

***City of McAllen, Texas***

***Comprehensive Annual Financial Report***

**For the Fiscal Year Ended September 30, 2002**



***CITY OF McALLEN***

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended September 30, 2001**

Prepared by:  
Department of Finance



***CITY OF McALLEN, TEXAS***  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002**

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**INTRODUCTORY  
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LEO MONTALVO, Mayor  
CARLOS I. GARZA, Mayor Pro-Tem and Commissioner District 1  
MARCUS C. BARRERA, Commissioner District 2  
HILDA SALINAS, Commissioner District 3  
AIDA RAMIREZ, Commissioner District 4  
RIC GODINEZ, Commissioner District 5  
JAN M. KLINCK, Commissioner District 6

MIKE R. PEREZ, City Manager

January 17, 2003

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

State and local law requires that the City of McAllen publish annually a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in the United States of America and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Accordingly, we hereby respectfully submit the Comprehensive Annual Financial Report of the City of McAllen for the fiscal year ended September 30, 2002.

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

The Comprehensive Annual Financial Report is presented in the four traditional sections: introductory, financial, statistical and single audit. The introductory section, which is unaudited, includes this letter of transmittal, an organizational chart and a list of the City of McAllen's principal elected and appointed officials. The financial section includes the basic financial statements, required supplementary information individual fund financial statements and schedules, as well as the independent auditors' report on these financial statements and schedules. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis. Two supplemental sections have been added; one, which contains information submitted in compliance with SEC Rule 15c2-12; the other, debt service schedules both for general obligation and revenue bonds.

The City of McAllen is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 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.

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

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

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

#### CITY STRUCTURE, LOCAL ECONOMIC CONDITION AND OUTLOOK

The City, incorporated in 1911, is located in the southern part of the state, considered to be one of the top growth areas in the state and the country. The City of McAllen is the largest city in Hidalgo County, located at the intersection of U.S. Highway 83 and State Highway 336. The City's population has grown since the 1990 census from 84,021 to 116,793 in 2001, an increase of 39%. 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. City Commission members will be 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.

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

The City of McAllen's partnership with the City of Reynosa, Mexico continues to flourish as we work together to recruit industry. Through the efforts of the MEDC, over the last fourteen (14) years, between January 1988 and July 2002, 179 companies moved to McAllen and 224 maquiladora operations set up facilities in Reynosa for a total of 403 new companies. These new companies account for direct employment of 15,249 in McAllen and 47,504 in Reynosa. Expansion of existing companies have created 940 new jobs for McAllen; 6,333 for Reynosa.

#### MAJOR INITIATIVES For the Year 2001-02

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:

*Develop a Plan with McAllen Independent School District to Purchase New Voting System by December 2001*

***Manager's Response: The City Commission placed this on hold until the new County Judge takes office.***

*Develop a Heart of the City Plan Led by the Planning and Zoning Commission in Conjunction with MEDC and Others by March 2002*

***Manager's Response: Partially Completed. Meet with consultants and organized existing data and copies of reports on the target area.***

*Develop and Implement Adopt-A-Tree Program with Keep McAllen Beautiful and the Parks Department by January 2002*

***Manager's Response: We are currently working on a brochure for the tree program; it should be ready by December 2002.***

*Meet with McAllen Independent School District and the Boys and Girls Club and Develop a Coordinated After School Program by April 2002*

***Manager's Response: Several meetings were held with all parties, however, no final solution was reached.***

*Start Sidewalk Enhancement Program by December 2001*

***Manager's Response: The program began in November 2001. During this fiscal year, 29,566 linear feet or 5.6 miles were constructed.***

*Complete Design of New Convention Center*

***Manager's Response: Partially Completed. The new design is currently on hold***

*because of the charter petition. The plans are 35% complete.*

*Complete Public Safety Building and Make Seamless Move into New Building*

***Manager's Response: Partially Completed. Progress on the building continues and the parking lot is near completion.***

*Construct Extensions to 29<sup>th</sup> Street, 2<sup>nd</sup> Street and Trenton Road*

***Manager's Response: The status of the projects and sub-projects is as follows:***

***29<sup>th</sup> Street, Business 83 to Gumwood – Right-of-way acquisition has been completed. This project is to be bid in late November/early December 2002.***

***29<sup>th</sup> Street, Vine to Nolana – The design is 99% complete. This project is to be bid in late November/early December 2002.***

***29<sup>th</sup> Street, Xenops to 6 Mile – The project was awarded on March 11, 2002. Construction began in late May. Currently the project is at the storm sewer and road sub-grade phase.***

***2<sup>nd</sup> Street, Dove to Trenton Road – The design is 85% complete. The project is to be bid in November 2002.***

***Trenton, East City Limits to 10<sup>th</sup> Street – The project was awarded on May 13, 2002. Construction is in progress.***

***Trenton, 23<sup>rd</sup> to Ware Road – The design is 40% complete. We are in the process of purchasing right-of-way.***

*Design and Start Construction of Bicentennial Boulevard and Benson Road*

***Manager's Response: Partially Completed. A public hearing was held, at which the City Commission approved the alignment. Design is currently underway.***

*Landscape the Existing Walking/Jogging Trails on 2<sup>nd</sup> Street and Bicentennial Boulevard*

***Manager's Response: Partially Completed. The design charrettes have been completed. The consultants are waiting on the aerial photographs to complete the design work. The target date for accepting bids is February 2003.***

*Start an Effective Composting Program by Spring 2002*

***Manager's Response: Not Completed.***

*Install a New Library Cataloging System by July 2002*

***Manager's Response: Not Completed.***

*Develop a 70-Unit Elderly Subdivision on Jordan and Ware Road in Conjunction with McAllen Affordable Homes, McAllen Housing Authority and the McAllen Housing Finance Corporation*

***Manager's Response: Construction of a 70-unit project is 10% complete with the estimated time of completion the summer of 2003.***

Build a Skate Park and De Leon Park

***Manager's Response:*** *The bid has been awarded to Rampage, L.L.C. on July 22, 2002. It will be installed by October 2002.*

Make Various Park Improvements to Elementary School Grounds

***Manager's Response:*** *Partially Completed. Gonzalez, Jackson and Fields Elementary Schools projects were funded in the new FY 2002-2003 budget. A request for a level of services and fee proposal has been requested of Terra Design so the City commission can consider a contract amendment. No response has been received from MISD regarding the City Manger's letter of August 28, 2002. Letter of approval needed in order to proceed with projects.*

Develop a Plan for Structured Parking for Downtown Along with a Financing Plan by July 2002

***Manager's Response:*** *This project was put on hold pending the completion of the Heart of the City study.*

Start Design of Anzalduas Bridge Project

***Manager's Response:*** *Design for the Anzalduas Bridge and the related outbound facilities is about 60% complete. It should be complete by the end of 2002.*

Develop and Complete Financing Plan for Anzalduas Bridge Project

***Manager's Response:*** *Partially Completed. The financial plan for the Anzalduas Bridge Project is currently on hold, until the correct time to proceed is determined.*

Establish Regular Scheduled Programming for the City's Cable Channel – MCN

***Manager's Response:*** *Completed. We have established regular times for specific programs.*

Contract for the Development of a Drainage Masterplan

***Manager's Response:*** *Freese & Nichols continues work on the update. While awaiting data from the citywide aerial, it is currently reviewing our current subdivision regulations and FEMA requirements.*

Two additional goals were added by the Mayor and City Commission after the beginning of the fiscal year:

*Establish Program to Train Young Professionals Within the Organization to be Prepared to Assume Additional Responsibilities as Management Leaves Due to Aging:*

***Manager's Response:*** *Completed. The Management Resource Program was implemented. Fourteen employees have been attending a 12-month program.*

*Prepare a Multi-Year Capital Improvement Program.*

***Manager's Response:*** *Completed. Vision 2010 was prepared and submitted to the Mayor and City Commission in August 2002.*

## For the Future

During the budget process, the City Commission identified the following goals and objectives for the coming fiscal year 2002-03:

*Plan Phase for New Central Library in Center City of McAllen*

*Purchase of Regional Detention Facility/Parks*

*Develop a Department Head Evaluation Process that Measures Performance and Completion of Goals*

*Complete “Heart of the City” Planning Effort*

*Develop a Priority List of Drainage Projects for City Commission Approval*

*Develop a Report for City Commission on a Drainage Impact Fee and/or Drainage Utility District*

*Contract for Additional Landscaping on Existing Hike & Bike Trails*

*Extend Hike & Bike Trails – South Loop and 2<sup>nd</sup> Street – Nolana to Trenton*

*Improve Efficiency of Building Permit Process*

*Develop a Plan on Relocation of Fire Station(s) for Better Coverage of City of McAllen*

*Develop a Plan for a New Center Fire Station*

*Install 7 Linear Feet of Sidewalks for Safer Routes to Schools and Along Arterials*

*Install Pilot Program to Monitor Traffic with Video Cameras for Major Intersections*

*Begin Construction of Texas A&M School of Rural Public Health at South McColl and Vermont*

*Complete Environmental Cleanup of Old Transfer Station Site at Uvalde & South Bicentennial*

*Revise Current Developers’ Ordinance on Sign Regulation*

*Complete New Parking Lot for Downtown at Ash and Broadway*

*Complete Design and Begin Construction of City Hall Addition*

*Complete Study on Having Paid Parking at the Airport*

*Develop Monthly Report on Overtime – Control Overtime to Come Within Budget*



## FINANCIAL INFORMATION

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

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

As part of the City's single audit, described earlier, tests were made of the City's internal control structure and of its compliance with applicable laws and regulations, including those related to federal and state financial assistance programs. Although this testing was not sufficient to support an opinion of the City's internal control system or its compliance with laws and regulations related to non-major federal financial assistance programs, the audit for the year ended September 30, 2002, disclosed no material internal control weakness or material violations of laws and regulations.

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

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

### Debt Administration

At year-end, the City had nine debt issues outstanding. These issues included \$10,565,000 of general obligation bonds and \$57,145,970 of revenue bonds--of which \$33,175,970 related to the Water and Sewer Funds; \$2,300,000, to the Bridge Fund; and \$21,670,000 to the Development Corp and secured by sales tax receipts. The City has maintained its A+ rating from Standard & Poor's Corporation and has been assigned an A2 from Moody's Investor Service on general obligation bond issues. Texas statutes do not prescribe a debt limit; however, by custom, an economic debt of 5% of the assessed valuation on the tax roll is considered practical. As of September 30, 2002, the City's net general obligation bonded debt of \$7,260,334 was well below

the practical economic debt limit. Net bonded general obligation debt per capita amounted to \$63.

### Risk Management

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

### Cash Management Policies and Practices

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

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

As stated in the City's investment policy, its objectives are safety, liquidity and yield, in that order. Investment maturities range from 1 day to 4 ½ years. All investments held by the City during the year and at September 30, 2002 are classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board. During the year, the City recognized \$8,747,255 in investment earnings, net of the amount reported in the Firemen's Relief & Retirement Fund, a decrease of \$4,887,838 from prior year—of which \$2,552,541 represents the change in the mark-to-market adjustment, leaving \$2,335,297 due to lower yields and a decrease in cash available for investment due to increased fund balances/working capital as well as bond proceeds.

### Other Information

#### ***Independent Audit***

State statutes require an annual audit by independent certified public accountants. The firm of

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

### *Awards*

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the year ended September 30, 2001. This was the fifteenth consecutive year and the sixteenth 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, 2001. The budget for October 1, 2002 has been submitted for review and notification of an award is awaited. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document is judged on proficiency in several categories including policy documentation, financial planning and organization.

### *Acknowledgments*

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

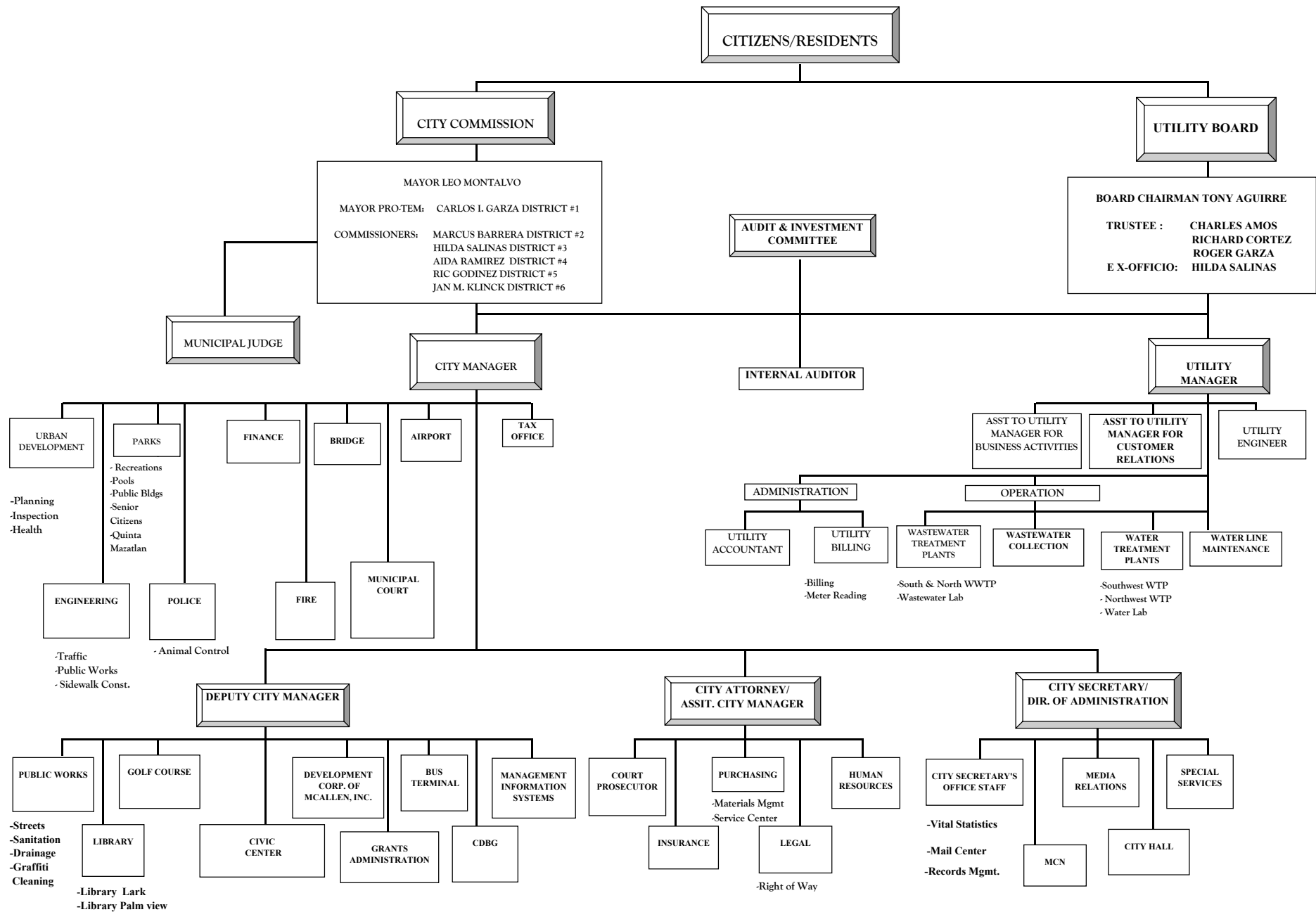
Respectfully submitted,



Jerry W. Dale, CPA CGFO  
Finance Director

# CITY OF McALLEN, TEXAS

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# 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, 2001

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.



*William Patrick Pate*  
President

*Jeffrey L. Essler*  
Executive Director

# CITY OF McALLEN, TEXAS

## LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2002

Mayor.....	Leo Montalvo
Mayor Pro-Tem – Commissioner District 1 .....	Carlos I Garza
Commissioner District 2 .....	Marcus Barrera
Commissioner District 3 .....	Hilda Salinas
Commissioner District 4 .....	Aida Ramirez
Commissioner District 5 .....	Ric Godinez
Commissioner District 6 .....	Jan M. Klinck
Public Utility Board Chairman .....	Tony Aguirre
Public Utility Board Vice-Chairman .....	Roger Garza
Trustee .....	Charles Amos
Trustee .....	Richard Cortez
Ex-Officio Member.....	Hilda Salinas
City Manager .....	Mike R. Perez
Utility Manager.....	T. Anthony Reid, P.E.
Deputy City Manager.....	Brent Branham
Director of Engineering .....	Lamberto J. Balli, P.E.
Attorney .....	James E. Darling
Administrator of Financial Services .....	Jerry W. Dale
Administrator of Internal Services.....	Alfredo Garcia
Administrator of Urban Development .....	Julianne Rankin
Aviation Director .....	Derald Lary
Bridge Superintendent .....	George Ramon
City Secretary .....	Leticia Vacek
Fire Chief.....	Anthony Rogers
Parks and Recreation Director .....	Larry Pressler
Personnel Director .....	Guillermo Mendez
Police Chief.....	Victor Rodriguez

**FINANCIAL SECTION**





**PADGETT, STRATEMANN & CO., L.L.P.**

Certified Public Accountants and Business Advisors

**Independent Auditors' Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of McAllen, Texas (the "City") as of and for the year ended September 30, 2002, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of City of McAllen, Texas' management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of McAllen, Texas at September 30, 2002, 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.

100 N.E. Loop 410, Suite 1100, San Antonio, Texas 78216 • [www.padgett-cpa.com](http://www.padgett-cpa.com)  
Phone (210) 828-6281 • (800) 879-4966 • Fax (210) 826-8606

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The City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis—for State and Local Governments*, as of September 30, 2002.

The management’s discussion and analysis section is not a required part of the basic financial statements, but is 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2003 on our consideration of City of McAllen, Texas’ internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise City of McAllen, Texas’ basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical data, as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical data, as listed in the Table of Contents herein, have been summarized from City of McAllen, Texas’ records and were not subjected to the audit procedures applied in the audit of the basic financial statements; accordingly, we do not express an opinion on such data. The accompanying required supplemental information on the Texas Municipal Retirement System and the Firemen’s Relief and Retirement Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information.

However, we did not audit this information and express no opinion on it.

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

Certified Public Accountants

January 17, 2003

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This discussion and analysis is intended to provide an overview of the City's financial performance for the fiscal year ended September 30, 2002 and the related effect on the City's financial condition. Please read it in conjunction with the transmittal letter on pages 3-11 and the City's financial statements, which begin on page 41.

### FINANCIAL HIGHLIGHTS

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

Total government-wide net assets increased \$29M as a result of this year's operations. Governmental activities contributed \$21M with the balance of \$8M resulting from business-type activities.

Since this is the City's first year to implement the requirements of GASB No. 34, last year's numbers for the government-wide level financial statements have not been audited and therefore are not available as a basis of comparison to the current year. Next year this information will be available and our discussion and analysis will address the following:

- Governmental Activities – Revenues and Expenses Compared to Last Year
- Business-Type Activities – Revenues and Expenses Compared to Last Year
- City as a Whole – Revenues and Expenses Compared to Last Year

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

As a result of this year's operations, the General Fund reported a \$12M increase to fund balance before transfers out to the Capital Improvement Fund. After transferring \$13M to that fund, a \$1M planned decrease in fund balance resulted. The decrease was planned since it was deemed that fund balance was in a surplus position and the transfer would provide needed funding for capital projects on a pay-as-you go basis rather than incurring additional debt burden for the taxpayers. Taxes and charges for services as well as other less significant revenue increases exceeded the amended budget by \$1.5M, while expenditures and transfers-out were \$3M under the amended budget—all of which resulted in fund balance settling in at \$36M.

### 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 43 and 44-45) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 46. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

## Reporting the City as a Whole

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

One of the central concerns in assessing any City's finances could be summarized in the question, "Is the City as a whole better off or worse off as a result of the year's activities?" Our analysis addressing this question begins on page 22. The analysis includes a condensed summary of the government-wide financial statements—The Statement of Net Assets and the Statement of Activities, which present information about the City in way that facilitates answering this question. These statements are presented much like the private-sector companies—including *all* assets and liabilities using the *accrual basis of accounting*. All revenues and expenses for the current year are reported without regard to when cash is received or paid.

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

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

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

***Business-type activities***—Certain services that the City provides are paid for from fees that are charged to customers. Water, sewer, garbage collection, civic center, golf course, airport, transit terminal 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 46 through 65. These statements present detailed information about the City's more significant funds as opposed to the City as a whole. Funds are established for various reasons—some are required by state law; others, by bond covenants. Some funds are established by the City Commission to assist in managing money that is to be spent for particular purposes. For example, the Community Development Block Grant Fund was established to demonstrate that the money received from the U. S. Department of Housing and Urban Development was used for purposes established by the federal government. The City has two categories of funds, which can be used for public purpose—*governmental* and *proprietary*. Each category uses a different accounting approach.

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

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

## The City as Trustee

### Reporting the City’s Fiduciary Responsibilities

The City is the trustee, or fiduciary, for the Firemen’s Pension Fund. This activity is reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 64 and 65. These activities are not included with the City’s other government-wide financial information since the City cannot use these assets to finance its programs or operations. The City’s is responsible for ensuring that these funds are used for their intended purpose.

# THE CITY AS A WHOLE

The City's Condensed Statement of Net Assets is presented in the table below. As previously indicated, last year's numbers are not available for comparison to the current year but will be reported next year.

## Net Assets (in Millions)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2002</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>
Current and other assets	\$127	N/A	\$102	N/A	\$229	N/A
Capital assets	<u>111</u>	N/A	<u>143</u>	N/A	<u>254</u>	N/A
Total assets	<u>238</u>	N/A	<u>245</u>	N/A	<u>483</u>	N/A
Long-term debt outstanding	36	N/A	44	N/A	80	N/A
Other liabilities	<u>10</u>	N/A	<u>8</u>	N/A	<u>18</u>	N/A
Total liabilities	46	N/A	52	N/A	98	N/A
Net assets:						
Invested in capital assets,						
Net of debt	86	N/A	132	N/A	218	N/A
Restricted	35	N/A	50	N/A	85	N/A
Unrestricted	<u>71</u>	N/A	<u>11</u>	N/A	<u>82</u>	N/A
Total net assets	<u>\$192</u>	N/A	<u>\$193</u>	N/A	<u>\$385</u>	N/A

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

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2002</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>
Revenues						
Program revenues:						
Charges for services	\$5	N/A	\$43	N/A	\$48	N/A
Federal grants	8	N/A	3	N/A	11	N/A
State grants	-	N/A	-	N/A	-	N/A
General revenues:						
Property taxes	19	N/A	-	N/A	19	N/A
Sales tax	40	N/A	-	N/A	40	N/A
Other taxes	8	N/A	-	N/A	8	N/A
Federal entitlements	-	N/A	-	N/A	-	N/A
Other general revenues	<u>9</u>	N/A	<u>7</u>	N/A	<u>16</u>	N/A
Total revenues	89	N/A	53	N/A	142	N/A
Program expenses						
General government	13	N/A	-	N/A	13	N/A
Public safety	34	N/A	-	N/A	34	N/A
Highways and streets	10	N/A	-	N/A	10	N/A
Health and welfare	5	N/A	-	N/A	5	N/A
Culture and recreation	11	N/A	-	N/A	11	N/A
Interest on long-term debt	2	N/A	Incl	N/A	2	N/A
Water	-	N/A	9	N/A	9	N/A
Sewer	-	N/A	7	N/A	7	N/A
Sanitation	-	N/A	8	N/A	8	N/A
Golf	-	N/A	1	N/A	1	N/A
Transit terminal	-	N/A	1	N/A	1	N/A
Civic center	-	N/A	1	N/A	1	N/A
Airport	-	N/A	4	N/A	4	N/A
Bridge	-	N/A	<u>6</u>	N/A	<u>6</u>	N/A
Total expenses	<u>75</u>	N/A	<u>37</u>	N/A	<u>112</u>	N/A
Excess (deficiency)						
Before special items						
And transfers	14	N/A	16	N/A	30	N/A
Transfers	<u>7</u>	N/A	<u>(7)</u>	N/A	<u>=</u>	N/A
Increase (decrease)						
In net assets	<u>\$21</u>	N/A	<u>\$9</u>	N/A	<u>\$30</u>	N/A

Total revenues generated from both governmental and business-type activities this year amounted to \$142M. Expenses came in at \$112M, leaving \$30 as an increase to net assets.

**Governmental Activities**

Total revenues generated from governmental activities this year amounted to \$89M. Expenses came in at \$75M, leaving \$14M as an increase to net assets before transfers. An additional net \$7M in transfers from business-type activities was provided, resulting in an all-inclusive increase to net assets amounting to \$21M.

The cost of all governmental activities this year was \$75M. However, as shown on the Statement of Activities on pages 44-45, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$62M. The other \$13M to finance these programs was paid by those who directly benefited from them (\$5M) and by other governments that subsidized certain programs with grants (\$8M).

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><u>Total Cost Of Services</u></b>		<b><u>Net Cost Of Services</u></b>	
	<b><u>2002</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>
Police	\$23	N/A	16	N/A
General government	13	N/A	11	N/A
Highways and streets	10	N/A	10	N/A
Fire	9	N/A	9	N/A
Health and Welfare	<u>5</u>	N/A	<u>3</u>	N/A
Total	<u>\$60</u>	N/A	<u>\$49</u>	N/A

**Business-type Activities**

Total revenues generated from business-type activities this year amounted to \$53M. Expenses came in at \$37M, leaving \$16M as an increase to net assets before transfers, from which \$7M in transfers were made to governmental activities, resulting in an all-inclusive increase to net assets amounting to \$9M.

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

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

As a result of this year's operations, governmental funds (as reflected in the balance sheet on page 46) increased combined fund balance to \$97M, an increase of \$12M over last year. The increase came about largely from the Capital Improvement Fund, which resulted primarily from significant unspent transfers-in from the General Fund for future projects.

## 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, 2002 and 2001.

<b><u>Revenues &amp; Transfers-In</u></b>	<b><u>2002 Amount</u></b>	<b><u>% of Total</u></b>	<b><u>2001 Amount</u></b>	<b><u>Amount of Increase (Decrease)</u></b>	<b><u>% Increase (Decrease)</u></b>
Taxes	\$65,760,216	60.51%	\$63,041,158	\$2,719,058	4.31%
Licenses & permits	872,751	0.80%	824,608	48,143	5.84%
Intergovernmental	5,954,380	5.48%	8,576,131	-2,621,751	-30.57%
Charges for services	2,830,128	2.60%	2,699,727	130,401	4.83%
Fines and Forfeitures	2,070,902	1.91%	2,338,137	-267,235	-11.43%
Investment Income	3,648,354	3.36%	5,861,970	-2,213,616	-37.76%
Miscellaneous	5,229,689	4.81%	16,275,600	-11,045,911	-67.87%
Transfers-in	<u>22,313,291</u>	<u>20.53%</u>	<u>21,674,700</u>	<u>638,591</u>	<u>2.95%</u>
Total	<u>\$108,679,711</u>	<u>100.00%</u>	<u>\$121,292,031</u>	<u>-\$12,612,320</u>	<u>-10.40%</u>

## ***Taxes***

The most significant increase in taxes this year is attributable to sales tax, which increased \$2.2M or 6% over prior year—despite the impact of 9-11 felt at the national level as well as many Texas cities. It was followed by property tax, which posted a \$1.4M increase. These increases were offset by franchise taxes, which dropped \$632K—primarily due to the unusually high increase in the price of natural gas last year, which is used in the generation of electricity, the increase in price of which, in turn, is passed on to consumers—therefore, increasing franchise taxes, which are determined as a percentage of gross revenues of the electric company. Also, last year was the final year of the Downtown Improvement District, which collected \$196K in that final year. Finally, hotel occupancy tax declined \$71K or 2.4% from last year.

### ***Sales Tax – 2c***

Sales tax revenues continued its compounding growth trend, attaining an all time high of \$39M. During the year, only one month reported a decrease. The remaining eleven months reported increases of between 1% and 16%.

### *Sales Tax – 1/2c Reported in the Development Corp*

This portion of the sales tax, amounting to \$9.8M, increased \$552K over last year. It is accounted for in the Development Corporation of McAllen, Inc. (Development Corp) Fund, a special revenue fund.

### *Sales Tax – 1-1/2c Reported in the General Fund*

The balance of sales tax collections, which experienced an increase of \$17M, is reported in the General Fund.



### ***Ad Valorem (Property) Tax***

Overall, property tax collections, including the general citywide property tax offset by the special downtown property improvement tax, increased \$1.2M or 7% over last year.

### ***General Property Tax***

The general citywide property tax including collections of the current levy, that of prior years', agricultural rollback taxes, and penalty and interest increased \$1.4M.

### ***Current General Property Tax Collections***

The most significant line item contributing to this increase is attributable to collection of current year taxes, which increase amounted to \$1.1M.

### ***Growth in Taxable Assessed Value***

Although the overall tax rate remained unchanged for this fiscal year, taxable assessed values, as adjusted for changes throughout each fiscal year, increased by \$187M or 5.6%% over last year. Of that amount, \$139M represented new improvements, leaving \$48M attributable to a 1% increase in property existing in the prior year, which resulted from the Appraisal District's revaluation.

### ***Collection Rate***

This year's collection rate of current property taxes on the current adjusted tax levy amounted to 93% a decline of 2% from last year.

### ***Shifting of I&S Tax Rate to M&O Rate—Related Effects on Revenues in General Fund***

The I&S portion of the tax rate, which is accounted for in the Debt Service Fund, fell from 6.59c in fiscal year 2000-01 to 5.95c in fiscal year 2001-02—a decline of .64c due to declining general obligation debt service requirements and growth in property values. Therefore, the current tax revenues in the Debt Service Fund experienced a \$75K decrease. The resulting M&O portion of the tax rate, which is accounted for in the General Fund, increased from 35.54c in fiscal year 2000-01 to 36.18c in fiscal year 2001-02.

### ***Downtown Improvement District Property Tax***

The decrease attributable to a property improvement district, known as the Downtown Improvement District, amounted to \$196K—due to the district not being renewed beyond last year.

### ***Hotel Taxes***

Hotel taxes finished the year \$71K under last year—a 2.4% decline.

### ***Other Taxes***

This year reported franchise taxes as a whole decreased \$632K from the prior year. As previously stated, the decrease resulted primarily as a consequence of the unusually high prices for natural gas last year, which returned to normal this year.

## ***Intergovernmental***

The decrease in intergovernmental revenues is reflective of the decrease in grant activity, of which \$1.5M represents a decline in reimbursements under the Community Development Block Grant Program with the balance of \$1.2M due to decreases primarily in grants from the U.S. Department of Justice.

### ***Investment Income***

Investment income, before adjusting investments to fair value, were down from prior year, generally due to a decline in yields. Interest earnings in the governmental fund types amounted to \$3.8M this year compared to \$4.5M last year—a decrease of \$736K. In addition, due to the GASB Statement No. 31 requirement to mark to market, the City recorded an unrealized loss amounting to \$99K, compared to an unrealized gain of \$1.4M last year—resulting in a net decrease in value between the years of \$1.5.

### ***Miscellaneous***

All other revenues, not otherwise classified, are included in this category. Most of the decrease relates to one-time adjustments reclassifying interfund loans as well as non-recurring revenues reported in the previous year. Of the \$11M reported decrease from last year, \$6M represents one-time adjustments in the prior year that increased revenues as a result of reclassifying three interfund loans from deferred revenues to reserved fund balance. Of the remaining \$5M, oil and gas royalties declined by \$2.4M due to this year's return to historically-normal gas prices. Also, last year's revenues included a recovery related to the preceding year COPS grant program as well as a sale of property.

### ***Transfers-In***

In addition to the normal transfers to the General Fund from the Bridge Fund for the City's share of net surplus revenue generated from that fund and the Airport Fund to recognize General Fund services used, the substantial portion of the increase in transfers-in is due to transfers into the Capital Improvement Fund to supplement funding for capital projects. The most significant was a transfer-in from the General Fund, amounting to \$12.9M, representing an estimation of surplus fund balance in the General Fund. In addition, the Airport Fund transferred to the Debt Service Fund the debt service payments for airport-related general obligation bonds, amounting to \$1.7M.

### ***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, 2002 and 2001.

<b><u>Expenditures &amp; Transfers-Out</u></b>	<b><u>2002 Amount</u></b>	<b><u>Percent of Total</u></b>	<b><u>2001 Amount</u></b>	<b><u>Amount of Increase (Decrease)</u></b>	<b><u>Percent of Increase (Decrease)</u></b>
General government	\$13,167,773	13.60%	\$14,091,828	-\$924,055	-6.56%
Public safety	36,070,171	37.26%	35,741,264	328,907	.92%
Highways & streets	7,130,013	7.36%	7,166,954	-36,941	-.52%
Health & welfare	5,023,136	5.19%	5,108,889	-85,753	-1.68%
Culture & recreation	10,273,642	10.61%	9,900,452	373,190	3.77%
Capital Outlay	5,192,130	5.36%	2,974,890	2,217,240	74.53%
Debt service:					
Principal	2,725,000	2.82%	2,640,000	85,000	3.22%
Interest & fiscal charges	1,759,168	1.81%	1,910,666	-151,498	-7.93%
Transfers-out and other financing uses	<u>15,476,699</u>	<u>15.99%</u>	<u>16,228,885</u>	<u>-752,186</u>	<u>-4.63%</u>
Total	<u>\$96,817,732</u>	<u>100.00%</u>	<u>\$95,763,828</u>	<u>\$1,053,904</u>	<u>1.10%</u>

Taken as a whole, governmental fund expenditures experienced a marginal increase over last year. General government actually reported a decrease of \$924K. This is primarily due to the reporting treatment given to workers' compensation insurance. Last year it was reported at the fund level within the general government category. Beginning this fiscal year, it is reported at the department level. The amount of the decrease was offset to some degree with less significant increases among the various departments, comprising the general government category. The only significant increase reported was for capital outlay—of which a significant amount was for street projects. The decline in transfers-out is substantially due to a non-recurring transfer last year from the Development Corp to assist in funding the first year's operating and maintenance costs of approved capital projects, the branch libraries and recreation centers.

#### Fund Balances

Combined fund balance for the governmental fund types increased \$12M, from a balance of \$85M in the prior year to \$97M as of the current fiscal yearend. Fund balances, by major fund as well as the Debt Service Fund, are discussed below.

#### *General Fund*

Due to the strong performance from property tax and sales tax revenues as well as keeping expenditures as a whole under control, a planned decrease in fund balance was minimized to only \$1M—despite transferring \$13M to the Capital Improvement Fund for funding future capital projects. As of September 30, 2002, fund balance amounts to \$36M. Of that amount, \$1.4M is reserved for an interfund advance to

the Sanitation Fund, as well as \$245K reserved for encumbrances—leaving \$35M unreserved and therefore currently available for future spending. During fiscal year 1997-98, the City adopted, by resolution, a financial policy requiring, minimum of 140 days of operating expenses in fund balance. Based upon next year's operating budget, exclusive of capital outlay and transfers-out, fund balance represents 208 days, which is 68 days in excess of the minimum requirement.

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

The fund balance of the Development Corp Fund increased from \$22M in the prior year to \$25M—an increase of \$3M.

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

The fund balance of the Capital Improvement Fund increased \$9M—from \$16M in the prior year to \$25M—resulting from the substantial transfer from the General Fund.

#### ***Debt Service Fund***

The fund balance of the Debt Service Fund increased from \$5M in the prior year to \$7M—an increase of \$2M. Of this amount, \$4M is reserved for interfund advances to the Airport Fund for the current and prior years' debt service requirements on general obligation bonds, which are airport-related and which the Airport recorded a transfer to this fund, but was unable to effect. Despite this reservation, the balance currently available at year-end amounted to \$3M, which is in excess of the general obligation bonds' debt service requirements for the next fiscal year.

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

#### **Enterprise Funds**

The City's enterprise operations consist of the McAllen Public Utility (Water and Sewer Funds), Sanitation Fund, Palm View Golf Course, Transit Terminal Fund, McAllen International Civic Center Fund, McAllen International Airport Fund and the McAllen International Toll Bridge Fund. In the aggregate, the proprietary funds reported an \$8M increase to net assets—from \$184M in the prior year to \$192M, as rounded.

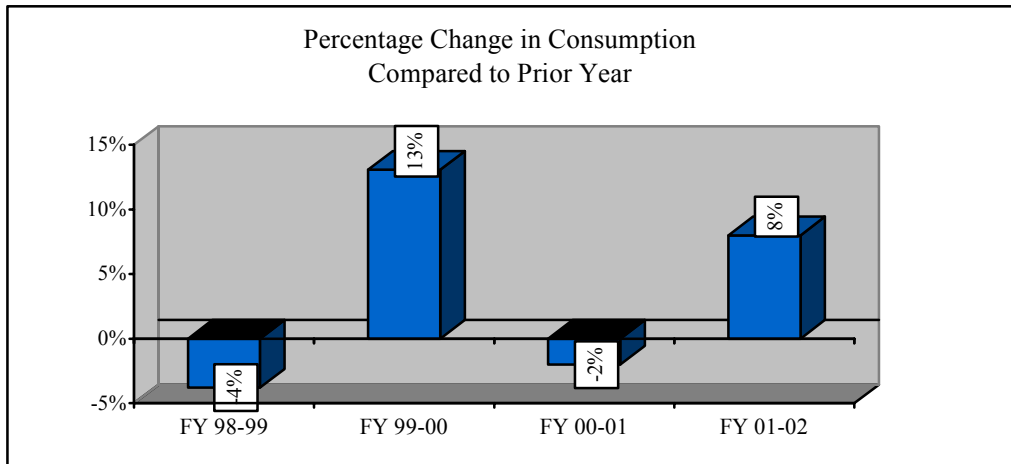
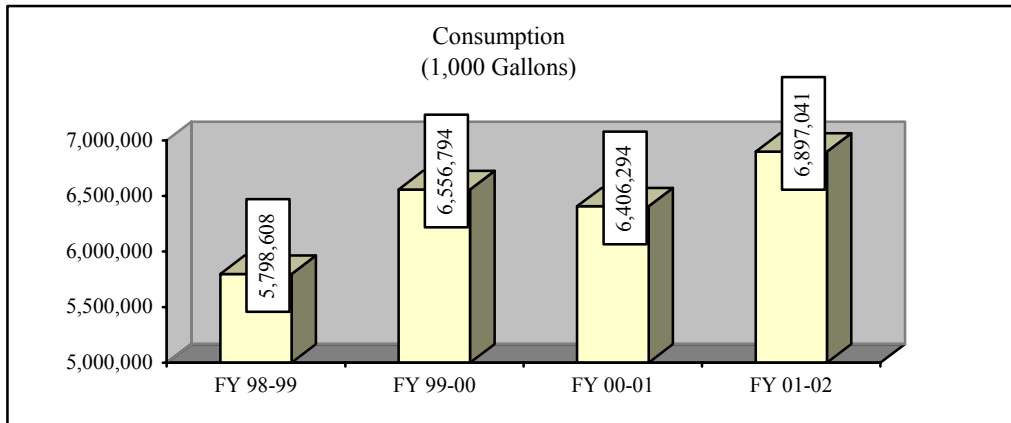
#### ***McAllen Public Utilities (MPU) – Water and Sewer Funds***

##### ***General Comments***

This year's results, both in the Water Fund and the Sewer Fund, exceeded prior year and substantially attained or exceeded the budget. Despite the absence of a rate increase, revenues were up largely due to the performance of water/sewer sales, which were impacted by consumption and growth in the customer base.

