,454,922</u>	<u>3,809,605</u>
Licenses and permits:				
Business licenses and permits	22,000	22,000	40,707	18,707
Occupational	66,500	66,500	89,065	22,565
Non-business licenses and permits	<u>989,302</u>	<u>989,302</u>	<u>1,351,878</u>	<u>362,576</u>
Total licenses and permits	<u>1,077,802</u>	<u>1,077,802</u>	<u>1,481,650</u>	<u>403,848</u>
Intergovernmental revenues:				
State shared revenues	<u>300,000</u>	<u>300,000</u>	<u>385,902</u>	<u>85,902</u>
Total intergovernmental revenues	<u>300,000</u>	<u>300,000</u>	<u>385,902</u>	<u>85,902</u>
Charges for services:				
General government	1,166,600	1,166,600	1,384,964	218,364
Public safety	486,143	486,143	390,370	(95,773)
Highways and streets	607,059	607,059	550,216	(56,843)
Health	346,500	346,500	421,792	75,292
Culture and recreation	<u>604,600</u>	<u>604,600</u>	<u>638,050</u>	<u>33,450</u>
Total charges for services	<u>3,210,902</u>	<u>3,210,902</u>	<u>3,385,392</u>	<u>174,490</u>
Fines and forfeitures:				
Corporations court	1,467,346	1,467,346	1,798,569	331,223
Other fines	<u>250,768</u>	<u>250,768</u>	<u>266,911</u>	<u>16,143</u>
Total fines and forfeitures	<u>1,718,114</u>	<u>1,718,114</u>	<u>2,065,480</u>	<u>347,366</u>
Investment earnings	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,736,885</u>	<u>586,885</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Net increase (decrease) in fair value of investments	\$ -	\$ -	\$ (308,256)	\$ (308,256)
Other:				
Royalties	3,500,000	3,500,000	5,635,649	2,135,649
Rents and concessions	40,000	40,000	41,431	1,431
Reimbursements	17,000	17,000	59,348	42,348
Other	112,356	112,356	562,299	449,943
Total other revenues	3,669,356	3,669,356	6,298,727	2,629,371
Total revenues	72,771,491	72,771,491	80,500,702	7,729,211
Expenditures:				
General government:				
City commission	173,619	175,354	177,122	(1,768)
Special service	581,260	581,260	640,602	(59,342)
City manager	523,160	531,108	546,959	(15,851)
City secretary	641,520	659,662	587,226	72,436
Audit office	162,432	166,291	167,542	(1,251)
Municipal court	977,125	994,270	937,965	56,305
Finance	874,506	893,504	831,457	62,047
Tax office	665,448	670,875	697,212	(26,337)
Purchasing and contracting	301,194	307,563	290,995	16,568
Legal	803,748	813,212	813,933	(721)
Grant administration	176,899	181,548	163,520	18,028
Right of way	131,361	134,983	130,330	4,653
Human resources	1,446,081	870,988	542,129	328,859
Risk management	1,151,761	1,151,761	1,151,761	-
Planning	900,110	919,998	805,674	114,324
Information technology	1,256,844	1,274,201	1,171,956	102,245
Information services	382,959	389,411	379,631	9,780
City hall	754,778	756,730	694,106	62,624
Building maintenance	399,319	405,665	405,048	617
Non-departmental activities	2,246,576	2,443,576	2,416,400	27,176
Total general government	14,550,700	14,321,960	13,551,568	770,392

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Public safety:				
Police	\$ 22,982,737	\$ 23,092,598	\$ 22,835,794	\$ 256,804
Animal control	162,955	166,398	175,325	(8,927)
Communication technology	244,274	247,196	183,538	63,658
Fire	10,776,998	10,810,635	10,697,225	113,410
Traffic operations	1,634,058	1,652,838	1,841,425	(188,587)
Downtown services	556,493	565,724	538,766	26,958
Inspection	825,698	846,905	622,793	224,112
Total public safety	37,183,213	37,382,294	36,894,866	487,428
Highways and streets:				
Engineering services	1,852,981	1,895,333	1,711,120	184,213
Street cleaning	372,467	376,642	365,605	11,037
Street maintenance	5,017,733	5,239,216	5,075,115	164,101
Street lighting	1,615,826	1,615,826	1,569,791	46,035
Sidewalk construction	634,636	641,620	652,341	(10,721)
Drainage	1,544,036	1,555,168	1,664,376	(109,208)
Total highways and streets	11,037,679	11,323,805	11,038,348	285,457
Health and welfare:				
Health	609,315	618,695	602,327	16,368
Graffiti cleaning	138,499	140,486	146,090	(5,604)
Other agencies	179,990	179,990	321,665	(141,675)
Total health and welfare	927,804	939,171	1,070,082	(130,911)
Culture and recreation:				
Parks and recreation administration	424,686	434,217	463,617	(29,400)
Parks	3,381,345	3,423,051	3,740,496	(317,445)
Recreation	917,007	921,859	963,852	(41,993)
Pools	643,732	647,668	767,659	(119,991)
Las palmas community center	296,681	301,447	316,763	(15,316)
Recreation center-Lark	406,118	411,459	406,173	5,286
Recreation center-Palmview	418,503	423,831	427,426	(3,595)

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Quinta mazatlan	\$ 161,582	\$ 161,582	\$ 87,813	\$ 73,769
Library	2,531,842	2,567,793	2,197,569	370,224
Library branch-Lark	466,604	475,924	428,236	47,688
Library branch-Palmview	479,346	487,781	411,923	75,858
Other agencies	546,500	546,500	541,500	5,000
Museums	<u>712,075</u>	<u>712,075</u>	<u>784,075</u>	<u>(72,000)</u>
Total culture and recreation	<u>11,386,021</u>	<u>11,515,187</u>	<u>11,537,102</u>	<u>(21,915)</u>
Total expenditures	<u>75,085,417</u>	<u>75,482,417</u>	<u>74,091,966</u>	<u>1,390,451</u>
Excess of revenues over expenditures	<u>(2,313,926)</u>	<u>(2,710,926)</u>	<u>6,408,736</u>	<u>9,119,662</u>
Other financing sources (uses)				
Transfers in	6,661,468	6,661,468	7,112,751	451,283
Transfers out	<u>(3,790,000)</u>	<u>(6,289,906)</u>	<u>(6,289,906)</u>	<u>-</u>
Net other financing sources (uses)	<u>2,871,468</u>	<u>371,562</u>	<u>822,845</u>	<u>451,283</u>
Net change in fund balances	557,542	(2,339,364)	7,231,581	9,570,945
Fund balances at begining of year	<u>47,657,099</u>	<u>47,657,099</u>	<u>47,657,099</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ 48,214,641</u></u>	<u><u>\$ 45,317,735</u></u>	<u><u>\$ 54,888,680</u></u>	<u><u>\$ 9,570,945</u></u>

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

**CITY OF McALLEN, TEXAS**  
**DEVELOPMENT CORPORATION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Revenues:				
Sales tax	\$ 11,354,213	\$ 11,354,213	\$ 12,147,531	\$ 793,318
Investment earnings	130,382	130,382	72,160	(58,222)
Other	100,000	100,000	(1)	(100,001)
Total revenues	11,584,595	11,584,595	12,219,690	635,095
Expenditures:				
Current:				
General government	1,743,576	1,743,576	1,375,387	368,189
Highways and streets	452,205	38,355	38,355	-
Health and welfare	1,414,176	1,414,176	1,501,139	(86,963)
Debt service:				
Principal	25,000	25,000	25,000	-
Interest and fiscal charges	16,894	16,894	17,472	(578)
Total expenditures	3,651,851	3,238,001	2,957,353	280,648
Excess (deficiency) of revenues over expenditures	7,932,744	8,346,594	9,262,337	915,743
Other financing uses:				
Transfers out	(10,976,194)	(11,390,044)	(8,041,883)	3,348,161
Total other financing sources (uses)	(10,976,194)	(11,390,044)	(8,041,883)	3,348,161
Net changes in fund balances	(3,043,450)	(3,043,450)	1,220,454	4,263,904
Fund balances--beginning	7,361,329	7,361,329	7,361,329	-
Fund balances--ending	<u>\$ 4,317,879</u>	<u>\$ 4,317,879</u>	<u>\$ 8,581,783</u>	<u>\$ 4,263,904</u>

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

**CITY OF McALLEN, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**September 30, 2005**

	<b>Business Type Activities-Enterprise Funds</b>				
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>McAllen International Civic Center</b>	<b>McAllen International Airport</b>
<b>ASSETS</b>					
Current assets:					
Cash	\$ 127,536	\$ 95,994	\$ 21,139	\$ 23,024	\$ 44,344
Certificate of deposit	137,957	3,192,911	1,704,407	109,144	-
Investments	5,226,965	4,287,726	139,536	195,463	105,525
Receivables, net:					
Accounts	1,630,680	1,210,712	1,439,924	5,460	220,553
Accrued interest	59,701	34,186	-	-	-
Other	-	21,401	-	-	-
Due from other funds	-	-	-	93,791	-
Due from other governments	-	-	-	-	155,284
Inventories, at cost	45,716	-	-	-	-
Total current assets	7,228,555	8,842,930	3,305,006	426,882	525,706
Restricted assets:					
Cash	98,185	17,168	1,844	104,612	1,753
Certificate of deposits	11,272,791	11,851,613	823,342	1,490,028	1,110,387
Certificate of deposits-for distribution	-	-	-	-	-
Money market savings	-	-	-	-	-
Investments	5,271,516	6,755,471	725,208	9,781,300	936,885
Accrued interest	22,629	34,776	4,529	53,837	-
Due from other funds	-	-	-	140,686	-
Due from other governments	-	-	-	-	341,182
Other	-	-	-	31,329,784	63
	16,665,121	18,659,028	1,554,923	42,900,247	2,390,270
Noncurrent assets:					
Capital assets	90,889,791	69,156,177	14,214,096	8,522,882	69,654,496
Less accumulated depreciation	(29,700,585)	(29,504,571)	(7,963,503)	(2,380,537)	(23,672,597)
Net capital assets	61,189,206	39,651,606	6,250,593	6,142,345	45,981,899
Other noncurrent assets					
Loans receivable	94,861	94,861	-	-	-
Other assets, net	2,333,261	681,444	-	-	-
Total other noncurrent assets	2,428,122	776,305	-	-	-
Total noncurrent assets	63,617,328	40,427,911	6,250,593	6,142,345	45,981,899
Total assets	<u><u>\$ 87,511,004</u></u>	<u><u>\$ 67,929,869</u></u>	<u><u>\$ 11,110,522</u></u>	<u><u>\$ 49,469,474</u></u>	<u><u>\$ 48,897,875</u></u>

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

Business-type Activities-Enterprise Funds			Governmental Activities
McAllen International Toll Bridge	Other Proprietary Funds	Total	Internal Service Funds
\$ 321,340	\$ 44,596	\$ 677,973	\$ 605,823
411,418	309,623	5,865,460	7,255,809
1,985,566	166,982	12,107,763	9,168,214
1,089	5,258	4,513,676	146,536
-	-	93,887	52,517
-	-	21,401	-
-	-	93,791	-
-	-	155,284	-
-	-	45,716	420,429
2,719,413	526,459	23,574,951	17,649,328
15,507	52,075	291,144	-
1,858,975	101,803	28,508,939	-
5,864,582	-	5,864,582	-
-	-	-	-
4,118,019	121,243	27,709,642	-
12,504	-	128,275	-
-	-	140,686	-
-	-	341,182	-
183,532	-	31,513,379	-
12,053,119	275,121	94,497,829	-
13,557,318	14,819,853	280,814,613	9,761,632
(5,155,653)	(3,765,819)	(102,143,265)	(4,829,656)
8,401,665	11,054,034	178,671,348	4,931,976
-	-	189,722	-
671,117	-	3,685,822	-
671,117	-	3,875,544	-
9,072,782	11,054,034	182,546,892	4,931,976
<b>\$ 23,845,314</b>	<b>\$ 11,855,614</b>	<b>\$ 300,619,672</b>	<b>\$ 22,581,304</b>



**CITY OF McALLEN, TEXAS  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
September 30, 2005**

	<b>Business Type Activities-Enterprise Funds</b>				
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>McAllen International Civic Center</b>	<b>McAllen International Airport</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 444,021	\$ 186,974	\$ 397,147	\$ 44,871	\$ 123,648
Accrued expenses	53,364	33,198	54,300	9,561	12,996
Due to other funds	-	-	80,092	-	-
Due to other government agencies	-	-	-	-	-
Other	19,780	-	-	39	-
Total current liabilities	517,165	220,172	531,539	54,471	136,644
Current liabilities (payable from restricted assets):					
Accounts payable	58,082	707,593	-	1,189,538	-
Accrued expenses	260,929	591,277	-	1,449,620	-
Due to other funds	-	-	-	-	308,380
Current portion of revenue bonds	753,200	1,136,800	-	-	-
Customer deposits	1,576,962	-	-	15,368	-
Other	-	-	-	28	-
Notes payable	-	-	-	2,000,000	-
Total liabilities (payable from restricted assets)	2,649,173	2,435,670	-	4,654,554	308,380
Other noncurrent liabilities:					
Advances from other funds	-	-	1,400,000	-	-
Revenue bonds, net of current portion and discount	24,200,400	19,014,600	-	-	-
Accumulated unpaid compensated absences	226,400	168,332	113,043	22,556	62,209
Arbitrage payable	623,651	279,906	-	-	-
Other	563,623	442,847	-	-	-
Deferred revenues	260,694	1,075,000	182,764	69,692	94,433
Total other noncurrent liabilities	25,874,768	20,980,685	1,695,807	92,248	156,642
Total liabilities	29,041,106	23,636,527	2,227,346	4,801,273	601,666
<b>NET ASSETS</b>					
Invested in capital assets	36,256,623	27,469,093	6,250,593	6,142,345	45,981,899
Restricted for:					
Capital projects	14,517,854	9,011,182	1,554,923	38,245,693	2,049,088
Debt service	250,756	378,689	-	-	-
Other	-	-	-	-	-
Unrestricted	7,444,665	7,434,378	1,077,660	280,163	265,222
Total net assets	58,469,898	44,293,342	8,883,176	44,668,201	48,296,209
Total liabilities and net assets	<u>\$ 87,511,004</u>	<u>\$ 67,929,869</u>	<u>\$ 11,110,522</u>	<u>\$ 49,469,474</u>	<u>\$ 48,897,875</u>

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

Business-type Activities-Enterprise Funds			Governmental Activities
McAllen International Toll Bridge	Other Proprietary Funds	Total	Internal Service Funds
\$ 54,736	\$ 117,413	\$ 1,368,810	\$ 466,978
25,317	24,225	212,961	2,476,396
-	-	80,092	42,796
754,016	-	754,016	-
-	-	19,819	-
834,069	141,638	2,435,698	2,986,170
3,673	-	1,958,886	-
95,588	-	2,397,414	-
69,152	-	377,532	-
210,000	-	2,100,000	-
-	-	1,592,330	-
-	-	28	-
-	-	2,000,000	-
378,413	-	10,426,190	-
-	3,852,716	5,252,716	-
1,520,000	-	44,735,000	-
102,847	70,276	765,663	43,909
-	-	903,557	-
-	-	1,006,470	-
22,563	73,352	1,778,498	1,107
1,645,410	3,996,344	54,441,904	45,016
2,857,892	4,137,982	67,303,792	3,031,186
7,370,594	11,054,034	140,525,181	4,931,976
5,433,396	275,121	71,087,257	-
851,225	-	1,480,670	-
5,795,430	-	5,795,430	-
1,536,777	(3,611,523)	14,427,342	14,618,142
20,987,422	7,717,632	233,315,880	19,550,118
<b>\$ 23,845,314</b>	<b>\$ 11,855,614</b>	<b>\$ 300,619,672</b>	<b>\$ 22,581,304</b>

**CITY OF MCALLEN, TEXAS**  
**Reconciliation of the Statement of Net Assets of the Proprietary Funds**  
**to the Government-Wide Statement of Net Assets**  
**September 30, 2005**

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Fund equity - total proprietary funds	\$ 233,315,880
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Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.

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Net assets of business-type activities	<u>\$ 234,593,907</u>
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The notes to the financial statements are an integral part of this statement.

**CITY OF McALLEN, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2005**

	<b>Business Type Activities-Enterprise Funds</b>			<b>McAllen International Civic Center</b>	<b>McAllen International Airport</b>
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>		
<b>Operating revenues</b>					
Charges for services	\$ 13,548,751	\$ 10,506,385	\$ 11,171,374	\$ 56,742	\$ 1,482,632
Rentals	-	-	-	298,859	2,560,998
Other	-	-	-	-	-
Total operating revenues	<u>13,548,751</u>	<u>10,506,385</u>	<u>11,171,374</u>	<u>355,601</u>	<u>4,043,630</u>
<b>Operating expenses</b>					
Salaries, wages and employee benefits	3,770,012	2,348,044	3,670,688	667,489	891,163
Supplies	2,444,468	535,506	103,340	28,620	45,111
Contractual and other services	1,993,228	2,516,904	3,576,288	525,481	944,974
Repairs and maintenance	609,545	332,545	1,950,258	30,505	396,201
Depreciation and amortization	2,617,482	2,074,924	924,400	137,192	2,255,704
Self insurance claims	-	-	-	-	-
Other	68,845	(153,437)	-	-	-
Total operating expenses	<u>11,503,580</u>	<u>7,654,486</u>	<u>10,224,974</u>	<u>1,389,287</u>	<u>4,533,153</u>
Operating income (loss)	<u>2,045,171</u>	<u>2,851,899</u>	<u>946,400</u>	<u>(1,033,686)</u>	<u>(489,523)</u>
Non operating revenues (expenses)					
Investment earnings	617,665	702,585	93,966	547,674	69,596
Net increase (decrease) in fair value of inve	(89,767)	(70,970)	(2,246)	(75,397)	-
Interest expense	(1,105,234)	(1,044,476)	-	(100,000)	-
Capitalized interest	290,269	-	-	-	-
Other	938,348	291,159	189,113	103,350	2,371,485
Net non-operating revenues (expenses)	<u>651,281</u>	<u>(121,702)</u>	<u>280,833</u>	<u>475,627</u>	<u>2,441,081</u>
Income (loss) before contributions and trar	2,696,452	2,730,197	1,227,233	(558,059)	1,951,558
Capital contributions	65,927	41,760	14,169	-	83,000
Transfers in	150,000	-	-	7,513,798	-
Transfers out	-	(150,000)	-	-	(1,071,811)
Change in net assets	2,912,379	2,621,957	1,241,402	6,955,739	962,747
Total net assets-beginning	<u>55,557,519</u>	<u>41,671,385</u>	<u>7,641,774</u>	<u>37,712,462</u>	<u>47,333,462</u>
Total assets--ending	<u><u>\$ 58,469,898</u></u>	<u><u>\$ 44,293,342</u></u>	<u><u>\$ 8,883,176</u></u>	<u><u>\$ 44,668,201</u></u>	<u><u>\$ 48,296,209</u></u>

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

<b>Business Type Activites-Enterprise Funds</b>			<b>Governmental</b>
<b>McAllen International Toll Bridge</b>	<b>Other Proprietary Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$ 11,052,501	\$ 1,499,039	\$ 49,317,424	\$ 4,680,834
1,320,919	-	4,180,776	-
197,735	-	197,735	10,289,832
<u>12,571,155</u>	<u>1,499,039</u>	<u>53,695,935</u>	<u>14,970,666</u>
1,264,280	1,399,686	14,011,362	873,211
84,350	152,247	3,393,642	19,437
563,194	381,839	10,501,908	5,286,484
126,029	266,155	3,711,238	38,241
336,833	575,655	8,922,190	1,385,950
-	-	-	5,412,576
-	-	(84,592)	-
<u>2,374,686</u>	<u>2,775,582</u>	<u>40,455,748</u>	<u>13,015,899</u>
<u>10,196,469</u>	<u>(1,276,543)</u>	<u>13,240,187</u>	<u>1,954,767</u>
242,974	24,678	2,299,138	412,490
(17,156)	-	(255,536)	(63,781)
(82,578)	-	(2,332,288)	-
-	-	290,269	-
<u>(2,767,292)</u>	<u>123,136</u>	<u>1,249,299</u>	<u>219,215</u>
<u>(2,624,052)</u>	<u>147,814</u>	<u>1,250,882</u>	<u>567,924</u>
7,572,417	(1,128,729)	14,491,069	2,522,691
197,259	1,030,912	1,433,027	-
-	708,071	8,371,869	-
<u>(6,040,940)</u>	<u>-</u>	<u>(7,262,751)</u>	<u>-</u>
1,728,736	610,254	17,033,214	2,522,691
<u>19,258,686</u>	<u>7,107,378</u>	<u>216,282,666</u>	<u>17,027,427</u>
<u><u>\$ 20,987,422</u></u>	<u><u>\$ 7,717,632</u></u>	<u><u>\$ 233,315,880</u></u>	<u><u>\$ 19,550,118</u></u>

**CITY OF MCALLEN, TEXAS**  
**Reconciliation of the Statement Revenues, Expenses and Changes in Fund Net Assets of the Proprietary Funds**  
**to the Government-Wide Statement of Net Assets**  
**September 30, 2005**

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Change in net assets - total proprietary funds	\$ 17,033,215
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Some amounts reported for business-type activities in the statement of activity are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

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Net assets of business-type activities	<u>\$ 17,484,227</u>
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The notes to the financial statements are an integral part of this statement.

**CITY OF McALLEN, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2005**

	<b>Business Type Activities</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>McAllen International Civic Center</b>
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 13,308,698	\$ 10,390,788	\$ 10,900,854	\$ 281,620
Payments to employees	(3,809,801)	(2,374,936)	\$ (3,744,365)	(676,704)
Payments to suppliers	(5,294,881)	(2,092,191)	(5,467,633)	1,986,373
Other receipts (payments)	938,348	291,159	189,113	103,350
Net cash provided (used) by operating activities	5,142,364	6,214,820	1,877,969	1,694,639
<b>Cash flows from noncapital financing activities:</b>				
Transfers from other funds	150,000	-	-	7,513,798
Transfers to other funds	-	(150,000)	-	-
Distribution of income to City of Hidalgo	-	-	-	-
Net cash provided by (used for) noncapital financing activities	150,000	(150,000)	-	7,513,798
<b>Cash flows from capital and related financing activities:</b>				
Capital contributions	-	-	-	-
Payments for capital acquisitions	(4,045,527)	(12,483,801)	(1,463,966)	(25,498,317)
Principal repayments-bonds	(941,177)	10,427,647	-	-
Interest paid	(1,050,535)	(1,049,779)	-	(100,000)
Net cash provided used by capital and related financing activities	(6,037,239)	(3,105,933)	(1,463,966)	(25,598,317)
<b>Cash flows from investing activities:</b>				
Proceeds from sales and maturities of investments	15,368,172	25,502,570	4,221,032	40,137,460
Purchase of investments	(14,986,509)	(29,047,348)	(4,736,642)	(24,087,460)
Receipt of interest	495,204	597,173	91,720	433,224
Net cash provided (used) by investing activities	876,867	(2,947,605)	(423,890)	16,483,224
Net increase (decrease) in cash	131,992	11,282	(9,887)	93,344
Cash at beginning of year	93,729	101,880	32,870	34,292
Cash at end of year	<u>\$ 225,721</u>	<u>\$ 113,162</u>	<u>\$ 22,983</u>	<u>\$ 127,636</u>

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

Business Type Activities				Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Other Proprietary Funds	Total	Internal Service Funds
\$ 3,639,420 (894,995) (1,275,449) 44,162	\$ 12,576,491 (1,268,254) (925,767) 131	\$ 1,656,153 (1,398,584) (794,753) 123,136	\$ 52,754,024 (14,167,639) (13,864,301) 1,689,399	\$ 14,946,984 (895,824) (10,352,140) 219,215
1,513,138	10,382,601	(414,048)	26,411,483	3,918,235
- (1,071,811) -	- (6,012,134) (3,336,896)	708,070 (100,000) -	8,371,868 (7,333,945) (3,336,896)	- - -
(1,071,811)	(9,349,030)	608,070	(2,298,973)	-
2,327,323 (3,239,738) - -	677,269 (1,763,253) (200,000) (83,328)	- (16,798) - -	3,004,592 (48,511,400) 9,286,470 (2,283,642)	- (813,518) - -
(912,415)	(1,369,312)	(16,798)	(38,503,980)	(813,518)
4,144,372 (3,735,468) 69,596	25,270,774 (24,961,447) 219,652	1,056,595 (1,240,883) 24,678	115,700,975 (102,795,757) 1,931,247	14,465,439 (17,689,775) 316,194
478,500	528,979	(159,610)	14,836,465	(2,908,142)
7,412	193,238	17,614	444,995	196,575
38,685	143,609	79,057	524,122	409,248
<b>\$ 46,097</b>	<b>\$ 336,847</b>	<b>\$ 96,671</b>	<b>\$ 969,117</b>	<b>\$ 605,823</b>



**CITY OF McALLEN, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2005**

	<b>Business Type Activities</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>McAllen International Civic Center</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income (loss)	\$ 2,045,171	\$ 2,851,899	\$ 946,400	\$ (1,033,686)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	2,617,482	2,074,924	924,400	137,192
Miscellaneous income (expense)	1,228,617	291,159	189,113	103,350
Accounts receivable	(240,053)	(115,597)	(270,520)	(5,460)
Due from other governments	-	-	-	-
Inventories	(21,686)	-	-	-
Accounts payable	129,913	721,760	19,800	1,206,779
Customer deposits payable	15,621	-	-	(900)
Compensated absences payable	37,741	24,077	(1,504)	2,636
Accrued expenses	(670,442)	366,598	(9,812)	1,353,249
Due to other funds	-	-	80,092	(68,521)
Other current liabilities	-	-	-	-
Deferred revenue	-	-	-	-
Total adjustments	3,097,193	3,362,921	931,569	2,728,325
Net cash provided by (used for) operating activities	<u><u>\$ 5,142,364</u></u>	<u><u>\$ 6,214,820</u></u>	<u><u>\$ 1,877,969</u></u>	<u><u>\$ 1,694,639</u></u>
<b>Noncash investing, capital and financing activities:</b>				
Contributions of capital assets	65,927	41,760	14,169	
Increase (decrease) in fair value of investments	(89,767)	(70,970)	(2,246)	(75,397)

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

Business Type Activities				Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Other Proprietary Funds	Total	Internal Service Funds
\$ (489,523)	\$ 10,196,469	\$ (1,276,543)	\$ 13,240,187	\$ 1,954,767
2,255,704	336,833	575,655	8,922,190	1,385,950
44,162	(184,632)	123,136	1,794,905	219,215
(149,334)	5,336	(4,685)	(780,313)	(23,682)
(254,876)			(254,876)	-
			(21,686)	(3,980)
51,306	(43,286)	16,473	2,102,745	190,354
-	-		14,721	-
13,340	24,161	14,279	114,730	(10,190)
(266,021)	47,720	(22,162)	799,130	163,005
308,380		159,799	479,750	42,796
		-	-	-
			-	-
2,002,661	186,132	862,495	13,171,296	1,963,468
<u>\$ 1,513,138</u>	<u>\$ 10,382,601</u>	<u>\$ (414,048)</u>	<u>\$ 26,411,483</u>	<u>\$ 3,918,235</u>
83,000	197,259	1,030,912		
	(17,156)	-		-32,777

**CITY OF McALLEN , TEXAS**  
**FIREMEN RELIEF AND RETIREMENT FUND**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 346,460	\$ 573,290
Investments at fair value	<u>27,508,982</u>	<u>24,019,780</u>
 Total assets	 <u>\$ 27,855,442</u>	 <u>\$ 24,593,070</u>
 <b>LIABILITIES</b>		
Accounts payable	<u>\$ 739</u>	<u>\$ 100</u>
 Total liabilities	 <u>739</u>	 <u>100</u>
 <b>NET ASSETS</b>		
Held in trust for pension benefits	<u><u>\$ 27,854,703</u></u>	<u><u>\$ 24,592,970</u></u>

The accompanying notes are an integral part of these statements.

**CITY OF McALLEN , TEXAS**  
**FIREMEN'S RELIEF AND RETIREMENT FUND**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ADDITIONS</b>		
Member	\$ 703,181	\$ 634,699
Employer	<u>778,114</u>	<u>703,751</u>
Total contributions	<u>1,481,295</u>	<u>1,338,450</u>
Investment earnings:		
Interest and dividends	1,758,499	1,178,461
Net appreciation in fair value of investments	<u>1,649,803</u>	<u>1,671,445</u>
Total investment earnings	3,408,302	2,849,906
Less: investment expense	<u>(231,219)</u>	<u>(304,327)</u>
Net investment earnings	<u>3,177,083</u>	<u>2,545,579</u>
Total additions	<u>4,658,378</u>	<u>3,884,029</u>
<b>DEDUCTIONS</b>		
Benefits	1,064,515	885,228
Refund of contributions	316,250	407,475
Administrative expense	<u>15,880</u>	<u>17,310</u>
Total deductions	<u>1,396,645</u>	<u>1,310,013</u>
Changes in net assets	3,261,733	2,574,016
Net assets--beginning	<u>24,592,970</u>	<u>22,018,954</u>
Net assets--ending	<u><u>\$ 27,854,703</u></u>	<u><u>\$ 24,592,970</u></u>

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

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

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

#### **(A) Reporting Entity**

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

The accompanying financial statements present the reporting entity which consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion could cause the City's general purpose financial statements to be misleading or incomplete.

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

In accordance with Governmental Accounting Standards Board requirements, the City has reviewed other entities and activities for possible inclusion in the reporting entity and has determined that there are none except for the Firemen's Relief and Retirement Fund (Firemen's Fund). The City is represented on the governing board of the Firemen's Fund; therefore, the Firemen's Fund is included as a pension trust fund in the accompanying financial statements.

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

for establishing governmental accounting and financial reporting principles. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the business-type activities of the government-wide or enterprise fund financial statements in accordance with GASB Statement No. 20. One of the most significant statements issued by GASB recently is Statement No. 34.

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, which represents the single most significant change in the history of state and local governmental financial reporting. According to its implementation schedule, the City of McAllen is required to begin reporting under most of the new standards no later than fiscal year ending 2002. The exception is the requirement to retroactively report infrastructure (streets, bridges, drainage systems) that were acquired or significantly improved within the last twenty years. This requirement allows for an additional four-year delay in implementation until fiscal year ending 2006. The City elected implementation of all the requirements of this statement, including retroactive reporting of infrastructure, beginning with fiscal year ending 2002.

Under GASB No. 34, sometimes referred to as *the new reporting model*, much of the information presented in the basic financial statements of the previous model has been retained although restructured. In addition, the new model reaches beyond the familiar to new information that is intended to reflect the City's financial position and operations more like the private sector. It is intended to be more comprehensive and easier to understand. The basic financial statements include both the new government-wide as well as the restructured traditional fund financial statements.

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

#### *Government-wide Financial Statements*

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

The statement of activities reflects the extent to which direct expenses of each function are offset by program revenues. *Direct expenses* are those that are attributable to a specific function and are clearly identifiable. *Program revenues* include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

by a specific function as well as grants and contributions that are restricted to meeting the operational or capital requirements of a specific function. Taxes and other items not appropriately included with program revenues are shown as *general revenues*.

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

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

The government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*, consistent with the presentation of the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, without regard to the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon all eligibility requirements imposed by the provider have been met.

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

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

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

The *special revenue funds* are used to account for the proceeds of specific revenue sources, other than for major capital projects, that are legally restricted to expenditure for specified purposes. The only special revenue fund reported as a major fund is the *Development Corp. Fund*. It is used to account for the additional ½¢ sales tax for economic development.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

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The *capital projects funds* are used to account for all resources allocated for the acquisition and/or construction of capital facilities except those financed by proprietary fund types. The *capital improvements fund* is the only fund of this type that is reported as a major fund.

The governing body has adopted the policy that the development corp. fund and the capital improvement fund are to be considered major funds, without regard to the major fund criteria, due to them being particularly important to the users of these financial statements.

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

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

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

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

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

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

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

The *Toll Bridge Fund*, which accounts for the operations of the City-owned international bridge connecting with Mexico.

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



# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

The City reports *fiduciary fund types*, in which the City accounts for assets received and held by the City in the capacity of trustee, agent or custodian. Expenditures are made only in accordance with the purpose for which the assets are received and cannot be used to support the City's programs. Within this category of fund types, the *pension trust fund* accounts for the activities of the Firemen's Relief and Retirement Fund, which accumulates resources for pension benefit payments to qualified firefighters.

Generally, with regard to enterprise fund, the City follows private-sector standards of accounting and financial reporting issued prior to December 1, 1989—to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

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

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

### **(D) Assets, liabilities, and net assets or equity**

#### **(1) Deposits and investments**

The City's cash and cash equivalents are considered to be cash on hand and demand deposits.

The Public Funds Investment Act for the state of Texas allows municipalities to invest in the following:

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

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

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

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

### **(1) Deposits and investments-Continued**

- Local government investment pools

The City's investments are reported at fair value.

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

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

Advances between funds, reported in the fund financial statements, are offset by a fund balance reserve account in the 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 uncollectibles.

Property taxes are levied on October 1 based on the assessed value of property as listed on the previous January 1, on which date a tax lien attaches. Assessed values are an approximation of market value. A valuation of all property must be made at least every three (3) years. However, due to growth, the appraisal district conducts annual valuation by property category.

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

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

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

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

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

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

Proceeds of the City's enterprise funds' and sales tax revenue bonds as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet due to their use being limited by applicable bond covenants. The "revenue bond current debt service" account is used to report segregated assets accumulated for debt service payments over the next twelve months. The "revenue bond future debt service" account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account. The "revenue bond contingency" account is used to report resources set aside to subsidize potential deficiencies from the bridge fund's operation that could adversely affect debt service payments. In addition to assets restricted by bond covenants, the water and sewer funds' "depreciation" and "capital improvement" accounts, the sanitation fund's "depreciation" account, a portion of the hotel occupancy tax proceeds received by the civic center fund for facility expansion, and the toll bridge funds "capital improvement" and "anzalduas bridge" accounts are presented as restricted assets.

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

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

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

Gains or losses on dispositions of capital assets are included in income within the proprietary fund financial statements and in the governmental activities and business-type activities columns of the government-wide financial statements. In the governmental fund financial statements only the proceeds from the disposition are reported.

Within the proprietary funds, interest cost, less interest earned on investments acquired with proceeds of related borrowing, is capitalized during the construction of capital projects when material. Interest expense is not capitalized on general capital assets.

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

### **(5) Capital assets-Continued**

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

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

### **(6) Compensated absences**

Accumulated unpaid compensated absences are accrued when incurred in proprietary funds. The liability for governmental funds is recorded only in the governmental activities column of the government-wide financial statements. The expense is recognized in the governmental fund financial statements when paid or expected to be paid with current financial resources. Compensated absences are reported in governmental funds only if they have matured.

### **(7) Long-term obligations**

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

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

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

### **(8) Fund equity**

In the governmental fund financial statements, fund balance that represents amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose are reported as reservations of fund balance. Amounts representing tentative management plans, which are subject to change, are reported as designations of fund balance.

### **(9) Comparative data/reclassifications**

Comparative total data for the prior year have been presented in the government-wide and fund financial statements

## **II. Stewardship, compliance and accountability**

### **(A) Budgetary information**

The City adheres to the following procedures in establishing the budgetary data reflected in the basic financial statements:

1. Prior to August 1 of each year, the City Manager is required to submit to the City Commission a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted by the City Commission through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between accounts within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Commission. Budgeted amounts include transfers and revisions to the original appropriations ordinance.
5. Annual appropriated budgets are adopted for the following funds: general, certain special revenue, debt service, capital projects funds, enterprise funds and internal service funds. Annual appropriated budgets are not adopted for fiduciary fund types.



# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

6. The budget and actual comparisons include the general fund, and the development corp fund. Budgets for these funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for proprietary funds have been prepared on a non-GAAP basis, which excludes depreciation but includes capital outlay and debt principal payments.
7. Annual budgeted expenditures are adopted at the department level within funds. As described above, the City Manager is authorized to make transfers within a department. Accordingly, the level at which expenditures cannot legally exceed appropriations is the department level. During the year, several supplementary appropriations were necessary.

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

For the year ended September 30, 2005, expenditures in certain general fund departments exceeded appropriations. The fund, related departments and the excess of expenditures over appropriations are as follows:

#### Department

##### General Fund:

City commission	\$ (1,768)
Special services	(59,342)
City manager	(15,851)
Audit office	(1,251)
Tax office	(26,337)
Legal	(721)
Animal control	(8,927)
Traffic operations	(188,587)
Sidewalk construction	(10,721)
Drainage	(109,208)
Graffiti cleaning	(2,604)
Other agencies-health	(141,675)
Parks administration	(29,400)
Parks	(317,445)
Recreation	(41,993)
Pools	(119,991)
Las palmas community	(15,316)
Recreation center-Palmview	(3,595)
Museums	<u>(72,000)</u>
Total general fund	<u><u>\$(1,166,732)</u></u>

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### III. Detailed notes on all funds

#### (A) Deposits and investments

It is the City's policy as well as a requirement in its Depository Agreement for deposits plus accrued interest thereon to be 110% secured by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation insurance. At September 30, 2005, the City's deposits were entirely covered by federal deposit insurance or were secured by collateral held by the City's agent in the City's name pursuant to the City's investment policy and its depository agreement.

