



**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended September 30, 2009**

**Prepared by:  
Department of Finance**

***CITY OF McALLEN, TEXAS***  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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# **Introductory Section**



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

MIKE R. PEREZ, City Manager

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

State and local law requires that the City of McAllen publish annually a complete set of audited financial statements. This report, the Comprehensive Annual Financial Report of the City of McAllen, is published to meet that requirement for the fiscal year ended September 30, 2009.

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

The firm of Padgett Stratemann and Co. L.L.P., Certified Public Accountants & Business Advisors, was selected by the City to perform the audit and have issued an unqualified ("clean") opinion on the City of McAllen's financial statements for the year ended September 30, 2009. 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 and required supplementary information as well as the individual fund statements and schedules are included in the financial section of this report. The auditors' reports on internal controls and compliance with applicable laws and regulations can be found in the single audit section of this report.

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

The City of McAllen is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. 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.

### **PROFILE OF THE GOVERNMENT**

The City of McAllen, incorporated in 1911 and the largest city in Hidalgo County, is located at the intersection of U. S. Highway 83 and State Highway 336. It is approximately 230 miles south of

San Antonio, 150 miles north of Monterrey, Nuevo Leon, Mexico, a city with a population of over 5 million including the surrounding suburbs, and just 7 miles north of Reynosa, Tamps. Mexico. Within a 150-mile radius of McAllen, its trade area represents approximately 10 million people. According to the 2000 census, McAllen's population was 106,414. Since that time, it has grown to approximately 134,700 as of September 2009—a 27% increase in 9 years. The City is empowered to levy a property tax on both real and business personal property located within its boundaries. The City also has the power by state statute to extend its corporate limits by annexation, which it has done from time to time, as deemed appropriate by the City Commission.

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

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

The City acts in the capacity of fiduciary for the Firemen's Relief and Retirement Fund and Developer's Fund; therefore, these activities are included in the reporting entity. However, the McAllen Independent School District (MISD), McAllen Chamber of Commerce (MCC), McAllen Economic Development Corporation (MEDC), McAllen Affordable Homes, 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.

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

## **LOCAL ECONOMY**

Over the last 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 18 years the McAllen-Edinburg-

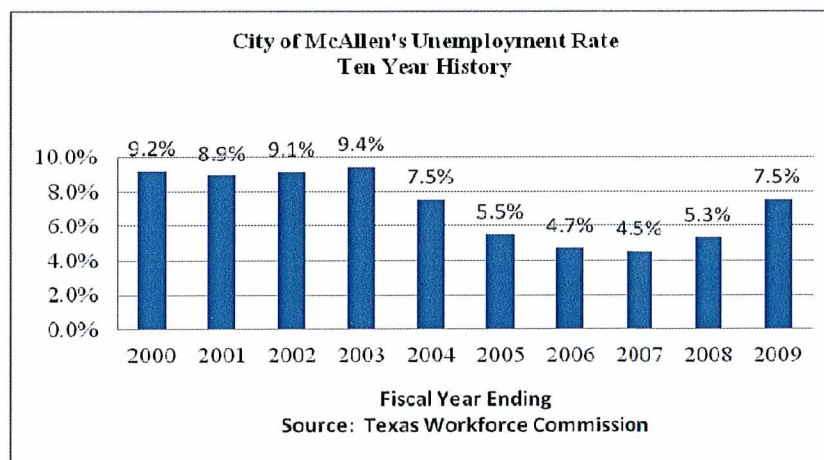


Mission MSA employment in the nonagricultural sector has grown from 103,500 in 1991 to 264,250 in 2009—a 155% increase. At this level, the unemployment rate is 11.5%. Some of the more significant employment numbers by industry, include government; trade, transportation and utilities; education and health 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 262 new companies, representing 18,892 new jobs to McAllen. Its efforts have also resulted in 345 new companies, representing 82,997 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 2008 Texas exported \$62B to Mexico, which represented over 32% 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 19% over the last nine years. McAllen’s unemployment rate, which in September 2000 was 9.2%, declined to 7.3% as of September 2009. Although job growth has continued, this year the unemployment rate increased to 7.3%, up from 5.3% last year. Despite the increase in the unemployment rate, the number employed within the City actually increased by 778 or 1.4%-- however, not at a level to fully absorb the rate of increase in the labor force, which was 4.9%. The table on the following page reflects a ten year history trend of the City’s unemployment rate as provided by the Texas Workforce Commission.



Following the significant growth trending in the City’s economy over the last 13 years, last fiscal year began to show some signs of a slowing down in activity—particularly in the last quarter. This is to some degree reflective of the emergence of the national economic crisis, resulting, to a large degree, from a meltdown of the subprime residential mortgage market, which had had a domino effect on many other aspects of the economy. Texas, however, seems to have been less effected than the nation as a whole, as has been the City. The City’s more significant statistics, reflective of its economy, have been somewhat mixed. Property values have continued to increase as a whole.

Sales tax declined for the first time since fiscal year 1994-95. The value of permits issued for residential and commercial construction has declined significantly. Last year the Mexican Peso lost ground in relation to the U.S. Dollar and southbound car crossings at the McAllen-Hidalgo International Bridge declined as well.

Another useful source of information for assessing the City's economy is the *McAllen Area Economic Pulse* report, published by the McAllen Chamber of Commerce. This year's report indicates that there has been a reversal in the substantial economic growth rate trend. According to the latest report available, August 2009 Report, the economic index for the McAllen area decreased from 183.6 in August 2008 to 166.7 in August 2009. This index reflects, for the McAllen area economy, a decline in retail sales, decline in motor vehicle tax receipts, airline boarding's, construction permit values, new home permits, home sales, and average home sales price.

### **LONG-TERM FINANCIAL PLANNING**

As of September 30, 2009 the City's General Fund unreserved, undesignated fund balance amounted to \$44.2M, which represents 169 days of operating expenses appropriated in next year's budget. This amount exceeds the City's 140 day policy.

### **RELEVANT FINANCIAL POLICIES**

During this fiscal year, the City adopted no new financial policies, which would have a significant impact on the current year's financial statements.

### **MAJOR INITIATIVES For the Year 2008-09**

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:

#### *Enhance McAllen's Image as a Creative Class City:*

- Light five over passes with blue lights on Expressway 83.  
**Management Response: Installed lights at 10<sup>th</sup> & Expressway 83 over pass. The rest were held back due to litigation.**
- Develop a campaign to minimize the use of plastic bags.  
**Management Response: Project is pending.**

#### *Sustain and Expand Retail Sales Tax Income:*

- Work with Chamber of Commerce on developing a "Branding" campaign and hire advertising firm.  
**Management Response: Request for proposal prepared and being advertised. City commission will select firm 2009/2010.**
- Work with McAllen Economic Development Corporation to locate regional type retailer to the City.  
**Management Response: Two retailers were identified and are in preliminary discussion with the Corporation.**



*Diversify area economy and City revenue so that City is less dependent on sales tax over time.*

- Recruit corporate headquarters and/or auto plant.  
**Management Response: Two corporate headquarters located in McAllen. The auto plant is still under discussion.**
- Develop and propose an incentive policy to encourage building up, increase density and mix use.  
**Management Response: No progress.**
- Build sidewalk along Business 83 starting on Expressway 83 going west.  
**Management Response: No progress unable to obtain permit from railroad company.**

*Promote McAllen as a safe city.*

- Install video monitoring at parks, trails, and downtown.  
**Management Response: Awarded contract and began installation. Project is expected to be completed fiscal year 2009-2010.**
- Improve fire ISO rating with a plan adopted by Mayor and City Commission.  
**Management Response: No progress.**

*Continue policies which enhance and secure the City's long-term position.*

- Create a lean six sigma position to stream line processes.  
**Management Response: Hired master black belt individual.**

*Optimize the City's infrastructure.*

- Apply for long range transit plan.  
**Management Response: City commission decided not to pursue project.**

*Enhance and improve City's related to education.*

- Develop a Multiple Institutional Teaching Center (M.I.T.C.).  
**Management Response: Developed a teaching center with the University of Texas Pan American instead of M.I.T.C.**

## **MAJOR GOALS FOR FISCAL YEAR 2009-10**

The goals adopted by the Mayor and City Commission for FY 2009-10 are presented below:

- Install universe system sculptures.
- Purchase of lots on Main Street to create parking lots.
- Enhance entrance as a focal point at 17<sup>th</sup> Street to entertainment district.
- Vaquero sculpture at Convention Center.
- Install sun screen and plant trees at baseball/soccer field.
- Construction of tennis center.

- Continue construction of hike and bike trail at 2<sup>nd</sup> Street.
- Improve fire ISO rating with a plan adopted by the Mayor and City Commission.
- Create down payment assistance program for city employees.
- Enhance code compliance by targeting highly visible areas.
- Construct solar powered/AC bus shelters.
- Consider new Foresight McAllen recommendation related to setbacks/residential street widths.
- Form task force/Mayor's committee to review city expenditures and recommend future investments.

### **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the year ended September 30, 2008. This was the twenty-second consecutive year and the twenty-third 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, 2008. The budget for October 1, 2009 has been submitted for review and notification of an award is awaited. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document is judged on proficiency in several categories including policy documentation, financial planning and organization.

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

Respectfully submitted,



Mike R. Perez  
City Manager



Jerry W. Dale, CPA CGFO  
Finance Director

# 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, 2008

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.



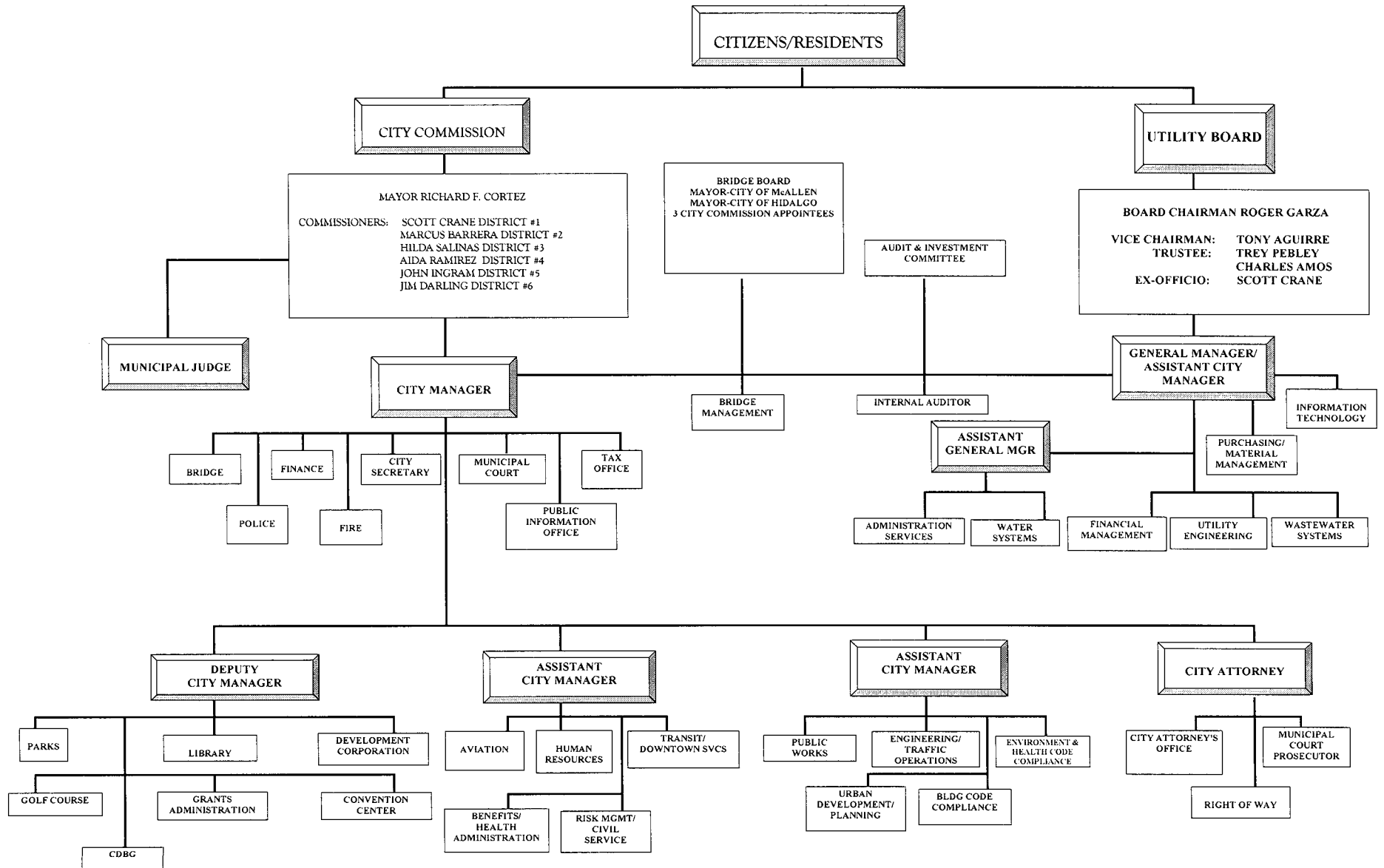
A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Enner".

Executive Director

# CITY OF McALLEN, TEXAS



# CITY OF McALLEN, TEXAS

## LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2009

Mayor.....	Richard Cortez
Commissioner District 2 .....	Marcus Barrera
Commissioner District 1 .....	Scott Crane
Mayor Pro-Tem - Commissioner District 3 .....	Hilda Salinas
Mayor Pro-Tem - Commissioner District 4 .....	Aida Ramirez
Commissioner District 5 .....	John Ingram
Commissioner District 6 .....	James E. Darling
Public Utility Board Chairman .....	Charles Amos
Public Utility Board Vice-Chairman.....	Tony Aguirre
Trustee Place 3 .....	Trey Pebley
Trustee Place 4 .....	Roger Garza
Ex-Officio Member.....	Scott Crane
City Manager .....	Mike R. Perez
General Manager/Assistant City Manager .....	Roel Rodriguez, P.E.
Deputy City Manager.....	Brent Branham
Assistant City Manager .....	Wendy Smith
Assistant City Manager .....	Pilar Rodriguez, P.E.
Attorney .....	Kevin D. Pagan
Finance Director.....	Jerry W. Dale
Administrator of Urban Development .....	Julianne Rankin
Aviation Director .....	Philip K. Brown
Bridge Superintendent.....	George Ramon
City Secretary.....	Annette Villarreal
Fire Chief .....	Rogelio Rubio
Acting Parks and Recreation Director.....	Mike Hernandez
Human Resources Director.....	Juan Gonzalez
Police Chief.....	Victor Rodriguez

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# Financial Section



Padgett Stratemann & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

## Independent Auditors' Report

To 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 the City of McAllen, Texas (the "City"), as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2009, 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 February 17, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Management's Discussion and Analysis and Schedules of Funding Progress – Unaudited for: the Texas Municipal Retirement System; the Fireman's Relief and Retirement Fund; and the Post Employment Benefit Plan are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. 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 the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the State of Texas Single Audit Circular, 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information, such as the introductory section; combining fund financial statements – nonmajor funds and internal service funds; individual budget schedules and other; and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The relevant supplementary information, such as the combining fund financial statements – nonmajor funds and internal service funds; and individual budget schedules and other 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 relevant supplementary information, such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Padgett, Stratemann & Co., L.L.P.*

Certified Public Accountants  
February 17, 2010



**City of McAllen, Texas**  
**Management Discussion and Analysis**  
**September 30, 2009**

This discussion and analysis is intended to provide an overview of the City's financial performance for the fiscal year ended September 30, 2009 and the related effect on the City's financial condition. Please read it in conjunction with the transmittal letter on pages 3-8 and the City's financial statements, which begin on page 31.

**FINANCIAL HIGHLIGHTS**

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

Total government-wide net assets increased \$25M as a result of this year's operations. Governmental activities contributed \$12M with the balance of \$13M resulting from business-type activities.

- **Governmental Activities – Revenues and Expenses Compared to Last Year** – Total revenues decreased \$10M from last year. This decrease was mainly attributable to a decrease in sales tax; and other general revenues. Sales tax reflected a decrease of \$4M due to the overall economic conditions. Other general revenues decreased \$3M. Expenditures increased \$2M or 2%, which is generally attributable to public safety.
- **Business-Type Activities – Revenues and Expenses Compared to Last Year** – Total revenues decreased \$4M. Due to a decrease in the investment portfolio and related yields, investment earnings declined about \$3M. Also, a decline of \$1M on gains of disposed capital assets was a factor. Expenses decreased \$3M or 5% from last year with the more significant decrease coming from both bridges combined.
- **City as a Whole – Revenues and Expenses Compared to Last Year** – Both governmental and business-type activity revenues decreased \$14M or 7% from last year while expenses decreased by \$1M or less than 1%.

**General Fund Performance**

As a result of this year's operations, the General Fund reported a \$6M decrease to fund balance before transfers in and out, the net increase amounting to \$4M, which decreased fund balance by \$2M. The most significant decrease in revenues was sales tax and oil and gas royalties. The combined revenues of these reflect a decrease of \$4M compared to last years. Sales tax reflected a decline of \$3M and oil and gas royalties reflected a decline of \$1M. Expenditures were \$4M under budget and net transfers provided \$4M in additional funding—all of which resulted in fund balance settling in at \$49M.

**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 31 and 32-33) 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 34. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

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**Reporting the City as a Whole**

**The Statement of Net 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 20-21. 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, convention 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 23. The fund financial statements are presented on pages 34 through 61. 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.

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**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 and Developers’ Fund. This activity is reported in separate Statements of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets on pages 62 and 63. These activities are not included with the City’s other government-wide financial information since the City cannot use these assets to finance its programs or operations. The City’s is responsible for ensuring that these funds are used for their intended purpose.

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**THE CITY AS A WHOLE**

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

<b>Net Assets</b> <b>(in Millions)</b>						
<b>Net Assets (in Millions)</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Current and other assets	\$ 145	\$ 151	\$ 111	\$ 126	\$ 256	\$ 277
Capital assets	224	209	330	312	554	521
<b>Total assets</b>	<b>\$ 369</b>	<b>\$ 360</b>	<b>\$ 441</b>	<b>\$ 438</b>	<b>\$ 810</b>	<b>\$ 798</b>
Long-term debt outstanding	11	14	109	113	\$ 120	\$ 127
Other liabilities	14	14	11	16	25	30
<b>Total liabilities</b>	<b>25</b>	<b>28</b>	<b>120</b>	<b>129</b>	<b>145</b>	<b>157</b>
Net assets:						
Invested in capital assets, net of related debt	220	202	235	230	455	432
Restricted	47	56	52	46	99	102
Unrestricted	77	74	34	32	111	106
<b>Total net assets</b>	<b>\$ 344</b>	<b>\$ 332</b>	<b>\$ 321</b>	<b>\$ 308</b>	<b>\$ 665</b>	<b>\$ 640</b>

Net assets of the City's governmental activities increased \$12M or 4% of last year's amount. The increase of \$18M is reflected in invested in capital assets, net of related debt. The other two components: restricted and unrestricted reflect a combined decrease of \$6M or 5% less than last year. Unrestricted net assets is the portion of net assets, which can be utilized to finance day-to-day operations, free of any constraints established by debt covenants, enabling legislation or other legal requirements.

The net assets of the City's business-type activities increased \$13M or 4% over last year's amount. Generally the City can only use these net assets to finance continuing operations and capital expenses of all of the enterprise funds.

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

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Revenues						
Program revenues:						
Charges for services	\$ 9	\$ 9	\$ 68	\$ 68	\$ 77	\$ 77
Federal grants and contributions	6	9	6	6	12	15
General revenues:					-	-
Property taxes	32	31	-	-	32	31
Sales tax	55	59	-	-	55	59
Other taxes	10	11	-	-	10	11
Other general revenues	8	11	3	7	11	18
Total revenues	<u>120</u>	<u>130</u>	<u>77</u>	<u>81</u>	<u>197</u>	<u>211</u>
Program expenses						
General government	20	22	-	-	20	22
Public safety	48	46	-	-	48	46
Highways and streets	20	19	-	-	20	19
Health and welfare	6	6	-	-	6	6
Culture and recreation	17	16	-	-	17	16
Interest on long term debt	-	-	Incl	Incl	Incl	Incl
Water	-	-	16	15	16	15
Sewer	-	-	10	11	10	11
Sanitation	-	-	13	13	13	13
Golf	-	-	1	1	1	1
Transit terminal	-	-	1	1	1	1
Bus services	-	-	2	2	2	2
Civic center	-	-	-	1	-	1
Convention center	-	-	5	5	5	5
Airport	-	-	6	5	6	5
Bridges	-	-	7	10	7	10
Total expenses	<u>111</u>	<u>109</u>	<u>61</u>	<u>64</u>	<u>172</u>	<u>173</u>
Excess (deficiency) before special items and transfers	9	21	16	17	25	38
Transfers	<u>3</u>	<u>6</u>	<u>(3)</u>	<u>(6)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>\$ 12</u>	<u>\$ 27</u>	<u>\$ 13</u>	<u>\$ 11</u>	<u>\$ 25</u>	<u>\$ 38</u>

Total revenues generated from both governmental and business-type activities this year amounted to \$197M, representing a decrease of \$14M or 7% less than last year. The most significant reason for the

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decreases was in the areas of: sales tax collections; other general revenues; and grants and contributions. Sales tax reflected a decline of \$4M; investment income (\$4M) and other income (\$3M) reflecting a combined decrease of \$7M; grants and contributions also decreased by \$4M. Expenses came in at \$172M, \$1M or less than 1% from last year, leaving \$25M as an increase to net assets. The following analysis considers separately the operations of governmental and business-type activities.

**Governmental Activities**

Total revenues generated from governmental activities this year amounted to \$120M. Expenses came in at \$111M, leaving \$12M as an increase to net assets, after transfers in of \$3M.

The cost of all governmental activities this year was \$111M. However, as shown on the Statement of Activities on pages 32-33, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$96M. The other \$15M to finance these programs was paid by those who directly benefited from them (\$9M) and by other governments that subsidized certain programs with grants (\$6M).

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)**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Police	\$ 30	\$ 29	\$ 24	\$ 23
Fire	14	14	14	14
Street construction	14	8	13	4
Parks	7	6	7	6
Drainage	2	3	2	3
Total	<u>\$ 67</u>	<u>\$ 60</u>	<u>\$ 60</u>	<u>\$ 50</u>

**Business-type Activities**

Total revenues generated from business-type activities this year amounted to \$77M. Expenses came in at \$61M, leaving \$13M as an increase to net assets, after transfers out of \$3M.

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

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

As a result of this year's operations, governmental funds (as reflected in the balance sheet on page 34-35) combined fund balance totaled \$97M or a decrease of \$10M from last year. The decrease came about largely due to decreases in the General Fund, Capital Improvement Fund and non-major funds and offset by increase in the Development Corp. 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, 2009 and 2008.

<b>Revenues and Transfers-in</b>	<b>2009 Amount</b>	<b>% of Total</b>	<b>2008 Amount</b>	<b>Amount of Increase (Decrease)</b>	<b>% Increase (Decrease)</b>
Taxes	\$ 96,848,195	67.40%	\$ 99,953,473	\$ (3,105,278)	-3.11%
Licenses and permits	1,393,010	0.97%	1,591,862	(198,852)	-12.49%
Intergovernmental	4,304,941	3.00%	4,868,657	(563,716)	-11.58%
Charges for services	5,249,637	3.65%	5,417,637	(168,000)	-3.10%
Fines and forfeitures	2,170,771	1.51%	2,240,518	(69,747)	-3.11%
Investment income	3,675,833	2.56%	4,784,205	(1,108,372)	-23.17%
Miscellaneous	3,265,360	2.27%	7,241,722	(3,976,362)	-54.91%
Transfers-in	26,783,190	18.64%	42,201,877	(15,418,687)	-36.54%
<b>Totals</b>	<b>\$ 143,690,937</b>	<b>100.00%</b>	<b>\$ 168,299,951</b>	<b>\$(24,609,014)</b>	<b>-14.62%</b>

***Taxes***

The most significant decrease in taxes this year is attributable to sales tax, which decreased \$4M or 7% less than last year. Also contributing to the decrease, but to a lesser extent in terms of dollars, franchise taxes decreased 3% and hotel occupancy tax, by 13%. The decreases were slightly offset by an increase of 6% in property taxes collections.

***Intergovernmental***

A decrease in grant activity translated into a decrease in this revenue by \$563K.

***Investment Income***

Investment income reflects a decrease of 23%. This is primarily due to lesser return on the investment portfolio as well as less portfolio holdings.

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*Miscellaneous*

Miscellaneous revenues reflect a significant decrease of 55%. In comparing this year's activities to last year's activities, the significant variances were noted in royalties; developers' contributions; and gains on sale of capital assets. Royalties decreased by \$1M; developers' contributions to the capital improvement fund decreased by \$2M; and sale of capital assets decreased by \$765K.

*Transfers-In*

This fiscal year transfers-in were significantly reduced by 37% as compared to last year. The capital improvement fund received only \$11M as compared to \$23M the previous year. The general fund received only \$12M versus \$14M in the previous year. Non-major governmental funds also reflected a decrease of \$2M. Overall, transfers-in amounted to \$27M.

**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, 2009 and 2008.

<b>Expenditures and Transfers-out</b>	<b>2009 Amount</b>	<b>% of Total</b>	<b>2008 Amount</b>	<b>Amount of Increase (Decrease)</b>	<b>% Increase (Decrease)</b>
General government	\$ 22,227,807	14.44%	\$ 26,591,443	\$ (4,363,636)	-16.41%
Public safety	51,661,835	33.57%	49,719,163	1,942,672	3.91%
Highways and streets	30,843,066	20.04%	22,812,015	8,031,051	35.21%
Health and welfare	5,264,207	3.42%	5,993,430	(729,223)	-12.17%
Culture and recreation	17,865,889	11.61%	16,676,107	1,189,782	7.13%
Debt service:					
Principal	2,855,000	1.86%	435,000	2,420,000	556.32%
Interest and fiscal charges	319,116	0.21%	199,993	119,123	59.56%
Transfers-out and other financing uses	<u>22,852,317</u>	<u>14.85%</u>	<u>36,296,448</u>	<u>(13,444,131)</u>	<u>-37.04%</u>
Totals	<u>\$ 153,889,237</u>	<u>100.00%</u>	<u>\$ 158,723,599</u>	<u>\$ (4,834,362)</u>	<u>-3.05%</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 and Development Corporation Fund to the Capital Improvement Fund, which was previously addressed.

**Fund Balances**

Combined fund balance for the governmental fund types decreased \$10M, from a balance of \$107M in the prior year to \$97M as of the current fiscal yearend. Fund balances by major fund are discussed below.



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**General Fund**

The impact on fund balance as a result of declining sales tax and investment earnings was mitigated by a reduction of expenditures. Considering net transfers-in, fund balance decreased by \$2.M to \$49M. Of that amount, \$1M is reserved for an inter-fund advance to the Sanitation Fund and \$4M is designated for Anzalduas start-up. Additionally, \$139K is reserved for encumbrances—leaving \$44M unreserved, undesignated and, therefore, currently available for future spending. During fiscal year 1997-98, the City adopted, by resolution, a financial policy requiring a minimum of 140 days of operating expenses in fund balance. Based upon next year's operating budget, exclusive of capital outlay and transfers-out, fund balance represents 169 days, which is 29 days in excess of the minimum requirement.

**Development Corp Fund**

The fund balance of the Development Corp Fund increased from \$21M in the prior year to \$26M—an increase of \$5M. Net of reservations, unreserved fund balance is \$19M. The increase was principally due to a reduction of expenditures and transfers-out in the current year.

**Capital Improvement Fund**

The fund balance of the Capital Improvement Fund decreased \$13M—from \$30M in the prior year to \$17M due to spending down its balance for capital expenditures in the amount of \$21M, but offset by \$7M in transfers from the General Fund and Development Corporation Fund.

**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 Convention Center, McAllen International Airport Fund, McAllen Express Transit Fund and the McAllen International Toll Bridge Fund. The Anzalduas International Crossing Fund has also been established to account for the new international bridge, which is presently under construction. In the aggregate, the proprietary funds reported a \$12M increase to net assets—from \$305M in the prior year to \$317M. Water and Sewer Funds accounted for \$6M; the Sanitation Fund, \$2M; and the Anzalduas International Crossing, \$1M. The McAllen International Toll Bridge's increase was less than \$1M and the rest of the other funds provided the remainder of the net increase.

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

***Water Fund***

Operating revenues were flat, increasing by only 1%. With operating expenses increasing by 6% and considering other income the increase to net assets amounted to \$857K, leaving working capital in excess of the board policy of 120 days of operating expenses.

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**Sewer Fund**

Operating revenues were flat increasing by only 1% over last year, while operating expenses decreased by 1% from last year. This resulted in an increase to net assets amounted to \$5.5M, leaving working capital in excess of the board policy of 120 days of operating expenses.

**Sanitation Fund**

This year's operating revenues, representing charges for services, slightly increased \$396K or 3% over prior year, which primarily represents an increase in growth in the customer base. As a whole, operating expenses decreased \$80K or 1% less over last year—leaving an operating income of \$2.1M. Considering the effect of non-operating revenues, net assets increased by \$2.4M. Working capital, not considering liabilities payable from restricted assets, which are included in current liabilities, as of year-end amounted to \$2.7M.

**Convention Center Fund**

Operating revenues were \$1.7M and operating expenses were \$5.1M, leaving an operating loss of \$3.4M, which was partially covered by transfers-in from the Hotel Occupancy Tax Fund in the amount of \$2.0M, leaving a decrease in net assets of \$1.4M. Working capital is now reported at \$2.2M.

**McAllen International Airport Fund**

Operating revenues marginally decreased this year by less than 1% from last year's levels. Operating expenses increased by 12.5%. As a result the operating loss amounted to \$508K before capital contributions and transfers out. Capital contributions from the Passenger Facility Charge as well as the FAA amounted to \$1.8M. 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 \$356K is reported. This year's working capital is reflected at \$2.3M, not considering liabilities payable from restricted assets, which are included in current liabilities.

**McAllen International Toll Bridge Fund**

The table below reflects four types of crossings for 2009, as well as 2008. All categories reflect decreases from the year before.

<u>Category</u>	<u>FY 08-09</u>	<u>FY 07-08</u>	<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Cars	4,493,785	5,005,822	(512,037)	-10.20%
Trucks	4,383	5,295	(912)	-17.20%
Buses	28,890	29,837	(947)	-3.20%
People	11,234,463	14,927,676	(3,693,213)	-24.70%

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Tolls decreased by \$1.5M due to a decline in southbound crossings. Rental income and other income reflected a decrease as did operating expenses. Operating income amounted to \$10M. After considering other income and distributions to the City of McAllen and City of Hidalgo, net assets were increased by \$417K.

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 \$27M at September 30, 2009. Working capital, not considering liabilities payable from restricted assets, which are included in current liabilities, at year end amounted to \$818K.

**Anzalduas International Crossing**

The construction of the new bridge span continues. An increase in construction in progress of \$12M is reflected from last year. The Anzalduas International Crossing Fund was established to account for this project during construction and once completed, continuing its operations. As of September 30, 2009, the estimated date for operations would be December 2009.

Net assets increased \$1.4M this year almost entirely due to construction. Its financial position consists mainly of bond proceeds offset by the related debt. Unrestricted net assets is reflected as a deficit in the amount of \$3.7M. Once operations began, it is anticipated that this deficit will diminish.

**General Fund Budgetary Highlights**

During the year the City Commission amended the budget several times. Generally adjustments to the budget related to requests not considered during the normal budgetary process.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of the fiscal year, the City had \$554M 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>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Land	\$ 46	\$ 42	\$ 20	\$ 20	\$ 66	\$ 62
Buildings and improvements	63	56	221	214	284	270
Equipment	22	20	15	16	37	36
Infrastructure	72	75	-	-	72	75
Construction in progress	21	16	59	51	80	67
Capitalized interest	-	-	9	5	9	5
Water rights	-	-	6	6	6	6
<b>Totals</b>	<b>\$ 224</b>	<b>\$ 209</b>	<b>\$ 330</b>	<b>\$ 312</b>	<b>\$ 554</b>	<b>\$ 521</b>

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

Land acquisition Bicentennial-Ext (ROW)	\$3
Transit terminal renovation	1
Fire station #7	1
Street projects financed by the City directly and dedicated by developers (\$1M)	8
Drainage projects	1
Water and sewer improvement projects	9
Airport projects	2
Construction in progress – Anzalduas International Crossing	<u>10</u>
Total	<u>\$35</u>

For more detailed information on capital asset activity, refer to the notes to financial statements (refer to pages 84 and 86).

**Debt**

At the end of the fiscal year, the City had \$109M in bonds or note outstanding—as shown in the following table:

	<b>Outstanding Debt at Year-end</b> <b>(in Millions)</b>					
	<b>Governmental</b> <b>Activities</b>		<b>Business-type</b> <b>Activities</b>		<b>Total</b> <b>Primary</b> <b>Government</b>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General obligation bonds/note (backed by the City)	\$ 4	\$ 7	\$ -	\$ -	\$ 4	\$ 7
Revenue bonds backed by Specific tax and fee revenues	<u>-</u>	<u>-</u>	<u>105</u>	<u>108</u>	<u>105</u>	<u>108</u>
Totals	<u>\$ 4</u>	<u>\$ 7</u>	<u>\$ 105</u>	<u>\$ 108</u>	<u>\$ 109</u>	<u>\$ 115</u>

For more detailed information on long term debt activity, refer to the notes to financial statements (refer to page 98).

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

During the budget process for fiscal year 2009-10 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 General Fund, revenues budgeted to increase over this year's actual by \$500K or .5%. Expenditures were budgeted with a \$900K decrease or 1%.