##### ***Consumption***

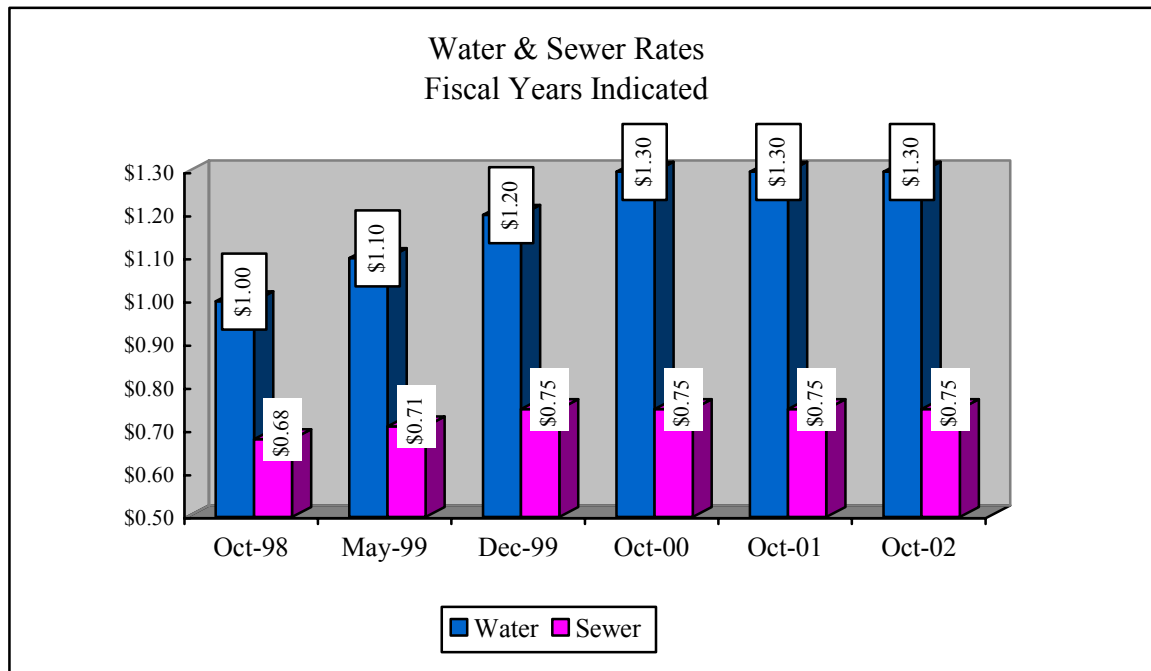
Consumption increased this year by 500M gallons, representing an 8% increase over the previous year.



These consumption-related graphs indicate that the trend, in absolute terms, is up, which we attribute to growth in the customer base. However, from year to year, the change is significantly influenced by rainfall. Last year's decrease in consumption was largely due to significant rainfall during the year. A total of 22.38 inches of rain was measured that year compared to only 12.91 inches in the immediately preceding year. This year the trend was reversed—rainfall amounted to only 13.78 inches, which resulted in a spike to this year's consumption level.

### *Rates*

During this fiscal year, the water commodity rate remained at \$1.30 per 1,000 gallons plus a monthly base rate of \$3.50—with the exception of Sharyland customers, whose rates were \$6.00 and \$1.35 respectively. The monthly minimum base rate for sewer customers remained the same at \$9.00, as did the sewer commodity rate of \$.75 per 1,000 gallons. Rates have remained the same for the last three years.



### *Growth in Customer Base*

The number of water accounts this year grew by 1,523 or 5%, increasing the customer base to 34,103. The number of sewer accounts grew by 1,427 or 5%, increasing its customer base to 30,398.

The impact of the increase in consumption and growth of the customer base on the increase in both water and sewer sales over the prior year and budget, are discussed later in this letter under each fund respectively.

### ***Water Fund***

Operating revenues increased by \$900K over last year—from \$10.4M to \$11.3M. Water sales, which makes up 94% of all revenues, increased \$833K and \$328K over last year and the budget, respectively, for the reasons indicated in the following table:

**Water Sales**  
**Actual Increase (Decrease) Over Prior Year/Budget**

<u>Reasons</u>	<b>Inc (Dec)</b> <b>Prior Year</b>		<b>Inc (Dec)</b> <b>Budget</b>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Monthly Minimum Billing Related				
Increase (Decrease) in Customer Base	\$ 54,220	.55%	\$ 329	-%
Increase (Decrease) in Monthly Minimum Rate	-	-%	-	-%
Increase in Commodity Rate	-	-%	-	-%
Increase in Consumption	708,396	7.26%	257,456	2.51%
Increase in Regional Water Usage	70,206	.72%	70,206	.68%
Total	<u>\$ 832,822</u>	<u>8.53%</u>	<u>\$327,991</u>	<u>3.19%</u>

As indicated in the above table, the 8% increase in water sales over the prior year was principally due the increase in consumption although the increase in customer base as well as regional water sales played a part as well. Other less significant operating revenues performed well as benchmarked against last year and budget. Operating expenses as a whole experienced an \$820K increase, however, were well under budgetary control. Almost without exception, all departments were under budget. Operating income amounted to \$2.8M, which is comparable with prior year. Interest income experienced a sharp decline and was the determining factor in income before operating transfers decreasing \$722 from last year to \$3.6M. The Sewer Fund provided a \$4M transfer, increasing the change in net assets to \$7.6M.

As a result of this year's operations, working capital increased to \$9.4M, which represents 560 days of operating expenses exclusive of depreciation—far in excess of MPUB's 120-day policy.

Net revenues generated a bond coverage ratio of 3.36x Water Fund-related debt service.

***Sewer Fund***

Operating revenues increased by \$700K over last year—from \$7.5M to \$8.2M. Sewer sales, which makes up 93% of all revenues, increased \$573K and \$180K over last year and the budget, respectively, due to the reasons indicated in the following table:

**Sewer Fund – Sewer Sales**  
**Actual Increase (Decrease) Over Prior Year/Budget**

<u>Reasons</u>	<b>Inc (Dec)</b> <b>Prior Year</b>		<b>Inc (Dec)</b> <b>Budget</b>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Monthly Minimum Billing Related				
Increase (Decrease) in Customer Base	\$121,356	1.67%	\$31,203	0.41%
Increase in Monthly Minimum Rate	-	-%	-	-%
Increase in Commodity Rate	-	-%	-	-%
Increase in Consumption	363,721	5.00%	21,334	.28%
Calpine/Duke Reuse Charges	87,783	1.20%	127,119	1.65%
Total	<u>\$572,860</u>	<u>7.87%</u>	<u>\$179,656</u>	<u>2.34%</u>

As the previous table indicates, this year's sewer sales increased over prior year most significantly due to an increase in consumption followed by growth in the customer base and Calpine/Duke effluent reuse

charges. During this fiscal year, MPU delivered 1.3B gallons of effluent water to the Hidalgo Energy Center (formerly the Duke Energy Power Plant). Unlike the Water Fund, interest earnings were able to maintain last year's level due to a \$5M due from the Water Fund last year being repaid as well as transferring \$4 in bond proceeds to the Water Fund in order to more accurately allocate the proceeds, based upon revised plans to utilize them. Operating expense grew by 5%, however, were well under budgetary control. Without exception, all departments were under budget. Income before transfers were comparable to last year. The \$4M transfer to the Water Fund resulted in a \$1M decrease in net assets.

Working capital at year-end amounted to \$7M, which represents 406 days of operating expenses exclusive of depreciation—far in excess of MPUB's 120-day policy.

Net revenues generated a bond coverage ratio of 6.93x Sewer Fund-related debt service.

### ***Sanitation Fund***

This year's operating revenues, representing charges for services, increased \$900K or 11% over prior year, which is attributed a \$1 per month rate increase on all classes of customers as well as an increase in the customer base. Recycling revenue as well as roll-off container revenue contributed as well. As a whole, operating expenses increased \$900K, which resulted primarily from an increase in staffing as well as increased landfill cost due to increased volume—leaving an operating income of \$480K—comparable to last year. Considering the effect of non-operating revenues and the \$550K transfer to the Capital Improvement Fund for remediation of the Old Public Works site, net assets increased by \$192K. Working capital as of year-end amounted to \$759K.

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

Operating revenues as well as expenses are almost identical to prior year levels, resulting in operating loss amounting to \$500K. The decrease in net operating revenues before transfers is due to a sharp decline in interest earnings. Funding is provided by a transfer from a portion of hotel occupancy taxes, which decreased marginally from last year—resulting in an increase to net assets of \$2.4M. Within the restricted asset portion of the Statement of Net Assets, almost \$24M has been accumulated to assist in funding the new convention center along with the Development Corp Fund. Working capital at year-end amounted to \$1.6M.

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

Although there has been a decline in air travel throughout the nation following the terrorist attacks of 9-11, operating revenues were within 5% of last year's levels. Operating expenses increased \$218K or 5% largely due to increased security measures taken. As a result operating income decreased almost \$400K from last year. Considering other income, most of which related to the passenger facility charge and grant reimbursements from the FAA, the net loss before transfers for the current year amounted to \$4M. Transfers-out to the City amounted to \$2.8M—of which \$1.7M was booked as an advance due to the Debt Service Fund for reimbursement of debt service requirements on the current year's airport-related general obligation debt with the balance to the General Fund to reimburse for public safety personnel assigned to the Airport. As a result, a decrease in net assets of \$237K is reported. The balance of the advance to the Debt Service Fund has increased to \$3.5M. Working capital has decreased to \$311K as well. The City plans to provide for the repayment of the advance from the Debt Service Fund by considering increased fees to the airlines and/or paid parking.



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

Despite the impact on crossings immediately following the terrorist attacks on September 11, 2001, the level of car and pedestrian activity for the year increased 2% over last year, as indicated below:

<b><u>Category</u></b>	<b><u>FY 01-02</u></b>	<b><u>FY 00-01</u></b>	<b><u>Inc (Dec)</u></b>	<b><u>% Inc (Dec)</u></b>
Cars	6,098,562	5,989,198	109,364	2%
Trucks	29,111	39,378	-10,267	-26%
Buses	25,840	27,442	-1,602	-6%
Pedestrians	13,538,807	13,296,020	242,787	2%

The increase in net assets from operating income for FY 01-02 was \$8.1M compared to \$8.8M in FY 00-01. The decrease was principally due to an increase in development costs related to the new Anzalduas Bridge Project (“New Bridge”).

Operating revenues increased by \$106K or 1%, as toll rates remained the same as last year, while car crossings increased 2% offset by a 26% decrease in truck traffic. Over the last several years, the Bridge has been redirecting truck traffic to the neighboring international bridge in Pharr, Texas in order to alleviate congestion in downtown Reynosa, Tamaulipas, Mexico, which borders the bridge port of entry as well as avoid shipments of hazardous materials.

Operating expenses increased \$774K or 43%. The increase was primarily for development costs relating the new Anzalduas Bridge Project. Once, the financing for the New Bridge is complete, these costs will be recoverable from the bond proceeds.

Net non-operating expenses rose \$285K due to a decline in interest income, resulting from a decline in yields as well as a net decrease in fair value of investments.

Although income before transfers decreased, the transfer to the City of McAllen increased—due to the fact that these transfers are based on the prior year *net surplus revenues*.

As a result of the above, the change in net assets was a \$301K decrease.

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 \$19M at September 30, 2002.

A condensed summary of the Bridge’s net assets at September 30 is shown below:

	<u><b>FY 01-02</b></u>	<u><b>FY 00-01</b></u>
<b>ASSETS:</b>		
Current assets	\$1,605,645	\$573,338
Restricted assets	13,811,208	12,870,775
Capital assets	6,187,997	6,391,174
Other assets	<u>706,777</u>	<u>625,333</u>
Total assets	<u>\$22,311,627</u>	<u>\$20,460,620</u>
<b>LIABILITIES:</b>		
Current liabilities	\$808,868	\$783,820
Payable from restricted assets	294,136	286,086
Long-term liabilities	<u>2,200,339</u>	<u>81,074</u>
Total liabilities	<u>\$3,303,343</u>	<u>\$1,150,980</u>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	\$6,187,997	6,220,931
Restricted	11,492,919	12,347,169
Unrestricted	<u>1,327,368</u>	<u>741,540</u>
Total net assets	<u>\$19,008,284</u>	<u>\$19,309,640</u>

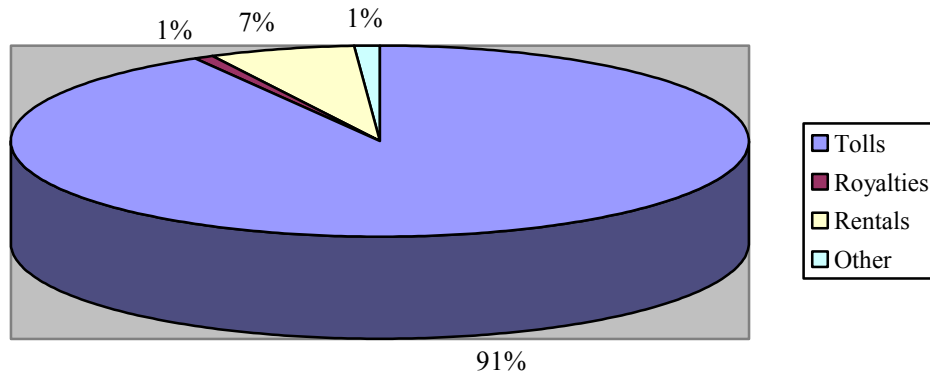
Overall net assets decreased from last year as a result of the change reported in the Statement of Activity. Within its components, unrestricted net assets increased primarily due to shifting assets, previously reported as restricted, pursuant to bond covenants under the old issue, which has been paid off, as well as the amount built up in the capital improvement account, to current assets. This was done to shore up working capital from its deficit position last year.

The Bridge charges tolls on southbound crossings into Mexico for various categories of customers as indicated below:

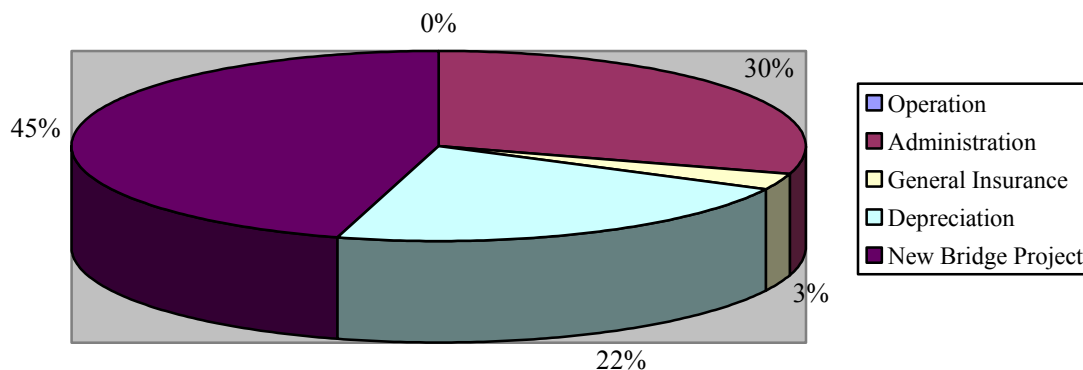
<u><b>Category</b></u>	<u><b>FY 01-02</b></u>	<u><b>FY 00-01</b></u>
Pedestrians	\$0.25	\$0.25
Cars	\$1.50	\$1.50
Trucks (Depending on # of Axels)	\$4.00-\$10.00	\$4.00-\$10.00
Buses (Depending on # of Axels)	\$4.00-\$6.00	\$4.00-\$6.00
Motorcycles	\$1.00	\$1.00
Extra Axel	\$2.00	\$2.00

Toll rates for the current year remained unchanged from last year. However, subsequent to this fiscal year, the Bridge Board and City Commission approved increasing the car toll rate to \$1.75, effective January 1, 2003—a rate competitive with those in the area.

The following chart illustrates the relative contribution of each category of revenue to total operating revenues:



The following chart shows the major cost centers and each's percentage contribution to total operating expenses for the current fiscal year.



The following table summarizes the major sources and uses of cash for the current and last fiscal year:

	<b><u>FY 01-02</u></b>	<b><u>FY 00-01</u></b>
Cash flow from Operating Activities	\$8,480,949	\$9,124,957
Cash flow used in Investing Activities	(1,669,553)	(653,202)
Cash flow from (used in) Capital & Related Financing Activities	1,907,039	(330,616)
Cash flow – transfers of Net Surplus Revenue to Cities	<u>(8,730,268)</u>	<u>(8,341,869)</u>
Net increase (decrease) in Cash	(11,833)	(200,730)
Cash – Beginning of Year	<u>188,508</u>	<u>389,238</u>
Cash – End of Year	<u>\$176,675</u>	<u>\$188,508</u>

At the end of this fiscal year, the Bridge had \$6M in capital assets, the detail of which is shown below:

	<b><u>FY 01-02</u></b>	<b><u>FY 00-01</u></b>
Land	\$573,798	\$573,798
Bridge, equipment and improvements	3,690,767	3,685,711
Buildings and improvements	<u>6,374,693</u>	<u>6,305,483</u>
Total capital assets	10,639,258	10,564,992
Accumulated depreciation	<u>(4,451,261)</u>	<u>(4,173,818)</u>
Total capital assets - net	<u>\$6,187,997</u>	<u>\$6,391,174</u>

This year there were no major additions to capital assets.

At the end of this fiscal year, the Bridge had \$2.3M in revenue bonds outstanding, resulting from the bond issue during the year. The proceeds will be used for various improvements to the existing port facilities.

### ***Palm View Golf Course Fund***

Although the *number of rounds played* have declined for all courses—both locally and nationally, operating revenues were able to post a 3% increase over prior year. Responding to the drop in rounds, operating expenditures were cut by 4%. As a result of operations and other income, the year was completed with a decrease in net assets of \$26K—a \$150K improvement over last year. Working capital at year-end amounted to \$329K.

### ***Transit Terminal Fund***

In its first full year of operation, a decrease in net assets of \$190K was generated. Working capital at year-end amounted to \$126K.

### ***Internal Service Funds***

These 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 City also accounts for its liability insurance, employee health and life insurance, its risk management activities as well as its replacement of General Fund rolling stock through these funds.

### ***Fleet Materials Management Fund***

This fund is comprised of two departments; Materials Management and Garage. This fund generated an increase in net assets of \$62K. Working capital at year-end amounted to \$409K.

### ***Employee Benefits Fund***

The Employee Benefits Fund was established to account for employee health insurance premiums, as well as benefits paid on claims submitted. The revenues for these activities are provided by employee and City contributions as well as interest earnings. This year due to a decline in claims experience, increase in

rates and recovery of last year claims exceeding the specific stop-loss, net assets were made whole of working capital.

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

This fund was established to account for the property and casualty premiums and claims paid on workers' compensation cases. As part of a comprehensive plan, resources are being accumulated in this fund to meet potential losses. This year this activity generated an increase to net assets of \$752K. Due to the accumulation of many years with favorable results, working capital is \$3.7M.

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

This fund was established to serve as a replacement fund to finance General Fund rolling stock. It was established in a prior fiscal year by a transfer-in from the Employee Benefits Fund in the amount of \$1.5M. Toward the end of the year it was supplemented with an additional \$2M transfer from the General Fund due to its surplus revenue condition. The fund is sustained by charging a rental to the appropriate General Fund department for rolling stock purchased for its use equal to the cost plus 10% for anticipated inflation—pro-rated over the estimated life of each asset. The net increase resulting from rental activities amounted to \$675K, increasing net assets to \$4.5M. This year the General Depreciation fund purchased rolling stock amounting to \$1.1M. Working capital at year-end amounted to \$4.4M.

### **General Fund Budgetary Highlights**

During the year the City Commission amended the budget several times. One category of adjustments related to requests not considered during the normal budgetary process. However, the more significant increases were projects identified depending on revenue performance. Despite increasing budgeted expenditures and transfers-out by \$5.6M, actual expenditures came under budget by \$3M.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of the fiscal year, the City had \$255M in capital assets.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Land	\$18	\$17	\$13	\$13	\$31	\$30
Buildings and improvements	15	15	114	104	129	119
Equipment	11	11	6	6	17	17
Infrastructure	59	59	-	-	59	59
Construction in progress	<u>8</u>	<u>5</u>	<u>11</u>	<u>8</u>	<u>19</u>	<u>13</u>
Totals	<u>\$111</u>	<u>\$107</u>	<u>\$144</u>	<u>\$131</u>	<u>\$255</u>	<u>\$238</u>

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

Construction-in process – Police Station	\$3
Street improvements	3
Water and sewer improvement projects	14
Airport improvement projects	<u>4</u>
Total	<u>\$24</u>

#### Debt

At the end of the fiscal year, the City had \$74M in bonds outstanding—as shown in the following table:

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
General obligation bonds (backed by the City)	\$10	\$12	\$-	\$-	\$10	\$12
Revenue bonds (backed By specific tax and fee Revenues	<u>22</u>	<u>23</u>	<u>42</u>	<u>41</u>	<u>64</u>	<u>\$64</u>
Totals	<u>\$32</u>	<u>\$35</u>	<u>\$42</u>	<u>\$41</u>	<u>\$74</u>	<u>\$76</u>

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

During the budget process for fiscal year 2002-03 the elected and appointed officials considered many factors including the forces driving the economy—among which were job growth, growth in new housing, bank deposits, retail sales growth, the unemployment rate, and inflation. As a result of the deliberations, property tax rates were left unchanged. Within the governmental funds, revenues are budgeted to increase by 6%. The increase is expected to come largely from sale of property. Total revenues were budgeted at \$5.5M over last year's actual of \$86M. Transfers-in decreased by another \$11M—due to a decrease in transfers from the General Fund to the Capital Improvement Fund. Expenditures on the other hand, were budgeted with a \$18M increase, which primarily represents spending down fund balance in the Capital Improvement Fund.

Within the business-type activities, we expect that fiscal year 2002-03 results will remain stable with last year as no provision was made for any rate increases.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

**BASIC FINANCIAL  
STATEMENTS**



**CITY OF McALLEN, TEXAS**  
**STATEMENT OF NET ASSETS**  
**September 30, 2002**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash	\$ 1,770,295	\$ 1,146,073	\$ 2,916,368
Certificates of deposit	59,824,259	12,556,593	72,380,852
Investments	39,252,499	6,437,475	45,689,974
Receivables, net	14,807,930	3,821,185	18,629,115
Internal balances	9,122,419	(9,122,419)	-
Inventories	-	386,639	386,639
Notes receivable	1,551,711	-	1,551,711
Restricted assets	-	83,432,252	83,432,252
Capital assets, net	111,231,359	143,788,250	255,019,609
Other assets	-	2,681,218	2,681,218
	<hr/>	<hr/>	<hr/>
Total assets	<b><u>\$ 237,560,472</u></b>	<b><u>\$ 245,127,266</u></b>	<b><u>\$ 482,687,738</u></b>
<b><u>Liabilities</u></b>			
Accounts payable and accrued expenses	\$ 6,544,907	\$ 7,124,810	\$ 13,669,717
Deferred revenues	1,135,185	1,562,245	2,697,430
Other	1,880,873	-	1,880,873
Non-current liabilities:			
Due within one year	2,825,000	1,765,000	4,590,000
Due in more than one year	33,404,721	41,850,979	75,255,700
	<hr/>	<hr/>	<hr/>
Total liabilities	<b><u>45,790,686</u></b>	<b><u>52,303,034</u></b>	<b><u>98,093,720</u></b>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	86,076,359	131,884,763	217,961,122
Restricted for:			
Capital projects	25,728,451	43,241,730	68,970,181
Debt service	7,005,836	825,837	7,831,673
Other purposes	2,171,802	5,488,240	7,660,042
Unrestricted	70,787,338	11,383,662	82,171,000
	<hr/>	<hr/>	<hr/>
Total net assets	<b><u>191,769,786</u></b>	<b><u>192,824,232</u></b>	<b><u>384,594,018</u></b>
	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<b><u>\$ 237,560,472</u></b>	<b><u>\$ 245,127,266</u></b>	<b><u>\$ 482,687,738</u></b>

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

**CITY OF McALLEN, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For Fiscal Year Ended September 30, 2002**

Exhibit 1-A-2

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Governmental activities:</b>							
General government	\$ 12,906,438	\$ 1,014,266	\$ 593,211	\$ -	\$ (11,298,961)	\$ -	\$ (11,298,961)
Public safety	34,384,019	2,894,411	3,636,993	952,229	(26,900,386)	-	(26,900,386)
Highways and streets	10,137,676	381,288	-	73,746	(9,682,642)	-	(9,682,642)
Health and welfare	5,142,952	57,481	-	2,407,901	(2,677,570)	-	(2,677,570)
Culture and recreation	10,644,143	685,938	-	111,456	(9,846,749)	-	(9,846,749)
Interest on long-term debt	1,737,096	-	-	-	(1,737,096)	-	(1,737,096)
Total governmental activities	74,952,324	5,033,384	4,230,204	3,545,332	(62,143,404)	-	(62,143,404)
<b>Business-type activities:</b>							
Water services	9,604,181	11,319,094	-	-	-	1,714,913	1,714,913
Sewer services	7,199,937	8,166,020	-	-	-	966,083	966,083
Sanitation services	8,012,050	8,607,277	-	-	-	595,227	595,227
Golf course services	1,136,123	721,571	-	-	-	(414,552)	(414,552)
Civic center services	960,076	476,109	-	-	-	(483,967)	(483,967)
Airport services	3,834,761	2,450,128	-	3,148,247	-	1,763,614	1,763,614
Transit services	555,102	203,798	-	-	-	(351,304)	(351,304)
Bridge services	5,643,188	10,681,943	-	-	-	5,038,755	5,038,755
Total business-type activities	36,945,418	42,625,940	-	3,148,247	-	8,828,769	8,828,769
Total government	111,897,742	47,659,324	4,230,204	6,693,579	(62,143,404)	8,828,769	(53,314,635)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					15,936,574	-	15,936,574
Property taxes, levied for debt service					2,511,435	-	2,511,435
Hotel occupancy tax					2,841,902	-	2,841,902
Sales tax					39,293,407	-	39,293,407
Franchise taxes					5,496,448	-	5,496,448
Unrestricted investment earnings					4,482,653	4,264,602	8,747,255
Contributions					794,158	356,404	1,150,562
Miscellaneous					4,651,195	1,959,375	6,610,570
Transfers					6,836,592	(6,836,592)	-
Total general revenues, special items, and transfers					82,844,364	(256,211)	82,588,153
Change in net assets					20,700,960	8,572,558	29,273,518
Net assets--beginning					171,068,826	184,251,674	355,320,500
Net assets--ending					\$ 191,769,786	\$ 192,824,232	\$ 384,594,018

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

**CITY OF McALLEN, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2002**

	<b>General</b>	<b>Development Corp</b>	<b>Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>					
Cash	\$ 268,150	\$ 185,673	\$ 224,850	\$ 1,019,964	\$ 1,698,637
Certificates of deposit	6,169,670	17,665,942	23,148,514	5,395,159	52,379,285
Investments	29,189,942	3,032,339	2,111,088	1,294,339	35,627,708
Receivables, net:					
Taxes	2,949,428	1,643,862	-	897,187	5,490,477
Accounts	6,374,869	-	-	-	6,374,869
Accrued interest	405,708	22,772	18,640	15,630	462,750
Other	826,912	-	-	939,061	1,765,973
Due from other funds	238,010	-	-	-	238,010
Due from other governments	8,319	-	-	214,862	223,181
Interfund loan	1,400,000	3,800,000	352,716	3,456,819	9,009,535
Notes receivable	-	-	1,551,711	-	1,551,711
Total assets	<b>\$ 47,831,008</b>	<b>\$ 26,350,588</b>	<b>\$ 27,407,519</b>	<b>\$ 13,233,021</b>	<b>\$ 114,822,136</b>
<b><u>Liabilities and Fund Balance</u></b>					
<b>Liabilities:</b>					
Accounts payable	\$ 1,456,848	\$ 448,911	\$ 281,207	\$ 145,631	\$ 2,332,597
Bank overdraft	-	-	-	9	9
Accrued liabilities	1,653,144	438,284	67,273	1,268	2,159,969
Due to other funds	-	-	-	273,469	273,469
Deferred revenues	7,127,295	902,425	1,904,427	1,753,969	11,688,116
Other	1,167,319	-	-	713,554	1,880,873
Total liabilities	11,404,606	1,789,620	2,252,907	2,887,900	18,335,033
<b>Fund balance:</b>					
Reserved for encumbrances	243,763	-	-	-	243,763
Reserved for interfund loan	1,400,000	3,800,000	352,716	3,456,819	9,009,535
Unreserved, designated for economic development	-	1,212,155	-	-	1,212,155
Unreserved, reported in non-major funds					
Special revenue funds	-	-	-	3,227,091	3,227,091
Capital projects funds	-	-	-	356,545	356,545
Unreserved, undesignated	34,782,639	19,548,813	24,801,896	3,304,666	82,438,014
Total fund balance	36,426,402	24,560,968	25,154,612	10,345,121	96,487,103
Total liabilities and fund balance	<b>\$ 47,831,008</b>	<b>\$ 26,350,588</b>	<b>\$ 27,407,519</b>	<b>\$ 13,233,021</b>	<b>\$ 114,822,136</b>

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

**CITY OF McALLEN, TEXAS**  
**Reconciliation of the Balance Sheet of the Governmental Funds**  
**to the Statement of Net Assets**  
**September 30, 2002**

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Fund Balances--total governmental funds	\$ 96,487,103
Amounts reported for governmental activities in the statement of net assets (Exhibit 1-A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	107,833,857
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	10,552,931
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.	13,333,402
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(36,437,507)</u>
Net assets of governmental activities	<u><u>\$ 191,769,786</u></u>

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

**CITY OF McALLEN, TEXAS**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**GOVERNMENTAL FUNDS**  
**September 30, 2002**

	<b>General</b>	<b>Development Corp</b>	<b>Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
Taxes	\$ 50,594,796	\$ 9,812,083	\$ -	\$ 5,353,337	\$ 65,760,216
Licenses and permits	872,751	-	-	-	872,751
Intergovernmental	416,855	-	-	5,537,525	5,954,380
Charges for services	2,830,128	-	-	-	2,830,128
Fines and forfeitures	1,431,302	-	-	639,600	2,070,902
Interest	2,221,717	709,428	625,081	191,248	3,747,474
Net decrease in the fair value of investments	(43,252)	(22,460)	(17,293)	(16,115)	(99,120)
Other	3,623,860	139,297	757,055	709,477	5,229,689
<b>Total revenues</b>	<b>61,948,157</b>	<b>10,638,348</b>	<b>1,364,843</b>	<b>12,415,072</b>	<b>86,366,420</b>
<b>Expenditures:</b>					
Current:					
General government	11,065,080	468,018	60,988	1,573,687	13,167,773
Public safety	28,968,883	2,806,050	-	4,295,238	36,070,171
Highways and streets	6,494,561	569,060	-	66,392	7,130,013
Health and welfare	782,188	1,825,691	-	2,415,257	5,023,136
Culture and recreation	9,990,593	171,594	-	111,455	10,273,642
Capital outlay	-	-	5,192,130	-	5,192,130
Debt service:					
Principal retirements	-	885,000	-	1,840,000	2,725,000
Interest and fiscal charges	-	1,099,295	-	659,873	1,759,168
<b>Total expenditures</b>	<b>57,301,305</b>	<b>7,824,708</b>	<b>5,253,118</b>	<b>10,961,902</b>	<b>81,341,033</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>4,646,852</b>	<b>2,813,640</b>	<b>(3,888,275)</b>	<b>1,453,170</b>	<b>5,025,387</b>
<b>Other financing sources (uses):</b>					
Operating transfers in	7,156,443	-	13,450,000	1,706,848	22,313,291
Operating transfers (out)	(12,900,000)	(93,000)	(400,000)	(2,083,699)	(15,476,699)
<b>Net other financing sources (uses)</b>	<b>(5,743,557)</b>	<b>(93,000)</b>	<b>13,050,000</b>	<b>(376,851)</b>	<b>6,836,592</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other uses</b>	<b>(1,096,705)</b>	<b>2,720,640</b>	<b>9,161,725</b>	<b>1,076,319</b>	<b>11,861,979</b>
<b>Fund balances at beginning of year</b>	<b>37,523,107</b>	<b>21,840,328</b>	<b>15,992,887</b>	<b>9,268,802</b>	<b>84,625,124</b>
<b>Fund balances at end of year</b>	<b>\$ 36,426,402</b>	<b>\$ 24,560,968</b>	<b>\$ 25,154,612</b>	<b>\$ 10,345,121</b>	<b>\$ 96,487,103</b>

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

**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, 2002**

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Net change in fund balances--total governmental funds \$ 11,861,979

Amounts reported for governmental activities in the statement of activities (Exhibit 1-A-2 ) 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 (\$10,847,176) exceeded depreciation, net of depreciation (\$6,569,351) in the current period. 4,277,825

In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (673,599)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 414,655

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 2,725,000

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. (37,718)

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. 2,132,818

Change in net assets of governmental activities \$ 20,700,960

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 BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2002**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Revenues:				
Taxes:				
Ad valorem	\$ 15,270,887	\$ 15,270,887	\$ 15,662,099	\$ 391,212
Sales	27,125,000	27,125,000	29,436,249	2,311,249
Franchise	4,655,000	4,655,000	5,496,448	841,448
Total taxes	47,050,887	47,050,887	50,594,796	3,543,909
Licenses and permits:				
Business licenses and permits	22,000	22,000	30,436	8,436
Occupational	51,300	51,300	67,387	16,087
Non-business licenses and permits	659,000	659,000	774,928	115,928
Total licenses and permits	732,300	732,300	872,751	140,451
Intergovernmental revenues:				
State shared revenues	250,000	250,000	416,855	166,855
Total intergovernmental revenues	250,000	250,000	416,855	166,855
Charges for services:				
General governmental	1,282,600	1,282,600	1,277,750	(4,850)
Public safety	131,500	133,978	180,310	46,332
Highways and streets	221,000	221,000	378,287	157,287
Health	294,500	294,500	349,143	54,643
Culture and recreation	365,900	365,900	644,638	278,738
Total charges for services	2,295,500	2,297,978	2,830,128	532,150
Fines and forfeitures:				
Corporations court	1,400,000	1,400,000	1,232,187	(167,813)
Other fines	175,500	175,500	199,115	23,615
Total fines and forfeitures	1,575,500	1,575,500	1,431,302	(144,198)
Interest	1,800,000	1,800,000	2,221,717	421,717
Net increase in fair value of investments	-	-	(43,252)	(43,252)
Other:				
Royalties	3,900,000	3,900,000	2,589,150	(1,310,850)
Rents and concessions	40,000	40,000	62,156	22,156
Sale of property	5,000	5,000	56	(4,944)
Reimbursements	17,000	17,000	130,996	113,996
Other	36,000	136,386	841,502	705,116
Total other revenues	3,998,000	4,098,386	3,623,860	(474,526)
Total revenues	57,702,187	57,805,051	61,948,157	4,143,106

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

Continued

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2002**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Expenditures:				
General government:				
City commission	\$ 277,311	\$ 277,311	\$ 137,128	\$ 140,183
Special service	541,500	1,041,500	1,038,594	2,906
City manager	459,067	477,805	485,716	(7,911)
City secretary	371,891	381,363	446,306	(64,943)
Audit office	108,425	112,421	127,878	(15,457)
Municipal court	784,617	890,598	727,353	163,245
Finance	856,335	874,752	746,298	128,454
Tax Office	627,331	633,718	719,207	(85,489)
Purchasing and contracting	261,335	289,106	287,557	1,549
Legal	516,202	532,737	545,845	(13,108)
Grant administration	68,839	70,552	73,620	(3,068)
Right of way	163,302	163,884	137,925	25,959
Personnel	367,505	374,807	418,778	(43,971)
Risk management	1,862,348	1,862,348	865,341	997,007
Planning	674,009	690,911	599,989	90,922
Management information system	880,340	872,961	681,099	191,862
Information department	287,078	293,178	279,217	13,961
City hall	540,262	542,470	595,793	(53,323)
Building maintenance	308,065	313,995	275,370	38,625
Non-department activities	1,957,893	1,957,893	1,876,066	81,827
Total general government	11,913,655	12,654,310	11,065,080	1,589,230
Public safety:				
Police	18,403,291	18,808,906	17,784,010	1,024,896
Animal control	155,640	155,640	154,964	676
Fire	7,953,220	8,349,206	8,576,383	(227,177)
Traffic safety	1,543,259	1,557,655	1,529,488	28,167
Downtown services	451,551	458,460	444,342	14,118
Inspection	485,242	494,003	479,696	14,307
Total public safety	28,992,203	29,823,870	28,968,883	854,987
Highways and streets:				
Engineering services	1,545,629	1,590,777	1,335,029	255,748
Street cleaning	294,710	297,963	327,210	(29,247)
Street maintenance	2,774,707	2,799,627	2,649,778	149,849
Sidewalk construction	400,000	400,000	361,790	38,210
Drainage	680,695	689,956	684,246	5,710
Street lighting	1,558,000	1,558,000	1,136,508	421,492
Total highways and streets	7,253,741	7,336,323	6,494,561	841,762
Health and welfare:				
Health	503,627	512,770	495,052	17,718
Graffiti Cleaning	132,669	134,283	139,225	(4,942)
Other agencies	152,500	152,500	147,911	4,589
Total health and welfare	788,796	799,553	782,188	17,365