#### *Investments*

Investments at fair value, including accrued interest, as of September 30, 2005 are as follows:

		Investment Maturities (in Years)				
	Fair Value	1 or less	2	3	4-5	
Tex Pool	\$ 23,642,948	23,642,948	-	-	-	
Certificates of deposit	73,514,676	58,259,477	15,255,199	-	-	
U.S. Government securities	77,635,889	10,911,885	47,365,374	10,518,310	8,840,320	
	\$ 174,793,513	92,814,310	62,620,573	10,518,310	8,840,320	

*Interest rate risk.* The investment policy states that no investment shall exceed seven years in maturity. By limiting the exposure of its investments by less than five years as reflected in the above schedule, the City reduces its risk to the rising interest rates.

*Credit risk.* As of September 30, 2005, the investments in the State's investment pool was rated AAAM by Standards and Poor's. The certificates of deposit were issued by the City's bank depository, Texas State Bank, which was rated Baa1 by Moody's

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### (A) Deposits and investments-Continued

Investor Service. However, the collateral pledged against the certificates of deposit is comprised of government securities, which carry a AAA rating. The government securities consist of instruments issued by the Federal Home Loan Bank and Federal

Home Loan Mortgage Corporation, both of which are rated AAA by the rating agencies: Moody's Investors Service; Standard & Poor's and Fitch Ratings. The City's investment policy limits authorized investments to TexPool, certificates of deposits, U.S.

Treasuries and federal government agencies, excluding Student Loan Marketing Association and Tennessee Valley Authority.

*Concentration of credit risk.* The certificate of deposits holdings at September 30, 2005 represents 42.06% of the total portfolio. Within the U.S. government agencies category, securities issued by Federal Home Loan Mortgage Corporation represent 7.00% of the total portfolio, and those issued by the Federal Home Loan Bank represent 37.42%. The investment policy is silent in the concentration of holding in the various types of securities and investments.

### Firemen's Relief and Retirement Fund Investments

The Firemen's Relief and Retirement Fund Investments are recorded at fair value as of September 30, 2005. The composition of these investments is as follows:

	Investment Policy		
	Fair Value	% of Portfolio	Asset Allocation
Equities:			
Domestic	\$ 10,285,358	37.39%	35-50%
International	4,118,236	14.97%	10-20%
Fixed income			
Treasury	6,323,831		
Corporate bonds	2,787,337		
Fixed income total	9,111,168	33.12%	30-50%
Alternate investments	3,994,219	14.52%	0-15%
Total portfolio	\$ 27,508,981	100.00%	

Because of the complexity of the portfolio, the firemen's board of trustees relies on its consultant to provide the necessary guidance to accomplish the Plan's objectives. The

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### (A) Deposits and investments-Continued

Board also understands that return objectives can be achieved while assuming “maket” volatility. **The Board is willing to forgo potential return in strong markets in return for protection against a severe decline during weak periods.**

*Interest rate risk.* Of the total fixed income only, \$2,874,807 is subject to risk exposure. These are high yield corporate bonds, which are rated below investment grade by Moody’s and Standard & Poor. The remaining amount of \$6,236,630, which is not subject to disclosure, are treasury securities and are rated AAA by Moody’s and Standard & Poor. The inherit risk is diminished, since this sector is heavily traded by the investment manager, which fits their management style.

*Credit risk.* The corporate bonds in the amount of \$2,788,337 are subject to risk, because there are below investment grade.

*Concentration of credit risk.* As noted in the above schedule, all sectors of the portfolio are in their respective range of the Plan’s asset allocation. The portfolio is well diversified, with no one issue exceeding 5%. With the exception of the alternative investment, the portfolio can be liquidated within one to two days if so desired. Alternative invesetment can only be liquidated quarterly.

*Custodial credit risk.* The alternative investments and the corporate bonds are exposed to risk, since these investments are in pools and not in the Plan’s name. The rest of the portfolio is in a nominal bank’s trust account.

### (B) Receivables

Receivables for the City’s individual major and non-major, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, at year end are as follows:

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2005**

### **(B) Receivables-Continued**

	<u>General</u>	<u>Dev Corp</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Civic Center</u>	<u>Airport</u>	<u>Non-Major &amp; Other</u>	<u>Total</u>
Receivables:									
Interest	\$ 337,425	\$ -	\$ 59,701	\$ 34,186	\$ -	\$ -	\$ -	\$ -	\$ 431,312
Taxes	3,057,248	2,076,952	-	-	-	-	-	-	5,134,200
Accounts	8,408,567	-	1,709,321	1,277,622	1,550,827	5,460	220,553	282,294	13,454,644
Intergovernmental	-	-	-	-	-	-	155,284	293,333	448,617
Intergovernmental Restricted	-	-	-	-	-	-	-	-	-
Other	881,348	-	-	21,401	-	-	-	272,677	1,175,426
	12,684,588	2,076,952	1,769,022	1,333,209	1,550,827	5,460	375,837	848,304	20,644,199
Less: Allowances for									
Uncollectibles	-	-	(78,641)	(66,910)	(110,903)	-	-	-	(256,454)
Net total receivables	<u>\$12,684,588</u>	<u>\$2,076,952</u>	<u>\$1,690,381</u>	<u>\$1,266,299</u>	<u>\$1,439,924</u>	<u>\$5,460</u>	<u>\$375,837</u>	<u>\$848,304</u>	<u>\$20,387,745</u>

Within the City's water, sewer, and sanitation funds, an estimated amount has been recorded for services rendered but not yet billed as of the close of the year. The receivable was determined by prorating the cycle billings sent to customers in October 2005 based on the number of days applicable to the prior fiscal year.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### (B) Receivables-Continued

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

	<u>Unavailable</u>	<u>Unearned</u>
Governmental funds:		
Delinquent property taxes receivable (general fund)	\$ 3,057,247	\$ -
Sales tax (general fund)	3,521,881	-
Sales tax (development corp fund)	1,173,961	-
Other	<u>2,875,631</u>	<u>724,627</u>
Total deferred/unearned revenues for governmental funds	<u><u>\$10,628,720</u></u>	<u><u>\$ 724,627</u></u>

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### Capital assets:

Capital asset activity for the year ended September 30, 2005 was as follows:

	Beginning Balance	Additions	Transfers/ Reclass	Retirements	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 21,201,461	\$ 1,292,128	\$ -	\$ -	\$ 22,493,589
Construction in progress	6,042,196	5,519,832	(5,314,170)	-	6,247,858
Total capital assets, not being depreciated	27,243,657	6,811,960	(5,314,170)	-	28,741,447
Capital assets, being depreciated:					
Buildings and improvements	54,883,036	2,459,295	2,321,425		59,663,756
Equipment	38,504,767	4,698,286	237,956	(2,107,919)	41,333,090
Infrastructure	119,951,063	7,301,781	2,992,747		130,245,591
Total capital assets being depreciated	213,338,866	14,459,362	5,552,128	(2,107,919)	231,242,437
Less accumulated depreciation for:					
Buildings and improvements	(15,658,700)	(1,640,569)			(17,299,269)
Equipment	(23,200,908)	(3,471,162)		1,762,891	(24,909,179)
Infrastructure	(62,189,329)	(4,363,163)	-		(66,552,492)
Total accumulated depreciation	(101,048,937)	(9,474,894)	-	1,762,891	(108,760,940)
Total capital assets being depreciated, net	112,289,929	4,984,468	5,552,128	(345,028)	122,481,497
Governmental activities capital assets net	\$ 139,533,586	\$ 11,796,428	\$ 237,958	\$ (345,028)	\$ 151,222,944



# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 801,915
Public safety	1,619,416
Highways and streets, which includes the depreciation of general infrastructure assets	4,467,225
Health and welfare	20,229
Culture and recreation	1,224,017
In addition, depreciation on capital assets held by the City's internal service funds is charged to the various functions based on their usage of the assets	<u>1,342,092</u>
Total depreciation-governmental activities	<u><u>\$ 9,474,894</u></u>

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

	Beginning		Transfers/		Ending
	Balance	Additions	Reclass	Retirements	Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 12,850,177	\$ 201,169	\$ -	\$ -	\$ 13,051,346
Construction in progress	18,697,455	12,538,376	(17,971,648)	-	13,264,183
Total capital assets, not being depreciated	31,547,632	12,739,545	(17,971,648)	-	26,315,529
Capital assets, being depreciated:					
Buildings and improvements	174,681,206	4,754,573	17,260,981	(201,729)	196,495,031
Equipment	20,891,278	3,863,030	(203,631)	(691,456)	23,859,221
Infrastructure	30,360,793	1,638,486	2,391,810	-	34,391,089
Capitalized interest	1,724,752	518,338	(1,857,971)	-	385,119
Total capital assets being depreciated	227,658,029	10,774,427	17,591,189	(893,185)	255,130,460
Less accumulated depreciation for:					
Buildings and improvements	(59,557,375)	(4,834,748)	-	191,056	(64,201,067)
Equipment	(12,840,766)	(1,773,367)	237,955	633,464	(13,742,714)
Infrastructure	(22,463,280)	(2,204,965)	-	-	(24,668,245)
Total accumulated depreciation	(94,861,421)	(8,813,080)	237,955	824,520	(102,612,026)
Total capital assets being depreciated, net	132,796,608	1,961,347	17,829,144	(68,665)	152,518,434
Business-type activities capital assets net	\$ 164,344,240	\$ 14,700,892	\$ (142,504)	\$ (68,665)	\$ 178,833,963

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

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

Water	\$ 2,516,793
Sewer	2,049,720
Sanitation	924,400
Golf course	354,663
Civic center	137,192
Airport	2,255,704
McAllen express	88,221
Transit terminal	130,729
Toll bridge	326,010

In addition, depreciation on capital assets held by the City's  
internal service funds is charged to the various functions  
based on their usage of the assets

29,648

Total depreciation-business type activities

\$ 8,813,080

Water Rights are recorded as other assets in the water fund and are being amortized over forty years.

At September 30, 2005, the City had the following significant remaining contractual commitments for various construction and improvement projects:

<u>Project Description</u>	<u>Remaining Commitment</u>	<u>Financing Sources</u>
Paving and drainage	\$ 1,402,830	Local
Park improvements	883,147	Local
Building improvements	165,853	Local
Water improvements	197,060	Local and bond funds
Sewer improvements	5,030,372	Bond funds
New convention center	31,132,084	Local
Airport improvements	1,807,137	Local and grant
Bridge Improvements	185,872	Local and bond funds
	<u>\$ 40,804,355</u>	

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### (D) Interfund receivables, payables and transfers

The composition of interfund balances as of September 30, 2005 is as follows:

Due to/from other funds:

<u>Receivable Fund:</u>	<u>Payable Fund:</u>	<u>Amount</u>
General Fund	Hotel Occupancy Tax Fund	\$ 10,000
	Miscellaneous Grants Fund	5,086
	Community Development Fund	43,954
	Capital Improvement	69,247
	Sanitation Fund	80,092
	Airport(CIP)	308,380
	Bridge Fund	69,152
	Gen. Insurance Fund	<u>42,796</u>
	Total Governmental Funds	<u>\$ 628,707</u>
Civic Center Fund	Hotel Occupancy Tax Fund	<u>\$ 234,477</u>
	Total Proprietary Funds	<u>\$ 234,477</u>
	Combined totals	<u><u>\$ 863,184</u></u>

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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2005**

Advances to/from other funds:

General Fund	Sanitation Fund	\$ 1,400,000
Development Corp. Fund	Palmview Golf Course Fund	3,500,000
Capital Improvement Fund	Transit Terminal Fund	<u>352,716</u>
Total		<u><u>\$ 5,252,716</u></u>

The general fund advance to the sanitation fund was to finance that fund's construction of a recycling center. It is expected to be repaid with the sales proceeds of improved property owned by the debtor fund.

The development corp fund advanced \$4,000,000 to the golf fund for the purpose of reconstructing the golf course. It is being repaid over a 40-year term at the rate of \$100,000 annually.

The capital improvement fund advanced the transit terminal fund \$352,716 to assist in funding the acquisition and construction of the transit terminal building.

### *Interfund transfers:*

Transfers are used to 1) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds, and 2) move revenues from the fund that the budget requires to collect them to the fund that the budget requires to expend them.

TRANSFERS IN-FUNDS							
	General	Capital Improvement	McAllen Express	Sewer	Transit Terminal	Civic Center	Total
Transfers out:							
Funds--							
General	\$ -	\$ 6,289,906	\$ -	\$ -	\$ -	\$ -	\$ 6,289,906
Development Corp.	-	2,183,812	413,850	-	294,221	5,150,000	8,041,883
Capital							
Hotel Tax	-	-	-	-	-	2,363,798	2,363,798
Misc. Grants	-	57,945	-	-	-	-	57,945
Water	-	-	-	150,000	-	-	150,000
Airport	1,071,811	-	-	-	-	-	1,071,811
Bridge	6,040,940	-	-	-	-	-	6,040,940
	<u>\$ 7,112,751</u>	<u>\$ 8,531,663</u>	<u>\$ 413,850</u>	<u>\$ 150,000</u>	<u>\$ 294,221</u>	<u>\$ 7,513,798</u>	<u>\$ 24,016,283</u>

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

During this fiscal year, the general fund, transferred \$6,289,906 of surplus revenues to the capital improvement fund to assist in funding some major projects contemplated in next year's budget. Also, \$2,183,812 was transferred from the development corp. fund to the capital improvement fund for funding major projects. Additionally, the development fund transferred \$5,150,000 to the civic center fund for the funding of the new civic center site. The development corp. fund provided funding for operating costs to: McAllen Express fund --\$413,850 and \$294,221 to the Transit Terminal fund. The transfer of \$2,363,798 from the hotel occupancy tax fund to the civic center represents the use of the former fund as a conduit. The transfer of \$1,071,811 from the airport fund to the general fund to reimburse it for public safety personnel assigned to the airport. The amount shown transferred from the bridge fund to the general fund, \$6,040,940 represents the City's share of surplus net revenue from operation of the international toll bridge.

### **(E) Long-term debt**

#### **(1) General Obligation Bonds**

The City issues general obligation bonds to finance the acquisition and construction of major capital facilities. These type of bonds have been issued by the City both for governmental activities as well as business-type activities. The original amount of general obligation bonds, a small portion of which remain outstanding, issued in prior years was \$48,000,000.

General obligation bonds are direct obligations, for which the City has pledged the full faith and credit of the government. These bonds generally are serial bonds and carry a term of 20 years with varying amounts of principal maturing each year. Last fiscal year, all outstanding general obligation bonds were defeased, leaving no general obligation bond indebtedness, however, a portion of the following sales tax revenue bond remains outstanding:

**CITY OF McALLEN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

**Governmental activities**

Sales tax revenue bond payable:

\$375,000 1998 Development Corporation of McAllen, Inc.  
Sales Tax revenue bond due in annual installments ranging of  
\$25,000 per year through February 15, 2018; interest  
at 4.45% to 5.25% \$ 325,000

Unpaid accumulated compensated absences 5,665,754

Total general long-term debt \$ 5,990,754



# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

The annual debt service requirements to maturity on general obligation bonds payable outstanding as of September 30, 2005, including interest, are as follows:

Year Ending September 30,	Principal	Interest
2006	\$ 25,000	\$ 15,763
2007	25,000	14,625
2008	25,000	13,463
2009	25,000	12,275
2010	25,000	11,050
2011-2015	100,000	36,007
2016-2018	100,000	5,906
Totals	<u>\$ 325,000</u>	<u>\$ 109,089</u>

### (2) Revenue Bonds

The City also issues bonds, for which it pledges revenue, derived from the activity using the bond-financed assets, to pay debt service. Revenue bonds outstanding at year end are as follows:

Business-type activities:

Payable from Water Fund:

\$1,576,400 2000 (Refunded) Waterworks and Sewer System improvement  
revenue bonds due in annual installments from \$490,000 to  
\$640,000 through February 1, 2010: interest at 6.75% to 6.50% \$ 1,576,400

\$11,200,000 1999 Waterworks and Sewer System improvement  
revenue bonds due in annual installments from \$195,000 to  
\$1,560,000 through February 1, 2019: interest at 4.625% to 5.825% 9,114,000

\$14,263,200 2005 (AdvanceRefunding Waterworks and Sewer System improvement  
revenue bonds due in annual installments from \$30,000 to  
\$2,005,000 through February 1, 2030: interest at 3.00% to 5.25% 14,263,200

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### (2) Revenue Bonds (continued)

Unpaid accumulated compensated absences	<u>226,400</u>
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Total water fund	<u>\$ 25,180,000</u>
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#### Payable from Sewer Fund:

\$1,238,600 2000 (Refunded) Waterworks and Sewer System improvement revenue bonds due in annual installments from \$490,000 to \$640,000 through February 1, 2010: interest at 6.75% to 6.50%	\$ 1,238,600
---	--------------

\$8,800,000 1999 Waterworks and Sewer System improvement revenue bonds due in annual installments from \$195,000 to \$1,560,000 through February 1, 2019: interest at 4.625% to 5.825%	7,161,000
--	-----------

\$11,206,800 2005 (Advance Refunding) Waterworks and Sewer System improvement revenue bonds due in annual installments from \$30,000 to \$2,005,000 through February 1, 2030: interest at 3.00% to 5.25%	11,206,800
--	------------

\$4,240,000 1996-B Texas Waterworks and Sewer System refunding and improvements bonds due in annual installments from \$225,000 to \$505,000 through February 1, 2006: interest at 3.75% to 4.90%	545,000
---	---------

Unpaid accumulated compensated absences	<u>168,332</u>
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Total sewer fund	<u>\$ 20,319,732</u>
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#### Payable from Sanitation Fund:

Unpaid accumulated compensated absences	<u>\$ 113,043</u>
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#### Payable from Palm View Golf Course Fund:

**CITY OF McALLEN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2005**

**(2) Revenue Bonds (continued)**

Unpaid accumulated compensated absences	\$ <u>47,995</u>
---	------------------

Payable from McAllen International Civic Center Fund:

\$2,000,000 note payable, interest only until maturity; interest at 5.00%	2,000,000
---	-----------

Unpaid accumulated compensated absences	<u>22,556</u>
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Total McAllen International Civic Center Fund:	\$ <u>2,022,556</u>
--	---------------------

Payable from McAllen International Airport Fund:

Unpaid accumulated compensated absences	\$ <u>62,209</u>
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Payable from McAllen Express Fund:

Unpaid accumulated compensated absences	\$ <u>10,863</u>
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**CITY OF McALLEN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2005**

**(2) Revenue Bonds (continued)**

Payable from Transit System Fund:

Unpaid accumulated compensated absences	\$ <u>11,418</u>
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Payable from McAllen International Toll Bridge Fund:

\$2,300,000 2002 International Toll Bridge System improvement bonds due in annual installments from \$180,000 to \$285,000 through March 1, 2012: interest at 4.50% to 4.65%	\$ 1,730,000
--	--------------

Unpaid accumulated compensated absences	<u>102,487</u>
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Total McAllen International Toll Bridge Fund	\$ <u>1,832,487</u>
--	---------------------

Total Proprietary Fund Debt	\$ <u><u>49,600,303</u></u>
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Revenue bond debt service requirements to maturity are reflected in the following page.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

Year Ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 2,100,000	\$ 2,242,686
2007	1,905,000	2,135,005
2008	2,000,000	2,029,192
2009	2,110,000	1,921,982
2010	2,225,000	1,813,421
2011-2015	11,730,000	7,556,737
2016-2020	12,595,000	4,613,432
2021-2025	9,030,000	1,975,948
2026-2030	<u>3,140,000</u>	<u>385,370</u>
Totals	<u>\$ 46,835,000</u>	<u>\$ 24,673,773</u>

### (3) Advance refundings

The City purchased U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from both the proprietary fund as well as the government-wide(business-type activities column) statements of net assets. At September 30, 2005, the outstanding balance of the defeased bonds held in escrow is \$15,220,000..

During the year, the 2000 water/sewer revenue bonds were defeased in the amount of \$15,220,000 leaving a net outstanding balance of \$2,815,000. A new series 2005 advance refunding was incurred in the amount of \$25,470,000. This series was divided between water and sewer funds (56% and 44% respectively). The refunding portion of the 2000 series resulted in a gross debt service savings of \$618,499.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2005**

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

Long-term liability activity for the year ended September 30, 2005 is shown in the following table:

	Balance at September 30, 2004	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2005	Amounts Due Within One Year
<b>Governmental activities:</b>					
Sales tax revenue bonds	\$ 350,000	\$ -	\$ (25,000)	325,000	\$ 25,000
Compensated absences	4,821,955	3,843,799	(3,000,000)	5,665,754	3,085,000
Total general long-term debt	5,171,955	3,843,799	(3,025,000)	5,990,754	3,110,000
<b>Business-Type activities:</b>					
Revenue bonds payable	38,555,000	25,470,000	(17,190,000)	46,835,000	2,100,000
Note payable	2,000,000	-	-	2,000,000	-
Arbitrage payable	759,775	143,782	-	903,557	766,330
Compensated absences	678,217	703,554	(600,000)	781,771	686,000
Bond premium	-	1,006,470	-	1,006,470	-
Total proprietary fund debt	41,992,992	27,323,806	(17,790,000)	51,526,798	3,552,330
Total debt	<u>\$ 47,164,947</u>	<u>\$ 31,167,605</u>	<u>\$ (20,815,000)</u>	<u>\$ 57,517,552</u>	<u>\$ 6,662,330</u>

With respect to governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

### **(F) Segment information**

The City issued revenue bonds to finance its water, sewer and international bridge operations. Each are separately accounted for in a specific fund, all of which are major funds reported in the fund financial statements.

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

### **IV. Other information**

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

The City is exposed to various risks or torts; theft of, damage to, and destruction of assets; injuries to employees, citizens and the general public; and natural disasters. During fiscal year 2005, the City self-funded group health insurance, life insurance, general liability insurance, and workmen's compensation insurance. The City purchased insurance coverage for fire and extended coverage on buildings and contents; and fire, lightning, and windstorm insurance for its vehicles for damages in excess of certain limits.

The group health insurance program is reported in the Employee Benefits fund, an internal service fund. General liability and workmen's compensation insurance programs are reported in the General Insurance fund, an internal service fund.

The health insurance excess coverage policy covers individual claims in excess of \$75,000. Third-party coverage is currently maintained for workmen's compensation claims in excess of \$250,000. Third-party coverage is also currently maintained for general liability claims in excess of \$10,000. Aggregate general liability claims in excess of \$250,000 are covered by an aggregate stop loss policy.

The City estimates the liabilities for its self-funded insurance programs on a case-by-case basis based on historical claims experience. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss is reasonably estimable. Accruals for claims are adjusted on a regular basis based on the latest information available on each case. Claims incurred but not reported have been considered in determining the accrual for claims, and City management believes adequate accruals have been provided at September 30, 2005. Interfund premiums are based primarily on claims experience and are reported as quasi-external transactions.

There were no significant reductions in insurance coverage from coverage in the prior year by major category of risk. In addition, there were no insurance settlements exceeding insurance coverage in any of the past three years.



# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

Changes in claims payable amounts for the most recent two years were as follows:

	<u>Employee Benefits</u>	<u>General Insurance</u>	<u>Total</u>
Claims receivable (payable) at September 30, 2003	\$ (1,000,000)	\$ (1,098,489)	\$ (2,098,489)
Current period claims and changes in estimate	(4,954,751)	(2,439,840)	(7,394,591)
Current period claims paid	<u>4,954,751</u>	<u>2,318,363</u>	<u>7,273,114</u>
Claims payable at September 30, 2004	<u>(1,000,000)</u>	<u>(1,219,966)</u>	<u>(2,219,966)</u>
Current period claims and changes in estimate	(5,033,147)	(2,125,423)	(7,158,570)
Current period claims paid	<u>5,033,147</u>	<u>1,974,246</u>	<u>7,007,393</u>
Claims payable at September 30, 2005	\$ <u><u>(1,000,000)</u></u>	\$ <u><u>(1,371,143)</u></u>	\$ <u><u>(2,371,143)</u></u>

### (B) Contingent liabilities

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

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

### (C) Other post-employment benefits

The City provides post-employment health care benefits for certain retirees and their dependents. The retired employee pays 100% of the applicable premium for single coverage, However, for family coverage the City pays 50% of the premium for dependent coverage only, if any. As of yearend, there were 69 employees who had retired; 28 with

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

single coverage and 41 with family coverage. The City finances the plan on a pay-as-you-go basis. For the year ended September 30, 2005, the City paid \$143,315 for these benefits.

### **(12) Retirement Plans**

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

##### **1. Plan Description**

The City provides pension benefits for all of its full-time employees, except City Fire Department personnel, for whom there is a separate retirement plan, through a non-traditional, joint contributory, defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 800 administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153.

Benefits depend upon the sum of employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percentage (100%, 150%, or 200%) of the employee's accumulated contributions.

In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit. This is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his/her salary in the last three years that are one year before the effective date.

At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

Members can retire at ages 60 and above with 10 or more years of service or with 25 years of service regardless of age. A member is vested after 10 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS, and within the actuarial constraints also in the statutes.

### 2. Contributions

The contribution rate for the employees is 5% of covered payroll, and the City matching percent is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially-determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. When the City periodically adopts updated service credits and increases in annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25 year period. Currently, the unfunded actuarial liability is to be amortized over the 25-year period, which began January 1997.

The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

*Funded status and Funding Progress.* The funded status of the plan at December 31, 2004, was as follows:

Actuarial accrued liability (AAL)	\$ 76,594,545
Actuarial value of plan assets	71,265,087
Unfunded actuarial liability (UAAL)	<u>\$ 5,329,458</u>
Funded ratio (actuarial value of plan assets/AAL)	93.0%
Covered payroll (active plan members)	\$ 38,432,778
UAAL as a percentage of covered payroll	13.9%

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2005**

**(12) Retirement Plans (continued)**

**Schedule of Actuarial Funding Progress**

Actuarial Valuation Date	12/31/04	12/31/03	12/31/02
Actuarial cost method	Unit Credit	Unit Credit	Unit Credit
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining amortization period – open	25 Years	25 Years	25 Years
Asset valuation method	Market Related	Market Related	Market Related
Actuarial assumptions:			
Investment rate of return	8%	8%	8%
Projected salary increases – includes inflation at cost-of-living adjustments	None	None	None
Actuarial value of assets	\$71,265,087	\$65,370,908	\$60,525,078
Actuarial accrued liability	\$76,594,545	\$70,208,145	\$64,598,444
Percentage funded	93.0%	93.1%	93.7%
Unfunded actuarial accrued liability (UAAL)	\$5,329,458	\$4,837,237	\$4,073,366
Annual covered payroll	\$38,432,778	\$35,266,813	\$33,132,799
UAAL as a percentage of covered payroll	13.9%	13.7%	12.3%
Annual pension cost:			
Annual required contribution (ARC)	\$3,204,311	\$2,467,234	\$2,124,326
Interest on NPO	-	-	-
Adjustments to the ARC	-	-	-
	<u>\$3,204,311</u>	<u>\$2,467,234</u>	<u>\$2,124,326</u>
Percentage of annual pension cost contributed	100%	100%	100%
Contributions made	\$3,204,311	\$2,467,234	\$2,124,326
Increase in NPO	\$ -	\$ -	\$ -
NPO at the end of the period	\$ -	\$ -	\$ -

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

(12) Retirement Plans (continued)

(B) Firemen's Fund

1. Plan Description

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

The City issues a publicly-available financial report that includes financial statements and required supplementary information for the Firemen's Fund. This financial report may be obtained by writing to the City of McAllen Finance Director, P.O. Box 220, McAllen, Texas 78505-0220 or by calling 956/972/7213.

2. Summary of Significant Accounting Policies

**Basis of Accounting** – The financial statements of the Firemen's Fund are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan document.

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

**Pension Benefits** – Pension benefits become fully vested after 20 years of credited service. Employees may retire at age 50 with 20 years of service ("normal retirement age"). A partially vested benefit is also provided for employees who terminate employment with at least 10 but less than 20 years of service. The monthly benefit at normal retirement age, payable in an annuity, is equal to 58%

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

of the compensation base, as defined, plus \$58.00 per month for each year of service in excess of 20 years.

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

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

Method Used to Value Investments – Fund investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. The fair value of the Fund's investments is based on the quoted value of each investment on the last business day of the Fund year. No investment in any one organization (other than the U.S. Government or mutual funds) represents 5% or more of Fund assets.

### **3. Annual Pension Cost**

For 2005, the City's annual pension cost was equal to the City's actual and required contributions. The required contribution was established as part of the September 30, 2004 actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, compounded annually (b) projected salary increases of 4.25% per year, compounded annually, and (c) inflation rate of 3.00%. The investment rate of return and the projected

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2005**

salary increases both used the same assumptions with regard to inflation. The actuarial value of assets was determined using the smoothed market value technique, a technique that smoothes the effect of short-term volatility in the market value over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2004 was 36.5 years. The most recent actuarial valuation was done as of September 30, 2004. The amounts of the actuarial value of assets represent estimates based upon the assumptions described above. Changes in those estimates will result in changes in such estimates in the future. The amount of benefits ultimately to be paid could differ materially from the current estimates.

The annual pension cost, percentage of annual pension cost, and net pension obligation is presented as follows:

<u>Year-End</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation (NPO)</u>
09/30/02	11.00%	11.00%	100.00%	\$ -
09/30/03	11.00%	11.00%	100.00%	\$ -
09/30/04	11.00%	11.00%	100.00%	\$ -

#### 4. Contributions

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

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

Pursuant to the Plan document, a legal instrument binding both the City and its firefighters, the City of McAllen is required to match employee contributions. Benefits paid to former volunteer firefighters are funded by the City when paid to

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

the former volunteer firefighters or beneficiaries. The City's contribution rate for the fiscal year ended September 30, 2005 was 11% of annual compensation. Contributions required and paid into the fund as of September 30, 2005 were members, \$703,181 and employer, \$778,113.



**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF McALLEN, TEXAS**  
**REQUIRED SUPPLEMENTAL INFORMATION ON**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SCHEDULE OF FUNDING PROGRESS**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
12/31/02	\$60,525,078	\$64,598,444	\$4,073,366	93.7%	\$33,132,799	12.3%
12/31/03	\$65,370,908	\$70,208,145	\$4,837,237	93.1%	\$35,266,813	13.7%
12/31/04	\$71,265,087	\$76,594,545	\$5,329,458	93.0%	\$38,432,778	13.9%

**CITY OF McALLEN, TEXAS**  
**REQUIRED SUPPLEMENTAL INFORMATION ON**  
**FIREMEN'S RELIEF AND RETIREMENT FUND**  
**SCHEDULE OF FUNDING PROGRESS**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
09/30/00	\$18,173,765	\$21,576,631	\$3,402,866	84.2%	\$4,263,430	79.8%
09/30/02	\$21,116,716	\$28,141,949	\$7,025,233	75.0%	\$5,190,836	135.1%
09/30/04	\$25,406,869	\$33,227,793	\$7,794,454	76.5%	\$5,818,893	134.5%

**NONMAJOR GOVERNMENTAL FUNDS**

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

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

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

The **Community Development, and Criminal Justice Department Funds** were established to account for receipt and disbursement of various Federal and State Program revenues.

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

**Capital Project Fund-Drainage Bond** was established to account for all resources used for the acquisition and/or construction of capital facilities except those financed by proprietary fund types.

**CITY OF McALLEN, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2005**

	<b>Special Revenue</b>			
	<b>Hotel Occupancy Tax</b>	<b>Park Development</b>	<b>Community Development</b>	<b>Misceallaneous Government Grants</b>
<b>ASSETS</b>				
Cash	\$ 5,252	\$ 10,305	\$ -	\$ 44,294
Certificate of deposit	-	819,411	-	-
Investments	61,883	1,376,362	-	-
Receivables:				
Accounts	275,839	-	-	-
Other	-	98	-	-
Due from other governments	-	-	266,474	5,086
 Total assets	 <b>\$ 342,974</b>	 <b>\$ 2,206,176</b>	 <b>\$ 266,474</b>	 <b>\$ 49,380</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 94,445	\$ 192,902	\$ 222,520	\$ 3,562
Accrued liabilities	-	19,219	-	-
Due to other funds	244,477	-	43,954	5,086
Deferred revenues	-	-	-	-
 Total liabilities	 338,922	 212,121	 266,474	 8,648
<b>FUND BALANCES</b>				
Special revenue funds	4,052	-	-	40,732
Unreserved	-	1,994,055	-	-
 Total fund balances	 4,052	 1,994,055	 -	 40,732
 Total liabilities and fund balances	 <b>\$ 342,974</b>	 <b>\$ 2,206,176</b>	 <b>\$ 266,474</b>	 <b>\$ 49,380</b>

<u>Special Revenue</u>		<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Criminal Justice Department</u>	<u>Total</u>	<u>Drainage Bond</u>	
\$ 6,171	\$ 66,022	\$ 4,025	\$ 70,047
310,622	1,130,033	205,215	1,335,248
435,383	1,873,628	169,315	2,042,943
111	275,950	-	275,950
272,579	272,677	-	272,677
26,773	298,333	-	298,333
<u>\$ 1,051,639</u>	<u>\$ 3,916,643</u>	<u>\$ 378,555</u>	<u>\$ 4,295,198</u>
\$ 95	\$ 513,524	\$ -	\$ 513,524
-	19,219	-	19,219
-	293,517	-	293,517
272,579	272,579	-	272,579
272,674	1,098,839	-	1,098,839
778,965	823,749	-	823,749
-	1,994,055	378,555	2,372,610
778,965	2,817,804	378,555	3,196,359
<u>\$ 1,051,639</u>	<u>\$ 3,916,643</u>	<u>\$ 378,555</u>	<u>\$ 4,295,198</u>

**CITY OF McALLEN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2005**

	<b>Special Revenue</b>			
	<b>Hotel Occupancy Tax</b>	<b>Park Development</b>	<b>Community Development</b>	<b>Miscellaneous Government Grants</b>
<b>REVENUES</b>				
Hotel taxes	\$ 3,309,317	\$ -	\$ -	\$ -
Intergovernmental	-	-	2,194,457	2,495,282
Fines and forfeitures	-	-	-	-
Investment earnings	4,245	57,767	-	1,642
Net decrease (increase) in the fair value of investments	-	(1,710)	-	-
Other	-	694,618	-	166,474
Total revenues	<u>3,313,562</u>	<u>750,675</u>	<u>2,194,457</u>	<u>2,663,398</u>
<b>EXPENDITURES</b>				
Current:				
General government	945,519	-	269,663	137,951
Public safety	-	-	292,508	2,324,957
Highways and streets	-	-	131,132	-
Health and welfare	-	-	1,440,231	-
Culture and recreation	-	446,626	60,923	28,460
Total expenditures	<u>945,519</u>	<u>446,626</u>	<u>2,194,457</u>	<u>2,491,368</u>
Excess of revenues over (under) expenditures	2,368,043	304,049	-	172,030
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(2,363,798)</u>	<u>-</u>	<u>-</u>	<u>(57,945)</u>
Net other financing sources (uses)	<u>(2,363,798)</u>	<u>-</u>	<u>-</u>	<u>(57,945)</u>
Net change in fund balances	4,245	304,049	-	114,085
Fund balances (deficits) at beginning of year	<u>(193)</u>	<u>1,690,006</u>	<u>-</u>	<u>(73,353)</u>
Fund balances (deficits) at end of year	<u><u>\$ 4,052</u></u>	<u><u>\$ 1,994,055</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 40,732</u></u>

<u>Special Revenue</u>		<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Criminal Justice Department</u>	<u>Total</u>	<u>Drainage Bond</u>	
\$ -	\$ 3,309,317	\$ -	\$ 3,309,317
821,432	5,511,171	-	5,511,171
138,874	138,874	-	138,874
1,832	65,486	9,202	74,688
-	(1,710)	-	(1,710)
-	861,092	-	861,092
962,138	9,884,230	9,202	9,893,432
-	1,353,133	-	1,353,133
1,231,263	3,848,728	-	3,848,728
-	131,132	-	131,132
-	1,440,231	-	1,440,231
-	536,009	-	536,009
1,231,263	7,309,233	-	7,309,233
(269,125)	2,574,997	9,202	2,584,199
-	(2,421,743)	-	(2,421,743)
-	(2,421,743)	-	(2,421,743)
(269,125)	153,254	9,202	162,456
1,048,090	2,664,550	369,353	3,033,903
<u>\$ 778,965</u>	<u>\$ 2,817,804</u>	<u>\$ 378,555</u>	<u>\$ 3,196,359</u>



**NONMAJOR ENTERPRISE FUNDS**

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

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

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

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

**CITY OF McALLEN , TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**September 30, 2005**

	<b>Palm View Golf Course</b>	<b>McAllen Express Transit</b>	<b>Transit Terminal</b>	<b>Total</b>
<b>ASSETS</b>				
Current assets:				
Cash	\$ 32,575	\$ 3,402	\$ 8,619	\$ 44,596
Certificate of deposit	309,623	-	-	309,623
Investments	20,068	-	146,914	166,982
Receivables, net:				
Accounts	1,579	-	3,679	5,258
 Total currents assets	 363,845	 3,402	 159,212	 526,459
Restricted assets:				
Cash	52,075	-	-	52,075
Certificate of deposit	101,803	-	-	101,803
Investments	121,243	-	-	121,243
 Total restricted assets	 275,121	 -	 -	 275,121
Capital assets:				
Land	187,995	-	1,684,593	1,872,588
Buildings and systems	211,633	-	3,522,228	3,733,861
Improvements other than buildings	7,426,881	-	8,800	7,435,681
Machinery and equipment	812,999	823,396	141,328	1,777,723
 Total capital assets	 8,639,508	 823,396	 5,356,949	 14,819,853
Less accumulated depreciation	(3,104,694)	(88,221)	(572,904)	(3,765,819)
 Net capital assets	 5,534,814	 735,175	 4,784,045	 11,054,034
 Total assets	 <u>\$ 6,173,780</u>	 <u>\$ 738,577</u>	 <u>\$ 4,943,257</u>	 <u>\$ 11,855,614</u>