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**September 30, 2009**

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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



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Mike R. Perez  
City Manager



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Jerry W. Dale, CPA, CGFO  
Finance Director

**CITY OF McALLEN, TEXAS**  
**STATEMENT OF NET ASSETS**  
**September 30, 2009**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 2,525,649	\$ 2,708,944	\$ 5,234,593
Certificate of deposits	39,790,967	6,618,714	46,409,681
Investments	83,316,996	15,686,270	99,003,266
Receivables, net	17,815,213	7,816,593	25,631,806
Internal balances	1,131,698	(1,131,698)	-
Inventories	-	292,581	292,581
Prepays	3,750	-	3,750
Notes receivable	-	172,762	172,762
Deferred charges	-	2,861,169	2,861,169
Restricted assets	-	75,845,351	75,845,351
Capital assets not being depreciated:			
Land	45,848,341	20,319,789	66,168,130
Construction in progress	20,802,676	68,447,171	89,249,847
Capital assets being depreciated:			
Buildings and systems	56,121,176	208,393,788	264,514,964
Equipment	59,530,623	36,574,109	96,104,732
Improvements	32,977,118	137,872,196	170,849,314
Infrastructure	158,996,501	-	158,996,501
Water rights	-	5,803,100	5,803,100
Accumulated depreciation	(150,360,023)	(147,682,415)	(298,042,438)
Other long term assets	497,319	609,713	1,107,032
Total assets	<u>\$ 368,998,004</u>	<u>\$ 441,208,137</u>	<u>\$ 810,206,141</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 10,311,508	\$ 9,277,417	\$ 19,588,925
Unearned revenues	1,883,213	1,676,540	3,559,753
Other	1,249,959	4,717	1,254,676
Non-current liabilities:			
Due within one year	4,811,213	4,476,000	9,287,213
Due in more than one year	6,465,911	104,931,190	111,397,101
Net pension obligation	144,872	-	144,872
Total liabilities	<u>24,866,676</u>	<u>120,365,864</u>	<u>145,232,540</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	219,839,458	235,021,510	454,860,968
Restricted for:			
Capital projects	17,132,979	45,614,729	62,747,708
Debt service	134,456	1,922,187	2,056,643
Distribution of net surplus revenues	-	4,886,888	4,886,888
Other purposes	30,442,656	-	30,442,656
Unrestricted	76,581,779	33,396,959	109,978,738
Total net assets	<u>344,131,328</u>	<u>320,842,273</u>	<u>664,973,601</u>
Total liabilities and net assets	<u>\$ 368,998,004</u>	<u>\$ 441,208,137</u>	<u>\$ 810,206,141</u>

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

**CITY OF McALLEN, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 20,045,996	\$ 2,094,534	\$ 944,743	\$ 519,404
Public safety	48,085,324	3,849,128	1,072,172	872,003
Highways and streets	20,408,868	1,168,774	-	1,286,824
Health and welfare	5,244,236	526,815	-	1,266,574
Culture and recreation	16,141,618	935,219	-	39,206
Interest on long-term debt	292,661	-	-	-
Total governmental activities	<u>110,218,703</u>	<u>8,574,470</u>	<u>2,016,915</u>	<u>3,984,011</u>
<b>Business-type activities:</b>				
Water services	15,716,736	15,877,792	-	10,908
Sewer services	10,207,047	14,490,145	-	292,422
Sanitation services	12,550,573	15,103,546	-	85,089
Golf course services	1,435,269	1,287,442	-	44,755
Civic center services	441,900	251,147	-	-
Convention center services	4,960,887	1,616,879	-	-
Airport services	5,882,936	5,493,274	-	1,836,359
Transit services	936,081	304,531	174,576	1,020,918
Bus services	1,759,980	238,145	825,405	173,544
Bridge services--anzalduas	599,426	-	-	1,050,469
Bridge services	<u>6,018,329</u>	<u>12,916,479</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>60,509,164</u>	<u>67,579,380</u>	<u>999,981</u>	<u>4,514,464</u>
Total primary government	<u>170,727,867</u>	<u>76,153,850</u>	<u>3,016,896</u>	<u>8,498,475</u>
General revenues:				
Property taxes				
Hotel occupancy tax				
Sales taxes				
Franchise taxes				
Unrestricted investment earnings				
Royalties				
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>
\$ (16,487,315)	\$ -	\$ (16,487,315)
(42,292,021)	-	(42,292,021)
(17,953,270)	-	(17,953,270)
(3,450,847)	-	(3,450,847)
(15,167,193)	-	(15,167,193)
(292,661)	-	(292,661)
(95,643,307)	-	(95,643,307)
-	171,964	171,964
-	4,575,520	4,575,520
-	2,638,062	2,638,062
-	(103,072)	(103,072)
-	(190,753)	(190,753)
-	(3,344,008)	(3,344,008)
-	1,446,697	1,446,697
-	563,944	563,944
-	(522,886)	(522,886)
-	451,043	451,043
-	6,898,150	6,898,150
-	12,584,661	12,584,661
(95,643,307)	12,584,661	(83,058,646)
32,183,867	-	32,183,867
3,514,817	-	3,514,817
54,669,746	-	54,669,746
6,266,684	-	6,266,684
4,308,531	2,444,095	6,752,626
1,864,867	-	1,864,867
2,250,367	527,774	2,778,141
2,930,873	(2,930,873)	-
107,989,752	40,996	108,030,748
12,346,445	12,625,657	24,972,102
331,784,883	308,216,616	640,001,499
\$ 344,131,328	\$ 320,842,273	\$ 664,973,601



**CITY OF McALLEN, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2009**

	<u>General</u>	<u>Development Corp.</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 801,875	\$ 9,265
Certificates of deposit	15,890,967	5,900,000
Investments	36,172,314	15,291,979
Receivables, net:		
Taxes	4,039,311	-
Accounts	8,753,564	2,231,255
Accrued interest	580,650	118,480
Other	425,909	-
Due from other funds	304,151	-
Due from other governments	3,001	-
Prepays	3,750	-
Advances to other funds	1,150,000	3,250,000
Board advances	497,319	-
	<u>68,622,811</u>	<u>26,800,979</u>
Total assets	<u>\$ 68,622,811</u>	<u>\$ 26,800,979</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 2,921,642	\$ 20,687
Accrued liabilities	1,694,957	-
Due to other funds	-	-
Deferred revenues	13,320,628	1,089,217
Other	1,249,959	-
	<u>19,187,186</u>	<u>1,109,904</u>
Total liabilities	<u>19,187,186</u>	<u>1,109,904</u>
Fund balances:		
Reserved for:		
Reserved for encumbrances	139,460	115,660
Reserved for advances to other funds	1,150,000	3,250,000
Designated for Anzalduas start up	3,964,107	-
Economic development	-	3,231,839
Debt service	-	5,216
Unreserved, undesignated reported in:		
General fund	44,182,058	-
Capital improvement fund	-	-
Development corporation fund	-	19,088,360
Special revenue funds	-	-
Nonmajor-capital projects funds	-	-
	<u>49,435,625</u>	<u>25,691,075</u>
Total fund balances	<u>49,435,625</u>	<u>25,691,075</u>
Total liabilities and fund balances	<u>\$ 68,622,811</u>	<u>\$ 26,800,979</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>
\$ 158,229	\$ 532,369	\$ 1,501,738
5,900,000	1,100,000	28,790,967
12,572,218	3,652,325	67,688,836
-	51,234	4,090,545
-	296,312	11,281,131
176,246	27,549	902,925
264,452	67,107	757,468
-	-	304,151
-	291,894	294,895
-	-	3,750
352,716	-	4,752,716
-	-	497,319
<u>\$ 19,423,861</u>	<u>\$ 6,018,790</u>	<u>\$ 120,866,441</u>
\$ 1,843,275	\$ 416,629	\$ 5,202,233
483,238	95,469	2,273,664
-	533,789	533,789
-	51,234	14,461,079
-	-	1,249,959
<u>2,326,513</u>	<u>1,097,121</u>	<u>23,720,724</u>
3,657,870	1,931,209	5,844,199
352,716	-	4,752,716
-	-	3,964,107
-	-	3,231,839
-	129,240	134,456
-	-	44,182,058
13,086,762	-	13,086,762
-	-	19,088,360
-	934,928	934,928
-	1,926,292	1,926,292
<u>17,097,348</u>	<u>4,921,669</u>	<u>97,145,717</u>
<u>\$ 19,423,861</u>	<u>\$ 6,018,790</u>	<u>\$ 120,866,441</u>

**CITY OF McALLEN, TEXAS**  
**Reconciliation of the Balance Sheet of the Governmental Funds**  
**to the Statement of Net Assets**  
**September 30, 2009**

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Total governmental fund balances (refer to page 35)	\$ 97,145,717
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	214,975,244
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. The amount consists of the following: property taxes-\$4,090,544; sales and franchise taxes-\$4,356,869; weed and lot cleaning-\$746,859; special assessments-\$20,690; and others-\$3,362,907.	12,577,869
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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 assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	30,871,961
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Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds, including unpaid compensated absences, (\$7,184,813), sales tax revenue bonds payable,(\$225,000), accrued interest, (\$32,825), tax note payable, (\$3,545,000), real estate note payable, (\$306,953), and net pension obligation, (\$144,872).	<u>(11,439,463)</u>
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Net assets of governmental activities	<u><u>\$ 344,131,328</u></u>
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The notes to the financial statements are an integral part of this statement.

**CITY OF McALLEN, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2009**

	<u>General</u>	<u>Development Corp</u>
<b>REVENUES</b>		
Taxes	\$ 79,033,184	\$ 13,667,435
Licenses and permits	1,381,625	-
Intergovernmental	569,675	148,856
Charges for services	4,233,634	-
Fines and forfeitures	1,843,298	-
Investment earnings	1,661,167	531,655
Net increase in the fair value of investments	532,356	113,190
Other	2,696,200	35,682
	<u>91,951,139</u>	<u>14,496,818</u>
Total revenues		
	<u>91,951,139</u>	<u>14,496,818</u>
<b>EXPENDITURES</b>		
Current:		
General government	18,593,810	244,460
Public safety	47,092,657	-
Highways and streets	14,990,209	333,948
Health and welfare	1,647,917	2,349,716
Culture and recreation	15,256,793	-
Debt service:		
Principal	-	25,000
Interest and fiscal charges	-	13,428
	<u>97,581,386</u>	<u>2,966,552</u>
Total expenditures		
	<u>97,581,386</u>	<u>2,966,552</u>
Excess of revenues over (under) expenditures	(5,630,247)	11,530,266
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	12,269,122	-
Transfers out	(8,692,653)	(6,611,704)
	<u>3,576,469</u>	<u>(6,611,704)</u>
Net other financing sources (uses)		
	<u>3,576,469</u>	<u>(6,611,704)</u>
Net change in fund balances	(2,053,778)	4,918,562
Fund balances at beginning of year	51,489,403	20,772,513
Fund balances at end of year	<u><u>\$ 49,435,625</u></u>	<u><u>\$ 25,691,075</u></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>
\$ -	\$ 4,147,576	\$ 96,848,195
-	11,385	1,393,010
273,149	3,313,261	4,304,941
-	1,016,003	5,249,637
-	327,473	2,170,771
645,501	108,091	2,946,414
81,948	1,925	729,419
65,919	467,559	3,265,360
<u>1,066,517</u>	<u>9,393,273</u>	<u>116,907,747</u>
1,172,529	2,217,008	22,227,807
2,956,729	1,612,449	51,661,835
14,262,843	1,256,065	30,843,065
-	1,266,574	5,264,207
2,245,600	363,497	17,865,890
-	2,830,000	2,855,000
-	305,688	319,116
<u>20,637,701</u>	<u>9,851,281</u>	<u>131,036,920</u>
(19,571,184)	(458,008)	(14,129,173)
11,221,415	3,292,653	26,783,190
<u>(4,438,558)</u>	<u>(3,109,402)</u>	<u>(22,852,317)</u>
<u>6,782,857</u>	<u>183,251</u>	<u>3,930,873</u>
(12,788,327)	(274,757)	(10,198,300)
<u>29,885,675</u>	<u>5,196,426</u>	<u>107,344,017</u>
<u><u>\$ 17,097,348</u></u>	<u><u>\$ 4,921,669</u></u>	<u><u>\$ 97,145,717</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, 2009**

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

Net change in fund balances--total governmental funds (refer to page 39)	\$ (10,198,300)
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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, \$25,276,574, exceeded depreciation, net of depreciation (\$10,322,967) in the current period.	14,953,607
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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, \$144,872, Firemen's Fund net pension obligation.	(144,872)
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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.	926,819
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	2,855,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds of which (\$295,286) is compensated absences and (\$26,455) accrued interest expense.	321,741
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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.	3,939,403
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Real estate purchase (note payable) provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	<u>(306,953)</u>
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Change in net assets of governmental activities	<u>\$ 12,346,445</u>
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The notes to the financial statements are an integral part of this statement.

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes:				
Property	\$ 31,583,504	\$ 31,583,504	\$ 31,764,189	\$ 180,685
Sales	44,794,073	44,794,073	41,002,311	(3,791,762)
Franchise	<u>6,604,737</u>	<u>6,604,737</u>	<u>6,266,684</u>	<u>(338,053)</u>
Total taxes	<u>82,982,314</u>	<u>82,982,314</u>	<u>79,033,184</u>	<u>(3,949,130)</u>
Licenses and permits:				
Business licenses and permits	47,000	47,000	41,692	(5,308)
Occupational	103,325	103,325	192,418	89,093
Non-business licenses and permits	<u>1,412,000</u>	<u>1,412,000</u>	<u>1,147,515</u>	<u>(264,485)</u>
Total licenses and permits	<u>1,562,325</u>	<u>1,562,325</u>	<u>1,381,625</u>	<u>(180,700)</u>
Intergovernmental revenues:				
State shared revenues	<u>450,000</u>	<u>450,000</u>	<u>569,675</u>	<u>119,675</u>
Total intergovernmental revenues	<u>450,000</u>	<u>450,000</u>	<u>569,675</u>	<u>119,675</u>
Charges for services:				
General government	1,453,680	1,453,680	1,294,976	(158,704)
Public safety	553,500	553,500	707,606	154,106
Highways and streets	153,725	153,725	152,725	(1,000)
Health	1,158,200	1,158,200	1,196,156	37,956
Culture and recreation	<u>756,685</u>	<u>756,685</u>	<u>882,171</u>	<u>125,486</u>
Total charges for services	<u>4,075,790</u>	<u>4,075,790</u>	<u>4,233,634</u>	<u>157,844</u>
Fines and forfeitures:				
Corporations court	1,768,544	1,809,405	1,790,204	(19,201)
Other fines	<u>50,500</u>	<u>50,500</u>	<u>53,094</u>	<u>2,594</u>
Total fines and forfeitures	<u>1,819,044</u>	<u>1,859,905</u>	<u>1,843,298</u>	<u>(16,607)</u>
Investment earnings	<u>1,950,000</u>	<u>1,950,000</u>	<u>1,661,167</u>	<u>(288,833)</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Net increase (decrease) in fair value of investments	\$ -	\$ -	\$ 532,356	\$ 532,356
Other:				
Royalties	3,500,000	3,500,000	1,864,867	(1,635,133)
Rents and concessions	40,000	40,000	351,722	311,722
Reimbursements	77,000	77,000	290,648	213,648
Other	379,000	379,000	188,963	(190,037)
Total other revenues	3,996,000	3,996,000	2,696,200	(1,299,800)
Total revenues	96,835,473	96,876,334	91,951,139	(4,925,195)
Expenditures:				
General government:				
City commission	239,062	242,367	212,010	30,357
Special service	854,800	904,614	840,407	64,207
City manager	985,609	1,041,475	1,099,372	(57,897)
City secretary	440,106	459,618	433,525	26,093
Vital statistics	205,026	205,026	190,669	14,357
Passport facility	129,854	129,854	129,231	623
Audit office	181,619	200,123	207,871	(7,748)
Municipal court	1,304,797	1,525,497	1,347,399	178,098
Finance	1,343,076	1,381,547	1,296,708	84,839
Tax office	863,238	870,776	972,609	(101,833)
Purchasing and contracting	496,626	505,716	406,293	99,423
Legal	1,007,465	1,100,687	1,802,715	(702,028)
Grant administration	232,480	239,788	263,880	(24,092)
Right of way	167,308	171,840	139,497	32,343
Human resources	1,865,885	898,454	792,217	106,237
Risk management	1,151,761	1,151,761	1,151,761	-
Planning	1,553,999	1,602,614	1,023,207	579,407
Information technology	1,966,397	2,006,824	1,816,368	190,456
Public information office	762,958	783,898	726,408	57,490
City hall	1,100,426	1,102,670	762,756	339,914
Mail center	135,557	168,016	149,364	18,652
Building maintenance	574,290	584,888	496,160	88,728
Non-departmental activities	2,279,828	2,334,828	2,333,383	1,445
Total general government	19,842,167	19,612,881	18,593,810	1,019,071



**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public safety:				
Police	\$ 29,422,560	\$ 29,597,884	\$ 28,638,015	\$ 959,869
Animal control	214,069	219,182	189,144	30,038
Communication technology	198,232	203,049	181,597	21,452
Fire	14,726,990	14,902,472	14,696,345	206,127
Traffic operations	2,490,869	2,531,385	2,397,897	133,488
Inspection	1,073,145	1,099,323	989,659	109,664
Total public safety	<u>48,125,865</u>	<u>48,553,295</u>	<u>47,092,657</u>	<u>1,460,638</u>
Highways and streets:				
Engineering services	2,431,402	2,493,934	2,233,479	260,455
Street cleaning	459,708	466,222	404,322	61,900
Street maintenance	8,464,104	8,504,510	8,134,923	369,587
Street lighting	1,908,675	1,908,675	2,163,187	(254,512)
Sidewalk construction	558,269	568,011	417,811	150,200
Drainage	1,974,846	1,998,807	1,636,487	362,320
Total highways and streets	<u>15,797,004</u>	<u>15,940,159</u>	<u>14,990,209</u>	<u>949,950</u>
Health and welfare:				
Health	1,051,747	1,070,858	1,058,896	11,962
Graffiti cleaning	181,539	184,721	156,106	28,615
Other agencies	282,693	282,693	432,915	(150,222)
Total health and welfare	<u>1,515,979</u>	<u>1,538,272</u>	<u>1,647,917</u>	<u>(109,645)</u>
Culture and recreation:				
Parks and recreation administration	527,432	545,780	565,956	(20,176)
Parks	5,660,363	5,818,317	5,950,457	(132,140)
Recreation	1,188,509	1,196,803	1,193,386	3,417
Pools	820,606	827,089	792,923	34,166
Las palmas community center	366,930	373,933	337,721	36,212
Recreation center-Lark	449,408	456,561	430,160	26,401
Recreation center-Palmview	441,286	449,932	447,762	2,170

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Quinta mazatlan	\$ 463,535	\$ 473,065	\$ 555,587	\$ (82,522)
Library	2,829,604	2,882,227	2,567,425	314,802
Library branch-Lark	545,092	558,125	511,732	46,393
Library branch-Palmview	514,252	557,683	460,381	97,302
Other agencies	689,020	689,020	664,020	25,000
Museums	<u>779,283</u>	<u>779,283</u>	<u>779,283</u>	<u>-</u>
Total culture and recreation	<u>15,275,320</u>	<u>15,607,818</u>	<u>15,256,793</u>	<u>351,025</u>
Total expenditures	<u>100,556,335</u>	<u>101,252,425</u>	<u>97,581,386</u>	<u>3,671,039</u>
Excess of revenues over expenditures	<u>(3,720,862)</u>	<u>(4,376,091)</u>	<u>(5,630,247)</u>	<u>(1,254,156)</u>
Other financing sources (uses)				
Transfers in	14,748,972	14,748,972	12,269,122	(2,479,850)
Transfers out	<u>(6,623,581)</u>	<u>(11,382,647)</u>	<u>(8,692,653)</u>	<u>2,689,994</u>
Net other financing sources (uses)	<u>8,125,391</u>	<u>3,366,325</u>	<u>3,576,469</u>	<u>210,144</u>
Net change in fund balances	4,404,529	(1,009,766)	(2,053,778)	(1,044,012)
Fund balances at begining of year	<u>51,489,403</u>	<u>51,489,403</u>	<u>51,489,403</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ 55,893,932</u></u>	<u><u>\$ 50,479,637</u></u>	<u><u>\$ 49,435,625</u></u>	<u><u>\$ (1,044,012)</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 the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Sales tax	\$ 14,931,358	\$ 14,931,358	\$ 13,667,435	\$ (1,263,923)
Intergovernmental revenues	-	-	148,856	148,856
Investment earnings	550,000	550,000	531,655	(18,345)
Increase in the fair value of investments	-	-	113,190	113,190
Other	-	-	35,682	35,682
Total revenues	<u>15,481,358</u>	<u>15,481,358</u>	<u>14,496,818</u>	<u>(984,540)</u>
Expenditures:				
Current:				
General government	5,006,480	947,480	244,460	703,020
Highways and streets	2,000,000	3,729,401	333,948	3,395,453
Health and welfare	1,905,000	2,505,000	2,349,716	155,284
Debt service:				
Principal	2,525,000	2,525,000	25,000	2,500,000
Interest and fiscal charges	12,275	12,275	13,428	(1,153)
Total expenditures	<u>11,448,755</u>	<u>9,719,156</u>	<u>2,966,552</u>	<u>6,752,604</u>
Excess (deficiency) of revenues over expenditures	<u>4,032,603</u>	<u>5,762,202</u>	<u>11,530,266</u>	<u>5,768,064</u>
Other financing uses:				
Transfers out	<u>(16,680,283)</u>	<u>(16,680,283)</u>	<u>(6,611,704)</u>	<u>10,068,579</u>
Total other financing uses	<u>(16,680,283)</u>	<u>(16,680,283)</u>	<u>(6,611,704)</u>	<u>10,068,579</u>
Net changes in fund balances	(12,647,680)	(10,918,081)	4,918,562	15,836,643
Fund balances--beginning	<u>20,772,513</u>	<u>20,772,513</u>	<u>20,772,513</u>	<u>-</u>
Fund balances--ending	<u>\$ 8,124,833</u>	<u>\$ 9,854,432</u>	<u>\$ 25,691,075</u>	<u>\$ 15,836,643</u>

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

**CITY OF McALLEN, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**September 30, 2009**

	Business Type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	Convention Center
<b>ASSETS</b>				
Current assets:				
Cash	\$ 322,629	\$ 309,421	\$ 153,088	\$ 94,634
Certificate of deposit	2,818,714	1,800,000	600,000	-
Investments	4,904,342	2,855,520	1,035,888	1,834,662
Receivables, net:				
Accounts	1,681,404	1,918,558	1,796,319	421,323
Accrued interest	122,155	74,100	16,438	458
Other	-	28,062	-	-
Due from other funds	-	-	-	189,683
Due from other governments	-	-	-	-
Inventories, at cost	39,590	-	-	-
Restricted assets:				
Cash and cash equivalents	104,241	146,241	46,433	-
Total current assets	9,993,075	7,131,902	3,648,166	2,540,760
Noncurrent assets:				
Restricted assets:				
Investments	22,827,247	33,618,888	6,031,039	-
Other	-	-	-	-
Total noncurrent restricted assets	22,827,247	33,618,888	6,031,039	-
Capital assets:				
Land	2,363,193	1,832,706	928,277	6,202,778
Buildings and systems	50,934,156	51,117,489	2,195,513	56,281,224
Improvements other than buildings	39,274,661	37,541,736	217,283	6,690,881
Machinery and equipment	4,251,078	5,729,088	16,442,658	2,451,463
Construction in progress	5,650,802	9,229,047	-	-
Water rights	5,803,100	-	-	-
Less accumulated depreciation and amortization	(43,014,444)	(40,164,101)	(11,087,878)	(4,162,327)
Total capital assets (net of accumulated depreciation and amortization)	65,262,546	65,285,965	8,695,853	67,464,019
Other noncurrent assets				
Loans receivable	86,381	86,381	-	-
Other assets, net	1,016,818	859,113	-	-
Goodwill	-	-	-	-
Board advances	-	-	-	-
Total other noncurrent assets	1,103,199	945,494	-	-
Total noncurrent assets	89,192,992	99,850,347	14,726,892	67,464,019
Total assets	<u>\$ 99,186,067</u>	<u>\$ 106,982,249</u>	<u>\$ 18,375,058</u>	<u>\$ 70,004,779</u>

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

Business-type Activities-Enterprise Funds					Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 150,914	\$ 14,472	\$ 4,948	\$ 1,087,896	\$ 2,138,002	\$ 1,594,852
900,000	-	-	500,000	6,618,714	11,000,000
1,349,419	1,956,386	808,610	941,443	15,686,270	15,628,160
445,642	69,451	-	138,373	6,471,070	260,608
23,781	-	-	11,981	248,913	228,458
34,075	-	-	-	62,137	-
-	-	-	47,421	237,104	-
-	-	-	1,033,654	1,033,654	-
-	-	-	-	39,590	252,991
92,965	1,914	255,509	96,075	743,378	-
2,996,796	2,042,223	1,069,067	3,856,843	33,278,832	28,965,069
3,941,464	6,025,439	2,310,447	161,181	74,915,705	-
93,540	-	92,728	-	186,268	-
4,035,004	6,025,439	2,403,175	161,181	75,101,973	-
3,251,781	573,798	2,936,598	2,230,658	20,319,789	-
31,956,195	10,698,086	-	5,200,978	208,383,641	-
42,558,627	2,331,208	-	9,191,208	137,805,604	76,739
1,843,355	1,472,919	-	3,979,060	36,169,621	19,532,709
1,522,235	-	50,533,360	1,511,727	68,447,171	-
-	-	-	-	5,803,100	-
(33,203,198)	(7,069,796)	-	(8,695,681)	(147,397,425)	(10,472,044)
47,928,995	8,006,215	53,469,958	13,417,950	329,531,501	9,137,404
-	-	-	-	172,762	-
-	23,126	962,113	-	2,861,170	-
-	609,713	-	-	609,713	-
-	12,267,863	-	-	12,267,863	-
-	12,900,702	962,113	-	15,911,508	-
51,963,999	26,932,356	56,835,246	13,579,131	420,544,982	9,137,404
<u>\$ 54,960,795</u>	<u>\$ 28,974,579</u>	<u>\$ 57,904,313</u>	<u>\$ 17,435,974</u>	<u>\$ 453,823,814</u>	<u>\$ 38,102,473</u>

Continued

**CITY OF McALLEN, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**September 30, 2009**

	Business Type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	Convention Center
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 834,615	\$ 1,336,325	\$ 522,156	\$ 261,392
Accrued expenses	465,872	661,917	142,460	49,164
Due to other funds	-	-	-	-
Due to other government agencies	-	-	-	-
Customer deposits payable	2,096,827	-	-	-
Compensated absences due one year	290,000	186,000	200,000	-
Current portion of revenue bonds	1,249,500	1,425,500	-	-
Other	38	-	-	-
Total current liabilities	4,936,852	3,609,742	864,616	310,556
Other noncurrent liabilities:				
Advances from other funds	-	-	1,150,000	-
Revenue bonds, net of current portion and discount	25,926,500	36,573,500	-	-
Accumulated unpaid compensated absences	32,923	63,148	4,750	63,162
Arbitrage payable	25,429	95,662	-	-
Bond premium	801,884	1,614,905	-	-
Deferred revenues	194,173	835,000	311,638	141,388
Board advances	-	-	-	-
Total other noncurrent liabilities	26,980,909	39,182,215	1,466,388	204,550
Total liabilities	31,917,761	42,791,957	2,331,004	515,106
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	42,037,539	39,444,360	8,695,853	67,464,019
Restricted for:				
Capital projects	16,014,284	18,853,695	6,077,472	-
Debt service	416,500	475,166	-	-
Distribution of net surplus revenues	-	-	-	-
Unrestricted	8,799,983	5,417,071	1,270,729	2,025,654
Total net assets	67,268,306	64,190,292	16,044,054	69,489,673
Total liabilities and net assets	\$ 99,186,067	\$ 106,982,249	\$ 18,375,058	\$ 70,004,779

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

Business-type Activities-Enterprise Funds					Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 478,172	\$ 118,626	\$ 485,849	\$ 508,338	\$ 4,545,473	\$ 1,057,893
40,735	35,726	156,105	126,080	1,678,059	1,976,429
-	7,466	-	-	7,466	-
-	725,521	-	-	725,521	-
-	-	-	-	2,096,827	-
-	75,000	-	35,000	786,000	-
-	260,000	755,000	-	3,690,000	-
4,640	-	-	39	4,717	-
523,547	1,222,339	1,396,954	669,457	13,534,063	3,034,322
-	-	-	3,602,716	4,752,716	-
-	555,000	38,405,000	-	101,460,000	-
60,124	51,278	-	41,831	317,216	51,388
-	-	-	-	121,091	-
-	-	580,065	-	2,996,854	-
32,024	39,900	-	122,417	1,676,540	-
-	-	12,267,863	-	12,267,863	-
92,148	646,178	51,252,928	3,766,964	123,592,280	51,388
615,695	1,868,517	52,649,882	4,436,421	137,126,343	3,085,710
47,928,995	7,214,340	8,622,221	13,417,950	234,825,277	9,137,404
3,997,734	414,288	-	257,256	45,614,729	-
-	651,676	378,845	-	1,922,187	-
-	4,886,888	-	-	4,886,888	-
2,418,371	13,938,870	(3,746,635)	(675,653)	29,448,390	25,879,359
54,345,100	27,106,062	5,254,431	12,999,553	316,697,471	35,016,763
\$ 54,960,795	\$ 28,974,579	\$ 57,904,313	\$ 17,435,974	\$ 453,823,814	\$ 38,102,473

Concluded

**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, 2009**

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Fund equity - total proprietary funds (page 51)	\$ 316,697,471
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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.

4,144,802
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Net assets of business-type activities

\$ 320,842,273
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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 the Year Ended September 30, 2009**

	<b>Business Type Activities-Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Convention Center</b>
<b>Operating revenues</b>				
Charges for services	\$ 15,597,218	\$ 14,170,535	\$ 14,916,390	\$ 574,296
Rentals	-	-	-	995,167
Other	740,574	319,610	187,157	147,416
<b>Total operating revenues</b>	<b>16,337,792</b>	<b>14,490,145</b>	<b>15,103,547</b>	<b>1,716,879</b>
<b>Operating expenses</b>				
Salaries, wages and employee benefits	5,341,524	3,246,508	5,219,751	1,562,175
Supplies	3,479,137	696,187	150,488	78,725
Contractual and other services	2,867,067	3,041,906	3,878,032	1,533,438
Repairs and maintenance	856,704	408,992	2,126,161	420,446
Depreciation and amortization	3,289,455	3,179,118	1,569,808	1,574,746
Self insurance claims	-	-	-	-
Other	-	-	-	-
<b>Total operating expenses</b>	<b>15,833,887</b>	<b>10,572,711</b>	<b>12,944,240</b>	<b>5,169,530</b>
<b>Operating income (loss)</b>	<b>503,905</b>	<b>3,917,434</b>	<b>2,159,307</b>	<b>(3,452,651)</b>
<b>Non operating revenues (expenses)</b>				
Investment earnings	781,431	932,191	135,756	35,690
Net increase (decrease) in fair value of investments	108,927	63,668	7,040	2,488
Interest expense	(1,136,605)	(2,000,014)	-	-
Interest on board advances	-	-	-	-
Bond related charges	32,883	257,304	-	-
Capitalized interest	521,805	1,962,980	-	-
Gain (loss) on sale of capital assets	455	668	629	-
Other	33,667	26,958	-	-
<b>Net non-operating revenues (expenses)</b>	<b>342,563</b>	<b>1,243,755</b>	<b>143,425</b>	<b>38,178</b>
<b>Income (loss) before contributions and transfers</b>	<b>846,468</b>	<b>5,161,189</b>	<b>2,302,732</b>	<b>(3,414,473)</b>
Capital contributions	10,908	292,422	85,089	-
Transfers in	-	-	-	2,008,467
Transfers out	-	-	-	-
<b>Change in net assets</b>	<b>857,376</b>	<b>5,453,611</b>	<b>2,387,821</b>	<b>(1,406,006)</b>
<b>Total net assets--beginning</b>	<b>66,410,930</b>	<b>58,736,681</b>	<b>13,656,233</b>	<b>70,895,679</b>
<b>Total net assets--ending</b>	<b>\$ 67,268,306</b>	<b>\$ 64,190,292</b>	<b>\$ 16,044,054</b>	<b>\$ 69,489,673</b>

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

Business Type Activities-Enterprise Funds					Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 2,207,062	\$ 11,190,709	\$ -	\$ 1,612,495	\$ 60,268,705	\$ 6,303,559
3,085,059	1,467,142	-	126,266	5,673,634	-
201,152	258,629	-	342,504	2,197,042	13,514,217
5,493,273	12,916,480	-	2,081,265	68,139,381	19,817,776
1,453,139	1,307,175	-	2,063,823	20,194,095	1,314,154
65,595	86,041	-	142,261	4,698,434	28,749
1,698,361	802,846	-	951,961	14,773,611	5,885,988
308,599	146,995	-	651,941	4,919,838	38,815
2,476,106	505,584	-	884,231	13,479,048	1,962,411
-	-	-	-	-	5,584,850
-	-	-	-	-	3,248
6,001,800	2,848,641	-	4,694,217	58,065,026	14,818,215
(508,527)	10,067,839	-	(2,612,952)	10,074,355	4,999,561
131,214	54,370	151,888	35,306	2,257,846	635,179
562	-	-	-	182,685	1,084
-	(42,246)	(1,854,167)	-	(5,033,032)	-
-	437,474	(437,474)	-	-	-
-	(9,569)	(17,044)	-	263,574	-
-	-	1,709,258	-	4,194,043	-
1,173	-	-	-	2,925	30,696
-	(3,185,885)	26,752	-	(3,098,508)	471,080
132,949	(2,745,856)	(420,787)	35,306	(1,230,467)	1,138,039
(375,578)	7,321,983	(420,787)	(2,577,646)	8,843,888	6,137,600
1,836,359	-	1,050,469	2,239,198	5,514,445	-
-	-	776,829	2,292,406	5,077,702	800,000
(1,103,965)	(6,904,610)	-	-	(8,008,575)	(1,800,000)
356,816	417,373	1,406,511	1,953,958	11,427,460	5,137,600
53,988,284	26,688,689	3,847,920	11,045,595	305,270,011	29,879,163
<u>\$ 54,345,100</u>	<u>\$ 27,106,062</u>	<u>\$ 5,254,431</u>	<u>\$ 12,999,553</u>	<u>\$ 316,697,471</u>	<u>\$ 35,016,763</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, 2009**

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Change in net assets - total proprietary funds (page 55)	\$ 11,427,460
Some amounts reported for business-type activities in the statement of activity are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.	<u>1,198,197</u>
Net assets of business-type activities	<u><u>\$ 12,625,657</u></u>

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

**CITY OF McALLEN, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended September 30, 2009**

	<b>Business Type Activities</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>McAllen Convention Center</b>
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 16,023,035	\$ 14,884,130	\$ 15,226,960	\$ 1,729,293
Payments to employees	(5,295,311)	(3,222,074)	(5,212,992)	(1,546,305)
Payments to suppliers	(6,735,937)	(4,143,326)	(6,409,828)	(1,869,027)
Net cash provided (used) by operating activities	3,991,787	7,518,730	3,604,140	(1,686,039)
<b>Cash flows from noncapital financing activities:</b>				
Transfers from other funds	-	-	-	2,008,467
Transfers to other funds	-	-	-	-
Advance to other funds	-	-	(250,000)	-
Subsidy from federal grant	-	-	-	-
Distribution of income to City of Hidalgo	-	-	-	-
Net cash provided by (used for) noncapital financing activities	-	-	(250,000)	2,008,467
<b>Cash flows from capital and related financing activities:</b>				
Capital contributions	-	200,000	-	-
Purchases of capital assets	(2,631,011)	(7,010,089)	(1,001,634)	(165,722)
Proceeds from sale of capital assets	1,848	668	12,753	-
Principal repayments-bonds and notes	(1,188,250)	(1,361,750)	-	-
Board advances	-	-	-	-
Interest paid	(1,146,426)	(2,010,585)	-	-
Net cash provided used by capital and related financing activities	(4,963,839)	(10,181,756)	(988,881)	(165,722)
<b>Cash flows from investing activities:</b>				
Proceeds from sales and maturities of investments	31,238,206	54,081,732	9,357,613	2,615,000
Purchase of investments	(31,363,615)	(53,103,358)	(11,777,153)	(2,739,896)
Receipt of interest	1,292,874	1,817,650	194,580	62,767
Net cash provided (used) by investing activities	1,167,465	2,796,024	(2,224,960)	(62,129)
Net increase (decrease) in cash	195,413	132,998	140,299	94,577
Cash at beginning of year	231,457	322,664	59,222	57
Cash at end of year	<u>\$ 426,870</u>	<u>\$ 455,662</u>	<u>\$ 199,521</u>	<u>\$ 94,634</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	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ 5,344,124	\$ 12,912,305	\$ -	\$ 1,943,449	\$ 68,063,296	\$ 20,269,201
(1,438,169)	(1,311,007)	-	(2,060,043)	(20,085,901)	(1,294,192)
(1,928,921)	(988,817)	-	(1,414,923)	(23,490,779)	(12,475,920)
1,977,034	10,612,481	-	(1,531,517)	24,486,616	6,499,089
-	-	-	2,292,406	4,300,873	800,000
(1,103,965)	(6,175,348)	-	-	(7,279,313)	(1,800,000)
-	-	-	-	(250,000)	-
-	-	-	1,248,544	1,248,544	-
-	(3,387,059)	-	-	(3,387,059)	-
(1,103,965)	(9,562,407)	-	3,540,950	(5,366,955)	(1,000,000)
1,871,442	-	1,481,655	-	3,553,097	-
(2,194,218)	(444,234)	(16,618,067)	(1,818,671)	(31,883,646)	(2,489,974)
1,173	-	-	-	16,442	33,447
-	(245,000)	-	-	(2,795,000)	-
-	(2,232,243)	2,232,243	-	-	-
-	(43,164)	(1,854,167)	-	(5,054,342)	-
(321,603)	(2,964,641)	(14,758,336)	(1,818,671)	(36,163,449)	(2,456,527)
6,070,000	11,449,125	14,706,640	3,225,000	132,743,316	31,657,471
(6,703,926)	(9,949,078)	-	(2,939,774)	(118,576,800)	(34,982,287)
185,918	96,160	243,969	31,172	3,925,090	959,611
(448,008)	1,596,207	14,950,609	316,398	18,091,606	(2,365,205)
103,458	(318,360)	192,273	507,160	1,047,818	677,357
140,421	334,746	68,184	676,811	1,833,562	917,495
\$ 243,879	\$ 16,386	\$ 260,457	\$ 1,183,971	\$ 2,881,380	\$ 1,594,852

Continued

**CITY OF McALLEN, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS-(Continued)**  
**For the Year Ended September 30, 2009**

	<b>Business Type Activities</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Convention Center</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income (loss)	\$ 503,905	\$ 3,917,434	\$ 2,159,307	\$ (3,452,652)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	3,289,455	3,179,118	1,569,808	1,574,746
(Increase) decrease in accounts receivable	(314,757)	393,985	123,413	(48,129)
(Increase) decrease in due from other funds	-	-	-	60,543
(Increase) decrease in due from other governments	-	-	-	-
(Increase) decrease in prepaid items	-	-	-	-
(Increase) decrease in inventories	(1,533)	-	-	-
Increase (decrease) in accounts payable	282,440	209,687	(230,265)	84,080
Increase (decrease) in customer deposits payable	189,256	-	-	-
Increase (decrease) in compensated absences payable	30,101	14,564	3,316	6,959
Increase (decrease) in accrued expenses	107,938	(136,058)	3,443	8,911
Increase (decrease) in due to other funds	-	-	-	(200)
Increase (decrease) in other current liabilities	-	-	(40,000)	-
Increase (decrease) in deferred revenues	(95,018)	(60,000)	15,118	79,703
Recovery of prior year expenses				
Total adjustments	3,487,882	3,601,296	1,444,833	1,766,613
Net cash provided by (used for) operating activities	<u>\$ 3,991,787</u>	<u>\$ 7,518,730</u>	<u>\$ 3,604,140</u>	<u>\$ (1,686,039)</u>
<b>Noncash investing, capital and financing activities:</b>				
Contributions of capital assets	10,908	92,422	85,089	-
Increase (decrease) in fair value of investments	108,927	63,668	7,040	2,488

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

Business Type Activities					Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Anzalduas International Crossing	Other Proprietary Funds	Total	Internal Service Funds
\$ (508,525)	\$ 10,071,759	\$ -	\$ (2,612,952)	\$ 10,078,276	\$ 4,999,559
2,476,106	505,584	-	884,231	13,479,048	1,962,413
(149,151)	-	-	(90,595)	(85,234)	(19,655)
-	-	-	(47,221)	13,322	(30,749)
(34,075)	-	-	-	-	-
-	-	-	-	(34,075)	-
204,422	43,149	-	-	(1,533)	101,853
-	-	-	257,585	851,098	(408,890)
5,973	595	-	-	189,256	-
(46,079)	-	-	322	61,830	14,881
-	-	-	61,713	(132)	(590,585)
(1,100)	(4,431)	-	-	(200)	-
29,463	(4,175)	-	-	(45,531)	-
			15,400	(19,509)	-
				-	470,262
2,485,559	540,722	-	1,081,435	14,408,340	1,499,530
<u>\$ 1,977,034</u>	<u>\$ 10,612,481</u>	<u>\$ -</u>	<u>\$ (1,531,517)</u>	<u>\$ 24,486,616</u>	<u>\$ 6,499,089</u>
-	-	-	-	188,419	-
562	-	-	-	182,685	1,084

Concluded

**CITY OF McALLEN , TEXAS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**September 30, 2009**

	<u>Pension Trust Firemen's Relief and Retirement Fund</u>	<u>Agency  Developer's Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,153,883	\$ 42,260
Receivables:		
Interest	179,691	8,999
Investments, at fair value:		
TexPool	-	1,299,720
Certificate of deposit	-	50,000
U.S Government securities	7,135,398	769,378
Corporate bonds and stocks	18,930,486	-
Alternate investments	3,048,923	-
	<u>29,114,807</u>	<u>2,119,098</u>
Total investments		
	<u>30,448,381</u>	<u>\$ 2,170,357</u>
<b>LIABILITIES</b>		
Accounts payable	11,589	-
Escrow payables	-	2,170,357
	<u>11,589</u>	<u>\$ 2,170,357</u>
Total liabilities		
<b>NET ASSETS</b>		
Held in trust for pension benefits	<u>\$ 30,436,792</u>	

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



**CITY OF McALLEN , TEXAS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**For the Year Ended September 30, 2009**

	<u>Pension Trust Firemen's Relief and Retirement Fund</u>
<b>ADDITIONS</b>	
Contributions:	
Member	\$ 922,452
Employer	<u>1,065,018</u>
Total contributions	<u>1,987,470</u>
Investment earnings:	
Interest and dividends	(412,326)
Net appreciation in fair value of investments	<u>1,396,423</u>
Total investment earnings	984,097
Less: investment expense	<u>(289,328)</u>
Net investment earnings	<u>694,769</u>
Total deductions	<u>2,682,239</u>
<b>DEDUCTIONS</b>	
Benefits	1,697,021
Refund of contributions	91,231
Administrative expense	<u>28,599</u>
Total deductions	<u>1,816,851</u>
Changes in net assets	865,388
Net assets--beginning	<u>29,571,404</u>
Net assets--ending	<u><u>\$ 30,436,792</u></u>

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

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

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

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

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

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

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

Applying these tests to other entities and activities for possible inclusion in the reporting entity, the City has determined that there are none, which meet the financial accountability tests and, therefore are no component units.