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

Continued



**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2002**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Culture and recreation:				
Library-main	\$ 2,405,043	\$ 2,505,766	\$ 2,098,904	\$ 406,862
Library-Lark	428,627	425,878	311,956	113,922
Library-Palmview	425,410	410,910	262,225	148,685
Parks and recreation administration	510,643	519,764	469,925	49,839
Parks	2,889,012	2,940,104	2,961,986	(21,882)
Recreation	636,822	640,703	806,273	(165,570)
Recreation center-Lark	333,645	335,211	363,235	(28,024)
Recreation center-Palmview	340,870	345,128	383,365	(38,237)
Quinta Mazatlan renovations	226,359	226,359	5,363	220,996
Pools	566,187	574,796	759,128	(184,332)
Senior Citizens Center	262,354	267,323	276,733	(9,410)
Other agencies	476,500	476,500	481,500	(5,000)
Museums	610,000	810,000	810,000	-
Total culture and recreation	10,111,472	10,478,442	9,990,593	487,849
Total expenditures	59,059,867	61,092,498	57,301,305	3,791,193
Excess (deficiency) of revenues over expenditures	(1,357,680)	(3,287,447)	4,646,852	7,934,299
Other financing sources (uses)				
Operating transfers in	7,171,811	7,171,811	7,156,443	(15,368)
Operating transfers out	(8,400,000)	(12,900,000)	(12,900,000)	-
Net other financing sources (uses)	(1,228,189)	(5,728,189)	(5,743,557)	(15,368)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(2,585,869)	(9,015,636)	(1,096,705)	7,918,931
Fund balance at beginning of year	37,523,107	37,523,107	37,523,107	-
Fund balance at end of year	<u>\$ 34,937,238</u>	<u>\$ 28,507,471</u>	<u>\$ 36,426,402</u>	<u>\$ 7,918,931</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 BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2002**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Revenues:				
Taxes:				
Sales tax	\$ 9,041,667	\$ 9,041,667	\$ 9,812,083	\$ 770,416
Interest	550,000	550,000	709,428	159,428
Net decrease in the fair value of investments	-	-	(22,460)	(22,460)
Other	100,000	100,000	139,297	39,297
Total revenues	9,691,667	9,691,667	10,638,348	946,681
Expenditures:				
Current:				
General government	3,559,408	3,559,408	468,018	3,091,390
Public safety	3,320,527	3,320,527	2,806,050	514,477
Highways and streets	7,557,223	8,421,923	569,060	7,852,863
Health and welfare	2,540,945	2,540,945	1,825,691	715,254
Culture and recreation	1,338,873	1,338,873	171,594	1,167,279
Debt service:				
Principal	885,000	885,000	885,000	-
Interest and fiscal charges	1,099,295	1,099,295	1,099,295	-
Total expenditures	20,301,271	21,165,971	7,824,708	13,341,263
Excess (deficiency) of revenues over expenditures	(10,609,604)	(11,474,304)	2,813,640	14,287,944
Other financing sources (uses)				
Operating transfers out	(93,000)	(93,000)	(93,000)	-
Net other financing sources (uses)	(93,000)	(93,000)	(93,000)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(10,702,604)	(11,567,304)	2,720,640	14,287,944
Fund balance at beginning of year	21,840,328	21,840,328	21,840,328	-
Fund balance at end of year	<b>\$ 11,137,724</b>	<b>\$ 10,273,024</b>	<b>\$ 24,560,968</b>	<b>\$ 14,287,944</b>

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

**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**September 30, 2002**

	<b>Business Type Activities</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>McAllen International Civic Center</b>
<b><u>Assets</u></b>				
Current assets:				
Cash	\$ 307,372	\$ 170,694	\$ 34,141	\$ 20,329
Certificates of deposits	6,817,539	4,186,278	100,085	1,002,461
Investments	1,528,528	2,192,454	232,093	521,388
Receivables, net	-	-	-	-
Accounts	1,360,623	944,487	982,351	1
Accrued interest	29,392	21,936	-	9,152
Other	-	54,627	-	-
Due from other funds	-	-	-	60,435
Due from other governments	-	-	-	-
Inventories, at cost	30,945	-	-	-
Total current assets	10,074,399	7,570,476	1,348,670	1,613,766
Restricted assets				
Cash	33,959	29,755	21,984	3,720
Certificates of deposits	9,270,782	6,145,791	2,083,518	17,400,385
Certificates of deposit-reserved for distribution	-	-	-	-
Money market savings	20,303,569	2,445,945	-	-
Investments	1,807,809	2,446,465	119,554	6,026,727
Accrued interest	14,935	11,428	-	93,878
Due from other funds	-	-	-	90,652
Other	-	-	-	12
Total restricted assets	31,431,054	11,079,384	2,225,056	23,615,374
Fixed assets	66,981,891	50,584,765	11,526,423	9,060,408
Less accumulated depreciation	(23,273,248)	(23,681,269)	(6,722,349)	(1,995,715)
Net fixed assets	43,708,643	26,903,496	4,804,074	7,064,693
Other assets				
Loans receivable	110,807	110,807	-	-
Other assets, net	1,592,394	160,433	-	-
Total other assets	1,703,201	271,240	-	-
Total assets	<u>\$ 86,917,297</u>	<u>\$ 45,824,596</u>	<u>\$ 8,377,800</u>	<u>\$ 32,293,833</u>

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

Business Type Activities				Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Other Proprietary Funds	Total	Internal Service Funds
\$ 2,326	\$ 175,960	\$ 162,110	\$ 872,932	\$ 344,799
200,000	-	250,230	12,556,593	7,444,974
347,740	1,429,684	185,588	6,437,475	3,624,791
-	-	-	-	-
232,346	-	-	3,519,808	168,681
5,491	-	6,136	72,107	36,945
-	-	-	54,627	233,937
-	-	-	60,435	-
174,643	-	-	174,643	-
-	-	-	30,945	355,694
962,546	1,605,644	604,064	23,779,565	12,209,821
920	715	-	91,053	-
1,035,876	2,452,560	-	38,388,912	-
-	5,488,240	-	5,488,240	-
-	-	-	22,749,514	-
264,349	5,800,502	-	16,465,406	-
3,660	69,192	-	193,093	-
-	-	-	90,652	-
56,022	-	-	56,034	-
1,360,827	13,811,209	-	83,522,904	-
61,935,660	10,639,258	12,468,149	223,196,554	5,989,890
(17,084,147)	(4,451,261)	(2,399,600)	(79,607,589)	(2,393,103)
44,851,513	6,187,997	10,068,549	143,588,965	3,596,787
-	-	-	221,614	-
-	706,777	-	2,459,604	-
-	706,777	-	2,681,218	-
<b>\$ 47,174,886</b>	<b>\$ 22,311,627</b>	<b>\$ 10,672,613</b>	<b>\$ 253,572,652</b>	<b>\$ 15,806,608</b>

**CITY OF McALLEN, TEXAS  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
For Fiscal Year Ended September 30, 2002**

	<b>Business Type Activities</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>McAllen International Civic Center</b>
Operating revenues:				
Charges for services:	\$ 11,319,094	\$ 8,166,020	\$ 8,607,277	\$ 7,812
Rentals	-	-	-	468,297
Other	-	-	-	-
Total operating revenue:	11,319,094	8,166,020	8,607,277	476,109
Operating expenses:				
Salaries, wages and employee benefit	2,910,305	1,813,388	2,913,319	457,031
Supplies and material:	1,592,546	422,908	134,882	23,546
Contractual and other service:	1,480,817	1,791,351	2,938,111	347,132
Repairs and maintenance	393,637	298,196	1,352,333	22,824
Depreciation and amortization	1,775,426	1,909,897	754,502	125,295
Self insurance claims	-	-	-	-
Other	405,684	308,182	34,748	-
Total operating expense:	8,558,415	6,543,922	8,127,895	975,828
Operating income (loss)	2,760,679	1,622,098	479,382	(499,719)
Non-operating revenues (expenses)				
Interest income	1,663,291	1,274,218	69,532	1,011,791
Net decrease in the fair value of investment	(48,662)	2,210	-	(110,441)
Interest expense	(1,436,021)	(692,573)	-	-
Other	662,276	288,872	193,367	2,890
Net non-operating revenues (expenses)	840,884	872,727	262,899	904,240
Income (loss) before contributions and transfer	3,601,563	2,494,825	742,281	404,521
Capital contributions:	-	299,722	-	-
Transfers-in (out)	4,000,000	(4,000,000)	(550,000)	2,029,930
Change in net assets	7,601,563	(1,205,453)	192,281	2,434,451
Total net assets--beginning	47,357,448	32,469,324	5,543,394	29,743,807
Total net assets--ending	<u>\$ 54,959,011</u>	<u>\$ 31,263,871</u>	<u>\$ 5,735,675</u>	<u>\$ 32,178,258</u>

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

Business Type Activities				Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Other Proprietary Funds	Total	Internal Service Funds
\$ 494,294	\$ 9,871,097	\$ 925,369	\$ 39,390,963	\$ 3,486,782
1,955,834	700,424	-	3,124,555	-
-	110,422	-	110,422	8,732,528
2,450,128	10,681,943	925,369	42,625,940	12,219,310
786,138	1,038,630	878,125	10,796,936	731,239
33,049	67,248	112,299	2,386,478	9,733
850,383	130,963	266,489	7,805,246	3,120,468
246,197	125,350	74,441	2,512,978	21,842
1,950,499	301,256	374,134	7,191,009	998,288
-	-	-	-	5,989,524
-	901,957	-	1,650,571	14,233
3,866,266	2,565,404	1,705,488	32,343,218	10,885,327
(1,416,138)	8,116,539	(780,119)	10,282,722	1,333,983
66,001	381,501	25,551	4,491,885	403,159
(9,381)	(66,481)	-	(232,755)	(30,481)
-	(51,204)	-	(2,179,798)	730,074
3,901,549	(3,050,848)	388,668	2,386,774	-
3,958,169	(2,787,032)	414,219	4,466,106	1,102,752
2,542,031	5,329,507	(365,900)	14,748,828	2,436,735
-	-	56,682	356,404	-
(2,778,658)	(5,630,863)	93,000	(6,836,591)	-
(236,627)	(301,356)	(216,218)	8,268,641	2,436,735
43,218,444	19,309,640	6,539,701	184,181,758	11,270,500
<b>\$ 42,981,817</b>	<b>\$ 19,008,284</b>	<b>\$ 6,323,483</b>	<b>\$ 192,450,399</b>	<b>\$ 13,707,235</b>
Change in net assets			8,268,641	

Some amounts reported for business-type activities in the statement of activities (Exhibit 1-A-2) are different because the net revenue (expense) of certain internal service fund is reported with business-type activities.

303,917

Change in net assets of business-type activities

\$ 8,572,558

**CITY OF McALLEN, TEXAS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
For Fiscal Year Ended September 30, 2002**

	<b>Business Type Activities</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>McAllen International Civic Center</b>
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 11,115,348	\$ 7,966,188	\$ 8,546,002	\$ 472,789
Payments to supplier:	(3,798,675)	(3,214,265)	(4,009,160)	(406,746)
Payments to employees:	(2,880,166)	(1,615,526)	(2,913,319)	(457,031)
Internal activity--payments to other fund	-	-	-	48,213
Claims paid	-	-	-	-
Other receipts (payments)	1,836,057	636,170	207,379	5,306
Net cash provided by operating activitie	6,272,564	3,772,567	1,830,902	(337,469)
<b>Cash flows from noncapital financing activities</b>				
Operating transfers in (out)	10,028,369	(10,028,369)	-	-
Advance from other funds:	-	-	(550,000)	2,029,930
Distribution of income to City of Hidalgo	-	-	-	-
Receipt of capital contribution	-	-	-	-
Net cash provided by (used for) noncapital financing activitie:	10,028,369	(10,028,369)	(550,000)	2,029,930
<b>Cash flows from capital and related financing activities:</b>				
Contributed capital	-	-	-	-
Payments for capital acquisition	(10,368,732)	(3,639,171)	(873,803)	(483,769)
Proceeds received on long term debt	-	-	-	-
Principal repayments-bonds:	(759,200)	(745,800)	-	-
Principal repayments-defeases:	-	-	-	-
Interest paid-bonds payable	(1,434,846)	(643,113)	-	-
Net cash provided by (used for) capital and related financing activitie	(12,562,778)	(5,028,084)	(873,803)	(483,769)
<b>Cash flows from investing activities:</b>				
Investment activity, net	(5,307,549)	10,022,513	(553,340)	(2,101,382)
Receipt of interest	1,644,021	1,276,021	69,532	901,350
Net cash provided by (used for) investing activitie:	(3,663,528)	11,298,534	(483,808)	(1,200,032)
Net increase (decrease) in cash	74,627	14,648	(76,709)	8,660
Cash at beginning of year:	266,704	185,801	132,834	15,389
Cash at end of year	<u>\$ 341,331</u>	<u>\$ 200,449</u>	<u>\$ 56,125</u>	<u>\$ 24,049</u>

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

Business Type Activities				Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Other Proprietary Funds	Total	Internal Service Funds
\$ 2,403,917	\$ 10,569,871	\$ 927,006	\$ 42,001,121	\$ 12,248,748
(1,481,947)	(1,161,629)	(467,316)	(14,539,738)	(3,232,369)
(748,686)	(1,037,715)	(878,125)	(10,530,568)	(731,239)
-	-	-	48,213	-
-	-	-	-	(5,989,524)
1,221,424	110,422	188,299	4,205,057	780,438
1,394,708	8,480,949	(230,136)	21,184,085	3,076,054
(2,778,658)	(5,681,543)	93,000	(8,367,201)	-
1,706,848	-	(100,000)	3,086,778	-
-	(3,048,725)	-	(3,048,725)	-
3,076,292	-	-	3,076,292	-
2,004,482	(8,730,268)	(7,000)	(5,252,856)	(1,133,304)
-	-	-	-	-
(3,758,132)	(74,266)	(54,362)	(19,252,235)	-
-	2,300,000	-	2,300,000	-
-	(275,500)	-	(1,780,500)	-
-	-	-	-	-
-	(43,195)	-	(2,121,154)	-
(3,758,132)	1,907,039	(54,362)	(20,853,889)	-
56,620	(1,985,372)	365,657	497,147	(2,349,086)
294,562	315,819	26,542	4,527,847	403,159
351,182	(1,669,553)	392,199	5,024,994	(1,945,927)
(7,760)	(11,833)	100,701	102,334	(3,177)
11,006	188,508	61,409	861,651	347,976
<b>\$ 3,246</b>	<b>\$ 176,675</b>	<b>\$ 162,110</b>	<b>\$ 963,985</b>	<b>\$ 344,799</b>



**CITY OF McALLEN, TEXAS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
For Fiscal Year Ended September 30, 2002**

	<b>Business Type Activities</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>McAllen International Civic Center</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income (loss)	\$ 2,760,679	\$ 1,622,098	\$ 479,382	\$ (499,719)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	1,775,426	1,909,897	754,502	125,295
Miscellaneous income (expense)	773,127	628,864	204,179	3,288
Loss on asset disposal	-	-	3,200	-
Accounts receivable	(159,810)	(55,424)	(76,752)	2,018
Accrued interest	-	-	-	15,813
Loan receivable	-	-	-	-
Other receivables	-	(24,492)	-	749
Due from other governments	-	-	-	-
Due from other funds	-	-	-	48,213
Inventories	(5,743)	-	-	-
Other assets, net	-	7,306	-	-
Accounts payable	79,755	(393,628)	459,520	(15,479)
Other payables	-	-	(8,606)	2,235
Accrued expenses	30,139	197,862	-	-
Other current liabilities	1,062,927	-	-	-
Deferred revenue	(43,936)	(119,916)	15,477	(19,882)
Net cash provided by (used for) operating activities	<u>\$ 6,272,564</u>	<u>\$ 3,772,567</u>	<u>\$ 1,830,902</u>	<u>\$ (337,469)</u>

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

Business Type Activities				Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Other Proprietary Funds	Total	Internal Service Funds
\$ (1,416,138)	\$ 8,116,539	\$ (780,119)	\$ 10,282,722	\$ 1,333,982
1,950,499	301,256	374,135	7,191,010	998,288
817,242	-	375,069	2,801,769	710,851
-	-	-	3,200	-
(48,817)	-	-	(338,785)	21,857
1,054	-	-	16,867	7,581
-	-	-	-	-
-	-	12,233	(11,510)	71,097
459,150	-	-	459,150	-
-	-	(200,000)	(151,787)	-
-	-	-	(5,743)	(19,128)
(56,022)	-	-	(48,716)	-
(352,318)	54,505	(15,999)	(183,644)	202,584
-	9,384	-	3,013	3,638
37,452	-	1,911	267,364	(254,696)
-	915	-	1,063,842	-
2,606	(1,650)	2,634	(164,667)	-
<b>\$ 1,394,708</b>	<b>\$ 8,480,949</b>	<b>\$ (230,136)</b>	<b>\$ 21,184,085</b>	<b>\$ 3,076,054</b>

**CITY OF McALLEN, TEXAS**  
**TRUST AND AGENCY FUNDS**  
**STATEMENT OF NET ASSETS**  
**September 30, 2002**

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	<b>Pension Trust Fund</b>
	<b>Firemen's Relief and Retirement Fund</b>
	<hr/>
<b>ASSETS</b>	
Cash	\$ 3,222,670
Investments	16,459,588
	<hr/>
Total current assets	<b>\$ 19,682,258</b>
	<hr/>
<b>LIABILITIES</b>	
Accounts payable	\$ 1,544
	<hr/>
Total liabilities	1,544
	<hr/>
<b>NET ASSETS</b>	
Net assets held in trust for pension benefit	19,680,714
	<hr/>
Total net assets	19,680,714
	<hr/>
Total liabilities and net assets	<b>\$ 19,682,258</b>
	<hr/>

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

**CITY OF McALLEN, TEXAS**  
**FIREMEN'S RELIEF AND RETIREMENT FUND OF MCALLEN, TEXAS**  
**STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**For Fiscal Years Ended September 30, 2002**

	<u>2002</u>	<u>2001</u>
<b>ADDITIONS</b>		
Contributions:		
Members	\$ 543,790	\$ 503,357
Employer	607,612	560,891
Total contributions	<u>1,151,402</u>	<u>1,064,248</u>
Investment earnings:		
Interest and dividends	904,676	830,906
Net depreciation in fair value of investment:	<u>(917,375)</u>	<u>(3,395,732)</u>
Total investment earnings	(12,699)	(2,564,826)
Less: Investment expense	<u>(148,794)</u>	<u>(225,800)</u>
Net investment earnings	<u>(161,493)</u>	<u>(2,790,626)</u>
Total additions (deductions)	<u>989,909</u>	<u>(1,726,378)</u>
<b>DEDUCTIONS</b>		
Benefits	791,982	552,903
Refund of contributions	11,417	94,417
Administrative expense	<u>12,940</u>	<u>10,599</u>
Total deductions	<u>816,339</u>	<u>657,919</u>
Change in net assets	173,570	(2,384,297)
Net assets--beginning	<u>19,507,144</u>	<u>21,891,441</u>
Net assets--ending	<u><u>\$ 19,680,714</u></u>	<u><u>\$ 19,507,144</u></u>

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

## **CITY OF McALLEN, TEXAS**

### **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2002**

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

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

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

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

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

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

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the



## CITY OF McALLEN, TEXAS

### NOTES TO FINANCIAL STATEMENTS

September 30, 2002

financial statements of the business-type activities of the government-wide or proprietary fund financial statements in accordance with GASB Statement No. 20. One of the most significant statements issued by GASB recently is Statement No. 34.

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

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

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

##### *Government-wide Financial Statements*

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

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

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

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

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

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

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

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

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

The *debt service funds* are established by ordinances authorizing the issuance of general obligation bonds. They account for the resources provided, whether by bond proceeds or property tax revenues, in the payment of bond principal, interest, paying agent fees as well as debt service or sinking fund reserve, as applicable.



## CITY OF McALLEN, TEXAS

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

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

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

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

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

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

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

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

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

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

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

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



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the Firemen's Relief and Retirement Fund, which accumulates resources for pension benefit payments to qualified firefighters.

Generally, with regard to enterprise and internal service 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 Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

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

#### **(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:

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

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

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



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funds" represents the non-current portion of interfund loans. With respect to the government-wide financial statements, any residual balances outstanding between the governmental activities and business-type activities are reported as "internal balances."

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

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

Property taxes are levied on October 1 based on the assessed value of property as listed on the previous January 1. Assessed values are an approximation of market value. A valuation of all property must be made at least every three (3) years. The last valuation date was January 2002.

**(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.

**(4) Restricted assets**

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

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

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bridge funds "capital improvement" and "anzalduas bridge" accounts are presented as restricted assets.

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

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

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

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

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

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. Fixed assets, net of accumulated depreciation, are reported on proprietary fund balance sheets and in both the governmental activities and business-type activities column of the government-wide statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

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



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**(6) Compensated absences**

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

**(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.

**(9) Comparative data/reclassifications**

Comparative total data for the prior year have not been presented in the government-wide and fund financial statements in this first year of implementing GASB 34 since the government-wide financial statements were not audited.

**CITY OF McALLEN, TEXAS**  
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**II. Stewardship, compliance and accountability**

**(A) Budgetary information**

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

1. Prior to August 1 of each year, the City Manager is required to submit to the City Commission a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted by the City Commission through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between accounts within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Commission. Budgeted amounts include transfers and revisions to the original appropriations ordinance.
5. Annual appropriated budgets are adopted for the following funds: general, special revenue, debt service, capital projects funds, enterprise funds and internal service funds. Annual appropriated budgets are not adopted for fiduciary fund types.
6. The budget and actual comparisons reflected in Exhibit 1-C, and 1-D include the general fund, and the development corp fund. Budgets for these funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for proprietary funds have been prepared on a non-GAAP basis, which excludes depreciation but includes capital outlay and debt principal payments.
7. Annual budgeted expenditures are adopted at the department level within funds. As described above, the City Manager is authorized to make transfers within a department. Accordingly, the level at which expenditures cannot legally exceed appropriations is the department level. During the year, several supplementary appropriations were necessary.

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

For the year ended September 30, 2002, expenditures in certain general fund departments exceeded appropriations. The fund, related departments and the excess of expenditures over appropriations are as follows:

<u>General fund</u>	
<u>Department</u>	
City manager	\$ (7,911)
City secretary	(64,943)
Audit office	(15,457)
Tax office	(85,489)
Legal	(13,108)
Grant administration	(3,068)
Personnel	(43,971)
City hall	(53,323)
Fire	(227,177)
Street cleaning	(29,247)
Graffiti cleaning	(4,942)
Parks	(21,882)
Recreation	(165,570)
Pools	(184,332)
Senior citizens' center	(9,410)
Recreation center - Lark	(28,024)
Recreation center - Palmview	(38,237)
Other agencies	<u>(5,000)</u>
Total general fund	\$ <u>(1,000,091)</u>
 <u>Special revenue fund:</u>	
Hotel occupancy tax fund:	\$ <u>(2,727)</u>
Total special revenue funds	\$ <u>(2,727)</u>



**CITY OF McALLEN, TEXAS**

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**(C) Deficit fund equity**

At September 30, 2002, the miscellaneous grant fund, a special revenue fund has a fund balance deficit of \$5,730. The City plans to eliminate the deficit fund balance through a transfer from the general fund.

**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, 2002, 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.

In addition, the City's investments that are represented by specific identifiable investment securities are classified as to the level of credit risk assumed by the City at September 30, 2002. The categories are described as follows:

Category 1: Insured or registered securities held by the City or its agent in the City's name.

Category 2: Uninsured and unregistered securities which are held by the counterparty's trust department or agent in the City's name.

Category 3: Uninsured and unregistered securities which are held by the counterparty, its trust department, or agent, but not in the City's name.



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At September 30, 2002, the City's deposits and investments are summarized below:

	Category			Carrying Amount	Fair Value
	1	2	3		
U.S. Government securities	\$ 53,356,036	\$ -	\$ -	\$ 53,356,036	\$ 53,356,036
Certificates of deposit	118,251,201	-	-	118,251,201	118,251,201
	<u>\$ 171,607,237</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 171,607,237	\$ 171,607,237
Investments not subject to categorization:					
TexPool				8,918,817	8,918,817
Total investments				<u>\$ 180,526,054</u>	<u>\$ 180,526,054</u>

TexPool, a local government investment pool, which is managed by the State's Comptroller of Public Accounts and regulated by the Securities and Exchange Commission, have as one of its objectives the maintenance of a stable net asset value of \$1.00.

**Firemen's Relief and Retirement Fund Investments**

The Firemen's Relief and Retirement Fund Investments are recorded at fair value as of September 30, 2002. The composition of these investments is as follows:

	Category			Carrying Amount	Fair Value
	1	2	3		
U.S. Government Securities	\$ -	\$ 9,041,054	\$ -	\$ 9,041,054	\$ 9,041,054
Corporate securities	-	7,418,534	-	7,418,534	7,418,534
Certificates of deposit	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 16,459,588</u>	<u>\$ -</u>	<u>\$ 16,459,588</u>	<u>\$ 16,459,588</u>

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

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### (B) Receivables

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

	General	Dev Corp	Capital Imp	Water	Sewer	Sanitation	Civic Center	Airport	Toll Bridge	Non-Major & Other	Total
Receivables:											
Interest	\$405,708	\$22,772	\$18,640	\$29,392	\$21,936	-	\$10,037	\$5,491	\$-	\$21,762	\$535,738
Taxes	2,949,428	1,643,862	-	-	-	-	-	-	-	897,187	5,490,477
Accounts	6,374,869	-	-	1,360,623	944,487	982,351	2,030	232,346	-	-	9,896,706
Intergovernmental	8,319	-	-	-	-	-	-	-	-	-	8,319
Intergovernmental Restricted	-	-	-	-	-	-	-	174,643	-	214,862	389,505
Other	<u>826,912</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>54,627</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>939,061</u>	<u>1,820,600</u>
Gross Receivables	10,565,236	1,666,634	18,640	1,390,015	1,021,050	982,351	12,067	412,480	2	2,072,872	18,141,345
Less: allowance For uncollectibles	<u>2</u>	<u>2</u>	<u>2</u>	<u>(45,405)</u>	<u>(29,484)</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>(74,889)</u>
Net total receivables	<u>\$10,565,236</u>	<u>\$1,666,634</u>	<u>\$18,640</u>	<u>\$1,344,610</u>	<u>\$991,566</u>	<u>\$982,351</u>	<u>\$12,067</u>	<u>\$412,480</u>	<u>\$-</u>	<u>\$2,072,872</u>	<u>\$18,066,456</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 2002 based on the number of days applicable to the prior fiscal year.

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:

	Unavailable	Unearned
Governmental funds:		
Delinquent property taxes receivable (general fund)	\$2,936,022	\$ -
Delinquent property taxes receivable (debt service fund)	692,092	-
Sales tax (general fund)	2,707,275	-
Sales tax (development corp fund)	902,425	-
Other	<u>4,450,302</u>	<u>1,135,185</u>
Total deferred/unearned revenue for governmental funds	<u>\$11,688,116</u>	<u>\$1,135,185</u>

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**(C) Capital assets:**

Capital asset activity for the year ended September 30, 2002 was as follows:

	Beginning Balance	Additions	Transfers/ Reclass	Retirements	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$17,365,859	\$488,976	\$ (75,763)	\$ -	\$17,779,073
Construction in progress	<u>12,717,473</u>	<u>2,918,865</u>	<u>(7,535,838)</u>	-	<u>8,100,499</u>
Totals capital assets, not being depreciated	<u>30,083,332</u>	<u>3,407,841</u>	<u>(7,611,601)</u>	-	<u>25,879,572</u>
Capital assets, being depreciated:					
Buildings and improvements	124,802,250	2,237,085	(84,818,627)	(350,036)	41,870,672
Equipment	28,743,233	3,032,115	(1,440,074)	(39,588)	30,295,686
Infrastructure	<u>2,704,711</u>	<u>3,262,766</u>	<u>93,508,122</u>	-	<u>99,475,599</u>
Total capital assets being depreciated	156,250,194	8,531,966	7,249,421	(389,624)	171,641,957
Less accumulated depreciation for:					
Buildings and improvements	(24,896,331)	(1,256,767)	-	20,990	(26,132,108)
Equipment	(16,651,310)	(2,645,962)	-	57,215	(19,240,057)
Infrastructure	<u>(37,285,754)</u>	<u>(3,632,251)</u>	-	-	<u>(40,918,005)</u>
Total accumulated depreciation	<u>(78,833,396)</u>	<u>(7,534,979)</u>	-	<u>78,205</u>	<u>(86,290,170)</u>
Total capital assets, being depreciated, net	<u>77,416,798</u>	<u>996,987</u>	<u>7,249,421</u>	<u>(311,419)</u>	<u>85,351,787</u>
Governmental activities capital asset net	<u>\$107,500,131</u>	<u>\$4,404,828</u>	<u>\$ (362,180)</u>	<u>\$ (311,419)</u>	<u>\$111,231,359</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 744,626
Public safety	1,255,056
Highways and streets, which includes the depreciation of general infrastructure assets	3,504,420
Health and welfare	18,033
Culture and recreation	1,047,216
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>965,628</u>
Total depreciation - governmental activities	<u>\$7,534,979</u>

# CITY OF McALLEN, TEXAS

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September 30, 2002

	Beginning Balance	Additions	Transfers	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$12,850,177	\$ -	\$ -	\$12,850,177
Construction in progress	<u>7,770,195</u>	<u>10,303,709</u>	<u>(7,407,485)</u>	<u>10,666,419</u>
Total capital assets, not being depreciated	<u>20,620,372</u>	<u>10,303,709</u>	<u>(7,407,485)</u>	<u>23,516,596</u>
Capital assets, being depreciated:				
Building and improvements	162,506,852	3,938,840	2,454,079	168,899,771
Equipment	15,432,103	1,741,403	(20,462)	17,153,044
Infrastructure	<u>5,979,879</u>	<u>2,932,886</u>	<u>5,336,049</u>	<u>14,248,814</u>
Total capital assets being depreciated	183,918,834	8,613,129	7,769,666	200,301,629
Less: accumulated depreciation for:				
Buildings and improvements	(46,331,017)	(4,313,222)	-	(50,644,239)
Equipment	(9,349,649)	(1,363,800)	63,544	(10,649,906)
Infrastructure	<u>(17,296,090)</u>	<u>(1,419,062)</u>	<u>(20,682)</u>	<u>(18,735,834)</u>
Total accumulated depreciation	<u>(72,976,756)</u>	<u>(7,096,085)</u>	<u>(42,862)</u>	<u>(80,029,979)</u>
Total capital assets, being depreciated, net	<u>110,942,078</u>	<u>1,517,044</u>	<u>7,726,804</u>	<u>120,271,650</u>
Governmental activities capital assets, net	<u>\$131,562,450</u>	<u>\$11,820,753</u>	<u>\$405,043</u>	<u>\$143,788,247</u>

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

Water	\$1,689,736
Sewer	1,891,157
Sanitation	753,359
Golf course	248,805
Civic center	125,295
Airport	1,950,499
Transit terminal	126,291
Toll bridge	277,443
In addition, depreciation on capital assets held by the City's internal service fund is charged to the various functions based on their usage of the assets	<u>33,500</u>
Total depreciation – governmental activities	<u>\$7,096,085</u>

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



**CITY OF McALLEN, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2002**

At September 30, 2002, 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	\$ 2,634,384	Local and bond funds
Public Safety Building	934,149	Bond funds
Walking trails	14,500	Local
Communications tower	37,605	Local
Water improvements	1,679,052	Local and bond funds
Sewer improvements	1,545,148	Local and bond funds
Airport improvements	2,378,471	Grant
Bridge fence project	<u>36,000</u>	Local
	<u>\$ 9,259,309</u>	

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

The composition of interfund balances as of September 30, 2002 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Miscellaneous Grants Fund	\$ 48,389
	Criminal Justice Division Fund	73,993
	Developers' Escrow Fund	51,117
	Bridge Fund	<u>64,511</u>
	Total Governmental Funds	<u>238,010</u>
Civic Center Fund	Hotel Occupancy Tax Fund	<u>151,087</u>
	Total Proprietary Funds	<u>\$151,087</u>

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

**CITY OF McALLEN, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2002**

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sanitation Fund	\$1,400,000
Development Corp Fund	Palmview Golf Course Fund	3,800,000
Debt Service Fund	McAllen International Airport Fund	3,456,819
Capital Improvement Fund	Transit Terminal Fund	<u>352,716</u>
Total		<u>\$9,009,535</u>

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

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

Last fiscal year, the airport fund began reimbursing the debt service fund for current and future debt service payments on general obligation bonds, which were issued for airport improvements. Since the airport fund did not have sufficient working capital, an advance was set up to account for the transaction. The City plans to provide for the repayment of the advance from the Debt Service Fund by considering increased fees to the airlines and/or paid parking.

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

*Interfund transfers:*

Transfers are used to 1) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds 2) reimburse the Debt Service Fund for debt service payments on debt related to the reimbursing fund, and 3) move revenues from the fund that the budget requires to collect them to the fund that the budget requires to expend them.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2002

	Transfers in							
	General Fund	Debt Service Fund	Capital Improvement Fund	Water Fund	Sewer Fund	Transit Terminal Fund	Civic Center Fund	Total
Transfer out:								
General Fund	\$ -	\$ -	\$12,900,000	\$ -	\$ -	\$ -	\$ -	\$12,900,000
Development Corp	-	-	-	-	-	93,000	-	93,000
Capital Improvement Fund	400,000	-	-	-	-	-	-	400,000
Hotel Tax Fund	-	-	-	-	-	-	2,029,931	2,029,931
Misc Grants Fund	53,768	-	-	-	-	-	-	53,768
Sewer Fund	-	-	-	4,000,000	-	-	-	4,000,000
Sanitation Fund	-	-	550,000	-	-	-	-	550,000
Airport Fund	1,071,811	1,706,848	-	-	-	-	-	2,778,659
Bridge Fund	<u>5,630,864</u>	-	-	-	-	-	-	<u>5,630,864</u>
Total	<u>\$7,156,443</u>	<u>\$1,706,848</u>	<u>\$13,450,000</u>	<u>\$4,000,000</u>	<u>\$ -</u>	<u>\$93,000</u>	<u>\$2,029,931</u>	<u>\$28,436,222</u>

During this fiscal year, the general fund, in addition to \$8,400,000 provided in the original budget for transfers to the capital improvement fund, transferred near year-end an additional \$4,500,000 of surplus revenues to that fund to assist in funding some major projects contemplated in next year's budget. The transfer of \$2,029,931 from the hotel occupancy tax fund to the civic center represents the use of the former fund as a conduit. The sewer fund transferred \$4,000,000 to the water fund to adjust bond proceeds within the funds to match anticipated spending. The transfer of \$1,071,811 from the airport fund to the general fund to reimburse it for public safety personnel assigned to the airport. The airport fund's transfer to the debt service fund is to reimburse that fund for airport-related debt service payments on general obligation bonds. The amount shown transferred from the bridge fund to the general fund, \$5,630,864, represents the City's share of surplus net revenue from operation of the international toll bridge.

### (E) Long-term debt

#### (1) General Obligation Bonds

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



**CITY OF McALLEN, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2002**

General obligation bonds are direct obligations, for which the City has pledged the full faith and credit of the government. These bonds generally are serial bonds and carry a term of 20 years with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

**Governmental activities**

General obligation bonds payable:

\$7,000,000 1991 general obligation airport serial bonds due in remaining annual installments ranging from \$650,000 to \$625,000 through August 1, 2006; interest at 5% to 7%	\$ 2,575,000
\$3,000,000 1991 general obligation serial bonds due in remaining annual installments ranging from \$275,000 to \$300,000 through August 1, 2006; interest at 5% to 7%	1,125,000
\$8,500,000 1993 general obligation airport serial bonds due in remaining annual installments ranging from \$530,000 to \$870,000 through February 1, 2008; interest at 5.25% to 7.25%	4,505,000
\$4,500,000 1993 general obligation airport serial bonds due in remaining annual installments ranging from \$280,000 to \$455,000 through February 1, 2008; interest at 5% to 7%	<u>2,360,000</u>
Total general obligation bonds payable	10,565,000

Sales tax revenue bond payable:

\$25,000,000 1998 Development Corporation of McAllen, Inc. Sales Tax revenue bond due in annual installments ranging from \$780,000 to \$3,770,000 through February 15, 2018; interest at 3.90% to 5.25%	21,670,000
Unpaid accumulated compensated absences	<u>3,970,797</u>
Total general long-term debt	<u>\$ 36,205,797</u>



**CITY OF McALLEN, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2002**

The annual debt service requirements to maturity on general obligation bonds payable outstanding as of September 30, 2002, including interest, are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 610,000	\$ 170,687	\$ 1,290,000	\$ 383,397
2004	630,000	137,625	1,330,000	407,417
2005	655,000	103,438	1,375,000	228,194
2006	705,000	69,375	1,395,000	146,213
2007	430,000	33,500	820,000	69,250
2008	455,000	11,375	870,000	22,838
Total	<u>\$ 3,485,000</u>	<u>\$ 526,000</u>	<u>\$ 7,080,000</u>	<u>\$ 1,257,309</u>

**(2) Revenue bonds**

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

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

**September 30, 2002**

**Business-type activities**

**Payable from Water Fund:**

\$14,600,000 2000 Waterworks and Sewer System improvement revenue bonds due in annual installments from \$300,000 to \$1,460,000 through February 1, 2025; interest at 5.25% to 6.25%. \$ 14,107,250

\$14,632,700 1999 Waterworks and Sewer System improvement revenue bonds due in annual installments from \$195,000 to \$1,560,000 through February 1, 2019; interest at 4.625% to 5.825% 13,545,000

Unpaid accumulated compensated absences 160,939

Total Water Fund 27,813,189

**Payable from Sewer Fund:**

\$5,400,000 2000 Waterworks and Sewer System improvement revenue bonds due in annual installments from \$300,000 to \$1,460,000 through February 1, 2025; interest at 5.25% to 6.25%. 5,217,750

\$5,367,300 1999 Waterworks and Sewer System improvement revenue bonds due in annual installments from \$195,000 to \$1,560,000 through February 1, 2019; interest at 4.625% to 5.825% 4,965,000

\$4,240,000 1996-B Texas Waterworks and Sewer System refunding and improvement revenue bonds due in annual installments from \$225,000 to \$505,000 through February 1, 2006; interest at 3.75% to 4.9% 2,050,000

Unpaid accumulated compensated absences 123,704

Total Sewer Fund 12,356,454

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

**September 30, 2002**

Payable from Sanitation Fund:

Unpaid accumulated compensated absences	<u>113,924</u>
Total Sanitation Fund	<u>113,924</u>

Payable from Palm View Golf Course Fund:

Unpaid accumulated compensated absences	<u>40,295</u>
Total Palm View Golf Course Fund	<u>40,295</u>

Payable from McAllen International Civic Center Fund:

Unpaid accumulated compensated absences	<u>11,972</u>
Total McAllen International Civic Center Fund	<u>11,972</u>

Payable from McAllen International Airport Fund:

Unpaid accumulated compensated absences	<u>48,281</u>
Total McAllen International Airport Fund	<u>48,281</u>

Payable from Transit System Fund:

Unpaid accumulated compensated absences	<u>7,085</u>
Total Transit System Fund	<u>7,085</u>

Payable from McAllen International Toll Bridge Fund:

\$2,300,000 2002 International Toll Bridge System improvement bonds due in annual installments ranging from \$180,000 to \$285,000 through March 1, 2012; interest at 4.5% to 4.65%	2,300,000
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Unpaid accumulated compensated absences	<u>61,653</u>
Total McAllen International Toll Bridge Fund	<u>2,361,653</u>
Total Proprietary Fund Debt	<u>\$ 42,752,853</u>

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

**September 30, 2002**

Revenue bond debt service requirements to maturity are as follows:

	Year Ending <u>September 30</u>	<u>Principal</u>	<u>Interest</u>
2003		\$ 2,690,000	\$ 3,217,030
2004		2,830,000	3,079,453
2005		2,980,000	2,932,910
2006		3,125,000	2,777,954
2007		2,730,000	2,625,771
2008-2012		15,980,000	10,785,264
2013-2017		18,900,000	6,410,645
2018-2022		10,480,000	2,151,601
2023-2025		<u>4,140,000</u>	<u>358,305</u>
Total		<u>\$63,855,000</u>	<u>\$34,338,933</u>

**(3) Advance refundings**

The City purchased U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from both the proprietary fund as well as the government-wide(business-type activities column) statements of net assets. At September 30, 2002, the outstanding balance of the defeased bonds is \$1,882,741.