**CITY OF McALLEN , TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**September 30, 2005**

	<u>Palm View Golf Course</u>	<u>McAllen Express Transit</u>	<u>Transit Terminal</u>	<u>Total</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 96,500	\$ 4,667	\$ 16,246	\$ 117,413
Accrued expenses	<u>11,785</u>	<u>8,665</u>	<u>3,775</u>	<u>24,225</u>
Total current liabilities	<u>108,285</u>	<u>13,332</u>	<u>20,021</u>	<u>141,638</u>
Other noncurrent liabilities:				
Deferred revenues	73,352	-	-	73,352
Accumulated unpaid compensated absences	47,995	10,863	11,418	70,276
Advances from other funds	<u>3,500,000</u>	<u>-</u>	<u>352,716</u>	<u>3,852,716</u>
Total other noncurrent liabilities	<u>3,621,347</u>	<u>10,863</u>	<u>364,134</u>	<u>3,996,344</u>
Total liabilities	<u>3,729,632</u>	<u>24,195</u>	<u>384,155</u>	<u>4,137,982</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	5,534,814	735,175	4,784,045	11,054,034
Restricted for improvements	275,121	-	-	275,121
Unrestricted	<u>(3,365,787)</u>	<u>(20,793)</u>	<u>(224,943)</u>	<u>(3,611,523)</u>
Total net assets	<u>2,444,148</u>	<u>714,382</u>	<u>4,559,102</u>	<u>7,717,632</u>
Total liabilities and net assets	<u><u>\$ 6,173,780</u></u>	<u><u>\$ 738,577</u></u>	<u><u>\$ 4,943,257</u></u>	<u><u>\$ 11,855,614</u></u>

**CITY OF McALLEN , TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2005**

	<u>Palm View Golf Course</u>	<u>McAllen Express Transit</u>	<u>Transit Terminal</u>	<u>Total</u>
Operating revenues:				
Charges for services	<u>\$ 1,068,863</u>	<u>\$ 148,637</u>	<u>\$ 281,539</u>	<u>\$ 1,499,039</u>
Total operating revenues	<u>1,068,863</u>	<u>148,637</u>	<u>281,539</u>	<u>1,499,039</u>
Operating expenses:				
Salaries, wages and employee benefits	663,729	448,272	287,685	1,399,686
Supplies	115,200	7,659	29,388	152,247
Contractual and other services	149,228	58,350	174,261	381,839
Repairs and maintenance	68,856	175,482	21,817	266,155
Depreciation and amortization	<u>354,663</u>	<u>90,263</u>	<u>130,729</u>	<u>575,655</u>
Total operating expenses	<u>1,351,676</u>	<u>780,026</u>	<u>643,880</u>	<u>2,775,582</u>
Operating loss	<u>(282,813)</u>	<u>(631,389)</u>	<u>(362,341)</u>	<u>(1,276,543)</u>
Nonoperating revenues:				
Investment earnings	18,525	151	6,002	24,678
Other	<u>34,174</u>	<u>83,874</u>	<u>5,089</u>	<u>123,137</u>
Nonoperating revenues	<u>52,699</u>	<u>84,025</u>	<u>11,091</u>	<u>147,815</u>
Loss before contributions and transfers	<u>(230,114)</u>	<u>(547,364)</u>	<u>(351,250)</u>	<u>(1,128,728)</u>
Capital contributions	153,092	847,896	29,924	1,030,912
Transfers in	<u>-</u>	<u>413,850</u>	<u>294,221</u>	<u>708,071</u>
Changes in net assets	(77,022)	714,382	(27,105)	610,255
Total net assets--beginning	<u>2,521,170</u>	<u>-</u>	<u>4,586,207</u>	<u>7,107,377</u>
Total net assets--ending	<u><u>\$ 2,444,148</u></u>	<u><u>\$ 714,382</u></u>	<u><u>\$ 4,559,102</u></u>	<u><u>\$ 7,717,632</u></u>

**CITY OF McALLEN, TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**STATEMENT OF CASH FLOW**  
**For Fiscal Year Ended September 30, 2005**

	<u>Palm View Golf Course</u>	<u>McAllen Express Transit</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 1,067,857	\$ 148,637
Payments to employees	(676,239)	(428,744)
Payments to suppliers	(271,890)	(236,824)
Other receipts	34,172	83,874
	<u>153,900</u>	<u>(433,057)</u>
<b>Cash flows from noncapital financing activities:</b>		
Transfers from other funds	-	413,850
Advance to other funds	(100,000)	-
	<u>(100,000)</u>	<u>413,850</u>
Net cash provided (used) by noncapital financing activities	<u>(100,000)</u>	<u>413,850</u>
<b>Cash flows from capital and related financing activities:</b>		
Payments for capital acquisitions	(27,955)	22,458
	<u>(27,955)</u>	<u>22,458</u>
Cash used by capital and related financing activities	<u>(27,955)</u>	<u>22,458</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales and maturities of investments	740,595	-
Purchase of investments	(779,111)	-
Receipt of interest	18,525	151
	<u>(19,991)</u>	<u>151</u>
Net cash provided (used) by investing activities	<u>(19,991)</u>	<u>151</u>
Net increase in cash	5,954	3,402
Cash at beginning of year	78,696	-
Cash at end of year	<u><u>\$ 84,650</u></u>	<u><u>\$ 3,402</u></u>

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<b>Transit Terminal</b>	<b>Total</b>
\$ 439,659	\$ 1,656,153
(293,601)	(1,398,584)
(286,039)	(794,753)
5,090	123,136
<u>(134,891)</u>	<u>(414,048)</u>
294,220	708,070
<u>-</u>	<u>(100,000)</u>
294,220	608,070
<u>(11,301)</u>	<u>(16,798)</u>
(11,301)	(16,798)
316,000	1,056,595
(461,772)	(1,240,883)
6,002	24,678
<u>(139,770)</u>	<u>(159,610)</u>
8,258	17,614
361	79,057
<u><u>\$ 8,619</u></u>	<u><u>\$ 96,671</u></u>

**CITY OF McALLEN, TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**STATEMENT OF CASH FLOW**  
**For Fiscal Year Ended September 30, 2005**

	<u>Palm View Golf Course</u>	<u>McAllen Express Transit</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>		
Operating loss	\$ (282,813)	\$ (631,389)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	354,663	90,263
Miscellaneous income (expense)	34,172	83,874
Accounts receivable	(1,006)	
Accounts payable	70,379	4,667
Compensated absences payable	2,148	10,863
Accrued expenses	(23,643)	8,665
Due to other funds		
Total adjustments	<u>436,713</u>	<u>198,332</u>
Net cash provided (used) by operating activities	<u><u>\$ 153,900</u></u>	<u><u>\$ (433,057)</u></u>
<b>Noncash investing, capital and financing activities:</b>		
Contributions of capital assets	153,092	847,896

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<b>Transit Terminal</b>	<b>Total</b>
<u>\$ (362,341)</u>	<u>\$ (1,276,543)</u>
130,729	575,655
5,090	123,136
(3,679)	(4,685)
(58,573)	16,473
1,268	14,279
(7,184)	(22,162)
<u>159,799</u>	<u>159,799</u>
<u>227,450</u>	<u>862,495</u>
<u><b>\$ (134,891)</b></u>	<u><b>\$ (414,048)</b></u>

29,924



## INTERNAL SERVICE FUNDS

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

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

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

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

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

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**For Fiscal Year Ended September 30, 2005**

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	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 550,561	\$ 23,261
Certificates of deposit	-	1,782,305
Investments	-	2,263,634
Receivables, net:		
Accounts	-	99,703
Accrued interest	-	16,682
Inventories	420,429	-
	<u>970,990</u>	<u>4,185,585</u>
Total current assets		
	<u>970,990</u>	<u>4,185,585</u>
Capital assets	631,375	-
Less accumulated depreciation	(468,760)	-
	<u>162,615</u>	<u>-</u>
Net fixed assets		
	<u>162,615</u>	<u>-</u>
Total assets	<u><b>\$ 1,133,605</b></u>	<u><b>\$ 4,185,585</b></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 270,714	\$ 58,582
Accrued expense	9,881	1,093,355
Due to other funds	-	-
	<u>280,595</u>	<u>1,151,937</u>
Total current liabilities		
	<u>280,595</u>	<u>1,151,937</u>
Other non-current liabilities:		
Accumulated unpaid compensated absences	16,108	2,796
Deferred revenues	1,107	-
	<u>17,215</u>	<u>2,796</u>
Total other non-current liabilities		
	<u>17,215</u>	<u>2,796</u>
Total liabilities	<u>297,810</u>	<u>1,154,733</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	162,615	-
Unrestricted	673,180	3,030,852
	<u>835,795</u>	<u>3,030,852</u>
Total net assets		
	<u>835,795</u>	<u>3,030,852</u>
Total liabilities and net assets	<u><b>\$ 1,133,605</b></u>	<u><b>\$ 4,185,585</b></u>

<b>General Insurance</b>	<b>General Depreciation</b>	<b>Total</b>
\$ 884	\$ 31,117	\$ 605,823
3,493,198	1,980,306	7,255,809
4,168,206	2,736,374	9,168,214
46,833	-	146,536
20,057	15,778	52,517
-	-	420,429
7,729,178	4,763,575	17,649,328
14,765	9,115,492	9,761,632
(4,676)	(4,356,220)	(4,829,656)
10,089	4,759,272	4,931,976
<b>\$ 7,739,267</b>	<b>\$ 9,522,847</b>	<b>\$ 22,581,304</b>
\$ 137,682	\$ -	\$ 466,978
1,373,160	-	2,476,396
42,796	-	42,796
1,553,638	-	2,986,170
25,005	-	43,909
-	-	1,107
25,005	-	45,016
1,578,643	-	3,031,186
10,089	4,759,272	4,931,976
6,150,535	4,763,575	14,618,142
6,160,624	9,522,847	19,550,118
<b>\$ 7,739,267</b>	<b>\$ 9,522,847</b>	<b>\$ 22,581,304</b>

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2005**

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	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>
Operating revenues:		
Charges for services	\$ 2,666,155	\$ -
Contributions	<u>-</u>	<u>6,286,811</u>
Total operating revenues	<u>2,666,155</u>	<u>6,286,811</u>
Operating expenses:		
Salaries, wages and employee benefits	656,050	87,147
Supplies and materials	14,372	1,905
Contractual and other services	1,865,591	779,009
Repairs and maintenance	37,536	-
Depreciation and amortization	31,210	-
Self insurance claims	<u>-</u>	<u>5,033,147</u>
Total operating expenses	<u>2,604,759</u>	<u>5,901,208</u>
Operating income (loss)	<u>61,396</u>	<u>385,603</u>
Non operating revenues (expenses):		
Investment earnings	10,201	102,571
Net increase (decrease) in fair value of investments	-	(14,236)
Other	<u>22,105</u>	<u>131,059</u>
Net non-operating revenues (expenses)	<u>32,306</u>	<u>219,394</u>
Change in net assets	93,702	604,997
Total net assets--beginning	<u>742,093</u>	<u>2,425,855</u>
Total assets--ending	<u><u>\$ 835,796</u></u>	<u><u>\$ 3,030,852</u></u>

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<u>General Insurance</u>	<u>General Depreciation</u>	<u>Total</u>
\$ -	\$ 2,014,679	\$ 4,680,834
4,003,021	-	10,289,832
<u>4,003,021</u>	<u>2,014,679</u>	<u>14,970,666</u>
130,014	-	873,211
3,160	-	19,437
2,630,552	11,332	5,286,484
705	-	38,241
2,953	1,351,787	1,385,950
379,429	-	5,412,576
<u>3,146,813</u>	<u>1,363,119</u>	<u>13,015,899</u>
<u>856,208</u>	<u>651,560</u>	<u>1,954,767</u>
178,968	120,748	412,488
(32,777)	(16,768)	(63,781)
204,190	(138,139)	219,215
<u>350,381</u>	<u>(34,159)</u>	<u>567,922</u>
1,206,589	617,401	2,522,689
<u>4,954,035</u>	<u>8,905,446</u>	<u>17,027,429</u>
<u><u>\$ 6,160,624</u></u>	<u><u>\$ 9,522,847</u></u>	<u><u>\$ 19,550,118</u></u>

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2005**

	<b>Fleet Materials Management</b>	<b>Employee Benefits</b>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 2,684,485	\$ 6,259,762
Payments to employees	(678,156)	(88,349)
Payments to suppliers	(1,799,708)	(5,728,637)
Other receipts (payments)	22,105	131,059
	<u>228,726</u>	<u>573,835</u>
 Net cash provided by operating activities		
	<u>228,726</u>	<u>573,835</u>
 Cash flows from capital and related financing activities		
Payments for capital disposal/acquisition	(36,249)	-
	<u>(36,249)</u>	<u>-</u>
 Cash flows from investing activities:		
Proceeds from sales and maturities of investments	-	4,397,316
Purchase of investments	-	(5,059,122)
Receipt of interest	10,201	71,653
	<u>10,201</u>	<u>71,653</u>
 Net cash provided (used) by investing activities:		
	<u>10,201</u>	<u>(590,153)</u>
 Net increase (decrease) in cash	202,678	(16,318)
 Cash at beginning of year	347,883	39,579
 Cash at end of year	<u><u>\$ 550,561</u></u>	<u><u>\$ 23,261</u></u>

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<u>General Insurance</u>	<u>General Depreciation</u>	<u>Totals</u>
\$ 3,988,058	\$ 2,014,679	\$ 14,946,984
(129,319)	-	(895,824)
(2,685,156)	(138,639)	(10,352,140)
204,190	(138,139)	219,215
<u>1,377,773</u>	<u>1,737,901</u>	<u>3,918,235</u>
<u>-</u>	<u>(777,269)</u>	<u>(813,518)</u>
5,185,019	4,883,104	14,465,439
(6,704,886)	(5,925,767)	(17,689,775)
130,360	103,980	316,194
<u>(1,389,507)</u>	<u>(938,683)</u>	<u>(2,908,142)</u>
(11,734)	21,949	196,575
<u>12,618</u>	<u>9,168</u>	<u>409,248</u>
<u><u>\$ 884</u></u>	<u><u>\$ 31,117</u></u>	<u><u>\$ 605,823</u></u>

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2005**

	<b>Fleet Materials Management</b>	<b>Employee Benefits</b>
Operating income	\$ 61,396	\$ 385,603
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	31,210	-
Misc. non-operating income	22,105	131,059
Accounts receivable	18,330	(27,049)
Inventories	(3,980)	
Accounts payable	121,771	58,582
Compensated absences payable	(11,176)	291
Accrued liabilities	(10,930)	25,349
Due to other funds	-	-
Total adjustments	167,330	188,232
Net cash provided by operating activities	<u>\$ 228,726</u>	<u>\$ 573,835</u>
<b>Noncash investing, capital, and financing activities:</b>		
Increase (decrease) in fair value of investments		(14,236)



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<u>General Insurance</u>	<u>General Depreciation</u>	<u>Totals</u>
\$ 856,208	\$ 651,560	\$ 1,954,767
2,953	1,351,787	1,385,950
204,190	(138,139)	219,215
(14,963)		(23,682)
		(3,980)
137,308	(127,307)	190,354
695		(10,190)
148,586		163,005
42,796	-	42,796
<u>521,565</u>	<u>1,086,341</u>	<u>1,963,468</u>
<u><u>\$ 1,377,773</u></u>	<u><u>\$ 1,737,901</u></u>	<u><u>\$ 3,918,235</u></u>
(32,777)		

**SUPPLEMENTARY INDIVIDUAL  
GOVERNMENTAL FUNDS  
FINANCIAL STATEMENTS AND  
SCHEDULES**

**CITY OF McALLEN , TEXAS**  
**GENERAL FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash	\$ 745,571	\$ 97,182
Certificate of deposit	12,207,923	24,000,455
Investments	39,321,101	23,243,435
Receivables,net:		
Taxes	3,057,248	3,487,855
Accounts	8,408,567	7,378,017
Accrued interest receivable	337,425	198,583
Other	881,348	562,465
Due from other funds	628,707	153,918
Due from other governments	825	2,118
Advances to other funds	<u>1,400,000</u>	<u>1,400,000</u>
 Total assets	 <u><u>\$ 66,988,715</u></u>	 <u><u>\$ 60,524,028</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Accounts payable	\$ 1,326,987	\$ 1,130,852
Accrued liabilities	688,414	1,781,925
Deferred revenues	9,182,180	8,699,699
Other liabilities	<u>902,454</u>	<u>1,254,453</u>
 Total liabilities	 <u>12,100,035</u>	 <u>12,866,929</u>
 <b>FUND BALANCES:</b>		
Reserved for encumbrances	156,584	509,821
Reserved for advances	1,400,000	1,400,000
Unreserved	<u>53,332,096</u>	<u>45,747,278</u>
 Total fund balances	 <u>54,888,680</u>	 <u>47,657,099</u>
 Total liabilities and fund balances	 <u><u>\$ 66,988,715</u></u>	 <u><u>\$ 60,524,028</u></u>

**CITY OF McALLEN , TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>REVENUES</b>		
Taxes:		
Property	\$ 22,965,684	\$ 19,776,004
Sales	36,442,598	34,201,451
Franchise	<u>6,046,640</u>	<u>5,776,414</u>
Total taxes	<u>65,454,922</u>	<u>59,753,869</u>
Licences and permits	1,481,650	1,401,360
Intergovernmental	385,902	358,732
Charges for service	3,385,392	3,403,159
Fines and forfeitures	2,065,480	2,055,473
Investment earnings	1,736,885	1,224,171
Net decrease in the fair value of investments	(308,256)	(137,169)
Other	<u>6,298,726</u>	<u>8,513,160</u>
Total revenues	<u>80,500,701</u>	<u>76,572,755</u>
<b>EXPENDITURES</b>		
Current:		
General government	13,551,568	12,862,054
Public safety	36,894,866	33,669,362
Higways and streets	11,038,348	8,686,590
Health and welfare	1,070,082	905,716
Culture and recreation	<u>11,537,102</u>	<u>10,632,020</u>
Total expenditures	<u>74,091,966</u>	<u>66,755,742</u>
Excess of revenues over expenditures	<u>6,408,735</u>	<u>9,817,013</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	7,112,751	7,056,362
Transfers out	<u>(6,289,906)</u>	<u>(11,610,355)</u>
Total other financing sources (uses)	<u>822,845</u>	<u>(4,553,993)</u>
Net changes in fund balances	7,231,580	5,263,020
Fund balances--beginning	<u>47,657,100</u>	<u>42,394,079</u>
Fund balances--ending	<u><u>\$ 54,888,680</u></u>	<u><u>\$ 47,657,099</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes:				
Property	\$ 22,332,678	\$ 22,332,678	\$ 22,965,684	\$ 633,006
Sales	34,062,639	34,062,639	36,442,598	2,379,959
Franchise	<u>5,250,000</u>	<u>5,250,000</u>	<u>6,046,640</u>	<u>796,640</u>
Total taxes	<u>61,645,317</u>	<u>61,645,317</u>	<u>65,454,922</u>	<u>3,809,605</u>
Licenses and permits:				
Business licenses and permits	22,000	22,000	40,707	18,707
Occupational	66,500	66,500	89,065	22,565
Non-business licenses and permits	<u>989,302</u>	<u>989,302</u>	<u>1,351,878</u>	<u>362,576</u>
Total licenses and permits	<u>1,077,802</u>	<u>1,077,802</u>	<u>1,481,650</u>	<u>403,848</u>
Intergovernmental revenues:				
State shared revenues	<u>300,000</u>	<u>300,000</u>	<u>385,902</u>	<u>85,902</u>
Total intergovernmental revenues	<u>300,000</u>	<u>300,000</u>	<u>385,902</u>	<u>85,902</u>
Charges for services:				
General government	1,166,600	1,166,600	1,384,964	218,364
Public safety	486,143	486,143	390,370	(95,773)
Highways and streets	607,059	607,059	550,216	(56,843)
Health	346,500	346,500	421,792	75,292
Culture and recreation	<u>604,600</u>	<u>604,600</u>	<u>638,050</u>	<u>33,450</u>
Total charges for services	<u>3,210,902</u>	<u>3,210,902</u>	<u>3,385,392</u>	<u>174,490</u>
Fines and forfeitures:				
Corporations court	1,467,346	1,467,346	1,798,569	331,223
Other fines	<u>250,768</u>	<u>250,768</u>	<u>266,911</u>	<u>16,143</u>
Total fines and forfeitures	<u>1,718,114</u>	<u>1,718,114</u>	<u>2,065,480</u>	<u>347,366</u>
Investment earnings	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,736,885</u>	<u>586,885</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Net increase (decrease) in fair value of investments	\$ -	\$ -	\$ (308,256)	\$ (308,256)
Other:				
Royalties	3,500,000	3,500,000	5,635,649	2,135,649
Rents and concessions	40,000	40,000	41,431	1,431
Reimbursements	17,000	17,000	59,348	42,348
Other	112,356	112,356	562,298	449,942
Total other revenues	3,669,356	3,669,356	6,298,726	2,629,370
Total revenues	72,771,491	72,771,491	80,500,701	7,729,210
Expenditures:				
General government:				
City commission:				
Personal services	88,371	90,106	120,327	(30,221)
Supplies	5,700	5,700	3,525	2,175
Miscellaneous services	75,843	75,843	35,860	39,983
Capital outlay	3,705	3,705	17,410	(13,705)
Total city commission	173,619	175,354	177,122	(1,768)
Special service:				
Miscellaneous services	581,260	581,260	640,602	(59,342)
Capital outlay	-	-	-	-
Total special service	581,260	581,260	640,602	(59,342)
City manager:				
Personal services	505,533	513,481	527,824	(14,343)
Supplies	1,615	1,615	1,373	242
Miscellaneous services	15,632	15,632	17,694	(2,062)
Maintenace	380	380	68	312
Capital outlay	-	-	-	-
Total city manager	523,160	531,108	546,959	(15,851)

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
City secretary:				
Personal services	\$ 509,415	\$ 527,557	\$ 406,756	\$ 120,801
Supplies	5,700	5,700	5,946	(246)
Miscellaneous services	120,364	120,364	167,180	(46,816)
Maintenance	911	911	1,732	(821)
Capital outlay	5,130	5,130	5,612	(482)
Total city secretary	641,520	659,662	587,226	72,436
Audit office:				
Personal services	145,497	149,356	150,774	(1,418)
Supplies	1,425	1,425	1,613	(188)
Miscellaneous services	9,430	9,430	8,761	669
Capital outlay	6,080	6,080	6,394	(314)
Total audit office	162,432	166,291	167,542	(1,251)
Municipal court:				
Personal services	904,378	921,523	893,503	28,020
Supplies	8,350	9,500	9,071	429
Miscellaneous services	25,683	21,163	12,388	8,775
Maintenance	15,806	9,306	4,319	4,987
Capital outlay	22,908	32,778	18,684	14,094
Total municipal court	977,125	994,270	937,965	56,305
Finance:				
Personal services	785,862	804,860	745,362	59,498
Supplies	15,480	15,480	13,872	1,608
Miscellaneous services	61,667	61,667	60,180	1,487
Maintenance	1,997	1,997	1,173	824
Capital outlay	9,500	9,500	10,870	(1,370)
Total finance	874,506	893,504	831,457	62,047
Tax office:				
Personal services	209,688	215,115	202,178	12,937

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Supplies	\$ 5,350	\$ 5,350	\$ 5,895	\$ (545)
Miscellaneous services	444,365	444,365	486,650	(42,285)
Maintenance	1,425	1,425	562	863
Capital outlay	4,620	4,620	1,927	2,693
Total tax office	665,448	670,875	697,212	(26,337)
Purchasing and contracting:				
Personal services	272,746	279,115	268,900	10,215
Supplies	8,100	7,100	5,558	1,542
Miscellaneous services	5,880	5,880	841	5,039
Maintenance	11,000	11,000	11,550	(550)
Capital outlay	3,468	4,468	4,146	322
Total purchasing and contracting	301,194	307,563	290,995	16,568
Legal:				
Personal services	657,728	667,192	640,351	26,841
Supplies	8,800	8,800	8,688	112
Miscellaneous services	129,620	129,620	163,143	(33,523)
Maintenance	-	-	-	-
Capital outlay	7,600	7,600	1,751	5,849
Total legal	803,748	813,212	813,933	(721)
Grant administration:				
Personal services	186,109	190,758	152,550	38,208
Supplies	4,750	4,750	2,576	2,174
Miscellaneous services	8,040	7,570	7,924	(354)
Capital outlay	-	470	470	-
Total grant administration	198,899	203,548	163,520	40,028
Right of way:				
Personal services	107,108	110,730	115,009	(4,279)
Supplies	1,425	1,425	955	470



**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Miscellaneous services	\$ 22,828	\$ 22,828	\$ 14,366	\$ 8,462
Maintenance	-	-	-	-
Capital outlay	-	-	-	-
 Total right of way	 131,361	 134,983	 130,330	 4,653
 Human resources:				
Personal services	384,693	389,485	311,129	78,356
Supplies	9,785	9,785	9,783	2
Miscellaneous services	126,365	126,365	97,841	28,524
Maintenance	28,352	28,352	23,034	5,318
Employee benefits	876,651	296,766	-	296,766
Capital outlay	20,235	20,235	100,342	(80,107)
 Total human resources	 1,446,081	 870,988	 542,129	 328,859
 Risk management:				
Liability insurance	1,151,761	1,151,761	1,151,761	-
 Total risk management	 1,151,761	 1,151,761	 1,151,761	 -
 Planning:				
Personal services	815,561	835,449	706,254	129,195
Supplies	6,508	6,508	7,661	(1,153)
Miscellaneous services	48,495	48,495	43,888	4,607
Maintenance	950	950	15,363	(14,413)
Capital outlay	28,596	28,596	32,508	(3,912)
 Total planning	 900,110	 919,998	 805,674	 114,324
 Information technology:				
Personal services	787,339	804,696	736,972	67,724
Supplies	29,375	39,675	38,380	1,295
Miscellaneous services	123,444	112,644	107,416	5,228
Maintenance	131,787	131,787	124,569	7,218
Capital outlay	184,899	185,399	164,619	20,780

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Total information technology	\$ 1,256,844	\$ 1,274,201	\$ 1,171,956	\$ 102,245
Information services:				
Personal services	327,669	334,121	329,882	4,239
Supplies	15,300	15,300	15,256	44
Miscellaneous services	10,132	10,132	8,438	1,694
Maintenance	9,599	9,599	8,771	828
Capital outlay	20,259	20,259	17,284	2,975
Total information services	382,959	389,411	379,631	9,780
City hall:				
Personal services	81,269	83,221	78,573	4,648
Supplies	21,375	21,375	21,025	350
Miscellaneous services	407,009	407,009	384,471	22,538
Maintenance	244,650	244,650	210,037	34,613
Capital outlay	475	475	-	475
Total city hall	754,778	756,730	694,106	62,624
Building maintenance:				
Personal services	339,135	345,481	333,137	12,344
Supplies	6,013	6,013	5,429	584
Miscellaneous services	25,049	25,049	22,629	2,420
Maintenance	29,122	29,122	43,853	(14,731)
Capital outlay	-	-	-	-
Total building maintenance	399,319	405,665	405,048	617
Economic development:				
McAllen Economic Development Corp.	1,397,576	1,447,576	1,447,576	-
Chambers of commerce	750,000	810,000	808,000	2,000
Total economic development	2,147,576	2,257,576	2,255,576	2,000
Non-departmental activities	99,000	186,000	160,824	25,176

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Total general government	\$ 14,550,700	\$ 14,321,960	\$ 13,551,568	\$ 770,392
Public safety:				
Police:				
Personal services	21,068,488	21,178,349	20,807,889	370,460
Supplies	349,130	349,130	349,018	112
Miscellaneous services	1,299,694	1,299,694	1,384,175	(84,481)
Maintenance	688,942	688,942	922,424	(233,482)
Other	(750,000)	(750,000)	(931,150)	181,150
Capital outlay	326,483	326,483	303,438	23,045
Total police	22,982,737	23,092,598	22,835,794	256,804
Animal control:				
Personal services	135,406	138,849	145,939	(7,090)
Supplies	3,600	3,600	489	3,111
Miscellaneous services	7,704	7,704	7,370	334
Maintenance	16,245	16,245	21,527	(5,282)
Total animal control	162,955	166,398	175,325	(8,927)
Communication technology:				
Personal services	153,056	155,978	105,150	50,828
Supplies	12,695	12,695	10,771	1,924
Miscellaneous services	34,238	44,988	38,030	6,958
Maintenance	7,225	4,375	1,001	3,374
Capital outlay	37,060	29,160	28,586	574
Total communication technology	244,274	247,196	183,538	63,658
Fire:				
Personal services	9,442,520	9,476,157	9,379,634	96,523
Supplies	211,159	211,159	203,533	7,626
Miscellaneous services	855,709	830,709	782,554	48,155
Maintenance	238,000	263,000	313,371	(50,371)
Capital outlay	29,610	29,610	18,133	11,477

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Total fire	\$ 10,776,998	\$ 10,810,635	\$ 10,697,225	\$ 113,410
Traffic operations:				
Personal services	876,690	895,470	898,663	(3,193)
Supplies	66,850	66,850	81,956	(15,106)
Miscellaneous services	242,118	242,118	372,997	(130,879)
Maintenance	311,315	311,315	353,930	(42,615)
Capital outlay	137,085	137,085	133,879	3,206
Total traffic operations	1,634,058	1,652,838	1,841,425	(188,587)
Downtown services:				
Personal services	454,618	463,849	438,325	25,524
Supplies	13,582	13,582	12,493	1,089
Miscellaneous services	36,700	40,500	38,449	2,051
Maintenance	23,948	20,148	21,811	(1,663)
Capital outlay	27,645	27,645	27,688	(43)
Total downtown services	556,493	565,724	538,766	26,958
Inspection:				
Personal services	688,796	710,003	529,579	180,424
Supplies	14,209	14,209	9,273	4,936
Miscellaneous services	89,618	89,618	54,147	35,471
Maintenance	6,176	6,176	9,361	(3,185)
Capital outlay	26,899	26,899	20,433	6,466
Total inspection	825,698	846,905	622,793	224,112
Total public safety	37,183,213	37,382,294	36,894,866	487,428
Highways and streets:				
Engineering services:				
Personal services	1,674,906	1,717,258	1,572,549	144,709
Supplies	25,095	25,095	26,169	(1,074)
Miscellaneous services	163,775	163,775	203,180	(39,405)

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Maintenance	\$ 24,519	\$ 24,519	\$ 48,128	\$ (23,609)
Other	(100,000)	(100,000)	(172,145)	72,145
Capital outlay	64,686	64,686	33,239	31,447
 Total engineering	 1,852,981	 1,895,333	 1,711,120	 184,213
Street cleaning:				
Personal services	179,213	183,388	167,092	16,296
Supplies	4,656	4,656	2,313	2,343
Miscellaneous services	106,151	106,151	105,180	971
Maintenance	82,447	82,447	91,020	(8,573)
Capital outlay	-	-	-	-
 Total street cleaning	 372,467	 376,642	 365,605	 11,037
 Street maintenance:				
Personal services	1,223,172	1,244,655	1,142,365	102,290
Supplies	32,127	32,127	38,278	(6,151)
Miscellaneous services	261,484	261,484	259,744	1,740
Maintenance	3,348,000	3,548,000	3,502,616	45,384
Capital outlay	152,950	152,950	132,112	20,838
 Total street maintenance	 5,017,733	 5,239,216	 5,075,115	 164,101
 Street lighting:				
Miscellaneous services	1,573,151	1,566,510	1,520,475	46,035
Maintenance	42,675	49,316	49,316	-
 Total street lighting	 1,615,826	 1,615,826	 1,569,791	 46,035
 Sidewalk construction:				
Personal services	345,108	352,092	334,353	17,739
Supplies	233,076	233,076	243,759	(10,683)
Miscellaneous services	22,157	22,157	22,157	-
Maintenance	28,120	28,120	46,272	(18,152)
Other	-	-	-	-
Capital outlay	6,175	6,175	5,800	375

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Total sidewalk construction	\$ 634,636	\$ 641,620	\$ 652,341	\$ (10,721)
Drainage:				
Personal services	653,353	664,485	620,901	43,584
Supplies	22,010	22,010	23,133	(1,123)
Miscellaneous services	301,237	301,237	296,584	4,653
Maintenance	139,936	139,936	324,867	(184,931)
Capital outlay	427,500	427,500	398,891	28,609
Total drainage	1,544,036	1,555,168	1,664,376	(109,208)
Total highways and streets	11,037,679	11,323,805	11,038,348	285,457
Health and welfare:				
Health:				
Personal services	452,414	461,794	437,296	24,498
Supplies	23,125	23,125	13,559	9,566
Miscellaneous services	104,192	104,192	122,244	(18,052)
Maintenance	9,396	9,396	18,472	(9,076)
Capital outlay	20,188	20,188	10,756	9,432
Total health	609,315	618,695	602,327	16,368
Graffiti cleaning:				
Personal services	83,430	85,417	86,724	(1,307)
Supplies	24,312	20,712	20,287	425
Miscellaneous services	14,712	14,712	14,712	-
Maintenance	16,045	16,045	20,879	(4,834)
Capital outlay	-	3,600	3,488	112
Total graffiti cleaning	138,499	140,486	146,090	(5,604)
Other agencies:				
Ambulance	27,428	27,428	27,428	-
Humane society	150,062	150,062	149,872	190
Other health and welfare agencies	2,500	2,500	144,365	(141,865)

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Total other agencies	\$ 179,990	\$ 179,990	\$ 321,665	\$ (141,675)
Total health and welfare	927,804	939,171	1,070,082	(130,911)
Culture and recreation:				
Parks and recreation administration:				
Personal services	340,346	349,877	340,275	9,602
Supplies	9,125	9,125	7,822	1,303
Miscellaneous services	62,291	62,291	102,677	(40,386)
Maintenance	12,924	12,924	12,843	81
Capital outlay	-	-	-	-
Total parks and recreation administration	424,686	434,217	463,617	(29,400)
Parks:				
Personal services	2,211,148	2,252,854	2,267,745	(14,891)
Supplies	86,000	86,000	105,891	(19,891)
Miscellaneous services	658,501	658,501	894,160	(235,659)
Maintenance	307,482	307,482	369,420	(61,938)
Capital outlay	118,214	118,214	103,280	14,934
Total parks	3,381,345	3,423,051	3,740,496	(317,445)
Recreation:				
Personal services	754,424	759,276	781,645	(22,369)
Supplies	48,400	48,400	41,671	6,729
Miscellaneous services	191,609	191,609	216,611	(25,002)
Maintenance	2,574	2,574	5,463	(2,889)
Other	(80,000)	(80,000)	(81,538)	1,538
Total recreation	917,007	921,859	963,852	(41,993)
Pools:				
Personal services	405,344	409,280	534,031	(124,751)
Supplies	34,750	34,750	28,821	5,929
Miscellaneous services	112,039	112,039	96,171	15,868

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Maintenance	\$ 31,749	\$ 31,749	\$ 52,423	\$ (20,674)
Capital outlay	59,850	59,850	56,213	3,637
 Total pools	 643,732	 647,668	 767,659	 (119,991)
 Las palmas community center:				
Personal services	182,484	187,250	202,273	(15,023)
Supplies	13,025	13,025	11,593	1,432
Miscellaneous services	77,186	77,186	68,785	8,401
Maintenance	19,498	19,498	33,614	(14,116)
Capital outlay	4,488	4,488	498	3,990
 Total las palmas community center	 296,681	 301,447	 316,763	 (15,316)
 Recreation center-Lark:				
Personal services	239,625	244,966	262,950	(17,984)
Supplies	21,145	21,145	23,255	(2,110)
Miscellaneous services	108,479	108,479	104,918	3,561
Maintenance	13,974	13,974	13,291	683
Capital outlay	22,895	22,895	1,759	21,136
 Total recreation center-Lark	 406,118	 411,459	 406,173	 5,286
 Recreation center-Palmview:				
Personal services	239,895	245,223	274,566	(29,343)
Supplies	21,145	21,145	23,867	(2,722)
Miscellaneous services	115,241	115,241	105,079	10,162
Maintenance	7,224	7,224	6,288	936
Capital outlay	34,998	34,998	17,626	17,372
 Total recreation center-Palmview	 418,503	 423,831	 427,426	 (3,595)
 Quinta mazatlan:				
Personal services	133,092	133,092	66,522	66,570
Supplies	5,958	5,958	8,463	(2,505)
Miscellaneous services	22,532	22,532	9,997	12,535



**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Maintenance	\$ -	\$ -	\$ 2,831	\$ (2,831)
Capital outlay	-	-	-	-
 Total quinta mazatlan	 161,582	 161,582	 87,813	 73,769
 Library:				
Personal services	1,799,406	1,835,357	1,587,264	248,093
Supplies	66,900	66,900	42,919	23,981
Miscellaneous services	396,954	370,954	309,525	61,429
Maintenance	48,839	59,783	19,487	40,296
Capital outlay	219,743	234,799	238,374	(3,575)
 Total library	 2,531,842	 2,567,793	 2,197,569	 370,224
 Library branch-Lark:				
Personal services	398,889	408,209	376,023	32,186
Supplies	9,270	9,270	7,193	2,077
Miscellaneous services	9,800	9,800	7,860	1,940
Maintenance	5,700	5,700	708	4,992
Capital outlay	42,945	42,945	36,452	6,493
 Total library branch-Lark	 466,604	 475,924	 428,236	 47,688
 Library branch-Palmview:				
Personal services	411,901	420,336	354,129	66,207
Supplies	9,000	9,000	7,315	1,685
Miscellaneous services	9,800	9,800	8,269	1,531
Maintenance	5,700	5,700	1,478	4,222
Capital outlay	42,945	42,945	40,732	2,213
 Total library branch-Palmview	 479,346	 487,781	 411,923	 75,858
 Other agencies	 546,500	 546,500	 541,500	 5,000
 Museums	 712,075	 712,075	 784,075	 (72,000)