The City of McAllen issues separate publicly available audited financial statements of the McAllen International Toll Bridge and the Anzalduas International Crossing, which may be obtained by writing to City of McAllen Finance Department, 1300 Houston, P.O. Box 220, McAllen, Texas 78504.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

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

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP) applicable to states and local governments. US GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governments, and by the Financial Accounting Standards Board (when applicable). The City has elected not to apply pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 as permitted by GASB Statement No. 20.

Governmental Accounting Standards Board has issued the following pronouncements: GASB Statements No. 54, 55, and 56. Management is currently evaluating the impact of these pronouncements on the financial statements but does not anticipate such impact if any to be significant. The following is a summary of these pronouncements and their effective dates.

### *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*

The requirements in GASB No. 54 will improve financial reporting by providing fund balance categories and classifications that will be more easily understood. Elimination of the *reserved* component of fund balance in favor of a *restricted* classification will enhance the consistency between information reported in the government-wide statements and information in the governmental fund financial statements and avoid confusion about the relationship between reserved fund balance and restricted net assets. The fund balance classification approach in GASB Statement No. 54 will require governments to classify amounts consistently, regardless of the fund type or column in which they are presented. As a result, an amount cannot be classified as *restricted on one fund, but unrestricted in another*. The fund balance disclosures will give users information necessary to understand the processes under which constraints are imposed upon the use of resources and how those constraints may be modified or eliminated. The clarifications of the governmental fund type definitions will reduce uncertainty about which resources can or should be reported in the respective fund types. The requirements of GASB Statement No. 54 are effective for financial statements for periods beginning after June 15, 2010. Early implementation is encouraged. Fund balance reclassifications made to conform to the provisions of GASB Statement No. 54 should be applied retroactively by restating fund balance for all prior periods presented.

### *GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

The objective of GASB Statement No. 55 is to incorporate the hierarchy of generally accepted accounting principles ("GAAP") for state and local governments into GASB's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The requirements of GASB Statement No. 55 are effective for financial statements immediately.

GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements of Auditing Standards*

The objective of GASB Statement No. 56 is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. GASB Statement No. 56 addresses three issues not included in the authoritative literature that establishes *accounting* principles—related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the *preparation* of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. GASB Statement No. 56 does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards. The requirements of GASB Statement No. 56 are effective for financial statements immediately.

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

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

#### *Government-wide Financial Statements*

The government-wide financial statements consist of the statement of net 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 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*.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

### *Fund Financial Statements*

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

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

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

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

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

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

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

The *Special Revenue Funds* are used to account for 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  $\frac{1}{2}\%$  sales tax for economic development.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

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

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 Improvement Fund* is the only fund of this type that is reported as a major fund.

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

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

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

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

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

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

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

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

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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

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

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

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

Generally, with regard to enterprise funds, 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 (GASB). Governments also have the *option* of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to the same limitation. As previously discussed, the City has elected not to follow subsequent private-sector guidance.

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

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

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

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

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

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



# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

- Certificates of Deposit
- Local government investment pools

The City's investments are reported at fair value.

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

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

Advance receivables between funds, reported in the fund financial statements, are offset by a 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 uncollectible.

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

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

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

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

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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

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

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

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

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

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

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

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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

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

### (6) Compensated absences

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

### (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.

### (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. At September 30, 2009, the Miscellaneous Government Grants fund, a governmental fund, reflects a fund deficit in the amount of \$22,892. The City intends to cover this shortfall by providing resources in the upcoming budget year.

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

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

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

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

1. Prior to August 1 of each year, the City Manager is required to submit to the City Commission a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted by the City Commission through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between accounts within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Commission. Budgeted amounts include transfers and revisions to the original appropriations ordinance.
5. Annual appropriated budgets are adopted for all funds with the exception of less significant grants, which are separately approved by the City Commission, as well as fiduciary fund types.
6. The budget and actual comparisons include the General Fund, and the Development Corp Fund. Budgets for these funds are adopted on a basis consistent with accounting principles generally accepted in the United States of American (US GAAP) applicable to state and local governments. Budgets for proprietary funds have been prepared on a non-US GAAP basis, which excludes depreciation but includes capital outlay and debt principal payments.
7. Annual budgeted expenditures are adopted at the department level within funds. As previously noted, the City Manager is authorized to make transfers within a department. Accordingly, the level at which expenditures cannot legally exceed appropriations is the department level. During the year, several supplementary appropriations were necessary.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

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

For the year ended September 30, 2009, expenditures in certain general fund departments exceeded appropriations. The related departments and the excess of expenditures over appropriations are reflected in the following page.

Department:

City manager	\$ 57,897
Audit office	7,748
Tax office	101,833
Legal	702,028
Grant administration	24,092
Street lighting	254,512
Other agencies	150,222
Parks administration	20,176
Parks	132,140
Quinta Mazatlan	<u>82,522</u>
Total general fund	<u>\$ 1,533,170</u>

### **III. Detailed notes on all funds**

#### **(A) Deposits and investments**

It is the City's policy as well as a requirement in its Depository Agreement for deposits plus accrued interest thereon to be 110% secured by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation insurance. At September 30, 2009, the City's deposits were entirely covered by federal deposit insurance or were secured by collateral held by the City's agent in the City's name pursuant to the City's Investment Policy and its Depository Agreement.

Investments at fair value, including accrued interest, as of September 30, 2009 are reflected in the table that follows:

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

### Investment Maturities (in Years)

	Fair Value	1 or less	2+
Tex Pool	\$ 71,661,735	\$ 71,661,735	\$ -
Certificates of deposit	71,460,198	56,825,330	14,634,868
U.S. Government securities	78,587,015	12,909,229	65,677,786
	<u>\$ 221,708,948</u>	<u>\$141,396,294</u>	<u>\$ 80,312,654</u>

#### *Public funds investment pools*

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

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

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

The Comptroller of Public Accounts (Comptroller) exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

*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 three years as reflected in the schedule in the following page, the City reduces its risk to rising interest rates.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

	<u>Government Agencies</u>	<u>Certificates of Deposit</u>
< 1 Year	\$ 12,909,229	\$ 56,877,326
1-2 Years	55,635,119	13,616,599
>2 Years *	<u>10,042,667</u>	<u>1,018,269</u>
Total	<u>\$ 78,587,015</u>	<u>\$ 71,512,194</u>
Dollar Weighted Average Maturity	589 Days	391 Days

\* There are no maturities exceeding three years.

*Credit risk.* As of September 30, 2009, the investments in the State's investment pool was rated AAAM by Standards and Poor's. Available funds were invested in certificates of deposit with the Certificates of Deposit Account Registry Service (CDARS) as well as with the City's depository bank, First National Bank, a privately owned bank. However, the collateral pledged against the certificates of deposit with First National Bank is comprised of government securities, which carry AAA rating. 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 and mortgage backed securities.

*Concentration of credit risk.* The certificate of deposits holdings at September 30, 2009 represents 32.24% of the total portfolio. Within the U.S. government agencies category, securities issued by the Federal Home Loan Mortgage Association represent less than 25% of the portfolio, and those issued by the Federal Home Loan Bank represent 5%. 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 (Plan) are recorded at fair value as of September 30, 2009. The table in the following page reflects the composition of these investments.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

			Investment Policy
	Fair Value	% of Portfolio	Asset Allocation
Equities:			
Domestic	\$ 9,042,126	31.06%	30-60%
International	5,954,896	20.45%	10-30%
Fixed income			
Treasury/corporate bonds	11,068,862	38.02%	20-50%
Alternative investments	3,048,923	10.47%	0-20%
Total portfolio	<u>\$ 29,114,807</u>	100.00%	

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

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

*Interest rate risk.* Only the fixed income securities of the Plan are subject to interest rate risk due to the possibility that prevailing interest rates could change before the securities reach maturity. Securities that are subject to interest rate risk as of September 30, 2009 amount to \$11,068,862 and have a weighted-average duration of 4.90 years. Durations is defined as the change in the value of a fixed income security that will result from a 1% change in interest rates. Duration is stated in years. For example, a 5 year duration means the bond will decrease in value by 5% if interest rates rise 1% and increase in value by 5% if interest rates fall 1%. Securities that are subject to interest rate risk are shown in the following table. The investment policy is silent on the subject.



# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2009**

Investment Type	Fair Value	Percentage of Total	Weighted-Average Duration (Years)
Corporate bonds	\$ 4,962,447	44.83%	4.25
Government agencies	2,462,975	22.25%	4.23
Government bonds	1,705,278	15.41%	9.98
Government MBS	<u>1,938,162</u>	<u>17.51%</u>	<u>2.94</u>
Total interest rate sensitive bonds	<u>\$ 11,068,862</u>	100.00%	<u>4.90</u>

*Credit risk.* Using Standard and Poor's rating system for fixed income securities as of September 30, 2009 the Plan's bonds were rated as noted below. The investment policy is silent on the subject.

Fair Value	Percentage of Total	S&P Rating
\$ 6,106,415	55.17%	AAA
425,225	3.84%	AA
603,758	5.45%	A
321,017	2.90%	BBB
115,623	1.04%	BBB
1,311,909	11.85%	BBB
1,560,327	14.10%	CCC
141,435	1.28%	CC
102,320	0.92%	D
<u>380,833</u>	<u>3.44%</u>	Not rated
Total credit sensitive bonds	<u>\$ 11,068,862</u>	100.00%

*Foreign currency risk.* The Plan has only one equity investment manager that has direct foreign currency exposure. The table that follows represents a summary of the country/currency allocations as of September 30, 2009. The investment policy is silent on the subject.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2009**

<u>Country</u>	<u>Fair Value</u>	<u>of Total</u>
Australia	\$ 224,497	6.86%
Austria	20,617	0.63%
Belgium	29,453	0.90%
Brazil	69,051	2.11%
Canada	136,465	4.17%
China	84,759	2.59%
Cyprus	327	0.01%
Czech Republic	55,306	1.69%
Denmark	24,217	0.74%
Finland	32,071	0.98%
France	296,493	9.06%
Germany	250,350	7.65%
Greece	15,381	0.47%
Hong Kong	120,757	3.69%
Hungary	31,416	0.96%
India	59,560	1.82%
Ireland	28,471	0.87%
Italy	86,395	2.64%
Japan	435,904	13.32%
Lebanon	7,200	0.22%
Mexico	34,035	1.04%
Netherlands	144,647	4.42%
Norway	31,416	0.96%
Poland	36,325	1.11%
Portugal	3,927	0.12%
Romania	11,454	0.35%
Russia	84,759	2.59%
Singapore	4,909	0.15%
South Africa	23,235	0.71%
South Korea	104,067	3.18%
Spain	90,322	2.76%
Sweden	30,107	0.92%
Switzerland	216,316	6.61%
Taiwan	101,122	3.09%
Turkey	1,964	0.06%
Turkmenistan	3,927	0.12%
Ukraine	4,582	0.14%
United Kingdom	305,329	9.33%
United States	31,416	0.96%
Totals	<u>\$ 3,272,549</u>	<u>100.00%</u>

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2009**

**(B) Receivables**

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

	Accounts	Taxes	Interest	Inter- governmental	Other	Net Receivables
Governmental activities:						
General	\$ 8,753,564	\$4,039,311	\$ 580,650	\$ 3,001	\$ 425,909	\$ 13,802,435
Development corp.	2,231,255	-	118,480	-	-	2,349,735
Capital Improvement	-	-	176,246	-	264,452	440,698
Nonmajor governmental and internal services	556,101	51,234	256,007	291,894	67,109	1,222,345
Total governmental	<u>\$ 11,540,920</u>	<u>\$4,090,545</u>	<u>\$1,131,383</u>	<u>\$ 294,895</u>	<u>\$ 757,470</u>	<u>\$ 17,815,213</u>
Business-type activities:						
Water	\$ 1,681,404	\$ -	\$ 122,155	\$ -	\$ -	\$ 1,803,559
Sewer	1,918,558	-	74,100	-	28,062	2,020,720
Sanitation	1,796,319	-	16,438	-	-	1,812,757
Convention center	421,323	-	458	-	-	421,781
Airport	445,642	-	23,781	-	34,075	503,498
Toll bridge	69,451	-	-	-	-	69,451
Nonmajor enterprise and other	139,192	-	11,981	1,033,654	-	1,184,827
	<u>\$ 6,471,889</u>	<u>\$ -</u>	<u>\$ 248,913</u>	<u>\$1,033,654</u>	<u>\$ 62,137</u>	<u>\$ 7,816,593</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 2009 based on the number of days applicable to the prior fiscal year. The receivable balances in the water, sewer, and sanitation have been reduced by estimated allowances for doubtful accounts. Water accounts were reduced by \$61,645; sewer accounts by \$58,260; and sanitation accounts by \$102,888.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

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)	\$ 4,090,544	\$ -
Sales tax (general fund)	3,267,652	-
Sales tax (development corp fund)	1,089,217	-
Other	<u>3,362,905</u>	<u>1,883,213</u>
Total deferred/unearned revenues for governmental funds	<u>\$ 11,810,318</u>	<u>\$ 1,883,213</u>

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2009**

### **(C) Capital assets**

Capital asset activity for the year ended September 30, 2009 was as follows:

	Beginning Balance	Additions	Retirement/ Transfer	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 41,867,174	\$ 3,981,167	\$ -	\$ 45,848,341
Construction in progress	15,541,708	11,741,355	(6,480,387)	20,802,676
Total capital assets, not being depreciated	<u>57,408,882</u>	<u>15,722,522</u>	<u>(6,480,387)</u>	<u>66,651,017</u>
Capital assets, being depreciated:				
Buildings and improvements	79,756,832	3,933,386	5,408,076	89,098,294
Equipment	54,227,820	5,858,949	(556,146)	59,530,623
Infrastructure	155,992,477	2,223,941	780,083	158,996,501
Total capital assets being depreciated	<u>289,977,129</u>	<u>12,016,276</u>	<u>5,632,013</u>	<u>307,625,418</u>
Less accumulated depreciation for:				
Buildings and improvements	(23,699,931)	(2,568,508)		(26,268,439)
Equipment	(33,769,734)	(4,482,563)	842,481	(37,409,816)
Infrastructure	(81,479,515)	(5,202,253)		(86,681,768)
Total accumulated depreciation	<u>(138,949,180)</u>	<u>(12,253,324)</u>	<u>842,481</u>	<u>(150,360,023)</u>
Total capital assets being depreciated, net	<u>151,027,949</u>	<u>(237,048)</u>	<u>6,474,494</u>	<u>157,265,395</u>
Governmental activities capital assets net	<u>\$ 208,436,831</u>	<u>\$ 15,485,474</u>	<u>\$ (5,893)</u>	<u>\$ 223,916,412</u>

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

Depreciation expense, exclusive of \$842,481 in depreciation retirement, was charged to governmental functions as follows:

General government	\$ 1,269,211
Public safety	1,621,829
Highways and streets, which includes the depreciation of general infrastructure assets	5,491,619
Health and welfare	25,397
Culture and recreation	1,914,911
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>1,930,357</u>
Total depreciation-governmental activities	<u><u>\$12,253,324</u></u>

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2009**

<b>Business-type activities:</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 20,319,789	\$ -	-	\$ 20,319,789
Construction in progress	51,062,891	16,649,739	(8,760,735)	58,951,895
Capitalized interest	<u>5,301,233</u>	<u>4,194,043</u>	<u>-</u>	<u>9,495,276</u>
Total capital assets, not being depreciated	<u>76,683,913</u>	<u>20,843,782</u>	<u>(8,760,735)</u>	<u>88,766,960</u>
Capital assets, being depreciated:				
Buildings and improvements	331,237,302	15,028,682	-	346,265,984
Equipment	33,856,891	3,179,493	(462,275)	36,574,109
Water rights	<u>5,803,100</u>	<u>-</u>	<u>-</u>	<u>5,803,100</u>
Total capital assets being depreciated	<u>370,897,293</u>	<u>18,208,175</u>	<u>(462,275)</u>	<u>388,643,193</u>
Less accumulated depreciation for:				
Buildings and improvements	(114,713,131)	(10,307,604)	-	(125,020,735)
Equipment	(18,450,320)	(2,963,818)	442,287	(20,971,851)
Water rights	<u>(1,459,758)</u>	<u>(230,071)</u>	<u>-</u>	<u>(1,689,829)</u>
Total accumulated depreciation	<u>(134,623,209)</u>	<u>(13,501,493)</u>	<u>442,287</u>	<u>(147,682,415)</u>
Total capital assets being depreciated, net	<u>236,274,084</u>	<u>4,706,682</u>	<u>(19,988)</u>	<u>240,960,778</u>
Business-type activities				
Capital assets net	<u>\$ 312,957,997</u>	<u>\$ 25,550,464</u>	<u>\$ (8,780,723)</u>	<u>\$ 329,727,738</u>

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

Depreciation expense, exclusive of \$442,287 in depreciation retirement, was charged to business type activity functions as follows:

Water	\$ 3,287,820
Sewer	3,179,118
Sanitation	1,564,974
Golf course	389,918
Civic center	79,429
Convention center	1,574,746
Airport	2,476,107
McAllen express	272,120
Transit terminal	142,764
Toll bridge	505,584
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>28,913</u>
Total depreciation-business type activities	<u><u>\$13,501,493</u></u>

At September 30, 2009, 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	\$ 24,900	Local
NW police community network	1,594,133	Local
Bentsen road canal replacement	653,941	Local
Bill Schupp park amphitheater	6,507	Local
Park improvements	2,161,093	Local
Water improvements	100,111	Local and bond funds
Sewer improvements	525,567	Local and bond funds
Anzalduas bridge crossing	397,412	Bonds
Airport improvements	8,077,545	Local and grant
Convention center	27,259	Local
Transit terminal renovations	<u>240,883</u>	Local and grant
	<u><u>\$ 13,809,351</u></u>	



# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

**(D) Interfund receivables, advances and transfers**

The compositions of inter-fund balances as of September 30, 2009 are reflected as follows:

Due to/from other funds:

<u>Receivable Fund:</u>	<u>Payable Fund:</u>	<u>Amount</u>
General Fund	Miscellaneous Grants Fund	\$ 284,735
	Community Development Fund	11,950
	Bridge Fund	<u>7,466</u>
	Total Governmental Funds	<u>\$ 304,151</u>
Civic Center Fund	Hotel Occupancy Tax Fund	<u>\$ 47,421</u>
Convention Center Fund	Hotel Occupancy Tax Fund	<u>\$ 189,683</u>
	Total Proprietary Funds	<u>\$ 237,104</u>
	Combined totals	<u><u>\$ 541,255</u></u>

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

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sanitation Fund	\$ 1,150,000
Development Corp. Fund	Palmview Golf Course Fund	3,250,000
Capital Improvement Fund	Transit Terminal Fund	<u>352,716</u>
	Total	<u><u>\$ 4,752,716</u></u>

The general fund's advanced 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. During the year, \$250,000 was made from earnings of the fund, thus reducing the advanced amount to \$1,150,000.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

The development corporation 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. For the current year, no principal payment was made.

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

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

Interfund Transfers:

	Transfer In:						
	General	Capital	Nonmajor	Convention	Anzalduas	Nonmajor	Total
	Fund	Imprv.	Gov.	Center	Int'l Crossing	Proprietary	
Transfer out:							
General fund	\$ -	\$ 5,400,000	\$ 3,292,653	\$ -	\$ -	\$ -	\$ 8,692,653
Development corp.	-	4,821,415	-	-	-	1,790,289	6,611,704
Capital improvement	4,438,558	-	-	-	-	-	4,438,558
Nonmajor gov. funds	598,818	-	-	2,008,467	-	502,117	3,109,402
McAllen int'l toll bridge	6,127,781	-	-	-	776,829	-	6,904,610
McAllen int'l airport	1,103,965	-	-	-	-	-	1,103,965
Health insurance	-	-	-	-	-	800,000	800,000
General insurance	-	1,000,000	-	-	-	-	1,000,000
Total	\$ 12,269,122	\$ 11,221,415	\$ 3,292,653	\$ 2,008,467	\$ 776,829	\$ 3,092,406	\$ 32,660,892

During the year, the general fund transferred \$5,400,000 of surplus revenues to the capital improvement fund. This to assist in funding some major projects contemplated in next year's budget. The general fund provided \$3,292,653 to three non-major governmental funds as follows: \$2,531,573 to the debt service fund for debt requirements; \$327,493 and \$433,587 to the tax note construction fund and the information technology respectively for capital acquisitions and improvements.

The development corporation fund transferred \$4,821,415 to the capital improvement fund for funding major projects. Additionally, it provided funding for operating costs to the McAllen express fund and the transit terminal fund in the amounts of \$897,881 and \$892,408 respectively. Both of these funds are reflected in the non-major proprietary column.

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

The transfers of \$2,008,467 and \$502,117 from the hotel occupancy tax fund, a non-major governmental fund, to the convention center and civic center respectively represent the use of the former fund as a conduit to this fund. The transfer of \$598,818 from the Downtown Service Parking Fund, a non-major governmental fund, to the general fund is a reimbursement for debt service requirements on the debt related to the downtown parking garage.

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

The capital improvement fund transferred \$4,438,558 to the general fund for expenditures previously incurred by the general fund.

The amount reflected from the bridge fund to the general fund of \$6,127,781 represents the City's share of surplus net revenue from operation of the international toll bridge. Additionally, the fund transferred \$776,829 for debt service requirements on the series "B" 2007 bonds.

The health insurance fund transferred \$800,000 to the retirees' benefits fund to cover potential fund balance deficit.

The general insurance fund transferred \$1,000,000 to the capital improvement fund to assist in the construction of various projects.

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

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

The City issues general obligation bonds to finance the acquisition and construction of major capital facilities. These types of bonds have been issued by the City for governmental activities.

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 or more with varying amounts of principal maturing each year. Previously, all outstanding general obligation bonds were retired, leaving no general obligation bond indebtedness.

The principal amount of \$225,000 of sales tax revenue bonds remains outstanding at year end. This outstanding amount is reflected in the government wide financial statements.

The tax note principal outstanding at year end amounted to \$3,545,000. The purpose of this note was for the construction of a multi-level garage. The first level will consist of rental space

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

and to accommodate some City departments. The other four levels will be for vehicular parking.

During the year, the City paid off its prior real estate lien note's principal in the amount of \$2,400,000 and interest payments of \$136,569.

The City executed a real estate note in the amount of \$330,000 for property located across the municipal building. This note was executed on February 19, 2009 at 5.34% interest at eighty four monthly payments. During the year, the City reduced its principal balance by \$23,046 thus leaving a principal amount of \$306,954 at year end.

### 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 4.80% to 5.25%

\$ 225,000

Tax note payable:

\$4,800,000 2006 series tax notes

Due in annual installments ranging: \$430,000-\$485,000

per year through July 15, 2013 with a final installment of \$2,150,000;

and interest at 4.2475%.

3,545,000

Note payable in the amount of \$330,000:

Due in monthly installments (84) of \$4,717 through March 1, 2016

and interest at 5.34%.

306,954

Unpaid accumulated compensated absences

7,200,170

Total general long-term debt

\$ 11,277,124

The annual debt service requirements to maturity on sales tax bonds payable, tax note, and note payable as of September 30, 2009, including interest, are as follows:

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 511,213	\$ 176,997
2011	533,468	154,581
2012	555,847	131,172
2013	2,223,356	107,772
2014	76,002	11,509
2015-2018	<u>177,068</u>	<u>13,624</u>
Totals	<u>\$ 4,076,954</u>	<u>\$ 595,655</u>

### (2) Revenue bonds and other

The City also issues bonds, for which it pledges revenue, derived from the activity using the bond-financed assets, to pay debt service. Currently, the City has pledged its water and sewer customer revenues and bridge crossing revenues to retire its existing debt. The water and sewer are payable through 2031 and the bridge are payable through 2012. The total principal and interest remaining to be paid on the water and sewer bonds totals \$97,793,387 and with bridge fund totals at \$872,207. The bonds outstanding \$65,443,807 in principal and interest for the new international bridge are payable through 2032.

**CITY OF McALLEN, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

Payable from Water Fund:

\$1,576,400 2000-Waterworks and Sewer System Improvement Revenue  
And Refunding Bonds due in annual installments from \$490,000 to  
\$640,000 through February 1, 2010: interest at 6.75% to 6.50% \$ 358,400

\$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, 2011: interest at 4.625% to 5.625% 1,167,600

\$14,263,200 2005-Waterworks and Sewer System Improvement Revenue  
And Refunding Bonds due in annual installments from \$30,000 to  
\$2,005,000 through February 1, 2030: interest at 3.00% to 5.25% 13,764,800

\$12,029,050 2006-Waterworks and Sewer System Improvement Revenue  
And Refunding Bonds due in annual installments from \$685,000 to  
\$1,960,000 through February 1, 2031: interest at 3.00% to 5.00% 11,885,200

Arbitrage payable 25,429

Bond premium 801,884

Unpaid accumulated compensated absences 322,923

Total water fund \$ 28,326,236

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

Payable from Sewer Fund:

\$1,238,600 2000-Waterworks and Sewer System Improvement Revenue  
And Refunding Bonds due in annual installments from \$490,000 to  
\$640,000 through February 1, 2010: interest at 6.75% to 6.50% \$ 281,600

\$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, 2011: interest at 4.625% to 5.625% 917,400

\$11,206,800 2005-Waterworks and Sewer System Improvement Revenue  
And Refunding Bonds due in annual installments from \$30,000 to  
\$2,005,000 through February 1, 2030: interest at 3.00% to 5.25% 10,815,200

\$26,525,950 2006-Waterworks and Sewer System Improvement Revenue  
And Refunding Bonds due in annual installments from \$685,000 to  
\$1,960,000 through February 1, 2031: interest at 3.00% to 5.00% 25,984,800

Arbitrage payable 95,662

Bond premium 1,614,905

Unpaid accumulated compensated absences 249,148

Total sewer fund \$ 39,958,715

Payable from Sanitation Fund:

Unpaid accumulated compensated absences \$ 204,750

Payable from Palm View Golf Course Fund:

Unpaid accumulated compensated absences \$ 41,061

Payable from Convention Center Fund:

Unpaid accumulated compensated absences \$ 63,162

**CITY OF McALLEN, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

Payable from Convention Center Fund:

Unpaid accumulated compensated absences \$ 63,162

Payable from McAllen International Airport Fund:

Unpaid accumulated compensated absences \$ 60,124

Payable from McAllen Express Fund:

Unpaid accumulated compensated absences \$ 16,032

Payable from Transit System Fund:

Unpaid accumulated compensated absences \$ 19,738

Payable from McAllen International Toll Bridge Fund:

\$2,300,000 2002 International Toll Bridge System improvement bonds  
due in annual installments from \$225,000 to \$285,000 through  
March 1, 2012: interest at 4.50% to 4.65% \$ 815,000

Unpaid accumulated compensated absences 126,278

Total McAllen International Toll Bridge Fund \$ 941,278



# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

Payable from Anzalduas International Crossing Fund:

\$26,000,000 2007A International Toll Bridge System revenue bonds  
due in annual installments from \$415,000 to \$1,895,000 through  
March 1, 2032: interest at 4.50% to 4.65% \$ 26,000,000

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

Bond premium 580,065

Total Anzalduas International Crossing Fund \$ 39,740,065

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

Unpaid accumulated compensated absences \$ 36,029

Total Proprietary Fund Debt \$ 109,407,190

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 3,690,000	\$ 4,896,956
2011	3,855,000	4,733,440
2012	4,015,000	4,575,358
2013	4,185,000	4,403,401
2014	4,375,000	4,212,061
2015-2019	25,175,000	17,771,975
2020-2024	23,655,000	11,773,201
2025-2029	23,645,000	5,796,328
2030-2032	<u>12,555,000</u>	<u>796,681</u>
Totals	<u>\$105,150,000</u>	<u>\$ 58,959,401</u>

### (3) Advance refunding

During fiscal years 2005 and 2006, the City issued Waterworks and Sewer System Improvement Revenue and Refunding Bonds, Series 2005 and Series 2006, which provided \$16,197,488 and \$10,924,507, respectively to purchase 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 on a portion of Waterworks and Sewer System Improvement Revenue and Refunding Bonds, Series 2000, in the amount of \$15,220,000 and Series 1999, in the amount of \$10,600,000. 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. The reacquisition prices funded by Series 2005 and Series 2006 exceeded the amount of the old debt by \$977,488 and \$324,507, respectively. These amounts are being netted against the new debt and amortized over the remaining life of the refunded debt. The advanced refundings of Series 2000 and Series 1999 were undertaken to reduce total debt service payments over the next 20 years and 12 years, respectively by \$618,499 and \$587,305, respectively and resulted in economic gains of \$456,233 and \$587,305, respectively. At September 30, 2009, the outstanding balance of the defeased bonds related to Series 2000 held in escrow is \$15,220,000. The Series 1999 in the amount of \$10,600,000 was paid off February 1, 2009. In the upcoming fiscal year 2010, the Series 2000 will also be paid off.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2009**

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

Long-term liability activity for the year ended September 30, 2009 is shown in the table below:

	Balance at September 30, 2008	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2009	Amounts Due Within One Year
<b>Governmental activities:</b>					
Sales tax revenue bonds	\$ 250,000	\$ -	\$ (25,000)	\$ 225,000	\$ 25,000
Tax notes	3,975,000	-	(430,000)	3,545,000	445,000
Note payable	2,400,000	330,000	(2,423,046)	306,954	41,213
Compensated absences	7,487,826	4,012,344	(4,300,000)	7,200,170	4,300,000
Total general long-term debt	14,112,826	4,342,344	(7,178,046)	11,277,124	4,811,213
<b>Business-Type activities:</b>					
Revenue bonds payable	107,945,000	-	(2,795,000)	105,150,000	3,690,000
Arbitrage payable	411,750	-	(290,659)	121,091	-
Compensated absences	1,070,162	855,083	(786,000)	1,139,245	786,000
Bond premium	3,137,955	-	(141,101)	2,996,854	-
Total proprietary fund debt	112,564,867	855,083	(4,012,760)	109,407,190	4,476,000
Total debt	<u>\$ 126,677,693</u>	<u>\$ 5,197,427</u>	<u>\$ (11,190,806)</u>	<u>\$ 120,684,314</u>	<u>\$ 9,287,213</u>

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

## **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 2009, 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.

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

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

The health insurance excess coverage policy covers individual claims in excess of \$150,000. Third-party coverage is currently maintained for workmen's compensation claims in excess of \$400,000. Third-party coverage is also currently maintained for general liability claims in excess of \$10,000.

The City estimates the liabilities for its self-funded insurance programs on a case-by-case basis based on historical claims experience. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss is reasonably estimable. Accruals for claims are adjusted on a regular basis based on the latest information available on each case. Claims incurred but not reported have been considered in determining the accrual for claims, and City management believes adequate accruals have been provided at September 30, 2009. Inter-fund 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, 2009**

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

	<u>Employee Benefits</u>	<u>Retiree Health Insurance</u>	<u>General Insurance</u>	<u>Total</u>
Claims payable at September 30, 2007	\$ (1,000,000)	\$ -	\$ (1,061,578)	\$ (2,061,578)
Current period claims and changes in estimate	(5,373,398)	(1,262,500)	(2,243,504)	(8,879,402)
Current period claims paid	<u>5,373,398</u>	<u>1,022,500</u>	<u>2,038,406</u>	<u>8,434,304</u>
Claims payable at September 30, 2008	<u>(1,000,000)</u>	<u>(240,000)</u>	<u>(1,266,676)</u>	<u>(2,506,676)</u>
Current period claims and changes in estimate	(5,639,208)	(851,107)	(950,257)	(7,440,572)
Current period claims paid	<u>5,639,208</u>	<u>851,107</u>	<u>1,522,549</u>	<u>8,012,864</u>
Claims payable at September 30, 2009	<u><u>\$ (1,000,000)</u></u>	<u><u>\$ (240,000)</u></u>	<u><u>\$ (694,384)</u></u>	<u><u>\$ (1,934,384)</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) Accounting for post-employment benefits other than pensions**

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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

- (1) Plan Description: The City provides post-employment health care benefits for eligible retirees and their dependents. Effective October 1, 2008, retired employees are required to pay 100% of the blended premium for both single and dependent coverage. However, police officers who retire prior to October 1, 2010 with 25 or more years of service with the City will pay 50% of the blended premium cost for both single and dependent coverage. As of year-end, there were 79 employees who had retired; 38 with single coverage; 28 single coverage with one dependent; and 13 with family coverage.
- (2) Funding Policy: The policy of the City is to fund the plan on a pay-as-you-go basis.
- (3) Annual OPEB Cost and Net OPEB Obligation: The Retiree Health Insurance Fund's (Fund) ARC is actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The most current actuarial valuation was October 1, 2006 as a beginning basis for establishing the Fund. The following table shows the Fund's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Fund's net OPEB obligation:

	09/30/09
Annual required contribution	\$ 548,770
Interest on net OPEB obligation	(11,036)
Adjustment to annual required contribution	<u>13,810</u>
Annual OPEB cost	551,544
Contributions made	<u>(530,342)</u>
Increase (decrease) in net OPEB obligation	21,202
Net OPEB obligation at beginning of year	<u>(200,663)</u>
Net OPEB obligation (asset) at end of year	<u><u>\$ (179,461)</u></u>

The City's annual OPEB cost and the percentage cost contributed to the plan for the year ended September 30, 2009 is as follows:

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

<u>Year Ended September 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>
2008	\$ 548,770	137.0%
2009	548,770	96.6%

(4) **Funded Status and Funding Progress:** The funding of the plan was based on the actuarial valuation dated October 1, 2006. The study reported the unfunded actuarial accrued liability (UAAL) at \$4,568,795 with an annual required cost of \$548,770. The actuarial value of assets was \$0, resulting in an UAAL of \$4,568,795. This was the basis for the City to implement the plan and budget accordingly for the current fiscal year. The City will also be required to have an actuarial valuation performed at least every two years. At September 30, 2009, a valuation of the plan was in progress.