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

**September 30, 2002**

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

Long-term liability activity for the year ended September 30, 2002 is shown in the following table:

	Balance at September 30, 2001	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2002	Amounts Due Within One Year
General obligation bonds payable	\$ 12,405,000	\$ -	\$(1,840,000)	\$ 10,565,000	\$ 1,900,000
Sales tax revenue bonds	22,555,000	-	(885,000)	21,670,000	925,000
Compensated absences	3,911,007	59,790	-	3,970,797	-
Total general long-term debt	38,871,007	59,790	(2,725,000)	36,205,797	2,825,000
Revenue bonds payable	41,560,243	2,300,000	(1,680,000)	42,180,243	1,765,000
Compensated absences	551,080	16,773	-	567,853	-
Total proprietary fund debt	42,111,323	2,316,773	(1,680,000)	42,748,096	1,765,000
Total debt	<u>\$ 80,982,330</u>	<u>\$ 2,376,563</u>	<u>\$(4,405,000)</u>	<u>\$ 78,953,893</u>	<u>\$ 4,590,000</u>

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



**CITY OF McALLEN, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2002**

**(F) Segment information**

The City issued revenue bonds to finance its water, sewer and international bridge operations. Each are separately accounted for in a specific fund. Summary financial information is presented below:

**CONDENSED STATEMENT OF NET ASSETS**

	<b>Water</b>	<b>Sewer</b>	<b>McAllen International Toll Bridge</b>
<b>Assets:</b>			
Current assets	\$ 10,074,399	\$ 7,570,476	\$ 1,605,644
Due from other funds			
Restricted assets	31,431,054	11,079,384	13,811,209
Capital assets	45,411,844	27,174,736	6,894,774
Total assets	<u>86,917,297</u>	<u>45,824,596</u>	<u>22,311,627</u>
<b>Liabilities:</b>			
Current liabilities	\$ 702,744	\$ 520,708	\$ 808,869
Due to other funds	-	-	64,511
Current liabilities payable from restricted assets	3,322,493	1,159,635	229,624
Non-current liabilities	27,933,049	12,880,382	2,200,339
Total liabilities	<u>31,958,286</u>	<u>14,560,725</u>	<u>3,303,343</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	39,252,962	20,354,463	6,187,997
Restricted	4,534,093	4,490,116	11,492,919
Unrestricted	11,171,956	6,419,292	1,327,368
Total net assets	<u>\$ 54,959,011</u>	<u>\$ 31,263,871</u>	<u>\$ 19,008,284</u>

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

**September 30, 2002**

**CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	<b>Water</b>	<b>Sewer</b>	<b>McAllen International Toll Bridge</b>
Charges (pledged against bonds)	\$ 11,319,094	\$ 8,166,020	\$ 10,681,943
Depreciation expense	1,775,426	1,909,897	301,256
Other operating expenses	6,782,989	4,634,025	2,264,148
Operating income	<u>2,760,679</u>	<u>1,622,098</u>	<u>8,784,560</u>
Non-operating revenues (expenses):			
Investment earnings	2,276,905	1,565,300	315,020
Interest expense	(1,436,021)	(692,573)	(51,204)
Distribution of surplus revenues	-	-	(3,050,848)
Transfer-in (out)	4,000,000	(4,000,000)	(5,630,863)
Capital contributions	-	299,722	-
Change in net assets	<u>7,601,563</u>	<u>(1,205,453)</u>	<u>(301,356)</u>
Beginning net assets	47,357,448	32,469,324	19,309,640
Ending net assets	<u>\$ 54,959,011</u>	<u>\$ 31,263,871</u>	<u>\$ 19,008,284</u>

**CONDENSED STATEMENT OF CASH FLOWS**

	<b>Water</b>	<b>Sewer</b>	<b>McAllen International Toll Bridge</b>
Net cash provided (used) by:			
Operating activities	\$ 6,272,564	\$ 3,772,567	\$ 8,480,949
Non-capital financing activities	10,028,369	(10,028,369)	(8,730,268)
Capital and related financing activities	(12,562,778)	(5,028,084)	1,907,039
Investing activities	<u>(3,663,528)</u>	<u>11,298,534</u>	<u>(1,669,553)</u>
Net increase (decrease)	74,627	14,648	(11,833)
Beginning cash	266,704	185,801	188,508
Ending cash	<u>\$ 341,331</u>	<u>\$ 200,49</u>	<u>\$ 176,675</u>

**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 2002, the

## **CITY OF McALLEN, TEXAS**

### **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2002**

City self-funded group health insurance, life insurance, general liability insurance, and workmen's compensation insurance. The City purchased insurance coverage for fire and extended coverage on buildings and contents; and fire, lightning, and windstorm insurance for its vehicles for damages in excess of certain limits.

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

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

The City estimates the liabilities for its self-funded insurance programs on a case-by-case basis based on historical claims experience. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss is reasonably estimable. Accruals for claims are adjusted on a regular basis based on the latest information available on each case. Claims incurred but not reported have been considered in determining the accrual for claims, and City management believes adequate accruals have been provided at September 30, 2002. Interfund premiums are based primarily on claims experience and are reported as quasi-external transactions.

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



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

**September 30, 2002**

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

	<u>Employee Benefits</u>	<u>General Insurance</u>	<u>Total</u>
Claims receivable (payable) at			
September 30, 2000	\$ (950,000)	\$ (456,581)	\$ (1,406,581)
Current period claims and changes			
in estimate	(4,828,904)	(1,444,015)	(6,272,919)
Current period claims paid	<u>4,778,904</u>	<u>1,538,733</u>	<u>6,317,637</u>
Claims payable at			
September 30, 2001	(1,000,000)	(361,863)	(1,361,863)
Current period claims and changes			
in estimate	(4,235,420)	(1,944,252)	(6,179,672)
Current period claims paid	<u>4,235,420</u>	<u>1,754,104</u>	<u>5,989,524</u>
Claims payable at			
September 30, 2002	\$ <u>(1,000,000)</u>	\$ <u>(552,011)</u>	\$ <u>(1,552,011)</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.

## CITY OF McALLEN, TEXAS

### NOTES TO FINANCIAL STATEMENTS

September 30, 2002

#### (C) Other post-employment benefits

The City provides post-employment health care benefits for certain retirees and their dependents. The retired employee pays 100% of the applicable premium for single coverage. However, for family coverage the City pays 50% of the premium for dependent coverage only, if any. As of yearend, there were 39 employees who had retired; 21 with single coverage and 18 with family coverage. The City finances the plan on a pay-as-you-go basis. For the year ended September 30, 2002, the City paid \$29,030 for these benefits.

#### (12) Retirement Plans

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

###### 1. Plan Description

The City provides pension benefits for all of its full-time employees, except City Fire Department personnel, for whom there is a separate retirement plan, through a non-traditional, joint contributory, defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 700 administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 1-877-634-8595.

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

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

## **CITY OF McALLEN, TEXAS**

### **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2002**

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

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

#### **2. Contributions**

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

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

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

**September 30, 2002**

**Schedule of Actuarial Funding Progress**

<b>Actuarial Valuation Date</b>	<b>12/31/01</b>	<b>12/31/00</b>	<b>12/31/99</b>
Actuarial cost method	Unit Credit	Unit Credit	Unit Credit
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining amortization period – open	25 Years	25 Years	25 Years
Asset valuation method	Market Related	Market Related	Market Related
Actuarial assumptions:			
Investment rate of return	8%	8%	8%
Projected salary increases – includes inflation at cost-of-living adjustments	None	None	None
Actuarial value of assets	\$56,627,693	\$52,108,606	\$46,825,035
Actuarial accrued liability	\$59,932,585	\$55,168,579	\$49,624,099
Percentage funded	94.5%	94.5%	94.4%
Unfunded actuarial accrued liability (UAAL)	\$3,304,892	\$3,059,973	\$2,799,064
Annual covered payroll	\$30,387,275	\$27,991,594	\$25,916,692
UAAL as a percentage of covered payroll	10.9%	10.9%	10.8%
Annual pension cost:			
Annual required contribution (ARC)	\$1,626,362	\$1,889,222	\$1,714,426
Interest on NPO	-	-	-
Adjustments to the ARC	-	-	-
	<u>\$1,626,362</u>	<u>\$1,889,222</u>	<u>\$1,714,426</u>
Percentage of annual pension cost contributed	100%	100%	100%
Contributions made	\$ 1,626,362	\$ 1,889,222	\$ 1,714,426
Increase in NPO	\$ -	\$ -	\$ -
NPO at the end of the period	\$ -	\$ -	\$ -



## CITY OF McALLEN, TEXAS

### NOTES TO FINANCIAL STATEMENTS

September 30, 2002

#### (B) Firemen's Fund

##### 1. Plan Description

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

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

##### 2. Summary of Significant Accounting Policies

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

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

**Pension Benefits** – Pension benefits become fully vested after 20 years of credited service. Employees may retire at age 50 with 20 years of service ("normal retirement age"). A partially vested benefit is also provided for employees who terminate employment with at least 10 but less than 20 years of service. The monthly benefit at normal retirement age, payable in an annuity, is equal to 57.5% of the compensation base, as defined, plus \$54.00 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 38.33% 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

## CITY OF McALLEN, TEXAS

### NOTES TO FINANCIAL STATEMENTS

September 30, 2002

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 7.67% of the firefighter's average monthly salary. The sum of all benefits payable as a result of the death of an active plan member may not exceed the disability or retirement benefit such member had earned as of the date of death.

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

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

#### 3. Annual Pension Cost

For 2000, 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, 2000 actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, compounded annually (b) projected salary increases of 4.25% per year, compounded annually, and (c) inflation rate of 2.75%. 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, 2000 was 14.5 years. The most recent actuarial valuation was done as of September 30, 2000. 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.



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

**September 30, 2002**

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

<u>Year-End</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation (NPO)</u>
09/30/98	9.00%	9.36%	104.00%	\$ (15,766)
09/30/99	10.00%	10.00%	100.00%	\$ (17,027)
09/30/00	10.00%	10.00%	100.00%	\$ (18,389)

**4. Contributions**

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

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

Pursuant to the Plan document, a legal instrument binding both the City and its firefighters, the City of McAllen is required to match employee contributions. Benefits paid to former volunteer firefighters are funded by the City when paid to the former volunteer firefighters or beneficiaries. The City's contribution rate for the fiscal year ended September 30, 2002 was 11% of annual compensation. Contributions required and paid into the fund as of September 30, 2002 were members, \$543,790 and employer, \$600,412.

**V. SUBSEQUENT EVENTS**

On January 13, 2003 appropriate governing bodies approved the defeasance of the Development Corporation of McAllen, Inc. Sales Tax Revenue Bonds Series 1998, excepting \$25,000 of each annual maturity as well as the two City of McAllen, Texas General Obligation Bonds Series 1991 on August 1, 2003 and the two City of McAllen, Texas General Obligation Bonds Series 1993 on August 1, 2004.



**REQUIRED SUPPLEMENTARY  
INFORMATION**

**TEKS MUNICIPAL RETIREMENT SYSTEM  
SCHEDULE OF FUNDING PROGRESS**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
12/31/99	\$46,825,035	\$49,624,099	\$2,799,064	94.4%	\$25,916,692	10.8%
12/31/00	\$52,108,606	\$55,168,579	\$3,059,973	94.5%	\$27,991,594	10.9%
12/31/01	\$56,627,693	\$59,932,585	\$3,304,892	94.5%	\$30,387,275	10.9%

**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>
09/30/97	\$12,733,928	\$15,214,170	\$2,480,242	83.70%	\$3,722,417	66.60%
09/30/98	\$13,670,926	\$18,257,077	\$4,586,151	74.90%	\$4,042,752	113.40%
09/30/00	\$18,173,765	\$21,576,631	\$3,402,806	84.20%	\$4,263,430	79.80%

**NONMAJOR GOVERNMENTAL FUNDS**

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

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

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

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

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

The **Downtown Improvement District Fund** was established to account for property tax levied in a 30 Block section of the City's downtown business district. This tax revenue is to be used for the revitalization of the specific business district, including streets, sidewalks, landscape and lighting. During the current year, this fund was eliminated.

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

**The Debt Service Fund** is established by Ordinances authorizing the issuance of general obligation bonds. The fund provided for payment of bond principal, interest, paying agent fees, and a debt service reserve as a sinking fund each year. An ad valorem tax rate and tax levy is required to be computed and levied, which will be sufficient to produce the money required to pay principal and interest as it comes due and provide the interest and sinking fund reserve.

**CITY OF McALLEN, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2002**

**Special Revenue Funds**

	<u>Hotel Occupancy Tax</u>	<u>Park Development</u>	<u>Community Development</u>	<u>Miscellaneous Government Grants</u>
<b>ASSETS</b>				
Cash	\$ 66	\$ 12,993	\$ -	\$ 828,653
Certificates of deposits	-	1,035,951	-	-
Investments	131,062	6,795	-	-
Receivables				
Taxes	205,095	-	-	-
Accrued interest	-	-	-	-
Other	-	-	-	48,371
Due from other governments	-	-	49,917	47,849
Advances to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><b>\$ 336,223</b></u>	<u><b>\$ 1,055,739</b></u>	<u><b>\$ 49,917</b></u>	<u><b>\$ 924,873</b></u>
<b>LIABILITIES</b>				
Accounts payable	\$ 60,435	\$ 450	\$ 48,640	\$ 7,254
Bank overdraft	-	-	9	-
Accrued liability	-	-	1,268	-
Due to other funds	151,087	-	-	48,389
Deferred revenues	-	-	-	171,187
Other liabilities	-	-	-	703,773
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>211,522</u>	<u>450</u>	<u>49,917</u>	<u>930,603</u>
<b>FUND BALANCES</b>				
Restricted for advances:	-	-	-	-
Unrestricted	124,701	1,055,289	-	(5,730)
	<u>124,701</u>	<u>1,055,289</u>	<u>-</u>	<u>(5,730)</u>
Total fund balances	<u>124,701</u>	<u>1,055,289</u>	<u>-</u>	<u>(5,730)</u>
Total liabilities and fund balance	<u><b>\$ 336,223</b></u>	<u><b>\$ 1,055,739</b></u>	<u><b>\$ 49,917</b></u>	<u><b>\$ 924,873</b></u>

Special Revenue Funds			Capital Projects		
Downtown Improvement District	Criminal Justice Department	Total	Debt Service Fund	Drainage Bond Fund	Total Nonmajor Governmental Funds
\$ -	\$ 153,802	\$ 995,514	\$ 18,212	\$ 6,238	\$ 1,019,964
-	1,802,119	2,838,070	2,254,199	302,890	5,395,159
-	90,991	228,848	1,018,074	47,417	1,294,339
-	-	205,095	692,092	-	897,187
-	-	-	15,630	-	15,630
-	890,690	939,061	-	-	939,061
-	117,096	214,862	-	-	214,862
-	-	-	3,456,819	-	3,456,819
<b>\$ -</b>	<b>\$ 3,054,698</b>	<b>\$ 5,421,450</b>	<b>\$ 7,455,026</b>	<b>\$ 356,545</b>	<b>\$ 13,233,021</b>
\$ -	\$ 27,403	\$ 144,182	\$ 1,449	\$ -	\$ 145,631
-	-	9	-	-	9
-	-	1,268	-	-	1,268
-	73,993	273,469	-	-	273,469
-	890,690	1,061,877	692,092	-	1,753,969
-	9,781	713,554	-	-	713,554
-	1,001,867	2,194,359	693,541	-	2,887,900
-	-	-	3,456,819	-	3,456,819
-	2,052,831	3,227,091	3,304,666	356,545	6,888,302
-	2,052,831	3,227,091	6,761,485	356,545	10,345,121
<b>\$ -</b>	<b>\$ 3,054,698</b>	<b>\$ 5,421,450</b>	<b>\$ 7,455,026</b>	<b>\$ 356,545</b>	<b>\$ 13,233,021</b>

**CITY OF McALLEN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2002**

**Special Revenue Funds**

	<b>Hotel Occupancy Tax</b>	<b>Park Development</b>	<b>Community Development</b>	<b>Miscellaneous Government Grants</b>
<b>REVENUES</b>				
Hotel taxes	\$ 2,841,902	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Intergovernmental	-	-	2,769,459	1,725,346
Fines and forfeitures	-	-	-	-
Interest	3,535	33,992	-	11,143
Net decrease in the fair value of investment	-	-	-	-
Other	-	159,250	-	447,779
Total revenues	<u>2,845,437</u>	<u>193,242</u>	<u>2,769,459</u>	<u>2,184,268</u>
<b>EXPENDITURES</b>				
Current:				
General government	811,972	-	176,355	585,360
Public safety	-	-	-	2,163,609
Highways and streets	-	-	66,392	-
Health and welfare	-	-	2,415,257	-
Culture and recreation	-	-	111,455	-
Debt service				
Principal	-	-	-	-
Interest & fiscal charge	-	-	-	-
Total expenditures	<u>811,972</u>	<u>-</u>	<u>2,769,459</u>	<u>2,748,969</u>
Excess of revenues over (under) expenditures	2,033,465	193,242	-	(564,701)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	<u>(2,029,931)</u>	<u>-</u>	<u>-</u>	<u>(53,768)</u>
Net other financing sources (uses)	<u>(2,029,931)</u>	<u>-</u>	<u>-</u>	<u>(53,768)</u>
Net change in fund balances	3,534	193,242	-	(618,469)
Fund balances (deficits) at beginning of year	<u>121,167</u>	<u>862,047</u>	<u>-</u>	<u>612,739</u>
Fund balances (deficits) at end of year	<u><u>\$ 124,701</u></u>	<u><u>\$ 1,055,289</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (5,730)</u></u>



Special Revenue Funds			Capital Projects		
Downtown Improvement District	Criminal Justice Department	Total	Debt Service Fund	Drainage Bond Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 2,841,902	\$ -	\$ -	\$ 2,841,902
-	-	-	2,511,435	-	2,511,435
-	1,042,720	5,537,525	-	-	5,537,525
-	639,600	639,600	-	-	639,600
-	870	49,540	133,702	8,006	191,248
-	-	-	(16,115)	-	(16,115)
102,448	-	709,477	-	-	709,477
102,448	1,683,190	9,778,044	2,629,022	8,006	12,415,072
-	-	1,573,687	-	-	1,573,687
-	2,131,629	4,295,238	-	-	4,295,238
-	-	66,392	-	-	66,392
-	-	2,415,257	-	-	2,415,257
-	-	111,455	-	-	111,455
-	-	-	1,840,000	-	1,840,000
-	-	-	659,873	-	659,873
-	2,131,629	8,462,029	2,499,873	-	10,961,902
102,448	(448,439)	1,316,015	129,149	8,006	1,453,170
-	-	-	1,706,848	-	1,706,848
-	-	(2,083,699)	-	-	(2,083,699)
-	-	(2,083,699)	1,706,848	-	(376,851)
102,448	(448,439)	(767,684)	1,835,997	8,006	1,076,319
(102,448)	2,501,270	3,994,775	4,925,488	348,539	9,268,802
<b>\$ -</b>	<b>\$ 2,052,831</b>	<b>\$ 3,227,091</b>	<b>\$ 6,761,485</b>	<b>\$ 356,545</b>	<b>\$ 10,345,121</b>

**NONMAJOR PROPRIETARY 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*** and ***Transit Terminal***.

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

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

**CITY OF McALLEN, TEXAS**  
**NON-MAJOR PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**September 30, 2002**

	<b>Palm View Golf Course</b>	<b>Transit Terminal</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash	85,462	76,648	162,110
Certificates of deposit	250,230	-	250,230
Investments	123,937	61,651	185,588
Receivables, net:			
Other	1,229	4,907	6,136
Total current assets	460,858	143,206	604,064
Capital assets			
Land	187,995	1,684,593	1,872,588
Buildings	211,633	3,522,228	3,733,861
Improvements other than buildings	6,204,496	-	6,204,496
Machinery and equipment	557,102	100,102	657,204
Total capital assets	7,161,226	5,306,923	12,468,149
Less accumulated depreciation	(2,211,547)	(188,053)	(2,399,600)
Net capital assets	4,949,679	5,118,870	10,068,549
Total assets	<b>\$ 5,410,537</b>	<b>\$ 5,262,076</b>	<b>\$ 10,672,613</b>

**CITY OF McALLEN, TEXAS**  
**NON-MAJOR PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**September 30, 2002**

	<b>Palm View Golf Course</b>	<b>Transit Terminal</b>	<b>Total</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 57,609	\$ 6,867	\$ 64,476
Accrued expenses	24,467	10,446	34,913
Other	49,645	-	49,645
Total current liabilities	131,721	17,313	149,034
Other non-current liabilities:			
Advance from other funds	3,800,000	352,716	4,152,716
Accumulated unpaid compensated absences	40,295	7,085	47,380
Total other non-current liabilities	3,840,295	359,801	4,200,096
Total liabilities	3,972,016	377,114	4,349,130
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	4,949,679	5,118,870	10,068,549
Unrestricted	(3,511,158)	(233,908)	(3,745,066)
Total net assets	1,438,521	4,884,962	6,323,483
Total liabilities and net assets	<b>\$ 5,410,537</b>	<b>\$ 5,262,076</b>	<b>\$ 10,672,613</b>

**CITY OF McALLEN, TEXAS**  
**NON-MAJOR PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2002**

	<b>Palm View Golf Course</b>	<b>Transit Terminal</b>	<b>Total</b>
Operating revenues:			
Charges for services	\$ 721,571	\$ 203,798	\$ 925,369
Total operating revenues	721,571	203,798	925,369
Operating expenses:			
Salaries, wages and employee benefits	623,322	254,803	878,125
Supplies and materials	90,138	22,161	112,299
Contractual and other services	124,385	142,104	266,489
Repairs and maintenance	60,439	14,002	74,441
Depreciation and amortization	247,844	126,290	374,134
Total operating expenses	1,146,128	559,360	1,705,488
Operating loss	(424,557)	(355,562)	(780,119)
Non-operating revenues			
Interest income	20,190	5,361	25,551
Other	321,952	66,716	388,668
Non-operating revenues	342,142	72,077	414,219
Loss before capital contributions and transfers	(82,415)	(283,485)	(365,900)
Capital contributions	56,682	-	56,682
Transfers-in	-	93,000	93,000
Change in net assets	(25,733)	(190,485)	(216,218)
Total net assets--beginning	1,464,254	5,075,447	6,539,701
Total net assets--ending	<u>\$ 1,438,521</u>	<u>\$ 4,884,962</u>	<u>\$ 6,323,483</u>

**CITY OF McALLEN, TEXAS**  
**NON-MAJOR PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**

	<b>Palm View Golf Course</b>	<b>Transit Terminal</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 723,208	\$ 203,798	\$ 927,006
Payments to suppliers	(276,444)	(190,872)	(467,316)
Payments to employees	(623,322)	(254,803)	(878,125)
Other receipts	112,409	75,890	188,299
Net cash provided by operating activities	(64,149)	(165,987)	(230,136)
<b>Cash flows from noncapital financing activities:</b>			
Transfers in	-	93,000	93,000
Advance to other funds	(100,000)	-	(100,000)
Net cash provided (used) by noncapital financing activities	(100,000)	93,000	(7,000)
<b>Cash flows from capital and related financing activities:</b>			
Payments for capital acquisitions	(44,288)	(10,074)	(54,362)
Cash used for capital and related financing activities	(44,288)	(10,074)	(54,362)
<b>Cash flows from investing activities:</b>			
Investment activity, net	213,312	152,345	365,657
Receipt of interest	21,181	5,361	26,542
Net cash provided by investing activities	234,493	157,706	392,199
Net increase in cash	26,056	74,645	100,701
Cash at beginning of year	59,406	2,003	61,409
Cash at end of year	<u>\$ 85,462</u>	<u>\$ 76,648</u>	<u>\$ 162,110</u>

**CITY OF McALLEN, TEXAS**  
**NON-MAJOR PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**

	<u>Palm View Golf Course</u>	<u>Transit Terminal</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating loss	\$ (424,557)	\$ (355,562)	\$ (780,119)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	247,844	126,291	374,135
Miscellaneous income (expense)	312,409	62,660	375,069
Other receivables	(997)	13,230	12,233
Due from other funds	(200,000)	-	(200,000)
Accounts payable	(4,395)	(11,604)	(15,999)
Accrued expenses	2,913	(1,002)	1,911
Deferred revenue	2,634	-	2,634
Total adjustments	360,408	189,575	549,983
Net cash used by operating activities	<u>\$ (64,149)</u>	<u>\$ (165,987)</u>	<u>\$ (230,136)</u>



## INTERNAL SERVICE FUNDS

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

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

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

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

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

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING BALANCE SHEET**  
**September 30, 2002**  
**With Comparative Totals for September 30, 2001**

	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 273,141	\$ 53,628
Certificates of deposit	-	1,611,027
Investments	-	128,891
Receivables, net:		
Accounts	-	80,774
Accrued interest	-	-
Other	-	233,937
Inventories	355,694	-
Total current assets	<u>628,835</u>	<u>2,108,257</u>
Fixed assets	621,673	-
Less accumulated depreciation	<u>(422,388)</u>	<u>-</u>
Net Fixed assets	<u>199,285</u>	<u>-</u>
Total assets	<u><b>\$ 828,120</b></u>	<u><b>\$ 2,108,257</b></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 198,220	\$ 120,877
Accrued expenses	21,981	1,005,198
Due to other funds	-	-
Total current liabilities	<u>220,201</u>	<u>1,126,075</u>
Other non-current liabilities:		
Accumulated unpaid compensated absences	33,519	1,841
Deferred revenues	1,107	-
Total other non-current liabilities	<u>34,626</u>	<u>1,841</u>
Total liabilities	<u>254,827</u>	<u>1,127,916</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	199,285	-
Unrestricted	<u>374,008</u>	<u>980,341</u>
Total net assets	<u>573,293</u>	<u>980,341</u>
Total liabilities and net assets	<u><b>\$ 828,120</b></u>	<u><b>\$ 2,108,257</b></u>

General Insurance	General Depreciation	Totals	
		2002	2001
\$ 16,016	\$ 2,014	\$ 344,799	\$ 663,827
2,331,339	3,502,608	7,444,974	6,452,317
2,630,953	864,947	3,624,791	3,056,866
87,907	-	168,681	70,417
25,963	10,982	36,945	25,714
-	-	233,937	279,287
-	-	355,694	315,564
5,092,178	4,380,551	12,209,821	10,863,992
-	5,368,217	5,989,890	2,727,811
-	(1,970,715)	(2,393,103)	(810,979)
-	3,397,502	3,596,787	1,916,832
<b>\$ 5,092,178</b>	<b>\$ 7,778,053</b>	<b>\$ 15,806,608</b>	<b>\$ 12,780,824</b>
\$ 65,725	\$ 71,811	\$ 456,633	\$ 740,070
557,011	-	1,584,190	1,434,274
-	-	-	10,000
622,736	71,811	2,040,823	2,184,344
22,083	-	57,443	47,551
-	-	1,107	1,107
22,083	-	58,550	48,658
644,819	71,811	2,099,373	2,233,002
-	3,397,502	3,596,787	206,116
4,447,359	4,308,740	10,110,448	10,341,706
4,447,359	7,706,242	13,707,235	10,547,822
<b>\$ 5,092,178</b>	<b>\$ 7,778,053</b>	<b>\$ 15,806,608</b>	<b>\$ 12,780,824</b>

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN RETAINED EARNINGS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Totals for Fiscal Year Ended September 30, 2001**

	<b>Fleet Materials Management</b>	<b>Employee Benefits</b>
Operating revenues:		
Charges for services	\$ 1,981,359	\$ -
Contributions	-	5,662,723
	<u>1,981,359</u>	<u>5,662,723</u>
Total operating revenues	<u>1,981,359</u>	<u>5,662,723</u>
Operating expenses:		
Salaries, wages and employee benefits	550,874	67,765
Supplies and materials	8,563	-
Contractual and other services	1,332,070	920,844
Repairs and maintenance	21,044	-
Depreciation	33,500	-
Self insurance claims	-	4,235,420
Benefit payments	-	-
Other	-	1,509
	<u>1,946,051</u>	<u>5,225,538</u>
Total operating expenses	<u>1,946,051</u>	<u>5,225,538</u>
Operating income (loss)	<u>35,308</u>	<u>437,185</u>
Non-operating revenues (expenses):		
Interest income	5,472	42,933
Net increase (decrease) in fair value of investments	-	-
Other	21,828	467,093
	<u>27,300</u>	<u>510,026</u>
Total non-operating revenues	<u>27,300</u>	<u>510,026</u>
Change in net assets	62,608	947,211
Total net assets--beginning	<u>510,685</u>	<u>33,130</u>
Total net assets--ending	<u><u>\$ 573,293</u></u>	<u><u>\$ 980,341</u></u>

General Insurance	General Depreciation	Totals	
		2002	2001
\$ -	\$ 1,505,423	\$ 3,486,782	\$ 3,834,368
3,069,805	-	8,732,528	7,409,989
3,069,805	1,505,423	12,219,310	11,244,357
112,600	-	731,239	667,489
1,170	-	9,733	9,600
867,554	-	3,120,468	2,566,404
798	-	21,842	19,860
-	964,788	998,288	687,980
1,754,104	-	5,989,524	7,486,503
-	-	-	218,768
-	12,724	14,233	15,368
2,736,226	977,512	10,885,327	11,671,972
333,579	527,911	1,333,983	(427,615)
196,326	158,428	403,159	576,540
(19,224)	(11,257)	(30,481)	110,851
241,153	-	730,074	462,902
418,255	147,171	1,102,752	1,150,293
751,834	675,082	2,436,735	722,678
3,695,525	7,031,160	11,270,500	10,547,822
<b>\$ 4,447,359</b>	<b>\$ 7,706,242</b>	<b>\$ 13,707,235</b>	<b>\$ 11,270,500</b>

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Totals for Fiscal Year Ended September 30, 2001**

	<b>Fleet Materials Management</b>	<b>Employee Benefits</b>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 1,981,359	\$ 5,721,991
Payments to suppliers	(1,338,929)	(829,098)
Payments to employees	(550,874)	(67,765)
Internal activity--payments to other funds	-	-
Claims paid	-	(4,235,420)
Other receipts (payments)	21,828	536,681
Net cash provided by operating activities	113,384	1,126,389
 Cash flows from capital and related financing activities:		
Payments for capital disposal/acquisitions	(40,672)	-
 Cash flows from investing activities:		
Investment activity, net	-	(1,172,758)
Receipt of interest	5,472	42,933
Net cash provided (used) by investing activities	5,472	(1,129,825)
 Net increase (decrease) in cash	78,184	(3,436)
 Cash at beginning of year	194,957	57,064
 Cash at end of year	<b>\$ 273,141</b>	<b>\$ 53,628</b>

General Insurance	General Depreciation	Totals	
		2002	2001
\$ 3,038,426	\$ 1,506,972	\$ 12,248,748	\$ 11,084,476
(1,066,074)	1,732	(3,232,369)	(2,687,660)
(112,600)	-	(731,239)	(644,272)
-	-	-	(10,000)
(1,754,104)	-	(5,989,524)	(7,805,573)
221,929	-	780,438	664,271
327,577	1,508,704	3,076,054	601,242
-	(1,092,632)	(1,133,304)	(2,270,880)
(598,110)	(578,218)	(2,349,086)	777,247
196,326	158,428	403,159	576,540
(401,784)	(419,790)	(1,945,927)	1,353,787
(74,207)	(3,718)	(3,177)	(315,851)
90,223	5,732	347,976	663,827
<b>\$ 16,016</b>	<b>\$ 2,014</b>	<b>\$ 344,799</b>	<b>\$ 347,976</b>



**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Totals for Fiscal Year Ended September 30, 2001**

	<b>Fleet Materials Management</b>	<b>Employee Benefits</b>
Operating income (loss)	\$ 35,308	\$ 437,185
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	33,500	-
Misc. non-operating income	21,828	467,093
Loss on asset disposition	-	-
Accounts receivable	-	58,542
Accrued interest receivable	-	726
Other receivables	-	71,097
Inventories	(19,128)	-
Accounts payable	36,810	91,129
Other payables	1,472	108
Accrued expenses	3,594	509
Due to other funds	-	-
Net cash provided by operating activities	<u><u>\$ 113,384</u></u>	<u><u>\$ 1,126,389</u></u>

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<u>General Insurance</u>	<u>General Depreciation</u>	<u>Totals</u>	
		<u>2002</u>	<u>2001</u>
\$ 333,578	\$ 527,911	\$ 1,333,982	\$ (427,615)
-	964,788	998,288	687,980
221,930	-	710,851	574,603
-	-	-	37,112
(36,685)	-	21,857	(120,121)
5,306	1,549	7,581	(18,812)
-	-	71,097	(25,747)
-	-	(19,128)	(21,002)
60,189	14,456	202,584	(486,021)
2,058	-	3,638	6,253
(258,799)	-	(254,696)	404,612
-	-	-	(10,000)
<u>\$ 327,577</u>	<u>\$ 1,508,704</u>	<u>\$ 3,076,054</u>	<u>\$ 601,242</u>

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

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**BALANCE SHEET**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Cash	\$ 268,150	\$ 98,483
Certificates of deposit	6,169,670	8,781,179
Investments	29,189,942	26,800,386
Receivables, net:		
Ad valorem tax	2,949,428	2,556,523
Accounts	6,374,869	6,056,440
Accrued interest	405,708	355,285
Other	826,912	907,485
Due from other funds	238,010	604,088
Due from other governments	8,319	4,277
Advances to other funds	1,400,000	2,150,000
Total assets	<u><u>\$ 47,831,008</u></u>	<u><u>\$ 48,314,146</u></u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 1,456,848	\$ 1,462,663
Accrued liabilities	1,653,144	1,472,729
Deferred revenues	7,127,295	6,597,289
Other	1,167,319	1,258,358
Total liabilities	<u>11,404,606</u>	<u>10,791,039</u>
Fund balances:		
Reserved for encumbrances	243,763	163,348
Reserved for advances	2,150,000	2,150,000
Unreserved	34,032,639	35,209,759
Total fund balance	<u>36,426,402</u>	<u>37,523,107</u>
Total liabilities and fund balance	<u><u>\$ 47,831,008</u></u>	<u><u>\$ 48,314,146</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
Revenues:		
Taxes:		
Ad valorem	\$ 15,662,099	\$ 14,198,457
Sales	29,436,249	27,779,137
Franchise	5,496,448	6,128,118
Total taxes	<u>50,594,796</u>	<u>48,105,712</u>
Licenses and permits	872,751	824,608
Intergovernmental	416,855	252,930
Charges for services	2,830,128	2,699,727
Fines and forfeitures	1,431,302	1,513,057
Interest	2,221,717	2,647,014
Net increase (decrease) in the fair value of investments	(43,252)	1,156,523
Other	3,623,860	8,856,223
Total revenues	<u>61,948,157</u>	<u>66,055,794</u>
Expenditures:		
General government	11,065,080	12,151,981
Public safety	28,968,883	25,715,002
Highways and streets	6,494,561	5,652,745
Health and welfare	782,188	699,314
Culture and recreation	9,990,593	8,580,613
Total expenditures	<u>57,301,305</u>	<u>52,799,655</u>
Excess of revenues over expenditures	4,646,852	13,256,139
Other financing sources (uses):		
Transfers in	7,156,443	7,154,949
Transfers out	(12,900,000)	(12,875,562)
Other	-	30,428
Net other financing sources (uses)	<u>(5,743,557)</u>	<u>(5,690,185)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,096,705)	7,565,954
Fund balance--beginning	<u>37,523,107</u>	<u>29,957,153</u>
Fund balance--ending	<u><u>\$ 36,426,402</u></u>	<u><u>\$ 37,523,107</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2002**

	<b>Budgeted Amounts</b>		<b>Actual Amount</b>	<b>Variance with Final budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Revenues:				
Taxes:				
Ad valorem	\$ 15,270,887	\$ 15,270,887	\$ 15,662,099	\$ 391,212
Sales	27,125,000	27,125,000	29,436,249	2,311,249
Franchise	4,655,000	4,655,000	5,496,448	841,448
Total taxes	47,050,887	47,050,887	50,594,796	3,543,909
Licenses and permits:				
Business licenses and permits	22,000	22,000	30,436	8,436
Occupational	51,300	51,300	67,387	16,087
Non-business licenses and permits	659,000	659,000	774,928	115,928
Total licenses and permits	732,300	732,300	872,751	140,451
Intergovernmental revenues:				
State shared revenues	250,000	250,000	416,855	166,855
Total intergovernmental revenues	250,000	250,000	416,855	166,855
Charges for services:				
General governmental	1,282,600	1,282,600	1,277,750	(4,850)
Public safety	131,500	133,978	180,310	46,332
Highways and streets	221,000	221,000	378,287	157,287
Health	294,500	294,500	349,143	54,643
Culture and recreation	365,900	365,900	644,638	278,738
Total charges for services	2,295,500	2,297,978	2,830,128	532,150
Fines and forfeitures:				
Corporations court	1,400,000	1,400,000	1,232,187	(167,813)
Other fines	175,500	175,500	199,115	23,615
Total fines and forfeitures	1,575,500	1,575,500	1,431,302	(144,198)
Interest	1,800,000	1,800,000	2,221,717	421,717
Net decrease in the fair value of investments	-	-	(43,252)	(43,252)
Other:				
Royalties	3,900,000	3,900,000	2,589,150	(1,310,850)
Rents and concessions	40,000	40,000	62,156	22,156
Sale of property	5,000	5,000	56	(4,944)
Reimbursements	17,000	17,000	130,996	113,996
Other	36,000	136,386	841,502	705,116
Total other revenues	3,998,000	4,098,386	3,623,860	(474,526)
Total revenues	57,702,187	57,805,051	61,948,157	4,143,106