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Total culture and recreation	\$ 11,386,021	\$ 11,515,187	\$ 11,537,102	\$ (21,915)
Total expenditures	75,085,417	75,482,417	74,091,966	1,390,451
Excess of revenues over expenditures	(2,313,926)	(2,710,926)	6,408,735	9,119,661
Other financing sources (uses)				
Transfers in	6,661,468	6,661,468	7,112,751	451,283
Transfers out	(3,790,000)	(6,289,906)	(6,289,906)	-
Net other financing sources (uses)	2,871,468	371,562	822,845	451,283
Net change in fund balances	557,542	(2,339,364)	7,231,580	9,570,944
Fund balances at beginning of year	47,657,099	47,657,100	47,657,100	-
Fund balances at end of year	<u><u>\$ 48,214,641</u></u>	<u><u>\$ 45,317,736</u></u>	<u><u>\$ 54,888,680</u></u>	<u><u>\$ 9,570,944</u></u>

**CITY OF McALLEN , TEXAS**  
**HOTEL OCCUPANCY TAX FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash	\$ 5,252	\$ 1,740
Investments	61,883	4,492
Accounts receivable	<u>275,839</u>	<u>235,913</u>
 Total assets	 <u><u>\$ 342,974</u></u>	 <u><u>\$ 242,145</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 94,445	\$ 66,382
Due to other funds	<u>244,477</u>	<u>175,956</u>
 Total liabilities	 <u>338,922</u>	 <u>242,338</u>
 <b>FUND BALANCES</b>		
Unreserved	<u>4,052</u>	<u>(193)</u>
 Total liabilities and fund balances	 <u><u>\$ 342,974</u></u>	 <u><u>\$ 242,145</u></u>

**CITY OF McALLEN , TEXAS**  
**HOTEL OCCUPANCY TAX FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>REVENUES</b>		
Hotel tax	\$ 3,309,317	\$ 3,110,916
Investment earnings	<u>4,245</u>	<u>1,197</u>
Total revenues	<u>3,313,562</u>	<u>3,112,113</u>
<b>EXPENDITURES</b>		
Current:		
General government	<u>945,519</u>	<u>938,833</u>
Total expenditures	<u>945,519</u>	<u>938,833</u>
Excess of revenues over expenditures	<u>2,368,043</u>	<u>2,173,280</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers out	<u>(2,363,798)</u>	<u>(2,222,083)</u>
Total other financing sources (uses)	<u>(2,363,798)</u>	<u>(2,222,083)</u>
Net changes in fund balances	4,245	(48,803)
Fund balances--beginning	<u>(193)</u>	<u>48,610</u>
Fund balances--ending	<u><u>\$ 4,052</u></u>	<u><u>\$ (193)</u></u>

**CITY OF McALLEN, TEXAS**  
**HOTEL OCCUPANCY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Hotel tax	\$ 3,245,522	\$ 3,245,522	\$ 3,309,317	\$ 63,795
Investment earnings	-	-	4,245	4,245
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,245,522</u>	<u>3,245,522</u>	<u>3,313,562</u>	<u>68,040</u>
Expenditures:				
Current:				
General government	<u>926,817</u>	<u>926,817</u>	<u>945,519</u>	<u>(18,702)</u>
Total expenditures	<u>926,817</u>	<u>926,817</u>	<u>945,519</u>	<u>(18,702)</u>
Excess (deficiency) of revenues over expenditures	<u>2,318,705</u>	<u>2,318,705</u>	<u>2,368,043</u>	<u>49,338</u>
Other financing uses				
Transfers out	<u>(2,317,205)</u>	<u>(2,317,205)</u>	<u>(2,363,798)</u>	<u>(46,593)</u>
Total other financing sources (uses)	<u>(2,317,205)</u>	<u>(2,317,205)</u>	<u>(2,363,798)</u>	<u>(46,593)</u>
Net changes in fund balances	1,500	1,500	4,245	2,745
Fund balances--beginning	<u>(193)</u>	<u>(193)</u>	<u>(193)</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 1,307</u></u>	<u><u>\$ 1,307</u></u>	<u><u>\$ 4,052</u></u>	<u><u>\$ 2,745</u></u>

**CITY OF McALLEN , TEXAS**  
**MISCELLANEOUS GOVERNMENT GRANTS FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash	\$ 44,294	\$ 74,009
Due from other governments	<u>5,086</u>	<u>74,480</u>
 Total assets	 <u><u>\$ 49,380</u></u>	 <u><u>\$ 148,489</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 3,562	\$ 78,232
Due to other funds	5,086	57,472
Deferred revenues	<u>-</u>	<u>86,138</u>
 Total liabilities	 <u>8,648</u>	 <u>221,842</u>
 <b>FUND BALANCES</b>		
Unreserved	<u>40,732</u>	<u>(73,353)</u>
 Total liabilities and fund balances	 <u><u>\$ 49,380</u></u>	 <u><u>\$ 148,489</u></u>

**CITY OF McALLEN , TEXAS**  
**MISCELLANEOUS GOVERNMENT GRANTS FUND**  
**TATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>REVENUES</b>		
Intergovernmental	\$ 2,495,282	\$ 1,449,592
Investment earnings	1,642	-
Other	<u>166,474</u>	<u>166,219</u>
Total revenues	<u>2,663,398</u>	<u>1,615,811</u>
<b>EXPENDITURES</b>		
Current:		
General government	137,951	90,195
Public safety	2,324,957	1,560,900
Health and welfare	-	61,415
Culture and recreation	<u>28,460</u>	<u>28,320</u>
Total expenditures	<u>2,491,368</u>	<u>1,740,830</u>
Excess of revenues over expenditures	<u>172,030</u>	<u>(125,019)</u>
Transfers out	<u>(57,945)</u>	<u>-</u>
Total other financing sources (uses)	<u>(57,945)</u>	<u>-</u>
Net changes in fund balances	114,085	(125,019)
Fund balances--beginning	<u>(73,353)</u>	<u>51,666</u>
Fund balances--ending	<u><u>\$ 40,732</u></u>	<u><u>\$ (73,353)</u></u>

**CITY OF McALLEN , TEXAS**  
**CRIMINAL JUSTICE DEPARTMENT FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash	\$ 6,171	\$ 124,826
Certificate of deposit	310,622	604,285
Investments	435,383	99,346
Other receivables	272,690	333,219
Due from other governments	<u>26,773</u>	<u>222,646</u>
 Total assets	 <u><u>\$ 1,051,639</u></u>	 <u><u>\$ 1,384,322</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 95	\$ 3,013
Deferred revenues	<u>272,579</u>	<u>333,219</u>
 Total liabilities	 <u>272,674</u>	 <u>336,232</u>
 <b>FUND BALANCES</b>		
Unreserved	<u>778,965</u>	<u>1,048,090</u>
 Total liabilities and fund balances	 <u><u>\$ 1,051,639</u></u>	 <u><u>\$ 1,384,322</u></u>



**CITY OF McALLEN , TEXAS**  
**CRIMINAL JUSTICE DEPARTMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>REVENUES</b>		
Intergovernmental	\$ 821,432	\$ 1,215,550
Fines and forfeitures	138,874	288,611
Investment earnings	<u>1,832</u>	<u>885</u>
Total revenues	<u>962,138</u>	<u>1,505,046</u>
<b>EXPENDITURES</b>		
Current:		
Public safety	<u>1,231,263</u>	<u>1,718,115</u>
Total expenditures	<u>1,231,263</u>	<u>1,718,115</u>
Deficiency of revenues over expenditures	<u>(269,125)</u>	<u>(213,069)</u>
Net changes in fund balances	(269,125)	(213,069)
Fund balances--beginning	<u>1,048,090</u>	<u>1,261,159</u>
Fund balances--ending	<u><u>\$ 778,965</u></u>	<u><u>\$ 1,048,090</u></u>

**CITY OF McALLEN , TEXAS**  
**COMMUNITY DEVELOPEMENT FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash	\$ -	\$ -
Due from other governments	<u>266,474</u>	<u>132,507</u>
 Total assets	 <u><u>\$ 266,474</u></u>	 <u><u>\$ 132,507</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 222,520	\$ 80,617
Due to other funds	43,954	44,100
Accrued liabilities	<u>-</u>	<u>7,790</u>
 Total liabilities	 <u>266,474</u>	 <u>132,507</u>
 <b>FUND BALANCES</b>		
Unreserved	<u>-</u>	<u>-</u>
 Total liabilities and fund balance	 <u><u>\$ 266,474</u></u>	 <u><u>\$ 132,507</u></u>

**CITY OF McALLEN , TEXAS**  
**COMMUNITY DEVELOPMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>REVENUES</b>		
Intergovernmental	\$ 2,194,457	\$ 4,131,982
Total revenues	<u>2,194,457</u>	<u>4,131,982</u>
<b>EXPENDITURES</b>		
Current:		
General government	269,663	255,546
Public safety	292,508	16,819
Higways and streets	131,132	635,343
Health and welfare	1,440,231	3,054,404
Culture and recreation	<u>60,923</u>	<u>169,870</u>
Total expenditures	<u>2,194,457</u>	<u>4,131,982</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>
Net changes in fund balances	-	-
Fund balances--beginning	<u>-</u>	<u>-</u>
Fund balances--ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF McALLEN, TEXAS**  
**COMMUNITY DEVELOPMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 3,227,024	\$ 3,227,024	\$ 2,194,457	\$ (1,032,567)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,227,024</u>	<u>3,227,024</u>	<u>2,194,457</u>	<u>(1,032,567)</u>
Expenditures:				
Current:				
General government	290,002	290,002	269,663	20,339
Public safety	262,500	262,500	292,508	(30,008)
Highways and streets	326,000	326,000	131,132	194,868
Health and welfare	2,197,022	2,197,022	1,440,231	756,791
Culture and recreation	<u>151,500</u>	<u>151,500</u>	<u>60,923</u>	<u>90,577</u>
Total expenditures	<u>3,227,024</u>	<u>3,227,024</u>	<u>2,194,457</u>	<u>1,032,567</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	-	-	-	-
Fund balances--beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances--ending	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

**CITY OF McALLEN , TEXAS**  
**PARK DEVELOPMENT FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash	\$ 10,305	\$ 47,775
Certificate of deposit	819,411	1,601,780
Investments	1,376,362	67,059
Other receivables	<u>98</u>	<u>-</u>
Total assets	<u><b>\$ 2,206,176</b></u>	<u><b>\$ 1,716,614</b></u>
<b>LIABILITIES</b>		
Accounts payable	\$ 192,902	\$ 26,608
Accrued liabilities	<u>19,219</u>	<u>-</u>
Total liabilities	<u>212,121</u>	<u>26,608</u>
<b>FUND BALANCES</b>		
Unreserved	<u>1,994,055</u>	<u>1,690,006</u>
Total liabilities and fund balances	<u><b>\$ 2,206,176</b></u>	<u><b>\$ 1,716,614</b></u>

**CITY OF McALLEN , TEXAS**  
**PARK DEVELOPMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>REVENUES</b>		
Investment earnings	\$ 57,767	\$ 25,828
Net increase (decrease) in the fair value of investments	(1,710)	-
Other	<u>694,618</u>	<u>579,128</u>
Total revenues	<u>750,675</u>	<u>604,956</u>
<b>EXPENDITURES</b>		
Current:		
Culture and recreation	<u>446,626</u>	<u>59,455</u>
Total expenditures	<u>446,626</u>	<u>59,455</u>
Excess of revenues over expenditures	<u>304,049</u>	<u>545,501</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers out	<u>-</u>	<u>(587,295)</u>
Total other financing sources (uses)	<u>-</u>	<u>(587,295)</u>
Net changes in fund balances	304,049	(41,794)
Fund balances--beginning	<u>1,690,006</u>	<u>1,731,800</u>
Fund balances--ending	<u><u>\$ 1,994,055</u></u>	<u><u>\$ 1,690,006</u></u>

**CITY OF McALLEN, TEXAS**  
**PARK DEVELOPMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Other	\$ 526,768	\$ 526,768	\$ 694,618	\$ 167,850
Investment earnings	<u>-</u>	<u>-</u>	<u>57,767</u>	<u>57,767</u>
Total revenues	<u>526,768</u>	<u>526,768</u>	<u>750,675</u>	<u>223,907</u>
Expenditures:				
Current:				
Culture and recreation	<u>2,075,000</u>	<u>2,075,000</u>	<u>446,626</u>	<u>1,628,374</u>
Total expenditures	<u>2,075,000</u>	<u>2,075,000</u>	<u>446,626</u>	<u>1,628,374</u>
Excess (deficiency) of revenues over expenditures	<u>(1,548,232)</u>	<u>(1,548,232)</u>	<u>304,049</u>	<u>1,852,281</u>
Net changes in fund balances	(1,548,232)	(1,548,232)	304,049	1,852,281
Fund balances--beginning	<u>1,690,006</u>	<u>1,690,006</u>	<u>1,690,006</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 141,774</u></u>	<u><u>\$ 141,774</u></u>	<u><u>\$ 1,994,055</u></u>	<u><u>\$ 1,852,281</u></u>

**CITY OF McALLEN , TEXAS**  
**DEVELOPMENT CORPORATION FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash	\$ 10,300	\$ 9,548
Investments	4,422,558	3,145,938
Receivables,net:		
Taxes	2,076,952	1,906,084
Advances to other funds	<u>3,500,000</u>	<u>3,600,000</u>
 Total assets	 <u><u>\$ 10,009,810</u></u>	 <u><u>\$ 8,661,570</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 254,066	\$ 72,526
Accrued liabilities	-	-
Due to other funds	-	161,799
Deferred revenues	<u>1,173,961</u>	<u>1,065,916</u>
 Total liabilities	 <u>1,428,027</u>	 <u>1,300,241</u>
 <b>FUND BALANCES</b>		
Reserved for economic development	1,644,539	1,414,939
Reserved for advances	3,500,000	3,600,000
Unreserved	<u>3,437,244</u>	<u>2,346,390</u>
 Total fund balances	 <u>8,581,783</u>	 <u>7,361,329</u>
 Total liabilities and fund balances	 <u><u>\$ 10,009,810</u></u>	 <u><u>\$ 8,661,570</u></u>



**CITY OF McALLEN , TEXAS**  
**DEVELOPMENT CORPORATION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<b>2005</b>	<b>2004</b>
<b>REVENUES</b>		
Sales tax	\$ 12,147,531	\$ 11,400,484
Investment earnings	72,160	25,245
Other	(1)	1
Total revenues	<u>12,219,690</u>	<u>11,425,730</u>
<b>EXPENDITURES</b>		
Current:		
General government	1,375,387	897,841
Higways and streets	38,355	581,799
Health and welfare	1,501,139	1,688,621
Debt service:		
Principal	25,000	25,000
Interest and fiscal charges	<u>17,472</u>	<u>18,601</u>
Total expenditures	<u>2,957,353</u>	<u>3,211,862</u>
Excess of revenues over expenditures	<u>9,262,337</u>	<u>8,213,868</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	-	-
Transfers out	<u>(8,041,883)</u>	<u>(6,547,463)</u>
Total other financing sources (uses)	<u>(8,041,883)</u>	<u>(6,547,463)</u>
Net changes in fund balances	1,220,454	1,666,405
Fund balances--beginning	<u>7,361,329</u>	<u>5,694,925</u>
Fund balances--ending	<u><u>\$ 8,581,783</u></u>	<u><u>\$ 7,361,330</u></u>

**CITY OF McALLEN, TEXAS**  
**DEVELOPMENT CORPORATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Sales tax	\$ 11,354,213	\$ 11,354,213	\$ 12,147,531	\$ 793,318
Investment earnings	130,382	130,382	72,160	(58,222)
Net decrease in the fair value of investments	-	-	-	-
Other	<u>100,000</u>	<u>100,000</u>	<u>(1)</u>	<u>(100,001)</u>
Total revenues	<u>11,584,595</u>	<u>11,584,595</u>	<u>12,219,690</u>	<u>635,095</u>
Expenditures:				
Current:				
General government	1,743,576	1,743,576	1,375,387	368,189
Highways and streets	452,205	38,355	38,355	-
Health and welfare	1,414,176	1,414,176	1,501,139	(86,963)
Debt service:				
Principal	25,000	25,000	25,000	-
Interest and fiscal charges	<u>16,894</u>	<u>16,894</u>	<u>17,472</u>	<u>(578)</u>
Total expenditures	<u>3,651,851</u>	<u>3,238,001</u>	<u>2,957,353</u>	<u>280,648</u>
Excess (deficiency) of revenues over expenditures	<u>7,932,744</u>	<u>8,346,594</u>	<u>9,262,337</u>	<u>915,743</u>
Other financing uses:				
Transfers out	<u>(10,976,194)</u>	<u>(11,390,044)</u>	<u>(8,041,883)</u>	<u>3,348,161</u>
Total other financing uses	<u>(10,976,194)</u>	<u>(11,390,044)</u>	<u>(8,041,883)</u>	<u>3,348,161</u>
Net changes in fund balances	(3,043,450)	(3,043,450)	1,220,454	4,263,904
Fund balances--beginning	<u>7,361,329</u>	<u>7,361,329</u>	<u>7,361,329</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 4,317,879</u></u>	<u><u>\$ 4,317,879</u></u>	<u><u>\$ 8,581,783</u></u>	<u><u>\$ 4,263,904</u></u>

**CITY OF McALLEN , TEXAS**  
**CAPITAL IMPROVEMENT FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash	\$ 42,740	\$ 67,568
Certificate of deposit	13,817,192	22,315,614
Investments	5,161,610	639,026
Accrued interest receivable	31,416	-
Other receivables	132,600	-
Due from other governments	-	147,955
Advances to other funds	<u>352,716</u>	<u>352,716</u>
 Total assets	 <u><u>\$ 19,538,274</u></u>	 <u><u>\$ 23,522,879</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$ 1,102,722	\$ 534,050
Accrued liabilities	329,633	504,643
Due to other funds	<u>69,247</u>	<u>-</u>
 Total liabilities	 <u>1,501,602</u>	 <u>1,038,693</u>
<b>FUND BALANCES</b>		
Reserved for advances	352,716	352,716
Unreserved	<u>17,683,956</u>	<u>22,131,470</u>
 Total fund balances	 <u>18,036,672</u>	 <u>22,484,186</u>
 Total liabilities and fund balances	 <u><u>\$ 19,538,274</u></u>	 <u><u>\$ 23,522,879</u></u>

**CITY OF McALLEN , TEXAS**  
**CAPITAL IMPROVEMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>REVENUES</b>		
Intergovernmental	\$ 88,745	\$ 147,955
Investment earnings	523,496	497,268
Net increase (decrease) in the fair value of investments	(29,503)	-
Other	<u>838,401</u>	<u>985,966</u>
Total revenues	<u>1,421,139</u>	<u>1,631,189</u>
<b>EXPENDITURES</b>		
Current:		
General government	1,076,195	528,777
Public safety	1,846,754	500,807
Higways and streets	6,851,762	11,695,528
Culture and recreation	<u>4,625,605</u>	<u>6,169,991</u>
Total expenditures	<u>14,400,316</u>	<u>18,895,103</u>
Deficiency of revenues over expenditures	<u>(12,979,177)</u>	<u>(17,263,914)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	8,531,663	15,575,706
Transfers out	<u>-</u>	<u>(310,309)</u>
Total other financing sources (uses)	<u>8,531,663</u>	<u>15,265,397</u>
Net changes in fund balances	(4,447,514)	(1,998,517)
Fund balances--beginning	<u>22,484,186</u>	<u>24,482,703</u>
Fund balances--ending	<u><u>\$ 18,036,672</u></u>	<u><u>\$ 22,484,186</u></u>

**CITY OF McALLEN, TEXAS**  
**CAPITAL IMPROVEMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 88,745	\$ 88,745
Investment earnings	616,642	616,642	523,496	(93,146)
Net decrease in the fair value of investments	-	-	(29,503)	(29,503)
Other	<u>1,894,334</u>	<u>1,894,334</u>	<u>838,401</u>	<u>(1,055,933)</u>
 Total revenues	 <u>2,510,976</u>	 <u>2,510,976</u>	 <u>1,421,139</u>	 <u>(1,089,837)</u>
Expenditures:				
Current:				
General government	4,125,562	4,387,562	1,076,195	3,311,367
Public safety	3,124,398	3,124,398	1,846,754	1,277,644
Highways and streets	16,069,520	17,659,205	6,851,762	10,807,443
Culture and recreation	<u>9,571,585</u>	<u>10,874,859</u>	<u>4,625,605</u>	<u>6,249,254</u>
 Total expenditures	 <u>32,891,065</u>	 <u>36,046,024</u>	 <u>14,400,316</u>	 <u>21,645,708</u>
Deficiency of revenues over expenditures	<u>(30,380,089)</u>	<u>(33,535,048)</u>	<u>(12,979,177)</u>	<u>20,555,871</u>
Other financing sources (uses):				
Transfers in	9,321,973	11,821,879	8,531,663	(3,290,216)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total other financing sources (uses)	 <u>9,321,973</u>	 <u>11,821,879</u>	 <u>8,531,663</u>	 <u>(3,290,216)</u>
 Net changes in fund balances	 (21,058,116)	 (21,713,169)	 (4,447,514)	 17,265,655
Fund balances--beginning	<u>22,484,186</u>	<u>22,484,186</u>	<u>22,484,186</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 1,426,070</u></u>	<u><u>\$ 771,017</u></u>	<u><u>\$ 18,036,672</u></u>	<u><u>\$ 17,265,655</u></u>

**CITY OF McALLEN , TEXAS**  
**DRAINAGE BOND FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash	\$ 4,025	\$ 5,031
Certificate of deposit	205,215	306,576
Investments	<u>169,315</u>	<u>57,746</u>
 Total assets	 <u><u>\$ 378,555</u></u>	 <u><u>\$ 369,353</u></u>
 <b>LIABILITIES</b>		
  <b>FUND BALANCES</b>		
Unreserved	<u>378,555</u>	<u>369,353</u>
 Total liabilities and fund balances	 <u><u>\$ 378,555</u></u>	 <u><u>\$ 369,353</u></u>

**CITY OF McALLEN , TEXAS**  
**DRAINAGE BOND FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>REVENUES</b>		
Investment earnings	\$ 9,202	\$ 5,308
Total revenues	<u>9,202</u>	<u>5,308</u>
<b>EXPENDITURES</b>		
Current:		
Total expenditures	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>9,202</u>	<u>5,308</u>
Net changes in fund balances	9,202	5,308
Fund balances--beginning	<u>369,353</u>	<u>364,046</u>
Fund balances--ending	<u><u>\$ 378,555</u></u>	<u><u>\$ 369,354</u></u>

**SUPPLEMENTARY INDIVIDUAL  
ENTERPRISE FUNDS  
FINANCIAL STATEMENTS AND  
SCHEDULES**



**CITY OF McALLEN , TEXAS**  
**WATER FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 127,536	\$ 70,291
Certificate of deposit	137,957	317,677
Investments	5,226,965	5,216,809
Receivables, net:		
Accounts	1,630,680	1,386,644
Accrued interest	59,701	46,611
Due from other funds	-	-
Inventories, at cost	<u>45,716</u>	<u>24,030</u>
 Total current assets	 <u>7,228,555</u>	 <u>7,062,062</u>
 Restricted assets:		
Cash	98,185	23,438
Certificate of deposit	11,272,791	13,758,486
Money market savings	-	962,829
Investments	5,271,516	2,035,091
Accrued interest	<u>22,629</u>	<u>3,025</u>
 Total restricted assets	 <u>16,665,121</u>	 <u>16,782,869</u>
 Capital assets:		
Land	2,290,592	2,115,109
Buildings and systems	48,177,273	30,392,087
Improvements other than buildings	35,575,222	35,562,607
Machinery and equipment	3,055,448	2,823,377
Construction in progress	<u>1,791,256</u>	<u>16,586,132</u>
 Total capital assets	 90,889,791	 87,479,312
Less accumulated depreciation	<u>(29,700,585)</u>	<u>(27,235,774)</u>
 Net capital assets	 <u>61,189,206</u>	 <u>60,243,538</u>
 Other assets		
Loans receivable	94,861	98,844
Other assets, net	<u>2,333,261</u>	<u>1,784,959</u>
 Total other assets	 <u>2,428,122</u>	 <u>1,883,803</u>
 Total assets	 <u><u>\$ 87,511,004</u></u>	 <u><u>\$ 85,972,272</u></u>

**CITY OF McALLEN , TEXAS**  
**WATER FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 444,021	\$ 279,513
Accrued expenses	53,364	131,444
Other	<u>19,780</u>	<u>5,840</u>
Total current liabilities	<u>517,165</u>	<u>416,797</u>
Current liabilities(payable from restricted assets):		
Accounts payable	58,082	92,677
Accrued expenses	260,929	951,274
Current portion of revenue bonds	753,200	597,600
Customer deposits	<u>1,576,962</u>	<u>1,561,341</u>
Total liabilities(payable from restricted assets)	<u>2,649,173</u>	<u>3,202,892</u>
Other noncurrent liabilities:		
Revenue bonds, net of current portion and discount	24,764,023	25,860,800
Deferred revenues	260,694	190,967
Arbitrage payable	623,651	554,636
Accumulated unpaid compensated absences	<u>226,400</u>	<u>188,659</u>
Total other noncurrent liabilities	<u>25,874,768</u>	<u>26,795,062</u>
Total liabilities	<u>29,041,106</u>	<u>30,414,751</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	36,256,623	33,993,090
Restricted for:		
Improvements	14,517,854	13,770,170
Debt service	250,756	199,201
Unrestricted	<u>7,444,665</u>	<u>7,595,060</u>
Total net assets	<u>58,469,898</u>	<u>55,557,521</u>
Total liabilities and net assets	<u><u>\$ 87,511,004</u></u>	<u><u>\$ 85,972,272</u></u>

**CITY OF McALLEN , TEXAS**  
**WATER FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Charges for services	\$ 13,548,751	\$ 11,511,690
Total operating revenues	<u>13,548,751</u>	<u>11,511,690</u>
Operating expenses:		
Salaries, wages and employee benefits	3,770,012	3,354,976
Supplies	2,444,468	1,905,960
Contractual and other services	1,993,228	1,670,238
Repairs and maintenance	609,545	446,680
Depreciation and amortization	2,617,482	2,327,232
Other	<u>68,845</u>	<u>264,008</u>
Total operating expenses	<u>11,503,580</u>	<u>9,969,094</u>
Operating income	<u>2,045,171</u>	<u>1,542,596</u>
Nonoperating revenues (expenses):		
Investment earnings	617,665	974,157
Net increase (decrease) in the fair value of investments	(89,767)	(21,446)
Interest expense	(1,105,234)	(885,974)
Capitalized interest	290,269	556,860
Other	<u>938,348</u>	<u>860,399</u>
Net nonoperating revenues (expenses)	<u>651,281</u>	<u>1,483,996</u>
Income (loss) before contributions and transfers	<u>2,696,452</u>	<u>3,026,592</u>
Capital contributions	65,927	38,395
Transfers in	150,000	-
Transfers out	<u>-</u>	<u>(6,029,376)</u>
Changes in net assets	2,912,379	(2,964,389)
Total net assets--beginning	<u>55,557,521</u>	<u>58,521,911</u>
Total net assets--ending	<u><u>\$ 58,469,900</u></u>	<u><u>\$ 55,557,522</u></u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers and users	\$ 13,308,698	\$ 11,257,310
Payments to employees	(3,809,801)	(3,367,448)
Payments to suppliers	(5,294,881)	(4,940,522)
Other receipts	<u>938,348</u>	<u>860,399</u>
Net cash provided by operating activities	<u>5,142,364</u>	<u>3,809,739</u>
<b>Cash flows from noncapital financing activities:</b>		
Transfers from other funds	150,000	-
Transfers to other funds	<u>-</u>	<u>(6,029,376)</u>
Cash provided by non-capital financing activities	<u>150,000</u>	<u>(6,029,376)</u>
<b>Cash flow from capital and related financing activities:</b>		
Purchases of capital assets	(4,045,527)	(6,610,793)
Principal paid on capital debt	(941,177)	(564,000)
Interest paid on capital debt	<u>(1,050,535)</u>	<u>(920,924)</u>
Net cash used by capital and related financing activities	<u>(6,037,239)</u>	<u>(8,095,717)</u>
<b>Cash flow from investing activities:</b>		
Investment activity net	381,663	9,353,353
Receipt of interest	<u>495,204</u>	<u>949,686</u>
Net cash used by investing activities	<u>876,867</u>	<u>10,303,039</u>
Net increase in cash	131,992	(12,315)
Cash at beginning of year	<u>93,729</u>	<u>106,044</u>
Cash at end of year	<u><u>\$ 225,721</u></u>	<u><u>\$ 93,729</u></u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 127,536	\$ 70,291
Restricted	<u>98,185</u>	<u>23,438</u>
Total cash	<u><u>\$ 225,721</u></u>	<u><u>\$ 93,729</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ 2,045,171</u>	<u>\$ 2,099,456</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	2,617,482	2,327,232
(Increase) decrease in accounts receivable	(240,053)	(254,380)
(Increase) decrease in inventories	(21,686)	(484)
Increase (decrease) in customer deposits	15,621	(70,876)
Increase (decrease) in accounts payable	129,913	(992,728)
Increase (decrease) in compensated absences payable	37,741	17,638
Increase (decrease) in accrued liabilities	(823,124)	71,436
Increase (decrease) in other liabilities	82,955	(232,905)
Increase (decrease) in deferred revenues	69,727	(15,049)
Miscellaneous income (expense)	<u>1,228,617</u>	<u>860,399</u>
Total adjustments	<u>3,097,193</u>	<u>1,710,283</u>
Net cash provided (used) by operating activities	<u><u>\$ 5,142,364</u></u>	<u><u>\$ 3,809,739</u></u>
<b>Noncash investing, capital, and financing activities:</b>		
Contributions of capital assets from government	65,927	38,395
Increase in fair value of investments	(89,767)	(21,446)

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Water sales				
Residential customers	\$ 6,975,149	\$ 6,975,149	\$ 7,409,240	\$ 434,091
Commercial accounts	3,867,853	3,867,853	4,348,729	480,876
Industrial customers	<u>522,920</u>	<u>522,920</u>	<u>585,719</u>	<u>62,799</u>
Total water sales	<u>11,365,922</u>	<u>11,365,922</u>	<u>12,343,688</u>	<u>977,766</u>
Service charges:				
Tap fees	380,000	380,000	549,036	169,036
Connect fees	90,000	90,000	110,160	20,160
Reconnect fees	160,000	160,000	148,765	(11,235)
Other	<u>-</u>	<u>-</u>	<u>397,102</u>	<u>397,102</u>
Total service charges	<u>630,000</u>	<u>630,000</u>	<u>1,205,063</u>	<u>575,063</u>
Total operating revenues	<u>11,995,922</u>	<u>11,995,922</u>	<u>13,548,751</u>	<u>1,552,829</u>
Non-operating revenues:				
Investment earnings	395,600	395,600	617,665	222,065
Net increase (decrease) in fair value of investment	-	-	(89,767)	(89,767)
Other	<u>609,500</u>	<u>609,500</u>	<u>1,004,275</u>	<u>394,775</u>
Total non-operating revenues	<u>1,005,100</u>	<u>1,005,100</u>	<u>1,532,173</u>	<u>527,073</u>
Total revenues	<u>13,001,022</u>	<u>13,001,022</u>	<u>15,080,924</u>	<u>2,079,902</u>
Expenses:				
Water plant:				
Salaries and benefits	1,016,404	1,049,695	1,052,905	(3,210)
Supplies and raw water purchases	1,937,410	2,230,623	2,297,801	(67,178)
Contractual and other services	1,173,032	1,105,461	1,109,954	(4,493)
Repairs and maintenance	<u>218,415</u>	<u>268,723</u>	<u>277,944</u>	<u>(9,221)</u>
Total water plant	<u>4,345,261</u>	<u>4,654,502</u>	<u>4,738,604</u>	<u>(84,102)</u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Water lab:				
Salaries and benefits	\$ 169,013	\$ 173,775	\$ 175,884	\$ (2,109)
Supplies	48,630	35,994	34,338	1,656
Contractual and other services	18,380	18,380	10,744	7,636
Repairs and maintenance	<u>11,811</u>	<u>17,947</u>	<u>16,897</u>	<u>1,050</u>
Total water lab	<u>247,834</u>	<u>246,096</u>	<u>237,863</u>	<u>8,233</u>
Transmission and distribution:				
Salaries and benefits	1,020,016	1,043,232	1,037,833	5,399
Supplies	24,628	21,803	18,082	3,721
Contractual and other services	38,866	33,594	37,114	(3,520)
Repairs and maintenance	<u>216,860</u>	<u>231,457</u>	<u>237,907</u>	<u>(6,450)</u>
Total Transmission and distribution	<u>1,300,370</u>	<u>1,330,086</u>	<u>1,330,936</u>	<u>(850)</u>
Water meters:				
Salaries and benefits	431,004	439,839	413,692	26,147
Supplies	20,300	13,700	13,535	165
Contractual and other services	17,850	15,750	15,560	190
Repairs and maintenance	<u>51,450</u>	<u>47,950</u>	<u>47,828</u>	<u>122</u>
Total water meters	<u>520,604</u>	<u>517,239</u>	<u>490,615</u>	<u>26,624</u>
Utility billing:				
Salaries and benefits	227,509	233,222	226,116	7,106
Supplies	32,050	29,350	25,221	4,129
Contractual and other services	196,850	201,850	198,458	3,392
Repairs and maintenance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total utility billing	<u>456,409</u>	<u>464,422</u>	<u>449,795</u>	<u>14,627</u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Customer relations:				
Salaries and benefits	\$ 435,394	\$ 445,478	\$ 426,972	\$ 18,506
Supplies	131,060	52,660	50,428	2,232
Contractual and other services	63,765	57,715	40,653	17,062
Repairs and maintenance	<u>1,200</u>	<u>24,600</u>	<u>25,067</u>	<u>(467)</u>
Total customer relations	<u>631,419</u>	<u>580,453</u>	<u>543,120</u>	<u>37,333</u>
Administration:				
Salaries and benefits	659,578	548,854	436,610	112,244
Supplies	4,906	4,906	5,063	(157)
Contractual and other services	662,835	485,768	490,672	(4,904)
Repairs and maintenance	<u>7,235</u>	<u>4,125</u>	<u>3,902</u>	<u>223</u>
Total administration	<u>1,334,554</u>	<u>1,043,653</u>	<u>936,247</u>	<u>107,406</u>
Non-departmental expenses:				
Liability insurance	90,073	90,073	90,073	-
Interest and fiscal charges	1,275,724	1,275,724	1,105,234	170,490
Bond principal requirements	597,600	597,600	-	597,600
Capitalized interest	-	-	(290,269)	290,269
Other	-	-	68,845	(68,845)
Capital outlay	<u>3,993,458</u>	<u>5,254,146</u>	<u>3,108,713</u>	<u>2,145,433</u>
Total non-departmental expenses	<u>5,956,855</u>	<u>7,217,543</u>	<u>4,082,596</u>	<u>3,134,947</u>
Total expenses	<u>14,793,306</u>	<u>16,053,994</u>	<u>12,809,776</u>	<u>3,244,218</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(1,792,284)	(3,052,972)	2,271,148	5,324,120
Transfers:				
Transfers in	-	150,000	150,000	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net transfers	<u>-</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>



**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Excess (deficiency) of revenues over budget	<u>\$ (1,792,284)</u>	<u>\$ (2,902,972)</u>	<u>\$ 2,421,148</u>	<u>\$ 5,324,120</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(2,617,482)	(2,617,482)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	3,108,712	3,108,712
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as a reduction of bonds payable per GAAP basis	<u>597,600</u>	<u>597,600</u>	<u>-</u>	<u>597,600</u>
Net income-GAAP basis	<u><u>\$ (2,389,884)</u></u>	<u><u>\$ (3,500,572)</u></u>	<u><u>\$ 2,912,378</u></u>	<u><u>\$ 6,412,950</u></u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**IN RESTRICTED ACCOUNTS**  
**For Fiscal Year Ended September 30, 2005**

	<u>Current Debt Service</u>	<u>Customer Deposits</u>
Cash, certificates of deposit, and investments at September 30, 2004	\$ 349,916	\$ 1,561,380
Cash receipts:		
Transfers in	1,810,009	-
Operating activities	-	-
Operating activities	-	532,359
Valuation allowance	-	-
Reimbursements	-	-
Bond proceeds	-	-
Interest received	-	-
Accrued interest	-	-
Total cash receipts	<u>1,810,009</u>	<u>532,359</u>
Total cash available	<u>2,159,925</u>	<u>2,093,739</u>
Cash disbursements:		
Transfers out	-	-
Refunds	-	516,777
Capital acquisition	-	-
Principal payments	597,600	-
Interest and fiscal charges (net)	<u>1,105,234</u>	<u>-</u>
Total cash disbursements	<u>1,702,834</u>	<u>516,777</u>
Cash, certificates of deposit, and investments at September 30, 2005	<u><u>\$ 457,091</u></u>	<u><u>\$ 1,576,962</u></u>
Cash, certificates of deposit, and investments at September 30, 2005 is comprised of the following:		
Cash	\$ -	\$ -
Certificates of deposit	-	1,576,962
Investments (net)	457,091	-
Accrued Interest	-	-
Totals	<u><u>\$ 457,091</u></u>	<u><u>\$ 1,576,962</u></u>