(5) **Actuarial Methods and Assumptions:** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefits costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations. For the fiscal year ended September 30, 2009, the actuarial valuation date was October 1, 2006. The actuarial method used was the "projected unit credit" method, the amortization method used was the "level dollar open" method, and the remaining amortization period was 30 years. The assumed investment rate of return was 5.5%. The healthcare trend rate used was 10% in 2007, decreasing 1.0% per year for five years to an ultimate trend of 5.0% in 2012.

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

#### (1) Texas Municipal Retirement System

##### a). Plan Description

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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used the System. This report may be obtained by writing to Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

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

	Plan Year 2008	Plan Year 2009
Employee deposit rate	6.0%	6.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age/years of service)	60/10,0/25	60/10,0/25
Updated Service Credit	100%, Transfers	0%,
Annuity Increase (to retirees)	0% of CPI	0% of CPI

b). Contributions

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

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



# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2009**

Fiscal Year Ended	Annual Pension Cost	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation/(Asset)
09/30/2007	\$3,655,294	\$3,655,294	100%	\$0
09/30/2008	\$4,210,714	\$4,210,714	100%	\$0
09/30/2009	\$3,690,968	\$3,690,968	100%	\$0

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 2008, also follows:

Actuarial Valuation Date	12/31/08
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percent of Payroll
Remaining amortization period	24 Years closed period
Asset valuation method	Amortized Cost
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases –	Varies by age and service
includes inflation at	3.0%
cost-of-living adjustments	None
Actuarial value of assets	\$97,604,499
Actuarial accrued liability	\$100,472,137
Percentage funded	97.1%
Unfunded actuarial accrued liability (UAAL)	\$2,867,638
Annual covered payroll	\$53,770,371
UAAL as a percentage of covered payroll	5.3%

The funded status as of December 31, 2008, the most recent actuarial valuation date is as follows:

Actuarial accrued liability (AAL)	\$100,472,137
Actuarial value of Assets	<u>97,604,499</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,867,638</u>
Funded ratio (actuarial value of Assets/AAL)	97.1%
Annual covered payroll	\$53,770,371
UAAL as a percentage of covered payroll	5.3%

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**(2) Firemen's Fund**

**a). 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) 681-1064.

**b). 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 when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan document.

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

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

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

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

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

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

### **c). Annual Pension Cost**

For 2009, 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, 2008 actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, compounded annually (b) projected salary increases of 4.25% per year, compounded annually, (c) inflation rate of 3.00% and (d) the amortization period is calculated from the rate contributed by the City. The plan receives a fixed percentage of pay contribution from the City each year. Thus, the City's contribution is not expressed as a dollar amount. This procedure is permitted under the *Guide to Implementation of GASB Statements 25, 26 and 27 on Pension Reporting and Disclosure by State and Local Government Plans and Employers*. The investment rate of return and the projected salary increases both used the same assumptions with regard to inflation. The actuarial value of assets was determined using the smoothed market value technique, a technique that smoothes the effect of short-term volatility in the market value over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2008 was 31.0 years. The most recent actuarial valuation was done as of September 30, 2008. The amounts of the actuarial value of assets represent estimates based upon the assumptions described above. Changes in those estimates will result in changes in such estimates in the future. The amount of benefits ultimately to be paid could differ materially from the current estimates.

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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

### Schedule of Actuarial Funding Progress

Actuarial Valuation Date	09/30/08
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Projected Payroll
Remaining amortization period	35.0 Years open period
Asset valuation method	5yr Smooth Market Value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases – includes inflation at cost-of-living adjustments	4.25% None
Actuarial value of assets	\$34,588,465
Actuarial accrued liability	\$38,313,072
Percentage funded	90.3%
Unfunded actuarial accrued liability (UAAL)	\$10,484,625
Annual covered payroll	\$8,199,849
UAAL as a percentage of covered payroll	127.9%

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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

### Schedule of Employer Contributions

Annual pension cost (*)	09/30/08	09/30/06	09/30/04
Annual required contribution (ARC)	\$ 994,434	\$ 821,603	\$ 702,603
Interest on NPO	6,760	215	(1,853)
Adjustments to the ARC	4,848	133	(1,148)
Total annual required contribution (ARC)	<u>\$ 996,346</u>	<u>\$ 821,685</u>	<u>\$ 701,898</u>
Percentage of annual pension cost contributed	93.9%	96.3%	100.3%
Contributions made	\$ 935,980	\$ 791,258	\$ 703,751
Increase in NPO	\$ 60,366	\$ 30,427	\$ (1,853)
NPO at the end of the period	\$ 144,872	\$ 33,118	\$ (25,018)

(\*) An actuarial valuation is performed biennially and therefore odd years information is not presented.

#### d). Contributions

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

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

Pursuant to the Plan document, a legal instrument binding both the City and its firefighters, the City of McAllen is required to match employee contributions. Benefits paid to former volunteer firefighters are funded by the City when paid to the former volunteer firefighters or beneficiaries. The City's contribution rate for the fiscal year ended September 30, 2009 was 11% of annual compensation. Contributions required and paid into the fund as of September 30, 2009 were members, \$922,452 and employer, \$1,065,018.

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

### **(E) SUBSEQUENT EVENTS:**

1. Effective October 1, 2009, the rate of deposits to the Texas Municipal Retirement System by the employees changed from 6.0% to 7.0% with the matching ratio (city to employee) remaining at 2 to 1. This amendment to the plan was adopted by ordinance on July 27, 2009.

Effective October 1, 2009, the service eligibility at any age was changed from 25 years to 20 years. Effect January 1, 2010 an updating of service credit was authorized. Both of these changes were adopted by ordinance on September 28, 2009.

2. On December 18, 2009 The City Commission authorized, by ordinance, the issuance of City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2009, in the principal amount of \$39,485,000 over a 30 year period interest free, to be sold to the Texas Water Development Board in order to upgrade the North Wastewater Treatment Plant in order to replace inefficient processes and expand capacity.

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## **Required Supplementary Information**



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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/03	\$ 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%
12/31/05	78,525,329	83,672,546	5,147,217	93.8%	42,058,514	12.2%
12/31/06	83,266,393	88,394,297	5,127,904	94.2%	44,106,054	11.6%
12/31/07	90,516,206	91,916,258	1,400,052	98.5%	47,258,770	3.0%
12/31/08	97,604,499	100,472,137	2,867,638	97.1%	53,770,371	5.3%

Refer to page 102 of the notes to financial statements for the actuarial assumptions of the plan.

**CITY OF McALLEN, TEXAS**  
**REQUIRED SUPPLEMENTAL INFORMATION ON-(Unaudited)**  
**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>
09/30/98	\$ 13,670,926	\$ 18,257,077	\$ 4,586,151	74.9%	\$ 4,042,752	113.4%
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	135.3%
09/30/04	25,443,339	33,227,793	7,794,454	76.6%	5,818,893	133.8%
09/30/06	29,226,476	38,659,974	9,433,498	75.6%	6,817,267	138.4%
09/30/08	34,588,465	45,073,090	10,484,625	76.7%	8,199,849	127.9%

**Refer to page 105 of the notes to financial statements for the actuarial assumptions of the plan.**

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

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

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
10/01/06	\$ -	\$ 4,568,795	\$ 4,568,795	0.0%	\$ -	N/A

Refer to page 100 of the notes to financial statements for the actuarial assumptions of the plan.

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# Non Major Governmental Funds

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

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

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

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

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

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

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

## Capital Projects Funds:

The Tax Notes Construction Fund was established to account for all resources used for the construction of a multi-level parking garage in the downtown area and improvements to the Library.

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

**CITY OF McALLEN, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2009**

	<i>Special Revenue</i>			
	<b>Hotel Occupancy Tax</b>	<b>Park Development</b>	<b>Community Development</b>	<b>Miscellaneous Government Grants</b>
<b>ASSETS</b>				
Cash	\$ 55,726	\$ 41,392	\$ -	\$ 148,670
Certificate of deposit	-	400,000	-	-
Investments	4,640	2,262,938	-	-
Receivables:				
Accounts	296,288	-	-	-
Taxes	-	-	-	-
Accrued interest	-	14,796	-	-
Other	-	-	-	65,285
Due from other governments	-	-	243,890	48,004
Total assets	<u><u>\$ 356,654</u></u>	<u><u>\$ 2,719,126</u></u>	<u><u>\$ 243,890</u></u>	<u><u>\$ 261,959</u></u>
<b>LIABILITIES</b>				
Accounts payable	\$ 94,842	\$ 74,437	\$ 200,593	\$ 116
Accrued liabilities	-	15,044	31,347	-
Due to other funds	237,104	-	11,950	284,735
Deferred revenues	-	-	-	-
Total liabilities	<u>331,946</u>	<u>89,481</u>	<u>243,890</u>	<u>284,851</u>
<b>FUND BALANCES</b>				
Reserved for encumbrances	-	1,931,209	-	-
Reserve for debt service	-	-	-	-
Reserve for capital improvements	-	-	-	-
Unreserved	<u>24,708</u>	<u>698,436</u>	<u>-</u>	<u>(22,892)</u>
Total fund balances	<u>24,708</u>	<u>2,629,645</u>	<u>-</u>	<u>(22,892)</u>
Total liabilities and fund balances	<u><u>\$ 356,654</u></u>	<u><u>\$ 2,719,126</u></u>	<u><u>\$ 243,890</u></u>	<u><u>\$ 261,959</u></u>

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

Special Revenue		Capital Projects			
Downtown Services Parking	Total	Debt Service Fund	Information Technology	Tax Notes Construction Fund	Total Nonmajor Governmental Funds
\$ 266,430	\$ 512,218	\$ 7,008	\$ 13,100	\$ 43	\$ 532,369
-	400,000	-	700,000	-	1,100,000
-	2,267,578	122,232	1,179,528	82,987	3,652,325
24	296,312	-	-	-	296,312
-	-	51,234	-	-	51,234
-	14,796	-	12,753	-	27,549
1,822	67,107	-	-	-	67,107
-	291,894	-	-	-	291,894
<u>\$ 268,276</u>	<u>\$ 3,849,905</u>	<u>\$ 180,474</u>	<u>\$ 1,905,381</u>	<u>\$ 83,030</u>	<u>\$ 6,018,790</u>
\$ 14,965	\$ 384,953	\$ -	\$ 14,720	\$ 16,956	\$ 416,629
18,635	65,026	-	-	30,443	95,469
-	533,789	-	-	-	533,789
-	-	51,234	-	-	51,234
33,600	983,768	51,234	14,720	47,399	1,097,121
-	1,931,209	-	-	-	1,931,209
-	-	129,240	-	-	129,240
-	-	-	1,890,661	35,631	1,926,292
234,676	934,928	-	-	-	934,928
234,676	2,866,137	129,240	1,890,661	35,631	4,921,669
<u>\$ 268,276</u>	<u>\$ 3,849,905</u>	<u>\$ 180,474</u>	<u>\$ 1,905,381</u>	<u>\$ 83,030</u>	<u>\$ 6,018,790</u>

**CITY OF McALLEN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2009**

	Special Revenue			
	Hotel Occupancy Tax	Park Development	Community Development	Miscellaneous Government Grants
<b>REVENUES</b>				
Hotel taxes	\$ 3,514,817	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	1,992,600	1,320,661
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment earnings	239	60,364	-	-
Net increase (decrease) in the fair value of investments	-	-	-	-
Other	-	49,351	-	413,243
Total revenues	<u>3,515,056</u>	<u>109,715</u>	<u>1,992,600</u>	<u>1,733,904</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,004,233	-	326,060	149,630
Public safety	-	-	-	1,612,449
Highways and streets	-	-	370,856	-
Health and welfare	-	-	1,266,574	-
Culture and recreation	-	334,386	29,110	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>1,004,233</u>	<u>334,386</u>	<u>1,992,600</u>	<u>1,762,079</u>
Excess of revenues over (under) expenditures	2,510,823	(224,671)	-	(28,175)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	<u>(2,510,584)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>(2,510,584)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	239	(224,671)	-	(28,175)
Fund balances (deficits) at beginning of year	<u>24,469</u>	<u>2,854,316</u>	<u>-</u>	<u>5,283</u>
Fund balances (deficits) at end of year	<u>\$ 24,708</u>	<u>\$ 2,629,645</u>	<u>\$ -</u>	<u>\$ (22,892)</u>

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

Special Revenue		Capital Projects			Total Nonmajor Governmental Funds
Downtown Services Parking	Total	Debt Service Fund	Information Technology	Tax Notes Construction Fund	
\$ -	\$ 3,514,817	\$ -	\$ -	\$ -	\$ 3,514,817
-	-	632,759	-	-	632,759
11,385	11,385	-	-	-	11,385
-	3,313,261	-	-	-	3,313,261
1,016,003	1,016,003	-	-	-	1,016,003
327,473	327,473	-	-	-	327,473
4,428	65,031	1,911	33,970	7,179	108,091
-	-	-	1,925	-	1,925
835	463,429	-	-	4,129	467,558
1,360,124	8,711,399	634,670	35,895	11,308	9,393,272
-	1,479,923	-	14,720	722,365	2,217,008
-	1,612,449	-	-	-	1,612,449
803,960	1,174,816	-	-	81,249	1,256,065
-	1,266,574	-	-	-	1,266,574
-	363,496	-	-	-	363,496
-	-	2,830,000	-	-	2,830,000
-	-	305,688	-	-	305,688
803,960	5,897,258	3,135,688	14,720	803,614	9,851,280
556,164	2,814,141	(2,501,018)	21,175	(792,306)	(458,008)
-	-	2,531,573	433,587	327,493	3,292,653
(598,818)	(3,109,402)	-	-	-	(3,109,402)
(598,818)	(3,109,402)	2,531,573	433,587	327,493	183,251
(42,654)	(295,261)	30,555	454,762	(464,813)	(274,757)
277,330	3,161,398	98,685	1,435,899	500,444	5,196,426
<u>\$ 234,676</u>	<u>\$ 2,866,137</u>	<u>\$ 129,240</u>	<u>\$ 1,890,661</u>	<u>\$ 35,631</u>	<u>\$ 4,921,669</u>



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# NonMajor Enterprise Funds

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

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

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

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

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

**CITY OF McALLEN , TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**September 30, 2009**

	<u>Palm View Golf Course</u>	<u>Civic Center</u>	<u>McAllen Express Transit</u>	<u>Transit Terminal</u>	<u>Total</u>
<b>ASSETS</b>					
Current assets:					
Cash	\$ 69,269	\$ 79,078	\$ 930,226	\$ 9,323	\$ 1,087,896
Certificate of deposit	-	-	200,000	300,000	500,000
Investments	374,834	356,356	-	210,253	941,443
Receivables, net:					
Accounts	669	-	131,496	6,208	138,373
Accrued interest	-	-	7,203	4,778	11,981
Due from other funds	-	47,421	-	-	47,421
Due from other governments	-	-	178,766	854,888	1,033,654
 Total currents assets	 444,772	 482,855	 1,447,691	 1,385,450	 3,760,768
Restricted assets:					
Cash	96,075	-	-	-	96,075
Investments	161,181	-	-	-	161,181
 Total restricted assets	 257,256	 -	 -	 -	 257,256
Capital assets:					
Land	187,995	358,070	-	1,684,593	2,230,658
Buildings and systems	228,345	1,450,405	-	3,522,228	5,200,978
Improvements other than buildings	7,691,383	1,260,898	211,206	27,721	9,191,208
Machinery and equipment	1,039,132	552,758	2,099,967	287,203	3,979,060
Construction in progress	-	-	-	1,511,727	1,511,727
 Total capital assets	 9,146,855	 3,622,131	 2,311,173	 7,033,472	 22,113,631
Less accumulated depreciation	(4,410,156)	(2,153,376)	(1,014,007)	(1,118,142)	(8,695,681)
 Net capital assets	 4,736,699	 1,468,755	 1,297,166	 5,915,330	 13,417,950
 Total assets	 <u>\$ 5,438,727</u>	 <u>\$ 1,951,610</u>	 <u>\$ 2,744,857</u>	 <u>\$ 7,300,780</u>	 <u>\$ 17,435,974</u>

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

**CITY OF McALLEN , TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**September 30, 2009**

	<u>Palm View Golf Course</u>	<u>Civic Center</u>	<u>McAllen Express Transit</u>	<u>Transit Terminal</u>	<u>Total</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 48,605	\$ 29,191	\$ 283,215	\$ 147,327	\$ 508,338
Accrued expenses	19,596	-	22,899	83,585	126,080
Compensated absences due one year	25,000	-	-	10,000	35,000
Other	-	39	-	-	39
Total current liabilities	<u>93,201</u>	<u>29,230</u>	<u>306,114</u>	<u>240,912</u>	<u>669,457</u>
Other noncurrent liabilities:					
Deferred revenues	81,143	41,274	-	-	122,417
Accumulated unpaid compensated absences	16,061	-	16,032	9,738	41,831
Advances from other funds	<u>3,250,000</u>	<u>-</u>	<u>-</u>	<u>352,716</u>	<u>3,602,716</u>
Total other noncurrent liabilities	<u>3,347,204</u>	<u>41,274</u>	<u>16,032</u>	<u>362,454</u>	<u>3,766,964</u>
Total liabilities	<u>3,440,405</u>	<u>70,504</u>	<u>322,146</u>	<u>603,366</u>	<u>4,436,421</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	4,736,699	1,468,755	1,297,166	5,915,330	13,417,950
Restricted for improvements	257,256	-	-	-	257,256
Unrestricted	<u>(2,995,633)</u>	<u>412,351</u>	<u>1,125,545</u>	<u>782,084</u>	<u>(675,653)</u>
Total net assets	<u>1,998,322</u>	<u>1,881,106</u>	<u>2,422,711</u>	<u>6,697,414</u>	<u>12,999,553</u>
Total liabilities and net assets	<u>\$ 5,438,727</u>	<u>\$ 1,951,610</u>	<u>\$ 2,744,857</u>	<u>\$ 7,300,780</u>	<u>\$ 17,435,974</u>

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

**CITY OF McALLEN, TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**For the Year Ended September 30, 2009**

	<u>Palm View Golf Course</u>	<u>Civic Center</u>	<u>McAllen Express Transit</u>	<u>Transit Terminal</u>	<u>Total</u>
Operating revenues:					
Charges for services	\$ 970,924	\$ 109,223	\$ 238,145	\$ 294,203	\$ 1,612,495
Rentals	-	126,266	-	-	126,266
Other	316,518	15,658	-	10,328	342,504
Total operating revenues	<u>1,287,442</u>	<u>251,147</u>	<u>238,145</u>	<u>304,531</u>	<u>2,081,265</u>
Operating expenses:					
Salaries, wages and employee benefits	707,230	-	880,331	476,262	2,063,823
Supplies	88,333	10,543	-	43,385	142,261
Contractual and other services	205,504	329,560	153,682	263,215	951,961
Repairs and maintenance	82,201	29,412	511,705	28,623	651,941
Depreciation and amortization	389,918	79,429	272,120	142,764	884,231
Total operating expenses	<u>1,473,186</u>	<u>448,944</u>	<u>1,817,838</u>	<u>954,249</u>	<u>4,694,217</u>
Operating loss	<u>(185,744)</u>	<u>(197,797)</u>	<u>(1,579,693)</u>	<u>(649,718)</u>	<u>(2,612,952)</u>
Nonoperating revenues:					
Investment earnings	6,867	1,117	13,114	14,208	35,306
Nonoperating revenues	<u>6,867</u>	<u>1,117</u>	<u>13,114</u>	<u>14,208</u>	<u>35,306</u>
Loss before contributions and transfers	(178,877)	(196,680)	(1,566,579)	(635,510)	(2,577,646)
Capital contributions	44,755	-	998,949	1,195,494	2,239,198
Transfers in	-	502,117	897,881	892,408	2,292,406
Changes in net assets	(134,122)	305,437	330,251	1,452,392	1,953,958
Total net assets--beginning	<u>2,132,444</u>	<u>1,575,669</u>	<u>2,092,460</u>	<u>5,245,022</u>	<u>11,045,595</u>
Total net assets--ending	<u>\$ 1,998,322</u>	<u>\$ 1,881,106</u>	<u>\$ 2,422,711</u>	<u>\$ 6,697,414</u>	<u>\$ 12,999,553</u>

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

**CITY OF McALLEN, TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**STATEMENT OF CASH FLOW**  
**For the Year Ended September 30, 2009**

	<b>Palm View Golf Course</b>	<b>McAllen International Civic Center</b>	<b>McAllen Express Transit</b>	<b>Transit Terminal</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>					
Receipts from customers	\$ 1,287,593	\$ 203,926	\$ 148,170	\$ 303,760	\$ 1,943,449
Payments to employees	(707,190)	-	(878,620)	(474,233)	(2,060,043)
Payments to suppliers	(354,305)	(349,532)	(495,784)	(215,302)	(1,414,923)
Net cash provided (used) by operating activities	226,098	(145,606)	(1,226,234)	(385,775)	(1,531,517)
<b>Cash flows from noncapital financing activities:</b>					
Transfers from other funds	-	502,117	897,881	892,408	2,292,406
Subsidy from federal grant	-	-	888,143	360,401	1,248,544
Net cash provided (used) by noncapital financing activities	-	502,117	1,786,024	1,252,809	3,540,950
<b>Cash flows from capital and related financing activities:</b>					
Payments for capital acquisitions	(91,377)	(30,610)	(246,048)	(1,450,636)	(1,818,671)
Cash used by capital and related financing activities	(91,377)	(30,610)	(246,048)	(1,450,636)	(1,818,671)
<b>Cash flows from investing activities:</b>					
Proceeds from sales and maturities of investments	665,000	-	300,000	2,260,000	3,225,000
Purchase of investments	(783,013)	(356,054)	-	(1,800,707)	(2,939,774)
Receipt of interest	9,470	1,117	11,154	9,431	31,172
Net cash provided (used) by investing activities	(108,543)	(354,937)	311,154	468,724	316,398
Net increase in cash	26,178	(29,036)	624,896	(114,878)	507,160
Cash at beginning of year	139,166	108,114	305,330	124,201	676,811
Cash at end of year	<u>\$ 165,344</u>	<u>\$ 79,078</u>	<u>\$ 930,226</u>	<u>\$ 9,323</u>	<u>\$ 1,183,971</u>

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

Continued

CITY OF McALLEN, TEXAS  
NON-MAJOR ENTERPRISE FUNDS  
STATEMENT OF CASH FLOW  
For the Year Ended September 30, 2009

	<u>Palm View Golf Course</u>	<u>McAllen International Civic Center</u>	<u>McAllen Express Transit</u>	<u>Transit Terminal</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating loss	<u>\$ (185,744)</u>	<u>\$ (197,797)</u>	<u>\$ (1,579,693)</u>	<u>\$ (649,718)</u>	<u>\$ (2,612,952)</u>
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	389,918	79,429	272,120	142,764	884,231
Accounts receivable	151	-	(89,975)	(771)	(90,595)
Due from other funds	-	(47,221)	-	-	(47,221)
Accounts payable	13,433	12,883	180,927	50,342	257,585
Compensated absences payable	310	-	501	(489)	322
Accrued expenses	(270)	-	(10,114)	72,097	61,713
Deferred revenue	<u>8,300</u>	<u>7,100</u>	<u>-</u>	<u>-</u>	<u>15,400</u>
Total adjustments	<u>411,842</u>	<u>52,191</u>	<u>353,459</u>	<u>263,943</u>	<u>1,081,435</u>
Net cash provided (used) by operating activities	<u><u>\$ 226,098</u></u>	<u><u>\$ (145,606)</u></u>	<u><u>\$ (1,226,234)</u></u>	<u><u>\$ (385,775)</u></u>	<u><u>\$ (1,531,517)</u></u>
Noncash investing, capital and financing activities:					
Contributions of capital assets	44,755	-	-	-	44,755

Concluded

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# Internal Service Funds

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

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

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

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**September 30, 2009**

	<b>Fleet Materials Management</b>	<b>Employee Benefits</b>	<b>Retiree Health Insurance</b>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 570,941	\$ 6,888	\$ 788,826
Certificates of deposit	-	3,500,000	-
Investments	-	3,675,830	-
Receivables, net:			
Accounts	819	23,696	72,603
Accrued interest	-	91,057	-
Inventories	252,991	-	-
Total current assets	824,751	7,297,471	861,429
Capital assets	481,227	-	-
Less accumulated depreciation	(284,990)	-	-
Net capital assets	196,237	-	-
Total assets	<u>\$ 1,020,988</u>	<u>\$ 7,297,471</u>	<u>\$ 861,429</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 206,080	\$ 515,324	\$ 2,448
Accrued expense	25,457	1,011,641	240,000
Total current liabilities	231,537	1,526,965	242,448
Other non-current liabilities:			
Accumulated unpaid compensated absences	36,029	11,369	-
Total other non-current liabilities	36,029	11,369	-
Total liabilities	267,566	1,538,334	242,448
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	196,237	-	-
Unrestricted	557,185	5,759,137	618,981
Total net assets	753,422	5,759,137	618,981
Total liabilities and net assets	<u>\$ 1,020,988</u>	<u>\$ 7,297,471</u>	<u>\$ 861,429</u>

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



<u>General Insurance</u>	<u>General Depreciation</u>	<u>Total</u>
\$ 49,441	\$ 178,756	\$ 1,594,852
3,900,000	3,600,000	11,000,000
8,988,406	2,963,924	15,628,160
163,490	-	260,608
82,735	54,666	228,458
-	-	252,991
<u>13,184,072</u>	<u>6,797,346</u>	<u>28,965,069</u>
18,189	19,110,032	19,609,448
<u>(16,876)</u>	<u>(10,170,178)</u>	<u>(10,472,044)</u>
<u>1,313</u>	<u>8,939,854</u>	<u>9,137,404</u>
<u><u>\$ 13,185,385</u></u>	<u><u>\$ 15,737,200</u></u>	<u><u>\$ 38,102,473</u></u>
\$ 117,679	\$ 216,362	\$ 1,057,893
<u>699,331</u>	<u>-</u>	<u>1,976,429</u>
<u>817,010</u>	<u>216,362</u>	<u>3,034,322</u>
<u>3,990</u>	<u>-</u>	<u>51,388</u>
<u>3,990</u>	<u>-</u>	<u>51,388</u>
<u>821,000</u>	<u>216,362</u>	<u>3,085,710</u>
1,313	8,939,854	9,137,404
<u>12,363,072</u>	<u>6,580,984</u>	<u>25,879,359</u>
<u>12,364,385</u>	<u>15,520,838</u>	<u>35,016,763</u>
<u><u>\$ 13,185,385</u></u>	<u><u>\$ 15,737,200</u></u>	<u><u>\$ 38,102,473</u></u>

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**For the Year Ended September 30, 2009**

	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>	<u>Retiree Health Insurance</u>
Operating revenues:			
Charges for services	\$ 3,036,291	\$ -	\$ -
Contributions	<u>-</u>	<u>8,379,805</u>	<u>320,765</u>
Total operating revenues	<u>3,036,291</u>	<u>8,379,805</u>	<u>320,765</u>
Operating expenses:			
Salaries, wages and employee benefits	954,452	196,041	-
Supplies and materials	21,455	2,483	-
Contractual and other services	1,926,960	1,332,661	-
Repairs and maintenance	38,144	-	-
Depreciation and amortization	28,912	-	-
Self insurance claims	-	5,639,208	302,337
Other	<u>3,248</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>2,973,171</u>	<u>7,170,393</u>	<u>302,337</u>
Operating income (loss)	<u>63,120</u>	<u>1,209,412</u>	<u>18,428</u>
Non operating revenues (expenses):			
Investment earnings	3,565	168,893	1,216
Net increase (decrease) in fair value of investments	-	2,488	-
Other	<u>1,714</u>	<u>123,491</u>	<u>-</u>
Net non-operating revenues (expenses)	<u>5,279</u>	<u>294,872</u>	<u>1,216</u>
Income (loss) before contributions and transfers	68,399	1,504,284	19,644
Transfers in	-	-	800,000
Transfers out	<u>-</u>	<u>(800,000)</u>	<u>-</u>
Change in net assets	68,399	704,284	819,644
Total net assets--beginning	<u>685,023</u>	<u>5,054,853</u>	<u>(200,663)</u>
Total net assets--ending	<u>\$ 753,422</u>	<u>\$ 5,759,137</u>	<u>\$ 618,981</u>

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

<u>General Insurance</u>	<u>General Depreciation</u>	<u>Total</u>
\$ -	\$ 3,267,268	\$ 6,303,559
4,813,647	-	13,514,217
<u>4,813,647</u>	<u>3,267,268</u>	<u>19,817,776</u>
163,661	-	1,314,154
4,811	-	28,749
2,611,447	14,920	5,885,988
671	-	38,815
1,915	1,931,584	1,962,411
(356,695)	-	5,584,850
-	-	3,248
<u>2,425,810</u>	<u>1,946,504</u>	<u>14,818,215</u>
<u>2,387,837</u>	<u>1,320,764</u>	<u>4,999,561</u>
300,261	161,244	635,179
(8,709)	7,305	1,084
346,771	29,800	501,776
<u>638,323</u>	<u>198,349</u>	<u>1,138,039</u>
3,026,160	1,519,113	6,137,600
-	-	800,000
(1,000,000)	-	(1,800,000)
2,026,160	1,519,113	5,137,600
<u>10,338,225</u>	<u>14,001,725</u>	<u>29,879,163</u>
<u><u>\$ 12,364,385</u></u>	<u><u>\$ 15,520,838</u></u>	<u><u>\$ 35,016,763</u></u>

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Year Ended September 30, 2009**

	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>	<u>Retiree Health Insurance</u>
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 3,036,290	\$ 8,529,785	\$ 321,979
Payments to employees	(945,295)	(186,107)	-
Payments to suppliers	(2,299,993)	(6,535,377)	(337,142)
Net cash provided (used) by operating activities	<u>(208,998)</u>	<u>1,808,301</u>	<u>(15,163)</u>
<b>Cash flows from non-capital and related financing activities:</b>			
Transfers to other funds	-	-	800,000
Transfers from other funds	-	(800,000)	-
Net cash used for non-capital and related financing activities	<u>-</u>	<u>(800,000)</u>	<u>800,000</u>
<b>Cash flows from capital and related financing activities:</b>			
Payments for capital acquisitions	(27,752)	-	-
Gain on sale of capital assets	897	-	-
Net cash used by capital and related financing activities	<u>(26,855)</u>	<u>-</u>	<u>-</u>
<b>Cash flows from investing activities:</b>			
Proceeds from sales and maturities of investments	450,000	8,280,000	-
Purchase of investments	(300,000)	(9,479,194)	-
Receipt of interest	4,849	197,142	1,216
Net cash provided (used) by investing activities	<u>154,849</u>	<u>(1,002,052)</u>	<u>1,216</u>
Net increase (decrease) in cash	(81,004)	6,249	786,053
Cash at beginning of year	<u>651,945</u>	<u>639</u>	<u>2,773</u>
Cash at end of year	<u><u>\$ 570,941</u></u>	<u><u>\$ 6,888</u></u>	<u><u>\$ 788,826</u></u>

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<u>General Insurance</u>	<u>General Depreciation</u>	<u>Totals</u>
\$ 5,113,879	\$ 3,267,268	\$ 20,269,201
(162,790)	-	(1,294,192)
<u>(2,852,128)</u>	<u>(451,280)</u>	<u>(12,475,920)</u>
<u>2,098,961</u>	<u>2,815,988</u>	<u>6,499,089</u>
-	-	800,000
<u>(1,000,000)</u>	<u>-</u>	<u>(1,800,000)</u>
<u>(1,000,000)</u>	<u>-</u>	<u>(1,000,000)</u>
-	(2,462,222)	(2,489,974)
<u>-</u>	<u>32,550</u>	<u>33,447</u>
<u>-</u>	<u>(2,429,672)</u>	<u>(2,456,527)</u>
13,102,125	9,825,346	31,657,471
(14,624,280)	(10,578,813)	(34,982,287)
<u>466,076</u>	<u>290,328</u>	<u>959,611</u>
<u>(1,056,079)</u>	<u>(463,139)</u>	<u>(2,365,205)</u>
42,882	(76,823)	677,357
<u>6,559</u>	<u>255,579</u>	<u>917,495</u>
<u><u>\$ 49,441</u></u>	<u><u>\$ 178,756</u></u>	<u><u>\$ 1,594,852</u></u>

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Year Ended September 30, 2009**

	<b>Fleet Materials Management</b>	<b>Employee Benefits</b>	<b>Retiree Health Insurance</b>
Operating (loss) income	\$ 63,119	\$ 1,209,412	\$ 18,428
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	28,913	-	-
Accounts receivable	(819)	26,489	1,214
Due to other funds	-	-	(30,749)
Inventories	105,909	-	(4,056)
Accounts payable	(415,277)	438,867	-
Compensated absences payables	7,252	6,758	-
Accrued liabilities	1,905	3,284	-
Recovery of prior year expenses	-	123,491	-
Total adjustments	(272,117)	598,889	(33,591)
Net cash provided (used) by operating activities	<u>\$ (208,998)</u>	<u>\$ 1,808,301</u>	<u>\$ (15,163)</u>
<b>Noncash investing, capital, and financing activities:</b>			
Increase (decrease) in fair value of investments	-	2,488	-

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<u>General Insurance</u>	<u>General Depreciation</u>	<u>Totals</u>
<u>\$ 2,387,837</u>	<u>\$ 1,320,763</u>	<u>\$ 4,999,559</u>
1,915	1,931,585	1,962,413
(46,539)		(19,655)
-		(30,749)
-		101,853
1,380	(433,860)	(408,890)
871		14,881
(593,274)	(2,500)	(590,585)
346,771	-	470,262
<u>(288,876)</u>	<u>1,495,225</u>	<u>1,499,530</u>
<u><u>\$ 2,098,961</u></u>	<u><u>\$ 2,815,988</u></u>	<u><u>\$ 6,499,089</u></u>
(8,709)	7,305	1,084

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# Fiduciary Funds

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

## **Trust fund:**

The **Firemen's Relief and Retirement Fund** accounts for resources of the pension fund established for the City's firefighters, as provided for under state law.