Continued

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2002**

	<b>Budgeted Amounts</b>		<b>Actual Amount</b>	<b>Variance with Final budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Expenditures:				
General government:				
City commission				
Personal services	\$ 49,811	\$ 49,811	\$ 79,462	\$ (29,651)
Supplies	4,000	4,000	3,471	529
Miscellaneous services	73,500	73,500	41,736	31,764
Capital outlay	150,000	150,000	12,459	137,541
Total city commissior	277,311	277,311	137,128	140,183
Special service				
Miscellaneous services	541,500	1,041,500	1,019,671	21,829
Capital outlay	-	-	18,923	(18,923)
Total special service	541,500	1,041,500	1,038,594	2,906
City manager:				
Personal services	440,667	459,405	465,372	(5,967)
Supplies	1,500	1,500	1,390	110
Miscellaneous services	16,500	16,500	18,714	(2,214)
Maintenance	400	400	240	160
Total city manager	459,067	477,805	485,716	(7,911)
City secretary:				
Personal services	325,666	335,138	399,355	(64,217)
Supplies	6,000	6,000	4,574	1,426
Miscellaneous services	36,250	36,250	39,399	(3,149)
Maintenance	975	975	1,019	(44)
Capital outlay	3,000	3,000	1,959	1,041
Total city secretary	371,891	381,363	446,306	(64,943)
Audit office:				
Personal services	98,925	102,921	117,754	(14,833)
Supplies	1,000	1,000	1,619	(619)
Miscellaneous services	8,500	8,500	8,505	(5)
Total audit office	108,425	112,421	127,878	(15,457)
Municipal court:				
Personal services	697,642	731,737	653,338	78,399
Supplies	9,420	8,420	8,706	(286)
Miscellaneous services	64,055	61,555	32,696	28,859
Maintenance	19,500	19,500	13,502	5,998
Other	(18,000)	(18,000)	(18,658)	658
Capital outlay	12,000	87,386	37,769	49,617
Total municipal court	784,617	890,598	727,353	163,245

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2002**

	<b>Budgeted Amounts</b>		<b>Actual Amount</b>	<b>Variance with Final budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Finance:				
Personal services	\$ 747,435	\$ 765,852	\$ 634,733	\$ 131,119
Supplies	16,200	16,200	16,162	38
Miscellaneous services	79,250	79,250	88,319	(9,069)
Maintenance	2,050	2,050	494	1,556
Capital outlay	11,400	11,400	6,590	4,810
Total finance	856,335	874,752	746,298	128,454
Tax Office:				
Personal services	190,755	197,142	202,731	(5,589)
Supplies	9,500	9,500	4,552	4,948
Miscellaneous services	424,776	424,776	509,659	(84,883)
Maintenance	2,000	2,000	1,965	35
Capital outlay	300	300	300	-
Total Tax Office	627,331	633,718	719,207	(85,489)
Purchasing and contracting:				
Personal services	243,129	249,900	253,886	(3,986)
Supplies	7,400	7,400	4,747	2,653
Miscellaneous services	10,806	10,806	3,300	7,506
Capital outlay	-	21,000	25,624	(4,624)
Total purchasing and contracting	261,335	289,106	287,557	1,549
Legal:				
Personal services	360,747	377,282	362,192	15,090
Supplies	3,500	3,500	3,645	(145)
Miscellaneous services	151,955	147,955	173,589	(25,634)
Capital outlay	-	4,000	6,419	(2,419)
Total legal	516,202	532,737	545,845	(13,108)
Grant administration:				
Personal services	65,339	67,052	70,426	(3,374)
Supplies	1,000	1,000	1,298	(298)
Miscellaneous services	2,500	2,500	1,896	604
Total grant administration	68,839	70,552	73,620	(3,068)
Right of way:				
Personal services	126,081	126,663	111,830	14,833
Supplies	1,500	1,500	1,941	(441)
Miscellaneous services	35,721	35,721	24,154	11,567
Total right of way	163,302	163,884	137,925	25,959



**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2002**

	Budgeted Amounts		Actual Amount	Variance with Final budget- Positive (Negative)
	Original	Final		
Personnel:				
Personal services	\$ 232,505	\$ 239,807	\$ 268,580	\$ (28,773)
Supplies	9,000	9,000	9,027	(27)
Miscellaneous services	109,242	109,242	111,968	(2,726)
Maintenance	10,000	10,000	22,238	(12,238)
Capital outlay	6,758	6,758	6,965	(207)
Total personnel	367,505	374,807	418,778	(43,971)
Non-classified:				
Worker's compensation insurance	997,007	997,007	-	997,007
Liability insurance	865,341	865,341	865,341	-
Total risk management	1,862,348	1,862,348	865,341	997,007
Planning:				
Personal services	555,647	572,549	528,143	44,406
Supplies	6,050	6,050	8,051	(2,001)
Miscellaneous services	48,237	48,237	46,681	1,556
Maintenance	5,000	5,000	4,456	544
Capital outlay	59,075	59,075	12,658	46,417
Total planning	674,009	690,911	599,989	90,922
Management information system:				
Personal services	458,890	472,511	415,779	56,732
Supplies	24,600	24,600	24,453	147
Miscellaneous services	26,200	26,200	29,317	(3,117)
Maintenance	79,850	79,850	79,560	290
Capital outlay	290,800	269,800	131,990	137,810
Total management information system	880,340	872,961	681,099	191,862
Information department:				
Personal services	223,528	229,628	217,803	11,825
Supplies	15,500	15,500	15,241	259
Miscellaneous services	5,500	5,500	5,211	289
Maintenance	9,750	9,750	8,919	831
Capital outlay	32,800	32,800	32,043	757
Total information services	287,078	293,178	279,217	13,961
City hall:				
Personal services	75,512	77,720	75,533	2,187
Supplies	23,100	23,100	17,311	5,789
Miscellaneous services	411,650	411,650	449,841	(38,191)
Maintenance	30,000	30,000	34,344	(4,344)
Capital outlay	-	-	18,764	(18,764)
Total city hall	540,262	542,470	595,793	(53,323)

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2002**

	<b>Budgeted Amounts</b>		<b>Actual Amount</b>	<b>Variance with Final budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Building maintenance:				
Personal services	\$ 227,051	\$ 232,981	\$ 206,820	\$ 26,161
Supplies	6,400	6,400	8,113	(1,713)
Miscellaneous services	23,914	23,914	26,225	(2,311)
Maintenance	39,550	39,550	31,976	7,574
Capital outlay	11,150	11,150	2,236	8,914
Total building maintenance	308,065	313,995	275,370	38,625
Economic development:				
McAllen Economic Development Corp.	1,197,643	1,197,643	1,197,643	-
Chambers of Commerce	651,250	651,250	576,250	75,000
Total economic development	1,848,893	1,848,893	1,773,893	75,000
Non-department activities	109,000	109,000	102,173	6,827
Total general government	11,913,655	12,654,310	11,065,080	1,589,230
Public safety:				
Police:				
Personal services	16,996,956	17,402,571	17,331,290	71,281
Supplies	311,000	311,000	273,564	37,436
Miscellaneous services	1,158,775	1,158,775	1,166,300	(7,525)
Maintenance	590,000	590,000	629,428	(39,428)
Other	(1,100,000)	(1,100,000)	(1,883,877)	783,877
Capital outlay	446,560	446,560	267,305	179,255
Total police	18,403,291	18,808,906	17,784,010	1,024,896
Animal control:				
Personal services	128,911	128,911	126,387	2,524
Supplies	5,000	5,000	3,889	1,111
Miscellaneous services	8,729	8,729	7,229	1,500
Maintenance	13,000	13,000	17,459	(4,459)
Total animal control	155,640	155,640	154,964	676
Fire:				
Personal services	6,970,590	7,364,098	7,518,308	(154,210)
Supplies	172,600	180,100	186,261	(6,161)
Miscellaneous services	525,505	518,005	507,131	10,874
Maintenance	232,400	218,600	301,811	(83,211)
Capital outlay	52,125	68,403	62,872	5,531
Total fire	7,953,220	8,349,206	8,576,383	(227,177)
Traffic operations:				
Personal services	638,444	652,840	650,494	2,346
Supplies	65,200	65,200	76,030	(10,830)
Miscellaneous services	352,090	352,090	339,884	12,206
Maintenance	320,000	320,000	305,226	14,774
Capital outlay	167,525	167,525	157,854	9,671
Total traffic safety	1,543,259	1,557,655	1,529,488	28,167

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2002**

	<b>Budgeted Amounts</b>		<b>Actual Amount</b>	<b>Variance with Final budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Downtown services:				
Personal services	\$ 355,651	\$ 362,560	\$ 340,854	\$ 21,706
Supplies	15,000	15,000	19,725	(4,725)
Miscellaneous services	40,500	40,500	49,833	(9,333)
Maintenance	16,500	16,500	17,582	(1,082)
Capital outlay	23,900	23,900	16,348	7,552
Total downtown services	451,551	458,460	444,342	14,118
Inspection:				
Personal services	417,416	426,177	418,154	8,023
Supplies	12,141	12,141	11,542	599
Miscellaneous services	49,691	49,691	43,888	5,803
Maintenance	2,938	2,938	3,231	(293)
Capital outlay	3,056	3,056	2,881	175
Total inspection	485,242	494,003	479,696	14,307
Total public safety	28,992,203	29,823,870	28,968,883	854,987
Highways and streets:				
Engineering services:				
Personal services	1,354,439	1,399,587	1,218,650	180,937
Supplies	21,500	21,500	22,202	(702)
Miscellaneous services	228,480	225,880	185,176	40,704
Maintenance	26,100	26,100	24,080	2,020
Other	(125,000)	(125,000)	(161,894)	36,894
Capital outlay	40,110	42,710	46,815	(4,105)
Total engineering services	1,545,629	1,590,777	1,335,029	255,748
Street cleaning:				
Personal services	155,939	159,192	147,621	11,571
Supplies	2,800	2,800	2,873	(73)
Miscellaneous services	60,971	60,971	60,971	-
Maintenance	75,000	75,000	115,745	(40,745)
Total street cleaning	294,710	297,963	327,210	(29,247)
Street maintenance:				
Personal services	885,858	910,778	866,133	44,645
Supplies	31,654	31,654	30,475	1,179
Miscellaneous services	217,935	217,935	221,061	(3,126)
Maintenance	1,615,000	1,615,000	1,486,030	128,970
Capital outlay	24,260	24,260	46,079	(21,819)
Total street maintenance	2,774,707	2,799,627	2,649,778	149,849
Street lighting	1,558,000	1,558,000	1,136,508	421,492

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2002**

	<b>Budgeted Amounts</b>		<b>Actual Amount</b>	<b>Variance with Final budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Sidewalk construction:				
Personal services	\$ 215,800	\$ 215,800	\$ 204,782	\$ 11,018
Supplies	474,200	474,200	134,381	339,819
Maintenance	30,000	30,000	22,627	7,373
Other	(320,000)	(320,000)	-	(320,000)
Total sidewalk construction	400,000	400,000	361,790	38,210
Drainage:				
Personal services	428,931	438,192	397,392	40,800
Supplies	22,276	22,276	25,349	(3,073)
Miscellaneous services	95,728	95,728	94,912	816
Maintenance	116,000	116,000	149,264	(33,264)
Capital outlay	17,760	17,760	17,329	431
Total drainage	680,695	689,956	684,246	5,710
Total highways and streets	7,253,741	7,336,323	6,494,561	841,762
Health and welfare:				
Health:				
Personal services	384,151	393,294	348,544	44,750
Supplies	20,200	20,200	17,295	2,905
Miscellaneous services	92,646	92,646	117,632	(24,986)
Maintenance	6,630	6,630	11,581	(4,951)
Total health	503,627	512,770	495,052	17,718
Graffiti Cleaning:				
Personal services	74,428	76,042	72,268	3,774
Supplies	21,100	21,100	29,135	(8,035)
Miscellaneous services	7,641	7,641	7,641	-
Maintenance	12,500	12,500	15,609	(3,109)
Capital outlay	17,000	17,000	14,572	2,428
Total Graffiti Cleaning:	132,669	134,283	139,225	(4,942)
Other agencies:				
Ambulance	25,000	25,000	25,000	-
Humane Society	125,000	125,000	120,411	4,589
Other health and welfare agencies	2,500	2,500	2,500	-
Total other agencies	152,500	152,500	147,911	4,589
Total health and welfare	788,796	799,553	782,188	17,365
Culture and recreation:				
Parks and recreation administration:				
Personal services	363,143	372,264	357,620	14,644
Supplies	8,500	8,500	10,504	(2,004)
Miscellaneous services	110,000	110,000	84,506	25,494
Maintenance	5,000	5,000	5,699	(699)
Capital outlay	24,000	24,000	11,596	12,404
Total parks and recreation administration	510,643	519,764	469,925	49,839

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2002**

	<b>Budgeted Amounts</b>		<b>Actual Amount</b>	<b>Variance with Final budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Parks:</b>				
Personal services	\$ 1,895,674	\$ 1,946,766	\$ 1,856,899	\$ 89,867
Supplies	64,500	64,500	92,723	(28,223)
Miscellaneous services	522,198	522,198	581,765	(59,567)
Maintenance	268,680	268,680	344,421	(75,741)
Capital outlay	137,960	137,960	86,178	51,782
<b>Total parks</b>	<b>2,889,012</b>	<b>2,940,104</b>	<b>2,961,986</b>	<b>(21,882)</b>
<b>Recreation:</b>				
Personal services	498,673	502,554	\$ 631,652	(129,098)
Supplies	45,500	45,500	43,634	1,866
Miscellaneous services	184,149	184,149	217,297	(33,148)
Maintenance	5,000	5,000	1,576	3,424
Other	(120,000)	(120,000)	(100,708)	(19,292)
Capital outlay	23,500	23,500	12,822	10,678
<b>Total recreation</b>	<b>636,822</b>	<b>640,703</b>	<b>806,273</b>	<b>(165,570)</b>
<b>Pools:</b>				
Personal services	389,105	397,714	592,532	(194,818)
Supplies	30,000	30,000	39,076	(9,076)
Miscellaneous services	98,082	98,082	105,234	(7,152)
Maintenance	33,000	33,000	22,286	10,714
Capital outlay	16,000	16,000	-	16,000
<b>Total pools</b>	<b>566,187</b>	<b>574,796</b>	<b>759,128</b>	<b>(184,332)</b>
<b>Senior Citizens Center:</b>				
Personal services	186,079	191,048	180,342	10,706
Supplies	13,200	13,200	13,563	(363)
Miscellaneous services	43,075	43,075	64,852	(21,777)
Maintenance	20,000	20,000	17,976	2,024
<b>Total senior citizens center</b>	<b>262,354</b>	<b>267,323</b>	<b>276,733</b>	<b>(9,410)</b>
<b>Recreation center-Lark:</b>				
Personal services	196,090	197,656	242,405	(44,749)
Supplies	19,200	19,200	24,704	(5,504)
Miscellaneous services	115,655	115,655	93,519	22,136
Maintenance	2,700	2,700	2,607	93
<b>Total recreation center-Lark</b>	<b>333,645</b>	<b>335,211</b>	<b>363,235</b>	<b>(28,024)</b>
<b>Recreation center-Palmview:</b>				
Personal services	198,815	203,073	253,705	(50,632)
Supplies	19,200	19,200	21,819	(2,619)
Miscellaneous services	120,655	120,655	99,959	20,696
Maintenance	2,200	2,200	7,882	(5,682)
<b>Total recreation center-Palmview</b>	<b>340,870</b>	<b>345,128</b>	<b>383,365</b>	<b>(38,237)</b>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2002**

	<b>Budgeted Amounts</b>		<b>Actual Amount</b>	<b>Variance with Final budget-Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Quinta mazatlan renovations:				
Personal services	\$ 81,239	\$ 81,239	-	\$ 81,239
Supplies	88,620	88,620	160	88,460
Miscellaneous services	15,000	15,000	1,134	13,866
Maintenance	23,000	23,000	1,032	21,968
Capital outlay	18,500	18,500	3,037	15,463
Total quinta mazatlan renovations	226,359	226,359	5,363	220,996
Library:				
Personal services	1,707,718	1,754,441	\$ 1,481,683	272,758
Supplies	63,500	63,500	47,209	16,291
Miscellaneous services	307,800	307,800	274,071	33,729
Maintenance	55,100	84,100	43,302	40,798
Capital outlay	270,925	295,925	252,639	43,286
Total library	2,405,043	2,505,766	2,098,904	406,862
Library branch-Lark:				
Personal services	339,637	351,388	263,610	87,778
Supplies	7,000	7,000	3,712	3,288
Miscellaneous services	26,000	11,500	8,699	2,801
Maintenance	18,200	18,200	990	17,210
Capital outlay	37,790	37,790	34,945	2,845
Total library branch-Lark	428,627	425,878	311,956	113,922
Library branch-Palmview:				
Personal services	337,700	337,700	211,643	126,057
Supplies	7,000	7,000	7,434	(434)
Miscellaneous services	26,000	11,500	8,740	2,760
Maintenance	16,700	16,700	1,058	15,642
Capital outlay	38,010	38,010	33,350	4,660
Total library branch-Palmview	425,410	410,910	262,225	148,685
Other agencies	476,500	476,500	481,500	(5,000)
Museums	610,000	810,000	810,000	-
Total culture and recreation	10,111,472	10,478,442	9,990,593	487,849
Total expenditures	59,059,867	61,092,498	57,301,305	3,791,193
Excess of revenues over expenditures	(1,357,680)	(3,287,447)	4,646,852	7,934,299
Other financing sources (uses)				
Transfers in	7,171,811	7,171,811	7,156,443	(15,368)
Transfers out	(8,400,000)	(12,900,000)	(12,900,000)	-
Net other financing uses	(1,228,189)	(5,728,189)	(5,743,557)	(15,368)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(2,585,869)	(9,015,636)	(1,096,705)	7,918,931
Fund balance--beginning	37,523,107	37,523,107	37,523,107	-
Fund balance--ending	<u>\$ 34,937,238</u>	<u>\$ 28,507,471</u>	<u>\$ 36,426,402</u>	<u>\$ 7,918,931</u>

**CITY OF McALLEN, TEXAS**  
**HOTEL OCCUPANCY TAX FUND**  
**BALANCE SHEET**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

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	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Cash	\$ 66	\$ -
Investments	131,062	185,032
Accounts receivables	205,095	214,090
Other	<u>-</u>	<u>14,864</u>
Total assets	<u><u>\$ 336,223</u></u>	<u><u>\$ 413,986</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 60,435	\$ 79,719
Bank overdraft	-	13,800
Due to other funds	<u>151,087</u>	<u>199,300</u>
Total liabilities	<u>211,522</u>	<u>292,819</u>
 <b>FUND BALANCE</b>		
Unrestricted	<u>124,701</u>	<u>121,167</u>
Total liabilities and fund balance	<u><u>\$ 336,223</u></u>	<u><u>\$ 413,986</u></u>

**CITY OF McALLEN, TEXAS**  
**HOTEL OCCUPANCY TAX FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

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	<u>2002</u>	<u>2001</u>
Revenues:		
Hotel tax	\$ 2,841,902	\$ 2,912,692
Interest	<u>3,535</u>	<u>17,784</u>
Total revenues	<u>2,845,437</u>	<u>2,930,476</u>
 Expenditures:		
Current:		
General government	<u>811,972</u>	<u>913,798</u>
Total expenditures	<u>811,972</u>	<u>913,798</u>
 Excess of revenues over expenditures	2,033,465	2,016,678
 Other financing uses:		
Transfers out	<u>(2,029,931)</u>	<u>(2,080,494)</u>
 Net change in fund balances	3,534	(63,816)
 Fund balance--beginning	<u>121,167</u>	<u>184,983</u>
 Fund balance--ending	<u><u>\$ 124,701</u></u>	<u><u>\$ 121,167</u></u>



CITY OF McALLEN, TEXAS  
HOTEL OCCUPANCY TAX FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For Fiscal Year Ended September 30, 2002

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Hotel tax	\$ 2,832,500	\$ 2,832,500	\$ 2,841,902	\$ 9,402
Interest	8,000	8,000	3,535	(4,465)
Total revenues	2,840,500	2,840,500	2,845,437	4,937
Expenditures:				
Current:				
General government	809,245	809,245	811,972	(2,727)
Total expenditures	809,245	809,245	811,972	(2,727)
Excess of revenues over expenditures	2,031,255	2,031,255	2,033,465	7,664
Other financing uses:				
Transfers out	(2,023,255)	(2,023,255)	(2,029,931)	(6,676)
Net change in fund balances	8,000	8,000	3,534	988
Fund balance--beginning	121,167	121,167	121,167	-
Fund balance--ending	<u>\$ 129,167</u>	<u>\$ 129,167</u>	<u>\$ 124,701</u>	<u>\$ 988</u>

**CITY OF McALLEN, TEXAS**  
**MISCELLANEOUS GOVERNMENT GRANTS FUND**  
**BALANCE SHEET**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Cash	\$ 828,653	\$ 338,991
Certificates of deposit	-	424,967
Loan receivables	-	124,844
Other receivables	48,371	-
Due from other governments	47,849	128,697
	<u>          </u>	<u>          </u>
Total assets	<u><u>\$ 924,873</u></u>	<u><u>\$ 1,017,499</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 7,254	\$ 91,535
Due to other funds	48,389	91,676
Deferred revenues	171,187	221,549
Other liabilities	703,773	-
	<u>          </u>	<u>          </u>
Total liabilities	<u>930,603</u>	<u>404,760</u>
 <b>FUND BALANCES</b>		
Unrestricted	<u>(5,730)</u>	<u>612,739</u>
	<u>          </u>	<u>          </u>
Total liabilities and fund balance	<u><u>\$ 924,873</u></u>	<u><u>\$ 1,017,499</u></u>

CITY OF McALLEN, TEXAS  
 MISCELLANEOUS GOVERNMENT GRANTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 For Fiscal Year Ended September 30, 2002  
 With Comparative Amounts for Fiscal Year Ended September 30, 2001

	<u>2002</u>	<u>2001</u>
Revenues:		
Intergovernmental	\$ 1,725,346	\$ 2,881,623
Interest	11,143	57,578
Other	447,779	665,271
	<u>2,184,268</u>	<u>3,604,472</u>
Total revenues		
Expenditures:		
Current:		
General government	585,360	-
Public safety	2,163,609	3,407,833
Culture and recreation	-	103,917
	<u>2,748,969</u>	<u>3,511,750</u>
Total expenditures		
Excess (deficiency) of revenues over expenditures	<u>(564,701)</u>	<u>92,722</u>
Other financing uses:		
Transfers out	<u>(53,768)</u>	<u>-</u>
Net change in fund balance	(618,469)	92,722
Fund balance--beginning	<u>612,739</u>	<u>520,017</u>
Fund (deficit) balance--ending	<u><u>\$ (5,730)</u></u>	<u><u>\$ 612,739</u></u>

CITY OF McALLEN, TEXAS  
 CRIMINAL JUSTICE DEPARTMENT FUND  
 BALANCE SHEET  
 September 30, 2002  
 With Comparative Amounts for September 30, 2001

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	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Cash	\$ 153,802	\$ 82,196
Certificates of deposit	1,802,119	2,316,556
Investments	90,991	65,899
Accrued interest receivable	-	1,009
Other receivables	890,690	722,681
Due from other governments	117,096	177,490
	<u>                    </u>	<u>                    </u>
Total assets	<u><u>\$ 3,054,698</u></u>	<u><u>\$ 3,365,831</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 27,403	\$ 24,235
Due to other funds	73,993	117,345
Deferred revenues	890,690	722,681
Other liabilities	9,781	300
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>1,001,867</u>	<u>864,561</u>
 <b>FUND BALANCES</b>		
Unrestricted	<u>2,052,831</u>	<u>2,501,270</u>
	<u>                    </u>	<u>                    </u>
Total liabilities and fund balance	<u><u>\$ 3,054,698</u></u>	<u><u>\$ 3,365,831</u></u>

**CITY OF McALLEN, TEXAS**  
**CRIMINAL JUSTICE DEPARTMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

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	<u>2002</u>	<u>2001</u>
Revenues:		
Intergovernmental	\$ 1,042,720	\$ 1,208,501
Fines and forfeitures	639,600	825,080
Interest	<u>870</u>	<u>5,297</u>
 Total revenues	 <u>1,683,190</u>	 <u>2,038,878</u>
 Expenditures:		
Current:		
Public safety	<u>2,131,629</u>	<u>1,807,693</u>
 Total expenditures	 <u>2,131,629</u>	 <u>1,807,693</u>
 Excess (deficiency) of revenues over expenditures	 <u>(448,439)</u>	 <u>231,185</u>
 Net change in fund balance	 (448,439)	 231,185
 Fund balance--beginning	 <u>2,501,270</u>	 <u>2,270,085</u>
 Fund balance--ending	 <u><u>\$ 2,052,831</u></u>	 <u><u>\$ 2,501,270</u></u>

**CITY OF McALLEN, TEXAS**  
**COMMUNITY DEVELOPMENT FUND**  
**BALANCE SHEET**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

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	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Cash	\$ -	\$ -
Due from other governments	<u>49,917</u>	<u>103,400</u>
 Total assets	 <u><u>\$ 49,917</u></u>	 <u><u>\$ 103,400</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 48,640	\$ 78,667
Bank overdraft	9	-
Accrued liabilities	<u>1,268</u>	<u>24,733</u>
 Total liabilities	 <u>49,917</u>	 <u>103,400</u>
 <b>FUND BALANCE</b>		
Unrestricted	<u>-</u>	<u>-</u>
 Total liabilities and fund balance	 <u><u>\$ 49,917</u></u>	 <u><u>\$ 103,400</u></u>

**CITY OF McALLEN, TEXAS**  
**COMMUNITY DEVELOPMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

---

	<u>2002</u>	<u>2001</u>
Revenues:		
Intergovernmental	\$ 2,769,459	\$ 4,233,077
Other	<u>-</u>	<u>289,534</u>
Total revenues	<u>2,769,459</u>	<u>4,522,611</u>
Expenditures:		
Current:		
General government	176,355	157,828
Highways and streets	66,392	670,915
Health and welfare	2,415,257	3,363,779
Culture and recreation	<u>111,455</u>	<u>330,089</u>
Total expenditures	<u>2,769,459</u>	<u>4,522,611</u>
Net change in fund balance	-	-
Fund balance--beginning	<u>-</u>	<u>-</u>
Fund balance--ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF McALLEN, TEXAS**  
**COMMUNITY DEVELOPMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2002**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 4,093,823	\$ 4,093,823	\$ 2,769,459	\$ (1,324,364)
Total revenues	<u>4,093,823</u>	<u>4,093,823</u>	<u>2,769,459</u>	<u>(1,324,364)</u>
Expenditures:				
Current:				
General government	250,000	250,000	176,355	73,645
Highways and streets	331,828	331,828	66,392	265,436
Health and welfare	3,187,706	3,187,706	2,415,257	772,449
Culture and recreation	<u>324,289</u>	<u>324,289</u>	<u>111,455</u>	<u>212,834</u>
Total expenditures	<u>4,093,823</u>	<u>4,093,823</u>	<u>2,769,459</u>	<u>1,324,364</u>
Excess of revenues over expenditures	-	-	-	-
Fund balance--beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance--ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**CITY OF McALLEN, TEXAS**  
**PARK DEVELOPMENT FUND**  
**BALANCE SHEET**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

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	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Cash	\$ 12,993	\$ 4,032
Certificates of deposit	1,035,951	849,000
Investments	6,795	7,512
Accrued interest receivable	<u>-</u>	<u>1,503</u>
 Total assets	 <u><b>\$ 1,055,739</b></u>	 <u><b>\$ 862,047</b></u>
 <b>LIABILITIES</b>		
Accounts payable	<u>\$ 450</u>	<u>\$ -</u>
 Total liabilities	 <u>450</u>	 <u>-</u>
 <b>FUND BALANCE</b>		
Unrestricted	<u>1,055,289</u>	<u>862,047</u>
 Total liabilities and fund balance	 <u><b>\$ 1,055,739</b></u>	 <u><b>\$ 862,047</b></u>

**CITY OF McALLEN, TEXAS**  
**PARK DEVELOPMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

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	<u>2002</u>	<u>2001</u>
Revenues:		
Other	\$ 159,250	\$ 533,755
Interest	<u>33,992</u>	<u>35,950</u>
Total revenues	<u>193,242</u>	<u>569,705</u>
 Expenditures:		
Current:		
Capital outlay	<u>-</u>	<u>155,850</u>
Total expenditures	<u>-</u>	<u>155,850</u>
Net change in fund balance	193,242	413,855
 Fund balance--beginning	<u>862,047</u>	<u>448,192</u>
Fund balance--ending	<u><u>\$ 1,055,289</u></u>	<u><u>\$ 862,047</u></u>

**CITY OF McALLEN, TEXAS**  
**PARK DEVELOPMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2002**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Revenues:				
Other	\$ 269,999	\$ 269,999	\$ 159,250	\$ (110,749)
Interest	-	-	33,992	33,992
Total revenues	269,999	269,999	193,242	(76,757)
Expenditures:				
Current:				
Capital outlay	750,000	750,000	-	750,000
Total expenditures	750,000	750,000	-	750,000
Excess (deficiency) of revenues over expenditures	(480,001)	(480,001)	193,242	(826,757)
Fund balance--beginning	862,047	862,047	862,047	-
Fund balance--ending	<u>\$ 382,046</u>	<u>\$ 382,046</u>	<u>\$ 1,055,289</u>	<u>\$ (826,757)</u>

**CITY OF McALLEN, TEXAS**  
**DOWNTOWN IMPROVEMENT DISTRICT FUND**  
**BALANCE SHEET**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

---

	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Cash	\$ -	\$ 2,745
Certificates of deposit	-	609,769
Investments	-	42,622
Ad valorem tax receivable	-	25,721
Accrued interest	-	708
	<hr/>	<hr/>
Total assets	<u>\$ -</u>	<u>\$ 681,565</u>
 <b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 5,372
Accrued liabilities	-	2,920
Deferred revenues	-	25,721
Advances from other funds	-	750,000
	<hr/>	<hr/>
Total liabilities	<hr/> -	<hr/> 784,013
 <b>FUND BALANCE</b>		
Deficit fund balance	<hr/> -	<hr/> (102,448)
	<hr/>	<hr/>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 681,565</u>

**CITY OF McALLEN, TEXAS**  
**DOWNTOWN IMPROVEMENT DISTRICT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

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	<u>2002</u>	<u>2001</u>
Revenues:		
Property tax	\$ -	\$ 196,053
Interest	-	30,272
Other	<u>102,448</u>	<u>-</u>
Total revenues	<u>102,448</u>	<u>226,325</u>
Expenditures:		
Current:		
General government	<u>-</u>	<u>134,293</u>
Total expenditures	<u>-</u>	<u>134,293</u>
Excess of revenues over expenditures	102,448	92,032
Other financing sources :		
Transfers in	<u>-</u>	<u>210,000</u>
Other financing sources	<u>-</u>	<u>210,000</u>
Net change in fund balance	102,448	302,032
Fund deficit at beginning of year	<u>(102,448)</u>	<u>(404,480)</u>
Fund balance (deficit) at end of year	<u><u>\$ -</u></u>	<u><u>\$ (102,448)</u></u>

**CITY OF McALLEN, TEXAS**  
**DEVELOPMENT CORPORATION FUND**  
**BALANCE SHEET**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Cash	\$ 185,673	\$ 111,295
Certificates of deposit	17,665,942	13,082,099
Investments	3,032,339	4,331,864
Receivables:		
Taxes	1,643,862	1,585,793
Accrued interest	22,772	53,291
Advances to other funds	3,800,000	3,900,000
	<u>                    </u>	<u>                    </u>
Total assets	<u><u>\$ 26,350,588</u></u>	<u><u>\$ 23,064,342</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 448,911	\$ 45,403
Accrued liabilities	438,284	287,455
Deferred revenues	902,425	891,156
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>1,789,620</u>	<u>1,224,014</u>
 <b>FUND BALANCE</b>		
Restricted for economic incentive (MEDC)	1,212,155	1,108,972
Restricted for advances	3,800,000	3,900,000
Unrestricted	19,548,813	16,831,356
	<u>                    </u>	<u>                    </u>
Total fund balance	<u>24,560,968</u>	<u>21,840,328</u>
	<u>                    </u>	<u>                    </u>
Total liabilities and fund balance	<u><u>\$ 26,350,588</u></u>	<u><u>\$ 23,064,342</u></u>

**CITY OF McALLEN, TEXAS**  
**DEVELOPMENT CORPORATION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
Revenues:		
Sales tax	\$ 9,812,083	\$ 9,259,710
Interest	709,428	1,039,058
Net increase (decrease) in the fair value of investments	(22,460)	116,505
Other	<u>139,297</u>	<u>4,135,973</u>
Total revenues	<u>10,638,348</u>	<u>14,551,246</u>
Expenditures:		
Current:		
General government	468,018	674,500
Public safety	2,806,050	4,810,736
Highways and streets	569,060	843,294
Health and welfare	1,825,691	1,045,796
Culture and recreation	171,594	729,983
Debt service:		
Principal	885,000	850,000
Interest and fiscal charges	<u>1,099,295</u>	<u>1,136,834</u>
Total expenditures	<u>7,824,708</u>	<u>10,091,143</u>
Excess of revenues over expenditures	2,813,640	4,460,103
Other financing sources (uses)		
Transfers in	-	529,350
Transfers out	<u>(93,000)</u>	<u>(1,272,829)</u>
Total other financing sources and uses	<u>(93,000)</u>	<u>(743,479)</u>
Net change in fund balance	2,720,640	3,716,624
Fund balance--beginning	<u>21,840,328</u>	<u>18,123,704</u>
Fund balance--ending	<u><u>\$ 24,560,968</u></u>	<u><u>\$ 21,840,328</u></u>

CITY OF McALLEN, TEXAS  
 DEVELOPMENT CORPORATION FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For Fiscal Year Ended September 30, 2002

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Sales tax	\$ 9,041,667	\$ 9,041,667	\$ 9,812,083	\$ 770,416
Interest	550,000	550,000	709,428	159,428
Net decrease in the fair value of investments	-	-	(22,460)	(22,460)
Other	100,000	100,000	139,297	39,297
Total revenues	9,691,667	9,691,667	10,638,348	946,681
Expenditures:				
Current:				
General government	3,559,408	3,559,408	468,018	3,091,390
Public safety	3,320,527	3,320,527	2,806,050	514,477
Highways and streets	7,557,223	8,421,923	569,060	7,852,863
Health and welfare	2,540,945	2,540,945	1,825,691	715,254
Culture and recreation	1,338,873	1,338,873	171,594	1,167,279
Debt service:				
Principal	885,000	885,000	885,000	-
Interest and fiscal charges	1,099,295	1,099,295	1,099,295	-
Total expenditures	20,301,271	21,165,971	7,824,708	13,341,263
Excess (deficiency) of revenues over expenditures	(10,609,604)	(11,474,304)	2,813,640	14,287,944
Other financing uses				
Transfers out	(93,000)	(93,000)	(93,000)	-
Net change in fund balances	(10,702,604)	(11,567,304)	2,720,640	14,287,944
Fund balance--beginning	21,840,328	21,840,328	21,840,328	-
Fund balance--ending	<u>\$ 11,137,724</u>	<u>\$ 10,273,024</u>	<u>\$ 24,560,968</u>	<u>\$ 14,287,944</u>



**CITY OF McALLEN, TEXAS**  
**DEBT SERVICE FUND**  
**BALANCE SHEET**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Cash	\$ 18,212	\$ 6,810
Certificates of deposit	2,254,199	2,175,485
Investments	1,018,074	978,124
Ad valorem tax receivable	692,092	771,395
Accrued interest	15,630	15,324
Advance to other funds	3,456,819	1,749,972
	<u>3,456,819</u>	<u>1,749,972</u>
Total assets	<u><u>\$ 7,455,026</u></u>	<u><u>\$ 5,697,110</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$ 1,449	\$ 227
Deferred revenues	692,092	771,395
	<u>692,092</u>	<u>771,395</u>
Total liabilities	<u>693,541</u>	<u>771,622</u>
<b>FUND BALANCES</b>		
Restricted for advances	3,456,819	1,749,972
Restricted for debt service	3,304,666	3,175,516
	<u>3,304,666</u>	<u>3,175,516</u>
Total fund balance	<u>6,761,485</u>	<u>4,925,488</u>
Total liabilities and fund balance	<u><u>\$ 7,455,026</u></u>	<u><u>\$ 5,697,110</u></u>

**CITY OF McALLEN, TEXAS**  
**DEBT SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

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	<u>2002</u>	<u>2001</u>
Revenues:		
Ad valorem tax	\$ 2,511,435	\$ 2,566,991
Interest	133,702	218,918
Net increase (decrease) in the fair value of investments	<u>(16,115)</u>	<u>37,249</u>
Total revenues	<u>2,629,022</u>	<u>2,823,158</u>
Expenditures:		
Principal retirement	1,840,000	1,790,000
Interest and fiscal charges	<u>659,873</u>	<u>773,832</u>
Total expenditures	<u>2,499,873</u>	<u>2,563,832</u>
Excess of revenues over expenditures	129,149	259,326
Other financing sources:		
Transfer in	<u>1,706,848</u>	<u>1,749,972</u>
Excess of revenues and other sources	1,835,997	2,009,298
Fund balance at beginning of year	<u>4,925,488</u>	<u>2,916,190</u>
Fund balance at end of year	<u><u>\$ 6,761,485</u></u>	<u><u>\$ 4,925,488</u></u>

**CITY OF McALLEN, TEXAS**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2002**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Revenues:				
Ad valorem tax	\$ 2,505,873	\$ 2,505,873	\$ 2,511,435	\$ 5,562
Interest	125,000	125,000	133,702	8,702
Net decrease in the fair value of investments	-	-	(16,115)	(16,115)
Total revenues	2,630,873	2,630,873	2,629,022	(1,851)
Expenditures:				
Principal retirement	1,840,000	1,840,000	1,840,000	-
Interest and fiscal charges	665,873	665,873	659,873	6,000
Total expenditures	2,505,873	2,505,873	2,499,873	6,000
Excess of revenues over expenditures	125,000	125,000	129,149	4,149
Other financing sources:				
Transfers in	-	-	1,706,848	1,706,848
Excess of revenues and other sources	125,000	125,000	1,835,997	1,710,997
Fund balance at beginning of year	4,925,488	4,925,488	4,925,488	-
Fund balance at end of year	<u><u>\$ 5,050,488</u></u>	<u><u>\$ 5,050,488</u></u>	<u><u>\$ 6,761,485</u></u>	<u><u>\$ 1,710,997</u></u>

**CITY OF McALLEN, TEXAS**  
**CAPITAL IMPROVEMENT FUND**  
**BALANCE SHEET**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Cash	\$ 224,850	\$ 4,872
Certificates of deposit	23,148,514	9,771,737
Investments	2,111,088	6,288,492
Accrued interest	18,640	131,370
Loan receivables	1,551,711	1,500,000
Interfund loan	<u>352,716</u>	<u>352,716</u>
Total assets	<u><u>\$ 27,407,519</u></u>	<u><u>\$ 18,049,187</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$ 281,207	\$ 155,126
Accrued liabilities	67,273	48,458
Deferred revenues	<u>1,904,427</u>	<u>1,852,716</u>
Total liabilities	<u>2,252,907</u>	<u>2,056,300</u>
<b>FUND BALANCE</b>		
Unrestricted	<u>25,154,612</u>	<u>15,992,887</u>
Total fund balance	<u>25,154,612</u>	<u>15,992,887</u>
Total liabilities and fund balance	<u><u>\$ 27,407,519</u></u>	<u><u>\$ 18,049,187</u></u>