<u>Depreciation</u>	<u>Capital Improvement</u>	<u>Water Bond '99 &amp; '00</u>	<u>Total</u>
\$ 3,114,036	\$ 10,792,537	\$ 965,037	\$ 16,782,906
881,734	2,303,758	150,000	5,145,501
-	-	-	-
-	-	-	532,359
(3,292)	(22,108)	-	(25,400)
-	-	-	-
-	-	-	-
87,530	280,102	10,289	377,921
	-	-	-
965,972	2,561,752	160,289	6,190,670
4,080,008	13,354,289	1,125,326	22,973,576
-	-	-	-
-	-	-	516,777
546,001	2,256,592	1,104,310	3,906,903
-	-	-	597,600
-	-	-	1,105,234
546,001	2,256,592	1,104,310	6,126,514
<u>\$ 3,534,007</u>	<u>\$ 11,097,697</u>	<u>\$ 21,016</u>	<u>\$ 16,686,773</u>
\$ 39,946	\$ 37,670	\$ 20,568	\$ 98,184
2,476,922	7,240,560	-	11,294,444
1,014,697	3,799,280	448	5,271,516
2,442	20,187	-	22,629
<u>\$ 3,534,007</u>	<u>\$ 11,097,697</u>	<u>\$ 21,016</u>	<u>\$ 16,686,773</u>

**CITY OF McALLEN , TEXAS**  
**SEWER FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 95,994	\$ 79,346
Certificate of deposit	3,192,911	3,963,628
Investments	4,287,726	3,520,139
Receivables, net:		
Accounts	1,210,712	1,094,245
Accrued interest	34,186	21,096
Other	21,401	18,288
	<u>8,842,930</u>	<u>8,696,742</u>
Total currents assets		
Restricted assets:		
Cash	17,168	22,534
Certificate of deposit	11,851,613	4,358,621
Money market savings	-	8,451,983
Investments	6,755,471	2,248,572
Accrued interest	34,776	13,424
	<u>18,659,028</u>	<u>15,095,134</u>
Total restricted assets		
Capital assets:		
Land	760,679	734,993
Buildings and systems	1,948,375	1,948,375
Improvements other than buildings	50,095,380	48,097,409
Machinery and equipment	4,911,209	4,675,766
Construction in progress	11,440,534	1,775,917
	<u>69,156,177</u>	<u>57,232,460</u>
Total capital assets		
Less accumulated depreciation	<u>(29,504,571)</u>	<u>(27,466,313)</u>
	<u>39,651,606</u>	<u>29,766,147</u>
Net capital assets		
Other assets		
Loans receivable	94,861	98,844
Other assets, net	681,444	116,266
	<u>776,305</u>	<u>215,110</u>
Total other assets		
Total assets	<u><u>\$ 67,929,869</u></u>	<u><u>\$ 53,773,133</u></u>

**CITY OF McALLEN , TEXAS**  
**SEWER FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 186,974	\$ 136,024
Accrued expenses	<u>33,198</u>	<u>84,167</u>
Total current liabilities	<u>220,172</u>	<u>220,191</u>
Liabilities(payable from restricted assets):		
Accounts payable	707,593	36,783
Accrued expenses	591,277	193,696
Current portion of revenue bonds	<u>1,136,800</u>	<u>1,172,400</u>
Total liabilities(payable from restricted assets)	<u>2,435,670</u>	<u>1,402,879</u>
Other noncurrent liabilities:		
Revenue bonds, net of current portion and discou	19,457,447	8,994,200
Deferred revenues	1,075,000	1,135,084
Arbitrage payable	279,906	205,139
Accumulated unpaid compensated absences	<u>168,332</u>	<u>144,255</u>
Total other noncurrent liabilities	<u>20,980,685</u>	<u>10,478,678</u>
Total liabilities	<u>23,636,527</u>	<u>12,101,748</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	27,469,093	27,996,769
Restricted for:		
Debt service	378,689	390,800
Improvements	9,011,182	6,076,226
Unrestricted	<u>7,434,378</u>	<u>7,207,590</u>
Total net assets	<u>44,293,342</u>	<u>41,671,385</u>
Total liabilities and net assets	<u><u>\$ 67,929,869</u></u>	<u><u>\$ 53,773,133</u></u>

**CITY OF McALLEN , TEXAS**  
**SEWER FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Charges for services	\$ 10,506,385	\$ 9,246,476
Total operating revenues	<u>10,506,385</u>	<u>9,246,476</u>
Operating expenses:		
Salaries, wages and employee benefits	2,348,044	2,184,296
Supplies	535,506	412,825
Contractual and other services	2,516,904	2,275,572
Repairs and maintenance	332,545	316,421
Depreciation and amortization	2,074,924	1,976,065
Other	<u>(153,437)</u>	<u>(539,366)</u>
Total operating expenses	<u>7,654,486</u>	<u>6,625,813</u>
Operating income	<u>2,851,899</u>	<u>2,620,663</u>
Nonoperating revenues (expenses):		
Investment earnings	702,585	481,439
Net increase (decrease) in the fair value of investments	(70,970)	(9,671)
Interest expense	(1,044,476)	(1,071,455)
Other	<u>291,159</u>	<u>199,336</u>
Net nonoperating revenues (expenses)	<u>(121,702)</u>	<u>(400,351)</u>
Income (loss) before contributions and transfers	<u>2,730,197</u>	<u>2,220,312</u>
Capital contributions	41,760	63,200
Transfers in	-	6,029,376
Transfers out	<u>(150,000)</u>	<u>-</u>
Changes in net assets	2,621,957	8,312,888
Total net assets--beginning	<u>41,671,385</u>	<u>33,358,497</u>
Total net assets--ending	<u><u>\$ 44,293,342</u></u>	<u><u>\$ 41,671,385</u></u>

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers and users	\$ 10,390,788	\$ 9,094,916
Payments to employees	(2,374,936)	(2,189,430)
Payments to suppliers	(2,092,191)	(2,767,449)
Other receipts	<u>291,159</u>	<u>199,336</u>
Net cash provided by operating activities	<u>6,214,820</u>	<u>4,337,373</u>
<b>Cash flows from noncapital financing activities:</b>		
Transfers from other funds	-	6,029,376
Transfers to other funds	<u>(150,000)</u>	<u>-</u>
Cash provided by non-capital financing activities	<u>(150,000)</u>	<u>6,029,376</u>
<b>Cash flow from capital and related financing activities:</b>		
Purchases of capital assets	(12,483,801)	(3,138,992)
Principal paid on capital debt	10,427,647	(1,111,000)
Interest paid on capital debt	<u>(1,049,779)</u>	<u>(1,051,577)</u>
Net cash used by capital and related financing activities	<u>(3,105,933)</u>	<u>(5,301,569)</u>
<b>Cash flow from investing activities:</b>		
Investment activity net	(3,544,778)	(5,591,714)
Receipt of interest	<u>597,173</u>	<u>464,711</u>
Net cash used by investing activities	<u>(2,947,605)</u>	<u>(5,127,003)</u>
Net increase in cash	11,282	(61,823)
Cash at beginning of year	<u>101,880</u>	<u>163,703</u>
Cash at end of year	<u><u>\$ 113,162</u></u>	<u><u>\$ 101,880</u></u>

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 95,994	\$ 79,346
Restricted	<u>17,168</u>	<u>22,534</u>
Total cash	<u><u>\$ 113,162</u></u>	<u><u>\$ 101,880</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ 2,851,899</u>	<u>\$ 2,620,663</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	2,074,924	1,976,065
(Increase) decrease in accounts receivable	(115,597)	(151,560)
Increase (decrease) in accounts payable	721,760	(120,300)
Increase (decrease) in compensated absences payable	24,077	21,081
Increase (decrease) in accrued liabilities	351,915	(61,769)
Increase (decrease) in other liabilities	74,767	(86,143)
Increase (decrease) in deferred revenues	(60,084)	(60,000)
Miscellaneous income (expense)	<u>291,159</u>	<u>199,336</u>
Total adjustments	<u>3,362,921</u>	<u>1,716,710</u>
Net cash provided (used) by operating activities	<u><u>\$ 6,214,820</u></u>	<u><u>\$ 4,337,373</u></u>
<b>Noncash investing, capital, and financing activities:</b>		
Contributions of capital assets from government	41,760	63,200
Increase in fair value of investments	(70,970)	(9,671)



**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Sewer service charges	\$ 9,830,116	\$ 9,830,116	\$ 10,231,208	\$ 401,092
Industrial surcharges	<u>254,803</u>	<u>254,803</u>	<u>275,177</u>	<u>20,374</u>
Total operating revenues	<u>10,084,919</u>	<u>10,084,919</u>	<u>10,506,385</u>	<u>421,466</u>
Non-operating revenues:				
Investment earnings	292,946	292,946	702,585	409,639
Net increase (decrease) in fair value of investment	-	-	(70,970)	(70,970)
Other	<u>10,123,000</u>	<u>10,123,000</u>	<u>332,919</u>	<u>(9,790,081)</u>
Total non-operating revenues	<u>10,415,946</u>	<u>10,415,946</u>	<u>964,534</u>	<u>(9,451,412)</u>
Total revenues	<u>20,500,865</u>	<u>20,500,865</u>	<u>11,470,919</u>	<u>(9,029,946)</u>
Expenses:				
Sewer plant:				
Salaries and benefits	1,250,688	1,293,516	1,279,409	14,107
Supplies	232,400	184,040	196,551	(12,511)
Contractual and other services	1,364,375	1,625,575	1,659,231	(33,656)
Repairs and maintenace	326,300	281,990	146,641	135,349
Capital outlay	<u>-</u>	<u>-</u>	<u>6,526</u>	<u>(6,526)</u>
Total sewer plant	<u>3,173,763</u>	<u>3,385,121</u>	<u>3,288,358</u>	<u>96,763</u>
Sewer lab:				
Salaries and benefits	162,085	166,076	163,390	2,686
Supplies	57,505	57,505	20,517	36,988
Contractual and other services	9,304	9,304	6,944	2,360
Repairs and maintenace	5,800	5,800	3,312	2,488
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total sewer lab	<u>234,694</u>	<u>238,685</u>	<u>194,163</u>	<u>44,522</u>

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Sewer collection:				
Salaries and benefits	\$ 587,191	\$ 600,389	\$ 582,467	\$ 17,922
Supplies	326,500	326,500	314,132	12,368
Contractual and other services	259,865	240,865	234,926	5,939
Repairs and maintenance	182,000	201,000	182,592	18,408
Capital outlay	-	-	-	-
Total sewer collection	<u>1,355,556</u>	<u>1,368,754</u>	<u>1,314,117</u>	<u>54,637</u>
Administration:				
Salaries and benefits	381,413	402,825	322,778	80,047
Supplies	5,000	5,000	4,306	694
Contractual and other services	766,798	605,770	543,602	62,168
Repairs and maintenance	4,800	4,800	-	4,800
Capital outlay	-	-	-	-
Total administration	<u>1,158,011</u>	<u>1,018,395</u>	<u>870,686</u>	<u>147,709</u>
Non-departmental expenses:				
Liability insurance	72,201	72,201	72,201	-
Interest and fiscal charges	1,414,881	1,414,881	1,044,476	370,405
Bond principal requirements	1,172,400	1,172,400	-	1,172,400
Other	-	-	(153,437)	153,437
Capital outlay	<u>18,813,674</u>	<u>24,486,390</u>	<u>11,662,571</u>	<u>12,823,819</u>
Total non-departmental expenses	<u>21,562,087</u>	<u>27,145,872</u>	<u>12,625,811</u>	<u>14,520,061</u>
Total expenses	<u>27,484,111</u>	<u>33,156,827</u>	<u>18,293,135</u>	<u>14,863,692</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(6,983,246)	(12,655,962)	(6,822,216)	5,833,746
Transfers:				
Transfers out	-	(150,000)	(150,000)	-
Net transfers	<u>-</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Excess (deficiency) of revenues over budget	\$ (6,983,246)	\$ (12,805,962)	\$ (6,972,216)	\$ 5,833,746
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(2,074,924)	(2,074,924)
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as reduction of bonds payable per GAAP basis	1,172,400	1,172,400	-	1,172,400
Capital outly-amounts budgeted as expenses, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>11,669,097</u>	<u>11,669,097</u>
Net income-GAAP basis	<u>\$ (8,155,646)</u>	<u>\$ (13,978,362)</u>	<u>\$ 2,621,957</u>	<u>\$ 16,600,319</u>

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**IN RESTRICTED ACCOUNTS**  
**For Fiscal Year Ended September 30, 2005**

	<u>Current Debt Service</u>	<u>Depreciation</u>
Cash, certificates of deposit, and investments at September 30, 2004	\$ 561,432	\$ 5,002,349
Cash receipts:		
Transfers from operating cash	2,200,456	1,024,860
Valuation allowance	-	(24,524)
Interest received	-	153,118
Total cash receipts	<u>2,200,456</u>	<u>1,153,454</u>
Total cash available	<u>2,761,888</u>	<u>6,155,803</u>
Cash disbursements:		
Principal payments	1,172,400	-
Interest and fiscal charges (net)	1,044,477	-
Capital acquisitions	-	499,879
Total cash disbursements	<u>2,216,877</u>	<u>499,879</u>
Cash, certificates of deposit, and investments at September 30, 2005	<u><u>\$ 545,011</u></u>	<u><u>\$ 5,655,924</u></u>
Cash, certificates of deposit, and investments at September 30, 2005 is comprised of the following:		
Cash	\$ -	\$ 4,942
Certificates of deposit	-	2,759,149
Investments (net)	545,011	2,866,096
Accrued Interest	-	25,737
Totals	<u><u>\$ 545,011</u></u>	<u><u>\$ 5,655,924</u></u>

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<u>Capital Improvement</u>	<u>Sewer Bond '99 &amp; '00</u>	<u>Total</u>
<u>\$ 1,075,576</u>	<u>\$ 8,455,775</u>	<u>\$ 15,095,132</u>
2,821,000	10,016,000	16,062,316
(8,075)	-	(32,599)
<u>68,562</u>	<u>277,230</u>	<u>498,910</u>
<u>2,881,487</u>	<u>10,293,230</u>	<u>26,821,857</u>
<u>3,957,063</u>	<u>18,749,005</u>	<u>41,916,989</u>
-	-	1,172,400
-	-	1,044,477
<u>576,659</u>	<u>9,671,317</u>	<u>10,747,855</u>
<u>576,659</u>	<u>9,671,317</u>	<u>12,964,732</u>
<u><u>\$ 3,380,404</u></u>	<u><u>\$ 9,077,688</u></u>	<u><u>\$ 18,659,027</u></u>
\$ 8,445	\$ 3,781	\$ 17,168
616,096	8,476,367	11,851,612
2,746,824	597,540	6,755,471
<u>9,039</u>	<u>-</u>	<u>34,776</u>
<u><u>\$ 3,380,404</u></u>	<u><u>\$ 9,077,688</u></u>	<u><u>\$ 18,659,027</u></u>

**CITY OF McALLEN , TEXAS**  
**SANITATION FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 21,139	\$ 6,324
Certificate of deposit	1,704,407	1,561,118
Investments	139,536	175,953
Receivables, net:		
Accounts	<u>1,439,924</u>	<u>1,169,404</u>
 Total currents assets	 <u>3,305,006</u>	 <u>2,912,799</u>
 Restricted assets:		
Cash	1,844	26,546
Certificate of deposit	823,342	1,018,649
Investments	725,208	125,692
Accrued interest	<u>4,529</u>	<u>-</u>
 Total restricted assets	 <u>1,554,923</u>	 <u>1,170,887</u>
 Capital assets:		
Land	718,348	718,348
Buildings	1,822,853	1,802,403
Improvements other than buildings	500,029	478,234
Machinery and equipment	<u>11,172,866</u>	<u>10,426,799</u>
 Total capital assets	 14,214,096	 13,425,784
Less accumulated depreciation	<u>(7,963,503)</u>	<u>(7,728,927)</u>
 Net capital assets	 <u>6,250,593</u>	 <u>5,696,857</u>
  Total assets	  <u><u>\$ 11,110,522</u></u>	  <u><u>\$ 9,780,543</u></u>

**CITY OF McALLEN , TEXAS**  
**SANITATION FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 397,147	\$ 377,347
Accrued expenses	54,300	126,473
Due to other funds	<u>80,092</u>	<u>-</u>
Total current liabilities	<u>531,539</u>	<u>503,820</u>
Liabilities(payable from restricted assets):	<u></u>	<u></u>
Other noncurrent liabilities:		
Deferred revenues	182,764	120,403
Accumulated unpaid compensated absences	113,043	114,547
Advances from other funds	<u>1,400,000</u>	<u>1,400,000</u>
Total other noncurrent liabilities	<u>1,695,807</u>	<u>1,634,950</u>
Total liabilities	<u>2,227,346</u>	<u>2,138,770</u>
<b>NET ASSETS</b>		
Invested in capital assets	6,250,593	5,696,857
Restricted for improvements	1,554,923	1,170,887
Unrestricted	<u>1,077,660</u>	<u>774,029</u>
Total net assets	<u>8,883,176</u>	<u>7,641,773</u>
Total liabilities and net assets	<u><u>\$ 11,110,522</u></u>	<u><u>\$ 9,780,543</u></u>

**CITY OF McALLEN , TEXAS**  
**SANITATION FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Charges for services	\$ 11,171,374	\$ 10,215,117
Total operating revenues	<u>11,171,374</u>	<u>10,215,117</u>
Operating expenses:		
Salaries, wages and employee benefits	3,670,688	3,318,758
Supplies	103,340	149,311
Contractual and other services	3,576,288	3,421,407
Repairs and maintenance	1,950,258	1,617,419
Depreciation and amortization	<u>924,400</u>	<u>866,548</u>
Total operating expenses	<u>10,224,974</u>	<u>9,373,443</u>
Operating income	<u>946,400</u>	<u>841,674</u>
Nonoperating revenues (expenses):		
Investment earnings	93,966	43,010
Net increase (decrease) in the fair value of investments	(2,246)	-
Other	<u>189,113</u>	<u>125,088</u>
Net nonoperating revenues expenses	<u>280,833</u>	<u>168,098</u>
Income (loss) before contributions and transfers	<u>1,227,233</u>	<u>1,009,772</u>
Capital contributions	14,169	-
Changes in net assets	1,241,402	1,009,772
Total net assets--beginning	<u>7,641,774</u>	<u>6,632,001</u>
Total net assets--ending	<u><u>\$ 8,883,176</u></u>	<u><u>\$ 7,641,773</u></u>



**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers and users	\$ 10,900,854	\$ 10,047,113
Payments to employees	(3,744,365)	(3,361,567)
Payments to suppliers	(5,467,633)	(5,120,782)
Other receipts	<u>189,113</u>	<u>125,088</u>
Net cash provided by operating activities	<u>1,877,969</u>	<u>1,689,852</u>
 <b>Cash flow from capital and related financing activities:</b>		
Purchases of capital assets	<u>(1,463,966)</u>	<u>(1,126,880)</u>
Net cash used by capital and related financing activities	<u>(1,463,966)</u>	<u>(1,126,880)</u>
 <b>Cash flow from investing activities:</b>		
Investment activity net	(515,610)	(576,986)
Receipt of interest	<u>91,720</u>	<u>42,558</u>
Net cash used by investing activities	<u>(423,890)</u>	<u>(534,428)</u>
Net increase in cash	(9,887)	28,544
Cash at beginning of year	<u>32,870</u>	<u>4,326</u>
Cash at end of year	<u><u>\$ 22,983</u></u>	<u><u>\$ 32,870</u></u>

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 21,139	\$ 6,324
Restricted	<u>1,844</u>	<u>26,546</u>
Total cash	<u><u>\$ 22,983</u></u>	<u><u>\$ 32,870</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ 946,400</u>	<u>\$ 841,674</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	924,400	866,548
(Increase) decrease in accounts receivable	(270,520)	(168,004)
Increase (decrease) in accounts payable	19,800	48,919
Increase (decrease) in compensated absences payable	(1,504)	(7,684)
Increase (decrease) in accrued liabilities	(72,173)	(35,125)
Increase (decrease) in due to other funds	80,092	-
Increase (decrease) in deferred revenues	62,361	18,436
Miscellaneous income (expense)	<u>189,113</u>	<u>125,088</u>
Total adjustments	<u>931,569</u>	<u>848,178</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,877,969</u></u>	<u><u>\$ 1,689,852</u></u>
<b>Noncash investing, capital, and financing activities:</b>		
Contributions of capital assets from government	14,169	-
Increase in fair value of investments	(2,246)	-

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Solid waste collections	<u>\$ 9,939,235</u>	<u>\$ 9,939,235</u>	<u>\$ 11,171,374</u>	<u>\$ 1,232,139</u>
Non-operating revenues:				
Investment earnings	-	-	93,966	93,966
Net increase (decrease) in fair value of investment	-	-	(2,246)	(2,246)
Other	<u>227,500</u>	<u>227,500</u>	<u>203,282</u>	<u>(24,218)</u>
Total non-operating revenues	<u>227,500</u>	<u>227,500</u>	<u>295,002</u>	<u>67,502</u>
Total revenues	<u>10,166,735</u>	<u>10,166,735</u>	<u>11,466,376</u>	<u>1,299,641</u>
Expenses:				
Facilities administration:				
Salaries and benefits	273,905	278,513	302,081	(23,568)
Supplies	15,750	15,750	16,841	(1,091)
Contractual and other services	630,470	630,470	683,005	(52,535)
Repairs and maintenace	19,315	19,315	22,257	(2,942)
Capital outlay	<u>11,000</u>	<u>11,000</u>	<u>-</u>	<u>11,000</u>
Total facilities administration	<u>950,440</u>	<u>955,048</u>	<u>1,024,184</u>	<u>(69,136)</u>
Brush collection:				
Salaries and benefits	945,989	962,791	882,817	79,974
Supplies	29,170	29,170	17,385	11,785
Contractual and other services	209,500	209,500	186,247	23,253
Repairs and maintenace	328,650	328,650	488,476	(159,826)
Capital outlay	<u>19,950</u>	<u>99,950</u>	<u>-</u>	<u>99,950</u>
Total brush collection	<u>1,533,259</u>	<u>1,630,061</u>	<u>1,574,925</u>	<u>55,136</u>
Regular collection:				
Salaries and benefits	974,885	994,251	906,410	87,841
Supplies	34,559	34,559	13,644	20,915
Contractual and other services	901,200	901,200	814,088	87,112

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Repairs and maintenance	\$ 531,000	\$ 531,000	\$ 545,642	\$ (14,642)
Capital outlay	252,300	252,300	228,703	23,597
 Total regular collection	 2,693,944	 2,713,310	 2,508,487	 204,823
 Commercial box collection:				
Salaries and benefits	872,611	889,496	869,633	19,863
Supplies	43,829	43,829	17,330	26,499
Contractual and other services	1,305,480	1,265,480	1,609,506	(344,026)
Repairs and maintenance	463,900	463,900	682,959	(219,059)
Capital outlay	264,400	394,400	197,084	197,316
 Total commercial box collection	 2,950,220	 3,057,105	 3,376,512	 (319,407)
 Recycling:				
Salaries and benefits	727,228	738,214	609,548	128,666
Supplies	30,100	34,566	31,223	3,343
Contractual and other services	186,000	179,000	153,186	25,814
Repairs and maintenance	116,600	119,600	146,890	(27,290)
Capital outlay	129,500	129,034	124,809	4,225
 Total recycling	 1,189,428	 1,200,414	 1,065,656	 134,758
 Composting:				
Salaries and benefits	173,651	173,651	100,199	73,452
Supplies	8,500	8,500	6,917	1,583
Contractual and other services	13,080	13,080	25,358	(12,278)
Repairs and maintenance	32,000	32,000	64,034	(32,034)
Capital outlay	729,669	729,669	289,645	440,024
 Total composting	 956,900	 956,900	 486,153	 470,747
 Non-departmental expenses:				
Depreciation fund-capital outlay	904,000	904,000	623,725	280,275
Liability insurance	104,898	104,898	104,898	-
 Total non-departmental expenses	 1,008,898	 1,008,898	 728,623	 280,275

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Total expenses	<u>\$ 11,283,089</u>	<u>\$ 11,521,736</u>	<u>\$ 10,764,540</u>	<u>\$ 757,196</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(1,116,354)	(1,355,001)	701,836	2,056,837
Transfers:				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(1,116,354)</u>	<u>(1,355,001)</u>	<u>701,836</u>	<u>2,056,837</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(924,400)	(924,400)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>1,463,966</u>	<u>1,463,966</u>
Net income-GAAP basis	<u><u>\$ (1,116,354)</u></u>	<u><u>\$ (1,355,001)</u></u>	<u><u>\$ 1,241,402</u></u>	<u><u>\$ 2,596,403</u></u>

**CITY OF McALLEN , TEXAS**  
**PALMVIEW GOLF COURSE FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 32,575	\$ 24,517
Certificate of deposit	309,623	351,835
Investments	20,068	39,112
Receivables, net:		
Accounts	<u>1,579</u>	<u>573</u>
 Total currents assets	 <u>363,845</u>	 <u>416,037</u>
 Restricted assets:		
Cash	52,075	54,179
Certificate of deposit	101,803	-
Investments	<u>121,243</u>	<u>123,272</u>
 Total restricted assets	 <u>275,121</u>	 <u>177,451</u>
 Capital assets:		
Land	187,995	187,995
Buildings	211,633	211,633
Improvements other than buildings	7,426,881	7,295,137
Machinery and equipment	<u>812,999</u>	<u>824,680</u>
 Total capital assets	 8,639,508	 8,519,445
Less accumulated depreciation	<u>(3,104,694)</u>	<u>(2,811,015)</u>
 Net capital assets	 <u>5,534,814</u>	 <u>5,708,430</u>
  Total assets	  <u><u>\$ 6,173,780</u></u>	  <u><u>\$ 6,301,918</u></u>

**CITY OF McALLEN , TEXAS**  
**PALMVIEW GOLF COURSE FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 96,500	\$ 26,121
Accrued expenses	<u>11,785</u>	<u>26,443</u>
Total current liabilities	<u>108,285</u>	<u>52,564</u>
Other noncurrent liabilities:		
Deferred revenues	73,352	81,353
Other payables	-	984
Accumulated unpaid compensated absences	47,995	45,847
Advances from other funds	<u>3,500,000</u>	<u>3,600,000</u>
Total other noncurrent liabilities	<u>3,621,347</u>	<u>3,728,184</u>
Total liabilities	<u>3,729,632</u>	<u>3,780,748</u>
<b>NET ASSETS</b>		
Invested in capital assets	5,534,814	5,708,430
Restricted for improvements	275,121	177,451
Unrestricted	<u>(3,365,787)</u>	<u>(3,364,711)</u>
Total net assets	<u>2,444,148</u>	<u>2,521,170</u>
Total liabilities and net assets	<u><u>\$ 6,173,780</u></u>	<u><u>\$ 6,301,918</u></u>

**CITY OF McALLEN , TEXAS**  
**PALM VIEW GOLF COURSE FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Charges for services	\$ 1,068,863	\$ 1,049,520
Total operating revenues	<u>1,068,863</u>	<u>1,049,520</u>
Operating expenses:		
Salaries, wages and employee benefits	663,729	607,104
Supplies	115,200	93,504
Contractual and other services	149,228	118,128
Repairs and maintenance	68,856	58,811
Depreciation and amortization	<u>354,663</u>	<u>320,072</u>
Total operating expenses	<u>1,351,676</u>	<u>1,197,619</u>
Operating loss	<u>(282,813)</u>	<u>(148,099)</u>
Nonoperating revenues:		
Investment earnings	18,525	8,123
Other	<u>34,172</u>	<u>12,356</u>
Nonoperating revenues	<u>52,697</u>	<u>20,479</u>
Loss before contributions and transfers	(230,116)	(127,620)
Capital contributions	153,092	801,801
Changes in net assets	(77,024)	674,181
Total net assets--beginning	<u>2,521,170</u>	<u>1,846,989</u>
Total net assets--ending	<u><u>\$ 2,444,146</u></u>	<u><u>\$ 2,521,170</u></u>



**CITY OF McALLEN, TEXAS**  
**PALM VIEW GOLF COURSE FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers and users	\$ 1,067,857	\$ 1,058,034
Payments to employees	(676,239)	(605,331)
Payments to suppliers	(271,890)	(270,670)
Other receipts	<u>34,172</u>	<u>12,356</u>
Net cash provided by operating activities	<u>153,900</u>	<u>194,389</u>
<b>Cash flows from noncapital financing activities:</b>		
Advances from other funds	<u>(100,000)</u>	<u>(100,000)</u>
Cash provided by non-capital financing activities	<u>(100,000)</u>	<u>(100,000)</u>
<b>Cash flow from capital and related financing activities:</b>		
Purchases of capital assets	<u>(27,955)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(27,955)</u>	<u>-</u>
<b>Cash flow from investing activities:</b>		
Investment activity net	(38,516)	(90,241)
Receipt of interest	<u>18,525</u>	<u>8,123</u>
Net cash used by investing activities	<u>(19,991)</u>	<u>(82,118)</u>
Net increase in cash	5,954	12,271
Cash at beginning of year	<u>78,696</u>	<u>66,425</u>
Cash at end of year	<u><u>\$ 84,650</u></u>	<u><u>\$ 78,696</u></u>

**CITY OF McALLEN, TEXAS**  
**PALM VIEW GOLF COURSE FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 32,575	\$ 24,517
Restricted	<u>52,075</u>	<u>54,179</u>
Total cash	<u><u>\$ 84,650</u></u>	<u><u>\$ 78,696</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ (282,813)</u>	<u>\$ (148,099)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	354,663	320,072
(Increase) decrease in accounts receivable	(1,006)	8,514
Increase (decrease) in accounts payable	70,379	(13,491)
Increase (decrease) in compensated absences payable	2,148	991
Increase (decrease) in accrued liabilities	(14,658)	782
Increase (decrease) in other liabilities	(984)	484
Increase (decrease) in deferred revenues	(8,001)	12,780
Miscellaneous income (expense)	<u>34,172</u>	<u>12,356</u>
Total adjustments	<u>436,713</u>	<u>342,488</u>
Net cash provided (used) by operating activities	<u><u>\$ 153,900</u></u>	<u><u>\$ 194,389</u></u>
<b>Noncash investing, capital, and financing activities:</b>		
Contributions of capital assets from government	153,092	801,801

**CITY OF McALLEN, TEXAS**  
**PALM VIEW GOLF COURSE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Green fees	\$ 622,779	\$ 622,779	\$ 603,299	\$ (19,480)
Membership sales	115,650	115,650	134,507	18,857
Cart rental	256,056	256,056	257,302	1,246
Rentals and other sales	<u>149,577</u>	<u>149,577</u>	<u>73,755</u>	<u>(75,822)</u>
Total operating revenues	<u>1,144,062</u>	<u>1,144,062</u>	<u>1,068,863</u>	<u>(75,199)</u>
Non-operating revenues:				
Investment earnings	6,000	6,000	18,525	12,525
Other	<u>12,000</u>	<u>12,000</u>	<u>187,264</u>	<u>175,264</u>
Total non-operating revenues	<u>18,000</u>	<u>18,000</u>	<u>205,789</u>	<u>187,789</u>
Total revenues	<u>1,162,062</u>	<u>1,162,062</u>	<u>1,274,652</u>	<u>112,590</u>
Expenses:				
Salaries and benefits	715,743	738,764	663,729	75,035
Supplies	122,036	122,036	115,200	6,836
Contractual and other services	160,039	160,039	149,228	10,811
Repairs and maintenace	67,910	67,910	68,856	(946)
Other	100,000	100,000	-	100,000
Capital outlay	<u>75,000</u>	<u>75,000</u>	<u>27,955</u>	<u>47,045</u>
Total expenses	<u>1,240,728</u>	<u>1,263,749</u>	<u>1,024,968</u>	<u>238,781</u>
Excess(deficiency) of revenues over expensses (budget basis) before transfers	(78,666)	(101,687)	249,684	351,371
Excess (deficiency) of revenues over budget	<u>(78,666)</u>	<u>(101,687)</u>	<u>249,684</u>	<u>351,371</u>

**CITY OF McALLEN, TEXAS**  
**PALM VIEW GOLF COURSE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (354,663)	\$ (354,663)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>27,955</u>	<u>27,955</u>
Net income-GAAP basis	<u><u>\$ (78,666)</u></u>	<u><u>\$ (101,687)</u></u>	<u><u>\$ (77,024)</u></u>	<u><u>\$ 24,663</u></u>

**CITY OF McALLEN , TEXAS**  
**TRANSIT TERMINAL FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 8,619	\$ 361
Investments	146,914	1,142
Accounts receivable	3,679	-
Due from other funds	<u>-</u>	<u>161,799</u>
Total current assets	<u>159,212</u>	<u>163,302</u>
Capital assets:		
Land	1,684,593	1,684,593
Buildings	3,531,028	3,531,028
Machinery and equipment	<u>141,328</u>	<u>100,103</u>
Total capital assets	5,356,949	5,315,724
Less accumulated depreciation	<u>(572,904)</u>	<u>(442,175)</u>
Net capital assets	<u>4,784,045</u>	<u>4,873,549</u>
Total assets	<u><u>\$ 4,943,257</u></u>	<u><u>\$ 5,036,851</u></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 16,246	\$ 74,819
Accrued expenses	3,775	10,959
Due to other funds	<u>-</u>	<u>2,000</u>
Total current liabilities	<u>20,021</u>	<u>87,778</u>
Other noncurrent liabilities:		
Accumulated unpaid compensated absences	11,418	10,150
Advances from other funds	<u>352,716</u>	<u>352,716</u>
Total other noncurrent liabilities	<u>364,134</u>	<u>362,866</u>
Total liabilities	<u>384,155</u>	<u>450,644</u>
<b>NET ASSETS</b>		
Invested in capital assets	4,784,045	4,873,549
Unrestricted	<u>(224,943)</u>	<u>(287,342)</u>
Total net assets	<u>4,559,102</u>	<u>4,586,207</u>
Total liabilities and net assets	<u><u>\$ 4,943,257</u></u>	<u><u>\$ 5,036,851</u></u>

**CITY OF McALLEN , TEXAS**  
**TRANSIT TERMINAL FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Charges for services	\$ 281,539	\$ 267,370
Total operating revenues	<u>281,539</u>	<u>267,370</u>
Operating expenses:		
Salaries, wages and employee benefits	287,685	304,264
Supplies	29,388	26,978
Contractual and other services	174,261	394,440
Repairs and maintenance	21,817	45,986
Depreciation and amortization	<u>130,729</u>	<u>127,171</u>
Total operating expenses	<u>643,880</u>	<u>898,839</u>
Operating loss	<u>(362,341)</u>	<u>(631,469)</u>
Nonoperating revenues (expenses):		
Investment earnings	6,002	677
Other	<u>5,090</u>	<u>13,660</u>
Net nonoperating revenues expenses	<u>11,092</u>	<u>14,337</u>
Loss before contributions and transfers	<u>\$ (351,249)</u>	<u>\$ (617,132)</u>
Capital contributions	29,924	-
Transfers in	<u>294,221</u>	<u>499,003</u>
Changes in net assets	(27,104)	(118,129)
Total net assets--beginning	<u>4,586,207</u>	<u>4,704,336</u>
Total net assets--ending	<u><u>\$ 4,559,103</u></u>	<u><u>\$ 4,586,207</u></u>

**CITY OF McALLEN, TEXAS**  
**TRANSIT TERMINAL FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers and users	\$ 439,659	\$ 105,571
Payments to employees	(293,601)	(303,880)
Payments to suppliers	(286,039)	(405,334)
Other receipts	<u>\$ 5,090</u>	<u>\$ 13,660</u>
Net cash provided by operating activities	<u>(134,891)</u>	<u>(589,983)</u>
<b>Cash flows from noncapital financing activities:</b>		
Transfers from other funds	<u>294,220</u>	<u>499,003</u>
Cash provided by non-capital financing activities	<u>294,220</u>	<u>499,003</u>
<b>Cash flow from capital and related financing activities:</b>		
Purchases of capital assets	<u>(11,301)</u>	<u>(8,800)</u>
Net cash used by capital and related financing activities	<u>(11,301)</u>	<u>(8,800)</u>
<b>Cash flow from investing activities:</b>		
Investment activity net	(145,772)	100,359
Receipt of interest	<u>6,002</u>	<u>676</u>
Net cash used by investing activities	<u>(139,770)</u>	<u>101,035</u>
Net increase in cash	8,258	1,255
Cash at beginning of year	<u>361</u>	<u>(894)</u>
Cash at end of year	<u><u>\$ 8,619</u></u>	<u><u>\$ 361</u></u>

**CITY OF McALLEN, TEXAS**  
**TRANSIT TERMINAL FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 8,619	\$ 361
Restricted	<u>-</u>	<u>-</u>
Total cash	<u><u>\$ 8,619</u></u>	<u><u>\$ 361</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ (362,341)</u>	<u>\$ (631,469)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	130,729	127,171
(Increase) decrease in accounts receivable	(3,679)	-
(Increase) decrease in due from other funds	161,799	(161,799)
Increase (decrease) in accounts payable	(58,573)	60,070
Increase (decrease) in compensated absences payable	1,268	2,282
Increase (decrease) in accrued liabilities	(7,184)	(1,898)
Increase (decrease) in due to other funds	(2,000)	2,000
Miscellaneous income (expense)	<u>5,090</u>	<u>13,660</u>
Total adjustments	<u>227,450</u>	<u>41,486</u>
Net cash provided (used) by operating activities	<u><u>\$ (134,891)</u></u>	<u><u>\$ (589,983)</u></u>
<b>Noncash investing, capital, and financing activities:</b>		
Contributions of capital assets from government	29,924	-