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

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



**CITY OF McALLEN , TEXAS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**September 30, 2009**

	<u>Pension Trust</u> <u>Firemen's</u> <u>Relief and</u> <u>Retirement</u> <u>Fund</u>	<u>Agency</u>  <u>Developer's</u> <u>Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,153,883	\$ 42,260
Receivables:		
Interest	179,691	8,999
Other	-	-
Investments, at fair value:		
TexPool	-	1,299,720
Certificate of deposit	-	50,000
U.S Government securities	7,135,398	769,378
Corporate bonds and stocks	18,930,486	-
Alternate investments	<u>3,048,923</u>	<u>-</u>
 Total investments	 <u>29,114,807</u>	 <u>2,119,098</u>
 Total assets	 <u><b>30,448,381</b></u>	 <u><b>\$ 2,170,357</b></u>
<b>LIABILITIES</b>		
Accounts payable	11,589	-
Escrow payables	<u>-</u>	<u>2,170,357</u>
 Total liabilities	 <u>11,589</u>	 <u><b>\$ 2,170,357</b></u>
<b>NET ASSETS</b>		
Held in trust for pension benefits/other	<u><b>\$ 30,436,792</b></u>	<u><b>\$ -</b></u>

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

**CITY OF McALLEN , TEXAS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**For the Year Ended September 30, 2009**

	<u>Pension Trust</u> <u>Firemen's</u> <u>Relief and</u> <u>Retirement</u> <u>Fund</u>
<b>ADDITIONS</b>	
Contributions:	
Member	\$ 922,452
Employer	<u>1,065,018</u>
Total contributions	<u>1,987,470</u>
Investment earnings:	
Interest and dividends	(412,326)
Net appreciation in fair value of investments	<u>1,396,423</u>
Total investment earnings	984,097
Less: investment expense	<u>(289,328)</u>
Net investment earnings	<u>694,769</u>
Total deductions	<u>2,682,239</u>
<b>DEDUCTIONS</b>	
Benefits	1,697,021
Refund of contributions	91,231
Administrative expense	<u>28,599</u>
Total deductions	<u>1,816,851</u>
Changes in net assets	865,388
Net assets--beginning	<u>29,571,404</u>
Net assets--ending	<u><u>\$ 30,436,792</u></u>

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

**CITY OF McALLEN, TEXAS**  
**AGENCY FUND**  
**DEVELOPER'S FUND**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**September 30, 2009**

	<b>Balance 09/30/08</b>	<b>ADDITIONS</b>	<b>DEDUCTIONS</b>	<b>Balance 09/30/09</b>
<b><u>Assets:</u></b>				
Cash and equivalents	\$ 35,039	4,868,730	4,861,509	\$ 42,260
Investments	2,358,095	3,726,003	3,965,000	2,119,098
Receivables:				
Accrued interest	106,193	55,706	152,900	8,999
Other	320	3,523	3,843	-
	<u>320</u>	<u>3,523</u>	<u>3,843</u>	<u>-</u>
Total current assets	<u><b>\$ 2,499,647</b></u>	<u><b>\$ 8,653,962</b></u>	<u><b>\$ 8,983,252</b></u>	<u><b>\$ 2,170,357</b></u>
<b><u>Liabilities:</u></b>				
Escrow payables	\$ 2,499,647	433,655	762,945	\$ 2,170,357
	<u>2,499,647</u>	<u>433,655</u>	<u>762,945</u>	<u>2,170,357</u>
Total liabilities	<u><b>\$ 2,499,647</b></u>	<u><b>\$ 433,655</b></u>	<u><b>\$ 762,945</b></u>	<u><b>\$ 2,170,357</b></u>

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# **Individual Budget Schedules and Other**

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes:				
Property	\$ 31,583,504	\$ 31,583,504	\$ 31,764,189	\$ 180,685
Sales	44,794,073	44,794,073	41,002,311	(3,791,762)
Franchise	<u>6,604,737</u>	<u>6,604,737</u>	<u>6,266,684</u>	<u>(338,053)</u>
Total taxes	<u>82,982,314</u>	<u>82,982,314</u>	<u>79,033,184</u>	<u>(3,949,130)</u>
Licenses and permits:				
Business licenses and permits	47,000	47,000	41,692	(5,308)
Occupational	103,325	103,325	192,418	89,093
Non-business licenses and permits	<u>1,412,000</u>	<u>1,412,000</u>	<u>1,147,515</u>	<u>(264,485)</u>
Total licenses and permits	<u>1,562,325</u>	<u>1,562,325</u>	<u>1,381,625</u>	<u>(180,700)</u>
Intergovernmental revenues:				
State shared revenues	<u>450,000</u>	<u>450,000</u>	<u>569,675</u>	<u>119,675</u>
Total intergovernmental revenues	<u>450,000</u>	<u>450,000</u>	<u>569,675</u>	<u>119,675</u>
Charges for services:				
General government	1,453,680	1,453,680	1,294,976	(158,704)
Public safety	553,500	553,500	707,606	154,106
Highways and streets	153,725	153,725	152,725	(1,000)
Health	1,158,200	1,158,200	1,196,156	37,956
Culture and recreation	<u>756,685</u>	<u>756,685</u>	<u>882,171</u>	<u>125,486</u>
Total charges for services	<u>4,075,790</u>	<u>4,075,790</u>	<u>4,233,634</u>	<u>157,844</u>
Fines and forfeitures:				
Corporations court	1,768,544	1,809,405	1,790,204	(19,201)
Other fines	<u>50,500</u>	<u>50,500</u>	<u>53,094</u>	<u>2,594</u>
Total fines and forfeitures	<u>1,819,044</u>	<u>1,859,905</u>	<u>1,843,298</u>	<u>(16,607)</u>
Investment earnings	<u>1,950,000</u>	<u>1,950,000</u>	<u>1,661,167</u>	<u>(288,833)</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Net increase in the fair value of investments	\$ -	\$ -	\$ 532,356	\$ 532,356
Other:				
Royalties	3,500,000	3,500,000	1,864,867	(1,635,133)
Rents and concessions	40,000	40,000	351,722	311,722
Reimbursements	77,000	77,000	290,648	213,648
Other	379,000	379,000	188,963	(190,037)
Total other revenues	3,996,000	3,996,000	2,696,200	(1,299,800)
Total revenues	96,835,473	96,876,334	91,951,139	(4,925,195)
Expenditures:				
General government:				
City commission:				
Personal services	166,719	170,024	169,108	916
Supplies	12,500	12,500	6,405	6,095
Miscellaneous services	58,843	58,843	35,687	23,156
Capital outlay	1,000	1,000	810	190
Total city commission	239,062	242,367	212,010	30,357
Special service:				
Miscellaneous services	854,800	904,614	840,407	64,207
Total special service	854,800	904,614	840,407	64,207
City manager:				
Personal services	943,183	999,049	1,030,024	(30,975)
Supplies	3,000	3,000	2,804	196
Miscellaneous services	38,746	38,746	66,544	(27,798)
Maintenance	680	680	-	680
Total city manager	985,609	1,041,475	1,099,372	(57,897)
City secretary:				
Personal services	374,905	394,417	376,648	17,769
Supplies	6,000	6,000	3,279	2,721
Miscellaneous services	22,878	17,878	14,088	3,790
Maintenance	20,568	20,568	18,956	1,612
Capital outlay	15,755	20,755	20,554	201
Total city secretary	440,106	459,618	433,525	26,093

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Audit office:				
Personal services	\$ 169,364	\$ 187,868	\$ 193,263	\$ (5,395)
Supplies	1,625	1,625	1,769	(144)
Miscellaneous services	<u>10,630</u>	<u>10,630</u>	<u>12,839</u>	<u>(2,209)</u>
Total audit office	<u>181,619</u>	<u>200,123</u>	<u>207,871</u>	<u>(7,748)</u>
Vital statistics:				
Personal services	155,426	155,426	155,256	170
Supplies	11,600	11,600	9,393	2,207
Miscellaneous services	<u>38,000</u>	<u>38,000</u>	<u>26,020</u>	<u>11,980</u>
Total vital statistics	<u>205,026</u>	<u>205,026</u>	<u>190,669</u>	<u>14,357</u>
Passport facility:				
Personal services	97,304	97,304	111,454	(14,150)
Supplies	3,000	3,000	2,337	663
Miscellaneous services	18,400	11,400	8,115	3,285
Maintenance	11,150	18,150	-	18,150
Capital outlay	<u>-</u>	<u>-</u>	<u>7,325</u>	<u>(7,325)</u>
Total passport facility	<u>129,854</u>	<u>129,854</u>	<u>129,231</u>	<u>623</u>
Municipal court:				
Personal services	1,122,223	1,152,062	1,038,383	113,679
Supplies	10,000	10,000	8,641	1,359
Miscellaneous services	33,022	33,022	65,700	(32,678)
Maintenance	122,552	122,552	34,582	87,970
Capital outlay	<u>17,000</u>	<u>207,861</u>	<u>200,093</u>	<u>7,768</u>
Total municipal court	<u>1,304,797</u>	<u>1,525,497</u>	<u>1,347,399</u>	<u>178,098</u>
Finance:				
Personal services	1,168,573	1,207,044	1,140,704	66,340
Supplies	18,348	21,348	22,492	(1,144)
Miscellaneous services	100,345	97,345	91,521	5,824
Maintenance	3,810	3,810	2,088	1,722
Capital outlay	<u>52,000</u>	<u>52,000</u>	<u>39,903</u>	<u>12,097</u>
Total finance	<u>1,343,076</u>	<u>1,381,547</u>	<u>1,296,708</u>	<u>84,839</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Tax office:				
Personal services	\$ 247,400	\$ 254,938	\$ 259,856	\$ (4,918)
Supplies	5,350	5,350	4,794	556
Miscellaneous services	601,157	601,157	707,680	(106,523)
Maintenance	<u>9,331</u>	<u>9,331</u>	<u>279</u>	<u>9,052</u>
Total tax office	<u>863,238</u>	<u>870,776</u>	<u>972,609</u>	<u>(101,833)</u>
Purchasing and contracting:				
Personal services	464,596	473,686	372,975	100,711
Supplies	8,400	8,400	7,423	977
Miscellaneous services	5,880	882	(2)	884
Maintenance	11,550	-	-	-
Capital outlay	<u>6,200</u>	<u>22,748</u>	<u>25,897</u>	<u>(3,149)</u>
Total purchasing and contracting	<u>496,626</u>	<u>505,716</u>	<u>406,293</u>	<u>99,423</u>
Legal:				
Personal services	758,492	814,214	852,707	(38,493)
Supplies	8,800	46,300	42,716	3,584
Miscellaneous services	235,173	235,173	902,466	(667,293)
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>4,826</u>	<u>174</u>
Total legal	<u>1,007,465</u>	<u>1,100,687</u>	<u>1,802,715</u>	<u>(702,028)</u>
Grant administration:				
Personal services	200,180	207,488	231,619	(24,131)
Supplies	4,750	4,750	4,841	(91)
Miscellaneous services	27,550	23,050	23,611	(561)
Capital outlay	<u>-</u>	<u>4,500</u>	<u>3,809</u>	<u>691</u>
Total grant administration	<u>232,480</u>	<u>239,788</u>	<u>263,880</u>	<u>(24,092)</u>
Right of way:				
Personal services	123,245	127,777	130,322	(2,545)
Supplies	1,425	1,425	341	1,084
Miscellaneous services	<u>42,638</u>	<u>42,638</u>	<u>8,834</u>	<u>33,804</u>
Total right of way	<u>167,308</u>	<u>171,840</u>	<u>139,497</u>	<u>32,343</u>



**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Human resources:				
Personal services	\$ 498,577	\$ 515,021	\$ 493,965	\$ 21,056
Supplies	8,300	8,300	8,246	54
Miscellaneous services	163,532	228,162	233,782	(5,620)
Maintenance	52,000	48,700	49,244	(544)
Employee benefits	1,135,876	90,021	-	90,021
Capital outlay	<u>7,600</u>	<u>8,250</u>	<u>6,980</u>	<u>1,270</u>
Total human resources	<u>1,865,885</u>	<u>898,454</u>	<u>792,217</u>	<u>106,237</u>
Risk management:				
Liability insurance	<u>1,151,761</u>	<u>1,151,761</u>	<u>1,151,761</u>	<u>-</u>
Total risk management	<u>1,151,761</u>	<u>1,151,761</u>	<u>1,151,761</u>	<u>-</u>
Planning:				
Personal services	1,216,759	1,254,374	911,763	342,611
Supplies	17,700	17,700	15,909	1,791
Miscellaneous services	289,618	275,618	74,695	200,923
Maintenance	4,722	19,722	20,399	(677)
Capital outlay	<u>25,200</u>	<u>35,200</u>	<u>441</u>	<u>34,759</u>
Total planning	<u>1,553,999</u>	<u>1,602,614</u>	<u>1,023,207</u>	<u>579,407</u>
Information technology:				
Personal services	1,236,851	1,277,278	1,156,160	121,118
Supplies	21,665	21,665	27,248	(5,583)
Miscellaneous services	156,307	171,904	145,802	26,102
Maintenance	305,974	290,377	259,606	30,771
Capital outlay	<u>245,600</u>	<u>245,600</u>	<u>227,552</u>	<u>18,048</u>
Total information technology	<u>1,966,397</u>	<u>2,006,824</u>	<u>1,816,368</u>	<u>190,456</u>
Public information office:				
Personal services	588,591	609,531	561,676	47,855
Supplies	15,300	15,300	14,702	598
Miscellaneous services	48,157	48,157	52,493	(4,336)
Maintenance	10,310	10,310	6,733	3,577
Capital outlay	<u>100,600</u>	<u>100,600</u>	<u>90,804</u>	<u>9,796</u>
Total public information office	<u>762,958</u>	<u>783,898</u>	<u>726,408</u>	<u>57,490</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
City hall:				
Personal services	\$ 117,930	\$ 120,174	\$ 104,483	\$ 15,691
Supplies	69,475	69,475	15,213	54,262
Miscellaneous services	546,056	546,056	379,966	166,090
Maintenance	260,150	260,150	262,372	(2,222)
Capital outlay	106,815	106,815	722	106,093
Total city hall	<u>1,100,426</u>	<u>1,102,670</u>	<u>762,756</u>	<u>339,914</u>
Mail center				
Personal services	27,757	30,216	678	29,538
Supplies	75,500	105,500	105,365	135
Miscellaneous services	30,300	30,300	43,321	(13,021)
Maintenance	2,000	2,000	-	2,000
Total mail center	<u>135,557</u>	<u>168,016</u>	<u>149,364</u>	<u>18,652</u>
Building maintenance:				
Personal services	437,226	447,824	419,534	28,290
Supplies	12,213	12,213	11,144	1,069
Miscellaneous services	17,349	17,349	16,080	1,269
Maintenance	95,002	95,002	43,402	51,600
Capital outlay	12,500	12,500	6,000	6,500
Total building maintenance	<u>574,290</u>	<u>584,888</u>	<u>496,160</u>	<u>88,728</u>
Economic development:				
McAllen Economic Development Corp.	1,440,828	1,440,828	1,440,828	-
Chambers of commerce	645,000	675,000	675,000	-
Total economic development	<u>2,085,828</u>	<u>2,115,828</u>	<u>2,115,828</u>	<u>-</u>
Non-departmental activities	<u>194,000</u>	<u>219,000</u>	<u>217,555</u>	<u>1,445</u>
Total general government	<u>19,842,167</u>	<u>19,612,881</u>	<u>18,593,810</u>	<u>1,019,071</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public safety:				
Police:				
Personal services	\$ 26,056,385	\$ 26,231,709	\$ 26,020,370	\$ 211,339
Supplies	422,350	422,350	418,931	3,419
Miscellaneous services	1,438,839	1,438,839	1,379,498	59,341
Maintenance	1,471,536	1,521,536	1,264,509	257,027
Other	(350,000)	(350,000)	(658,131)	308,131
Capital outlay	<u>383,450</u>	<u>333,450</u>	<u>212,838</u>	<u>120,612</u>
Total police	<u>29,422,560</u>	<u>29,597,884</u>	<u>28,638,015</u>	<u>959,869</u>
Animal control:				
Personal services	151,696	156,809	149,245	7,564
Supplies	3,600	3,600	(907)	4,507
Miscellaneous services	14,461	14,461	13,986	475
Maintenance	<u>44,312</u>	<u>44,312</u>	<u>26,820</u>	<u>17,492</u>
Total animal control	<u>214,069</u>	<u>219,182</u>	<u>189,144</u>	<u>30,038</u>
Communication technology:				
Personal services	136,174	140,991	143,418	(2,427)
Supplies	12,695	12,695	7,648	5,047
Miscellaneous services	44,988	44,988	26,877	18,111
Maintenance	<u>4,375</u>	<u>4,375</u>	<u>3,654</u>	<u>721</u>
Total communication technology	<u>198,232</u>	<u>203,049</u>	<u>181,597</u>	<u>21,452</u>
Fire:				
Personal services	12,747,782	12,763,264	12,792,179	(28,915)
Supplies	250,398	284,768	264,457	20,311
Miscellaneous services	1,039,757	1,125,297	1,101,690	23,607
Maintenance	501,673	516,173	390,899	125,274
Capital outlay	<u>187,380</u>	<u>212,970</u>	<u>147,120</u>	<u>65,850</u>
Total fire	<u>14,726,990</u>	<u>14,902,472</u>	<u>14,696,345</u>	<u>206,127</u>
Traffic operations:				
Personal services	1,397,206	1,437,722	1,326,140	111,582
Supplies	139,050	139,050	130,858	8,192
Miscellaneous services	363,260	363,260	384,860	(21,600)
Maintenance	361,953	361,953	347,958	13,995
Capital outlay	<u>229,400</u>	<u>229,400</u>	<u>208,081</u>	<u>21,319</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Total traffic operations	<u>2,490,869</u>	<u>2,531,385</u>	<u>2,397,897</u>	<u>133,488</u>
Inspection:				
Personal services	\$ 909,966	\$ 936,144	\$ 881,893	\$ 54,251
Supplies	15,935	15,935	12,242	3,693
Miscellaneous services	123,285	123,285	83,188	40,097
Maintenance	<u>23,959</u>	<u>23,959</u>	<u>12,336</u>	<u>11,623</u>
Total inspection	<u>1,073,145</u>	<u>1,099,323</u>	<u>989,659</u>	<u>109,664</u>
Total public safety	<u>48,125,865</u>	<u>48,553,295</u>	<u>47,092,657</u>	<u>1,460,638</u>
Highways and streets:				
Engineering services:				
Personal services	2,040,386	2,102,918	1,915,484	187,434
Supplies	31,559	31,559	22,408	9,151
Miscellaneous services	214,658	214,658	199,836	14,822
Maintenance	63,776	63,776	35,253	28,523
Capital outlay	<u>81,023</u>	<u>81,023</u>	<u>60,498</u>	<u>20,525</u>
Total engineering	<u>2,431,402</u>	<u>2,493,934</u>	<u>2,233,479</u>	<u>260,455</u>
Street cleaning:				
Personal services	204,618	211,132	194,013	17,119
Supplies	3,700	3,700	3,685	15
Miscellaneous services	68,280	68,280	67,575	705
Maintenance	<u>183,110</u>	<u>183,110</u>	<u>139,049</u>	<u>44,061</u>
Total street cleaning	<u>459,708</u>	<u>466,222</u>	<u>404,322</u>	<u>61,900</u>
Street maintenance:				
Personal services	1,617,052	1,657,458	1,486,796	170,662
Supplies	19,700	19,700	18,531	1,169
Miscellaneous services	863,342	863,342	856,416	6,926
Maintenance	5,588,610	5,588,610	5,383,948	204,662
Capital outlay	<u>375,400</u>	<u>375,400</u>	<u>389,232</u>	<u>(13,832)</u>
Total street maintenance	<u>8,464,104</u>	<u>8,504,510</u>	<u>8,134,923</u>	<u>369,587</u>
Street lighting:				
Miscellaneous services	1,836,000	1,836,000	2,109,852	(273,852)
Maintenance	<u>72,675</u>	<u>72,675</u>	<u>53,335</u>	<u>19,340</u>
Total street lighting	<u>1,908,675</u>	<u>1,908,675</u>	<u>2,163,187</u>	<u>(254,512)</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Sidewalk construction:				
Personal services	\$ 216,241	\$ 225,983	\$ 176,447	\$ 49,536
Supplies	233,076	233,076	143,634	89,442
Miscellaneous services	64,397	64,397	64,397	-
Maintenance	39,555	39,555	30,795	8,760
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>2,538</u>	<u>2,462</u>
Total sidewalk construction	<u>558,269</u>	<u>568,011</u>	<u>417,811</u>	<u>150,200</u>
Drainage:				
Personal services	808,328	832,289	697,570	134,719
Supplies	27,760	27,760	24,185	3,575
Miscellaneous services	521,297	521,297	511,306	9,991
Maintenance	441,861	441,861	374,426	67,435
Capital outlay	<u>175,600</u>	<u>175,600</u>	<u>29,000</u>	<u>146,600</u>
Total drainage	<u>1,974,846</u>	<u>1,998,807</u>	<u>1,636,487</u>	<u>362,320</u>
Total highways and streets	<u>15,797,004</u>	<u>15,940,159</u>	<u>14,990,209</u>	<u>949,950</u>
Health and welfare:				
Health:				
Personal services	856,019	873,782	842,859	30,923
Supplies	22,505	20,505	15,300	5,205
Miscellaneous services	139,424	141,424	176,544	(35,120)
Maintenance	33,799	33,799	24,193	9,606
Capital outlay	<u>-</u>	<u>1,348</u>	<u>-</u>	<u>1,348</u>
Total health	<u>1,051,747</u>	<u>1,070,858</u>	<u>1,058,896</u>	<u>11,962</u>
Graffiti cleaning:				
Personal services	100,404	103,586	104,050	(464)
Supplies	16,912	16,912	11,290	5,622
Miscellaneous services	12,571	12,571	12,571	-
Maintenance	40,652	40,652	19,620	21,032
Capital outlay	<u>11,000</u>	<u>11,000</u>	<u>8,575</u>	<u>2,425</u>
Total graffiti cleaning	<u>181,539</u>	<u>184,721</u>	<u>156,106</u>	<u>28,615</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Other agencies:				
Ambulance	\$ 30,128	\$ 30,128	\$ 30,128	\$ -
Humane society	247,565	247,565	339,360	(91,795)
Other health and welfare agencies	<u>5,000</u>	<u>5,000</u>	<u>63,427</u>	<u>(58,427)</u>
Total other agencies	<u>282,693</u>	<u>282,693</u>	<u>432,915</u>	<u>(150,222)</u>
Total health and welfare	<u>1,515,979</u>	<u>1,538,272</u>	<u>1,647,917</u>	<u>(109,645)</u>
Culture and recreation:				
Parks and recreation administration:				
Personal services	397,837	416,185	427,576	(11,391)
Supplies	8,625	8,625	9,542	(917)
Miscellaneous services	105,438	105,438	112,475	(7,037)
Maintenance	10,282	10,282	16,363	(6,081)
Capital outlay	<u>5,250</u>	<u>5,250</u>	<u>-</u>	<u>5,250</u>
Total parks and recreation administration	<u>527,432</u>	<u>545,780</u>	<u>565,956</u>	<u>(20,176)</u>
Parks:				
Personal services	3,218,472	3,307,839	3,138,848	168,991
Supplies	149,282	149,282	180,170	(30,888)
Miscellaneous services	1,415,911	1,415,911	1,804,808	(388,897)
Maintenance	465,568	465,568	459,628	5,940
Capital outlay	<u>411,130</u>	<u>479,717</u>	<u>367,003</u>	<u>112,714</u>
Total parks	<u>5,660,363</u>	<u>5,818,317</u>	<u>5,950,457</u>	<u>(132,140)</u>
Recreation:				
Personal services	839,630	847,924	940,206	(92,282)
Supplies	48,400	48,400	33,502	14,898
Miscellaneous services	271,330	271,330	207,414	63,916
Maintenance	6,574	6,574	7,365	(791)
Capital outlay	<u>22,575</u>	<u>22,575</u>	<u>4,899</u>	<u>17,676</u>
Total recreation	<u>1,188,509</u>	<u>1,196,803</u>	<u>1,193,386</u>	<u>3,417</u>
Pools:				
Personal services	517,125	523,608	513,387	10,221
Supplies	24,750	37,750	59,930	(22,180)
Miscellaneous services	107,466	107,466	125,285	(17,819)
Maintenance	48,265	35,265	35,540	(275)
Capital outlay	<u>123,000</u>	<u>123,000</u>	<u>58,781</u>	<u>64,219</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Total pools	<u>820,606</u>	<u>827,089</u>	<u>792,923</u>	<u>34,166</u>
Las palmas community center:				
Personal services	\$ 222,832	\$ 229,835	\$ 226,408	\$ 3,427
Supplies	16,525	16,525	9,878	6,647
Miscellaneous services	93,523	93,523	86,250	7,273
Maintenance	18,650	18,650	8,213	10,437
Capital outlay	<u>15,400</u>	<u>15,400</u>	<u>6,972</u>	<u>8,428</u>
Total las palmas community center	<u>366,930</u>	<u>373,933</u>	<u>337,721</u>	<u>36,212</u>
Recreation center-Lark:				
Personal services	294,293	301,446	282,242	19,204
Supplies	23,245	23,245	19,692	3,553
Miscellaneous services	104,349	104,349	113,940	(9,591)
Maintenance	8,325	8,325	10,676	(2,351)
Capital outlay	<u>19,196</u>	<u>19,196</u>	<u>3,610</u>	<u>15,586</u>
Total recreation center-Lark	<u>449,408</u>	<u>456,561</u>	<u>430,160</u>	<u>26,401</u>
Recreation center-Palmview:				
Personal services	287,679	296,325	296,282	43
Supplies	21,745	21,745	18,652	3,093
Miscellaneous services	104,909	104,909	118,329	(13,420)
Maintenance	9,757	9,757	11,014	(1,257)
Capital outlay	<u>17,196</u>	<u>17,196</u>	<u>3,485</u>	<u>13,711</u>
Total recreation center-Palmview	<u>441,286</u>	<u>449,932</u>	<u>447,762</u>	<u>2,170</u>
Quinta mazatlan:				
Personal services	315,537	325,067	319,296	5,771
Supplies	14,850	14,850	19,105	(4,255)
Miscellaneous services	72,645	72,645	159,174	(86,529)
Maintenance	18,762	18,762	28,302	(9,540)
Capital outlay	<u>41,741</u>	<u>41,741</u>	<u>29,710</u>	<u>12,031</u>
Total quinta mazatlan	<u>463,535</u>	<u>473,065</u>	<u>555,587</u>	<u>(82,522)</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Library:				
Personal services	\$ 2,037,877	\$ 2,090,500	\$ 1,804,013	\$ 286,487
Supplies	61,730	63,730	58,691	5,039
Miscellaneous services	363,559	337,559	398,379	(60,820)
Maintenance	77,388	104,388	60,009	44,379
Capital outlay	289,050	286,050	246,333	39,717
Total library	<u>2,829,604</u>	<u>2,882,227</u>	<u>2,567,425</u>	<u>314,802</u>
Library branch-Lark:				
Personal services	482,672	495,705	461,640	34,065
Supplies	10,320	13,320	10,108	3,212
Miscellaneous services	9,800	9,800	7,165	2,635
Maintenance	5,700	2,700	590	2,110
Capital outlay	36,600	36,600	32,229	4,371
Total library branch-Lark	<u>545,092</u>	<u>558,125</u>	<u>511,732</u>	<u>46,393</u>
Library branch-Palmview:				
Personal services	460,952	474,383	404,272	70,111
Supplies	10,700	10,700	6,917	3,783
Miscellaneous services	9,800	9,800	6,852	2,948
Maintenance	5,700	5,700	462	5,238
Capital outlay	27,100	57,100	41,878	15,222
Total library branch-Palmview	<u>514,252</u>	<u>557,683</u>	<u>460,381</u>	<u>97,302</u>
Other agencies	<u>689,020</u>	<u>689,020</u>	<u>664,020</u>	<u>25,000</u>
Museums	<u>779,283</u>	<u>779,283</u>	<u>779,283</u>	<u>-</u>
Total culture and recreation	<u>15,275,320</u>	<u>15,607,818</u>	<u>15,256,793</u>	<u>351,025</u>
Total expenditures	<u>100,556,335</u>	<u>101,252,425</u>	<u>97,581,386</u>	<u>3,671,039</u>
Excess of revenues over expenditures	<u>(3,720,862)</u>	<u>(4,376,091)</u>	<u>(5,630,247)</u>	<u>(1,254,156)</u>



**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Other financing sources (uses)				
Transfers in	\$ 14,748,972	\$ 14,748,972	\$ 12,269,122	\$ (2,479,850)
Transfers out	<u>(6,623,581)</u>	<u>(11,382,647)</u>	<u>(8,692,653)</u>	<u>2,689,994</u>
Net other financing sources (uses)	<u>8,125,391</u>	<u>3,366,325</u>	<u>3,576,469</u>	<u>210,144</u>
Net change in fund balances	4,404,529	(1,009,766)	(2,053,778)	(1,044,012)
Fund balances at begining of year	<u>51,489,403</u>	<u>51,489,403</u>	<u>51,489,403</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ 55,893,932</u></u>	<u><u>\$ 50,479,637</u></u>	<u><u>\$ 49,435,625</u></u>	<u><u>\$ (1,044,012)</u></u>

**CITY OF McALLEN, TEXAS**  
**HOTEL OCCUPANCY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Hotel tax	\$ 4,146,362	\$ 4,146,362	\$ 3,514,817	\$ (631,545)
Investment earnings	<u>-</u>	<u>-</u>	<u>239</u>	<u>239</u>
Total revenues	<u>4,146,362</u>	<u>4,146,362</u>	<u>3,515,056</u>	<u>(631,306)</u>
Expenditures:				
Current:				
General government	<u>1,184,675</u>	<u>1,184,675</u>	<u>1,004,233</u>	<u>180,442</u>
Total expenditures	<u>1,184,675</u>	<u>1,184,675</u>	<u>1,004,233</u>	<u>180,442</u>
Excess (deficiency) of revenues over expenditures	<u>2,961,687</u>	<u>2,961,687</u>	<u>2,510,823</u>	<u>(450,864)</u>
Other financing uses				
Transfers out	<u>(2,961,687)</u>	<u>(2,961,687)</u>	<u>(2,510,584)</u>	<u>451,103</u>
Total other financing sources (uses)	<u>(2,961,687)</u>	<u>(2,961,687)</u>	<u>(2,510,584)</u>	<u>451,103</u>
Net changes in fund balances	<u>-</u>	<u>-</u>	<u>239</u>	<u>239</u>
Fund balances--beginning	<u>24,469</u>	<u>24,469</u>	<u>24,469</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 24,469</u></u>	<u><u>\$ 24,469</u></u>	<u><u>\$ 24,708</u></u>	<u><u>\$ 239</u></u>

**CITY OF McALLEN, TEXAS**  
**PARK DEVELOPMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Other	\$ 315,000	\$ 315,000	\$ 49,352	\$ (265,648)
Investment earnings	<u>150,000</u>	<u>150,000</u>	<u>60,364</u>	<u>(89,636)</u>
Total revenues	<u>465,000</u>	<u>465,000</u>	<u>109,716</u>	<u>(355,284)</u>
Expenditures:				
Current:				
Culture and recreation	<u>3,680,000</u>	<u>3,680,000</u>	<u>334,387</u>	<u>3,345,613</u>
Total expenditures	<u>3,680,000</u>	<u>3,680,000</u>	<u>334,387</u>	<u>3,345,613</u>
Excess (deficiency) of revenues over expenditures	<u>(3,215,000)</u>	<u>(3,215,000)</u>	<u>(224,671)</u>	<u>2,990,329</u>
Net changes in fund balances	(3,215,000)	(3,215,000)	(224,671)	2,990,329
Fund balances--beginning	<u>2,854,316</u>	<u>2,854,316</u>	<u>2,854,316</u>	<u>-</u>
Fund balances--ending	<u>\$ (360,684)</u>	<u>\$ (360,684)</u>	<u>\$ 2,629,645</u>	<u>\$ 2,990,329</u>

**CITY OF McALLEN, TEXAS**  
**COMMUNITY DEVELOPMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 2,468,086	\$ 2,947,771	\$ 1,992,600	\$ (955,171)
Total revenues	<u>2,468,086</u>	<u>2,947,771</u>	<u>1,992,600</u>	<u>(955,171)</u>
Expenditures:				
Current:				
General government	300,003	300,003	326,060	(26,057)
Highways and streets	901,400	1,329,400	370,856	958,544
Health and welfare	1,171,683	1,171,683	1,266,574	(94,891)
Culture and recreation	<u>95,000</u>	<u>146,685</u>	<u>29,110</u>	<u>117,575</u>
Total expenditures	<u>2,468,086</u>	<u>2,947,771</u>	<u>1,992,600</u>	<u>955,171</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**  
**DOWNTOWN SERVICES PARKING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Licenses and permits	\$ -	\$ -	\$ 11,385	\$ 11,385
Charges for services	922,000	922,000	1,016,003	94,003
Fines and forfeitures	310,000	310,000	327,473	17,473
Investment earnings	-	-	4,428	4,428
Other	-	-	835	835
	<u>-</u>	<u>-</u>	<u>835</u>	<u>835</u>
Total revenues	<u>1,232,000</u>	<u>1,232,000</u>	<u>1,360,124</u>	<u>128,124</u>
Expenditures:				
Current:				
Highways and streets	<u>783,473</u>	<u>800,419</u>	<u>803,960</u>	<u>(3,541)</u>
Total expenditures	<u>783,473</u>	<u>800,419</u>	<u>803,960</u>	<u>(3,541)</u>
Excess (deficiency) of revenues over expenditures	<u>448,527</u>	<u>431,581</u>	<u>556,164</u>	<u>124,583</u>
Transfers out	<u>(598,818)</u>	<u>(598,818)</u>	<u>(598,818)</u>	<u>-</u>
Total other financing sources (uses)	<u>(598,818)</u>	<u>(598,818)</u>	<u>(598,818)</u>	<u>-</u>
Net changes in fund balances	(150,291)	(167,237)	(42,654)	124,583
Fund balances--beginning	<u>277,330</u>	<u>277,330</u>	<u>277,330</u>	<u>-</u>
Fund balances--ending	<u>\$ 127,039</u>	<u>\$ 110,093</u>	<u>\$ 234,676</u>	<u>\$ 124,583</u>

**CITY OF McALLEN, TEXAS**  
**DEVELOPMENT CORPORATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Sales tax	\$ 14,931,358	\$ 14,931,358	\$ 13,667,435	\$ (1,263,923)
Intergovernmental revenues	-	-	148,856	148,856
Investment earnings	550,000	550,000	531,655	(18,345)
Increase in the fair value of investments	-	-	113,190	113,190
Other	-	-	35,682	35,682
Total revenues	<u>15,481,358</u>	<u>15,481,358</u>	<u>14,496,818</u>	<u>(984,540)</u>
Expenditures:				
Current:				
General government	5,006,480	947,480	244,460	703,020
Highways and streets	2,000,000	3,729,401	333,948	3,395,453
Health and welfare	1,905,000	2,505,000	2,349,716	155,284
Debt service:				
Principal	2,525,000	2,525,000	25,000	2,500,000
Interest and fiscal charges	<u>12,275</u>	<u>12,275</u>	<u>13,428</u>	<u>(1,153)</u>
Total expenditures	<u>11,448,755</u>	<u>9,719,156</u>	<u>2,966,552</u>	<u>6,752,604</u>
Excess (deficiency) of revenues over expenditures	<u>4,032,603</u>	<u>5,762,202</u>	<u>11,530,266</u>	<u>5,768,064</u>
Other financing uses:				
Transfers out	<u>(16,680,283)</u>	<u>(16,680,283)</u>	<u>(6,611,704)</u>	<u>10,068,579</u>
Total other financing uses	<u>(16,680,283)</u>	<u>(16,680,283)</u>	<u>(6,611,704)</u>	<u>10,068,579</u>
Net changes in fund balances	(12,647,680)	(10,918,081)	4,918,562	15,836,643
Fund balances--beginning	<u>20,772,513</u>	<u>20,772,513</u>	<u>20,772,513</u>	<u>-</u>
Fund balances--ending	<u>\$ 8,124,833</u>	<u>\$ 9,854,432</u>	<u>\$ 25,691,075</u>	<u>\$ 15,836,643</u>

**CITY OF McALLEN, TEXAS**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Property tax	\$ 598,818	\$ 598,818	\$ 632,759	\$ 33,941
Interest	<u>18,171</u>	<u>18,171</u>	<u>1,911</u>	<u>(16,260)</u>
Total revenues	<u>616,989</u>	<u>616,989</u>	<u>634,670</u>	<u>17,681</u>
Expenditures:				
Current:				
Debt service:				
Principal	\$ 3,138,165	\$ 5,538,165	\$ 2,830,000	\$ 2,708,165
Interest and fiscal charges	<u>168,818</u>	<u>300,391</u>	<u>305,688</u>	<u>(5,297)</u>
Total expenditures	<u>3,306,983</u>	<u>5,838,556</u>	<u>3,135,688</u>	<u>2,702,868</u>
Excess (deficiency) of revenues over expenditures	<u>(2,689,994)</u>	<u>(5,221,567)</u>	<u>(2,501,018)</u>	<u>2,720,549</u>
Other financing sources:				
Transfers in	<u>2,689,994</u>	<u>5,221,567</u>	<u>2,531,573</u>	<u>(2,689,994)</u>
Total other financing sources (uses)	<u>2,689,994</u>	<u>5,221,567</u>	<u>2,531,573</u>	<u>(2,689,994)</u>
Net changes in fund balances	-	-	30,555	30,555
Fund balance--beginning	<u>98,685</u>	<u>98,685</u>	<u>98,685</u>	<u>-</u>
Fund balance--ending	<u><u>\$ 98,685</u></u>	<u><u>\$ 98,685</u></u>	<u><u>\$ 129,240</u></u>	<u><u>\$ 30,555</u></u>