**CITY OF McALLEN, TEXAS**  
**CAPITAL IMPROVEMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
Revenues:		
Interest	\$ 625,081	\$ 414,256
Net increase (decrease) in the fair value of investments	(17,293)	67,958
Other	<u>757,055</u>	<u>1,764,416</u>
Total revenues	<u>1,364,843</u>	<u>2,246,630</u>
Expenditures:		
General government	60,988	59,428
Capital outlay	<u>5,192,130</u>	<u>2,974,890</u>
Total expenditures	<u>5,253,118</u>	<u>3,034,318</u>
Excess of revenues over expenditures	(3,888,275)	(787,688)
Other financing sources (uses):		
Transfers in	13,450,000	12,030,429
Transfers out	<u>(400,000)</u>	<u>-</u>
	13,050,000	12,030,429
Excess of revenues and other sources	9,161,725	11,242,741
Fund balance at beginning of year	<u>15,992,887</u>	<u>4,750,146</u>
Fund balance at end of year	<u><u>\$ 25,154,612</u></u>	<u><u>\$ 15,992,887</u></u>

**CITY OF McALLEN, TEXAS**  
**CAPITAL IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2002**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Revenues:				
Interest	\$ 320,000	\$ 320,000	\$ 625,081	\$ 305,081
Net decrease in the fair value of investments	-	-	(17,293)	(17,293)
Other	2,163,880	2,163,880	757,054	(1,406,826)
Total revenues	2,483,880	2,483,880	1,364,842	(1,119,038)
Expenditures:				
General government	2,046,690	2,046,690	899,104	1,147,586
Public safety	607,900	607,900	284,280	323,620
Highways and streets	13,171,138	13,171,138	3,319,366	9,851,772
Health and welfare	-	4,500,000	137,665	4,362,335
Culture and recreation	5,348,020	5,614,946	612,702	5,002,244
Total expenditures	21,173,748	25,940,674	5,253,117	20,687,557
Excess (deficiency) of revenues over expenditures	(18,689,868)	(23,456,794)	(3,888,275)	19,568,519
Other financing sources (uses):				
Transfers in	8,950,000	13,450,000	13,450,000	-
Transfers out	(400,000)	(400,000)	(400,000)	-
Net other financing sources (uses)	8,550,000	13,050,000	13,050,000	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(10,139,868)	(10,406,794)	9,161,725	19,568,519
Fund balance at beginning of year	15,992,887	15,992,887	15,992,887	-
Fund balance at end of year	<u><u>\$ 5,853,019</u></u>	<u><u>\$ 5,586,093</u></u>	<u><u>\$ 25,154,612</u></u>	<u><u>\$ 19,568,519</u></u>

**CITY OF McALLEN, TEXAS**  
**DRAINAGE BOND FUND**  
**BALANCE SHEET**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

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	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Cash	\$ 6,238	\$ 5,527
Investments	<u>350,308</u>	<u>343,012</u>
Total assets	<u><u>\$ 356,546</u></u>	<u><u>\$ 348,539</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$ -	\$ -
Deferred revenues	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
 <b>FUND BALANCE</b>		
Unrestricted	<u>356,546</u>	<u>348,539</u>
Total fund balance	<u>356,546</u>	<u>348,539</u>
Total liabilities and fund balance	<u><u>\$ 356,546</u></u>	<u><u>\$ 348,539</u></u>

**CITY OF McALLEN, TEXAS**  
**DRAINAGE BOND FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

---

	<u>2002</u>	<u>2001</u>
Revenues:		
Interest	\$ 8,007	\$ 17,608
Total revenues	<u>8,007</u>	<u>17,608</u>
Expenditures:		
General government	-	-
Highways and streets	-	-
Culture and recreation	-	-
Capital outlay	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	8,007	17,608
Other financing sources:		
Operating transfer in	<u>-</u>	<u>-</u>
Excess of revenues and other sources	8,007	17,608
Fund balance at beginning of year	<u>348,539</u>	<u>330,931</u>
Fund balance at end of year	<u><u>\$ 356,546</u></u>	<u><u>\$ 348,539</u></u>



CITY OF McALLEN, TEXAS  
DRAINAGE BOND FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For Fiscal Year Ended September 30, 2002

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Interest	\$ -	\$ -	\$ 8,007	\$ 8,007
Total revenues	-	-	8,007	8,007
Expenditures:				
Highways and streets	346,389	346,389	-	-
Total expenditures	346,389	346,389	-	-
Excess of revenues over expenditures	(346,389)	(346,389)	8,007	8,007
Fund balance at beginning of year	348,539	348,539	348,539	-
Fund balance at end of year	<u>\$ 2,150</u>	<u>\$ 2,150</u>	<u>\$ 356,546</u>	<u>\$ 8,007</u>

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

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**BALANCE SHEET**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 307,372	\$ 222,208
Certificates of deposit	6,817,539	3,504,374
Investments	1,528,528	2,196,531
Receivables, net:		
Accounts	1,360,623	1,200,813
Accrued interest	29,392	21,709
Due from other funds	-	402,369
Inventories, at cost	30,945	25,202
Total current assets	<u>10,074,399</u>	<u>7,573,206</u>
Restricted assets:		
Cash	33,959	44,496
Certificates of deposit	9,270,782	14,542,857
Money market savings	20,303,569	9,906,813
Investments	1,807,809	4,270,103
Accrued interest	14,935	51,938
Due from other funds	-	5,626,000
Total restricted assets	<u>31,431,054</u>	<u>34,442,207</u>
Capital assets		
Land	2,115,109	2,115,109
Buildings and systems	17,948,991	13,523,669
Improvements other than buildings	35,562,607	35,501,870
Machinery and equipment	2,125,043	1,802,459
Construction in progress	9,230,141	3,670,058
Total capital assets	66,981,891	56,613,165
Less accumulated depreciation	<u>(23,273,248)</u>	<u>(21,628,841)</u>
Net capital assets	<u>43,708,643</u>	<u>34,984,324</u>
Other assets		
Loans receivable	110,807	110,807
Other assets, net	1,592,394	1,697,836
Total other assets	<u>1,703,201</u>	<u>1,808,643</u>
Total assets	<u><u>\$ 86,917,297</u></u>	<u><u>\$ 78,808,380</u></u>

Continued

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**BALANCE SHEET**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 579,110	\$ 260,649
Accrued expenses	117,832	87,693
Other	5,802	5,802
Total current liabilities	<u>702,744</u>	<u>354,144</u>
Liabilities (payable from restricted assets)		
Accrued expenses	1,215,514	831,650
Due to other funds	-	-
Current portion of revenue bonds	629,850	759,200
Customer deposits	1,477,129	1,278,007
Total liabilities (payable from restricted assets)	<u>3,322,493</u>	<u>2,868,857</u>
Other non-current liabilities:		
Revenue bonds, net of current portion and discount	27,022,400	27,652,250
Deferred revenues	144,097	188,033
Arbitrage payable	605,613	238,706
Accumulated unpaid compensated absence:	160,939	148,942
Total other non-current liabilities:	<u>27,933,049</u>	<u>28,227,931</u>
Total liabilities	<u>31,958,286</u>	<u>31,450,932</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related deb	39,252,962	27,685,998
Restricted for improvements	4,534,093	10,710,553
Unrestricted	11,171,956	8,960,897
Total net assets	<u>54,959,011</u>	<u>47,357,448</u>
Total liabilities and net assets	<u><u>\$ 86,917,297</u></u>	<u><u>\$ 78,808,380</u></u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND ASSETS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
Operating revenues - charges for services	\$ 11,319,094	\$ 10,417,323
Operating expenses:		
Salaries, wages and employee benefit	2,910,305	2,587,999
Supplies and materials	1,592,546	1,443,087
Contractual and other services	1,480,817	1,522,673
Repairs and maintenance	393,637	299,675
Other	405,684	248,555
Depreciation and amortization	1,775,426	1,636,103
Total operating expenses	8,558,415	7,738,092
Operating income	2,760,679	2,679,231
Non-operating revenues (expenses):		
Interest income	1,663,291	2,566,954
Net increase in fair value of investment	(48,662)	280,264
Interest expense	(1,436,021)	(1,559,373)
Other	662,276	356,225
Net non-operating revenues	840,884	1,644,070
Income before contributions and transfers	3,601,563	4,323,301
Capital contributions	-	124,942
Transfer in	4,000,000	-
Changes in net assets	7,601,563	4,448,243
Total net assets--beginning	47,357,448	42,909,205
Total net assets--ending	<u><u>\$ 54,959,011</u></u>	<u><u>\$ 47,357,448</u></u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 11,115,348	\$ 10,233,437
Payments to suppliers	(3,798,675)	(3,243,490)
Payments to employees	(2,880,166)	(2,575,542)
Internal activity-payments to other funds	-	-
Other receipts	<u>1,836,057</u>	<u>1,083,534</u>
Net cash provided (used) by operating activities	<u>6,272,564</u>	<u>5,497,939</u>
<b>Cash flows from non-capital financing activities:</b>		
Operating transfers in (out)	<u>10,028,369</u>	<u>(6,028,369)</u>
Cash provided by non-capital financing activities	<u>10,028,369</u>	<u>(6,028,369)</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	(10,368,732)	(6,071,312)
Principal paid on capital debt	(759,200)	(678,900)
Interest paid on capital debt	<u>(1,434,846)</u>	<u>(1,577,327)</u>
Net cash used by capital and related financing activities	<u>(12,562,778)</u>	<u>(8,327,539)</u>
<b>Cash flows from investing activities:</b>		
Investment activity, net	(5,307,549)	5,759,739
Receipt of interest	<u>1,644,021</u>	<u>2,923,544</u>
Net cash provided (used) by investing activities	<u>(3,663,528)</u>	<u>8,683,283</u>
Net increase (decrease) in cash	74,627	(174,686)
Cash at beginning of year	<u>266,704</u>	<u>441,390</u>
Cash at end of year	<u><u>\$ 341,331</u></u>	<u><u>\$ 266,704</u></u>

Continued

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>Reconciliation of cash per statements of cash flows</b>		
<b>to the statements of net assets:</b>		
Unrestricted cash	\$ 307,372	\$ 222,208
Restricted cash	<u>33,959</u>	<u>44,496</u>
	<u><b>\$ 341,331</b></u>	<u><b>\$ 266,704</b></u>
 <b>Reconciliation of operating income to net cash</b>		
<b>provided (used) by operating activities:</b>		
Operating income	<u>\$ 2,760,679</u>	<u>\$ 2,679,231</u>
Adjustments to reconcile operating income to		
net cash provided (used) by operating activities:		
Depreciation expense	1,775,426	1,636,102
Miscellaneous income (expense)	773,127	666,987
(Increase) decrease in accounts receivable	(159,810)	(166,614)
Loan receivable	-	15,214
Loss on asset disposal	-	235,801
(Increase) in due from other funds	-	-
(Increase) decrease in inventories	(5,743)	(12,447)
Accrued expenses	30,139	12,457
Increase (decrease) in accounts payable	79,755	282,947
Due to other funds	-	-
Other current liabilities	1,062,927	165,533
Deferred revenue	<u>(43,936)</u>	<u>(17,272)</u>
Total adjustments	<u>3,511,885</u>	<u>2,818,708</u>
Net cash provided (used) by operating activities	<u><b>\$ 6,272,564</b></u>	<u><b>\$ 5,497,939</b></u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2002**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Operating revenues:				
Water sales:				
Residential customers	\$ 6,340,852	\$ 6,340,852	\$ 6,513,631	\$ 172,779
Commercial accounts	3,455,216	3,455,216	3,514,962	59,746
Industrial customers	471,728	471,728	496,988	25,260
Total water sales	10,267,796	10,267,796	10,525,581	257,785
Service charges:				
Tap fees	380,000	380,000	470,775	90,775
Connect fees	65,000	65,000	93,870	28,870
Reconnect fees	55,000	55,000	157,562	102,562
Other	-	-	71,306	71,306
Total service charges	500,000	500,000	793,513	222,207
Total operating revenues	10,767,796	10,767,796	11,319,094	551,298
Non-operating revenues:				
Interest	1,349,000	1,349,000	1,663,291	314,291
Net increase in fair value of investments	-	-	(48,662)	(48,662)
Other	588,000	588,000	662,276	74,276
Total non-operating revenues	1,937,000	1,937,000	2,276,905	339,905
Total revenues	12,704,796	12,704,796	13,595,999	891,203
Expenses:				
Water plant:				
Salaries	698,870	718,725	703,050	15,675
Supplies and raw water purchases	1,620,500	1,620,500	1,490,880	129,620
Other services	1,102,300	1,102,300	809,508	292,792
Maintenance	162,500	162,500	164,528	(2,028)
	3,584,170	3,604,025	3,167,966	436,059
Water lab:				
Salaries	165,442	169,383	156,584	12,799
Supplies	49,000	49,000	38,604	10,396
Other services	20,800	20,800	16,302	4,498
Maintenance	13,800	13,800	6,463	7,337
	249,042	252,983	217,953	35,030

Continued



**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2002**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Transmission and distribution:				
Salaries	\$ 941,303	\$ 967,141	900,300	\$ 41,003
Supplies	21,300	21,300	21,872	(572)
Other services	20,200	20,200	13,674	6,526
Maintenance	158,300	158,300	189,241	(30,941)
	<u>1,141,103</u>	<u>1,166,941</u>	<u>1,125,087</u>	<u>16,016</u>
Water meters:				
Salaries	336,872	349,148	348,744	404
Supplies	15,300	15,300	11,881	3,419
Other services	14,900	14,900	8,876	6,024
Maintenance	49,000	49,000	29,468	19,532
	<u>416,072</u>	<u>428,348</u>	<u>398,969</u>	<u>29,379</u>
Utility billing:				
Salaries	447,738	459,512	409,952	49,560
Supplies	36,000	36,000	26,145	9,855
Other services	190,000	190,000	191,948	(1,948)
Maintenance	2,500	2,500	2,899	(399)
	<u>676,238</u>	<u>688,012</u>	<u>630,944</u>	<u>57,068</u>
Administrative and general:				
Salaries	246,842	276,658	324,002	(47,344)
Supplies	2,500	2,500	3,164	(664)
Other services	471,800	471,800	440,509	31,291
Maintenance	500	500	1,038	(538)
	<u>721,642</u>	<u>751,458</u>	<u>768,713</u>	<u>(17,255)</u>
Non-departmental expenses:				
Employee benefits	103,500	-	-	-
Liability insurance	67,673	67,673	67,673	-
Interest and fiscal charges	1,901,856	1,901,856	1,436,021	465,835
Bond principal requirements	759,200	759,200	759,200	-
Other	-	-	405,684	(405,684)
Capital improvement - total capital outlay	<u>16,852,789</u>	<u>32,286,759</u>	<u>10,199,994</u>	<u>22,086,765</u>
	<u>19,685,018</u>	<u>35,015,488</u>	<u>12,868,572</u>	<u>22,146,916</u>
Total expenses	<u>26,473,285</u>	<u>41,907,255</u>	<u>19,178,204</u>	<u>22,703,213</u>

Continued

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2002**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) or revenues over expenses (Budget Basis) before transfers	(13,768,489)	(29,202,459)	(5,582,205)	23,594,416
Transfers in	<u>-</u>	<u>4,000,000</u>	4,000,000	<u>4,000,000</u>
Excess (deficiency) or revenues over expenses (Budget Basis)	<u>\$ (13,768,489)</u>	<u>\$ (25,202,459)</u>	(1,582,205)	<u>\$ 27,594,416</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted			(1,775,426)	
Capital outlay - amounts budgeted as expenses per budget basis, capitalized per GAAP Basis			10,199,994	
Principal payments on revenue bonds- budgeted as expenses per budget basis, treated as a reduction of bonds payable per GAAP Basis			<u>759,200</u>	
Net income-GAAP basis			<u>\$ 7,601,563</u>	

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**IN RESTRICTED ACCOUNTS**  
**For Fiscal Year Ended September 30, 2002**

	<u><b>Current Debt Service</b></u>	<u><b>Customer Deposits</b></u>	<u><b>Depreciation</b></u>
Cash, certificates of deposit, and investments at September 30, 2001	\$ 508,873	\$ 1,278,007	\$ 2,651,607
Cash receipts:			
Transfers in	2,089,877	-	592,190
Operating activities	-	504,954	-
Valuation allowance	-	-	(10,486)
Interest received	(1,393)	-	104,602
Total cash receipts	<u>2,088,484</u>	<u>504,954</u>	<u>686,306</u>
Total cash available	<u>2,597,357</u>	<u>1,782,961</u>	<u>3,337,913</u>
Cash disbursements:			
Refunds	-	305,832	-
Capital acquisition	-	-	700,528
Revenue Bond principal	759,200	-	-
Interest and fiscal charges	1,436,021	-	-
Total cash disbursements	<u>2,195,221</u>	<u>305,832</u>	<u>700,528</u>
Cash, certificates of deposit, investments, and accrued interest at September 30, 2002	<u><u>\$ 402,136</u></u>	<u><u>\$ 1,477,129</u></u>	<u><u>\$ 2,637,385</u></u>
Cash, certificates of deposit, and investments at September 30, 2002 is comprised of the following:			
Cash	\$ -	\$ -	\$ 22,153
Certificates of deposit	-	1,477,129	1,571,620
Money market savings	-	-	-
Investments (net)	402,136	-	1,034,292
Accrued Interest	-	-	9,320
	<u><u>\$ 402,136</u></u>	<u><u>\$ 1,477,129</u></u>	<u><u>\$ 2,637,385</u></u>

**(1) Amount includes due from other funds totaling \$5,626,000.**

<u>Capital Improvement</u>	<u>Water Bond '96</u>	<u>Water Bond '99 &amp; Bond '00</u>	<u>Total</u>
\$ 3,264,596	\$ -	\$ 21,113,124	\$ 28,816,207
823,499	-	9,626,000 (1)	13,131,566
-	-	-	504,954
(31,271)	-	-	(41,757)
140,245	-	1,089,296	1,332,750
932,473	-	10,715,296	14,927,513
4,197,069	-	31,828,420	43,743,720
-	-	-	305,832
479,234	-	8,631,851	9,811,613
-	-	-	759,200
-	-	-	1,436,021
479,234	-	8,631,851	12,312,666
<u>\$ 3,717,835</u>	<u>\$ -</u>	<u>\$ 23,196,569</u>	<u>\$ 31,431,054</u>
\$ 11,527	\$ -	\$ 279	\$ 33,959
3,356,645	-	2,865,388	9,270,782
-	-	20,303,569	20,303,569
344,048	-	27,333	1,807,809
5,615	-	-	14,935
<u>\$ 3,717,835</u>	<u>\$ -</u>	<u>\$ 23,196,569</u>	<u>\$ 31,431,054</u>

(1)

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**BALANCE SHEET**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 170,694	\$ 180,693
Certificates of deposit	4,186,278	2,183,955
Investments	2,192,454	2,714,639
Receivables, net:		
Accounts	944,487	889,063
Accrued interest	21,936	17,585
Other	54,627	30,135
Total current assets	<u>7,570,476</u>	<u>6,016,070</u>
Restricted assets:		
Cash	29,755	5,108
Certificates of deposit	6,145,791	9,353,656
Certificates of deposit-escrow		
Money market savings	2,445,945	11,371,013
Investments	2,446,465	1,816,183
Accrued interest	11,428	17,581
Total restricted assets	<u>11,079,384</u>	<u>22,563,541</u>
Capital assets		
Land	734,993	734,993
Buildings and system:	7,902,728	4,016,967
Improvements other than building	37,485,453	35,153,567
Machinery and equipment	3,972,445	3,477,686
Construction in progress	489,146	3,609,904
Total capital assets	50,584,765	46,993,117
Less accumulated depreciation	<u>(23,681,269)</u>	<u>(21,768,446)</u>
Net capital assets	<u>26,903,496</u>	<u>25,224,671</u>
Other assets		
Loans receivable	110,807	110,807
Other assets, net	160,433	190,090
Total other assets	<u>271,240</u>	<u>300,897</u>
Total assets	<u><u>\$ 45,824,596</u></u>	<u><u>\$ 54,105,179</u></u>

Continued

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**BALANCE SHEET**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 444,592	\$ 140,134
Accrued expenses	76,116	59,579
Due to other funds	-	402,369
	<u>520,708</u>	<u>602,082</u>
Total current liability:		
	<u>520,708</u>	<u>602,082</u>
Liabilities (payable from restricted assets):		
Accounts payable	27,677	725,763
Accrued expenses	176,808	146,130
Current portion of revenue bonds	955,150	745,800
Due to other funds	-	5,626,000
	<u>1,159,635</u>	<u>7,243,693</u>
Total liabilities (payable from restricted assets)		
	<u>1,159,635</u>	<u>7,243,693</u>
Other non-current liabilities:		
Revenue bonds, net of current portion and discount	11,277,600	12,232,750
Deferred revenues	1,255,084	1,375,000
Accumulated unpaid compensated absences	123,704	108,983
Arbitrage payable	223,994	73,347
	<u>12,880,382</u>	<u>13,790,080</u>
Total other non-current liabilities		
	<u>12,880,382</u>	<u>13,790,080</u>
Total liabilities	<u>14,560,725</u>	<u>21,635,855</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of deb	20,354,463	29,712,970
Restricted for improvements	4,490,116	-
Unrestricted	6,419,292	2,756,354
	<u>31,263,871</u>	<u>32,469,324</u>
Total net assets		
	<u>31,263,871</u>	<u>32,469,324</u>
Total liabilities and net asset	<u>\$ 45,824,596</u>	<u>\$ 54,105,179</u>

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
Operating revenues - charges for services	\$ 8,166,020	\$ 7,475,330
Operating expenses:		
Salaries, wages and employee benefit:	1,813,388	1,639,489
Supplies and materials	422,908	391,236
Contractual and other services	1,791,351	1,952,125
Repairs and maintenance	298,196	327,741
Other	308,182	118,152
Depreciation	1,909,897	1,686,025
Total operating expenses:	6,543,922	6,114,768
Operating income	1,622,098	1,360,562
Non-operating revenues		
Interest income	1,274,218	1,310,560
Net increase in the fair value of investment	2,210	183,854
Interest expense	(692,573)	(680,989)
Other	288,872	(49,901)
Non-operating revenue:	872,727	763,524
Income before contributions and transfers	2,494,825	2,124,086
Capital contributions	299,722	100,752
Transfers out	(4,000,000)	-
Change in net assets	(1,205,453)	2,224,838
Total net assets--beginning	32,469,324	30,244,486
Total net assets--ending	<u>\$ 31,263,871</u>	<u>\$ 32,469,324</u>

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 7,966,188	\$ 7,366,484
Payments to suppliers	(3,214,265)	(2,201,867)
Payments to employees	(1,615,526)	(1,692,727)
Internal activity-payments to other funds	-	-
Other receipts (payments)	636,170	221,259
	<u>3,772,567</u>	<u>3,693,149</u>
Net cash provided by operating activities		
<b>Cash flows from non-capital financing activities:</b>		
Transfer to other funds	<u>(10,028,369)</u>	<u>6,028,369</u>
Cash used by non-capital financing activities		
	<u>(10,028,369)</u>	<u>6,028,369</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	(3,639,171)	(4,009,751)
Principal paid on capital debt	(745,800)	(696,100)
Interest paid on capital debt	<u>(643,113)</u>	<u>(680,989)</u>
Net cash used by capital and related financing activities	<u>(5,028,084)</u>	<u>(5,386,840)</u>
<b>Cash flows from investing activities:</b>		
Investment activity, net	10,022,513	(6,020,910)
Receipt of interest	<u>1,276,021</u>	<u>1,528,173</u>
Net cash provided (used) by investing activities	<u>11,298,534</u>	<u>(4,492,737)</u>
Net increase (decrease) in cash	14,648	(158,059)
Cash at beginning of year	<u>185,801</u>	<u>343,860</u>
Cash at end of year	<u><u>\$ 200,449</u></u>	<u><u>\$ 185,801</u></u>

Continued



**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>Reconciliation of cash per statements of cash flows</b>		
<b>to the statements of net assets:</b>		
Unrestricted cash	\$ 170,694	\$ 5,108
Restricted cash	<u>29,755</u>	<u>180,693</u>
	<u><b>\$ 200,449</b></u>	<u><b>\$ 185,801</b></u>
 <b>Reconciliation of operating income to net cash</b>		
<b>provided (used) by operating activities:</b>		
Operating income	<u>\$ 1,622,098</u>	<u>\$ 1,360,562</u>
Adjustments to reconcile operating income to		
net cash provided (used) by operating activities:		
Depreciation expense	1,909,897	1,686,025
Miscellaneous income (expense)	628,864	50,851
Loss on asset disposal		158,879
(Increase) decrease in accounts receivable	(55,424)	(108,846)
(Increase) decrease in other receivable	(24,492)	18,667
(Increase) decrease in loan receivable	-	15,213
(Increase) in due to other funds	-	-
Other assets net	7,306	(22,351)
Accrued expenses	197,862	(53,238)
Due to other funds	-	-
Increase (decrease) in accounts payable	(393,628)	587,387
Deferred revenue	<u>(119,916)</u>	<u>-</u>
Total adjustments	<u>2,150,469</u>	<u>2,332,587</u>
Net cash provided (used) by operating activities	<u><b>\$ 3,772,567</b></u>	<u><b>\$ 3,693,149</b></u>

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2002**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Operating revenues:				
Service charges:				
Sewer service charges	\$ 7,673,162	\$ 7,673,162	\$ 7,852,818	\$ 179,656
Industrial surcharges	108,948	108,948	313,202	204,254
Total operating revenues	7,782,110	7,782,110	8,166,020	383,910
Non-operating revenues:				
Interest income	687,100	687,100	1,274,218	587,118
Net increase in fair value of investments	-	-	2,210	2,210
Other services	147,106	147,106	588,594	441,488
Total non-operating revenues	834,206	834,206	1,865,022	1,030,816
Total revenues	8,616,316	8,616,316	10,031,042	1,414,726
Expenses:				
Sewer plant and stations:				
Salaries	925,762	955,303	946,300	9,003
Supplies	175,000	175,000	141,960	33,040
Other services	1,409,700	1,409,700	951,341	458,359
Maintenance	169,100	169,100	156,310	12,790
	2,679,562	2,709,103	2,195,911	513,192
Sewer collection:				
Salaries	589,195	606,580	596,216	10,364
Supplies	325,500	325,500	259,841	65,659
Other services	266,900	266,900	175,486	91,414
Maintenance	168,000	168,000	122,091	45,909
	1,349,595	1,366,980	1,153,634	213,346
Sewer lab:				
Salaries	148,429	151,824	152,597	(773)
Supplies	21,461	21,461	19,788	1,673
Other services	3,200	3,200	2,373	827
Maintenance	20,200	20,200	19,094	1,106
	193,290	196,685	193,852	2,833

Continued

CITY OF McALLEN, TEXAS  
SEWER FUND  
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGET BASIS)  
For Fiscal Year Ended September 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Administrative and general:				
Salaries	\$ 155,524	\$ 165,903	\$ 118,275	47,628
Supplies	1,400	1,400	1,319	81
Other services	708,700	708,700	916,082	(207,382)
Maintenance	2,000	2,000	700	1,300
	<u>867,624</u>	<u>878,003</u>	<u>1,036,376</u>	<u>(158,373)</u>
Non-department expenses:				
Employee benefits	60,700	-	-	-
Liability insurance	54,252	54,252	54,252	-
Interest and fiscal charges	793,113	793,113	692,573	100,540
Bond principal	745,800	745,800	745,800	-
Capital improvement	16,651,987	7,117,058	3,237,400	3,879,658
	<u>18,305,852</u>	<u>8,710,223</u>	<u>4,730,025</u>	<u>3,980,198</u>
Total expenses	<u>23,395,923</u>	<u>13,860,994</u>	<u>9,309,798</u>	<u>4,551,196</u>
Excess (deficiency) of revenues over expenses (Budget Basis)before transfers	(14,779,607)	(5,244,678)	721,244	5,965,922
Transfers out	<u>-</u>	<u>(4,000,000)</u>	<u>(4,000,000)</u>	<u>-</u>
Excess (deficiency) of revenues over expenses (Budget Basis)	<u>\$ (14,779,607)</u>	<u>\$ (9,244,678)</u>	(3,278,756)	<u>\$ 5,965,922</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted			(1,909,897)	
Capital outlay - amounts budgeted as expenses per budget basis, capitalized per GAAP Basis			3,237,400	
Principal payments on revenue bonds- budgeted as expenses per budget basis, treated as a reduction of bonds payable per GAAP Basis			<u>745,800</u>	
Net loss-GAAP basis			<u><u>\$ (1,205,453)</u></u>	

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**IN RESTRICTED ACCOUNTS**  
**For Fiscal Year Ended September 30, 2002**

	<u>Current Debt Service</u>	<u>Depreciation</u>
Cash, certificates of deposit, and investments at September 30, 2001	<u>\$ 360,508</u>	<u>\$ 3,783,878</u>
Cash receipts:		
Transfers from operating cash	1,506,829	904,827
Valuation allowance	-	(2,873)
Interest received	(805)	152,101
	<u>1,506,024</u>	<u>1,054,055</u>
Total cash available	<u>1,866,532</u>	<u>4,837,933</u>
Cash disbursements:		
Interfund transfers, net	-	-
Principal payments	745,800	-
Interest and fiscal charges (net)	643,661	-
Capital acquisitions	-	724,968
Total cash disbursements	<u>1,389,461</u>	<u>724,968</u>
Cash, certificates of deposit, and investments at September 30, 2002	<u><u>\$ 477,071</u></u>	<u><u>\$ 4,112,965</u></u>
Cash, certificates of deposit, and investments at September 30, 2002 is comprised of the following:		
Cash	\$ -	\$ 23,689
Certificates of deposit	-	2,452,126
Investments (net)	477,071	1,625,722
Accrued Interest	-	11,428
	<u><u>\$ 477,071</u></u>	<u><u>\$ 4,112,965</u></u>

<b>Capital Improvement</b>	<b>Sewer Bond '96</b>	<b>Sewer Bond '99 &amp; '00</b>	<b>Total</b>
\$ 952,306	\$ 667,172	\$ 16,799,677	\$ 22,563,541
100,000	-	-	2,511,656
-	-	-	(2,873)
30,964	24,574	863,112	1,069,946
130,964	24,574	863,112	4,441,841
1,083,270	691,746	17,662,789	27,005,382
-	-	9,626,000	9,626,000
-	-	-	745,800
-	-	-	643,661
277,640	-	3,044,818	4,047,426
277,640	-	12,670,818	15,062,887
<b>\$ 805,630</b>	<b>\$ 691,746</b>	<b>\$ 4,991,971</b>	<b>\$ 11,079,383</b>
\$ 4,166	\$ 78	\$ 1,821	\$ 29,754
739,459	650,551	2,303,656	6,145,792
62,005	41,117	2,686,494	4,892,409
-	-	-	11,428
<b>\$ 805,630</b>	<b>\$ 691,746</b>	<b>\$ 4,991,971</b>	<b>\$ 11,079,383</b>

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**BALANCE SHEET**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

	<b>2002</b>	<b>2001</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 34,141	\$ 128,260
Certificates of Deposit	100,085	-
Investments	232,093	9,416
Accounts receivable, net	982,351	905,599
Total current assets	1,348,670	1,043,275
Restricted assets:		
Cash	21,984	4,574
Certificates of deposit	2,083,518	1,923,906
Investments	119,554	48,588
Total restricted assets	2,225,056	1,977,068
Capital assets:		
Land	718,348	718,348
Buildings and systems	1,788,753	1,713,905
Improvements other than building	478,234	478,234
Machinery and equipment	8,541,088	7,766,134
Total capital assets	11,526,423	10,676,621
Less accumulated depreciation	(6,722,349)	(5,988,648)
Net capital assets	4,804,074	4,687,973
Total assets	<b>\$ 8,377,800</b>	<b>\$ 7,708,316</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 475,452	\$ 465,369
Accrued expenses	113,821	122,427
Total current liabilities	589,273	587,796
Liabilities (payable from restricted assets)		
Accounts payable	449,437	-
Noncurrent liabilities		
Advances from other funds	1,400,000	1,400,000
Accumulated unpaid compensated absences	113,924	103,568
Deferred revenues	89,491	74,014
Total noncurrent liabilities	1,603,415	1,577,582
Total liabilities	2,642,125	2,165,378
<b>NET ASSETS</b>		
Invested in capital assets, net of related deb	4,804,074	4,687,973
Restricted for capital projects	1,775,619	1,977,068
Deficit	(844,018)	(1,122,103)
Total net assets	5,735,675	5,542,938
Total liabilities and net assets	<b>\$ 8,377,800</b>	<b>\$ 7,708,316</b>

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u><b>2002</b></u>	<u><b>2001</b></u>
Operating revenues - charges for services	\$ 8,607,277	\$ 7,760,328
Operating expenses:		
Salaries, wages and employee benefits	2,913,319	2,598,558
Supplies and materials	134,882	116,647
Contractual and other services	2,938,111	2,498,022
Repairs and maintenance	1,352,333	1,253,939
Other	34,748	12,867
Depreciation	754,502	731,312
Total operating expenses	8,127,895	7,211,345
Operating income	479,382	548,983
Non-operating revenues:		
Interest income	69,532	117,548
Other	193,367	83,042
Total non-operating revenues	262,899	200,590
Income before transfers	742,281	749,573
Transfer out	(550,000)	-
Changes in net assets	192,281	749,573
Total net assets--beginning	5,543,394	4,793,821
Total net assets--ending	<u><u><b>\$ 5,735,675</b></u></u>	<u><u><b>\$ 5,543,394</b></u></u>

CITY OF McALLEN, TEXAS  
SANITATION FUND  
STATEMENT OF CASH FLOWS  
For Fiscal Year Ended September 30, 2002  
With Comparative Amounts for Fiscal Year Ended September 30, 2001

	<u>2002</u>	<u>2001</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 8,546,002	\$ 7,685,868
Payments to suppliers	(4,009,160)	(3,835,794)
Payments to employees	(2,913,319)	(2,556,468)
Other receipts (payments)	207,379	159,425
Net cash provided by (used for) operating activities	<u>1,830,902</u>	<u>1,453,031</u>
 <b>Cash flows from non-capital financing activities:</b>		
Advances from other funds	<u>(550,000)</u>	<u>-</u>
 Cash provided by non-capital financing activities	<u>(550,000)</u>	<u>-</u>
 <b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	<u>(873,803)</u>	<u>(1,108,241)</u>
Net cash provided (used) by capital and related financing activities	<u>(873,803)</u>	<u>(1,108,241)</u>
 <b>Cash flows from investing activities:</b>		
Investment activity, net	(553,340)	(533,081)
Receipt of interest	<u>69,532</u>	<u>116,273</u>
Net cash provided by investing activities	<u>(483,808)</u>	<u>(416,808)</u>
Net increase (decrease) in cash	(76,709)	(72,018)
Cash at beginning of year	<u>132,834</u>	<u>204,852</u>
Cash at end of year	<u><u>\$ 56,125</u></u>	<u><u>\$ 132,834</u></u>



**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 34,141	\$ 128,260
Restricted cash	<u>21,984</u>	<u>4,574</u>
	<u><b>\$ 56,125</b></u>	<u><b>\$ 132,834</b></u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ 479,382</u>	<u>\$ 548,983</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	754,502	731,312
Miscellaneous income (expense)	204,179	69,932
(Increase) decrease in accounts receivable	(76,752)	(84,421)
Loss on asset disposal	3,200	89,493
Accrued expenses	(8,606)	42,090
Increase (decrease) in accounts payable	459,520	45,681
Deferred revenue	<u>15,477</u>	<u>9,961</u>
 Total adjustments	<u>1,351,520</u>	<u>904,048</u>
 Net cash provided by operating activities	<u><b>\$ 1,830,902</b></u>	<u><b>\$ 1,453,031</b></u>

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2002**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Operating revenues:				
Solidwaste collections	<u>\$ 8,275,337</u>	<u>\$ 8,275,337</u>	<u>\$ 7,319,364</u>	<u>\$ (955,973)</u>
Non-operating revenues:				
Interest	83,000	83,000	69,532	(13,468)
Other	<u>116,000</u>	<u>116,000</u>	<u>1,481,736</u>	<u>1,365,736</u>
Total non-operating revenues	<u>199,000</u>	<u>199,000</u>	<u>1,551,268</u>	<u>1,352,268</u>
Total revenues	<u>8,474,337</u>	<u>8,474,337</u>	<u>8,870,632</u>	<u>396,295</u>
Expenses:				
Facilities administration:				
Salaries	198,027	201,422	175,791	25,631
Supplies	8,500	10,556	13,080	(2,524)
Other services	509,830	522,774	562,818	(40,044)
Maintenance	10,400	10,400	8,576	1,824
Capital outlay	<u>348,300</u>	<u>363,300</u>	<u>82,649</u>	<u>280,651</u>
	<u>1,075,057</u>	<u>1,108,452</u>	<u>842,914</u>	<u>265,538</u>
Brush collection:				
Salaries	820,997	843,553	815,135	28,418
Supplies	23,300	27,700	28,261	(561)
Other Services	262,179	262,179	225,115	37,064
Maintenance	225,000	225,000	317,010	(92,010)
Capital Outlay	<u>50,000</u>	<u>50,000</u>	<u>238,958</u>	<u>(188,958)</u>
	<u>1,381,476</u>	<u>1,408,432</u>	<u>1,624,479</u>	<u>(216,047)</u>
Regular collection:				
Salaries	676,598	695,201	705,457	(10,256)
Supplies	27,200	30,000	29,070	930
Other Services	700,600	700,600	895,814	(195,214)
Maintenance	416,500	518,000	514,786	3,214
Capital outlay	<u>165,300</u>	<u>284,100</u>	<u>462,037</u>	<u>(177,937)</u>
	<u>1,986,198</u>	<u>2,227,901</u>	<u>2,607,164</u>	<u>(379,263)</u>