**CITY OF McALLEN, TEXAS**  
**TRANSIT TERMINAL FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 229,502	\$ 229,502	\$ 226,928	\$ (2,574)
Concessions-other	<u>51,000</u>	<u>51,000</u>	<u>54,611</u>	<u>3,611</u>
Total operating revenues	<u>280,502</u>	<u>280,502</u>	<u>281,539</u>	<u>1,037</u>
Non-operating revenues:				
Investment earnings	-	-	6,002	6,002
Other	<u>10,000</u>	<u>10,000</u>	<u>35,014</u>	<u>25,014</u>
Total non-operating revenues	<u>10,000</u>	<u>10,000</u>	<u>41,016</u>	<u>31,016</u>
Total revenues	<u>290,502</u>	<u>290,502</u>	<u>322,555</u>	<u>32,053</u>
Expenses:				
Administration:				
Salaries and benefits	323,510	331,692	287,685	44,007
Supplies	28,680	29,081	29,388	(307)
Contractual and other services	159,234	163,833	174,261	(10,428)
Repairs and maintenace	22,516	22,516	21,817	699
Capital outlay	<u>19,000</u>	<u>14,000</u>	<u>11,301</u>	<u>2,699</u>
Total expenses	<u>552,940</u>	<u>561,122</u>	<u>524,452</u>	<u>36,670</u>

**CITY OF McALLEN, TEXAS**  
**TRANSIT TERMINAL FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Deficiency of revenues over expenses (budget basis) before transfers	\$ (262,438)	\$ (270,620)	\$ (201,897)	\$ 68,723
Transfers:				
Transfers in	<u>294,221</u>	<u>294,221</u>	<u>294,221</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>31,783</u>	<u>23,601</u>	<u>92,324</u>	<u>68,723</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(130,729)	(130,729)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>11,301</u>	<u>11,301</u>
Net income-GAAP basis	<u><u>\$ 31,783</u></u>	<u><u>\$ 23,601</u></u>	<u><u>\$ (27,104)</u></u>	<u><u>\$ (50,705)</u></u>

**CITY OF McALLEN , TEXAS**  
**McALLEN INTERNATIONAL CIVIC CENTER FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 23,024	\$ 11,655
Certificate of deposit	109,144	1,330,985
Investments	195,463	695,545
Receivables, net:		
Accounts	5,460	-
Accrued interest	-	2,112
Due from other funds	<u>93,791</u>	<u>66,382</u>
 Total currents assets	 <u>426,882</u>	 <u>2,106,679</u>
 Restricted assets:		
Cash	104,612	22,637
Certificate of deposit	1,490,028	20,133,427
Investments	9,781,300	5,465,978
Accrued interest	53,837	12,674
Due from other funds	140,686	99,574
Other	<u>31,329,784</u>	<u>5,896,143</u>
 Total restricted assets	 <u>42,900,247</u>	 <u>31,630,433</u>
 Capital assets:		
Land	3,583,560	3,583,560
Buildings and systems	1,876,713	1,876,713
Improvements other than buildings	2,421,516	2,421,516
Machinery and equipment	641,093	576,418
Construction in progress	<u>-</u>	<u>-</u>
 Total capital assets	 8,522,882	 8,458,207
Less accumulated depreciation	<u>(2,380,537)</u>	<u>(2,243,345)</u>
 Net capital assets	 <u>6,142,345</u>	 <u>6,214,862</u>
  Total assets	  <u><u>\$ 49,469,474</u></u>	  <u><u>\$ 39,951,974</u></u>

**CITY OF McALLEN , TEXAS**  
**McALLEN INTERNATIONAL CIVIC CENTER FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 44,871	\$ 25,652
Accrued expenses	9,561	20,609
Other	<u>39</u>	<u>18</u>
Total current liabilities	<u>54,471</u>	<u>46,279</u>
Liabilities(payable from restricted assets):		
Accounts payable	1,189,538	1,978
Accrued expenses	1,449,620	116,507
Customer deposits	15,368	16,268
Other	28	177
Note payable	<u>2,000,000</u>	<u>2,000,000</u>
Total liabilities(payable from restricted assets)	<u>4,654,554</u>	<u>2,134,930</u>
Other noncurrent liabilities:		
Deferred revenues	69,692	38,380
Accumulated unpaid compensated absences	<u>22,556</u>	<u>19,920</u>
Total other noncurrent liabilities	<u>92,248</u>	<u>58,300</u>
Total liabilities	<u>4,801,273</u>	<u>2,239,509</u>
<b>NET ASSETS</b>		
Invested in capital assets	6,142,345	6,214,862
Restricted for improvements	38,245,693	29,495,503
Unrestricted	<u>280,163</u>	<u>2,002,100</u>
Total net assets	<u>44,668,201</u>	<u>37,712,465</u>
Total liabilities and net assets	<u><u>\$ 49,469,474</u></u>	<u><u>\$ 39,951,974</u></u>

**CITY OF McALLEN , TEXAS**  
**McALLEN INTERNATIONAL CIVIC CENTER FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Charges for services	\$ 56,742	\$ 23,952
Rentals	298,859	360,578
	<u>355,601</u>	<u>384,530</u>
Total operating revenues		
Operating expenses:		
Salaries, wages and employee benefits	667,489	591,450
Supplies	28,620	30,836
Contractual and other services	525,481	477,845
Repairs and maintenance	30,505	51,401
Depreciation and amortization	137,192	134,683
	<u>1,389,287</u>	<u>1,286,215</u>
Total operating expenses		
Operating loss	<u>(1,033,686)</u>	<u>(901,685)</u>
Nonoperating revenues (expenses):		
Investment earnings	547,674	514,525
Net increase (decrease) in the fair value of investments	(75,397)	(10,220)
Interest expense	(100,000)	(99,726)
Other	103,350	2,209
	<u>475,627</u>	<u>406,788</u>
Net nonoperating revenues expenses		
Loss before contributions and transfers	<u>(558,059)</u>	<u>(494,897)</u>
Transfers in	<u>7,513,798</u>	<u>4,022,083</u>
Changes in net assets	6,955,739	3,527,186
Total net assets--beginning	<u>37,712,465</u>	<u>34,185,279</u>
Total net assets--ending	<u><u>\$ 44,668,204</u></u>	<u><u>\$ 37,712,465</u></u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL CIVIC CENTER FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers and users	\$ 281,620	\$ 379,272
Payments to employees	(676,704)	(583,153)
Payments to suppliers	1,986,373	(499,650)
Other receipts	<u>103,350</u>	<u>2,209</u>
Net cash provided by operating activities	<u>1,694,639</u>	<u>(701,322)</u>
<b>Cash flows from noncapital financing activities:</b>		
Transfers from other funds	<u>7,513,798</u>	<u>4,022,083</u>
Cash provided by non-capital financing activities	<u>7,513,798</u>	<u>4,022,083</u>
<b>Cash flow from capital and related financing activities:</b>		
Purchases of capital assets	(25,498,317)	(3,128,705)
Interest paid on capital debt	<u>(100,000)</u>	<u>(100,000)</u>
Net cash used by capital and related financing activities	<u>(25,598,317)</u>	<u>(3,228,705)</u>
<b>Cash flow from investing activities:</b>		
Investment activity net	16,050,000	(585,000)
Receipt of interest	<u>433,224</u>	<u>504,305</u>
Net cash used by investing activities	<u>16,483,224</u>	<u>(80,695)</u>
Net increase in cash	93,344	11,361
Cash at beginning of year	<u>34,292</u>	<u>22,931</u>
Cash at end of year	<u><u>\$ 127,636</u></u>	<u><u>\$ 34,292</u></u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL CIVIC CENTER FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 23,024	\$ 11,655
Restricted	<u>104,612</u>	<u>22,637</u>
Total cash	<u><u>\$ 127,636</u></u>	<u><u>\$ 34,292</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ (1,033,686)</u>	<u>\$ (901,685)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	137,192	134,683
(Increase) decrease in accounts receivable	(5,460)	-
(Increase) decrease in due from other funds	(68,521)	(5,258)
Increase (decrease) in customer deposits	(900)	(2,687)
Increase (decrease) in accounts payable	1,206,779	(13,288)
Increase (decrease) in compensated absences payable	2,636	4,470
Increase (decrease) in accrued liabilities	1,322,065	80,846
Increase (decrease) in other liabilities	(128)	177
Increase (decrease) in deferred revenues	31,312	(789)
Miscellaneous income (expense)	<u>103,350</u>	<u>2,209</u>
Total adjustments	<u>2,728,325</u>	<u>200,363</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,694,639</u></u>	<u><u>\$ (701,322)</u></u>
<b>Noncash investing, capital, and financing activities:</b>		
Increase in fair value of investments	(75,397)	(10,220)

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL CIVIC CENTER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 310,000	\$ 310,000	\$ 298,859	\$ (11,141)
Concessions-other	<u>15,600</u>	<u>15,600</u>	<u>56,742</u>	<u>41,142</u>
Total operating revenues	<u>325,600</u>	<u>325,600</u>	<u>355,601</u>	<u>30,001</u>
Non-operating revenues:				
Investment earnings	559,303	559,303	547,674	(11,629)
Net increase (decrease) in the fair value of investments	-	-	(75,397)	(75,397)
Other	<u>19,832,813</u>	<u>19,832,813</u>	<u>103,350</u>	<u>(19,729,463)</u>
Total non-operating revenues	<u>20,392,116</u>	<u>20,392,116</u>	<u>575,627</u>	<u>(19,816,489)</u>
Total revenues	<u>20,717,716</u>	<u>20,717,716</u>	<u>931,228</u>	<u>(19,786,488)</u>
Expenses:				
Salaries and benefits	793,714	804,346	667,489	136,857
Supplies	30,300	30,300	28,620	1,680
Contractual and other services	366,467	366,467	525,481	(159,014)
Repairs and maintenace	51,105	51,105	30,505	20,600
Interest	-	-	100,000	(100,000)
Capital outlay	<u>40,751,128</u>	<u>40,751,128</u>	<u>25,498,317</u>	<u>15,252,811</u>
Total expenses	<u>41,992,714</u>	<u>42,003,346</u>	<u>26,850,412</u>	<u>15,152,934</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(21,274,998)	(21,285,630)	(25,919,184)	(4,633,554)
Transfers:				
Transfers in	<u>7,467,205</u>	<u>7,467,205</u>	<u>7,513,798</u>	<u>46,593</u>
Excess (deficiency) of revenues over budget	<u>(13,807,793)</u>	<u>(13,818,425)</u>	<u>(18,405,386)</u>	<u>(4,586,961)</u>



**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL CIVIC CENTER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (137,192)	\$ (137,192)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>25,498,317</u>	<u>25,498,317</u>
Net income-GAAP basis	<u><u>\$ (13,807,793)</u></u>	<u><u>\$ (13,818,425)</u></u>	<u><u>\$ 6,955,739</u></u>	<u><u>\$ 20,774,164</u></u>

**CITY OF McALLEN , TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 44,344	\$ 26,776
Certificate of deposit	-	402,378
Investments	105,525	211,076
Receivables, net:		
Accounts	220,553	71,214
Due from other governments	<u>155,284</u>	<u>241,590</u>
 Total currents assets	 <u>525,706</u>	 <u>953,034</u>
 Restricted assets:		
Cash	1,753	11,909
Certificate of deposit	1,110,387	1,690,481
Investments	936,885	257,766
Due from other governments	341,182	-
Other	<u>63</u>	<u>68</u>
 Total restricted assets	 <u>2,390,270</u>	 <u>1,960,224</u>
 Capital assets:		
Land	3,251,781	3,251,781
Buildings and systems	31,871,924	30,890,423
Improvements other than buildings	33,038,648	30,574,536
Machinery and equipment	1,133,004	328,380
Construction in progress	<u>359,139</u>	<u>1,302,094</u>
 Total capital assets	 69,654,496	 66,347,214
Less accumulated depreciation	<u>(23,672,597)</u>	<u>(21,432,350)</u>
 Net capital assets	 <u>45,981,899</u>	 <u>44,914,864</u>
  Total assets	  <u><u>\$ 48,897,875</u></u>	  <u><u>\$ 47,828,122</u></u>

**CITY OF McALLEN , TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 123,648	\$ 72,342
Accrued expenses	12,996	224,578
Other	<u>-</u>	<u>426</u>
Total current liabilities	<u>136,644</u>	<u>297,346</u>
Current liabilities (payable from restricted assets):		
Accrued expenses	-	34,340
Due to other funds	<u>308,380</u>	<u>-</u>
Total liabilities (payable from restricted assets)	<u>308,380</u>	<u>34,340</u>
Other noncurrent liabilities:		
Deferred revenues	94,433	114,106
Accumulated unpaid compensated absences	62,209	48,869
Advances from other funds	<u>-</u>	<u>-</u>
Total other noncurrent liabilities	<u>156,642</u>	<u>162,975</u>
Total liabilities	<u>601,666</u>	<u>494,661</u>
<b>NET ASSETS</b>		
Invested in capital assets	45,981,899	44,914,864
Restricted for improvements	2,049,088	1,925,884
Unrestricted	<u>265,222</u>	<u>492,713</u>
Total net assets	<u>48,296,209</u>	<u>47,333,461</u>
Total liabilities and net assets	<u><u>\$ 48,897,875</u></u>	<u><u>\$ 47,828,122</u></u>

**CITY OF McALLEN , TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Charges for services	\$ 1,482,632	\$ 1,290,679
Rentals	<u>2,560,998</u>	<u>1,958,998</u>
Total operating revenues	<u>4,043,630</u>	<u>3,249,677</u>
Operating expenses:		
Salaries, wages and employee benefits	891,163	795,782
Supplies	45,111	31,788
Contractual and other services	944,974	820,601
Repairs and maintenance	396,201	465,145
Depreciation and amortization	<u>2,255,704</u>	<u>2,222,182</u>
Total operating expenses	<u>4,533,153</u>	<u>4,335,498</u>
Operating loss	<u>(489,523)</u>	<u>(1,085,821)</u>
Nonoperating revenues (expenses):		
Intergovernmental	2,327,323	679,130
Investment earnings	69,596	44,981
Other	<u>44,162</u>	<u>42,222</u>
Net nonoperating revenues	<u>2,441,081</u>	<u>766,333</u>
Income (loss) before contributions and transfers	<u>1,951,558</u>	<u>(319,488)</u>
Capital contributions	83,000	-
Transfers in	-	12,303,969
Transfers out	<u>(1,071,811)</u>	<u>(5,137,800)</u>
Changes in net assets	962,747	6,846,681
Total net assets--beginning	<u>47,333,461</u>	<u>40,486,779</u>
Total net assets--ending	<u><u>\$ 48,296,208</u></u>	<u><u>\$ 47,333,460</u></u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers and users	\$ 3,639,420	\$ 3,130,763
Payments to employees	(894,995)	(799,493)
Payments to suppliers	(1,275,449)	(1,240,536)
Other receipts	<u>44,162</u>	<u>42,222</u>
Net cash provided by operating activities	<u>1,513,138</u>	<u>1,132,956</u>
<b>Cash flows from noncapital financing activities:</b>		
Transfers from other funds	-	12,303,969
Transfers to other funds	(1,071,811)	(5,137,800)
Advances from other funds	<u>-</u>	<u>(7,057,266)</u>
Cash provided by non-capital financing activities	<u>(1,071,811)</u>	<u>108,903</u>
<b>Cash flow from capital and related financing activities:</b>		
Capital contributions	2,327,323	679,130
Purchases of capital assets	<u>(3,239,738)</u>	<u>(1,707,370)</u>
Net cash used by capital and related financing activities	<u>(912,415)</u>	<u>(1,028,240)</u>
<b>Cash flow from investing activities:</b>		
Investment activity net	408,904	(236,516)
Receipt of interest	<u>69,596</u>	<u>44,981</u>
Net cash used by investing activities	<u>478,500</u>	<u>(191,535)</u>
Net increase in cash	7,412	22,084
Cash at beginning of year	<u>38,685</u>	<u>16,601</u>
Cash at end of year	<u><u>\$ 46,097</u></u>	<u><u>\$ 38,685</u></u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 44,344	\$ 26,776
Restricted	<u>1,753</u>	<u>11,909</u>
Total cash	<u><u>\$ 46,097</u></u>	<u><u>\$ 38,685</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ (489,523)</u>	<u>\$ (1,085,821)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	2,255,704	2,222,182
(Increase) decrease in accounts receivable	(149,334)	122,676
(Increase) decrease in intergovernmental receivables	(254,876)	(241,590)
Increase (decrease) in accounts payable	51,306	(45,719)
Increase (decrease) in compensated absences payable	13,340	1,867
Increase (decrease) in accrued liabilities	(245,922)	58,358
Increase (decrease) in due to other funds	308,380	-
Increase (decrease) in other liabilities	(426)	-
Increase (decrease) in deferred revenues	(19,673)	58,781
Miscellaneous income (expense)	<u>44,162</u>	<u>42,222</u>
Total adjustments	<u>2,002,661</u>	<u>2,218,777</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,513,138</u></u>	<u><u>\$ 1,132,956</u></u>
<b>Noncash investing, capital, and financing activities:</b>		
Contributions of capital assets from government	83,000	-

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 2,744,491	\$ 2,744,491	\$ 1,482,632	\$ (1,261,859)
Rentals	<u>2,328,762</u>	<u>2,328,762</u>	<u>2,560,998</u>	<u>232,236</u>
Total operating revenues	<u>5,073,253</u>	<u>5,073,253</u>	<u>4,043,630</u>	<u>(1,029,623)</u>
Non-operating revenues:				
Intergovernmental	4,029,362	4,029,362	2,327,323	(1,702,039)
Investment earnings	22,193	22,193	69,596	47,403
Other	<u>30,000</u>	<u>30,000</u>	<u>127,162</u>	<u>97,162</u>
Total non-operating revenues	<u>4,081,555</u>	<u>4,081,555</u>	<u>2,524,081</u>	<u>(1,557,474)</u>
Total revenues	<u>9,154,808</u>	<u>9,154,808</u>	<u>6,567,711</u>	<u>(2,587,097)</u>
Expenses:				
Salaries and benefits	892,992	910,424	891,163	19,261
Supplies	43,722	43,722	45,111	(1,389)
Contractual and other services	838,063	838,063	944,974	(106,911)
Repairs and maintenace	402,500	402,500	396,201	6,299
Capital outlay	<u>5,389,401</u>	<u>5,389,401</u>	<u>3,416,567</u>	<u>1,972,834</u>
Total expenses	<u>7,566,678</u>	<u>7,584,110</u>	<u>5,694,016</u>	<u>1,890,094</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	1,588,130	1,570,698	873,695	(697,003)
Transfers:				
Transfers out	<u>(1,071,811)</u>	<u>(1,071,811)</u>	<u>(1,071,811)</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>516,319</u>	<u>498,887</u>	<u>(198,116)</u>	<u>(697,003)</u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (2,255,704)	\$ (2,255,704)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>3,416,567</u>	<u>3,416,567</u>
Net income-GAAP basis	<u><u>\$ 516,319</u></u>	<u><u>\$ 498,887</u></u>	<u><u>\$ 962,747</u></u>	<u><u>\$ 463,860</u></u>



**CITY OF McALLEN , TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 321,340	\$ 108,289
Certificate of deposit	411,418	366,419
Investments	1,985,566	1,405,044
Receivables, net:		
Accounts	<u>1,089</u>	<u>-</u>
 Total currents assets	 <u>2,719,413</u>	 <u>1,879,752</u>
 Restricted assets:		
Cash	15,507	35,320
Certificate of deposit	1,858,975	4,979,213
Certificate of deposit-reserved for distribution	5,864,582	6,081,286
Investments	4,118,019	1,715,925
Accrued interest	12,504	6,337
Other	-	6,425
Land	<u>183,532</u>	<u>183,532</u>
 Total restricted assets	 <u>12,053,119</u>	 <u>13,008,038</u>
 Capital assets:		
Land	573,798	573,798
Buildings and systems	10,285,921	7,863,073
Improvements other than buildings	1,791,552	1,785,654
Machinery and equipment	847,679	825,125
Construction in progress	<u>58,368</u>	<u>758,058</u>
 Total capital assets	 13,557,318	 11,805,708
Less accumulated depreciation	<u>(5,155,653)</u>	<u>(5,037,292)</u>
 Net capital assets	 <u>8,401,665</u>	 <u>6,768,416</u>
 Other assets		
Other assets, net	<u>671,117</u>	<u>680,686</u>
 Total other assets	 <u>671,117</u>	 <u>680,686</u>
 Total assets	 <u><u>\$ 23,845,314</u></u>	 <u><u>\$ 22,336,892</u></u>

**CITY OF McALLEN , TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 54,736	\$ 51,383
Accrued expenses	25,317	44,944
Due to other governmental agencies	<u>754,016</u>	<u>830,983</u>
Total current liabilities	<u>834,069</u>	<u>927,310</u>
Current liabilities (payable from restricted assets):		
Accounts payable	3,673	50,312
Accrued expenses	95,588	29,172
Due to other funds	69,152	40,346
Current portion of revenue bonds	<u>210,000</u>	<u>200,000</u>
Total liabilities(payable from restricted assets)	<u>378,413</u>	<u>319,830</u>
Other noncurrent liabilities:		
Revenue bonds, net of current portion and discount	1,520,000	1,730,000
Deferred revenues	22,563	22,382
Accumulated unpaid compensated absences	<u>102,847</u>	<u>78,686</u>
Total other noncurrent liabilities	<u>1,645,410</u>	<u>1,831,068</u>
Total liabilities	<u>2,857,892</u>	<u>3,078,208</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	7,370,594	6,220,849
Restricted for:		
Improvements	5,433,396	4,637,603
Debt service	851,225	827,117
Distribution	5,795,430	6,040,940
Unrestricted	<u>1,536,777</u>	<u>1,532,175</u>
Total net assets	<u>20,987,422</u>	<u>19,258,684</u>
Total liabilities and net assets	<u><u>\$ 23,845,314</u></u>	<u><u>\$ 22,336,892</u></u>

**CITY OF McALLEN , TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Charges for services	\$ 11,052,501	\$ 10,223,227
Rentals	1,320,919	1,226,033
Other	<u>197,735</u>	<u>77,124</u>
Total operating revenues	<u>12,571,155</u>	<u>11,526,384</u>
Operating expenses:		
Salaries, wages and employee benefits	1,264,280	1,150,323
Supplies	84,350	83,422
Contractual and other services	563,194	523,326
Repairs and maintenance	126,029	115,634
Depreciation and amortization	<u>336,833</u>	<u>319,274</u>
Total operating expenses	<u>2,374,686</u>	<u>2,191,979</u>
Operating income	<u>10,196,469</u>	<u>9,334,405</u>
Nonoperating revenues (expenses):		
Investment earnings	242,974	164,083
Net increase (decrease) in the fair value of investments	(17,156)	(4,380)
Interest expense	(82,578)	(91,390)
Other	<u>(2,570,033)</u>	<u>(3,547,650)</u>
Net nonoperating revenues expenses	<u>(2,426,793)</u>	<u>(3,479,337)</u>
Income before contributions and transfers	<u>7,769,676</u>	<u>5,855,068</u>
Transfers out	<u>(6,040,940)</u>	<u>(5,836,235)</u>
Changes in net assets	1,728,736	18,833
Total net assets--beginning	<u>19,258,684</u>	<u>19,239,850</u>
Total net assets--ending	<u><u>\$ 20,987,420</u></u>	<u><u>\$ 19,258,683</u></u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<b>2005</b>	<b>2004</b>
<b>Cash flows from operating activities:</b>		
Receipts from customers and users	\$ 12,576,491	\$ 11,519,959
Accrual beginning	(125,062)	(110,604)
Payments to employees	(1,268,254)	(1,135,865)
Payments to suppliers	(925,767)	(907,509)
Other receipts	131	43,463
	<u>10,382,601</u>	<u>9,520,048</u>
<b>Cash flows from noncapital financing activities:</b>		
Transfers to other funds	(6,012,134)	(5,833,985)
Income distribution to City of Hidalgo	(3,336,896)	(3,414,583)
Receipt of capital contributions	677,269	-
	<u>(8,671,761)</u>	<u>(9,248,568)</u>
<b>Cash flow from capital and related financing activities:</b>		
Purchases of capital assets	(1,763,253)	(779,457)
Principal paid on capital debt	(200,000)	(190,000)
Interest paid on capital debt	(83,328)	(92,103)
	<u>(2,046,581)</u>	<u>(1,061,560)</u>
<b>Cash flow from investing activities:</b>		
Investment activity net	309,327	566,318
Receipt of interest	219,651	159,703
	<u>528,978</u>	<u>726,021</u>
Net cash used by investing activities	<u>528,978</u>	<u>726,021</u>
Net increase in cash	193,238	(64,059)
Cash at beginning of year	<u>143,609</u>	<u>207,668</u>
Cash at end of year	<u><u>\$ 336,847</u></u>	<u><u>\$ 143,609</u></u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 321,340	\$ 108,289
Restricted	<u>15,507</u>	<u>35,320</u>
Total cash	<u><u>\$ 336,847</u></u>	<u><u>\$ 143,609</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ 10,196,469</u>	<u>\$ 9,141,321</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	336,833	319,274
(Increase) decrease in accounts receivable	5,336	(6,425)
Increase (decrease) in accounts payable	(43,286)	(11,441)
Increase (decrease) in compensated absences payable	24,161	11,387
Increase (decrease) in accrued liabilities	47,539	17,678
Increase (decrease) in deferred revenues	181	4,791
Miscellaneous income (expense)	<u>(184,632)</u>	<u>43,463</u>
Total adjustments	<u>186,132</u>	<u>378,727</u>
Net cash provided (used) by operating activities	<u><u>\$ 10,382,601</u></u>	<u><u>\$ 9,520,048</u></u>
<b>Noncash investing, capital, and financing activities:</b>		
Contributions of capital assets from government	197,259	-
Increase in fair value of investments	(17,156)	(4,380)

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 9,906,000	\$ 9,906,000	\$ 11,052,501	\$ 1,146,501
Rentals	1,310,127	1,310,127	1,320,919	10,792
Other	<u>78,300</u>	<u>78,300</u>	<u>197,735</u>	<u>119,435</u>
Total operating revenues	<u>11,294,427</u>	<u>11,294,427</u>	<u>12,571,155</u>	<u>1,276,728</u>
Non-operating revenues:				
Investment earnings	235,000	235,000	242,974	7,974
Net increase (decrease) in fair value of investment	-	-	(17,156)	(17,156)
Other	<u>-</u>	<u>-</u>	<u>874,659</u>	<u>874,659</u>
Total non-operating revenues	<u>235,000</u>	<u>235,000</u>	<u>1,100,477</u>	<u>865,477</u>
Total revenues	<u>11,529,427</u>	<u>11,529,427</u>	<u>13,671,632</u>	<u>2,142,205</u>
Expenses:				
Administration:				
Salaries and benefits	142,408	145,851	167,087	(21,236)
Supplies	29,800	29,800	21,852	7,948
Contractual and other services	273,750	273,750	336,674	(62,924)
Repairs and maintenace	3,452	3,452	2,000	1,452
Capital outlay	<u>498,650</u>	<u>684,650</u>	<u>1,777,423</u>	<u>(1,092,773)</u>
Total administration	<u>948,060</u>	<u>1,137,503</u>	<u>2,305,036</u>	<u>(1,167,533)</u>
Operations :				
Salaries and benefits	1,055,986	1,075,231	1,097,193	(21,962)
Supplies	55,000	55,000	62,498	(7,498)
Contractual and other services	198,287	198,287	176,152	22,135
Repairs and maintenace	110,000	110,000	124,029	(14,029)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operations	<u>1,419,273</u>	<u>1,438,518</u>	<u>1,459,872</u>	<u>(21,354)</u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Non-departmental expenses:				
Liability insurance	\$ 50,368	\$ 50,368	\$ 50,368	\$ -
Interest and fiscal charges	82,778	82,778	82,578	200
Bond principal requirement	200,000	200,000	-	200,000
Other	<u>4,217,045</u>	<u>4,217,045</u>	<u>3,444,692</u>	<u>772,353</u>
Total non-departmental expenses	<u>4,550,191</u>	<u>4,550,191</u>	<u>3,577,638</u>	<u>972,553</u>
Total expenses	<u>6,917,524</u>	<u>7,126,212</u>	<u>7,342,546</u>	<u>(216,334)</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	4,611,903	4,403,215	6,329,086	1,925,871
Transfers:				
Transfers in	-	-	-	-
Transfers out	<u>(5,589,657)</u>	<u>(5,589,657)</u>	<u>(6,040,940)</u>	<u>(451,283)</u>
Net transfers	<u>(5,589,657)</u>	<u>(5,589,657)</u>	<u>(6,040,940)</u>	<u>(451,283)</u>
Excess (deficiency) of revenues over budget	<u>(977,754)</u>	<u>(1,186,442)</u>	<u>288,146</u>	<u>1,474,588</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(336,833)	(336,833)
Principal payments on revenue bonds	-	-	-	-
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>1,777,423</u>	<u>1,777,423</u>
Net income-GAAP basis	<u><u>\$ (977,754)</u></u>	<u><u>\$ (1,186,442)</u></u>	<u><u>\$ 1,728,736</u></u>	<u><u>\$ 2,915,178</u></u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**IN RESTRICTED ACCOUNTS**  
**For Fiscal Year Ended September 30, 2005**

	<u>Distribution to City of McAllen</u>	<u>Current Debt Service</u>	<u>Future Debt Service</u>
Cash, certificates of deposit, and investments at September 30, 2004	\$ 6,081,285	\$ 109,505	\$ 225,000
Cash receipts:			
Transfers in	5,795,430	306,685	-
Other	-	-	-
Net decrease in fair value of investment	-	-	-
Interest received	88,183	3,020	882
Total cash receipts	5,883,613	309,705	882
Total cash available	11,964,898	419,210	225,882
Cash disbursements:			
Interest and fiscal charges	-	83,327	-
Principal bond payments	-	200,000	-
Operating expenses	-	-	-
Capital assets	-	-	-
Interfund transfers	6,100,316	2,760	882
Total cash disbursements	6,100,316	286,087	882
Cash, certificates of deposit, and investments at September 30, 2005	<u>\$ 5,864,582</u>	<u>\$ 133,123</u>	<u>\$ 225,000</u>
Cash, certificates of deposit, and investments at September 30, 2005 is comprised of the following			
Cash	\$ -	\$ -	\$ -
Certificates of deposit	4,454,958	-	225,000
Investments	1,340,472	133,123	-
Accrued interest	69,152	-	-
	<u>\$ 5,864,582</u>	<u>\$ 133,123</u>	<u>\$ 225,000</u>



<u>Contingency</u>	<u>Bridge Revenue Bonds</u>	<u>Anzaldua's International Bridge</u>	<u>Anzaldua's Start up</u>	<u>Combined Totals</u>
<u>\$ 500,000</u>	<u>\$ 1,446,787</u>	<u>\$ 4,455,503</u>	<u>\$ -</u>	<u>\$ 12,818,080</u>
-	-	-	884,028	6,986,143
-	683,695	129		683,824
-	-	(17,156)		(17,156)
<u>10,022</u>	<u>26,853</u>	<u>102,936</u>	<u>10,620</u>	<u>242,516</u>
<u>10,022</u>	<u>710,548</u>	<u>85,909</u>	<u>894,648</u>	<u>7,895,327</u>
<u>510,022</u>	<u>2,157,335</u>	<u>4,541,412</u>	<u>894,648</u>	<u>20,713,407</u>
-	-	-	-	83,327
-	-	-	-	200,000
-	-	183,940	-	183,940
-	1,367,925	-	-	1,367,925
<u>10,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,113,980</u>
<u>10,022</u>	<u>1,367,925</u>	<u>183,940</u>	<u>-</u>	<u>7,949,172</u>
<u><b>\$ 500,000</b></u>	<u><b>\$ 789,410</b></u>	<u><b>\$ 4,357,472</b></u>	<u><b>\$ 894,648</b></u>	<u><b>\$ 12,764,235</b></u>
\$ -	\$ 2,701	\$ 12,806	37,165	\$ 52,672
500,000	516,682	617,293	411,417	6,725,350
-	270,027	3,714,869	446,066	5,904,557
<u>-</u>	<u>-</u>	<u>12,504</u>	<u>-</u>	<u>81,656</u>
<u><b>\$ 500,000</b></u>	<u><b>\$ 789,410</b></u>	<u><b>\$ 4,357,472</b></u>	<u><b>\$ 894,648</b></u>	<u><b>\$ 12,764,235</b></u>

**CITY OF McALLEN , TEXAS**  
**McALLEN EXPRESS TRANSIT FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 3,402	\$ -
Total currents assets	<u>3,402</u>	<u>-</u>
Capital assets:		
Machinery and equipment	<u>823,396</u>	<u>-</u>
Total capital assets	823,396	-
Less accumulated depreciation	<u>(88,221)</u>	<u>-</u>
Net capital assets	<u>735,175</u>	<u>-</u>
Total assets	<u><u>\$ 738,577</u></u>	<u><u>\$ -</u></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 4,667	\$ -
Accrued expenses	<u>8,665</u>	<u>-</u>
Total current liabilities	<u>13,332</u>	<u>-</u>
Other noncurrent liabilities:		
Accumulated unpaid compensated absences	<u>10,863</u>	<u>-</u>
Total other noncurrent liabilities	<u>10,863</u>	<u>-</u>
Total liabilities	<u>24,195</u>	<u>-</u>
<b>NET ASSETS</b>		
Invested in capital assets	735,175	-
Unrestricted	<u>(20,793)</u>	<u>-</u>
Total net assets	<u>714,382</u>	<u>-</u>
Total liabilities and net assets	<u><u>\$ 738,577</u></u>	<u><u>\$ -</u></u>

**CITY OF McALLEN , TEXAS**  
**McALLEN EXPRESS TRANSIT FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Charges for services	\$ 148,637	\$ -
Total operating revenues	<u>148,637</u>	<u>-</u>
Operating expenses:		
Salaries, wages and employee benefits	448,272	-
Supplies	7,659	-
Contractual and other services	58,350	-
Repairs and maintenance	175,482	-
Depreciation and amortization	<u>90,263</u>	<u>-</u>
Total operating expenses	<u>780,026</u>	<u>-</u>
Operating loss	<u>(631,389)</u>	<u>-</u>
Nonoperating revenues (expenses):		
Intergovernmental	-	-
Investment earnings	151	-
Other	<u>83,874</u>	<u>-</u>
Net nonoperating revenues expenses	<u>84,025</u>	<u>-</u>
Income (loss) before contributions and transfers	<u>(547,364)</u>	<u>-</u>
Capital contributions	847,896	-
Transfers in	<u>413,850</u>	<u>-</u>
Changes in net assets	714,382	-
Total net assets--beginning	<u>-</u>	<u>-</u>
Total net assets--ending	<u><u>\$ 714,382</u></u>	<u><u>\$ -</u></u>

**CITY OF McALLEN, TEXAS**  
**McALLEN EXPRESS TRANSIT FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers and users	\$ 148,637	\$ -
Payments to employees	(428,744)	-
Payments to suppliers	(236,824)	-
Other receipts	<u>83,874</u>	<u>-</u>
Net cash provided by operating activities	<u>(433,057)</u>	<u>-</u>
<b>Cash flows from noncapital financing activities:</b>		
Transfers from other funds	413,850	-
Cash provided by non-capital financing activities	<u>413,850</u>	<u>-</u>
<b>Cash flow from capital and related financing activities:</b>		
Gain (loss) on sale of capital assets	<u>22,458</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>22,458</u>	<u>-</u>
<b>Cash flow from investing activities:</b>		
Receipt of interest	<u>151</u>	<u>-</u>
Net cash used by investing activities	<u>151</u>	<u>-</u>
Net increase in cash	3,402	-
Cash at beginning of year	<u>-</u>	<u>-</u>
Cash at end of year	<u><u>\$ 3,402</u></u>	<u><u>\$ -</u></u>

**CITY OF McALLEN, TEXAS**  
**McALLEN EXPRESS TRANSIT FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 3,402	\$ -
Restricted	<u>-</u>	<u>-</u>
Total cash	<u><u>\$ 3,402</u></u>	<u><u>\$ -</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating loss	<u>\$ (631,389)</u>	<u>\$ -</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	90,263	-
Increase (decrease) in accounts payable	4,667	-
Increase (decrease) in compensated absences payable	10,863	-
Increase (decrease) in accrued liabilities	8,665	-
Miscellaneous income (expense)	<u>83,874</u>	<u>-</u>
Total adjustments	<u>198,332</u>	<u>-</u>
Net cash provided (used) by operating activities	<u><u>\$ (433,057)</u></u>	<u><u>\$ -</u></u>
<b>Noncash investing, capital, and financing activities:</b>		
Contributions of capital assets from government	847,896	-

**CITY OF McALLEN, TEXAS**  
**McALLEN EXPRESS TRANSIT FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ -	\$ 195,610	\$ 148,637	\$ (46,973)
Total operating revenues	-	195,610	148,637	(46,973)
Non-operating revenues:				
Intergovernmental	-	251,965	-	(251,965)
Investment earnings	-	-	151	151
Other	-	-	931,770	931,770
Total non-operating revenues	-	251,965	931,921	679,956
Total revenues	-	447,575	1,080,558	632,983
Expenses:				
Administration:				
Salaries and benefits	-	449,629	448,272	1,357
Supplies	-	5,863	7,659	(1,796)
Contractual and other services	-	43,911	58,350	(14,439)
Repairs and maintenace	-	143,550	175,482	(31,932)
Capital outlay	-	23,500	-	23,500
Total expenses	-	666,453	689,763	(23,310)
Deficiency of revenues over expenses (budget basis) before transfers	-	(218,878)	390,795	609,673
Transfers:				
Transfers in	-	413,850	413,850	-
Excess (deficiency) of revenues over budget	-	194,972	804,645	609,673