**CITY OF McALLEN, TEXAS**  
**CAPITAL IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 273,149	\$ 273,149
Investment earnings	260,000	260,000	645,501	385,501
Increase in the fair value of investments	-	-	81,948	81,948
Other	<u>3,648,000</u>	<u>3,648,000</u>	<u>65,919</u>	<u>(3,582,081)</u>
Total revenues	<u>3,908,000</u>	<u>3,908,000</u>	<u>1,066,517</u>	<u>(2,841,483)</u>
Expenditures:				
Current:				
General government	4,205,722	5,004,722	1,172,529	3,832,193
Public safety	5,714,300	6,644,300	2,956,729	3,687,571
Highways and streets	16,385,725	17,291,885	14,262,843	3,029,042
Culture and recreation	<u>4,781,000</u>	<u>5,171,000</u>	<u>2,245,600</u>	<u>2,925,400</u>
Total expenditures	<u>31,086,747</u>	<u>34,111,907</u>	<u>20,637,701</u>	<u>13,474,206</u>
Excess (deficiency) of revenues over expenditures	<u>(27,178,747)</u>	<u>(30,203,907)</u>	<u>(19,571,184)</u>	<u>10,632,723</u>
Other financing sources (uses):				
Transfers in	16,700,000	18,600,000	11,221,415	(7,378,585)
Transfers out	<u>(4,438,558)</u>	<u>(4,438,558)</u>	<u>(4,438,558)</u>	<u>-</u>
Total other financing sources (uses)	<u>12,261,442</u>	<u>14,161,442</u>	<u>6,782,857</u>	<u>(7,378,585)</u>
Net changes in fund balances	(14,917,305)	(16,042,465)	(12,788,327)	3,254,138
Fund balances--beginning	<u>29,885,675</u>	<u>29,885,675</u>	<u>29,885,675</u>	<u>-</u>
Fund balances--ending	<u>\$ 14,968,370</u>	<u>\$ 13,843,210</u>	<u>\$ 17,097,348</u>	<u>\$ 3,254,138</u>



**CITY OF McALLEN, TEXAS**  
**TAX NOTES CONSTRUCTION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Other	\$ -	\$ -	\$ 4,129	\$ 4,129
Investment earnings	<u>285,000</u>	<u>285,000</u>	<u>7,179</u>	<u>(277,821)</u>
Total revenues	<u>285,000</u>	<u>285,000</u>	<u>11,308</u>	<u>(273,692)</u>
Expenditures:				
Current:				
General government	-	671,500	722,365	(50,865)
Highways and streets	-	81,016	81,249	(233)
Culture and recreation	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>
Total expenditures	<u>3,000,000</u>	<u>3,752,516</u>	<u>803,614</u>	<u>2,948,902</u>
Excess (deficiency) of revenues over expenditures	<u>(2,715,000)</u>	<u>(3,467,516)</u>	<u>(792,306)</u>	<u>2,675,210</u>
Transfers in	-	327,493	327,493	-
Net changes in fund balances	(2,715,000)	(3,140,023)	(464,813)	2,675,210
Fund balances--beginning	<u>500,444</u>	<u>500,444</u>	<u>500,444</u>	<u>-</u>
Fund balances--ending	<u><u>\$ (2,214,556)</u></u>	<u><u>\$ (2,639,579)</u></u>	<u><u>\$ 35,631</u></u>	<u><u>\$ 2,675,210</u></u>

**CITY OF McALLEN, TEXAS**  
**INFORMATION TECHNOLOGY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Increase in the fair value of investments	\$ -	\$ -	\$ 1,925	\$ 1,925
Investment earnings	-	-	33,970	33,970
Total revenues	-	-	35,895	35,895
Expenditures:				
Current:				
General government	-	-	14,720	(14,720)
Total expenditures	-	-	14,720	(14,720)
Excess of revenues over expenditures	-	-	21,175	21,175
Transfers in	433,587	433,587	433,587	-
Net changes in fund balances	433,587	433,587	454,762	21,175
Fund balances--beginning	1,435,899	1,435,899	1,435,899	-
Fund balances--ending	<u>\$ 1,869,486</u>	<u>\$ 1,869,486</u>	<u>\$ 1,890,661</u>	<u>\$ 21,175</u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<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	\$ 8,800,313	\$ 8,800,313	\$ 9,078,989	\$ 278,676
Commercial accounts	4,777,720	4,777,720	5,241,947	464,227
Industrial customers	591,329	591,329	530,115	(61,214)
Total water sales	<u>14,169,362</u>	<u>14,169,362</u>	<u>14,851,051</u>	<u>681,689</u>
Service charges:				
Tap fees	380,000	380,000	331,446	(48,554)
Connect fees	90,000	90,000	123,120	33,120
Reconnect fees	160,000	160,000	164,755	4,755
Other services	<u>1,015,000</u>	<u>1,015,000</u>	<u>867,420</u>	<u>(147,580)</u>
Total service charges	<u>1,645,000</u>	<u>1,645,000</u>	<u>1,486,741</u>	<u>(158,259)</u>
Total operating revenues	<u>15,814,362</u>	<u>15,814,362</u>	<u>16,337,792</u>	<u>523,430</u>
Non-operating revenues:				
Investment earnings	738,641	738,641	781,431	42,790
Net increase (decrease) in the fair value of investment	-	-	108,927	108,927
Other	<u>-</u>	<u>-</u>	<u>45,035</u>	<u>45,035</u>
Total non-operating revenues	<u>738,641</u>	<u>738,641</u>	<u>935,393</u>	<u>196,752</u>
Total revenues	<u>16,553,003</u>	<u>16,553,003</u>	<u>17,273,185</u>	<u>720,182</u>
Expenses:				
Water plant:				
Salaries and benefits	1,358,043	1,410,371	1,359,902	50,469
Supplies and raw water purchases	2,943,873	3,243,873	3,336,709	(92,836)
Contractual and other services	1,565,491	1,565,491	1,617,167	(51,676)
Repairs and maintenance	<u>323,590</u>	<u>487,790</u>	<u>444,569</u>	<u>43,221</u>
Total water plant	<u>6,190,997</u>	<u>6,707,525</u>	<u>6,758,347</u>	<u>(50,822)</u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<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	\$ 197,160	\$ 207,231	\$ 212,118	\$ (4,887)
Supplies	41,130	41,130	26,628	14,502
Contractual and other services	59,040	59,040	26,805	32,235
Repairs and maintenance	<u>20,180</u>	<u>20,180</u>	<u>11,251</u>	<u>8,929</u>
Total water lab	<u>317,510</u>	<u>327,581</u>	<u>276,802</u>	<u>50,779</u>
Transmission and distribution:				
Salaries and benefits	1,532,942	1,580,368	1,484,864	95,504
Supplies	29,000	29,000	24,188	4,812
Contractual and other services	59,020	59,020	60,804	(1,784)
Repairs and maintenance	<u>385,800</u>	<u>385,800</u>	<u>327,725</u>	<u>58,075</u>
Total Transmission and distribution	<u>2,006,762</u>	<u>2,054,188</u>	<u>1,906,342</u>	<u>147,846</u>
Water meters:				
Salaries and benefits	640,711	668,352	661,383	6,969
Supplies	24,700	24,700	19,448	5,252
Contractual and other services	42,400	42,400	32,458	9,942
Repairs and maintenance	<u>93,600</u>	<u>93,600</u>	<u>55,461</u>	<u>38,139</u>
Total water meters	<u>801,411</u>	<u>829,052</u>	<u>768,750</u>	<u>60,302</u>
Utility billing:				
Salaries and benefits	336,332	346,752	354,451	(7,699)
Supplies	49,500	49,500	38,438	11,062
Contractual and other services	272,425	272,425	221,450	50,975
Repairs and maintenance	<u>3,500</u>	<u>3,500</u>	<u>-</u>	<u>3,500</u>
Total utility billing	<u>661,757</u>	<u>672,177</u>	<u>614,339</u>	<u>57,838</u>
Customer relations:				
Salaries and benefits	577,754	620,068	617,348	2,720
Supplies	17,060	17,060	17,838	(778)
Contractual and other services	212,255	212,255	235,014	(22,759)
Repairs and maintenance	<u>1,700</u>	<u>1,700</u>	<u>912</u>	<u>788</u>
Total customer relations	<u>808,769</u>	<u>851,083</u>	<u>871,112</u>	<u>(20,029)</u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Administration:				
Salaries and benefits	\$ 800,202	\$ 610,002	\$ 651,458	\$ (41,456)
Supplies	16,306	16,306	15,888	418
Contractual and other services	833,713	833,713	583,296	250,417
Repairs and maintenance	<u>12,738</u>	<u>12,738</u>	<u>16,786</u>	<u>(4,048)</u>
Total administration	<u>1,662,959</u>	<u>1,472,759</u>	<u>1,267,428</u>	<u>205,331</u>
Non-departmental expenses:				
Liability insurance	90,073	90,073	90,073	-
Interest and fiscal charges	1,144,797	1,144,797	1,136,605	8,192
Bond principal requirements	1,188,250	1,188,250		1,188,250
Capitalized interest	-	-	(521,805)	521,805
Other	-	-	(32,883)	32,883
Capital outlay	<u>8,018,830</u>	<u>8,876,719</u>	<u>2,622,250</u>	<u>6,254,469</u>
Total non-departmental expenses	<u>10,441,950</u>	<u>11,299,839</u>	<u>3,294,240</u>	<u>8,005,599</u>
Total expenses	<u>22,892,115</u>	<u>24,214,204</u>	<u>15,757,360</u>	<u>8,456,844</u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<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>\$ (6,339,112)</u>	<u>\$ (7,661,201)</u>	<u>\$ 1,515,825</u>	<u>\$ 9,177,026</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(3,289,455)	(3,289,455)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	2,631,006	2,631,006
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as a reduction of bonds payable per GAAP basis	<u>1,188,250</u>	<u>1,188,250</u>		<u>1,188,250</u>
Net income-GAAP basis	<u><u>\$ (7,527,362)</u></u>	<u><u>\$ (8,849,451)</u></u>	<u><u>\$ 857,376</u></u>	<u><u>\$ 9,706,827</u></u>

CITY OF McALLEN, TEXAS  
WATER FUND  
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
IN RESTRICTED ACCOUNTS  
For Fiscal Year Ended September 30, 2009

	<u>Current Debt Service</u>	<u>Customer Deposits</u>
Cash, certificates of deposit, and investments at September 30, 2008	\$ 592,520	\$ 1,892,030
Cash receipts:		
Transfers in	2,334,805	-
Operating activities	-	859,000
Reimbursements	-	-
Interest received	-	-
	<u>2,334,805</u>	<u>859,000</u>
Total cash receipts	<u>2,334,805</u>	<u>859,000</u>
Total cash available	<u>2,927,325</u>	<u>2,751,030</u>
Cash disbursements:		
Refunds	-	669,745
Capital acquisition	-	-
Principal payments	1,188,250	-
Interest and fiscal charges (net)	1,136,605	-
	<u>2,324,855</u>	<u>669,745</u>
Total cash disbursements	<u>2,324,855</u>	<u>669,745</u>
Cash, certificates of deposit, and investments at September 30, 2009	<u>\$ 602,470</u>	<u>\$ 2,081,285</u>
Cash, certificates of deposit, and investments at September 30, 2009 is comprised of the following:		
Cash	\$ -	\$ -
Certificates of deposit	-	2,081,285
Investments (net)	602,470	-
Accrued Interest	-	-
	<u>-</u>	<u>-</u>
Totals	<u>\$ 602,470</u>	<u>\$ 2,081,285</u>

<u>Depreciation</u>	<u>Capital Improvement</u>	<u>Water Revenue Bonds</u>	<u>Total</u>
<u>\$ 5,910,925</u>	<u>\$ 10,048,463</u>	<u>\$ 4,051,448</u>	<u>22,495,386</u>
1,070,856	1,007,180	-	4,412,841
-	-	-	859,000
-	33,667	-	33,667
<u>175,605</u>	<u>318,325</u>	<u>87,997</u>	<u>581,927</u>
<u>1,246,461</u>	<u>1,359,172</u>	<u>87,997</u>	<u>5,975,432</u>
<u>7,157,386</u>	<u>11,407,635</u>	<u>4,139,445</u>	<u>28,470,818</u>
-	-	-	669,745
445,480	1,643,318	367,935	2,456,733
-	-	-	1,188,250
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,136,605</u>
<u>445,480</u>	<u>1,643,318</u>	<u>367,935</u>	<u>5,451,333</u>
<u><u>\$ 6,711,906</u></u>	<u><u>\$ 9,764,317</u></u>	<u><u>\$ 3,771,510</u></u>	<u><u>\$ 22,931,488</u></u>
\$ 63,121	\$ 36,139	\$ 4,981	\$ 104,241
2,300,000	2,400,000	1,700,000	8,481,285
4,284,629	7,252,080	2,032,682	14,171,861
<u>64,156</u>	<u>76,098</u>	<u>33,847</u>	<u>174,101</u>
<u><u>\$ 6,711,906</u></u>	<u><u>\$ 9,764,317</u></u>	<u><u>\$ 3,771,510</u></u>	<u><u>\$ 22,931,488</u></u>



**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Sewer service charges	\$ 13,108,997	\$ 13,108,997	\$ 13,867,654	\$ 758,657
Industrial surcharges	361,974	361,974	302,881	(59,093)
Other services	<u>273,000</u>	<u>273,000</u>	<u>319,610</u>	<u>46,610</u>
Total operating revenues	<u>13,743,971</u>	<u>13,743,971</u>	<u>14,490,145</u>	<u>746,174</u>
Non-operating revenues:				
Investment earnings	625,700	625,700	932,191	306,491
Net increase (decrease) in the fair value of investment	-	-	63,668	63,668
Other	<u>25,752,000</u>	<u>25,752,000</u>	<u>320,049</u>	<u>(25,431,951)</u>
Total non-operating revenues	<u>26,377,700</u>	<u>26,377,700</u>	<u>1,315,908</u>	<u>(25,061,792)</u>
Total revenues	<u>40,121,671</u>	<u>40,121,671</u>	<u>15,806,053</u>	<u>(24,315,618)</u>
Expenses:				
Sewer plant:				
Salaries and benefits	1,685,983	1,748,910	1,742,686	6,224
Supplies	302,500	302,500	268,325	34,175
Contractual and other services	1,950,409	1,950,409	1,956,503	(6,094)
Repairs and maintenance	<u>240,805</u>	<u>240,805</u>	<u>167,273</u>	<u>73,532</u>
Total sewer plant	<u>4,179,697</u>	<u>4,242,624</u>	<u>4,134,787</u>	<u>107,837</u>
Sewer lab:				
Salaries and benefits	211,610	220,434	219,052	1,382
Supplies	54,040	54,040	39,677	14,363
Contractual and other services	6,469	6,469	12,016	(5,547)
Repairs and maintenance	<u>6,555</u>	<u>6,555</u>	<u>8,661</u>	<u>(2,106)</u>
Total sewer lab	<u>278,674</u>	<u>287,498</u>	<u>279,406</u>	<u>8,092</u>

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Sewer collection:				
Salaries and benefits	\$ 846,983	\$ 875,970	\$ 878,558	\$ (2,588)
Supplies	427,720	427,720	382,557	45,163
Contractual and other services	324,368	324,368	273,431	50,937
Repairs and maintenance	<u>330,870</u>	<u>330,870</u>	<u>233,049</u>	<u>97,821</u>
Total sewer collection	<u>1,929,941</u>	<u>1,958,928</u>	<u>1,767,595</u>	<u>191,333</u>
Administration:				
Salaries and benefits	445,359	458,495	406,213	52,282
Supplies	6,000	6,000	5,628	372
Contractual and other services	1,126,163	1,126,163	727,755	398,408
Repairs and maintenance	<u>5,300</u>	<u>5,300</u>	<u>9</u>	<u>5,291</u>
Total administration	<u>1,582,822</u>	<u>1,595,958</u>	<u>1,139,605</u>	<u>456,353</u>
Non-departmental expenses:				
Employee benefits	127,597	13,723	-	13,723
Liability insurance	72,201	72,201	72,201	-
Interest and fiscal charges	2,009,187	2,009,187	2,000,014	9,173
Bond principal requirements	1,361,750	1,361,750	-	1,361,750
Capitalized interest	-	-	(1,962,980)	1,962,980
Other	-	-	(257,304)	257,304
Capital outlay	<u>41,683,805</u>	<u>45,220,690</u>	<u>7,010,089</u>	<u>38,210,601</u>
Total non-departmental expenses	<u>45,254,540</u>	<u>48,677,551</u>	<u>6,862,020</u>	<u>41,815,531</u>
Total expenses	<u>53,225,674</u>	<u>56,762,559</u>	<u>14,183,413</u>	<u>42,579,146</u>

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<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	\$ (13,104,003)	\$ (16,640,888)	\$ 1,622,640	\$ 18,263,528
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(3,179,118)	(3,179,118)
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as reduction of bonds payable per GAAP basis	1,361,750	1,361,750	-	1,361,750
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	7,010,089	7,010,089
Net income-GAAP basis	<u>\$ (14,465,753)</u>	<u>\$ (18,002,638)</u>	<u>\$ 5,453,611</u>	<u>\$ 23,456,249</u>

CITY OF McALLEN, TEXAS  
SEWER FUND  
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
IN RESTRICTED ACCOUNTS  
For Fiscal Year Ended September 30, 2009

	<u>Current Debt Service</u>	<u>Depreciation</u>
Cash, certificates of deposit, and investments at September 30, 2008	<u>\$ 795,041</u>	<u>\$ 7,200,129</u>
Cash receipts:		
Transfers from operating cash	3,371,577	1,589,559
Operating activities	-	-
Valuation allowance	-	12,190
Interest received	<u>-</u>	<u>175,970</u>
Total cash receipts	<u>3,371,577</u>	<u>1,777,719</u>
Total cash available	<u>4,166,618</u>	<u>8,977,848</u>
Cash disbursements:		
Principal payments	1,361,750	-
Interest and fiscal charges (net)	2,000,014	-
Capital acquisitions	<u>-</u>	<u>1,048,063</u>
Total cash disbursements	<u>3,361,764</u>	<u>1,048,063</u>
Cash, certificates of deposit, and investments at September 30, 2009	<u><u>\$ 804,854</u></u>	<u><u>\$ 7,929,785</u></u>
Cash, certificates of deposit, and investments at September 30, 2009 is comprised of the following:		
Cash	\$ -	\$ 53,275
Certificates of deposit	-	3,100,000
Investments (net)	804,854	4,732,297
Accrued Interest	<u>-</u>	<u>44,213</u>
Totals	<u><u>\$ 804,854</u></u>	<u><u>\$ 7,929,785</u></u>

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<u>Capital Improvement</u>	<u>Sewer Revenue Bonds</u>	<u>Total</u>
<u>\$ 5,804,934</u>	<u>\$ 19,334,746</u>	<u>33,134,850</u>
5,001,805	-	9,962,941
200,000	26,957	226,957
21,910	-	34,100
<u>176,419</u>	<u>394,325</u>	<u>746,714</u>
<u>5,400,134</u>	<u>421,282</u>	<u>11,391,994</u>
<u>11,205,068</u>	<u>19,756,028</u>	<u>44,526,844</u>
-	-	1,361,750
-	-	2,000,014
<u>161,616</u>	<u>5,768,990</u>	<u>6,978,669</u>
<u>161,616</u>	<u>5,768,990</u>	<u>10,340,433</u>
<u><u>\$ 11,043,452</u></u>	<u><u>\$ 13,987,038</u></u>	<u><u>\$ 33,765,129</u></u>
\$ 86,919	\$ 6,047	\$ 146,241
4,000,000	4,500,000	11,600,000
6,901,452	9,435,972	21,874,575
<u>55,081</u>	<u>45,019</u>	<u>144,313</u>
<u><u>\$ 11,043,452</u></u>	<u><u>\$ 13,987,038</u></u>	<u><u>\$ 33,765,129</u></u>

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<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	\$ 15,549,124	\$ 15,549,124	\$ 14,916,390	\$ (632,734)
Other services	<u>90,000</u>	<u>90,000</u>	<u>187,157</u>	<u>97,157</u>
Total operating revenues	<u>15,639,124</u>	<u>15,639,124</u>	<u>15,103,547</u>	<u>(535,577)</u>
Non-operating revenues:				
Investment earnings	-	-	135,756	135,756
Net increase (decrease) in the fair value of investment	-	-	7,040	7,040
Other	<u>20,000</u>	<u>20,000</u>	<u>85,718</u>	<u>65,718</u>
Total non-operating revenues	<u>20,000</u>	<u>20,000</u>	<u>228,514</u>	<u>208,514</u>
Total revenues	<u>15,659,124</u>	<u>15,659,124</u>	<u>15,332,061</u>	<u>(327,063)</u>
Expenses:				
Facilities administration:				
Salaries and benefits	620,494	638,570	618,469	20,101
Supplies	15,750	15,750	14,644	1,106
Contractual and other services	740,466	740,466	828,966	(88,500)
Repairs and maintenance	55,398	55,398	36,283	19,115
Capital outlay	<u>827,300</u>	<u>827,300</u>	<u>14,700</u>	<u>812,600</u>
Total facilities administration	<u>2,259,408</u>	<u>2,277,484</u>	<u>1,513,062</u>	<u>764,422</u>
Brush collection:				
Salaries and benefits	1,192,520	1,227,710	1,104,234	123,476
Supplies	30,170	30,170	27,098	3,072
Contractual and other services	121,500	121,500	124,108	(2,608)
Repairs and maintenance	508,925	508,925	415,002	93,923
Capital outlay	<u>69,500</u>	<u>69,500</u>	<u>56,126</u>	<u>13,374</u>
Total brush collection	<u>1,922,615</u>	<u>1,957,805</u>	<u>1,726,568</u>	<u>231,237</u>

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Regular collection:				
Salaries and benefits	\$ 1,243,074	\$ 1,279,933	\$ 1,207,537	\$ 72,396
Supplies	34,359	34,359	23,167	11,192
Contractual and other services	591,200	591,200	588,910	2,290
Repairs and maintenance	836,348	836,348	652,050	184,298
Capital outlay	<u>115,700</u>	<u>115,700</u>	<u>20,875</u>	<u>94,825</u>
Total regular collection	<u>2,820,681</u>	<u>2,857,540</u>	<u>2,492,539</u>	<u>365,001</u>
Commercial box collection:				
Salaries and benefits	973,126	999,274	955,541	43,733
Supplies	39,229	39,229	36,579	2,650
Contractual and other services	1,213,900	1,213,900	1,398,994	(185,094)
Repairs and maintenance	800,421	800,421	653,456	146,965
Capital outlay	<u>200,000</u>	<u>200,000</u>	<u>8,677</u>	<u>191,323</u>
Total commercial box collection	<u>3,226,676</u>	<u>3,252,824</u>	<u>3,053,247</u>	<u>199,577</u>
Roll offs:				
Salaries and benefits	242,809	250,268	215,478	34,790
Supplies	5,000	5,000	5,034	(34)
Contractual and other services	308,500	308,500	254,676	53,824
Repairs and maintenance	158,166	158,166	125,525	32,641
Capital outlay	<u>110,000</u>	<u>110,000</u>	<u>21,198</u>	<u>88,802</u>
Total roll offs	<u>824,475</u>	<u>831,934</u>	<u>621,911</u>	<u>210,023</u>
Recycling:				
Salaries and benefits	978,158	999,771	897,113	102,658
Supplies	42,800	42,800	34,838	7,962
Contractual and other services	220,000	220,000	362,389	(142,389)
Repairs and maintenance	187,901	187,901	176,949	10,952
Capital outlay	<u>160,000</u>	<u>167,970</u>	<u>74,300</u>	<u>93,670</u>
Total recycling	<u>1,588,859</u>	<u>1,618,442</u>	<u>1,545,589</u>	<u>72,853</u>

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Composting:				
Salaries and benefits	\$ 287,352	\$ 292,449	\$ 221,379	\$ 71,070
Supplies	11,750	11,750	9,128	2,622
Contractual and other services	227,500	227,500	215,091	12,409
Repairs and maintenance	42,276	42,276	66,896	(24,620)
Capital outlay	<u>241,920</u>	<u>241,920</u>	<u>-</u>	<u>241,920</u>
Total composting	<u>810,798</u>	<u>815,895</u>	<u>512,494</u>	<u>303,401</u>
Non-departmental expenses:				
Depreciation fund-capital outlay	2,751,000	2,822,343	805,758	2,016,585
Liability insurance	<u>104,898</u>	<u>104,898</u>	<u>104,898</u>	<u>-</u>
Total non-departmental expenses	<u>2,855,898</u>	<u>2,927,241</u>	<u>910,656</u>	<u>2,016,585</u>
Total expenses	<u>16,309,410</u>	<u>16,539,165</u>	<u>12,376,066</u>	<u>4,163,099</u>
Excess (deficiency) of revenues over budget	<u>(650,286)</u>	<u>(880,041)</u>	<u>2,955,995</u>	<u>3,836,036</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,569,808)	(1,569,808)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>1,001,634</u>	<u>1,001,634</u>
Net income-GAAP basis	<u>\$ (650,286)</u>	<u>\$ (880,041)</u>	<u>\$ 2,387,821</u>	<u>\$ 3,267,862</u>



**CITY OF McALLEN, TEXAS**  
**PALM VIEW GOLF COURSE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Green fees	\$ 636,761	\$ 636,761	\$ 685,583	\$ 48,822
Membership sales	161,673	161,673	165,656	3,983
Cart rental	282,825	282,825	282,237	(588)
Rentals and other sales	<u>142,622</u>	<u>142,622</u>	<u>153,966</u>	<u>11,344</u>
Total operating revenues	<u>1,223,881</u>	<u>1,223,881</u>	<u>1,287,442</u>	<u>63,561</u>
Non-operating revenues:				
Investment earnings	10,000	10,000	6,867	(3,133)
Other	<u>-</u>	<u>-</u>	<u>44,755</u>	<u>44,755</u>
Total non-operating revenues	<u>10,000</u>	<u>10,000</u>	<u>51,622</u>	<u>41,622</u>
Total revenues	<u>1,233,881</u>	<u>1,233,881</u>	<u>1,339,064</u>	<u>105,183</u>
Expenses:				
Salaries and benefits	746,898	762,972	707,230	55,742
Supplies	150,471	133,913	88,333	45,580
Contractual and other services	187,340	200,340	205,504	(5,164)
Repairs and maintenance	95,604	95,604	82,201	13,403
Capital outlay	<u>115,000</u>	<u>118,558</u>	<u>91,377</u>	<u>27,181</u>
Total expenses	<u>1,295,313</u>	<u>1,311,387</u>	<u>1,174,645</u>	<u>136,742</u>
Excess (deficiency) of revenues over budget	<u>(61,432)</u>	<u>(77,506)</u>	<u>164,419</u>	<u>241,925</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(389,918)	(389,918)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>91,377</u>	<u>91,377</u>
Net income-GAAP basis	<u><u>\$ (61,432)</u></u>	<u><u>\$ (77,506)</u></u>	<u><u>\$ (134,122)</u></u>	<u><u>\$ (56,616)</u></u>

**CITY OF McALLEN, TEXAS**  
**TRANSIT TERMINAL FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 241,200	\$ 241,200	\$ 225,525	\$ (15,675)
Concessions-other	68,699	68,699	68,678	(21)
Other services	<u>-</u>	<u>-</u>	<u>10,328</u>	<u>10,328</u>
Total operating revenues	<u>309,899</u>	<u>309,899</u>	<u>304,531</u>	<u>(5,368)</u>
Non-operating revenues:				
Investment earnings	-	-	14,208	14,208
Intergovernmental	<u>1,940,802</u>	<u>1,940,802</u>	<u>1,195,494</u>	<u>(745,308)</u>
Total non-operating revenues	<u>1,940,802</u>	<u>1,940,802</u>	<u>1,209,702</u>	<u>(731,100)</u>
Total revenues	<u>2,250,701</u>	<u>2,250,701</u>	<u>1,514,233</u>	<u>(736,468)</u>
Expenses:				
Salaries and benefits	553,584	575,239	476,262	98,977
Supplies	47,929	46,329	43,385	2,944
Contractual and other services	226,081	227,681	263,215	(35,534)
Repairs and maintenance	25,288	25,288	28,623	(3,335)
Capital outlay	<u>2,298,460</u>	<u>2,298,460</u>	<u>1,450,634</u>	<u>847,826</u>
Total expenses	<u>3,151,342</u>	<u>3,172,997</u>	<u>2,262,119</u>	<u>910,878</u>

**CITY OF McALLEN, TEXAS**  
**TRANSIT TERMINAL FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<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 expenses (budget basis) before transfers	\$ (900,641)	\$ (922,296)	\$ (747,886)	\$ 174,410
Transfers:				
Transfers in	<u>892,408</u>	<u>892,408</u>	<u>892,408</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(8,233)</u>	<u>(29,888)</u>	<u>144,522</u>	<u>174,410</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(142,764)	(142,764)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>1,450,634</u>	<u>1,450,634</u>
Net income-GAAP basis	<u>\$ (8,233)</u>	<u>\$ (29,888)</u>	<u>\$ 1,452,392</u>	<u>\$ 1,482,280</u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL CIVIC CENTER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 90,000	\$ 90,000	\$ 126,266	\$ 36,266
Concessions-other	27,000	27,000	109,223	82,223
Other services	<u>-</u>	<u>-</u>	<u>15,658</u>	<u>15,658</u>
Total operating revenues	<u>117,000</u>	<u>117,000</u>	<u>251,147</u>	<u>134,147</u>
Non-operating revenues:				
Investment earnings	<u>-</u>	<u>-</u>	<u>1,117</u>	<u>1,117</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>1,117</u>	<u>1,117</u>
Total revenues	<u>117,000</u>	<u>117,000</u>	<u>252,264</u>	<u>135,264</u>
Expenses:				
Supplies	10,500	10,500	10,543	(43)
Contractual and other services	310,887	299,787	329,560	(29,773)
Repairs and maintenance	17,000	36,000	29,412	6,588
Capital outlay	<u>355,000</u>	<u>347,100</u>	<u>30,610</u>	<u>316,490</u>
Total expenses	<u>693,387</u>	<u>693,387</u>	<u>400,125</u>	<u>293,262</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(576,387)	(576,387)	(147,861)	428,526
Transfers:				
Transfers in	<u>592,337</u>	<u>592,337</u>	<u>502,117</u>	<u>(90,220)</u>
Excess (deficiency) of revenues over budget	<u>15,950</u>	<u>15,950</u>	<u>354,256</u>	<u>338,306</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(79,429)	(79,429)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>30,610</u>	<u>30,610</u>
Net income-GAAP basis	<u><u>\$ 15,950</u></u>	<u><u>\$ 15,950</u></u>	<u><u>\$ 305,437</u></u>	<u><u>\$ 289,487</u></u>

**CITY OF McALLEN, TEXAS**  
**McALLEN CONVENTION CENTER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 1,000,000	\$ 1,000,000	\$ 995,167	\$ (4,833)
Concessions-other	463,000	463,000	574,296	111,296
Other services	<u>112,720</u>	<u>112,720</u>	<u>147,416</u>	<u>34,696</u>
Total operating revenues	<u>1,575,720</u>	<u>1,575,720</u>	<u>1,716,879</u>	<u>141,159</u>
Non-operating revenues:				
Investment earnings	-	-	35,690	35,690
Net increase (decrease) in the fair value of investments	<u>-</u>	<u>-</u>	<u>2,488</u>	<u>2,488</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>38,178</u>	<u>38,178</u>
Total revenues	<u>1,575,720</u>	<u>1,575,720</u>	<u>1,755,057</u>	<u>179,337</u>
Expenses:				
Salaries and benefits	1,630,154	1,675,638	1,562,175	113,463
Supplies	82,925	83,025	78,725	4,300
Contractual and other services	1,447,952	1,431,652	1,533,438	(101,786)
Repairs and maintenance	307,334	453,534	420,446	33,088
Capital outlay	<u>792,701</u>	<u>662,701</u>	<u>165,722</u>	<u>496,979</u>
Total expenses	<u>4,261,066</u>	<u>4,306,550</u>	<u>3,760,506</u>	<u>546,044</u>
Excess (deficiency) of revenues over over expenses (budget basis) before transfers	(2,685,346)	(2,730,830)	(2,005,449)	725,381
Transfers:				
Transfers in	<u>2,369,350</u>	<u>2,369,350</u>	<u>2,008,467</u>	<u>(360,883)</u>
Excess (deficiency) of revenues over budget	<u>(315,996)</u>	<u>(361,480)</u>	<u>3,018</u>	<u>364,498</u>

**CITY OF McALLEN, TEXAS**  
**McALLEN CONVENTION CENTER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

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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	\$ -	\$ -	\$ (1,574,746)	\$ (1,574,746)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>165,722</u>	<u>165,723</u>
Net income-GAAP basis	<u><u>\$ (315,996)</u></u>	<u><u>\$ (361,480)</u></u>	<u><u>\$ (1,406,006)</u></u>	<u><u>\$ (1,044,525)</u></u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<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	\$ 2,063,100	\$ 2,063,100	\$ 2,207,062	\$ 143,962
Rentals	3,002,000	3,002,000	3,085,059	83,059
Other services	<u>218,500</u>	<u>218,500</u>	<u>201,152</u>	<u>(17,348)</u>
Total operating revenues	<u>5,283,600</u>	<u>5,283,600</u>	<u>5,493,273</u>	<u>209,673</u>
Non-operating revenues:				
Intergovernmental	3,990,000	16,951,791	1,836,359	(15,115,432)
Investment earnings	135,300	135,300	131,214	(4,086)
Net increase (decrease) in the fair value of investments	-	-	562	562
Other	<u>-</u>	<u>-</u>	<u>1,173</u>	<u>1,173</u>
Total non-operating revenues	<u>4,125,300</u>	<u>17,087,091</u>	<u>1,969,308</u>	<u>(15,117,783)</u>
Total revenues	<u>9,408,900</u>	<u>22,370,691</u>	<u>7,462,581</u>	<u>(14,908,110)</u>
Expenses:				
Salaries and benefits	1,533,031	1,571,950	1,453,139	118,811
Supplies	62,502	67,002	65,595	1,407
Contractual and other services	1,830,390	1,831,590	1,698,361	133,229
Repairs and maintenance	453,367	449,367	308,599	140,768
Capital outlay	<u>6,511,396</u>	<u>19,833,076</u>	<u>2,194,218</u>	<u>17,638,858</u>
Total expenses	<u>10,390,686</u>	<u>23,752,985</u>	<u>5,719,912</u>	<u>18,033,073</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(981,786)	(1,382,294)	1,742,669	3,124,963
Transfers:				
Transfers out	<u>(1,103,965)</u>	<u>(1,103,965)</u>	<u>(1,103,965)</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(2,085,751)</u>	<u>(2,486,259)</u>	<u>638,704</u>	<u>3,124,963</u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

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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	\$ -	\$ -	\$ (2,476,106)	\$ (2,476,106)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>2,194,218</u>	<u>2,194,218</u>
Net income-GAAP basis	<u>\$ (2,085,751)</u>	<u>\$ (2,486,259)</u>	<u>\$ 356,816</u>	<u>\$ 2,843,075</u>



**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<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	\$ 11,748,440	\$ 11,748,440	\$ 11,190,709	\$ (557,731)
Rentals	1,273,898	1,273,898	1,467,141	193,243
Other	<u>190,400</u>	<u>190,400</u>	<u>258,627</u>	<u>68,227</u>
Total operating revenues	<u>13,212,738</u>	<u>13,212,738</u>	<u>12,916,477</u>	<u>(296,261)</u>
Non-operating revenues:				
Investment earnings	<u>196,000</u>	<u>196,000</u>	<u>54,370</u>	<u>(141,630)</u>
Total non-operating revenues	<u>196,000</u>	<u>196,000</u>	<u>54,370</u>	<u>(141,630)</u>
Total revenues	<u>13,408,738</u>	<u>13,408,738</u>	<u>12,970,847</u>	<u>(437,891)</u>
Expenses:				
Administration:				
Salaries and benefits	179,944	186,158	203,334	(17,176)
Supplies	24,800	24,800	19,558	5,242
Contractual and other services	527,650	445,450	446,099	(649)
Repairs and maintenance	4,359	4,359	2,519	1,840
Capital outlay	<u>531,000</u>	<u>566,000</u>	<u>444,234</u>	<u>121,766</u>
Total administration	<u>1,267,753</u>	<u>1,226,767</u>	<u>1,115,744</u>	<u>111,023</u>
Operations :				
Salaries and benefits	1,123,465	1,163,395	1,103,837	59,558
Supplies	77,000	77,000	66,483	10,517
Contractual and other services	324,900	325,100	306,379	18,721
Repairs and maintenance	<u>150,000</u>	<u>197,000</u>	<u>144,476</u>	<u>52,524</u>
Total operations	<u>1,675,365</u>	<u>1,762,495</u>	<u>1,621,175</u>	<u>141,320</u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<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	\$ 50,368	\$ 50,368	\$ 50,368	\$ -
Interest and fiscal charges	42,615	42,615	42,246	369
Bond principal requirement	245,000	245,000	-	245,000
Bond related charges	-	-	9,569	(9,569)
Other	<u>3,380,912</u>	<u>3,380,912</u>	<u>3,185,885</u>	<u>195,027</u>
Total non-departmental expenses	<u>3,718,895</u>	<u>3,718,895</u>	<u>3,288,068</u>	<u>430,827</u>
Total expenses	<u>6,662,013</u>	<u>6,708,157</u>	<u>6,024,987</u>	<u>683,170</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	6,746,725	6,700,581	6,945,860	245,279
Transfers:				
Transfers out	<u>(6,010,509)</u>	<u>(6,010,509)</u>	<u>(6,904,610)</u>	<u>(894,101)</u>
Net transfers	<u>(6,010,509)</u>	<u>(6,010,509)</u>	<u>(6,904,610)</u>	<u>(894,101)</u>
Excess (deficiency) of revenues over budget	<u>736,216</u>	<u>690,072</u>	<u>41,250</u>	<u>(648,822)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(505,584)	(505,584)
Interest on board advances	-	-	437,474	437,474
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>444,234</u>	<u>444,234</u>
Net income-GAAP basis	<u><u>\$ 736,216</u></u>	<u><u>\$ 690,072</u></u>	<u><u>\$ 417,374</u></u>	<u><u>\$ (272,698)</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, 2009**