Continued

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2002**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Commercial box collection:				
Salaries	\$ 592,946	\$ 607,121	\$ 617,916	\$ (10,795)
Supplies	39,200	40,700	37,261	3,439
Other services	951,907	957,907	1,169,015	(211,108)
Maintenance	380,000	400,000	420,688	(20,688)
Capital outlay	178,000	178,000	-	178,000
	<u>2,142,053</u>	<u>2,183,728</u>	<u>2,244,880</u>	<u>(61,152)</u>
Recycling:				
Salaries	543,526	556,963	512,326	44,637
Supplies	21,200	24,700	27,210	(2,510)
Other services	44,071	41,571	120,097	(78,526)
Maintenance	67,000	65,500	91,273	(25,773)
Capital outlay	381,000	96,500	90,159	6,341
	<u>1,056,797</u>	<u>785,234</u>	<u>841,065</u>	<u>(55,831)</u>
Non-department expenses:				
Liability insurance	<u>86,694</u>	<u>86,694</u>	<u>86,694</u>	<u>-</u>
Total expenses	<u>7,728,275</u>	<u>7,800,441</u>	<u>8,247,196</u>	<u>(446,755)</u>
Excess (deficiency) of revenues over expenses (Budget Basis) before transfers	746,062	673,896	623,436	(50,460)
Transfers out	<u>(550,000)</u>	<u>(550,000)</u>	<u>(550,000)</u>	<u>-</u>
Excess (deficiency) of revenues over expenses (Budget Basis)	<u>\$ 196,062</u>	<u>\$ 123,896</u>	<u>\$ 73,436</u>	<u>\$ (50,460)</u>
GAAP basis adjustments:				
Capital outlay - amounts budgeted as expenses per budget basis, capitalized per GAAP basis			873,803	
Depreciation - not budgeted as an expense per budget basis			<u>(754,502)</u>	
Net income - GAAP basis			<u><u>\$ 192,737</u></u>	

**CITY OF McALLEN, TEXAS**  
**PALM VIEW GOLF COURSE FUND**  
**BALANCE SHEET**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 85,462	\$ 59,406
Certificate of deposits	250,230	560,000
Investments	123,937	27,479
Other receivables	1,229	1,223
Total current assets	<u>460,858</u>	<u>648,108</u>
Capital assets		
Land	187,995	187,995
Buildings	211,633	211,633
Improvements other than buildings	6,204,496	6,146,853
Machinery and equipment	557,102	512,815
Total capital assets	7,161,226	7,059,296
Less accumulated depreciation	<u>(2,211,547)</u>	<u>(1,962,742)</u>
Net capital assets	<u>4,949,679</u>	<u>5,096,554</u>
Total assets	<u><u>\$ 5,410,537</u></u>	<u><u>\$ 5,744,662</u></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 57,609	\$ 62,002
Accrued expenses	24,467	21,554
Due to other funds	-	200,000
Other	49,645	47,013
Total current liabilities	<u>131,721</u>	<u>330,569</u>
Other non-current liabilities:		
Advances from other funds	3,800,000	3,900,000
Accumulated unpaid compensated absence	40,295	49,839
Total other non-current liabilities	<u>3,840,295</u>	<u>3,949,839</u>
Total liabilities	<u>3,972,016</u>	<u>4,280,408</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related deb	4,949,679	5,096,554
Deficit	<u>(3,511,158)</u>	<u>(3,632,300)</u>
Total net assets	<u>1,438,521</u>	<u>1,464,254</u>
Total liabilities and net assets	<u><u>\$ 5,410,537</u></u>	<u><u>\$ 5,744,662</u></u>

**CITY OF McALLEN, TEXAS  
PALM VIEW GOLF COURSE FUND  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
For Fiscal Year Ended September 30, 2002  
With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
Operating revenues - charges for services	\$ 721,571	\$ 703,803
Operating expenses:		
Salaries, wages and employee benefit	623,322	645,536
Supplies and materials	90,138	62,771
Contractual and other services	124,385	168,262
Repairs and maintenance	60,439	63,019
Depreciation	247,844	249,478
Total operating expenses	1,146,128	1,189,066
Operating loss	(424,557)	(485,263)
Non-operating revenues:		
Interest income	20,190	37,899
Other	321,952	251,333
Total non-operating revenues	342,142	289,232
Loss before contributions	(82,415)	(196,031)
Capital contributions	56,682	-
Change in net assets	(25,733)	(196,031)
Total net assets--beginning	1,464,254	1,660,285
Total net assets--ending	<u>\$ 1,438,521</u>	<u>\$ 1,464,254</u>

**CITY OF McALLEN, TEXAS**  
**PALM VIEW GOLF COURSE FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 723,208	\$ 708,893
Payments to suppliers	(276,444)	(333,458)
Payments to employees	(623,322)	(646,234)
Other receipts	112,409	281,532
	<u>                    </u>	<u>                    </u>
Net cash provided (used) by operating activities	<u>(64,149)</u>	<u>10,733</u>
 <b>Cash flows from non-capital financing activities:</b>		
Advances from other funds	<u>(100,000)</u>	<u>(100,000)</u>
	<u>                    </u>	<u>                    </u>
Cash provided by non-capital financing activities	<u>(100,000)</u>	<u>(100,000)</u>
 <b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	<u>(44,288)</u>	<u>(111,081)</u>
	<u>                    </u>	<u>                    </u>
Net cash used by capital and related financing activities	<u>(44,288)</u>	<u>(111,081)</u>
 <b>Cash flows from investing activities:</b>		
Investment activity, net	213,312	164,269
Receipt of interest	<u>21,181</u>	<u>36,908</u>
	<u>                    </u>	<u>                    </u>
Net cash provided by investing activities	<u>234,493</u>	<u>201,177</u>
	<u>                    </u>	<u>                    </u>
Net increase in cash	26,056	829
	<u>                    </u>	<u>                    </u>
Cash at beginning of year	<u>59,406</u>	<u>58,577</u>
	<u>                    </u>	<u>                    </u>
Cash at end of year	<u><u>\$ 85,462</u></u>	<u><u>\$ 59,406</u></u>

Continued

**CITY OF McALLEN, TEXAS**  
**PALM VIEW GOLF COURSE FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ -	\$ -
Restricted cash	<u>85,462</u>	<u>59,406</u>
	<u><u>\$ 85,462</u></u>	<u><u>\$ 59,406</u></u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ (424,557)</u>	<u>\$ (485,263)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	247,844	249,478
Miscellaneous income	312,409	261,928
Loss on asset disposal	-	19,578
(Increase) decrease in other receivable	(997)	26
(Increase) in due to other funds	(200,000)	-
Increase (decrease) in accounts payable	(4,395)	(39,406)
Accured expenses	2,913	(698)
Deferred revenue	<u>2,634</u>	<u>5,090</u>
Total adjustments	<u>360,408</u>	<u>495,996</u>
Net cash provided (used) by operating activities	<u><u>\$ (64,149)</u></u>	<u><u>\$ 10,733</u></u>

**CITY OF McALLEN, TEXAS**  
**PALM VIEW GOLF COURSE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2002**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Operating revenues:				
Green fees	\$ 619,009	\$ 619,009	\$ 540,595	\$ (78,414)
Membership sales	154,752	154,752	110,928	(43,824)
Cart rental	280,608	280,608	260,244	(20,364)
Rentals and other sales	61,128	61,129	70,048	8,919
Total operating revenues	1,115,497	1,115,498	981,815	(133,683)
Non-operating revenues:				
Other	12,000	12,000	61,708	49,708
Interest	11,000	11,000	20,190	9,190
Total non-operating revenues	23,000	23,000	81,898	58,898
Total revenues	1,138,497	1,138,498	1,063,713	(74,785)
Expenses:				
Golf course:				
Salaries	664,816	673,661	603,673	69,988
Supplies	110,992	110,992	90,138	20,854
Other services	246,716	246,716	124,385	122,331
Maintenance	63,100	63,100	60,439	2,661
Capital outlay	7,500	7,500	4,500	3,000
	1,093,124	1,101,969	883,135	218,834
Non-department:				
Liability insurance	19,649	19,649	19,649	-
Total expenses	1,112,773	1,121,618	902,784	218,834

Continued



CITY OF McALLEN, TEXAS  
PALM VIEW GOLF COURSE FUND  
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGET BASIS)  
For Fiscal Year Ended September 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess (deficiency) of revenues over expenses (Budget Basis)	\$ 25,724	\$ 16,880	160,929	\$ 144,049
GAAP basis adjustments:				
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis			4,500	
Depreciation - not budgeted as an expense per budget basis			(247,844)	
Net loss - GAAP basis			\$ (82,415)	

**CITY OF McALLEN, TEXAS**  
**TRANSIT TERMINAL FUND**  
**BALANCE SHEET**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

<b>ASSETS</b>	<b>2002</b>	<b>2001</b>
Current assets:		
Cash	\$ 76,648	\$ 2,003
Certificate of deposits	-	180,000
Investments	61,651	33,996
Other receivables	4,907	18,137
Total current assets	143,206	234,136
Capital assets		
Land	1,684,593	1,684,593
Buildings	3,522,228	3,522,228
Machinery and equipment	100,102	90,028
Total capital assets	5,306,923	5,296,849
Less accumulated depreciation	(188,053)	(61,762)
Net capital assets	5,118,870	5,235,087
Total assets	<u><u>\$ 5,262,076</u></u>	<u><u>\$ 5,469,223</u></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 6,867	\$ 18,471
Accrued expenses	10,446	11,448
Total current liabilities	17,313	29,919
Other non-current liabilities:		
Advances from other funds	352,716	352,716
Accumulated unpaid compensated absences	7,085	11,141
Total other non-current liabilities	359,801	363,857
Total liabilities	377,114	393,776
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	5,118,870	5,235,087
Deficit	(233,908)	(159,640)
Total net assets	4,884,962	5,075,447
Total liabilities and net assets	<u><u>\$ 5,262,076</u></u>	<u><u>\$ 5,469,223</u></u>

**CITY OF McALLEN, TEXAS  
TRANSIT TERMINAL FUND  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
For Fiscal Year Ended September 30, 2002  
With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
Operating revenues-charges for services	\$ 203,798	\$ 114,640
Operating expenses:		
Salaries, wages and employee benefits	254,803	200,432
Supplies and materials	22,161	28,004
Contractual and other services	142,104	154,912
Repairs and maintenance	14,002	12,500
Depreciation	126,290	62,435
Total operating expenses	<u>559,360</u>	<u>458,283</u>
Operating loss	(355,562)	(343,643)
Non-operating revenues (expenses):		
Interest income	5,361	36,190
Reimbursements	84,853	341,070
Other	(18,137)	(1,663)
Total non-operating revenues	<u>72,077</u>	<u>375,597</u>
Income (loss) before transfers and capital contributions	(283,485)	31,954
Transfers in	93,000	355,784
Capital contributions	<u>-</u>	<u>74,355</u>
Change in net assets	(190,485)	462,093
Total assets--beginning	<u>5,075,447</u>	<u>4,613,354</u>
Total assets--ending	<u><u>\$ 4,884,962</u></u>	<u><u>\$ 5,075,447</u></u>

**CITY OF McALLEN, TEXAS**  
**TRANSIT TERMINAL FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 203,798	\$ 114,640
Payments to suppliers	(190,872)	(575,981)
Payments to employees	(254,803)	(200,432)
Internal activity-payments to other funds		(600,000)
Other receipts (payments)	75,890	701,377
	<u>                    </u>	<u>                    </u>
Net cash provided by (used for) operating activities	<u>(165,987)</u>	<u>(560,396)</u>
 <b>Cash flows from non-capital financing activities:</b>		
Transfer from other funds	93,000	355,784
Receipt of capital contribution	<u>-</u>	<u>74,355</u>
	<u>                    </u>	<u>                    </u>
Cash provided by non-capital financing activities	<u>93,000</u>	<u>430,139</u>
 <b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	<u>(10,074)</u>	<u>(412,386)</u>
	<u>                    </u>	<u>                    </u>
Net cash used by capital and related financing activities	<u>(10,074)</u>	<u>(412,386)</u>
 <b>Cash flows from investing activities:</b>		
Investment activity, net	152,345	168,041
Receipt of interest	<u>5,361</u>	<u>36,190</u>
	<u>                    </u>	<u>                    </u>
Net cash provided by investing activities	<u>157,706</u>	<u>204,231</u>
	<u>                    </u>	<u>                    </u>
Net increase (decrease) in cash	74,645	(338,412)
	<u>                    </u>	<u>                    </u>
Cash at beginning of year	2,003	340,415
	<u>                    </u>	<u>                    </u>
Cash at end of year	<u><u>\$ 76,648</u></u>	<u><u>\$ 2,003</u></u>

Continued

**CITY OF McALLEN, TEXAS**  
**TRANSIT TERMINAL FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 76,648	\$ 2,003
Restricted cash	-	-
	<u><u>\$ 76,648</u></u>	<u><u>\$ 2,003</u></u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>		
Operating loss	\$ (355,562)	\$ (343,643)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	126,291	62,435
Miscellaneous income (expense)	62,660	339,408
Loss on asset disposal	-	4,570
(Increase) decrease in other receivables	13,230	357,399
(Increase) in due to other funds	-	(600,000)
Increase (decrease) in accounts payable	(11,604)	(255,160)
Increase (decrease) in other payables	-	10,312
Accrued expenses	(1,002)	(135,717)
Total adjustments	189,575	(216,753)
Net cash used by operating activities	<u><u>(165,987)</u></u>	<u><u>(560,396)</u></u>

**CITY OF McALLEN, TEXAS**  
**TRANSIT TERMINAL FUND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2002**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Operating revenues:	x	x	x	
Rentals	\$ 143,500	\$ 143,500	\$ 158,937	\$ 15,437
Concessions - Other	38,594	38,594	44,861	6,267
Total operating revenues	182,094	182,094	203,798	21,704
Non-operating revenues:				
Interest income	6,000	6,000	5,361	(639)
Other revenue	98,858	98,858	84,853	(14,005)
Total non-operating revenues	104,858	104,858	90,214	(14,644)
Transfers in	93,000	93,000	93,000	-
Total revenues	379,952	379,952	387,012	7,060
Expenses:				
Administration:				
Salaries	183,779	190,205	188,145	2,060
Employee benefits	65,167	66,077	66,658	(581)
Supplies	22,530	24,130	22,161	1,969
Other services	175,153	172,653	142,104	30,549
Maintenance	14,710	15,610	14,002	1,608
Capital outlay	14,505	14,505	10,074	4,431
Total expenses	475,844	483,180	443,144	40,036
Excess of revenues over expenses (Budget Basis)	<u>\$ (95,892)</u>	<u>\$ (103,228)</u>	(56,132)	<u>\$ 47,096</u>
GAAP basis adjustments:				
Capital outlay - amounts budgeted as expenses per budget basis, capitalized per GAAP basis			10,074	
Depreciation - not budgeted as an expense per budget basis			(126,290)	
Net loss - GAAP basis			<u>\$ (172,348)</u>	

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL CIVIC CENTER FUND**  
**BALANCE SHEET**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

	<b>2002</b>	<b>2001</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 20,329	\$ 11,715
Certificate of deposits	1,002,461	500,000
Investments	521,388	596,396
Accounts receivable, net	1	2,030
Accrued interest	9,152	10,037
Due from other funds	60,435	79,720
Total current assets	1,613,766	1,199,898
Restricted assets:		
Cash	3,720	3,674
Certificate of deposits	17,400,385	13,380,063
Investments	6,026,727	8,373,120
Due from other funds	90,652	119,580
Accrued interest	93,878	108,807
Other	12	749
Total restricted assets	23,615,374	21,985,993
Capital assets		
Land	3,583,560	3,583,560
Buildings	1,876,713	1,876,713
Improvements other than buildings:	2,421,516	2,421,516
Machinery and equipment	465,361	465,361
Construction in progress	713,258	229,489
Total capital assets	9,060,408	8,576,639
Less accumulated depreciation	(1,995,715)	(1,870,421)
Net capital assets	7,064,693	6,706,218
Total assets	<b>\$ 32,293,833</b>	<b>\$ 29,892,109</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 39,845	\$ 65,553
Accrued expenses	13,890	11,655
Total current liabilities	53,735	77,208
Liabilities (payable from restricted assets)	31,431	21,202
Other non-current liabilities		
Accumulated unpaid compensated absences	11,972	11,573
Deferred revenue	18,437	38,319
Total non-current liabilities	30,409	49,892
Total liabilities	115,575	148,302
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	7,064,693	6,706,218
Restricted for civic center expansion	23,583,943	21,964,791
Unrestricted	1,529,622	1,072,798
Total net assets	32,178,258	29,743,807
Total liabilities and net assets	<b>\$ 32,293,833</b>	<b>\$ 29,892,109</b>

CITY OF McALLEN, TEXAS  
**McALLEN INTERNATIONAL CIVIC CENTER FUND**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
Operating revenues:		
Charges for services	\$ 7,812	\$ 9,552
Rentals	468,297	438,728
Total operating revenues	476,109	448,280
Operating expenses:		
Salaries, wages and employee benefits	457,031	377,998
Supplies and materials	23,546	20,573
Contractual and other services:	347,132	362,601
Repairs and maintenance	22,824	31,528
Depreciation	125,295	146,946
Total operating expenses	975,828	939,646
Operating loss	(499,719)	(491,366)
Non-operating revenues (expenses)		
Interest income	1,011,791	1,242,682
Net increase (decrease) in the fair value of investments	(110,441)	395,707
Other	2,890	(8,806)
Total non-operating revenues	904,240	1,629,583
Income before transfers	404,521	1,138,217
Transfers in	2,029,930	2,080,494
Changes in net assets	2,434,451	3,218,711
Total net assets--beginning	29,743,807	26,525,096
Total net assets--ending	<u><u>\$ 32,178,258</u></u>	<u><u>\$ 29,743,807</u></u>



CITY OF McALLEN, TEXAS  
**McALLEN INTERNATIONAL CIVIC CENTER FUND**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
Operating revenues:		
Charges for services	\$ 7,812	\$ 9,552
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Depreciation	125,295	146,946
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Operating loss	(499,719)	(491,366)
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Interest income	1,011,791	1,242,682
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Changes in net assets	2,434,451	3,218,711
Total net assets--beginning	29,743,807	26,525,096
Total net assets--ending	<u><u>\$ 32,178,258</u></u>	<u><u>\$ 29,743,807</u></u>

CITY OF McALLEN, TEXAS  
 McALLEN INTERNATIONAL CIVIC CENTER FUND  
 STATEMENT OF CASH FLOWS  
 For Fiscal Year Ended September 30, 2002  
 With Comparative Amounts for Fiscal Year Ended September 30, 2001

	<u>2002</u>	<u>2001</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 472,789	\$ 466,594
Payments to suppliers	(406,746)	(385,364)
Payments to employees	(457,031)	(380,139)
Internal activity-payments to other funds	48,213	(82,488)
Other receipts (payments)	5,306	441,786
	<u>                    </u>	<u>                    </u>
Net cash provided (used) by operating activities	<u>(337,469)</u>	<u>60,389</u>
 <b>Cash flows from non-capital financing activities:</b>		
Transfer from other funds	<u>2,029,930</u>	<u>2,080,494</u>
	<u>                    </u>	<u>                    </u>
Cash provided by non-capital financing activities	<u>2,029,930</u>	<u>2,080,494</u>
 <b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	<u>(483,769)</u>	<u>(296,305)</u>
	<u>                    </u>	<u>                    </u>
Net cash used by capital and related financing activities	<u>(483,769)</u>	<u>(296,305)</u>
 <b>Cash flows from investing activities:</b>		
Investment activity, net	(2,101,382)	(3,169,667)
Receipt of interest	<u>901,350</u>	<u>1,242,682</u>
	<u>                    </u>	<u>                    </u>
Net cash used by investing activities	(1,200,032)	(1,926,985)
	<u>                    </u>	<u>                    </u>
Net increase (decrease) in cash	8,660	(82,407)
	<u>                    </u>	<u>                    </u>
Cash at beginning of year	15,389	97,796
	<u>                    </u>	<u>                    </u>
Cash at end of year	<u><u>\$ 24,049</u></u>	<u><u>\$ 15,389</u></u>

Continued

CITY OF McALLEN, TEXAS  
 McALLEN INTERNATIONAL CIVIC CENTER FUND  
 STATEMENT OF CASH FLOWS  
 For Fiscal Year Ended September 30, 2002  
 With Comparative Amounts for Fiscal Year Ended September 30, 2001

	<u>2002</u>	<u>2001</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 20,329	\$ 11,715
Restricted cash	<u>3,720</u>	<u>3,674</u>
	<u><b>\$ 24,049</b></u>	<u><b>\$ 15,389</b></u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating loss	<u>\$ (499,719)</u>	<u>\$ (491,366)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	125,295	146,946
Miscellaneous income (expense)	3,288	386,901
Loss on asset disposal		11,896
(Increase) decrease in accounts receivable	2,018	(280)
Accrued interest	15,813	43,004
(Increase) decrease in other receivables	749	(15)
(Increase) in due from other funds	48,213	(82,488)
Increase (decrease) in accounts payable	(15,479)	29,338
Increase (decrease) in accrued expenses	2,235	1,656
Other current liabilities	-	(3,797)
Deferred revenue	<u>(19,882)</u>	<u>18,594</u>
Total adjustments	<u>162,250</u>	<u>551,755</u>
Net cash provided (used) by operating activities	<u><b>\$ (337,469)</b></u>	<u><b>\$ 60,389</b></u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL CIVIC CENTER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2002**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Operating revenues:				
Rentals	\$ 449,360	\$ 449,360	\$ 468,297	\$ 18,937
Concessions - Other	12,000	12,000	7,812	(4,188)
Total operating revenues	461,360	461,360	476,109	14,749
Non-operating revenues:				
Interest income	935,000	935,000	1,011,791	76,791
Net increase in the fair value of investments	-	-	(110,441)	(110,441)
Other revenue	3,000	3,000	2,890	(110)
Total non-operating revenues	938,000	938,000	904,240	(33,760)
Transfers in:				
Hotel occupancy tax - for operations	2,023,255	2,023,255	2,029,930	6,675
Total transfers in	2,023,255	2,023,255	2,029,930	6,675
Total revenues	3,422,615	3,422,615	3,410,279	(12,336)
Expenses:				
Civic center:				
Salaries	446,973	455,189	421,182	34,007
Supplies	34,920	34,920	23,546	11,374
Other services	354,524	354,524	347,132	7,392
Maintenance	74,478	74,478	22,824	51,654
Capital outlay	2,091,000	2,091,000	483,767	1,607,233
	3,001,895	3,010,111	1,298,451	1,711,660
Non-department expenses:				
Liability insurance	35,849	35,849	35,849	-
Total expenses	3,037,744	3,045,960	1,334,300	1,711,660

Continued

CITY OF McALLEN, TEXAS  
McALLEN INTERNATIONAL CIVIC CENTER FUND  
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGET BASIS)  
For Fiscal Year Ended September 30, 2001

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	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Excess of revenues over expenses (Budget Basis)	<u>\$ 384,871</u>	<u>\$ 376,655</u>	2,075,979	<u>\$ 1,699,324</u>
GAAP basis adjustments:				
Capital outlay - amounts budgeted as expenses per budget basis, capitalized per GAAP basis			483,767	
Depreciation - not budgeted as an expense per budget basis			<u>(125,295)</u>	
Net income - GAAP basis			<u>\$ 2,434,451</u>	

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**BALANCE SHEET**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

<b>ASSETS</b>	<b>2002</b>	<b>2001</b>
Current assets:		
Cash	\$ 2,326	\$ 9,450
Certificates of deposit	200,000	559,110
Investments	347,740	362,353
Receivables, net		
Accounts receivable	232,346	183,529
Accrued interest	5,491	5,712
Due from other government:	174,643	633,793
Total current assets	962,546	1,753,947
Restricted assets		
Cash	920	1,556
Certificates of deposit	1,035,876	987,135
Investments	264,349	233,929
Accrued interest	3,660	4,493
Other	56,022	-
Total restricted assets	1,360,827	1,227,113
Capital assets		
Land	3,251,781	3,251,781
Buildings	30,890,423	30,890,423
Improvements other than building	27,265,557	23,509,111
Machinery and equipment	294,025	265,470
Construction in progress	233,874	260,743
Total capital assets	61,935,660	58,177,528
Less accumulated depreciation	(17,084,147)	(15,133,648)
Net capital assets	44,851,513	43,043,880
Total assets	<b>\$ 47,174,886</b>	<b>\$ 46,024,940</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 437,463	\$ 789,781
Accrued expenses	213,629	176,177
Other	426	426
Total current liabilities	651,518	966,384
Other non-current liabilities		
Accumulated unpaid compensated absence	48,281	56,296
Deferred revenue	36,450	33,844
Advance from other fund:	3,456,820	1,749,972
Total other non-current liabilities	3,541,551	1,840,112
Total liabilities	4,193,069	2,806,496
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	44,851,513	43,043,880
Restricted for improvement	1,360,827	1,227,113
Deficit	(3,230,523)	(1,052,549)
Total net assets	42,981,817	43,218,444
Total liabilities and net assets	<b>\$ 47,174,886</b>	<b>\$ 46,024,940</b>

CITY OF McALLEN, TEXAS  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
Operating revenues:		
Charges for service:	\$ 494,294	\$ 551,755
Rentals	1,955,834	2,015,766
Total operating revenue:	<u>2,450,128</u>	<u>2,567,521</u>
Operating expenses		
Salaries, wages and employee benefit	786,138	706,113
Supplies and materials	33,049	31,895
Contractual and other service:	850,383	726,070
Repairs and maintenance	246,197	270,640
Depreciation and amortization	1,950,499	1,913,765
Total operating expense:	<u>3,866,266</u>	<u>3,648,483</u>
Operating loss:	<u>(1,416,138)</u>	<u>(1,080,962)</u>
Non-operating revenues		
Intergovernmental	3,076,292	-
Interest income	66,001	109,696
Net increase(decrease) in the fair value of investment	(9,381)	20,940
Other	825,257	841,435
Total non-operating revenues	<u>3,958,169</u>	<u>972,071</u>
Income (loss) before contributions and transfers	2,542,031	(108,891)
Capital contributions	-	2,228,654
Transfers out	<u>(2,778,658)</u>	<u>(2,821,783)</u>
Change in net asset:	(236,627)	(702,020)
Total net assets--beginning	<u>43,218,444</u>	<u>43,920,464</u>
Total net assets--ending	<u><u>\$ 42,981,817</u></u>	<u><u>\$ 43,218,444</u></u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 2,403,917	\$ 2,578,081
Payments to suppliers	(1,481,947)	(408,898)
Payments to employees	(748,686)	(612,221)
Other receipts (payments)	1,221,424	248,492
	<u>1,394,708</u>	<u>1,805,454</u>
Net cash provided by operating activities		
	<u>1,394,708</u>	<u>1,805,454</u>
<b>Cash flows from non-capital financing activities:</b>		
Transfer to other funds	(2,778,658)	(2,821,783)
Advances from other funds	1,706,848	1,749,972
Receipt of capital contribution	3,076,292	2,228,654
	<u>2,004,482</u>	<u>1,156,843</u>
Cash provided by non-capital financing activities		
	<u>2,004,482</u>	<u>1,156,843</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	(3,758,132)	(2,097,177)
	<u>(3,758,132)</u>	<u>(2,097,177)</u>
Net cash used by capital and related financing activities		
	<u>(3,758,132)</u>	<u>(2,097,177)</u>
<b>Cash flows from investing activities:</b>		
Investment activity, net	56,620	(1,002,823)
Receipt of interest	294,562	109,696
	<u>351,182</u>	<u>(893,127)</u>
Net cash provided (used) by investing activities		
	<u>351,182</u>	<u>(893,127)</u>
Net decrease in cash	(7,760)	(28,007)
Cash at beginning of year	11,006	39,013
Cash at end of year	<u>\$ 3,246</u>	<u>\$ 11,006</u>

Continued



**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 920	\$ 9,450
Restricted cash	<u>2,326</u>	<u>1,556</u>
	<u><b>\$ 3,246</b></u>	<u><b>\$ 11,006</b></u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating loss	<u>\$ (1,416,138)</u>	<u>\$ (1,080,962)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,950,499	1,913,765
Miscellaneous income (expense)	817,242	862,374
Loss on asset disposal	-	30,116
(Increase) decrease in accounts receivable	(48,817)	(2,590)
(Increase) decrease in governmental receivables	459,150	(633,793)
(Increase) in accrued interest	1,054	(10,205)
(Increase) decrease in other assets	(56,022)	-
Increase (decrease) in accounts payable	(352,318)	614,383
Increase (decrease) in other payable	-	5,324
Increase (decrease) in accrued expenses	37,452	93,892
Increase (decrease) in deferred revenues	<u>2,606</u>	<u>13,150</u>
Total adjustments	<u>2,810,846</u>	<u>2,886,416</u>
Net cash provided by operating activities	<u><b>\$ 1,394,708</b></u>	<u><b>\$ 1,805,454</b></u>

CITY OF McALLEN, TEXAS  
McALLEN INTERNATIONAL AIRPORT FUND  
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGET BASIS)  
For Fiscal Year Ended September 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for services	\$ 501,500	\$ 501,500	\$ 494,294	\$ (7,206)
Rentals	1,880,571	1,880,571	1,955,834	75,263
Total operating revenues	2,382,071	2,382,071	2,450,128	68,057
Non-operating revenues:				
Interest	40,000	40,000	66,001	26,001
Net decrease in the fair value of investments	-	-	(9,381)	(9,381)
Other	6,635,581	6,635,581	3,901,549	(2,734,032)
Total non-operating revenues	6,675,581	6,675,581	3,958,169	(2,717,412)
Total revenues	9,057,652	9,057,652	6,408,297	(2,649,355)
Expenses:				
Airport:				
Salaries	567,020	588,601	592,113	3,512
Employee benefits	193,938	196,992	194,025	(2,967)
Supplies	31,150	36,650	33,049	(3,601)
Other services	725,922	715,422	850,383	134,961
Maintenance	297,100	297,100	246,197	(50,903)
Capital outlay	7,039,922	7,044,922	3,758,132	(3,286,790)
Total expenses	8,855,052	8,879,687	5,673,899	(3,205,788)
Excess (deficiency) of revenues over expenses (Budget Basis)-before transfers	\$ 202,600	\$ 177,965	734,398	\$ (5,855,143)
Transfers out	(2,781,659)	(2,781,659)	(2,778,658)	3,001
Excess (deficiency) of revenues over expenses (Budget Basis)	\$ (2,579,059)	\$ (2,603,694)	(2,044,260)	\$ (5,852,142)
GAAP basis adjustments:				
Capital outlay - amounts budgeted as expenses per budget basis, capitalized per GAAP basis			3,758,132	
Depreciation - not budgeted as an expense per budget basis			(1,950,499)	
Net loss - GAAP basis			\$ (236,627)	

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**STATEMENTS OF NET ASSETS**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 175,960	\$ 184,224
Certificate of deposits	-	128,831
Investments	1,429,685	258,053
Receivables, net:		
Accrued interest	-	2,230
Total current assets	<u>1,605,645</u>	<u>573,338</u>
Restricted assets:		
Cash	715	4,284
Certificates of deposit	3,762,979	2,417,569
Certificates of deposit-reserved for distribution	5,488,240	5,746,053
Investments	4,490,082	4,635,108
Accrued interest	69,192	67,761
Total restricted assets	<u>13,811,208</u>	<u>12,870,775</u>
Capital assets		
Land	573,798	573,798
Toll bridge, equipment, and improvement:	3,690,767	3,685,711
Buildings and improvements	6,374,693	6,305,483
Total capital assets	10,639,258	10,564,992
Less accumulated depreciation	<u>(4,451,261)</u>	<u>(4,173,818)</u>
Net capital assets	<u>6,187,997</u>	<u>6,391,174</u>
Other assets, net	<u>706,777</u>	<u>625,333</u>
Total assets	<u><u>\$ 22,311,627</u></u>	<u><u>\$ 20,460,620</u></u>

Continued

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**STATEMENTS OF NET ASSETS**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 69,959	\$ 15,454
Accrued expenses	1,650	33,230
Due to other governmental agencies:	<u>737,259</u>	<u>735,136</u>
Total current liabilities	<u>808,868</u>	<u>783,820</u>
Liabilities (payable from restricted assets)		
Accounts payable	40,964	-
Due to other funds	64,511	115,190
Accrued expenses	8,661	653
Current portion of revenue bonds:	<u>180,000</u>	<u>170,243</u>
Total liabilities (payable from restricted assets)	<u>294,136</u>	<u>286,086</u>
Noncurrent liabilities:		
Revenue bonds, net of current portion and discount	2,120,000	-
Accumulated unpaid compensated absences	61,653	60,738
Deferred revenue	<u>18,686</u>	<u>20,336</u>
Total non-current liabilities	<u>2,200,339</u>	<u>81,074</u>
Total liabilities	<u>3,303,343</u>	<u>1,150,980</u>
<b>NET ASSETS</b>		
Invested in capital assets-net of related debt	6,187,997	6,220,931
Restricted per revenue bond ordinance:	817,176	1,035,820
Restricted for improvements	5,252,014	5,680,486
Restricted for distribution	5,423,729	5,630,863
Unrestricted	<u>1,327,368</u>	<u>741,540</u>
Total net assets	<u>19,008,284</u>	<u>19,309,640</u>
Total liabilities and net assets	<u><u>\$ 22,311,627</u></u>	<u><u>\$ 20,460,620</u></u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

	<u>2002</u>	<u>2001</u>
Operating revenues:		
Charges for services	\$ 9,871,097	\$ 9,837,787
Rentals	700,424	665,284
Other	110,422	72,515
Total operating revenues	<u>10,681,943</u>	<u>10,575,586</u>
Operating expenses:		
Salaries, wages and employee benefits	1,038,630	932,911
Supplies and materials	67,248	53,555
Contractual and other services	405,560	369,314
Repairs and maintenance	125,350	99,191
Depreciation and amortization	301,256	336,055
Total operating expenses	<u>1,938,044</u>	<u>1,791,026</u>
Operating income	<u>8,743,899</u>	<u>8,784,560</u>
Non-operating revenues (expenses)		
Interest income	381,501	537,661
Net increase (decrease) in fair value of investment	(66,481)	245,777
Interest expense	(51,203)	(126,250)
Other	(3,678,208)	(3,120,561)
Net non-operating revenues (expenses)	<u>(3,414,391)</u>	<u>(2,463,373)</u>
Income before transfers	<u>5,329,508</u>	<u>6,321,187</u>
Transfers out	<u>(5,630,864)</u>	<u>(5,060,308)</u>
Change in net assets	(301,356)	1,260,879
Total net assets-beginning	<u>19,309,640</u>	<u>18,048,761</u>
Total net assets-ending	<u><u>\$ 19,008,284</u></u>	<u><u>\$ 19,309,640</u></u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**STATEMENTS OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 10,569,871	\$ 10,582,890
Payments to suppliers	(1,161,629)	(561,952)
Payments to employees	(1,037,715)	(932,911)
Other receipts	110,422	36,930
	<u>8,480,949</u>	<u>9,124,957</u>
Net cash provided by operating activities		
	<u>8,480,949</u>	<u>9,124,957</u>
<b>Cash flows from non-capital financing activities:</b>		
Distribution of income to City of Hidalgo	(3,048,725)	(3,158,408)
Operating transfers to City of McAllen	(5,681,543)	(5,183,461)
	<u>(8,730,268)</u>	<u>(8,341,869)</u>
Cash used in non-capital financing activities		
	<u>(8,730,268)</u>	<u>(8,341,869)</u>
<b>Cash flows from capital and related financing activities:</b>		
Proceeds from capital debt	2,300,000	-
Purchases of capital assets	(74,266)	(153,454)
Principal paid on capital debt	(175,000)	(165,000)
Interest paid on capital debt	(43,195)	(12,162)
Bond issuance cost	(100,500)	-
	<u>1,907,039</u>	<u>(330,616)</u>
Net cash provided (used) by capital and related financing activities		
	<u>1,907,039</u>	<u>(330,616)</u>
<b>Cash flows from investing activities:</b>		
Investment activity, net	(1,985,372)	(1,594,715)
Receipt of interest	315,819	941,513
	<u>(1,669,553)</u>	<u>(653,202)</u>
Net cash used by investing activities		
	<u>(1,669,553)</u>	<u>(653,202)</u>
Net decrease in cash	(11,833)	(200,730)
Cash at beginning of year	188,508	389,238
Cash at end of year	<u><u>\$ 176,675</u></u>	<u><u>\$ 188,508</u></u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**STATEMENTS OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 175,960	\$ 184,224
Restricted cash	<u>715</u>	<u>4,284</u>
	<u><b>\$ 176,675</b></u>	<u><b>\$ 188,508</b></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ 8,116,539</u>	<u>\$ 8,784,560</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	301,256	336,055
Loss on disposition of capital assets	-	36,930
Increase (decrease) in accounts payable	54,505	(51,812)
Increase (decrease) in other payables	9,384	1,761
Increase (decrease) in compensated absences payable	915	10,159
(Increase) in deferred revenues	(1,650)	7,304
	<u>364,410</u>	<u>340,397</u>
Total adjustments		
	<u><b>\$ 8,480,949</b></u>	<u><b>\$ 9,124,957</b></u>
Net cash provided by operating activities		

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2002**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Operating revenues:				
Charges for services	\$ 9,600,000	\$ 9,600,000	\$ 9,871,097	\$ 271,097
Rentals	647,940	647,940	700,424	52,484
Other	84,500	84,500	110,422	25,922
Total operating revenues	10,332,440	10,332,440	10,681,943	349,503
Non-operating revenues (expenses):				
Interest income	449,000	449,000	381,501	(67,499)
Net increase in fair value of investments	-	-	(66,481)	(66,481)
Total non-operating revenues	449,000	449,000	315,020	(133,980)
Total revenues	10,781,440	10,781,440	10,996,963	215,523
Expenses:				
Administration				
Salaries	171,456	177,454	184,639	(7,185)
Supplies	23,000	23,000	24,660	(1,660)
Other services	267,500	267,500	201,966	65,534
Maintenance	3,200	3,200	2,105	1,095
Capital outlay	116,000	116,000	74,265	41,735
	581,156	587,154	487,635	99,519
Operations:				
Salaries	775,456	797,245	853,990	(56,745)
Supplies	56,000	56,000	41,688	14,312
Other services	217,000	217,000	165,740	51,260
Maintenance	120,000	120,000	124,146	(4,146)
	1,168,456	1,190,245	1,185,564	4,681
Non-department:				
Liability insurance	37,854	37,854	37,854	-
Interest and fiscal charges	3,938	3,938	51,203	(47,265)
Bond Principal requirement	175,000	175,000	175,000	-
Other	4,120,000	4,120,000	3,678,208	441,792
	4,336,792	4,336,792	3,942,265	394,527
Total expenses	6,086,404	6,114,191	5,615,464	498,727