**CITY OF McALLEN, TEXAS**  
**McALLEN EXPRESS TRANSIT FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (90,263)	\$ (90,263)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income-GAAP basis	<u><u>\$ -</u></u>	<u><u>\$ 194,972</u></u>	<u><u>\$ 714,382</u></u>	<u><u>\$ 519,410</u></u>

**SUPPLEMENTARY INDIVIDUAL  
INTERNAL SERVICE FUNDS  
FINANCIAL STATEMENTS AND  
SCHEDULES**



**CITY OF McALLEN , TEXAS**  
**FLEET MATERIALS MANAGEMENT FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 550,561	\$ 347,882
Receivables, net:		
Accounts	-	18,330
Inventories, at cost	<u>420,429</u>	<u>416,449</u>
Total currents assets	<u>970,990</u>	<u>782,661</u>
Capital assets:		
Buildings	293,433	293,433
Improvements other than buildings	17,739	17,739
Machinery and equipment	<u>320,203</u>	<u>310,634</u>
Total capital assets	631,375	621,806
Less accumulated depreciation	<u>(468,760)</u>	<u>(464,229)</u>
Net capital assets	<u>162,615</u>	<u>157,577</u>
Total assets	<u><b>\$ 1,133,605</b></u>	<u><b>\$ 940,238</b></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 270,714	\$ 148,943
Accrued expenses	<u>9,881</u>	<u>20,811</u>
Total current liabilities	<u>280,595</u>	<u>169,754</u>
Other noncurrent liabilities:		
Deferred revenues	1,107	1,107
Accumulated unpaid compensated absences	<u>16,108</u>	<u>27,284</u>
Total other noncurrent liabilities	<u>17,215</u>	<u>28,391</u>
Total liabilities	<u>297,810</u>	<u>198,145</u>
<b>NET ASSETS</b>		
Invested in capital assets	162,615	157,577
Unrestricted	<u>673,180</u>	<u>584,516</u>
Total net assets	<u>835,795</u>	<u>742,093</u>
Total liabilities and net assets	<u><b>\$ 1,133,605</b></u>	<u><b>\$ 940,238</b></u>

**CITY OF McALLEN , TEXAS**  
**FLEET MATERIALS MANAGEMENT FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Charges for services	\$ 2,666,155	\$ 2,161,610
Total operating revenues	<u>2,666,155</u>	<u>2,161,610</u>
Operating expenses:		
Salaries, wages and employee benefits	656,050	554,529
Supplies	14,372	8,519
Contractual and other services	1,865,591	1,501,953
Repairs and maintenance	37,536	21,561
Depreciation and amortization	<u>31,210</u>	<u>33,634</u>
Total operating expenses	<u>2,604,759</u>	<u>2,120,196</u>
Operating income (loss)	<u>61,396</u>	<u>41,414</u>
Nonoperating revenues (expenses):		
Investment earnings	10,202	2,119
Other	<u>22,105</u>	<u>31,301</u>
Net nonoperating revenues expenses	<u>32,307</u>	<u>33,420</u>
Changes in net assets	93,703	74,834
Total net assets--beginning	<u>742,093</u>	<u>667,259</u>
Total net assets--ending	<u><u>\$ 835,796</u></u>	<u><u>\$ 742,093</u></u>

**CITY OF McALLEN, TEXAS**  
**FLEET MATERIALS MANAGEMENT FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers and users	\$ 2,684,485	\$ 2,143,280
Payments to employees	(678,156)	(561,967)
Payments to suppliers	(1,799,708)	(1,594,903)
Other receipts	<u>22,105</u>	<u>31,301</u>
Net cash provided by operating activities	<u>228,726</u>	<u>17,711</u>
<b>Cash flow from capital and related financing activities:</b>		
Purchases of capital assets	(37,080)	-
Gain (loss) on sale of capital assets	<u>831</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(36,249)</u>	<u>-</u>
<b>Cash flow from investing activities:</b>		
Receipt of interest	<u>10,201</u>	<u>2,119</u>
Net cash used by investing activities	<u>10,201</u>	<u>2,119</u>
Net increase in cash	202,678	19,830
Cash at beginning of year	<u>347,883</u>	<u>328,053</u>
Cash at end of year	<u><u>\$ 550,561</u></u>	<u><u>\$ 347,883</u></u>

**CITY OF McALLEN, TEXAS**  
**FLEET MATERIALS MANAGEMENT FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 550,561	\$ 347,882
Restricted	<u>-</u>	<u>-</u>
Total cash	<u><u>\$ 550,561</u></u>	<u><u>\$ 347,882</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ 61,396</u>	<u>\$ 41,414</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	31,210	33,634
(Increase) decrease in accounts receivable	18,330	(18,330)
(Increase) decrease in inventories	(3,980)	(21,881)
Increase (decrease) in accounts payable	121,771	(40,989)
Increase (decrease) in compensated absences payable	(11,176)	(3,510)
Increase (decrease) in accrued liabilities	(10,930)	(3,928)
Miscellaneous income (expense)	<u>22,105</u>	<u>31,301</u>
Total adjustments	<u>167,330</u>	<u>(23,703)</u>
Net cash provided (used) by operating activities	<u><u>\$ 228,726</u></u>	<u><u>\$ 17,711</u></u>
<b>Noncash investing, capital, and financing activities:</b>		

**CITY OF McALLEN, TEXAS**  
**FLEET MATERIALS MANAGEMENT FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Garage billings	\$ 1,982,690	\$ 1,982,690	\$ 2,528,697	\$ 546,007
Materials management	120,000	120,000	137,458	17,458
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>2,102,690</u>	<u>2,102,690</u>	<u>2,666,155</u>	<u>563,465</u>
Non-operating revenues:				
Investment earnings	-	-	10,202	10,202
Other	<u>-</u>	<u>-</u>	<u>22,105</u>	<u>22,105</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>32,307</u>	<u>32,307</u>
Total revenues	<u>2,102,690</u>	<u>2,102,690</u>	<u>2,698,462</u>	<u>595,772</u>
Expenses:				
Materials management:				
Salaries and benefits	120,489	123,460	124,240	(780)
Supplies	1,700	1,700	1,866	(166)
Contractual and other services	500	500	(7,663)	8,163
Repairs and maintenace	<u>2,644</u>	<u>2,644</u>	<u>1,463</u>	<u>1,181</u>
Total materials management	<u>125,333</u>	<u>128,304</u>	<u>119,906</u>	<u>8,398</u>
Garage :				
Salaries and benefits	476,621	485,806	531,810	(46,004)
Supplies	8,814	8,814	12,506	(3,692)
Contractual and other services	1,603,500	1,630,000	1,860,761	(230,761)
Repairs and maintenace	20,340	28,340	36,073	(7,733)
Capital outlay	<u>83,600</u>	<u>49,100</u>	<u>37,079</u>	<u>12,021</u>
Total garage	<u>2,192,875</u>	<u>2,202,060</u>	<u>2,478,229</u>	<u>(276,169)</u>

**CITY OF McALLEN, TEXAS**  
**FLEET MATERIALS MANAGEMENT FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Non-departmental expenses:				
Liability insurance	\$ 12,493	\$ 12,493	\$ 12,493	\$ -
Total non-departmental expenses	12,493	12,493	12,493	-
Total expenses	2,330,701	2,342,857	2,610,628	(267,771)
Excess (deficiency) of revenues over expenses (budget basis)	(228,011)	(240,167)	87,834	328,001
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(31,210)	(31,210)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	37,079	37,079
Net income-GAAP basis	<u>\$ (228,011)</u>	<u>\$ (240,167)</u>	<u>\$ 93,703</u>	<u>\$ 333,870</u>

**CITY OF McALLEN , TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 23,261	\$ 39,579
Certificate of deposit	1,782,305	2,359,577
Investments	2,263,634	1,024,556
Receivables, net:		
Accounts	99,703	72,654
Accrued interest	16,682	-
Total assets	<u><u>4,185,585</u></u>	<u><u>3,496,366</u></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 58,582	\$ -
Accrued expenses	1,093,355	1,068,006
Total current liabilities	<u>1,151,937</u>	<u>1,068,006</u>
Other noncurrent liabilities:		
Accumulated unpaid compensated absences	<u>2,796</u>	<u>2,505</u>
Total other noncurrent liabilities	<u>2,796</u>	<u>2,505</u>
Total liabilities	<u>1,154,733</u>	<u>1,070,511</u>
<b>NET ASSETS</b>		
Unrestricted	<u>3,030,852</u>	<u>2,425,855</u>
Total net assets	<u>3,030,852</u>	<u>2,425,855</u>
Total liabilities and net assets	<u><u>\$ 4,185,585</u></u>	<u><u>\$ 3,496,366</u></u>

**CITY OF McALLEN , TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Contributions	\$ 6,286,811	\$ 5,961,640
Total operating revenues	<u>6,286,811</u>	<u>5,961,640</u>
Operating expenses:		
Salaries, wages and employee benefits	87,147	71,427
Supplies	1,905	3,007
Contractual and other services	779,009	686,830
Self insurance claims	<u>5,033,147</u>	<u>4,954,751</u>
Total operating expenses	<u>5,901,208</u>	<u>5,716,015</u>
Operating income (loss)	<u>385,603</u>	<u>245,625</u>
Nonoperating revenues (expenses):		
Investment earnings	102,571	60,284
Net increase (decrease) in the fair value of investments	(14,236)	-
Other	<u>131,059</u>	<u>175,032</u>
Net nonoperating revenues expenses	<u>219,394</u>	<u>235,316</u>
Changes in net assets	604,997	480,941
Total net assets--beginning	<u>2,425,855</u>	<u>1,944,915</u>
Total net assets--ending	<u><u>\$ 3,030,852</u></u>	<u><u>\$ 2,425,856</u></u>



**CITY OF McALLEN, TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers and users	\$ 6,259,762	\$ 5,953,111
Payments to employees	(88,349)	(71,612)
Payments to suppliers	(5,728,637)	(5,659,776)
Other receipts	<u>131,059</u>	<u>175,032</u>
Net cash provided by operating activities	<u>573,835</u>	<u>396,755</u>
 <b>Cash flow from investing activities:</b>		
Investment activity net	(661,806)	(454,509)
Receipt of interest	<u>71,653</u>	<u>60,284</u>
Net cash used by investing activities	<u>(590,153)</u>	<u>(394,225)</u>
Net increase in cash	(16,318)	2,530
Cash at beginning of year	<u>39,579</u>	<u>37,048</u>
Cash at end of year	<u><u>\$ 23,261</u></u>	<u><u>\$ 39,578</u></u>

**CITY OF McALLEN, TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 23,261	\$ 39,579
Restricted	<u>-</u>	<u>-</u>
Total cash	<u><u>\$ 23,261</u></u>	<u><u>\$ 39,579</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ 385,603</u>	<u>\$ 245,625</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	-	-
(Increase) decrease in accounts receivable	(27,049)	(8,529)
Increase (decrease) in accounts payable	58,582	(77,965)
Increase (decrease) in compensated absences payable	291	180
Increase (decrease) in accrued liabilities	25,349	62,412
Miscellaneous income (expense)	<u>131,059</u>	<u>175,032</u>
Total adjustments	<u>188,232</u>	<u>151,130</u>
Net cash provided (used) by operating activities	<u><u>\$ 573,835</u></u>	<u><u>\$ 396,755</u></u>
<b>Noncash investing, capital, and financing activities:</b>		
Increase in fair value of investments	(14,236)	-

**CITY OF McALLEN, TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 6,598,948</u>	<u>\$ 6,598,948</u>	<u>\$ 6,286,811</u>	<u>\$ (312,137)</u>
Non-operating revenues:				
Investment earnings	-	-	102,571	102,571
Net increase (decrease) in fair value of investments	-	-	(14,236)	(14,236)
Other	<u>115,000</u>	<u>115,000</u>	<u>131,059</u>	<u>16,059</u>
Total non-operating revenues	<u>115,000</u>	<u>115,000</u>	<u>219,394</u>	<u>104,394</u>
Total revenues	<u>6,713,948</u>	<u>6,713,948</u>	<u>6,506,205</u>	<u>(207,743)</u>
Expenses:				
Administration:				
Salaries and benefits	80,196	82,574	87,147	(4,573)
Supplies	1,500	1,500	1,905	(405)
Contractual and other services	981,461	981,461	779,009	202,452
Self insurance claims	5,292,621	5,292,621	5,033,147	259,474
Repairs and maintenace	-	-	-	-
Capital outlay	<u>11,400</u>	<u>11,400</u>	<u>-</u>	<u>11,400</u>
Total expenses	<u>6,367,178</u>	<u>6,369,556</u>	<u>5,901,208</u>	<u>468,348</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	346,770	344,392	604,997	260,605
Transfers:				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>346,770</u>	<u>344,392</u>	<u>604,997</u>	<u>260,605</u>

**CITY OF McALLEN, TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ -	\$ -
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income-GAAP basis	<u><u>\$ 346,770</u></u>	<u><u>\$ 344,392</u></u>	<u><u>\$ 604,997</u></u>	<u><u>\$ 260,605</u></u>

**CITY OF McALLEN , TEXAS**  
**GENERAL INSURANCE FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 884	\$ 12,619
Certificate of deposit	3,493,198	4,350,807
Investments	4,168,206	1,790,730
Receivables, net:		
Accounts	46,833	31,870
Accrued interest	<u>20,057</u>	<u>4,225</u>
 Total current assets	 <u>7,729,178</u>	 <u>6,190,251</u>
 Capital assets:		
Machinery and equipment	14,765	14,765
Less accumulated depreciation	<u>(4,676)</u>	<u>(1,723)</u>
 Net capital assets	 <u>10,089</u>	 <u>13,042</u>
 Total assets	 <u><u>\$ 7,739,267</u></u>	 <u><u>\$ 6,203,293</u></u>
 <b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 137,682	\$ 374
Accrued expenses	1,373,160	1,224,574
Due to other funds	<u>42,796</u>	<u>-</u>
 Total current liabilities	 <u>1,553,638</u>	 <u>1,224,948</u>
 Other noncurrent liabilities:		
Other payables		
Accumulated unpaid compensated absences	<u>25,005</u>	<u>24,310</u>
 Total other noncurrent liabilities	 <u>25,005</u>	 <u>24,310</u>
 Total liabilities	 <u>1,578,643</u>	 <u>1,249,258</u>
 <b>NET ASSETS</b>		
Invested in capital assets	10,089	13,042
Unrestricted	<u>6,160,624</u>	<u>4,954,035</u>
 Total net assets	 <u>6,160,624</u>	 <u>4,954,035</u>
 Total liabilities and net assets	 <u><u>\$ 7,739,267</u></u>	 <u><u>\$ 6,203,293</u></u>

**CITY OF McALLEN , TEXAS**  
**GENERAL INSURANCE FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Contributions	\$ 4,003,021	\$ 3,618,462
Total operating revenues	<u>4,003,021</u>	<u>3,618,462</u>
Operating expenses:		
Salaries, wages and employee benefits	130,014	128,664
Supplies	3,160	2,972
Contractual and other services	2,630,552	1,021,730
Repairs and maintenance	705	268
Depreciation and amortization	2,953	1,723
Self insurance claims	<u>379,429</u>	<u>2,318,363</u>
Total operating expenses	<u>3,146,813</u>	<u>3,473,720</u>
Operating income (loss)	<u>856,208</u>	<u>144,742</u>
Nonoperating revenues (expenses):		
Investment earnings	178,969	114,320
Net increase (decrease) in the fair value of investments	(32,777)	(2,920)
Other	<u>204,190</u>	<u>262,244</u>
Net nonoperating revenues	<u>350,382</u>	<u>373,644</u>
Other		
Changes in net assets	1,206,590	518,386
Total net assets--beginning	<u>4,954,035</u>	<u>4,435,650</u>
Total net assets--ending	<u><u>\$ 6,160,625</u></u>	<u><u>\$ 4,954,036</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL INSURANCE FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers and users	\$ 3,988,058	\$ 3,684,756
Payments to employees	(129,319)	(127,432)
Payments to suppliers	(2,685,156)	(3,253,367)
Other receipts	<u>204,190</u>	<u>262,244</u>
Net cash provided by operating activities	<u>1,377,773</u>	<u>566,201</u>
<b>Cash flows from noncapital financing activities:</b>		
<b>Cash flow from capital and related financing activities:</b>		
Purchases of capital assets	<u>-</u>	<u>(14,765)</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>(14,765)</u>
<b>Cash flow from investing activities:</b>		
Investment activity net	(1,519,867)	(657,486)
Receipt of interest	<u>130,360</u>	<u>111,400</u>
Net cash used by investing activities	<u>(1,389,507)</u>	<u>(546,086)</u>
Net increase in cash	(11,734)	5,350
Cash at beginning of year	<u>12,618</u>	<u>7,268</u>
Cash at end of year	<u><u>\$ 884</u></u>	<u><u>\$ 12,618</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL INSURANCE FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 884	\$ 12,619
Restricted	<u>-</u>	<u>-</u>
Total cash	<u><u>\$ 884</u></u>	<u><u>\$ 12,619</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ 856,208</u>	<u>\$ 144,742</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	2,953	1,723
(Increase) decrease in accounts receivable	(14,963)	66,294
Increase (decrease) in accounts payable	137,308	(30,974)
Increase (decrease) in compensated absences payable	695	1,232
Increase (decrease) in accrued liabilities	148,586	120,940
Increase (decrease) in due to other funds	42,796	-
Miscellaneous income (expense)	<u>204,190</u>	<u>262,244</u>
Total adjustments	<u>521,565</u>	<u>421,459</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,377,773</u></u>	<u><u>\$ 566,201</u></u>
<b>Noncash investing, capital, and financing activities:</b>		
Increase in fair value of investments	(32,777)	(2,920)



**CITY OF McALLEN, TEXAS**  
**GENERAL INSURANCE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 3,987,167</u>	<u>\$ 3,987,167</u>	<u>\$ 4,003,021</u>	<u>\$ 15,854</u>
Non-operating revenues:				
Investment earnings	-	-	178,969	178,969
Net increase (decrease) in fair value of investments	-	-	(32,777)	(32,777)
Other	<u>141,940</u>	<u>141,940</u>	<u>204,190</u>	<u>62,250</u>
Total non-operating revenues	<u>141,940</u>	<u>141,940</u>	<u>350,382</u>	<u>208,442</u>
Total revenues	<u>4,129,107</u>	<u>4,129,107</u>	<u>4,353,403</u>	<u>224,296</u>
Expenses:				
Administration:				
Salaries and benefits	163,860	166,341	130,014	36,327
Supplies	2,000	3,500	3,160	340
Contractual and other services	945,964	944,464	2,630,552	(1,686,088)
Self insurance	1,678,582	1,678,582	379,429	1,299,153
Repairs and maintenace	1,760	1,760	705	1,055
Capital outlay	<u>1,800</u>	<u>1,800</u>	<u>-</u>	<u>1,800</u>
Total expenses	<u>2,793,966</u>	<u>2,796,447</u>	<u>3,143,860</u>	<u>(347,413)</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	1,335,141	1,332,660	1,209,543	(123,117)
Operating transfers:				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>1,335,141</u>	<u>1,332,660</u>	<u>1,209,543</u>	<u>(123,117)</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL INSURANCE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (2,953)	\$ (2,953)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income-GAAP basis	<u><u>\$ 1,335,141</u></u>	<u><u>\$ 1,332,660</u></u>	<u><u>\$ 1,206,590</u></u>	<u><u>\$ (126,070)</u></u>

**CITY OF McALLEN , TEXAS**  
**GENERAL DEPRECIATION FUND**  
**BALANCE SHEET**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 31,117	\$ 9,168
Certificate of deposit	1,980,306	3,044,117
Investments	2,736,374	629,900
Receivables, net:		
Accrued interest	<u>15,778</u>	<u>-</u>
Total currents assets	<u>4,763,575</u>	<u>3,683,185</u>
Capital assets:		
Machinery and equipment	9,115,492	9,101,941
Less accumulated depreciation	<u>(4,356,220)</u>	<u>(3,752,373)</u>
Net capital assets	<u>4,759,272</u>	<u>5,349,568</u>
Total assets	<u><b>\$ 9,522,847</b></u>	<u><b>\$ 9,032,753</b></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	<u>\$ -</u>	<u>\$ 127,307</u>
Total current liabilities	<u>-</u>	<u>127,307</u>
<b>NET ASSETS</b>		
Invested in capital assets	4,759,272	5,349,568
Unrestricted	<u>4,763,575</u>	<u>3,555,878</u>
Total net assets	<u>9,522,847</u>	<u>8,905,446</u>
Total liabilities and net assets	<u><b>\$ 9,522,847</b></u>	<u><b>\$ 9,032,753</b></u>

**CITY OF McALLEN , TEXAS**  
**GENERAL DEPRECIATION FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2005**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2004**

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Charges for services	\$ 2,014,679	\$ 1,801,038
Total operating revenues	<u>2,014,679</u>	<u>1,801,038</u>
Operating expenses:		
Depreciation and amortization	1,351,787	1,163,781
Other	<u>11,332</u>	<u>48,683</u>
Total operating expenses	<u>1,363,119</u>	<u>1,212,464</u>
Operating income	<u>651,560</u>	<u>588,574</u>
Nonoperating revenues (expenses):		
Investment earnings	120,748	56,144
Net increase (decrease) in the fair value of investments	(16,768)	-
Other	<u>(138,139)</u>	<u>(8,975)</u>
Net nonoperating revenues (expenses)	<u>(34,159)</u>	<u>47,169</u>
Changes in net assets	617,401	635,743
Total net assets--beginning	<u>8,905,446</u>	<u>8,269,703</u>
Total net assets--ending	<u><u>\$ 9,522,847</u></u>	<u><u>\$ 8,905,446</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL DEPRECIATION FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers and users	\$ 2,014,679	\$ 1,801,038
Payments to suppliers	(138,639)	63,624
Other receipts	<u>(138,139)</u>	<u>(8,975)</u>
Net cash provided by operating activities	<u>1,737,901</u>	<u>1,855,687</u>
 <b>Cash flow from capital and related financing activities:</b>		
Purchases of capital assets	(915,408)	(2,114,424)
Gain (loss) on sale of capital assets	<u>138,139</u>	<u>8,975</u>
Net cash used by capital and related financing activities	<u>(777,269)</u>	<u>(2,105,449)</u>
 <b>Cash flow from investing activities:</b>		
Investment activity net	(1,042,663)	195,122
Receipt of interest	<u>103,980</u>	<u>56,144</u>
Net cash used by investing activities	<u>(938,683)</u>	<u>251,266</u>
Net increase in cash	21,949	1,504
Cash at beginning of year	<u>9,168</u>	<u>7,664</u>
Cash at end of year	<u><u>\$ 31,117</u></u>	<u><u>\$ 9,168</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL DEPRECIATION FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended 2005**  
**With Comparative Amounts for Fiscal Year Ended 2004**

	<u>2005</u>	<u>2004</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 31,117	\$ 9,168
Restricted	<u>-</u>	<u>-</u>
Total cash	<u><u>\$ 31,117</u></u>	<u><u>\$ 9,168</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ 651,560</u>	<u>\$ 588,574</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,351,787	1,163,781
Increase (decrease) in accounts payable	(127,307)	112,307
Miscellaneous income (expense)	<u>(138,139)</u>	<u>(8,975)</u>
Total adjustments	<u>1,086,341</u>	<u>1,267,113</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,737,901</u></u>	<u><u>\$ 1,855,687</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL DEPRECIATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-charges for services	<u>\$ 2,015,787</u>	<u>\$ 2,015,787</u>	<u>\$ 2,014,679</u>	<u>\$ (1,108)</u>
Non-operating revenues:				
Investment earnings	-	-	120,748	120,748
Net increase (decrease) in fair value of investments	-	-	(16,768)	(16,768)
Other	<u>-</u>	<u>-</u>	<u>(138,139)</u>	<u>(138,139)</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>(34,159)</u>	<u>(34,159)</u>
Total revenues	<u>2,015,787</u>	<u>2,015,787</u>	<u>1,980,520</u>	<u>(35,267)</u>
Expenses:				
Contractual and other services	-	-	11,332	(11,332)
Capital outlay	<u>1,022,000</u>	<u>1,660,365</u>	<u>960,230</u>	<u>700,135</u>
Total expenses	<u>1,022,000</u>	<u>1,660,365</u>	<u>971,562</u>	<u>688,803</u>
Excess (deficiency) of revenues over expenses (budget basis)	993,787	355,422	1,008,958	653,536
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,351,787)	(1,351,787)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>960,230</u>	<u>960,230</u>
Net income-GAAP basis	<u><u>\$ 993,787</u></u>	<u><u>\$ 355,422</u></u>	<u><u>\$ 617,401</u></u>	<u><u>\$ 261,979</u></u>

**CAPITAL ASSETS USED IN THE  
OPERATION OF  
GOVERNMENTAL FUNDS**



**CITY OF McALLEN , TEXAS**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**COMPARATIVE SCHEDULES BY SOURCE(1)**  
**September 30, 2005**  
**With Comparative Amounts for September 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>Governmental funds capital assets:</b>		
Land	\$ 22,493,589	\$ 21,201,461
Buildings and improvements	59,663,754	54,883,036
Furniture and equipments	32,202,833	29,388,060
Infrastructure	130,245,591	119,951,063
Construction in progress	<u>6,247,858</u>	<u>6,042,196</u>
 Total general fixed assets	 <u><u>\$ 250,853,625</u></u>	 <u><u>\$ 231,465,816</u></u>
 <b>Investments in governmental funds capital assets by source:</b>		
General fund revenues	\$ 30,212,930	\$ 28,209,964
Capital projects	106,890,419	93,149,622
Community development	17,117,098	16,651,835
Special revenues	56,759,485	56,759,485
Contributions from developers	27,947,890	24,769,107
Donations and transfers	<u>11,925,803</u>	<u>11,925,803</u>
 Total investments in general fixed assets	 <u><u>\$ 250,853,625</u></u>	 <u><u>\$ 231,465,816</u></u>

(1) This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets

**City of McAllen, Texas**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Function and Activity (1)**  
**September 30, 2005**

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General government:							
City commission	\$ 6,300,966	\$ 4,328,875	\$ 964,096	\$ 248,955	\$ 258,334	\$ 154,979	\$ 12,256,204
Special services	559,051	1,231,926	4,000	48,291	-	-	1,843,269
City manager	381,544	4,491,538	-	100,098	192,368	-	5,165,548
City secretary	-	-	-	35,447	-	-	35,447
Audit	-	-	-	6,394	-	-	6,394
Municipal court	-	-	7,950	257,480	-	-	265,430
Finance	-	-	86,645	33,112	-	-	119,757
Tax office	-	-	-	98,428	-	-	98,428
Purchasing	-	-	-	64,198	-	-	64,198
Legal	-	-	-	20,955	-	-	20,955
Personnel	-	-	-	489,372	-	-	489,372
Planning	-	-	2,842	74,878	-	-	77,720
MIS	-	-	-	1,055,333	-	-	1,055,333
MCN	-	-	25,000	332,120	-	-	357,120
City hall	769,674	5,501,968	225,225	594,696	9,469	-	7,101,032
CDBG	-	-	-	19,800	-	-	19,800
Building maintenance	-	-	-	22,612	-	-	22,612
Total general government	8,011,235	15,554,307	1,315,758	3,502,169	460,171	154,979	28,998,619
Public safety:							
Police	1,059,658	12,216,133	647,008	9,834,129	-	791,924	24,548,852
Communication technology	-	-	-	23,554	-	-	23,554
Fire	429,899	1,665,428	114,239	5,096,810	-	39,990	7,346,365
Traffic safety	421,654	221,435	606,205	1,707,692	13,765,478	7,465	16,729,929
Downtown services	-	-	-	35,128	-	-	35,128
Inspection	-	-	-	57,014	-	-	57,014
Total public safety	1,911,210	14,102,996	1,367,452	16,754,327	13,765,478	839,379	48,740,842

**City of McAllen, Texas**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Function and Activity (1)**  
**September 30, 2005**

<b>Function and Activity</b>	<b>Land</b>	<b>Buildings</b>	<b>Improvements Other than Buildings</b>	<b>Machinery and Equipment</b>	<b>Infrastructure</b>	<b>Construction in Progress</b>	<b>Total</b>
Highways & streets:							
Engineering	\$ 4,062,227	\$ -	\$ 192,605	\$ 1,198,430	\$ 17,447,265	-	\$ 22,900,528
Street cleaning	-	-	-	284,921	-	-	284,921
Street maintenance	119,805	-	91,094	1,281,980	62,333,646	594,318	64,420,844
Street lighting	-	-	734,174	363,765	452,162	-	1,550,102
Sidewalks	-	-	-	14,008	127,183	-	141,190
Drainage	1,313,057	-	55,061	1,653,154	35,113,619	974,535	39,109,425
Total highways and streets	5,495,089	-	1,072,934	4,796,259	115,473,876	1,568,853	128,407,010
Health & welfare:							
Health	10,753	159,122	-	148,635	-	-	318,510
Graffiti	-	-	-	51,418	-	-	51,418
Total health and welfare	10,753	159,122	-	200,053	-	-	369,928
Culture & recreation:							
Parks administration	2,185,293	730,752	1,007,109	157,536	52,477	2,303,336	6,436,503
Parks	3,183,547	2,905,766	13,821,897	1,817,317	235,416	1,344,151	23,308,094
Recreation	408,900	278,445	93,030	46,752	-	-	827,127
Pools	-	-	511,664	184,791	12,101	-	708,556
Senior citizen	-	16,248	83,076	-	246,072	-	345,397
Recreation center - lark	-	-	19,509	3,804	-	-	23,312
Recreation center - palmview	-	3,518	-	13,252	-	-	16,770
Library	339,111	6,611,980	5,995	4,017,942	-	37,161	11,012,189
Library-north	-	1,098	-	481,524	-	-	482,622
Library-south	948,452	1,098	-	227,106	-	-	1,176,657
Total culture and recreation	7,065,303	10,548,906	15,542,280	6,950,024	546,066	3,684,648	44,337,226
Total governmental funds capital assets	<u><u>\$ 22,493,589</u></u>	<u><u>\$ 40,365,331</u></u>	<u><u>\$ 19,298,424</u></u>	<u><u>\$ 32,202,833</u></u>	<u><u>\$ 130,245,591</u></u>	<u><u>\$ 6,247,858</u></u>	<u><u>\$ 250,853,625</u></u>

(1) This schedule presents only the capital asset balances related to governmental funds.

Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**City of McAllen, Texas**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes By Function and Activity (1)**  
**For the fiscal year ended September 30, 2005**

<b>Function and Activity</b>	<b>Governmental Funds Capital Assets September 30, 2004</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets September 30, 2005</b>
General government:				
City commission	\$ 11,683,213	\$ 569,767	\$ (3,223)	\$ 12,256,204
Special services	1,843,269	-	-	1,843,269
City manager	5,165,548	-	-	5,165,548
City secretary	35,447	-	-	35,447
Audit	-	6,394	-	6,394
Municipal court	265,430	-	-	265,430
Finance	110,659	9,098	-	119,757
Tax office	98,428	-	-	98,428
Purchasing	64,198	-	-	64,198
Legal	20,955	-	-	20,955
Personnel	396,549	92,823	-	489,372
Planning	52,799	24,921	-	77,720
MIS	997,837	60,445	2,948	1,055,333
MCN	351,948	17,284	12,112	357,120
City hall	7,101,032	-	-	7,101,032
CDBG	19,800	-	-	19,800
Building maintenance	49,459	-	26,847	22,612
Total general government	28,256,571	780,731	38,684	28,998,619
Public safety:				
Police	23,164,833	1,863,859	479,840	\$ 24,548,852
Communication technology	-	23,555	-	23,555
Fire	6,710,915	728,112	92,662	7,346,365
Traffic safety	15,975,831	742,259	(11,839)	16,729,929
Downtown services	13,293	21,835	-	35,128
Inspection	41,716	15,298	-	57,014
Total public safety	45,906,587	3,394,918	560,663	48,740,842

**City of McAllen, Texas**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes By Function and Activity (1)**  
**For the fiscal year ended September 30, 2005**

<b>Function and Activity</b>	<b>Governmental Funds Capital Assets September 30, 2004</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets September 30, 2005</b>
Highways & streets:				
Engineering	\$ 22,350,347	\$ 575,687	\$ 25,506	\$ 22,900,528
Street cleaning	284,921	-	-	284,921
Street maintenance	58,332,627	6,059,329	(28,888)	64,420,844
Street lighting	1,550,102	-	-	1,550,102
Sidewalks	135,390	5,800	-	141,190
Drainage	35,262,680	4,075,051	228,305	39,109,425
Total highways and streets	117,916,067	10,715,867	224,923	128,407,010
Health & welfare:				
Health	314,260	4,250	-	318,510
Graffiti	65,507	-	14,089	51,418
Total health and welfare	379,767	4,250	14,089	369,928
Culture & Recreation:				
Parks administration	4,864,417	1,575,310	3,223	6,436,503
Parks	20,052,149	3,324,493	68,548	23,308,094
Recreation	840,281	-	13,154	827,127
Pools	519,492	189,064	-	708,556
Senior citizen	345,397	-	-	345,397
Recreation center - lark	23,312	-	-	23,312
Recreation center - palmview	3,804	12,965	-	16,769
Library	10,769,042	243,147	-	11,012,189
Library-north	449,065	33,557	-	482,622
Library-south	1,139,865	36,791	-	1,176,657
Total culture and recreation	39,006,824	5,415,328	84,925	44,337,226
Total governmental func capital assets	<u>\$ 231,465,817</u>	<u>\$ 20,311,093</u>	<u>\$ 923,285</u>	<u>\$ 250,853,625</u>

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**STATISTICAL SECTION**

Table 1

**CITY OF McALLEN, TEXAS  
GOVERNMENT-WIDE EXPENSES BY FUNCTION  
FISCAL YEAR**

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Highways and Streets</b>	<b>Health and Welfare</b>	<b>Culture and Recreation</b>	<b>Interest on long-term Debt</b>	<b>Water</b>	<b>Sewer</b>
2001	\$ 12,182,852	\$ 33,450,783	\$ 9,023,620	\$ 5,131,874	\$ 10,057,081	\$ 1,967,680	\$ 9,080,717	\$ 6,850,233
2002	12,906,438	34,384,019	10,137,676	5,142,952	10,644,143	1,737,096	9,604,181	7,199,937
2003	13,182,932	35,762,375	11,047,814	5,404,155	11,326,712	932,771	9,323,615	7,334,088
2004	14,690,963	38,751,270	12,712,852	5,641,957	12,367,664	260,546	9,873,183	7,667,018
2005	16,625,820	41,608,209	14,884,137	4,024,532	12,478,352	17,377	11,829,462	8,644,246

Table 1

**CITY OF McALLEN, TEXAS**  
**GOVERNMENT-WIDE EXPENSES BY FUNCTION**  
**FISCAL YEAR**

<u>Sanitation</u>	<u>Golf Course</u>	<u>Civic Center</u>	<u>Airport</u>	<u>Transit Terminal</u>	<u>McAllen Express</u>	<u>Bridge</u>	<u>Total</u>
\$ 7,307,044	\$ 1,202,802	\$ 958,735	\$ 3,686,660	\$ 460,128	\$ -	\$ 5,118,645	\$ 106,478,854
8,012,050	1,136,123	960,076	3,834,761	555,102	-	5,643,188	111,897,742
8,365,789	1,139,483	1,030,029	3,787,879	603,871	-	5,370,822	114,612,335
9,273,893	1,190,232	1,370,414	4,316,654	895,522		5,855,638	124,867,806
10,053,540	1,336,992	1,463,999	4,497,261	634,498	768,139	5,868,509	134,735,073



Table 2

**CITY OF McALLEN, TEXAS  
GOVERNMENT-WIDE REVENUES  
FISCAL YEAR**

<b>PROGRAM REVENUES</b>			
<b>Fiscal Year</b>	<b>Charges For Service</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
2001	\$ 45,099,484	\$ 9,309,931	\$ 3,851,670
2002	47,659,324	4,230,204	6,693,579
2003	50,297,678	2,813,269	9,083,712
2004	54,114,283	4,327,817	9,869,722
2005	60,374,460	4,128,574	11,311,332

Table 2

**CITY OF McALLEN, TEXAS  
GOVERNMENT-WIDE REVENUES  
FISCAL YEAR**

<b>GENERAL REVENUES</b>				
<b>Taxes</b>	<b>Grants and Contributions Not Restricted to Specific Programs</b>	<b>Unrestricted Investment Earnings</b>	<b>Miscellaneous</b>	<b>Total</b>
\$ 63,316,127	\$ 234,604	\$ 13,635,093	\$ 9,428,049	\$ 144,874,958
66,079,766	1,150,562	8,747,255	6,610,570	141,171,260
69,733,029	-	5,360,290	11,825,120	149,113,098
75,970,825	-	4,101,513	9,708,326	158,092,486
80,913,340	-	4,460,071	9,204,858	170,392,635

Table 3

**CITY OF McALLEN, TEXAS**  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Highways and Streets</b>	<b>Health and Welfare</b>
1996	\$ 9,885,777	\$ 17,760,771	\$ 4,683,754	\$ 2,373,580
1997	10,635,243	19,122,718	6,361,800	4,320,957
1998	14,098,227	21,942,042	8,962,063	1,417,396
1999	12,955,202	24,076,366	10,257,885	3,456,136
2000	13,305,402	27,209,400	7,572,045	6,336,776
2001	14,091,828	35,741,264	7,166,954	5,108,889
2002	14,005,890	36,354,451	10,449,379	5,160,801
2003	14,152,828	38,314,366	17,238,974	5,424,268
2004	15,573,246	37,466,003	21,599,260	5,710,156
2005	17,356,283	42,590,348	18,059,597	4,011,452

(1) Includes General Fund, Special Revenue, Debt Service, and Capital Projects

(2) Various general obligation bond issues were paid off.