	<b>Reserved for City Distribution</b>	<b>Current Debt Service</b>	<b>Contingency</b>	<b>Bridge Capital Improvement</b>	<b>Total</b>
Cash and investments at September 30, 2008	<u>\$ 6,182,816</u>	<u>\$ 147,121</u>	<u>\$ 507,363</u>	<u>\$ 844,709</u>	<u>\$ 7,682,009</u>
Add:					
Transfers in	4,886,916	295,996	-	-	5,182,912
Interest earned	<u>43,232</u>	<u>1,082</u>	<u>9</u>	<u>20,267</u>	<u>64,590</u>
Total additions	<u>4,930,148</u>	<u>297,078</u>	<u>9</u>	<u>20,267</u>	<u>5,247,502</u>
Less payments:					
Retirement of Series Revenue Bonds	-	245,000	-	-	245,000
Capital assets	-	-	-	367,859	367,859
Interfund transfers	6,218,582	1,245	7,363	15,000	6,242,190
Other	28	43,165	-	-	43,193
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,916</u>	<u>3,916</u>
Total payments	<u>6,218,610</u>	<u>289,410</u>	<u>7,363</u>	<u>386,775</u>	<u>6,902,158</u>
Cash and investments at September 30, 2009	<u><b>\$ 4,894,354</b></u>	<u><b>\$ 154,789</b></u>	<u><b>\$ 500,009</b></u>	<u><b>\$ 478,201</b></u>	<u><b>\$ 6,027,353</b></u>
Cash and investments at September 30, 2009 are comprised of the following:					
Cash	\$ -	\$ -	\$ -	\$ 1,914	\$ 1,914
Investments	<u>4,894,354</u>	<u>154,789</u>	<u>500,009</u>	<u>476,287</u>	<u>6,025,439</u>
	<u><b>\$ 4,894,354</b></u>	<u><b>\$ 154,789</b></u>	<u><b>\$ 500,009</b></u>	<u><b>\$ 478,201</b></u>	<u><b>\$ 6,027,353</b></u>

**CITY OF McALLEN, TEXAS**  
**ANZALDUAS INTERNATIONAL CROSSING FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<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	\$ 291,192	\$ 291,192	\$ -	\$ (291,192)
Other	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Total operating revenues	<u>301,192</u>	<u>301,192</u>	<u>-</u>	<u>(301,192)</u>
Non-operating revenues:				
Intergovernmental	-	-	1,050,469	1,050,469
Investment earnings	19,353	19,353	151,886	132,533
Other	<u>1,954,689</u>	<u>1,954,689</u>	<u>26,752</u>	<u>(1,927,937)</u>
Total non-operating revenues	<u>1,974,042</u>	<u>1,974,042</u>	<u>1,229,107</u>	<u>(744,935)</u>
Total revenues	<u>2,275,234</u>	<u>2,275,234</u>	<u>1,229,107</u>	<u>(1,046,127)</u>
Expenses:				
Administration:				
Salaries and benefits	60,961	62,770	-	62,770
Supplies	7,500	7,500	-	7,500
Contractual and other services	69,675	69,675	-	69,675
Capital outlay	<u>12,439,769</u>	<u>12,439,769</u>	<u>10,477,574</u>	<u>1,962,195</u>
Total administration	<u>12,577,905</u>	<u>12,579,714</u>	<u>10,477,574</u>	<u>2,102,140</u>
Operations :				
Salaries and benefits	170,592	170,592	-	170,592
Contractual and other services	20,544	20,544	-	20,544
Repairs and maintenance	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total operations	<u>201,136</u>	<u>201,136</u>	<u>-</u>	<u>201,136</u>

**CITY OF McALLEN, TEXAS**  
**ANZALDUAS INTERNATIONAL CROSSING FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<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	\$ 5,000	\$ 5,000	\$ -	\$ 5,000
Interest and fiscal charges	1,851,920	1,851,920	1,854,167	(2,247)
Interest on board advances	-	-	437,474	(437,474)
Bond related charges	-	-	17,043	(17,043)
Capitalized interest	-	-	(1,709,258)	1,709,258
Total non-departmental expenses	<u>1,856,920</u>	<u>1,856,920</u>	<u>599,426</u>	<u>1,257,494</u>
Total expenses	<u>14,635,961</u>	<u>14,637,770</u>	<u>11,077,000</u>	<u>3,560,770</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(12,360,727)	(12,362,536)	(9,847,893)	2,514,643
Transfers:				
Transfers in	<u>1,211,408</u>	<u>1,211,408</u>	<u>776,829</u>	<u>(434,579)</u>
Net transfers	<u>1,211,408</u>	<u>1,211,408</u>	<u>776,829</u>	<u>(434,579)</u>
Excess (deficiency) of revenues over budget	<u>(11,149,319)</u>	<u>(11,151,128)</u>	<u>(9,071,064)</u>	<u>2,080,064</u>
GAAP basis adjustments:				
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>10,477,574</u>	<u>10,477,574</u>
Net income-GAAP basis	<u><u>\$ (11,149,319)</u></u>	<u><u>\$ (11,151,128)</u></u>	<u><u>\$ 1,406,510</u></u>	<u><u>\$ 12,557,638</u></u>

CITY OF McALLEN, TEXAS  
 ANZALDUAS INTERNATIONAL CROSSING FUND  
 SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
 IN RESTRICTED ACCOUNTS  
 For Fiscal Year Ended September 30, 2009

	Current Debt Service		Revenue Bonds		
	Series A	Series B	Series A	Series B	Total
	\$26M	\$13M	\$26M	\$13M	
Cash and investments at September 30, 2008	\$ 104,400	\$ 50,772	\$ 3,988,855	\$ 13,440,000	\$ 17,584,027
Add:					
Transfers in	1,455,414	776,829	2,542,680	-	4,774,923
Capital contributions	-	-	-	1,077,223	1,077,223
Interest earned	2,059	1,001	2,426	142,236	147,722
Total additions	1,457,473	777,830	2,545,106	1,219,459	5,999,868
Less payments:					
Other payables	-	-	5,154,709	-	5,154,709
Capital assets	-	-	29,430	9,991,277	10,020,707
Interfund transfers	2,103	1,023	1,349,822	2,542,680	3,895,628
Interest and fiscal charges	1,247,339	606,828	-	-	1,854,167
Total payments	1,249,442	607,851	6,533,961	12,533,957	20,925,211
Cash and investments at September 30, 2009	<u>\$ 312,431</u>	<u>\$ 220,751</u>	<u>\$ -</u>	<u>\$ 2,125,502</u>	<u>\$ 2,658,684</u>
Cash and investments at September 30, 2009 are comprised of the following:					
Cash	\$ 138,333	\$ 113,333	\$ -	\$ 3,843	\$ 255,509
Investments	174,098	107,418	-	2,028,931	2,310,447
Other receivables	-	-	-	92,728	92,728
	<u>\$ 312,431</u>	<u>\$ 220,751</u>	<u>\$ -</u>	<u>\$ 2,125,502</u>	<u>\$ 2,658,684</u>

**CITY OF McALLEN, TEXAS**  
**McALLEN EXPRESS FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<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	\$ 275,000	\$ 275,000	\$ 238,145	\$ (36,855)
Total operating revenues	<u>275,000</u>	<u>275,000</u>	<u>238,145</u>	<u>(36,855)</u>
Non-operating revenues:				
Intergovernmental	3,109,625	5,615,546	998,949	(4,616,597)
Investment earnings	<u>-</u>	<u>-</u>	<u>13,114</u>	<u>13,114</u>
Total non-operating revenues	<u>3,109,625</u>	<u>5,615,546</u>	<u>1,012,063</u>	<u>(4,603,483)</u>
Total revenues	<u>3,384,625</u>	<u>5,890,546</u>	<u>1,250,208</u>	<u>(4,640,338)</u>
Expenses:				
Salaries and benefits	852,852	876,965	880,331	(3,366)
Contractual and other services	48,676	48,676	153,682	(105,006)
Repairs and maintenance	467,110	667,110	511,705	155,405
Capital outlay	<u>2,936,390</u>	<u>5,242,311</u>	<u>246,048</u>	<u>4,996,263</u>
Total expenses	<u>4,305,028</u>	<u>6,835,062</u>	<u>1,791,766</u>	<u>5,043,296</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(920,403)	(944,516)	(541,558)	402,958
Transfers:				
Transfers in	<u>897,881</u>	<u>897,881</u>	<u>897,881</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(22,522)</u>	<u>(46,635)</u>	<u>356,323</u>	<u>402,958</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(272,120)	(272,120)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>246,048</u>	<u>246,048</u>
Net income-GAAP basis	<u>\$ (22,522)</u>	<u>\$ (46,635)</u>	<u>\$ 330,251</u>	<u>\$ 376,886</u>

**CITY OF McALLEN, TEXAS**  
**FLEET MATERIALS MANAGEMENT FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Fleet billings	\$ 2,715,000	\$ 2,715,000	\$ 2,871,686	\$ 156,686
Materials management	<u>166,000</u>	<u>166,000</u>	<u>164,605</u>	<u>(1,395)</u>
Total operating revenues	<u>2,881,000</u>	<u>2,881,000</u>	<u>3,036,291</u>	<u>155,291</u>
Non-operating revenues:				
Investment earnings	-	-	3,565	3,565
Other	<u>-</u>	<u>-</u>	<u>1,714</u>	<u>1,714</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>5,279</u>	<u>5,279</u>
Total revenues	<u>2,881,000</u>	<u>2,881,000</u>	<u>3,041,570</u>	<u>160,570</u>
Expenses:				
Materials management:				
Salaries and benefits	187,185	191,012	140,373	50,639
Supplies	2,150	2,150	1,886	264
Contractual and other services	1,250	1,250	11,494	(10,244)
Repairs and maintenance	<u>4,189</u>	<u>4,189</u>	<u>1,559</u>	<u>2,630</u>
Total materials management	<u>194,774</u>	<u>198,601</u>	<u>155,312</u>	<u>43,289</u>
Fleet operations :				
Salaries and benefits	851,458	877,601	814,079	63,522
Supplies	19,614	19,614	19,569	45
Contractual and other services	1,608,300	1,608,300	1,902,973	(294,673)
Repairs and maintenance	46,162	46,162	36,585	9,577
Capital outlay	<u>39,700</u>	<u>39,700</u>	<u>27,752</u>	<u>11,948</u>
Total fleet operations	<u>2,565,234</u>	<u>2,591,377</u>	<u>2,800,958</u>	<u>(209,581)</u>



**CITY OF McALLEN, TEXAS**  
**FLEET MATERIALS MANAGEMENT FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<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	\$ -
Other	<u>-</u>	<u>-</u>	<u>3,248</u>	<u>(3,248)</u>
Total non-departmental expenses	<u>12,493</u>	<u>12,493</u>	<u>15,741</u>	<u>(3,248)</u>
Total expenses	<u>2,772,501</u>	<u>2,802,471</u>	<u>2,972,011</u>	<u>(169,540)</u>
Excess (deficiency) of revenues over expenses (budget basis)	108,499	78,529	69,559	(8,970)
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(28,912)	(28,912)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>27,752</u>	<u>27,752</u>
Net income-GAAP basis	<u>\$ 108,499</u>	<u>\$ 78,529</u>	<u>\$ 68,399</u>	<u>\$ (10,130)</u>

**CITY OF McALLEN, TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 7,497,538</u>	<u>\$ 7,497,538</u>	<u>\$ 8,379,805</u>	<u>\$ 882,267</u>
Non-operating revenues:				
Investment earnings	280,000	280,000	168,893	(111,107)
Net increase (decrease) in the fair value of investments	-	-	2,488	2,488
Other	<u>-</u>	<u>-</u>	<u>123,491</u>	<u>123,491</u>
Total non-operating revenues	<u>280,000</u>	<u>280,000</u>	<u>294,872</u>	<u>14,872</u>
Total revenues	<u>7,777,538</u>	<u>7,777,538</u>	<u>8,674,677</u>	<u>897,139</u>
Expenses:				
Salaries and benefits	186,407	190,887	196,041	(5,154)
Supplies	2,500	2,500	2,483	17
Contractual and other services	1,072,147	1,102,147	1,332,661	(230,514)
Self insurance claims	6,400,000	6,365,000	5,639,208	725,792
Capital outlay	<u>5,200</u>	<u>10,200</u>	<u>-</u>	<u>10,200</u>
Total expenses	<u>7,666,254</u>	<u>7,670,734</u>	<u>7,170,393</u>	<u>500,341</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	111,284	106,804	1,504,284	1,397,480
Transfers out	<u>(500,000)</u>	<u>(800,000)</u>	<u>(800,000)</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(388,716)</u>	<u>(693,196)</u>	<u>704,284</u>	<u>1,397,480</u>
Net income-GAAP basis	<u><u>\$ (388,716)</u></u>	<u><u>\$ (693,196)</u></u>	<u><u>\$ 704,284</u></u>	<u><u>\$ 1,397,480</u></u>

**CITY OF McALLEN, TEXAS**  
**RETIREE HEALTH INSURANCE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 713,038</u>	<u>\$ 713,038</u>	<u>\$ 320,765</u>	<u>\$ (392,273)</u>
Non-operating revenues:				
Investment earnings	<u>-</u>	<u>-</u>	<u>1,216</u>	<u>1,216</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>1,216</u>	<u>1,216</u>
Total revenues	<u>713,038</u>	<u>713,038</u>	<u>321,981</u>	<u>(391,057)</u>
Expenses:				
Contractual and other services	<u>43,277</u>	<u>43,277</u>	<u>-</u>	<u>43,277</u>
Self insurance claims	<u>886,500</u>	<u>1,186,500</u>	<u>302,337</u>	<u>884,163</u>
Total expenses	<u>929,777</u>	<u>1,229,777</u>	<u>302,337</u>	<u>927,440</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	<u>(216,739)</u>	<u>(516,739)</u>	<u>19,644</u>	<u>536,383</u>
Transfers in	<u>500,000</u>	<u>800,000</u>	<u>800,000</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>283,261</u>	<u>283,261</u>	<u>819,644</u>	<u>536,383</u>
Net income-GAAP basis	<u><u>\$ 283,261</u></u>	<u><u>\$ 283,261</u></u>	<u><u>\$ 819,644</u></u>	<u><u>\$ 536,383</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL INSURANCE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 4,495,989</u>	<u>\$ 4,495,989</u>	<u>\$ 4,813,647</u>	<u>\$ 317,658</u>
Non-operating revenues:				
Investment earnings	300,000	300,000	300,261	261
Net increase (decrease) in the fair value of investments	-	-	(8,709)	(8,709)
Other	<u>110,000</u>	<u>110,000</u>	<u>346,771</u>	<u>236,771</u>
Total non-operating revenues	<u>410,000</u>	<u>410,000</u>	<u>638,323</u>	<u>228,323</u>
Total revenues	<u>4,905,989</u>	<u>4,905,989</u>	<u>5,451,970</u>	<u>545,981</u>
Expenses:				
Salaries and benefits	217,576	223,935	163,661	60,274
Supplies	3,500	5,000	4,811	189
Contractual and other services	2,624,669	2,623,169	2,611,447	11,722
Self insurance	100,000	100,000	(356,695)	456,695
Repairs and maintenance	1,363	1,363	671	692
Capital outlay	<u>5,200</u>	<u>5,200</u>	<u>-</u>	<u>5,200</u>
Total expenses	<u>2,952,308</u>	<u>2,958,667</u>	<u>2,423,895</u>	<u>534,772</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	1,953,681	1,947,322	3,028,075	1,080,753
Transfers out	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>953,681</u>	<u>947,322</u>	<u>2,028,075</u>	<u>1,080,753</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	<u>-</u>	<u>-</u>	<u>(1,915)</u>	<u>(1,915)</u>
Net income-GAAP basis	<u><u>\$ 953,681</u></u>	<u><u>\$ 947,322</u></u>	<u><u>\$ 2,026,160</u></u>	<u><u>\$ 1,078,838</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL DEPRECIATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For the Year Ended September 30, 2009**

	<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>\$ 3,249,162</u>	<u>\$ 3,249,162</u>	<u>\$ 3,267,268</u>	<u>\$ 18,106</u>
Non-operating revenues:				
Investment earnings	187,000	187,000	161,244	(25,756)
Net increase (decrease) in the fair value of investments	-	-	7,305	7,305
Other	<u>-</u>	<u>-</u>	<u>29,800</u>	<u>29,800</u>
Total non-operating revenues	<u>187,000</u>	<u>187,000</u>	<u>198,349</u>	<u>11,349</u>
Total revenues	<u>3,436,162</u>	<u>3,436,162</u>	<u>3,465,617</u>	<u>29,455</u>
Expenses:				
Contractual and other services	-	-	14,920	(14,920)
Capital outlay	<u>3,579,000</u>	<u>3,638,845</u>	<u>2,462,222</u>	<u>1,176,623</u>
Total expenses	<u>3,579,000</u>	<u>3,638,845</u>	<u>2,477,142</u>	<u>1,161,703</u>
Excess (deficiency) of revenues over expenses (budget basis)	(142,838)	(202,683)	988,475	1,191,158
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,931,584)	(1,931,584)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>2,462,222</u>	<u>2,462,222</u>
Net income-GAAP basis	<u><u>\$ (142,838)</u></u>	<u><u>\$ (202,683)</u></u>	<u><u>\$ 1,519,113</u></u>	<u><u>\$ 1,721,796</u></u>

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# Statistical Section

This part of the City of McAllen's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

## Contents

### Financial Trends

*These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.*

### Revenue Capacity

*These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.*

### Debt Capacity

*These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.*

### Demographic and Economic Information

*These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.*

### Operating Information

*These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report related to the services the government provides and the activities it performs.*

### Other Information

*Information that City considers useful to its citizens is included in this section.*

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

**City of McAllen, Texas**  
**Net Assets by Component**  
**Last Eight Years**  
**(accrual basis of accounting)**

	Fiscal Year							
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities								
Invested in capital assets, net of related debt	\$ 86,076,359	\$ 120,350,059	\$ 139,183,586	\$ 151,721,693	\$ 171,986,623	\$ 186,857,015	\$ 201,811,831	\$ 219,839,458
Restricted	34,906,089	21,081,571	10,395,232	11,778,142	17,921,869	24,738,888	55,854,614	47,710,091
Unrestricted	70,787,338	78,100,912	85,630,973	89,869,113	87,922,212	93,419,084	74,118,438	76,581,779
Total governmental activities net assets	<u>\$ 191,769,786</u>	<u>\$ 219,532,542</u>	<u>\$ 235,209,791</u>	<u>\$ 253,368,948</u>	<u>\$ 277,830,704</u>	<u>\$ 305,014,987</u>	<u>\$ 331,784,883</u>	<u>\$ 344,131,328</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 131,884,763	\$ 134,166,341	\$ 135,776,847	\$ 140,687,796	\$ 209,134,340	\$ 220,785,257	\$ 230,416,888	\$ 235,021,510
Restricted	49,555,807	53,387,435	64,711,780	78,363,358	44,571,692	46,163,426	45,494,800	52,423,804
Unrestricted	11,383,662	12,008,473	16,621,053	15,542,753	19,168,546	29,769,032	32,304,928	33,396,959
Total business-type activities net assets	<u>\$ 192,824,232</u>	<u>\$ 199,562,249</u>	<u>\$ 217,109,680</u>	<u>\$ 234,593,907</u>	<u>\$ 272,874,578</u>	<u>\$ 296,717,715</u>	<u>\$ 308,216,616</u>	<u>\$ 320,842,273</u>
Primary government								
Invested in capital assets, net of related debt	\$ 217,961,122	\$ 254,516,400	\$ 274,960,433	\$ 292,409,489	\$ 381,120,963	\$ 407,642,272	\$ 432,228,719	\$ 454,860,968
Restricted	84,461,896	74,469,006	75,107,012	90,141,500	62,493,561	70,902,314	101,349,414	100,133,895
Unrestricted	82,171,000	90,109,385	102,252,026	105,411,866	107,090,758	123,188,116	106,423,366	109,978,738
Total primary government activities net assets	<u>\$ 384,594,018</u>	<u>\$ 419,094,791</u>	<u>\$ 452,319,471</u>	<u>\$ 487,962,855</u>	<u>\$ 550,705,282</u>	<u>\$ 601,732,702</u>	<u>\$ 640,001,499</u>	<u>\$ 664,973,601</u>

Source: Comprehensive Annual Financial Reports

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

**City of McAllen, Texas**  
**Changes in Net Assets**  
**Last Eight Years**  
**(accrual basis of accounting)**

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Expenses								
Governmental activities:								
General government	\$ 12,906,438	\$ 13,182,932	\$ 14,690,963	\$ 16,625,820	\$ 17,758,574	\$ 18,902,664	\$ 21,534,637	\$ 20,045,996
Public safety	34,384,019	35,762,375	38,751,270	41,608,209	41,964,290	43,294,659	46,437,593	48,085,324
Highways and streets	10,137,676	11,047,814	12,712,852	14,884,137	18,056,177	17,842,276	19,206,764	20,408,868
Health and welfare	5,142,952	5,404,155	5,641,957	4,024,532	3,322,904	4,108,795	5,967,509	5,244,236
Culture and recreation	10,644,143	11,326,712	12,367,664	12,478,352	14,182,788	15,241,701	15,581,730	16,141,618
Interest on long-term debt	1,737,096	932,771	260,546	17,377	29,704	223,639	218,719	292,661
Total governmental activities expenses	<u>74,952,324</u>	<u>77,656,759</u>	<u>84,425,252</u>	<u>89,638,427</u>	<u>95,314,437</u>	<u>99,613,734</u>	<u>108,946,952</u>	<u>110,218,703</u>
Business-type activities:								
Water services	9,604,181	9,323,615	9,873,183	11,829,462	13,011,620	12,953,033	15,068,788	15,716,736
Sewer services	7,199,937	7,334,088	7,667,018	8,644,246	9,110,829	10,066,916	11,290,032	10,207,047
Sanitation services	8,012,050	8,365,789	9,273,893	10,053,540	10,960,409	11,522,697	12,862,854	12,550,573
Golf course services	1,136,123	1,139,483	1,190,232	1,336,992	1,419,748	1,381,746	1,423,536	1,435,269
Civic center services	960,076	1,030,029	1,370,414	1,463,999	1,481,792	1,160,949	441,880	441,900
Convention center services	-	-	-	-	-	2,269,201	4,619,870	4,960,887
Airport services	3,834,761	3,787,879	4,316,654	4,497,261	4,655,977	5,040,685	5,269,306	5,882,936
Transit services	555,102	603,871	895,522	634,498	748,048	773,448	802,198	936,081
Bus services	-	-	-	768,139	1,051,887	1,309,375	1,915,380	1,759,980
Anzalduas crossing	-	-	-	-	-	200,293	1,493,759	599,426
Bridge services	5,643,188	5,370,822	5,855,638	5,868,513	6,105,402	6,462,091	9,013,061	6,018,329
Total business-type activities expenses	<u>36,945,418</u>	<u>36,955,576</u>	<u>40,442,554</u>	<u>45,096,650</u>	<u>48,545,712</u>	<u>53,140,434</u>	<u>64,200,664</u>	<u>60,509,164</u>
Total primary government expenses	<u>\$ 111,897,742</u>	<u>\$ 114,612,335</u>	<u>\$ 124,867,806</u>	<u>\$ 134,735,077</u>	<u>\$ 143,860,149</u>	<u>\$ 152,754,168</u>	<u>\$ 173,147,616</u>	<u>\$ 170,727,867</u>
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$ 1,014,266	\$ 1,371,627	\$ 1,470,547	\$ 1,608,627	\$ 1,861,027	\$ 2,347,975	\$ 2,254,601	\$ 2,094,534
Public safety	2,894,411	3,495,679	3,900,835	3,768,756	3,950,042	4,210,066	4,058,995	3,849,128
Highways and streets	381,288	499,383	567,005	555,666	609,428	897,697	1,257,667	1,168,774
Health and welfare	57,481	52,670	58,888	54,613	71,060	68,585	525,182	526,815
Culture and recreation	685,938	655,806	666,244	676,694	773,555	860,332	924,944	935,219
Operating grants and contributions	4,230,204	2,813,269	4,327,817	3,935,159	1,917,181	1,920,712	2,022,022	2,016,915
Capital grants and contributions	3,545,332	5,942,400	8,287,196	7,067,128	8,946,949	7,059,478	7,441,811	3,984,011
Total governmental activities program revenues	<u>12,808,920</u>	<u>14,830,834</u>	<u>19,278,532</u>	<u>17,666,643</u>	<u>18,129,242</u>	<u>17,364,845</u>	<u>18,485,222</u>	<u>14,575,396</u>
Business-type activities:								
Charges for services:								
Water services	11,319,094	10,738,905	11,511,690	13,548,751	15,209,812	13,170,730	15,658,843	15,877,792
Sewer services	8,166,020	8,177,699	9,246,476	10,506,385	11,552,515	12,519,001	14,291,219	14,490,145
Sanitation services	8,607,277	9,060,365	10,215,117	11,171,374	11,483,355	13,349,134	14,706,767	15,103,546
Bridge services	10,681,943	11,287,789	11,526,384	12,571,155	12,939,661	12,445,997	14,447,459	12,916,479
Other	3,851,606	4,310,234	4,951,097	5,898,270	5,580,798	6,502,957	8,824,954	9,191,418
Operating grants and contributions	-	-	-	193,415	240,975	869,975	862,086	999,981
Capital grants and contributions	3,148,247	3,141,312	1,582,526	4,244,204	4,514,298	6,766,010	5,624,181	4,514,464
Total business-type activities program revenues	<u>45,774,187</u>	<u>46,716,304</u>	<u>49,033,290</u>	<u>58,133,554</u>	<u>61,521,414</u>	<u>65,623,804</u>	<u>74,415,509</u>	<u>73,093,825</u>
Total primary government program revenues	<u>\$ 58,583,107</u>	<u>\$ 61,547,138</u>	<u>\$ 68,311,822</u>	<u>\$ 75,800,197</u>	<u>\$ 79,650,656</u>	<u>\$ 82,988,649</u>	<u>\$ 92,900,731</u>	<u>\$ 87,669,221</u>

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



**City of McAllen, Texas**  
**Changes in Net Assets**  
**Last Eight Years**  
**(accrual basis of accounting)**

	Fiscal Year							
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	(Continued)							
Net (Expense) Revenue								
Governmental activities	\$ (62,143,404)	\$ (62,825,925)	\$ (65,146,720)	\$ (71,971,784)	\$ (77,185,195)	\$ (82,248,889)	\$ (90,461,730)	\$ (95,643,307)
Business-type activities	8,828,769	9,760,728	8,590,736	13,036,904	12,975,702	12,483,370	10,214,845	12,584,661
Total primary government net expense	<u>\$ (53,314,635)</u>	<u>\$ (53,065,197)</u>	<u>\$ (56,555,984)</u>	<u>\$ (58,934,880)</u>	<u>\$ (64,209,493)</u>	<u>\$ (69,765,519)</u>	<u>\$ (80,246,885)</u>	<u>\$ (83,058,646)</u>
General Revenues and Other Changes in Net Assets								
Governmental activities								
Taxes								
Property taxes, levied for general purposes	\$ 15,936,574	\$ 17,369,817	\$ 21,481,560	\$ 22,967,254	\$ 24,666,561	\$ 26,590,140	\$ 30,840,205	\$ 32,183,867
Hotel occupancy taxes	2,841,902	2,807,577	3,110,916	3,309,317	3,475,170	3,923,740	4,079,224	3,514,817
Sales tax	39,293,407	41,575,736	45,601,935	48,590,129	53,449,062	56,976,350	58,893,175	54,669,746
Franchise taxes	5,496,448	5,456,943	5,776,414	6,046,640	6,246,017	6,242,578	6,475,882	6,266,684
Unrestricted investment earnings	4,482,653	2,311,733	1,914,116	2,406,266	4,926,087	6,573,818	5,720,841	4,308,531
Royalties	-	-	-	5,635,649	4,773,487	3,507,509	2,909,479	1,864,867
Gain on sale of capital assets	-	-	-	-	81,418	-	-	-
Miscellaneous	5,445,353	11,071,206	8,790,048	2,284,804	3,992,983	2,719,664	2,407,391	2,250,367
Transfers	6,836,592	7,472,708	(5,851,020)	(1,109,118)	36,166	2,899,373	5,905,429	2,930,873
Total governmental activities	<u>82,844,364</u>	<u>90,588,676</u>	<u>80,823,969</u>	<u>90,130,941</u>	<u>101,646,951</u>	<u>109,433,172</u>	<u>117,231,626</u>	<u>107,989,752</u>
Business-type activities								
Unrestricted investment earnings	4,264,602	3,048,557	2,187,397	2,053,804	3,396,648	5,200,991	5,560,052	2,444,095
Gain on sale of capital assets	-	-	-	-	16,296,038	31,744	1,629,433	-
Miscellaneous	2,315,779	1,401,435	918,278	1,284,401	5,648,449	1,608,789	-	527,774
Recovery of development costs	-	-	-	-	-	7,417,616	-	-
Transfers	(6,836,592)	(7,472,708)	5,851,020	1,109,118	(36,166)	(2,899,373)	(5,905,429)	(2,930,873)
Total business-type activities	<u>(256,211)</u>	<u>(3,022,716)</u>	<u>8,956,695</u>	<u>4,447,323</u>	<u>25,304,969</u>	<u>11,359,767</u>	<u>1,284,056</u>	<u>40,996</u>
Total primary government	<u>\$ 82,588,153</u>	<u>\$ 87,565,960</u>	<u>\$ 89,780,664</u>	<u>\$ 94,578,264</u>	<u>\$ 126,951,920</u>	<u>\$ 120,792,939</u>	<u>\$ 118,515,682</u>	<u>\$ 108,030,748</u>
Change in Net Assets								
Governmental activities	\$ 20,700,960	\$ 27,762,751	\$ 15,677,249	\$ 18,159,157	\$ 24,461,756	\$ 27,184,283	\$ 26,769,896	\$ 12,346,445
Business-type activities	8,572,558	6,738,012	17,547,431	17,484,227	38,280,671	23,843,137	11,498,901	12,625,657
Total primary government net expense	<u>\$ 29,273,518</u>	<u>\$ 34,500,763</u>	<u>\$ 33,224,680</u>	<u>\$ 35,643,384</u>	<u>\$ 62,742,427</u>	<u>\$ 51,027,420</u>	<u>\$ 38,268,797</u>	<u>\$ 24,972,102</u>

(Concluded)

Source: Comprehensive Annual Financial Reports

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

	Fiscal Year									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund										
Reserved	\$ 1,003,384	\$ 2,313,348	\$ 1,643,763	\$ 1,495,366	\$ 1,909,821	\$ 1,556,584	\$ 1,610,164	\$ 6,540,485	\$ 5,580,194	\$ 5,253,567
Unreserved	28,953,769	35,209,759	34,782,640	40,898,712	45,747,278	53,332,096	37,695,319	43,546,755	45,909,209	44,182,058
Total General Fund	<u>\$ 29,957,153</u>	<u>\$ 37,523,107</u>	<u>\$ 36,426,403</u>	<u>\$ 42,394,078</u>	<u>\$ 47,657,099</u>	<u>\$ 54,888,680</u>	<u>\$ 39,305,483</u>	<u>\$ 50,087,240</u>	<u>\$ 51,489,403</u>	<u>\$ 49,435,625</u>
All Other Governmental Funds										
Reserved	\$ 1,205,457	\$ 6,758,944	\$ 8,821,690	\$ 15,768,935	\$ 5,367,655	\$ 5,497,255	\$ 15,054,620	\$ 23,367,311	\$ 34,502,750	\$ 27,576,520
Unreserved, reported in:										
Special revenue funds	19,937,044	20,826,131	22,775,904	3,673,604	5,010,942	6,255,048	3,078,131	2,834,331	3,088,393	2,866,137
Capital projects funds	5,081,077	16,341,426	25,158,441	21,249,637	22,500,823	18,062,511	34,036,926	21,395,178	18,159,471	17,132,979
Debt service funds	2,916,190	3,175,516	3,304,666	4,872,102	-	-	-	83,605	104,000	134,456
Total all other governmental funds	<u>\$ 29,139,768</u>	<u>\$ 47,102,017</u>	<u>\$ 60,060,701</u>	<u>\$ 45,564,278</u>	<u>\$ 32,879,420</u>	<u>\$ 29,814,814</u>	<u>\$ 52,169,677</u>	<u>\$ 47,680,425</u>	<u>\$ 55,854,614</u>	<u>\$ 47,710,092</u>

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Revenues</b>										
Taxes	\$ 58,426,137	\$ 63,041,158	\$ 65,760,216	\$ 69,506,277	\$ 75,683,872	\$ 80,911,770	\$ 87,632,429	\$ 93,364,798	\$ 99,953,473	\$ 96,848,195
Licenses and permits	792,954	824,608	872,751	1,434,515	1,401,360	1,481,650	1,486,878	1,633,047	1,591,862	1,393,010
Intergovernmental	5,938,509	8,576,131	5,954,380	5,504,875	8,279,063	5,985,818	3,261,927	4,367,134	4,868,657	4,304,941
Charges for services	2,486,082	2,699,727	2,830,128	2,991,704	3,403,159	3,385,392	3,969,257	4,719,193	5,417,637	5,249,637
Fines and forfeitures	2,379,275	2,338,137	2,070,902	2,179,769	2,344,084	2,204,354	2,214,624	2,311,181	2,240,518	2,170,771
Investment earnings	4,117,036	5,861,970	3,648,354	2,046,152	1,686,288	2,067,760	4,177,110	5,577,715	4,635,946	3,675,833
Other	6,875,408	16,245,172	5,229,689	14,078,982	9,269,224	7,998,219	9,210,805	6,949,566	7,389,981	3,265,362
<b>Total revenues</b>	<b>81,015,401</b>	<b>99,586,903</b>	<b>86,366,420</b>	<b>97,742,274</b>	<b>102,067,050</b>	<b>104,034,963</b>	<b>111,953,030</b>	<b>118,922,634</b>	<b>126,098,074</b>	<b>116,907,749</b>
<b>Expenditures</b>										
General government	13,305,402	14,091,828	13,167,773	13,146,651	14,630,536	16,575,551	17,695,852	18,796,014	18,604,824	19,969,671
Public safety	27,209,400	35,741,264	36,070,171	33,889,335	36,472,347	39,195,430	40,954,974	42,044,757	44,721,496	47,689,420
Highways and streets	7,572,045	7,166,954	7,130,013	7,609,585	8,741,434	10,522,513	13,370,846	13,016,782	12,365,458	15,899,441
Health and welfare	6,336,776	5,108,889	5,023,136	5,408,861	5,645,362	4,007,202	3,333,002	4,110,388	5,964,095	5,255,632
Culture and recreation	14,827,494	9,900,452	10,273,642	10,281,247	11,193,195	11,283,389	12,944,311	13,637,582	13,978,939	14,688,034
Capital outlay	6,277,115	2,974,890	5,192,130	16,329,029	20,725,447	17,132,311	21,677,783	25,285,595	26,157,346	24,360,606
Debt service:										
Principal	2,550,000	2,640,000	2,725,000	25,970,000	5,915,000	25,000	25,000	440,000	435,000	2,855,000
Interest	2,053,992	1,910,666	1,759,168	1,109,026	314,546	17,472	15,762	198,387	199,993	319,116
<b>Total expenditures</b>	<b>80,132,224</b>	<b>79,534,943</b>	<b>81,341,033</b>	<b>113,743,734</b>	<b>103,637,867</b>	<b>98,758,868</b>	<b>110,017,530</b>	<b>117,529,505</b>	<b>122,427,151</b>	<b>131,036,920</b>
Excess of revenues over (under) expenditures	883,177	20,051,960	5,025,387	(16,001,460)	(1,570,817)	5,276,095	1,935,500	1,393,129	3,670,923	(14,129,171)
<b>Other Financing Sources (Uses)</b>										
Bond proceeds	-	-	-	-	-	-	4,800,000	-	-	-
Other	(334,757)	30,428	-	-	-	-	-	-	-	-
Transfers in	12,991,532	21,674,700	22,313,291	17,792,316	26,698,057	15,644,414	37,747,066	20,941,598	42,201,877	26,783,190
Transfers out	(8,934,444)	(16,228,885)	(15,476,699)	(10,319,608)	(32,549,077)	(16,753,532)	(37,710,900)	(16,042,225)	(36,296,448)	(22,852,317)
<b>Total other financing sources (uses)</b>	<b>3,722,331</b>	<b>5,476,243</b>	<b>6,836,592</b>	<b>7,472,708</b>	<b>(5,851,020)</b>	<b>(1,109,118)</b>	<b>4,836,166</b>	<b>4,899,373</b>	<b>5,905,429</b>	<b>3,930,873</b>
<b>Net change in fund balances</b>	<b>\$ 4,605,508</b>	<b>\$ 25,528,203</b>	<b>\$ 11,861,979</b>	<b>\$ (8,528,752)</b>	<b>\$ (7,421,837)</b>	<b>\$ 4,166,977</b>	<b>\$ 6,771,666</b>	<b>\$ 6,292,502</b>	<b>\$ 9,576,352</b>	<b>\$ (10,198,298)</b>
Debt service as a percentage of noncapital expenditures	6.23%	5.94%	5.89%	27.80%	7.51%	0.05%	0.05%	0.69%	0.66%	2.98%

**Source:** Comprehensive Annual Financial Reports

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

<u>Fiscal Year</u>	<u>Property</u>	<u>Sales</u>	<u>Franchise</u>	<u>Hotel</u>	<u>Total</u>
2000	\$ 16,141,020	\$ 35,369,124	\$ 4,359,640	\$ 2,556,353	\$ 58,426,137
2001	16,961,501	37,038,847	6,128,118	2,912,692	63,041,158
2002	18,173,534	39,248,332	5,496,448	2,841,902	65,760,216
2003	19,666,020	41,575,736	5,456,944	2,807,577	69,506,277
2004	21,194,607	45,601,935	5,776,414	3,110,916	75,683,872
2005	22,965,684	48,590,129	6,046,640	3,309,317	80,911,770
2006	24,462,180	53,449,062	6,246,017	3,475,170	87,632,429
2007	26,222,130	56,976,350	6,242,578	3,923,740	93,364,798
2008	30,505,191	58,893,175	6,475,882	4,079,225	99,953,473
2009	32,396,948	54,669,746	6,266,684	3,514,817	96,848,195
Change 1999-2009	100.71%	54.57%	43.74%	37.49%	65.76%

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

	Fiscal Year									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Retail	\$1,256	\$1,349	\$1,438	\$1,494	\$ 1,644	\$ 1,765	\$ 1,897	\$ 2,138	\$ 2,211	\$ 1,554
Services	122	136	150	168	191	188	157	180	170	119
Wholesale	106	108	130	138	150	154	149	65	76	52
Other	67	66	72	87	109	126	210	178	140	90
Total - All Industries	<u>\$1,551</u>	<u>\$1,659</u>	<u>\$1,790</u>	<u>\$1,887</u>	<u>\$ 2,094</u>	<u>\$ 2,233</u>	<u>\$ 2,413</u>	<u>\$ 2,561</u>	<u>\$ 2,597</u>	<u>\$ 1,815</u>
										(1)

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

Percent Allocation of Taxable Sales - Retail Only

Building Materials		5%	6%	8%	7%	8%	7%	6%	6%
General Merchandise		29%	30%	29%	29%	30%	32%	31%	29%
Food Stores		7%	6%	6%	6%	6%	5%	5%	6%
Automotive		4%	4%	4%	4%	4%	5%	5%	5%
Clothing		16%	16%	17%	17%	18%	17%	17%	16%
Home Furnishings		12%	12%	12%	12%	12%	12%	12%	13%
Restaurants		14%	14%	14%	14%	13%	13%	14%	15%
Miscellaneous Retail		11%	11%	10%	10%	9%	9%	10%	10%
Total	<u>N/A</u>	<u>N/A</u>	<u>99%</u>	<u>100%</u>	<u>100%</u>	<u>99%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(1) Represents only three quarters of fiscal year.