(3) Classification of "capital outlay" to recommended functions.

Table 3

**CITY OF McALLEN, TEXAS**  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)**  
**LAST TEN FISCAL YEARS**

<b>Culture Recreation</b>	<b>Debt Service</b>	<b>Capital Expenditures</b>	<b>Total</b>
\$ 5,362,978	\$ 4,744,195	\$ 3,612,503	\$ 48,423,558
7,195,028	4,171,622	3,827,383	55,634,751
7,284,569	4,812,084	4,808,267	63,324,648
10,295,971	4,933,390	7,718,349	73,693,299
14,827,494	4,603,992	6,277,115	80,132,224
9,900,452	4,550,666	2,974,890	79,534,943
10,886,344	4,484,168	- (3)	81,341,033
11,534,272	(2) 27,079,026	- (3)	113,743,734
17,059,656	6,229,546	- (3)	103,637,867
16,698,716	42,472	- (3)	98,758,868

Table 4

**CITY OF McALLEN, TEXAS  
GENERAL REVENUE BY SOURCE (1)  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Taxes</b>	<b>Licenses and Permits</b>	<b>Inter- Governmental Revenue</b>
1996	\$ 39,207,403	\$ 529,305	\$ 4,794,584
1997	41,743,546	623,967	7,543,118
1998	50,780,347	653,378	3,288,526
1999	54,079,288	787,681	5,144,308
2000	58,426,137	792,954	5,938,509
2001	63,041,158	824,608	8,576,131
2002	65,760,216	872,751	5,954,380
2003	69,506,277	1,434,515	5,504,875
2004	75,683,872	1,401,360	8,279,063
2005	80,911,770	1,481,650	5,985,818

(1) Includes General Fund, Special Revenue, Debt Service, and Capital Projects

Table 5

**CITY OF McALLEN, TEXAS  
TAX REVENUE BY SOURCE (1)  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Total Taxes</b>	<b>General Property Taxes</b>	<b>General Sales Taxes</b>	<b>Business Gross Receipts Taxes</b>	<b>Other Taxes</b>
1996	\$ 39,207,403	\$ 13,974,474	\$ 19,500,910	\$ 3,947,409	\$ 1,784,610
1997	41,743,546	14,487,566	20,731,293	4,523,927	2,000,760
1998	50,780,347	14,869,275	29,437,107	4,164,736	2,309,229
1999	54,079,288	15,548,987	31,542,351	4,599,979	2,387,971
2000	58,426,137	16,141,020	35,369,124	4,359,640	2,556,353
2001	63,041,158	16,961,501	37,038,847	6,128,118	2,912,692
2002	65,760,216	18,173,534	39,248,332	5,496,448	2,841,902
2003	69,506,277	19,666,020	41,575,736	5,456,944	2,807,577
2004	75,683,872	21,194,607	45,601,935	5,776,414	3,110,916
2005	80,911,770	22,965,684	48,590,129	6,046,640	3,309,317

(1) Includes General Fund, Special Revenue, and Debt Service

Table 4

**CITY OF McALLEN, TEXAS  
GENERAL REVENUE BY SOURCE (1)  
LAST TEN FISCAL YEARS**

<b>Charges For Service</b>	<b>Fines and Forfeits</b>	<b>Other Revenue</b>	<b>Total</b>
\$ 2,024,662	\$ 1,500,881	\$ 2,927,102	\$ 50,983,937
2,236,958	1,853,300	3,388,327	57,389,216
2,206,588	2,147,815	5,316,461	64,393,115
2,354,420	2,385,269	8,034,430	72,785,396
2,486,082	2,379,275	10,992,444	81,015,401
2,699,727	2,338,137	22,107,142	99,586,903
2,830,128	2,070,902	8,878,043	86,366,420
2,991,704	2,179,769	16,125,134	97,742,274
3,403,159	2,344,084	10,955,512	102,067,050
3,385,392	2,204,354	10,065,979	104,034,963

Table 5

**CITY OF McALLEN, TEXAS  
TAX REVENUE BY SOURCE (1)  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Total Taxes</b>	<b>General Property Taxes</b>	<b>General Sales Taxes</b>	<b>Business Gross Receipts Taxes</b>	<b>Other Taxes</b>
1996	\$ 39,207,403	\$ 13,974,474	\$ 19,500,910	\$ 3,947,409	\$ 1,784,610
1997	41,743,546	14,487,566	20,731,293	4,523,927	2,000,760
1998	50,780,347	14,869,275	29,437,107	4,164,736	2,309,229
1999	54,079,288	15,548,987	31,542,351	4,599,979	2,387,971
2000	58,426,137	16,141,020	35,369,124	4,359,640	2,556,353
2001	63,041,158	16,961,501	37,038,847	6,128,118	2,912,692
2002	65,760,216	18,173,534	39,248,332	5,496,448	2,841,902
2003	69,506,277	19,666,020	41,575,736	5,456,944	2,807,577
2004	75,683,872	21,194,607	45,601,935	5,776,414	3,110,916
2005	80,911,770	22,965,684	48,590,129	6,046,640	3,309,317

(1) Includes General Fund, Special Revenue, and Debt Service



Table 6

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

Fiscal Year Ended	Tax Roll Year	Real Property		Personal Property	
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
1996	1995	\$ 2,461,842,249	\$ 2,461,842,249	\$ 491,972,835	\$ 491,972,835
1997	1996	2,559,229,055	2,559,229,055	473,632,414	473,632,414
1998	1997	2,651,336,502	2,651,336,502	499,716,933	499,716,933
1999	1998	2,848,373,856	2,848,373,856	522,773,667	522,773,667
2000	1999	2,972,096,712	2,972,096,712	511,207,036	511,207,036
2001	2000	3,179,391,812	3,179,391,812	606,318,130	606,318,130
2002	2001	3,396,215,579	3,396,215,579	680,969,015	680,969,015
2003	2002	3,550,376,990	3,550,376,990	720,876,637	720,876,637
2004	2003	3,735,594,383	3,735,594,383	797,078,428	797,078,428
2005	2004	4,082,537,898	4,082,537,898	960,870,906	960,870,906

Table 6

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

<b>Minerals</b>		<b>Total</b>		<b>Percentage Assessed to Full Value</b>
<b>Assessed Value</b>	<b>Estimated Value</b>	<b>Assessed Value</b>	<b>Estimated Value</b>	
\$ 68,982,530	\$ 68,982,530	\$ 3,022,797,614	\$ 3,022,797,614	100%
72,830,712	72,830,712	3,105,692,181	3,105,692,181	100
72,920,305	72,920,305	3,227,248,695	3,227,248,635	100
89,185,630	89,185,630	3,460,333,153	3,460,333,153	100
78,880,150	78,880,150	3,562,183,898	3,562,183,898	100
87,629,700	87,629,700	3,873,339,642	3,873,339,642	100
128,330,930	128,330,930	4,205,515,524	4,205,515,524	100
124,871,890	124,871,890	4,396,125,517	4,396,125,517	100
124,225,970	124,225,970	4,656,898,781	4,656,898,781	100
145,037,761	145,037,761	5,188,446,565	5,188,446,565	100

Table 7

**CITY OF McALLEN, TEXAS  
PROPERTY TAX LEVIES AND ALLOCATION THEREOF  
LAST TEN FISCAL YEARS**

<b>Valuations</b>				
<b>Fiscal Year Ended</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Minerals</b>	<b>Total</b>
1996	\$ 2,461,842,249	\$ 491,972,835	\$ 68,982,530	\$ 3,022,797,614
1997	2,559,229,055	473,632,414	72,830,712	3,105,692,181
1998	2,651,336,502	499,716,933	72,920,305	3,227,248,695
1999	2,848,373,856	522,773,667	89,185,630	3,460,333,153
2000	2,972,096,712	511,207,036	78,880,150	3,562,183,898
2001	3,179,391,812	606,318,130	87,629,700	3,873,339,642
2002	3,396,215,579	680,969,015	128,330,930	4,205,515,524
2003	3,550,376,990	720,876,637	124,871,890	4,396,125,517
2004	3,735,594,383	797,078,428	124,225,970	4,656,898,781
2005	4,082,537,898	960,870,906	145,037,761	5,188,446,565

Table 7

<p align="center"><b>CITY OF McALLEN, TEXAS</b>  <b>PROPERTY TAX LEVIES AND ALLOCATION THEREOF</b>  <b>LAST TEN FISCAL YEARS</b></p>
--

Tax Rate	Total Tax Levy	Taxes Levied For (PER \$100/ASSESSED VALUATION)			
		General Fund		Debt Service Fund	
		Rate	Amount	Rate	Amount
\$ 0.45	\$ 13,699,320	\$ 0.29	\$ 8,617,997	\$ 0.16	\$ 5,081,323
0.45	14,074,997	0.31	9,643,174	0.14	4,431,823
0.42	13,596,399	0.31	10,161,670	0.11	3,434,729
0.42	14,578,384	0.33	11,529,415	0.09	3,048,969
0.42	15,007,481	0.35	12,422,048	0.07	2,585,433
0.42	16,318,380	0.35	13,507,110	0.07	2,811,270
0.42	17,717,837	0.36	15,213,915	0.06	2,503,922
0.42	18,520,877	0.36	16,077,950	0.06	2,442,927
0.42	19,619,514	0.39	18,317,771	0.03	1,301,743
0.42	21,858,925	0.42	21,858,925	0.00	-

Table 8

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

<b>Year</b>	<b>Total Tax Levy</b>	<b>Amount of Current Taxes Collected</b>	<b>Percent of Current Taxes Collected (1)</b>
1996	\$ 13,699,320	\$ 12,809,555	93.51%
1997	14,074,997	13,219,050	93.92
1998	13,596,399	13,221,561	97.47
1999	14,578,384	13,788,245	94.58
2000	15,007,481	14,532,402	96.83
2001	16,318,380	15,292,313	93.71
2002	17,717,837	16,377,568	92.44
2003	18,520,877	17,598,726	95.02
2004	19,619,514	19,170,840	97.71
2005	21,858,925	20,938,827	95.79

(1) Based upon original levy.

Table 8

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

Amount of Delinquent Taxes Collected	Total Collections For Year	Percent of Total Tax Collections To Tax Levy	Accumulated Delinquent Taxes	Percent of Delinquent Taxes to Current Levy
\$ 576,480	\$ 13,386,035	97.71%	\$ 2,481,704	18.98%
576,224	13,795,274	98.01	1,905,260	13.91
801,014	14,052,925	103.36	2,127,248	15.11
862,896	14,651,141	100.50	3,137,613	23.08
744,599	15,277,001	101.80	2,989,246	20.50
773,767	16,066,080	98.45	2,941,441	19.25
988,191	17,365,759	98.01	3,327,918	20.39
1,161,120	18,759,846	101.29	3,641,520	20.55
1,061,566	20,232,406	103.12	3,565,070	19.25
1,068,203	22,007,030	100.68	3,053,086	13.97

Table 9

**CITY OF McALLEN, TEXAS  
RATIO OF NET GENERAL BONDED DEBT OF ASSESSED VALUE  
AND NET BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS**

<b>Year</b>	<b>Population</b>	<b>Assessed Value</b>	<b>Gross Bonded Debt</b>
1996	97,166	\$3,022,797,614	\$23,245,000
1997	99,458	3,105,692,181	20,350,000
1998	101,802	3,227,248,695	17,980,000
1999	105,694	3,460,333,153	15,930,000
2000	107,936	3,562,183,898	14,195,000
2001	111,806	3,873,339,642	12,405,000
2002	114,424	4,205,515,524	10,565,000
2003	118,073	4,396,125,517	5,890,000
2004	121,700	4,656,898,781	-
2005	125,000	5,188,446,565	-

Table 9

**CITY OF McALLEN, TEXAS**  
**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE**  
**AND NET BONDED DEBT PER CAPITA**  
**LAST TEN FISCAL YEARS**

Available Debt Service Fund	Net Bonded Debt	Net Bonded Debt	
		Ratio to Assessed Value	Per Capita
\$1,743,569	\$21,501,431	0.71%	\$221
2,080,583	18,269,417	0.59	184
2,355,129	15,624,871	0.48	153
2,620,993	13,309,007	0.38	126
2,916,190	11,278,810	0.32	104
3,175,516	9,229,484	0.24	83
3,304,666	7,260,334	0.17	63
4,872,102	1,017,898	0.02	9
-	-	N/A	N/A
-	-	N/A	N/A



Table 10

<p align="center"><b>CITY OF McALLEN</b></p> <p align="center"><b>RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR</b></p> <p align="center"><b>GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL FUNDS EXPENDITURES</b></p> <p align="center"><b>LAST TEN FISCAL YEARS</b></p>
--

Fiscal Year	Debt Service On General Bonded Debt	Total General Governmental Funds Expenditures (1)	Ratio of Debt Service to Total General Governmental Funds Expenditures (Percent)
1996	\$ 4,744,195	\$ 48,423,558	9.80%
1997	4,171,622	55,634,751	7.50%
1998	3,514,144	63,324,648	5.55%
1999	3,051,522	73,693,299	4.14%
2000	2,617,581	80,132,224	3.27%
2001	2,563,832	79,534,943	3.22%
2002	2,499,873	81,341,033	3.07%
2003	27,079,026 (2)	113,743,734	23.81%
2004	6,229,546 (2)	103,637,867	6.01%
2005	-	98,758,868	N/A

(1) Includes General Fund, Special Revenue, Debt Service Funds, and Capital Projects Funds.

(2) High amount attributable to principal retirement of various general obligation issues. All obligations were retired.

Table 11

**CITY OF McALLEN, TEXAS  
PRINCIPAL TAXPAYERS  
YEAR ENDED SEPTEMBER 30, 2005**

	<b>Taxpayer</b>	<b>Assessed Valuation</b>	<b>Percentage of Total Assessed Valuation</b>
1.	Universal Health Services	\$ 58,865,714	1.13%
2.	Rio Grande Regional Hospital	52,356,100	1.01%
3.	Simon Property Group	44,669,232	0.86%
4.	AEP Texas Central Co.	33,270,410	0.64%
5.	Wal-Mart Stores Texas	32,796,026	0.63%
6.	Total E&P USA, Inc.	31,427,090	0.61%
7.	Texas State Bank	29,114,847	0.56%
8.	Black & Decker	26,635,378	0.51%
9.	H.E. Butt Grocery Co.	25,207,670	0.49%
10.	Emerson Energy Systems	<u>22,763,496</u>	0.44%
		<b><u>\$ 357,105,963</u></b>	6.88%

Data source:

City of McAllen-Tax Office

Table 12

**CITY OF McALLEN, TEXAS  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
AND PROPERTY TAX RATES OF OVERLAPPING ENTITIES  
LAST TEN FISCAL YEARS**

<b>Taxing Body</b>	<b>Net Bonded Debt</b>	<b>Debt As of</b>	<b>Percent Overlapping</b>	<b>Amount Overlapping</b>
Hidalgo County	\$ 126,517,412	12/30/04	100.00%	\$ 126,517,412
Hidalgo I.S.D.	22,877,415	08/31/04	0.45%	102,948
Edinburg I.S.D.	7,453,435	08/31/05	0.21%	15,652
McAllen I.S.D.	128,959,069	08/31/05	94.04%	121,273,108
P.S.J.A. I.S.D.	118,015,000	08/31/05	4.59%	5,416,888
Sharyland I.S.D.	<u>35,259,999</u>	08/31/05	4.68%	<u>1,650,167</u>
Total gross overlapping debt	439,082,330			254,976,175
City of McAllen	<u>-</u>	09/30/05	100.00%	<u>-</u>
Total direct and overlapping debt	<u><u>\$ 439,082,330</u></u>			<u><u>\$ 254,976,175</u></u>

Source: Local Taxing Entities

Table 12

**CITY OF McALLEN, TEXAS  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
AND PROPERTY TAX RATES OF OVERLAPPING ENTITIES  
LAST TEN FISCAL YEARS**

<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
\$ 0.46	\$0.46	\$ 0.44	\$ 0.44	\$ 0.50	\$ 0.52	\$ 0.52	\$ 0.59	\$ 0.59	\$ 0.59
1.42	1.54	1.57	1.57	1.57	1.57	1.57	1.57	1.59	1.59
1.39	1.47	1.55	1.55	1.55	1.41	1.55	1.59	1.59	1.58
1.45	1.45	1.53	1.53	1.58	1.54	1.54	1.54	1.54	1.62
1.50	1.57	1.59	1.59	1.63	1.62	1.62	1.61	1.61	1.61
1.41	1.41	1.46	1.46	1.54	1.54	1.54	1.54	1.54	1.57
0.48	0.47	0.45	0.42	0.42	0.42	0.42	0.42	0.42	0.42

All figures above are based on \$100/valuation.

Tax rates are rounded off to nearest hundredths.

Table 13

<b>CITY OF McALLEN, TEXAS</b> <b>COMPUTATION OF LEGAL DEBT MARGIN</b> <b>SEPTEMBER 30, 2005</b>
---

Assessed valuation 2004 tax roll for fiscal year 2005	\$ 5,188,446,565
Debt limit - Texas statutes do not prescribe a debt limit; however, by custom, a practical economic debt limit of 5% of the assessed valuation is used.	<u>5%</u>
	<u>259,422,328</u>
Total bonded debt	-
Deduct amount available in debt service fund	<u>-</u>
Applicable debt	<u>-</u>
Economic debt margin	<u><u>\$ 259,422,328</u></u>

Table 14

<p align="center"><b>CITY OF McALLEN, TEXAS</b>  <b>PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS</b>  <b>LAST TEN FISCAL YEARS</b></p>
--

<b>Fiscal Year</b>	<b>Property Value (1)</b>	<b>Construction</b>	<b>Bank Deposits</b>
1996	\$ 3,022,797,614	\$ 113,913,538	\$ 1,751,980,171
1997	3,105,692,181	156,002,158	1,968,314,027
1998	3,227,248,695	120,730,784	2,170,976,920
1999	3,460,333,153	179,214,512	2,305,422,150
2000	3,562,183,898	175,175,927	2,365,939,001
2001	3,873,339,642	202,898,831	2,572,993,861
2002	4,205,515,524	198,946,076	3,200,745,877
2003	4,396,125,517	206,076,304	3,530,580,885
2004	4,656,898,781	234,799,141	3,495,881,842
2005	5,188,446,565 (a)	293,436,019 (b)	2,955,834,607 (c)

(1) Includes only taxable property.

Information provided by:

- (a) City of McAllen Tax Department fiscal years 97-03. Previous years information, was provided by the McAllen Independent School District- Tax Office
- (b) City of McAllen Inspection Department
- (c) McAllen Chamber of Commerce

Table 15

**CITY OF McALLEN, TEXAS  
REVENUE BOND COVERAGE  
WATER AND SEWER BONDS  
LAST TEN FISCAL YEARS**

**WATER FUND:**

<b>Fiscal Year</b>	<b>Gross Revenue</b>	<b>Direct Operating Expenses</b>	<b>Net Revenue Available For Debt Service (1)</b>	<b>Debt Service Requirements</b>	<b>Coverage</b>
1996	\$ 7,839,961	\$ 5,112,150	\$ 2,727,811	\$ 289,373	9.43
1997	7,914,855	5,093,106	2,821,749	474,163	5.95
1998	8,680,396	5,198,677	3,481,719	773,323	4.50
1999	9,103,734	5,814,544	3,289,190	1,003,568	3.28
2000	11,546,355	5,935,842	5,610,513	909,148	6.17
2001	13,620,766	6,101,989	7,518,777	2,238,273	3.36
2002	13,595,999	6,782,989	6,813,010	2,195,221	3.10
2003	13,306,102	6,937,001	6,369,101	2,077,274	3.07
2004	13,363,195	7,620,642	5,742,553	1,483,797	3.87
2005	15,080,924	8,595,829	6,485,095	1,702,834	3.81

**SEWER FUND:**

<b>Fiscal Year</b>	<b>Gross Revenue</b>	<b>Direct Operating Expenses</b>	<b>Net Revenue Available For Debt Service (1)</b>	<b>Debt Service Requirements</b>	<b>Coverage</b>
1996	(2)				
1997	\$ 4,613,288	\$ 3,531,387	\$ 1,968,970	\$ 199,747	9.86
1998	6,656,018	3,850,196	2,805,822	542,675	5.17
1999	7,241,418	4,135,347	3,106,071	678,594	4.58
2000	7,899,827	4,310,674	3,589,153	880,030	4.08
2001	8,919,843	4,428,743	4,491,100	1,377,089	3.26
2002	9,731,320	4,634,025	5,097,295	1,438,373	3.54
2003	9,494,989	4,722,740	4,772,249	1,567,067	3.05
2004	9,980,780	5,105,759	4,875,021	2,160,542	2.26
2005	11,470,919	5,586,088	5,884,831	2,216,876	2.65

(1) Net revenue available for debt service is calculated as follows: Gross Revenue - Direct Operating Expenses + Depreciation Expenses.

(2) No bond debt existed for this year.

Table 16

**CITY OF McALLEN, TEXAS  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Population</b>	<b>Per Capita Income</b>	<b>Median Age</b>	<b>Percentage HS Graduate</b>	<b>School Enrollment</b>	<b>Percentage Of Unemployment</b>
1996	97,166	\$ 13,402	29.8	62.27%	21,830	13.44%
1997	99,458	13,914	30.0	63.00	21,704	12.4
1998	101,802	14,427	30.1	63.73	21,589	12.07
1999	105,694	14,939	30.3	64.47	21,388	9.94
2000	107,936	15,452	30.5	65.20	21,625	9.25
2001	111,806	15,964	30.7	65.93	21,970	8.89
2002	114,424	16,477	30.9	66.70	23,360	8.41
2003	118,073	16,190	30.0	75.50	23,304	9.4
2004	121,700	Not Available	Not Available	78.40	23,326	7.5
2005	125,000 (a)	Not Available (b)	Not Available (c)	Not Available (c)	24,276 (d)	5.5 (e)

Information provided by:

- (a) U.S. Bureau of Census, 1970, 1980 , 1990 & 2000 Decennial Census & Series P-26 Intercensal Estimates & Local Estimates.
- (b) U.S. Bureau of Census, 1970, 1980 , 1990 & 2000 Decennial Census & Series P-26 Intercensal
- (c) U.S. Bureau of Census, 1970, 1980, 1990, & 2000 Decennial Census & Local Estimates.
- (d) McAllen Independent School District
- (e) Texas Workforce Commission



Table 17

<p align="center"><b>CITY OF MCALLEN, TEXAS</b>  <b>MISCELLANEOUS STATISTICAL DATA</b></p>
--

Date of Incorporation:	February 20, 1911
Date of Adoption of City Charter:	January 31, 1927
Form of Government	Home Rule
Area:	
Square miles	48.3
Acres (estimated)	30,933
Miles of Streets:	
Paved within City limits - City maintained	626
Paved within City limits - State maintained	75
Miles of Sewer:	
Storm	238.65
Sanitary	475
Building Permits:	
Permits issued	2,012
Estimated cost	\$293,436,019
Fire Protection:	
Number of stations	6
Number of employees - Paid firemen - full time	140
- Civilian	8
Police Protection:	
Number of stations	1
Number of substations	7
Number of employees - Commissioned	261
- Civilian	135
Recreation:	
Developed parks (acres)	689
Undeveloped (acres)	401
Number of municipal golf links (18-hole course)	1
Number of municipal swimming pools	4
Lighted tennis courts	25
Lighted baseball diamonds/athletic fields	17

Table 17

<p align="center"><b>CITY OF MCALLEN, TEXAS</b>  <b>MISCELLANEOUS STATISTICAL DATA</b></p>
--

## Education

(City of McAllen within the McAllen Independent  
School District)

Number of teachers	1,675
Number of registered students	24,276

Total Number of City Employees (Including part-time employees):	1,642
---	-------

## Hospitals:

Number of hospitals	4
Number of hospital beds	1,086
Number of convalescent homes	6

<b>Growth Statistics</b>
--------------------------

<b>Population (U.S. Census)</b>
-------------------------------------

<b>Number</b>
---------------

<b>Percent Increase</b>
-----------------------------

1997 (Estimate)	99,458	N/A
1998 (Estimate)	101,802	2.4
1999 (Estimate)	105,694	3.8
2000	107,936	2.1
2001 (Estimate)	111,806	3.6
2002 (Estimate)	114,424	2.3
2003 (Estimate)	118,073	3.1
2004 (Estimate)	121,700	3.1
2005 (Estimate)	125,000	2.7

Table 17

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

	2001	2002	2003	2004	2005
Acres in City	29,931	30,281	30,528	30,782	30,933
% Change	0.34	1.17	0.82	0.83	0.49
Miles of Street in City	518	586	589	626	626
% Change	1.37	13.13	0.51	6.28	0.00
Miles in Sanitary Sewer	421	421	445	455	475
% Change	2.18	-0.02	5.72	2.25	4.40
Miles of Water Lines	569 *	580 *	630	630	677
% Change	2.15	1.99	8.56	0.00	7.46
Building Permits	1,693	1,821	1,753	1,772	2,012
% Change (Decrease)	(1.51)	7.56	(3.73)	1.08	13.54
Number of City Employees	1,366	1,459	1,472	1,548	1,642
% Change (Decrease)	7.90	6.81	0.89	5.16	6.07
Population	111,806	114,424	118,073	121,700	125,000
% Change	3.59	2.34	3.19	3.07	2.71

\*According to Geographical Information System figure is accurate.

\*\* Alton Interceptor added to System this year

**WATER ENTERPRISE FUND**

Class of Customer	Number	Gallons
Residential	31,986	4,274,140,260
Commercial	5,498	3,129,021,890
Industrial	174	429,175,100
Number of gallons shown to have passed through the master meters at the City's plants #1 and #2 during the period		8,035,571,000
Number of gallons billed		(7,832,337,250)
Estimated Water used in fire hydrant testing, etc.		(49,000,000)
Estimated number of gallons unaccounted due to breaks, leaks,		154,233,750

Table 17

<p align="center"><b>CITY OF MCALLEN, TEXAS</b>  <b>MISCELLANEOUS STATISTICAL DATA</b></p>
--

**WATER ENTERPRISE FUND, cont'd.**

The rate charged for water furnished and consumed under the standard water rate schedule by Section 106-82 of the City Ordinance, amended October 10, 2000 to all classes of customers is as follows:

<b>Inside City Minimum rate</b>	<b>(1) Commodity Rate</b>
\$3.50	

(1) Per 1,000 gallons or any part thereof as follows:

Residential- \$1.30/1,000 gallons for the first 20,000 gallons; plus  
\$1.60/1,000 for consumption over 20,000 gallons.

Commercial, Multi-family, and Industrial-\$1.30/1,000 gallons for the first  
12-month average base consumption; plus \$1.60/1,000 gallons for consumption  
over the 12-month average base consumption.

Sprinkler-\$1.60/1,000 gallons

The following miscellaneous statistical data is presented for the last ten fiscal years:

	<b>Rainfall (Inches)</b>	<b>Number Of Customers Water Sewer</b>
1996	10.19	27,526 24,774
1997	22.61	28,413 25,465
1998	24.81	29,472 26,332
1999	19.14	30,665 27,366
2000	12.91	31,404 27,954
2001	22.38	32,580 28,971
2002	13.78	34,103 30,398
2003	27.02	34,936 30,907
2004	25.12	36,299 32,370
2005	10.76	37,658 33,159

**SINGLE AUDIT  
SECTION**

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

**INDEPENDENT AUDITORS' 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***

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

We have audited the basic financial statements of the City of McAllen, Texas as of and for the year ended September 30, 2005, and have issued our report thereon dated December 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of McAllen, Texas' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the City in a separate letter dated December 9, 2005.

This report is intended for the information and use of the audit committee, management and federal and state awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.



**LONG CHILTON, LLP**  
*Certified Public Accountants*

Harlingen, Texas  
December 9, 2005



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the compliance of the City of McAllen, Texas with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that is applicable to each of its major federal programs for the year ended September 30, 2005. The City of McAllen, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of McAllen, Texas' management. Our responsibility is to express an opinion on the City of McAllen, Texas' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*. Those standards, *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal and state programs occurred. An audit includes examining, on a test basis, evidence about the City of McAllen, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of McAllen, Texas' compliance with those requirements.

In our opinion, the City of McAllen, Texas complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with *OMB Circular A-133* and which is described in the accompanying schedule of findings and questioned costs as Item 05-1.

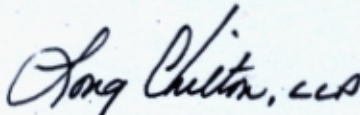
**Internal Control Over Compliance**

The management of the City of McAllen, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of McAllen, Texas' internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.



Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to major federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**LONG CHILTON, LLP**  
*Certified Public Accountants*

Harlingen, Texas  
December 9, 2005



## CITY OF McALLEN, TEXAS

## SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2005

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Disbursements/ Expenditures
<b>U.S. Department of Housing and Urban Development</b>				
Direct Program:				
Community Development Block Grant:				
29th Year Entitlement Grant	14.218	CB03MC48506	\$ 2,169,000	\$ 773,565
30th Year Entitlement Grant	14.218	CB04MC48506	2,134,000	706,908
Emergency Shelter Program	14.231	S03MC480506	89,000	39,917
Home Program	14.239	M03MC480506	698,335	348,703
Home Program	14.239	M04MC480506	692,922	325,365
Total U.S. Department of Housing and Urban Development				<u>2,194,458</u>
<b>U.S. Department of Transportation</b>				
Direct Program:				
Airport Improvement Program	20.106	3-48-0144-31	2,792,784	1,805,370
Airport Improvement Program	20.106	3-48-0144-32	2,174,827	-
Airport Improvement Program	20.106	3-48-0144-33	1,075,285	341,182
Federal Transit Administration	20.507	TX-90-X683-00	1,743,016	-
Pass through STEP/Comprehensive Grant	20.600	585xxF6024	72,907	66,294
Pass through STEP/Comprehensive Grant	20.600	586xxF6041	53,518	-
Pass through STEP/Click It or Ticket	20.600	585xxF6132	7,984	7,528
" " Incentive Award (Supplement)	20.600	585xxF6024	5,000	4,989
Pass through Texas Dept of Transportation	20.205	CSJ 0921-02-084	674,500	674,500
Pass through Texas Dept of Transportation	20.600	CSJ-0921-02-108	111,440	92,073
Total U.S. Department of Transportation				<u>2,991,935</u>
<b>U.S. Department of Justice</b>				
Direct Program:				
Universal Hiring Program	16.710	2002UMWX0070	1,208,460	501,099
L.L.E.B.G. Equipment	16.592	2003-LB-BX-2229	56,494	56,494
L.L.E.B.G. Equipment	16.592	2004-LB-BX-0439	29,086	29,086
Edward Byrne Memorial Justice Assistance Grant	16.738	2005-DJ-BX-0355	54,367	-
				<u>586,679</u>
Passed through the Office of the Governor:				
Federal Drug Enforcement Agency	16.579	DB04A101388806	1,429,627	821,358
Project ACTION	16.540	DB02A101641601	548,000	83,513
Juvenile Accountability Block Grant Program	16.523	JB-03-J20-13796-06	21,091	21,091
				<u>925,962</u>
Total U.S. Department of Justice				<u>1,512,641</u>
<b>U.S. Department of Health and Human Services</b>				
Pass through Texas Office of the Attorney General	93.991	VCLG 05	39,290	34,203
Pass through Texas Office of the Attorney General	93.991	VCLG 06	39,000	-
Total U.S. Department of Health and Human Services				<u>34,203</u>
<b>U.S. Department of Homeland Security</b>				
Homeland Security Grant	97.004	2004-SHSP 45384	399,451	77,871
Law Enforcement Terrorism Prevention Program	97.004	2004-LETPP 45384	78,129	76,325
Intercity Bus Security Grant Program	97.057	HSTS04-04-G-GBU612	36,850	-
State Homeland Security Grant	97.004	2003-II-45384	1,225,930	1,049,032
Pass through Texas Department of Public Safety	97.042	05TX-EMPG-085	23,732	23,057
Total U.S. Department of Homeland Security				<u>1,226,285</u>



## CITY OF McALLEN, TEXAS

## SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2005

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Disbursements/ Expenditures
U.S Department of the Interior				
Urban Park and Recreation Recovery	15.919	48-CYT-4200-01-01	210,400	62,453
Water 2025 Challenge Grant Program	15.507	05FC602018	186,168	2,293
Total U.S. Department of Interior				64,745.95
Total federal financial assistance expended				8,024,269
Texas Agencies				
Auto Theft Prevention 2005		SA00T011004105	\$ 203,656	\$ 203,656
Auto Theft Prevention 2006		SA00T011004106	350,000	-
Historic Resources Survey		TX-04-19345	7,600	7,600
Texas Comptroller of Public Accounts		Tobacco Compliance Grant	5,000	-
Texas Dept. of Family and Protective Services 2005		Community Youth Dev.	91,000	90,987
Texas Dept. of Family and Protective Services 2006		Community Youth Dev.	65,650	7,278
Texas Natural Resource Conservation				
Commission: Passed Through-				
Lower Rio Grande Valley Development Council		04-21-G05	25,000	25,000
Lower Rio Grande Valley Development Council		04-21-G07	10,000	10,000
Lower Rio Grande Valley Development Council		05-21-G09	10,000	10,000
Lower Rio Grande Valley Development Council		05-21-G17	21,054	21,054
Texas State Library and Archives Commission		442-05314	21,436	21,436
Texas State Library and Archives Commission		431-05050	15,104	15,104
Total state financial assistance expended				412,115
Total Federal and State Financial Assistance				\$ 8,436,384



## **CITY OF McALLEN, TEXAS**

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

**Year Ended September 30, 2005**

#### **1. General**

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal and state award programs of City of McAllen, Texas, for the year ended September 30, 2005. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

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

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



**CITY OF McALLEN, TEXAS**

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

Year Ended September 30, 2005

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

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. Enterprise Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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

**3. Subrecipients**

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant – Entitlement Grants	14.218	\$ 777,546
Home Investment Partnerships Program	14.239	674,068

City of McAllen, Texas  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**(FEDERAL AWARDS)**  
Fiscal Year Ended September 30, 2005

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

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness identified? ☐ yes ☒ no
- Reportable condition identified not considered to be a material weakness? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal and State Awards

Internal control over major programs:

- Material weakness identified? ☐ yes ☒ no
- Reportable condition identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) OMB Circular A-133

☒ yes ☐ no

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

14.239

Community Development Block  
Grant - Home Program

20.103

Airport Improvement Program

97.004

State Homeland Security Grant

20.205

Hidalgo International Bridge  
Construction Grant



City of McAllen, Texas  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**(FEDERAL AWARDS) - CONTINUED**  
Fiscal Year Ended September 30, 2005

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

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

\$300,000

Auditee qualified as low-risk auditee?

  X   yes

       no

City of McAllen, Texas  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**(FEDERAL AWARDS) - CONTINUED**  
Fiscal Year Ended September 30, 2005

**Section II - Findings Relating to the Financial Statement Audit as Required to Be  
Reported in Accordance with Generally Accepted Government Auditing Standards**

**A. Reportable Conditions in Internal Control**

None noted

**B. Compliance Findings**

None noted

**Section III - Federal Award Findings and Questioned Costs**

**PROGRAM**

**DESCRIPTION**

**Reference Number: (05-1)**

**Davis-Bacon Act Compliance**

**U. S. Department of Transportation  
CFDA #20.205**

**Criteria:**

The City is required to comply with the Davis-Bacon Act on all federally-financed construction projects costing more than \$2,000. The Davis-Bacon Act requires that the City conduct on-site interviews of workers at the construction sites and ensure that the current federal wage determination is posted at the site. The City must further obtain payroll submissions from the contractors to ensure the workers are being paid at or above the federal wage determination amounts.

**Condition:**

The federally funded International Bridge construction project was not monitored by the City as required by the Davis-Bacon Act.

**Context:**

The City could not provide any documentation of their monitoring activities over the construction project.



City of McAllen, Texas  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**(FEDERAL AWARDS) - CONTINUED**  
Fiscal Year Ended September 30, 2005

**Section III - Federal Award Findings and Questioned Costs – Continued**

**PROGRAM**

**DESCRIPTION**

Effect:

The City did not comply with the Davis-Bacon Act.

Cause:

The construction project was originally funded with non-federal funds. The Department Head later elected to file for reimbursements through an existing federal grant without communicating that change to the department that was in charge of performing Davis-Bacon compliance.

Recommendation:

We recommend that the City comply with the Davis-Bacon Act on all construction projects that are funded with Federal monies.



City of McAllen, Texas  
**SCHEDULE OF STATUS OF PRIOR FINDINGS  
(FEDERAL AWARDS)**  
Fiscal Year Ended September 30, 2005

<b><u>PROGRAM</u></b>	<b><u>STATUS OF PRIOR YEARS FINDINGS/NONCOMPLIANCE</u></b>
None	No Prior Findings

City of McAllen, Texas  
**CORRECTIVE ACTION PLAN**  
**(FEDERAL AWARDS)**  
Fiscal Year Ended September 30, 2005

**PROGRAM**

**Reference Number: 05-1, Davis Bacon Act**

**Finding:**

**Corrective Action Plan:**

**CORRECTIVE ACTION PLAN**

The federally funded International Bridge construction project was not monitored by the City as required by the Davis-Bacon Act.

The Purchasing and Contracting staff will take appropriate measures to ensure that all federally funded construction projects are in compliance with the Davis-Bacon Act.