N/A data not available

Source: State Comptroller's Office

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

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

<b>Fiscal Year Ended September 30</b>	<b>Tax Roll Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Minerals</b>	<b>Other</b>	<b>Less: Tax-Exempt Property</b>	<b>Total Net Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
2000	1999	\$ 1,974,071,583	\$ 1,031,103,269	\$ 49,645,302	\$ 78,880,150	\$ 826,829,984	\$ 398,346,390	\$ 3,562,183,898	\$ 0.42
2001	2000	2,161,758,089	1,107,368,050	47,686,451	87,629,700	896,955,734	428,058,382	3,873,339,642	0.42
2002	2001	2,284,318,571	1,168,164,614	64,557,636	128,330,930	1,012,028,207	451,884,434	4,205,515,524	0.42
2003	2002	2,477,186,640	1,197,199,022	68,039,396	124,871,890	1,020,579,282	491,750,713	4,396,125,517	0.42
2004	2003	2,665,073,421	1,224,284,764	61,705,091	124,225,970	1,104,159,643	522,550,108	4,656,898,781	0.42
2005	2004	2,867,999,139	1,395,082,178	76,302,577	145,037,761	1,248,335,732	544,310,822	5,188,446,565	0.42
2006	2005	3,012,119,776	1,524,395,866	77,484,714	159,146,526	1,290,466,084	536,338,311	5,527,274,655	0.42
2007	2006	4,034,338,716	1,568,016,882	79,479,396	146,936,440	1,023,232,516	948,864,893	5,903,139,057	0.42
2008	2007	5,223,070,568	1,824,887,008	96,386,085	138,350,623	1,059,350,233	1,427,513,149	6,914,531,368	0.42
2009	2008	5,342,975,502	1,811,694,737	108,693,602	134,182,390	1,157,900,178	1,448,502,453	7,106,943,956	0.42

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

Source: City of McAllen Tax Office

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

Fiscal Year Ended <u>September 30</u>	Tax Roll Year	City Direct Rates			Overlapping Rates					
		General Obligation			School Districts					Hidalgo County
		Basic Rate	Debt Service	Total Direct	McAllen	Hidalgo	Edinburg	Sharyland	P.S.J.A	
2000	1999	\$ 0.35	\$ 0.07	\$ 0.42	\$ 1.53	\$ 1.57	\$ 1.55	\$ 1.54	\$ 1.63	\$ 0.50
2001	2000	0.35	0.07	0.42	1.53	1.57	1.41	1.54	1.62	0.52
2002	2001	0.36	0.06	0.42	1.58	1.57	1.55	1.54	1.62	0.52
2003	2002	0.36	0.06	0.42	1.54	1.57	1.59	1.54	1.61	0.59
2004	2003	0.36	0.06	0.42	1.54	1.57	1.59	1.54	1.61	0.59
2005	2004	0.42	-	0.42	1.54	1.59	1.58	1.57	1.61	0.59
2006	2005	0.42	-	0.42	1.54	1.59	1.59	1.57	1.61	0.59
2007	2006	0.42	-	0.42	1.61	1.61	1.58	1.57	1.61	0.59
2008	2007	0.42	-	0.42	1.48	1.54	1.45	1.55	1.52	0.59
2009	2008	0.42	-	0.42	1.15	1.32	1.12	1.19	1.21	0.59

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

<u>Taxpayer</u>	2009			2000		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Universal Health Services	\$ 248,819,356		3.50%	\$ 57,926,555	1	1.63%
Rio Grande Regional Hospital	198,922,932		2.80%	32,113,902	3	0.90%
Simon Property Group	153,433,858		2.16%	30,750,092	4	0.86%
Palms Crossing LP	114,331,056		1.61%			-
Wal-Mart Stores	103,798,872		1.46%	43,288,097	2	1.22%
Texas State Bank	91,711,707		1.29%	19,563,921	7	0.55%
AEP Texas Central Co.	27,952,980		0.39%	20,626,874	6	0.58%
H E Butt Grocery Company	61,763,818		0.87%	17,960,512	8	0.50%
Shell Western E&P	22,800,570		0.32%	-	-	-
Inland Western McAllen Trenton	21,106,961		0.30%	-	-	-
Las Tiendas Plaza Partnership			n/a			0.00%
Southwestern Bell			n/a	27,931,521	5	0.78%
Fina Oil & Chemical Co.			n/a	17,581,896	9	0.49%
May Dept. Stores			n/a	17,489,856	10	0.49%
	<u>\$ 1,044,642,110</u>		14.70%	<u>\$ 285,233,226</u>		8.01%



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

Fiscal Year	Tax Roll Year	Taxes Levied Within the Fiscal Year of the Levy	Adjustments to Levy in the Fiscal Year	Adjusted Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections	
					Amount	Percentage of Levy		Amount	Percentage of Levy
2000	1999	\$ 15,007,481	\$ 415,438	\$ 15,422,919	\$ 14,532,402	94.23	\$ 844,073	\$ 15,376,475	99.70 %
2001	2000	16,318,380	464,501	16,782,881	15,292,213	91.12	1,384,207	16,676,420	99.37
2002	2001	17,717,837	171,938	17,889,775	16,377,568	91.55	1,371,881	17,749,449	99.22
2003	2002	18,520,877	327,630	18,848,507	17,598,726	93.37	1,120,330	18,719,056	99.31
2004	2003	19,619,514	617,420	20,236,934	19,170,840	94.73	931,678	20,102,518	99.34
2005	2004	21,858,925	368,559	22,227,484	20,938,827	94.20	1,106,993	22,045,820	99.18
2006	2005	23,248,262	370,471	23,618,733	22,358,944	94.67	998,996	23,357,940	98.90
2007	2006	24,788,834	487,091	25,275,925	23,920,313	94.64	1,009,681	24,929,994	98.63
2008	2007	28,289,321	926,195	29,215,516	27,625,803	94.56	900,009	28,525,812	97.64
2009	2008	29,048,875	2,067,032	31,115,907	29,325,155	94.24	-	29,325,155	94.24

Source: City of McAllen Tax Office

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

Fiscal Year	Governmental Activities				Business-Type Activities						
	General	Sales					International	Anzalduas			
	Obligation	Tax Revenue	Tax	Lien	Water Revenue	Sewer Revenue	Toll Bridge	International	Total	Percentage	Per
	Bonds	Obligations	Note	Note	Bonds	Bonds	Bonds	Crossing	Primary	of Personal	Capita <sup>a</sup>
								Bonds	Government	Income <sup>a</sup>	
2000	\$ 14,195,000	\$ 23,405,000	\$ -	\$ -	\$ 29,090,350	\$ 13,674,650	\$ 335,243	\$ -	\$ 80,700,243	4.84	5,149
2001	12,405,000	22,555,000	-	-	28,411,450	12,978,550	170,243	-	76,520,243	4.29	4,793
2002	10,565,000	21,670,000	-	-	27,652,250	12,232,750	2,300,000	-	74,420,000	3.95	4,517
2003	5,890,000	375,000	-	-	27,022,400	11,277,600	2,120,000	-	46,685,000	2.44	2,884
2004	-	350,000	-	-	17,066,400	19,558,600	1,930,000	-	38,905,000	N /A	N /A
2005	-	325,000	-	-	24,953,600	20,151,400	1,730,000	-	47,160,000	2.34	2,923
2006	-	300,000	4,800,000	-	24,200,400	19,014,600	1,520,000	-	49,835,000	2.25	2,912
2007	-	275,000	4,385,000	-	29,352,650	40,137,350	1,295,000	39,160,000	114,605,000	N /A	N /A
2008	-	250,000	3,975,000	2,400,000	28,364,250	39,360,750	1,060,000	39,160,000	114,570,000	N /A	N /A
2009	-	225,000	3,545,000	306,954	24,176,000	37,999,000	815,000	39,160,000	106,226,954		

N/A Information not available

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

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

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

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Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property <sup>a</sup>	Per Capita <sup>b</sup>
2000	\$ 12,405,000	0.29	\$ 111
2001	10,565,000	0.24	92
2002	5,890,000	0.13	50
2003	-	-	-
2004	-	-	N/A
2005	-	-	N/A
2006	-	-	N/A
2007	-	-	N/A
2008	-	-	N/A
2009	-	-	N/A

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

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

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

**CITY OF McALLEN, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**As of September 30, 2009**  
**(Unaudited)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Hidalgo County	\$ 257,450,000 (2)	100.00%	\$ 257,450,000
McAllen Independent School District	124,045,587 (1)	94.04%	116,652,470
Sharyland Independent School District	72,129,994 (1)	4.68%	3,375,684
P.S.J.A Independent School District	199,180,000 (1)	4.59%	9,142,362
Hidalgo Independent School District	45,780,000 (1)	0.45%	206,010
Edinburg Independent School District	118,156,463 (1)	0.21%	<u>248,129</u>
Subtotal, overlapping debt			387,074,655
City of McAllen (direct debt)	-	100.00%	<u>-</u>
Total direct and overlapping debt			<u><u>\$ 387,074,655</u></u>

Source: (1) Debt outstanding data collected through the State of Texas Education Agency's web site.

(2) Debt outstanding data collected through the entity's web site.

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

**Legal Debt Margin Calculation for Fiscal Year 2009**

Assessed value	\$ 7,106,943,956
Debt limit (5% of assessed value)	355,347,198
Debt applicable to limit:	
General obligation bonds	-
Less: amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 355,347,198</u>

	<u>Fiscal Year</u>									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt limit	\$ 178,109,195	\$ 193,666,982	\$ 210,275,776	\$ 219,806,276	\$ 232,844,939	\$ 259,422,328	\$ 276,363,733	\$ 295,156,953	\$ 345,726,568	\$ 355,347,198
Total net debt applicable to limit	<u>11,278,810</u>	<u>9,229,484</u>	<u>7,260,334</u>	<u>1,017,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	\$ 166,830,385	\$ 184,437,498	\$ 203,015,442	\$ 218,788,378	\$ 232,844,939	\$ 259,422,328	\$ 276,363,733	\$ 295,156,953	\$ 345,726,568	\$ 355,347,198
Total net debt applicable to the limit as a percentage of debt limit	6.76%	5.00%	3.58%	0.47%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

Fiscal Year	Water Revenue Bonds						Sewer Revenue Bonds					
	Total Revenues (a)	Less: Operating Expenses (b)	Net Available Revenue	Debt Service		Coverage	Total Revenues (a)	Less: Operating Expenses (b)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2000	\$ 11,546,355	\$ 5,935,842	\$ 5,610,513	\$ 142,350	\$ 766,798	6.17	\$ 7,899,827	\$ 4,310,674	\$ 3,589,153	\$ 477,650	\$ 402,380	4.08
2001	13,620,766	6,101,989	7,518,777	678,900	1,559,373	3.36	8,919,843	4,428,743	4,491,100	696,100	680,989	3.26
2002	13,595,999	6,782,989	6,813,010	759,200	1,436,021	3.10	9,731,320	4,634,025	5,097,295	745,800	692,573	3.54
2003	13,306,102	6,937,001	6,369,101	629,850	1,447,424	3.07	9,494,989	4,722,740	4,772,249	955,150	611,917	3.05
2004	13,363,195	7,620,642	5,742,553	564,000	919,797	3.87	9,980,780	5,105,759	4,875,021	1,111,000	1,049,542	2.26
2005	15,080,924	8,595,829	6,485,095	597,600	1,105,234	3.81	11,470,919	5,586,088	5,884,831	1,172,400	1,044,476	2.65
2006	17,354,452	9,335,864	8,018,588	753,200	1,202,211	4.10	13,440,241	6,034,210	7,406,031	1,136,800	952,950	3.54
2007	15,720,963	9,225,416	6,495,547	940,800	1,243,423	2.97	15,342,714	5,550,727	9,791,987	739,200	1,908,863	3.70
2008	17,578,762	11,300,642	6,278,120	988,400	1,191,688	2.88	16,288,846	6,363,341	9,925,505	776,600	2,049,023	3.51
2009	17,273,180	11,989,744	5,283,436	1,188,250	1,136,605	2.27	15,806,052	5,173,309	10,632,743	1,361,750	2,000,014	3.16

Note: (a) Includes operating revenues and non-operating revenues

(b) Operating expenses do not include interest, depreciation, or amortization expenses.

**CITY OF McALLEN, TEXAS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Calendar Years**  
**(Unaudited)**

Year	Estimated Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2000	106,414	\$ 1,667,827	\$ 15,673	30.5	21,625	9.20%
2001	111,806	1,784,870	15,964	30.7	21,970	8.89%
2002	114,424	1,885,364	16,477	30.9	23,360	9.10%
2003	118,073	1,911,601	16,190	30.0	23,304	9.40%
2004	121,700	Not Available	Not Available	*	23,326	7.50%
2005	125,000	2,017,000	16,136	28.7	24,276	5.50%
2006	129,650	2,218,830	17,114	30.3	24,531	4.70%
2007	130,700	2,294,046	17,552	30.0	24,814	4.50%
2008	132,075	2,504,009	18,959	29.5	25,047	5.30%
2009	133,197	Not Available	Not Available	*	25,154	7.50%
	(A)	(B)		(C)	(D)	(E)

**SOURCE:**

(A) U.S Census Bureau-2000 and local estimates--City's planning department.

(B) U.S Census Bureau-2000 and 2006 community survey profile.

(C) U.S Census Bureau-2000 and 2006 community survey profile.

(D) McAllen Independent School District

(E) Texas Workforce Commission

**City of McAllen, Texas  
Principal Employers in the Area**

2009				2000			
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
McAllen Independent School District	3,595	1	6.34%	HEB Food & Drug Stores	Over 1,000	1	
McAllen Medical Center	2,800	2	4.94%	City of McAllen	Over 1,000	2	
City of McAllen	1,801	3	3.18%	McAllen Medical Center	Over 1,000	3	
Wal Mart	1,000	4	1.76%	McAllen Independent School Dist.	Over 1,000	4	
Rio Grande Regional Hospital	975	5	1.72%	Wal Mart Stores	Over 1,000	5	
South Texas College	811	6	1.43%	Rio Grande Foods	Less than 1,000	6	
HEB	380	7	0.67%	Rio Grande Regional Hospital	Less than 1,000	7	
Dillards	354	8	0.62%	Texas State Bank	Less than 1,000	8	
McDonalds	350	9	0.62%	Allison Manufacturing	Less than 1,000	9	
Sams Club	350	10	0.62%	Central Power & Light Co.	Less than 1,000	10	
Total	<u>12,416</u>		<u>21.89%</u>		<u>-</u>		<u>0.00%</u>
	(A)		(B)		(C)		(D)

Unable to calculate these  
columns due to insufficient  
data

## Source:

(A) McAllen Economic Development Corporation (MEDC)

(B) Texas Workforce Commission for total city employment - 57,180

(C) Official statement document on City of McAllen 2000 bond offering document and Texas Employment Commission

(D) Total employment at May 2000 was 45,945 as per Texas Employment Commission for total city employment as indicated in the bond offering document.



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

	full time only	full time only	full time only	full time only	full time only	full time only	full time only	full time only	full time only	full time only
	Fiscal Year									
<u>Function/Program</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government	106	121	129	141	151	157	166	177	188	185
Public Safety:										
Police:										
Officers	230	246	246	256	258	259	261	264	269	275
Civilians	105	120	116	127	131	134	136	140	140	136
Fire:										
Fire fighters and officers	126	126	127	130	133	138	145	157	159	163
Civilians	6	8	8	10	10	11	11	11	12	13
Other	43	45	51	57	65	66	66	62	78	56
Highways and streets	72	81	91	99	101	112	112	111	112	112
Health and welfare	12	12	13	13	15	15	15	16	16	24
Culture and Recreational	107	147	160	163	169	171	173	177	180	187
Water services	84	88	99	100	108	119	120	126	130	131
Sewer services	55	57	59	65	67	68	68	74	74	81
Sanitation	76	90	94	100	106	115	123	126	128	133
Golf Course	17	18	14	17	19	15	14	13	12	12
Convention Center	-	-	-	-	-	-	-	47	37	38
Civic center	14	14	14	16	15	15	21	-	-	-
Airport	21	22	22	22	23	25	27	30	31	38
Transit terminal	2	9	9	10	10	11	12	13	13	12
Express transit	-	-	-	-	-	19	19	20	22	21
Bridge	30	30	35	36	43	40	42	43	43	31
Fleet Services	19	19	19	19	19	20	21	25	25	25
Employee benefits	-	-	2	2	2	2	3	3	4	5
Risk Management	-	-	2	3	3	3	3	4	4	5
Total	<u>1,125</u>	<u>1,253</u>	<u>1,310</u>	<u>1,386</u>	<u>1,448</u>	<u>1,515</u>	<u>1,558</u>	<u>1,639</u>	<u>1,677</u>	<u>1,683</u>

Source: City's Budget Document

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

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety										
Police										
Number of employees-commissioned	230	246	248	246	258	259	260	264	267	262
Number of service calls	105,958	110,597	147,079	147,079	151,000	158,000	147,724	160,000	153,970	162,273
Fire										
Number of firemen	126	126	127	127	133	138	151	157	160	170
Total number of alarm responses	2,200	2,100	3,244	3,648	3,964	4,184	4,359	5,130	4,434	4,391
Code enforcement										
Number of employees	12	12	12	13	16	18	19	21	21	21
Number of building permits	1,719	1,900	931	1,753	1,739	2,012	1,987	1,794	1,341	1,308
Development services										
Street Resurfacing (linear miles)	N/A	N/A	N/A	N/A	N/A	18	25	26	28	29
Sidewalk Cnstruction (linear feet)	N/A	N/A	15,840	42,240	36,960	42,240	43,084	30,000	36,960	37,100
Cultural and recreational										
Parks and recreation										
Participants in special event programs	N/A	N/A	200,000	204,000	250,000	250,000	418,000	418,000	458,250	425,000
Participants in athletic programs	558	476	10,000	11,000	10,500	11,500	8,196	9,500	16,400	6,800
Participants in after school programs	N/A	N/A	1,640	1,640	2,187	3,300	3,240	2,992	3,200	3,100
Library-main										
Volumes in collection	N/A	N/A	307,828	344,968	386,052	404,057	410,896	364,450	351,950	349,117
Water and sewer system										
Number of water customers	31,404	32,580	34,103	34,936	36,299	37,658	39,060	40,074	40,876	41,607
Number of sewer customers	27,954	28,971	30,398	30,907	32,370	33,159	34,414	35,493	36,229	37,062
Average daily water consumption (gallons)	18,237,793	16,565,189	18,896,003	18,006,912	17,849,551	21,458,458	24,623,690	22,484,700	23,737,233	23,860,020
Maximum storage capacity (gallons) #2 plant	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000	7,900,000	7,900,000
Maximum storage capacity (gallons)-north plant	-	-	-	-	-	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Rainfall (inches)	12.91	22.38	13.78	27.02	25.12	10.76	12.27	19.01	27.80	9.65
Sanitation										
Refuse collected (tons)	25,000	25,000	25,198	25,780	26,801	27,728	26,752	27,177	28,695	4,422
Bulky/brush pickups (tons)	22,000	25,000	185,000	196,000	200,000	200,000	200,000	202,000	67,274	19,879
Recyclables collected (cubic yds)	N/A	N/A	3,701	2,800	4,543	4,543	4,515	5,000	8,030	3,926
Golf course										
Total number of rounds	27,222	42,840	42,420	43,237	43,952	42,621	45,840	44,200	42,219	43,803
Source:	City Departments									
Notes:	N/A - Data not available.									
Estimates:	Fiscal Year 2008									

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

Function/Program	Fiscal Year									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Police sub-stations	11	11	11	10	7	7	7	7	6	6
Fire stations	6	6	6	6	6	6	6	6	6	7
Fire hydrants	2,600	2,600	2,600	2,600	3,090	3,350	3,350	3,700	3,800	3,994
Development Services										
City area:										
Square miles	46.0	46.8	46.8	N/A	48.1	48.3	47.7 (1)	48.1	48.7	48.8
Acres	29,830	29,931	29,931	30,528	30,782	30,933	30,552 (1)	30,785	31,169	31,222
Streets- paved (miles)	511	518	586	589	626	626	645	567	565	495
Cultural and Recreational										
Developed parks (acres)	334	N/A	456	456	480	551	521	537	668	362
Parks (acres)-undeveloped	107	101	128	128	90	106	432	416	487	410
Swimming pools	4	4	4	4	4	4	4	4	4	4
Tennis courts	20	20	25	25	25	25	25	25	25	15
Lighted baseball diamonds/athletic fields	15	17	17	17	17	17	17	17	17	112
Municipal golf (18-hole course)	1	1	1	1	1	1	1	1	1	1
Water and Sewer										
Water mains (miles)	557	569	580	630	630	677	700	700	703	706
Sanitary sewers (miles)	412	421	421	445	455	475	470	470	489	489
Storm (miles)	170	174	185	185	233	238	239	265	268	283

(1) Revised by engineering.

Source: City Departments

Note: N/A - data not available.

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

**Schedule 21**

**Section I--water rates**

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

(1) Inside City Minimum rate	Commodity Rate
\$4.00	

(1) Per 1,000 gallons or any part thereof as follows: Residential-\$1.30/1,000 gallons for the first 13,000 gallons; plus \$1.60/1,000 for consumption between 13,000 and 18,000 gallons; and \$1.80 for consumption over 20,000 gallons.

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

Sprinkler-\$1.80/1,000 gallons

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

<u>Class of customers</u>	<u>Number</u>	<u>Usage (gallons)</u>
Residential	35,396	5,033,803,630
Commercial	6,045	3,302,437,070
Industrial	166	372,666,600
Number of gallons shown to have passed through the master meters at the City's plants #2 and #3 during the period		9,603,983,000
Number of gallons billed		(8,708,907,300)
Estimated water used in fire hydrant testing, etc.		<u>(49,000,000)</u>
Estimated number of gallons unaccounted due to breaks, leaks, etc.		<u><u>846,075,700</u></u>

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# 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.



## Padgett Stratemann & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

### 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*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of McAllen, Texas (the "City"), as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements, and the respective budgetary comparison for the General Fund and the Development Corporation Fund for the year then ended and have issued our report thereon dated February 17, 2010. 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

### ***Compliance and Other Matters***

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

We noted certain matters that we reported to the management of the City in a separate letter dated February 17, 2010.

This report is intended solely for the information and use of management, others within the City, members of the City Commission, the federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Padgett, Stratmann & Co., L.L.P.*

Certified Public Accountants  
February 17, 2010



Padgett Stratemann & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Independent Auditors' Report on Compliance  
With Requirements Applicable to Each Major  
Program and on Internal Control Over Compliance  
in Accordance With OMB Circular A-133

To 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 (the "City") with the types of compliance requirements described in the United States Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The City's major federal programs are identified in the summary of auditors' 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's management. Our responsibility is to express an opinion on the City's 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 OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above, that are applicable to each of its major federal programs for the year ended September 30, 2009.

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### ***Internal Control Over Compliance***

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the City, members of the City Commission, the federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.



Certified Public Accountants  
February 17, 2010



Padgett Stratemann & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Independent Auditors' Report on Compliance  
With Requirements Applicable to Each State Major Program  
and on Internal Control Over Compliance in Accordance  
With the State of Texas Single Audit Circular

To 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 (the "City") with the types of compliance requirements described in the State of Texas Single Audit Circular that are applicable to its major state program for the year ended September 30, 2009. The City's major state program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major state program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's 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 State of Texas Single Audit Circular. Those standards and the State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major state program for the year ended September 30, 2009.

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### *Internal Control Over Compliance*

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the City, members of the City Commission, the 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.



Certified Public Accountants  
February 17, 2010

**CITY OF McALLEN, TEXAS**

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

Year Ended September 30, 2009

<b>Federal Grantor/ Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Program or Award Amount</b>	<b>Disbursements/ Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>				
Direct Program:				
Community Development Block Grant:				
33rd Year Entitlement Grant	14.218	CB07MC48506	1,827,742	528,430
34th Year Entitlement Grant	14.218	CB08MC48506	1,766,170	797,959
35th Year Entitlement Grant	14.218	CB09MC48506	1,786,739	-
ARRA Entitlement Grant (CDBG-R)	14.253	B-09-MY-48-0506	479,685	-
Homeless Prevention and Rapid Re-Housing Program	14.257	S09-48-MY-48-0505	733,518	-
Home Program	14.239	M06MC480506	623,708	134,267
Home Program	14.239	M07MC480506	619,086	531,945
Total U.S. Department of Housing and Urban Development				<u>1,992,601</u>
<b>U.S. Department of Transportation</b>				
Direct Program:				
Airport Improvement Program	20.106	3-48-0144-35	5,890,708	293,133
Airport Improvement Program	20.106	3-48-0144-36	75,000	26,769
Airport Improvement Program	20.106	3-48-0144-37	549,738	549,738
Federal Transit Administration	20.507	TX-90-X683-00	1,743,016	440,224
Federal Transit Administration	20.507	TX-90-X733-00	1,823,797	686,370
Federal Transit Administration	20.507	TX-90-X778-00	1,679,250	70,975
Federal Transit Administration	20.507	TX-90-X830-00	1,336,860	586,193
Federal Transit Administration	20.507	TX-96-X007-00	2,374,158	-
Federal Transit Administration	20.507	TX-04-0010-00	495,000	-
Pass through Texas Dept. of Transportation	20.516	JARC 0704(21)47	197,539	18,713
Vehicle Capital Replacement Grant	20.500	TX-04-042	131,763	131,496
STEP/Comprehensive Grant	20.600	2009-McAllen P-SMYG		
		Yr1-0047	91,598	89,374
	20.600	2009-McAllenPD		
STEP/Click It or Ticket		CIOT-00046	20,000	19,890
	20.600	2009-McAllenPD		
		CIOT-00046	12,000	3,969
Relocation of 10th Street	20.600	CSJ 0621-01-095	600,000	-
Total U.S. Department of Transportation				<u>2,916,844</u>

**CITY OF MCALLEN**

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

Year Ended September 30, 2009

<b>Federal Grantor/ Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Program or Award Amount</b>	<b>Disbursements/ Expenditures</b>
<b>U.S. Department of Justice</b>				
Direct Program:				
Edward Byrne Memorial Justice Assistance Grant	16.738	2008-DJ-BX-0371	16,234	16,234
Edward Byrne Memorial Justice Assistance Grant	16.738	2009-DJ-BX-0037	46,538	-
Edward Byrne Memorial Justice Assistance Grant	16.804	2009-SB-B9-2552	191,317	-
Pass through the Office of the Governor:				
Edward Byrne Memorial Justice Assistance Grant	16.738	DJ-07-A10-20906-01	225,000	225,000
Total U.S. Department of Justice				241,234
<b>U.S. Department of Human Services</b>				
Pass through Texas Office of the Attorney General	93.991	VCLG '09	35,880	32,954
Pass through Texas Office of the Attorney General	93.991	VCLG '10	36,938	2,979
Total U.S. Department of Human Services				35,933
<b>U.S. Department of Homeland Security</b>				
Adequate Fire and Emergency Response	97.083	EMW-2006-FF-04649	414,000	114,472
Pass through Texas Department of Public Safety	97.042	09TX-EMPG-0220	28,604	28,604
Pass through Assistance to Firefighters Grant Program -				
Fire Prevention and Safety Program	97.044	EMW-2006-FP-02339	61,045	1,352
Fire Prevention and Safety Program	97.044	EMW-2008-FR-00438	651,200	651,200
Pass through Division of Emergency Management				
Hazard Mitigation Grant Program	97.039	DR-1791-022	221,250	-
Hazard Mitigation Grant Program	97.039	DR-1791-021	77,625	-
Law Enforcement Terrorism Prevention Program	97.074	2006-GE-T6-0068	193,337	1,689
State Homeland Security Program	97.073	2007-GE-T7-0024	62,500	21,468
State Homeland Security Program	97.073	08-SR-45384-01	113,500	-
Citizen Corp	97.053	08-SR-45384-01	5,000	-
State Homeland Security Program	97.073	09-SR-45384-01	81,098	-
Total U.S. Department Homeland Security				818,785

**CITY OF MCALLEN**

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

Year Ended September 30, 2009

<b>Federal Grantor/ Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Program or Award Amount</b>	<b>Disbursements/ Expenditures</b>
<b>U.S Department of Agriculture</b>				
Urban Forestry Partnership Grant	10.664	07-12-03	30,000	<u>30,000</u>
Total U.S. Department of Agriculture				<u>30,000</u>
<b>U.S Department of the Interior</b>				
Water 2025 Challenge Grant Program	15.507	08FC602329	300,000	-
Pass through Texas Historical Commission Historic Preservation Plan	15.904	TX-08-033	20,442	<u>20,442</u>
Total U.S. Department of the Interior				<u>20,442</u>
<b>U.S. Environmental Protection Agency</b>				
EPA Border 2012 Grant	66.931	X4-96659801-0	50,000	43,894
EPA OSWER Grant	66.611	PI-83361101-0	50,000	<u>31,406</u>
Total U.S. Environmental Protection Agency				<u>75,300</u>
<b>U.S Department of Commerce</b>				
Public Works and Economic Development Assistance	11.300	08-01-04118	1,250,000	<u>701,283</u>
Total U.S. Department of Commerce				<u>701,283</u>
Total federal financial assistance expended				<u>6,832,422</u>
<b>Texas Agencies</b>				
Texas Comptroller of Public Accounts 2009	-	Tobacco Compliance Grant	6,000	6,000
Texas Department of Transportation: Pass Through - City of Brownsville				
Auto Theft Prevention 2009	-	SA00T011004109	352,200	292,239
Auto Theft Prevention 2010		SA00T011004110	331,514	19,731
Pass Through - Lower Rio Grande Valley Devel. Council	-	FY 09 - 5307 Grant	260,472	260,472
Texas State Library and Archives Commission	-	442-09323	37,607	28,459
Texas Parks and Wildlife		51-000062	375,000	-
Texas Parks and Wildlife		50-000401	1,625,000	-
Texas Water Development Board		G090005	2,000,000	113,233
Texas Natural Resource Conservation Commission: Pass Through-				
LRGVDC - Composting Gardens	-	08-21-G05	30,000	28,913
LRGVDC - Pulverizing Machine		09-21-G19	58,987	58,987
LRGVDC - Roll Off Containers		09-21-G20	30,000	29,999
LRGVDC - Education & Training Materials		09-21-G21	10,000	10,000
LRGVDC - Forklift		09-21-G29	23,762	<u>23,757</u>
Total state financial assistance expended				<u>871,790</u>
Total federal and state financial assistance expended				<u>\$ 7,704,212</u>

## **CITY OF MCALLEN**

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

Year Ended September 30, 2009

#### **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, 2009. 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

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

Year Ended September 30, 2009

#### 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	\$ 604,179
Home Investment Partnerships Program	14.239	666,212

#### 4. Basis of Presentation:

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



**City of McAllen, Texas**  
**McAllen, Texas**

Schedule of Findings and Questioned Costs

Year Ended September 30, 2009

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

***Financial Statements***

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes       X       No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes       X       None Reported

Noncompliance material to the financial statements noted?

\_\_\_\_\_ Yes       X       No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes       X       No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes       X       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) of Circular A-133?

\_\_\_\_\_ Yes       X       No

Identification of major programs:

**CFDA Number(s)**

**Name of Federal Program or Cluster**

97.044

Assistance to Firefighters Grant Program – Fire Prevention and Safety Program

20.600

State and Community Highway Safety – STEP/Comprehensive Grant; STEP/Click It or Ticket; Relocation of 10<sup>th</sup> Street

16.738

Edward Byrne Memorial Justice Assistant Grant

20.500/20.507

Federal Transit Cluster – Capital Investment Grant; Formula Grants (Urbanized Area Formula Program)

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  
McAllen, Texas**

**Schedule of Findings and Questioned Costs – Continued**

Year Ended September 30, 2009

**Section I – Summary of Auditors' Results (continued)**

***State Awards***

Internal control over major programs:

- |   |           |                              |
|---|-----------|------------------------------|
| • Material weakness(es) identified?   | _____ Yes | _____ <u>X</u> No            |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ Yes | _____ <u>X</u> 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) of Circular A-133?

\_\_\_\_\_ Yes \_\_\_\_\_ X No

Identification of major programs:

**Grant Number**

**Name of State Program or Cluster**

TxDOT 5307 Grant Agreement

Lower Rio Grande Valley Development  
Council – 5307 Grant

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

\$300,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ X Yes \_\_\_\_\_ No

**Section II – Financial Statement Findings**

None

**Section III – Federal and State Award Findings and Questioned Costs**

None