Continued



CITY OF McALLEN, TEXAS  
 McALLEN INTERNATIONAL TOLL BRIDGE FUND  
 SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGET BASIS)  
 For Fiscal Year Ended September 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Excess of revenues over expenses (Budget Basis)-before transfers	\$ 4,695,036	\$ 4,667,249	5,381,499	\$ 714,250
Transfers out	<u>(5,700,000)</u>	<u>(5,700,000)</u>	<u>(5,630,864)</u>	<u>69,136</u>
Excess of revenues over expenses (Budget Basis)	<u>\$ (1,004,964)</u>	<u>\$ (1,032,751)</u>	(249,365)	<u>\$ 783,386</u>
GAAP basis adjustments:				
Capital outlay - amounts budgeted as expenses per budget basis, capitalized per GAAP basis			74,265	
Principal payment on revenue bonds- budgeted as expenses per budget basis, treated as a reduction of bonds payable per GAAP Basis			175,000	
Depreciation and amortization - not budgeted as an expense per budget basis			<u>(301,256)</u>	
Net loss- GAAP basis			<u>\$ (301,356)</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, 2002**

	<u>Distribution to City of McAllen</u>	<u>Current Debt Service</u>	<u>Future Debt Service</u>
Cash, certificates of deposit, and investments at September 30, 2001	<u>\$ 5,746,053</u>	<u>\$ 27,099</u>	<u>\$ 487,500</u>
Cash receipts:			
Transfers in	5,444,997	279,776	-
Net bond proceeds	-	-	-
Net increase in fair value of investments	-	-	-
Interest received	<u>117,042</u>	<u>33,378</u>	<u>-</u>
Total cash receipts	<u>5,562,039</u>	<u>313,154</u>	<u>-</u>
Total cash available	<u>11,308,092</u>	<u>340,253</u>	<u>487,500</u>
Cash disbursements:			
Interest and fiscal charges	-	43,199	-
Principal bond payment	-	175,000	-
Operating expenses	-	-	-
Interfund transfers	<u>5,819,852</u>	<u>22,559</u>	<u>262,500</u>
Total cash disbursements	<u>5,819,852</u>	<u>240,758</u>	<u>262,500</u>
Cash and certificates of deposit and investments at September 30, 2002	<u><u>\$ 5,488,240</u></u>	<u><u>\$ 99,495</u></u>	<u><u>\$ 225,000</u></u>
Cash, certificates of deposit, and investments at September 30, 2002 is comprised of the following:			
Cash	\$ -	\$ 26	\$ -
Certificates of deposit	4,177,820	-	225,000
Investments	1,310,420	99,469	-
Accrued interest	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 5,488,240</u></u>	<u><u>\$ 99,495</u></u>	<u><u>\$ 225,000</u></u>

Contingency	Bridge		Anzaldua's Bridge	Total
	Capital Improvement	Revenue Bonds		
\$ 521,221	\$ 408,416	\$ -	\$ 5,680,486	12,870,775
-	366,667	-	-	6,091,440
-	-	2,199,500	-	2,199,500
-	-	-	(66,481)	(66,481)
12,961	21,115	19,154	306,333	509,983
12,961	387,782	2,218,654	239,852	8,734,442
534,182	796,198	2,218,654	5,920,338	21,605,217
-	-	-	-	43,199
-	-	-	-	175,000
-	-	14,500	627,360	641,860
32,840	796,198	-	-	6,933,949
32,840	796,198	14,500	627,360	7,794,008
<b>\$ 501,342</b>	<b>\$ -</b>	<b>\$ 2,204,154</b>	<b>\$ 5,292,978</b>	<b>\$ 13,811,209</b>
\$ -	\$ -	\$ 501	\$ 188	\$ 715
501,342	-	2,116,636	920,002	7,940,800
-	-	87,017	4,303,596	5,800,502
-	-	-	69,192	69,192
<b>\$ 501,342</b>	<b>\$ -</b>	<b>\$ 2,204,154</b>	<b>\$ 5,292,978</b>	<b>\$ 13,811,209</b>

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

**CITY OF McALLEN, TEXAS**  
**FLEET MATERIALS MANAGEMENT FUND**  
**BALANCE SHEET**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 273,141	\$ 194,957
Inventories	355,694	336,566
Total current assets	<u>628,835</u>	<u>531,523</u>
Capital assets		
Buildings	293,433	293,433
Improvements other than buildings	17,740	17,740
Machinery and equipment	310,500	269,827
Total capital assets	621,673	581,000
Less accumulated depreciation	<u>(422,388)</u>	<u>(388,888)</u>
Net capital assets	<u>199,285</u>	<u>192,112</u>
Total assets	<u><b>\$ 828,120</b></u>	<u><b>\$ 723,635</b></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 198,220	\$ 161,410
Accrued expenses	21,981	18,387
Total current liabilities	<u>220,201</u>	<u>179,797</u>
Other non-current liabilities:		
Accumulated unpaid compensated absences	33,519	32,046
Deferred revenues	1,107	1,107
Total other non-current liabilities	<u>34,626</u>	<u>33,153</u>
Total liabilities	<u>254,827</u>	<u>212,950</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of debt	199,285	192,112
Unrestricted	374,008	318,573
Total net assets	<u>573,293</u>	<u>510,685</u>
Total liabilities and net assets	<u><b>\$ 828,120</b></u>	<u><b>\$ 723,635</b></u>

**CITY OF McALLEN, TEXAS**  
**FLEET MATERIALS MANAGEMENT FUND**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND ASSETS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
Operating revenues - charges for services	\$ 1,981,359	\$ 1,690,413
Operating expenses:		
Salaries, wages and employee benefits	550,874	546,276
Supplies and materials	8,563	8,868
Contractual and other services	1,332,070	1,068,805
Repairs and maintenance	21,044	19,336
Depreciation	33,500	34,053
Total operating expenses	1,946,051	1,677,338
Operating income	35,308	13,075
Non-operating revenues:		
Interest income	5,472	3,036
Other	21,828	10,251
Total non-operating revenues	27,300	13,287
Changes in net assets	62,608	26,362
Total net assets--beginning	510,685	484,323
Total net assets--ending	<u><u>\$ 573,293</u></u>	<u><u>\$ 510,685</u></u>

**CITY OF McALLEN, TEXAS**  
**FLEET MATERIALS MANAGEMENT FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 1,981,359	\$ 1,690,413
Payments to suppliers	(1,338,929)	(1,128,047)
Payments to employees	(550,874)	(544,817)
Other receipts (payments)	<u>21,828</u>	<u>26,184</u>
Net cash provided by operating activities	<u>113,384</u>	<u>43,733</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	<u>(40,672)</u>	<u>(35,982)</u>
Cash used by capital and related financing activities	<u>(40,672)</u>	<u>(35,982)</u>
<b>Cash flows from investing activities:</b>		
Investment activity, net	-	-
Receipt of interest	<u>5,472</u>	<u>3,036</u>
Net cash provided by investing activities	<u>5,472</u>	<u>3,036</u>
Net increase in cash	78,184	10,787
Cash at beginning of year	<u>194,957</u>	<u>184,170</u>
Cash at end of year	<u><b>\$ 273,141</b></u>	<u><b>\$ 194,957</b></u>

**CITY OF McALLEN, TEXAS**  
**FLEET MATERIALS MANAGEMENT FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 273,141	\$ 194,957
Restricted cash	-	-
	<u>\$ 273,141</u>	<u>\$ 194,957</u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	\$ 35,308	\$ 13,075
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	33,500	34,053
Miscellaneous non-operating income	21,828	10,251
Loss on asset disposition	-	15,933
(Increase) decrease in inventories	(19,128)	(21,002)
Increase (decrease) in accounts payable	36,810	5,469
Increase (decrease) in other payable	1,472	(15,505)
Increase (decrease) in accrued expenses	3,594	1,459
Total adjustments	<u>78,076</u>	<u>30,658</u>
Net cash provided by operating activities	<u>\$ 113,384</u>	<u>\$ 43,733</u>



**CITY OF McALLEN, TEXAS**  
**FLEET MATERIALS MANAGEMENT FUND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2002**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Revenues:				
Operating revenues:				
Garage billings department	\$ 1,483,709	\$ 1,483,709	\$ 1,841,906	\$ 358,197
Materials management department	119,000	119,000	139,452	20,452
Total operating revenues	1,602,709	1,602,709	1,981,358	378,649
Non-operating revenues:				
Interest income	2,500	2,500	5,472	2,972
Other revenue	-	-	21,829	21,829
Total non-operating revenues	2,500	2,500	27,301	24,801
Total revenues	1,605,209	1,605,209	2,008,659	403,450
Expenses:				
Materials management:				
Salaries	106,816	110,312	113,002	(2,690)
Supplies	1,850	1,850	1,875	(25)
Other services	-	1,000	(580)	1,580
Maintenance	4,350	4,350	1,866	2,484
Capital outlay	24,500	23,500	18,702	4,798
	137,516	141,012	134,865	6,147
Garage:				
Salaries	445,325	456,873	428,482	28,391
Supplies	7,000	6,600	6,688	(88)
Other services	2,650	1,075	(13,853)	14,928
Maintenance	20,600	14,600	19,178	(4,578)
Purchases	1,000,000	1,000,000	1,330,258	(330,258)
Capital outlay	26,800	37,075	38,215	(1,140)
	1,502,375	1,516,223	1,808,968	(292,745)
Non-department expenses:				
Liability insurance	9,390	9,390	9,390	-
Total expenses	1,649,281	1,666,625	1,953,223	(286,598)

Continued

CITY OF McALLEN, TEXAS  
FLEET MATERIALS MANAGEMENT FUND  
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGET BASIS)  
For Fiscal Year Ended September 30, 2002

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	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues over (under) expenses (Budget Basis)	\$ (44,072)	\$ (61,416)	55,436	\$ 116,852
GAAP basis adjustments:				
Capital outlay - amounts budgeted as expenses per budget basis, capitalized per GAAP basis			40,672	
Depreciation - not budgeted as an expense per budget basis			(33,500)	
Net income - GAAP basis			<u>\$ 62,608</u>	

**CITY OF McALLEN, TEXAS  
EMPLOYEE BENEFITS FUND  
BALANCE SHEET  
September 30, 2002**

**With Comparative Amounts for September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 53,628	\$ 57,064
Certificates of deposit	1,611,027	410,000
Investments	128,891	157,160
Receivables, net:		
Accounts	80,774	139,316
Accrued interest	-	726
Other	233,937	305,034
Total assets	<u><u>\$ 2,108,257</u></u>	<u><u>\$ 1,069,300</u></u>
 <b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 120,877	\$ 29,748
Accrued expenses	1,005,198	1,004,689
Total current liabilities	<u>1,126,075</u>	<u>1,034,437</u>
Other non-current liabilities:		
Accumulated unpaid compensated absences	<u>1,841</u>	<u>1,733</u>
Total non-current liabilities	<u>1,841</u>	<u>1,733</u>
Total liabilities	<u>1,127,916</u>	<u>1,036,170</u>
 <b>NET ASSETS</b>		
Unrestricted	<u>980,341</u>	<u>33,130</u>
Total net assets	<u>980,341</u>	<u>33,130</u>
Total liabilities and net assets	<u><u>\$ 2,108,257</u></u>	<u><u>\$ 1,069,300</u></u>

**CITY OF McALLEN, TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
Operating revenues - contributions	\$ 5,662,723	\$ 4,583,000
Operating expenses:		
Salaries, wages and employee benefits	67,765	32,022
Contractual and other services	920,844	623,904
Self insurance claims	4,235,420	4,778,904
Other	1,509	-
Total operating expenses	5,225,538	5,434,830
Operating income (loss)	437,185	(851,830)
Non-operating revenues:		
Interest income	42,933	84,525
Net increase in fair value of investments	-	8,482
Other	467,093	130,129
Total non-operating revenues	510,026	223,136
Net income (loss) before transfers out	947,211	(628,694)
Transfers out	-	(110,755)
Changes in net assets	947,211	(739,449)
Total net assets--beginning	33,130	772,579
Total net assets--ending	<u>\$ 980,341</u>	<u>\$ 33,130</u>

**CITY OF McALLEN, TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 5,721,991	\$ 4,445,361
Payments to suppliers	(829,098)	(571,629)
Payments to employees	(67,765)	(30,289)
Claims paid	(4,235,420)	(5,230,084)
Other receipts (payments)	<u>536,681</u>	<u>138,611</u>
Net cash provided (used) by operating activities	<u>1,126,389</u>	<u>(1,248,030)</u>
<b>Cash flows from non-capital financing activities:</b>		
Transfer to other funds	<u>-</u>	<u>(110,755)</u>
Cash used by non-capital financing activities	<u>-</u>	<u>(110,755)</u>
<b>Cash flows from investing activities:</b>		
Investment activity, net	(1,172,758)	1,037,621
Receipt of interest	<u>42,933</u>	<u>84,525</u>
Net cash provided (used) by investing activities	<u>(1,129,825)</u>	<u>1,122,146</u>
Net decrease in cash	(3,436)	(236,639)
Cash at beginning of year	<u>57,064</u>	<u>293,703</u>
Cash at end of year	<u><u>\$ 53,628</u></u>	<u><u>\$ 57,064</u></u>

**CITY OF McALLEN, TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 53,628	\$ 57,064
Restricted cash	-	-
	<u>\$ 53,628</u>	<u>\$ 57,064</u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income (loss)	<u>\$ 437,185</u>	<u>\$ (851,830)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Miscellaneous non-operating income (expense)	467,093	138,611
(Increase) decrease in accounts receivable	58,542	(115,638)
(Increase) in accrued interest receivable	726	3,746
(Increase) decrease in other receivable	71,097	(25,747)
Increase (decrease) in accounts payable	91,129	(451,180)
Increase (decrease) in other payable	108	1,733
Increase (decrease) in accrued expenses	<u>509</u>	<u>52,275</u>
Total adjustments	<u>689,204</u>	<u>(396,200)</u>
Net cash provided (used) by operating activities	<u>\$ 1,126,389</u>	<u>\$ (1,248,030)</u>

**CITY OF McALLEN, TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2002**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Operating revenues-contributions	\$ 6,186,201	\$ 6,186,201	\$ 5,662,723	\$ (523,478)
Total operating revenues	6,186,201	6,186,201	5,662,723	(523,478)
Non-operating revenues:				
Interest income	2,800	2,800	42,933	40,133
Other revenues	70,638	70,638	467,092	396,454
Total non-operating revenues	73,438	73,438	510,025	436,587
Total revenues	6,259,639	6,259,639	6,172,748	(86,891)
Expenses:				
Salaries, wages and employee benefits	64,108	66,554	67,765	(1,211)
Supplies	700	700	448	252
Contractual and other services	747,617	747,617	921,904	(174,287)
Self insurance claims	5,615,477	5,615,477	4,235,420	1,380,057
Capital outlay	1,800	1,800	-	1,800
Total expenses	6,429,702	6,432,148	5,225,537	1,206,611
Revenues over (under) expenses (Budget Basis)	\$ (170,063)	\$ (172,509)	947,211	\$ 1,119,720
GAAP basis adjustments			-	
Net income-GAAP basis			\$ 947,211	

**CITY OF McALLEN, TEXAS  
GENERAL INSURANCE FUND  
BALANCE SHEET**

**September 30, 2002**

**With Comparative Amounts for September 30, 2001**

	<u><b>2002</b></u>	<u><b>2001</b></u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 16,016	\$ 90,223
Certificates of deposit	2,331,339	2,219,942
Investments	2,630,953	2,144,240
Receivables, net:		
Accounts	87,907	51,222
Accrued interest	25,963	31,269
	<u>          </u>	<u>          </u>
Total assets	<u><u><b>\$ 5,092,178</b></u></u>	<u><u><b>\$ 4,536,896</b></u></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 65,725	\$ 5,536
Accrued expenses	557,011	815,810
	<u>          </u>	<u>          </u>
Total current liabilities	<u>622,736</u>	<u>821,346</u>
Other non-current liabilities:		
Accumulated unpaid compensated absences	22,083	20,025
	<u>          </u>	<u>          </u>
Total non-current liabilities	<u>22,083</u>	<u>20,025</u>
Total liabilities	<u>644,819</u>	<u>841,371</u>
<b>NET ASSETS</b>		
Net assets	<u>4,447,359</u>	<u>3,695,525</u>
Total liabilities and net assets	<u><u><b>\$ 5,092,178</b></u></u>	<u><u><b>\$ 4,536,896</b></u></u>



**CITY OF McALLEN, TEXAS  
GENERAL INSURANCE FUND  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
For Fiscal Year Ended September 30, 2002  
With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
Operating revenues - contributions	\$ 3,069,804	\$ 2,792,756
Operating expenses:		
Salaries, wages, and employee benefits	112,600	89,191
Supplies and materials	1,170	732
Contractual and other services	867,554	873,695
Repairs and maintainace	798	524
Self insurance claims	1,754,104	2,707,599
Total operating expenses	<u>2,736,226</u>	<u>3,671,741</u>
Operating (loss) income	<u>333,578</u>	<u>(878,985)</u>
Non-operating revenues:		
Interest income	196,327	254,674
Net increase (decrease) in fair value of investments	(19,224)	77,241
Other	241,153	343,701
Total non-operating revenues	<u>418,256</u>	<u>675,616</u>
Changes in net assets	751,834	(203,369)
Total net assets--beginning	<u>3,695,525</u>	<u>3,898,894</u>
Total net assets--ending	<u><u>\$ 4,447,359</u></u>	<u><u>\$ 3,695,525</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL INSURANCE FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 3,038,426	\$ 2,775,324
Payments to suppliers	(1,066,074)	(972,616)
Payments to employees	(112,600)	(69,166)
Internal activity-payments to other funds	-	(10,000)
Claims paid	(1,754,104)	(2,356,721)
Other receipts (payments)	<u>221,929</u>	<u>420,942</u>
Net cash provided (used) by operating activities	<u>327,577</u>	<u>(212,237)</u>
<b>Cash flows from investing activities:</b>		
Investment activity, net	(598,110)	43,424
Receipt of interest	<u>196,326</u>	<u>254,674</u>
Net cash provided (used) by investing activities	<u>(401,784)</u>	<u>298,098</u>
Net increase (decrease) in cash	(74,207)	85,861
Cash at beginning of year	<u>90,223</u>	<u>4,362</u>
Cash at end of year	<u><u>\$ 16,016</u></u>	<u><u>\$ 90,223</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL INSURANCE FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 16,016	\$ 90,223
Restricted cash	<u>-</u>	<u>-</u>
	<u><b>\$ 16,016</b></u>	<u><b>\$ 90,223</b></u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income (loss)	<u>\$ 333,578</u>	<u>\$ (878,985)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Miscellaneous non-operating income	221,930	420,942
(Increase) decrease in accounts receivable	(36,685)	(7,405)
(Increase) decrease in accrued interest receivable	5,306	(10,027)
Increase (decrease) in accounts payable	60,189	(97,665)
Increase (decrease) in due to other funds	-	(10,000)
Increase (decrease) in other payables	2,058	20,025
Increase (decrease) in accrued expenses	<u>(258,799)</u>	<u>350,878</u>
Total adjustments	<u>(6,001)</u>	<u>666,748</u>
Net cash provided (used) by operating activities	<u><b>\$ 327,577</b></u>	<u><b>\$ (212,237)</b></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL INSURANCE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2002**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues:				
Operating revenues-contributions	\$ 3,080,962	\$ 3,080,962	\$ 3,069,804	\$ (11,158)
Total operating revenues	3,080,962	3,080,962	3,069,804	(11,158)
Non-operating revenues:				
Interest income	225,000	225,000	196,327	(28,673)
Net increase (decrease)in fair value of investr	-	-	(19,224)	(19,224)
Other revenue	100,000	100,000	241,153	141,153
Total non-operating revenues	325,000	325,000	418,256	93,256
Total revenues	3,405,962	3,405,962	3,488,060	82,098
Expenses:				
Salaries, wages and employee benefits	106,036	109,653	112,600	(2,947)
Supplies and materials	1,000	1,000	1,170	(170)
Contractual and other services	1,043,279	1,043,279	867,815	175,464
Repairs and maintenance	1,632	1,632	798	834
Self insurance expense	750,000	750,000	1,753,843	(1,003,843)
Capital outlay	3,000	3,000	-	3,000
Total expenses	1,904,947	1,908,564	2,736,226	(827,662)
Revenues over (under) expenses (Budget Basis)	\$ 1,501,015	\$ 1,497,398	751,834	\$ (745,564)
GAAP basis adjustments			-	
Net income-GAAP basis			<u>\$ 751,834</u>	

**CITY OF McALLEN, TEXAS**  
**GENERAL DEPRECIATION FUND**  
**BALANCE SHEET**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 2,014	\$ 5,732
Certificates of deposit	3,502,608	2,977,958
Investments	864,947	822,636
Receivables, net:		
Accrued interest	<u>10,982</u>	<u>12,531</u>
Total current assets	<u>4,380,551</u>	<u>3,818,857</u>
Capital assets		
Machinery and equipment	5,368,217	4,295,449
Less accumulated depreciation	<u>(1,970,715)</u>	<u>(1,025,791)</u>
Net capital assets	<u>3,397,502</u>	<u>3,269,658</u>
Total assets	<u><b>\$ 7,778,053</b></u>	<u><b>\$ 7,088,515</b></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	<u>\$ 71,811</u>	<u>\$ 57,355</u>
Total current liabilities	<u>71,811</u>	<u>57,355</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	3,397,502	3,269,658
Unrestricted	<u>4,308,740</u>	<u>3,761,502</u>
Total net assets	<u>7,706,242</u>	<u>7,031,160</u>
Total liabilities and fund equity	<u><b>\$ 7,778,053</b></u>	<u><b>\$ 7,088,515</b></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL DEPRECIATION FUND**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

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	<u>2002</u>	<u>2001</u>
Operating revenues - charges for services	\$ 1,505,423	\$ 2,143,955
Operating expenses:		
Other	12,724	15,368
Depreciation	<u>964,788</u>	<u>653,927</u>
Total operating expenses	<u>977,512</u>	<u>669,295</u>
Operating income	<u>527,911</u>	<u>1,474,660</u>
Non-operating revenues (expenses):		
Interest income	158,428	234,305
Net increase (decrease) in fair value of investments	(11,257)	25,128
Other	<u>-</u>	<u>(21,179)</u>
Total non-operating revenues	<u>147,171</u>	<u>238,254</u>
Changes in net assets	675,082	1,712,914
Total net assets--beginning	<u>7,031,160</u>	<u>5,318,246</u>
Total net assets--ending	<u><u>\$ 7,706,242</u></u>	<u><u>\$ 7,031,160</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL DEPRECIATION FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 1,506,972	\$ 2,136,223
Payments to suppliers	1,732	(15,368)
Other receipts	<u>-</u>	<u>78,534</u>
Net cash provided by operating activities	<u>1,508,704</u>	<u>2,199,389</u>
 <b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	<u>(1,092,632)</u>	<u>(2,234,898)</u>
Net cash used by capital and related financing activities	<u>(1,092,632)</u>	<u>(2,234,898)</u>
 <b>Cash flows from investing activities:</b>		
Investment activity, net	(578,218)	(303,798)
Receipt of interest	<u>158,428</u>	<u>234,305</u>
Net cash used by investing activities	<u>(419,790)</u>	<u>(69,493)</u>
Net decrease in cash	(3,718)	(105,002)
Cash at beginning of year	<u>5,732</u>	<u>110,734</u>
Cash at end of year	<u><b>\$ 2,014</b></u>	<u><b>\$ 5,732</b></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL DEPRECIATION FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2002**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2001**

	<u>2002</u>	<u>2001</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 2,014	\$ 5,732
Restricted cash	-	-
	<u>\$ 2,014</u>	<u>\$ 5,732</u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	\$ 527,911	\$ 1,474,660
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	964,788	653,927
Miscellaneous non-operating income	-	4,799
(Increase) decrease in accounts receivable	-	21,179
(Increase) decrease in accrued interest receivable	1,549	(12,531)
Increase (decrease) in accounts payable	14,456	57,355
Total adjustments	<u>980,793</u>	<u>724,729</u>
Net cash provided by operating activities	<u>\$ 1,508,704</u>	<u>\$ 2,199,389</u>



**CITY OF McALLEN, TEXAS**  
**GENERAL DEPRECIATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2002**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Operating revenues-charges for services	\$ 1,505,423	\$ 1,505,423	\$ 1,505,423	\$ -
Total operating revenues	1,505,423	1,505,423	1,505,423	-
Non-operating revenues:				
Interest income	-	-	158,428	158,428
Net increase (decrease) in fair value of investments	-	-	(11,257)	(11,257)
Total non-operating revenues	-	-	147,171	147,171
Total revenues	1,505,423	1,505,423	1,652,594	147,171
Expenses:				
Contractual and other services	-	-	12,724	12,724
Capital outlay	1,272,300	1,272,300	1,092,632	(179,668)
Total expenses	1,272,300	1,272,300	1,105,356	(166,944)
Revenues over (under) expenses (Budget Basis)	<u>233,123</u>	<u>233,123</u>	547,238	<u>314,115</u>
GAAP basis adjustment:				
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis			1,092,632	
Depreciation-not budgeted as an expenses per budget basis			(964,788)	
Net income-GAAP basis			<u>\$ 675,082</u>	

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

**CITY OF McALLEN, TEXAS**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**COMPARATIVE SCHEDULES BY SOURCE (1)**  
**September 30, 2002**  
**With Comparative Amounts for September 30, 2001**

	<u>2002</u>	<u>2001</u>
Governmental funds capital assets		
Land	\$ 17,779,073	\$ 17,365,859
Buildings and improvement	41,870,672	30,918,055
Furniture and equipmen	24,927,469	33,254,497
Infrastructure	99,475,599	95,592,569
Construction in progress	8,100,499	4,907,099
	<u>                    </u>	<u>                    </u>
Total general fixed assets	<u><u>\$ 192,153,312</u></u>	<u><u>\$ 182,038,079</u></u>
Investments in governmental funds capital assets by source		
General fund revenues	\$ 25,965,745	\$ 24,245,568
Capital projects	67,290,038	62,993,118
Community development	15,341,226	15,212,987
Special revenue	52,240,017	49,081,565
Contributions from developer	19,390,483	18,596,327
Donations and transfers	11,925,803	11,908,514
	<u>                    </u>	<u>                    </u>
Total investment in general fixed asset	<u><u>\$ 192,153,312</u></u>	<u><u>\$ 182,038,079</u></u>

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

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

**City of McAllen, Texas**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Function and Activity (1)**  
**September 30, 2002**

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Construction In Progress	Total
General Government:							
City Commission	\$ 7,334,020	\$ 4,328,875	\$ 714,143	\$ 38,009	\$ 258,334	\$ -	\$ 12,873,380
Special Services	376,533	1,058,926	4,000	-	-	-	1,439,459
City Mgr.	381,544	4,491,538	-	100,098	192,368	-	5,165,548
City Sec.	-	-	-	25,860	-	-	25,860
Municipal Court	-	-	7,950	168,493	-	-	176,443
Finance	-	-	86,645	20,765	-	-	107,410
Tax Office	-	-	-	98,428	-	-	98,428
Purchasing	-	-	-	77,977	-	-	77,977
Legal	-	-	-	20,955	-	-	20,955
Right of Way	-	-	-	-	-	-	-
Personnel	-	-	-	70,386	-	-	70,386
Planning	-	-	2,842	52,701	-	-	55,543
MIS	-	-	-	828,585	-	-	828,585
MCN	-	-	25,000	281,173	-	-	306,173
City Hall	759,674	5,501,966	225,225	594,696	9,469	-	7,101,032
Bldg Maint	-	-	-	49,459	-	-	49,459
Total General Gov't	8,861,771	15,381,307	1,065,804	2,427,585	460,171	-	28,196,639
Public Safety:							
Police	1,059,658	2,136,612	475,710	8,016,963	-	8,100,499	19,789,442
Fire	122,997	1,592,374	114,239	4,542,271	-	-	6,371,880
Traffic Safety	421,654	217,015	150,745	596,861	13,765,478	-	15,151,753
Inspection	-	-	-	28,759	-	-	28,759
Total Public Safety	1,604,308	3,946,001	740,693	13,184,854	13,765,478	8,100,499	41,341,834

Continued

**City of McAllen, Texas**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Function and Activity (1)**  
**September 30, 2002**

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Construction In Progress	Total
Highways & Streets:							
Engineering	\$ 937,126	\$ 184,621	\$ 185,333	\$ 1,198,562	\$ 16,416,898	-	\$ 18,923,540
Street Cleaning	-	-	-	366,560	-	-	366,560
Street Maint	43,685	-	77,024	1,114,130	39,760,530	-	40,995,369
Street Light	-	-	222,911	145,740	452,162	-	820,813
Sidewalks	-	-	-	-	7,654	-	7,654
Drainage	389,271	-	55,061	774,565	28,069,029	-	29,287,925
Total highways and streets	1,370,082	184,621	541,329	3,599,557	84,706,273	-	90,401,862
Health & Welfare:							
Health	10,753	159,122	-	134,800	-	-	304,675
Graffiti	-	-	-	62,459	-	-	62,459
Total health and welfare	10,753	159,122	-	197,259	-	-	367,134
Culture & Recreation:							
Parks Adm.	1,139,078	730,752	987,715	144,723	52,477	-	3,054,744
Parks	3,096,619	2,905,766	7,954,236	1,433,929	233,027	-	15,623,577
Recreation	408,900	278,445	93,030	59,906	-	-	840,281
Pools	-	-	378,671	133,147	12,101	-	523,920
Senior Citizen	-	16,248	83,076	-	246,072	-	345,397
Library	339,111	6,417,859	5,995	3,253,542	-	-	10,016,507
Library North	-	-	-	378,176	-	-	378,176
Library South	948,452	-	-	114,790	-	-	1,063,242
Total culture and recreation	5,932,160	10,349,070	9,502,724	5,518,213	543,677	-	31,845,844
Total governmental funds capital assets	<u>\$ 17,779,073</u>	<u>\$ 30,020,122</u>	<u>\$ 11,850,550</u>	<u>\$ 24,927,469</u>	<u>\$ 99,475,599</u>	<u>\$ 8,100,499</u>	<u>\$ 192,153,313</u>

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

**City of McAllen, Texas**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes By Function and Activity (1)**  
**September 30, 2002**

<b>Function and Activity</b>	<b>Governmental Funds Capital Assets September 30 2001</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets September 30 2002</b>
General Government:				
City Commission	\$ 12,535,649	861,587	723,856	12,673,380
Special Services	1,439,459	-	-	1,439,459
City Mgr.	5,165,548	-	-	5,165,548
City Sec.	25,860	-	-	25,860
Municipal Court	147,743	28,700	-	176,443
Finance	103,415	3,995	-	107,410
Tax Office	98,428	-	-	98,428
Purchasing	54,148	23,829	-	77,977
Legal	16,982	3,973	-	20,955
Personnel	70,386	-	-	70,386
Planning	55,543	-	-	55,543
MIS	828,585	-	-	828,585
MCN	258,707	47,466	-	306,173
City Hall	7,092,125	14,890	5,983	7,101,032
Bldg Maint	49,459	-	-	49,459
<b>Total General Gov't</b>	<b>27,942,038</b>	<b>984,440</b>	<b>729,839</b>	<b>28,196,639</b>
Public Safety:				
Police	15,680,064	4,131,941	22,563	19,789,442
Fire	6,300,964	70,916	-	6,371,880
Traffic Safety	15,076,539	78,962	3,748	15,151,753
Inspection	28,759	-	-	28,759
<b>Total Public Safety</b>	<b>37,086,326</b>	<b>4,281,819</b>	<b>26,311</b>	<b>41,341,834</b>

Continued

**City of McAllen, Texas**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes By Function and Activity (1)**  
**September 30, 2002**

<b>Function and Activity</b>	<b>Governmental Funds Capital Assets September 30 2001</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets September 30 2002</b>
Highways & Streets:				
Engineering	\$ 18,160,049	\$ 763,491	\$ -	\$ 18,923,540
Street Cleaning	366,560	-	-	366,560
Street Maint.	38,089,874	2,905,495	-	40,995,369
Street Light	460,126	360,687	-	820,813
Sidewalks	7,654	-	-	7,654
Drainage	28,891,113	372,812	(24,000)	29,287,925
Total highways and streets	85,975,377	4,402,485	(24,000)	90,401,862
Health & Welfare:				
Health	312,631	5,923	13,879	304,675
Graffiti	33,798	14,572	(14,089)	62,459
Total health and welfare	346,429	20,495	(210)	367,134
Culture & Recreation:				
Parks Adm.	3,048,023	6,721	-	3,054,744
Parks	14,904,244	719,333	-	15,623,577
Recreation	827,781	12,500	-	840,281
Pools	523,920	-	-	523,920
Senior Citizen	345,397	-	-	345,397
Library	9,700,023	316,484	-	10,016,507
Library North	325,469	52,707	-	378,176
Library South	1,013,052	50,190	-	1,063,242
Total culture and recreation	30,687,909	1,157,935	-	31,845,844
Total governmental funds capital assets	<u>\$ 182,038,079</u>	<u>\$ 10,847,174</u>	<u>\$ 731,940</u>	<u>\$ 192,153,313</u>

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

**STATISTICAL SECTION**



Table 1

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

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Highways and Streets</u>	<u>Health and Welfare</u>	<u>Culture and Recreation</u>	<u>Interest on long-term Debt</u>	<u>Water</u>
2001	\$ 12,182,852	\$ 33,450,783	\$ 9,023,620	\$ 5,131,874	\$ 10,057,081	\$ 1,967,680	\$ 9,080,717
2002	12,906,438	34,384,019	10,137,676	5,142,952	10,644,143	1,737,096	9,604,181

Table 1

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

<u>Sewer</u>	<u>Sanitation</u>	<u>Golf Course</u>	<u>Civic Center</u>	<u>Airport</u>	<u>Trnsit</u>	<u>Bridge</u>	<u>Total</u>
\$ 6,850,233	\$ 7,307,044	\$ 1,202,802	\$ 958,735	\$ 3,686,660	\$ 460,128	\$ 5,118,645	\$ 106,478,854
7,199,937	8,012,050	1,136,123	960,076	3,834,761	555,102	5,643,188	111,897,742

Table 2

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

<b>PROGRAM REVENUES</b>			
<b>Fiscal Year</b>	<b>Charges For Service</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
2001	\$ 45,099,484	\$ 9,309,931	\$ 3,851,670
2002	47,659,324	4,230,204	6,693,579

Table 2

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

<b>GENERAL REVENUES</b>				
<b>Taxes</b>	<b>Grants and Contributions Not Restricted to Specific Programs</b>	<b>Unrestricted Investment Earnings</b>	<b>Miscellaneous</b>	<b>Total</b>
\$ 63,316,127	\$ 234,604	\$ 13,635,093	\$ 9,428,049	\$ 144,874,958
66,079,766	1,150,562	8,747,255	6,610,570	141,171,260

Table 3

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

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Highways and Streets</b>	<b>Health and Welfare</b>
1993	\$ 8,650,759	\$ 16,618,424	\$ 4,380,428	\$ 915,911
1994	9,049,944	18,142,189	4,209,623	935,944
1995	9,897,220	17,741,703	4,822,096	2,370,804
1996	9,885,777	17,760,771	4,683,754	2,373,580
1997	10,635,243	19,122,718	6,361,800	4,320,957
1998	14,098,227	21,942,042	8,962,063	1,417,396
1999	12,955,202	24,076,366	10,257,885	3,456,136
2000	13,305,402	27,209,400	7,572,045	6,336,776
2001	14,091,828	35,741,264	7,166,954	5,108,889
2002	12,582,413	32,774,933	7,130,013	5,023,136

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

Table 3

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

<b>Culture Recreation</b>	<b>Debt Service</b>	<b>Capital Expenditures</b>	<b>Total</b>
\$ 4,777,324	\$ 7,667,813	\$ 17,594,643	\$ 60,605,302
5,093,483	12,366,111	12,158,156	61,955,450
4,935,038	5,276,683	10,252,068	55,295,612
5,362,978	4,744,195	3,612,503	48,423,558
7,195,028	4,171,622	3,827,383	55,634,751
7,284,569	4,812,084	4,808,267	63,324,648
10,295,971	4,933,390	7,718,349	73,693,299
14,827,494	4,603,992	6,277,115	80,132,224
9,900,452	4,550,666	2,974,890	79,534,943
10,273,642	4,484,168	5,192,130	77,460,435

Table 4

**CITY OF McALLEN, TEXAS  
GENERAL REVENUE BY SOURCE (1)  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Taxes</b>	<b>Licenses and Permits</b>	<b>Inter- Governmental Revenue</b>
1993	\$ 35,354,892	\$ 469,576	\$ 7,891,847
1994	39,607,863	493,065	4,630,916
1995	38,119,763	457,721	8,866,999
1996	39,207,403	529,305	4,794,584
1997	41,743,546	623,967	7,543,118
1998	50,780,347	653,378	3,288,526
1999	54,079,288	787,681	5,144,308
2000	58,426,137	792,954	5,938,509
2001	63,041,158	824,608	8,576,131
2002	65,760,216	872,751	5,954,380

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

Table 4

**CITY OF McALLEN, TEXAS  
GENERAL REVENUE BY SOURCE (1)  
LAST TEN FISCAL YEARS**

<b>Charges For Service</b>	<b>Fines and Forfeits</b>	<b>Other Revenue</b>	<b>Total</b>
\$ 3,208,897	\$ 1,470,221	\$ 3,266,462	\$ 51,661,895
3,671,716	1,378,805	2,070,393	51,852,758
1,965,581	1,563,815	2,698,307	53,672,186
2,024,662	1,500,881	2,927,102	50,983,937
2,236,958	1,853,300	3,388,327	57,389,216
2,206,588	2,147,815	5,316,461	64,393,115
2,354,420	2,385,269	8,034,430	72,785,396
2,486,082	2,379,275	10,992,444	81,015,401
2,699,727	2,338,137	22,107,142	99,586,903
2,830,128	2,070,902	8,775,596	86,263,973



Table 5

**CITY OF McALLEN, TEXAS  
TAX REVENUE BY SOURCE (1)  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Total Taxes</b>	<b>General Property Taxes</b>	<b>General Sales Taxes</b>	<b>Business Gross Receipts Taxes</b>	<b>Other Taxes</b>
1993	\$ 35,354,892	\$ 10,426,333	\$ 19,487,576	\$ 3,496,267	\$ 1,944,716
1994	39,607,863	12,508,407	20,675,270	4,278,883	2,145,303
1995	38,119,763	13,218,931	19,510,185	3,694,727	1,695,920
1996	39,207,403	13,974,474	19,500,910	3,947,409	1,784,610
1997	41,743,546	14,487,566	20,731,293	4,523,927	2,000,760
1998	50,780,347	14,869,275	29,437,107	4,164,736	2,309,229
1999	54,079,288	15,548,987	31,542,351	4,599,979	2,387,971
2000	58,426,137	16,141,020	35,369,124	4,359,640	2,556,353
2001	63,041,158	16,961,501	37,038,847	6,128,118	2,912,692
2002	65,760,216	18,173,534	39,248,332	5,496,448	2,841,902

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

Table 6

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

Fiscal Year Ended	Tax Roll Year	Real Property		Personal Property	
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
1993	1992	\$ 1,969,605,476	\$ 1,969,605,476	\$ 425,573,201	\$ 425,573,201
1994	1993	2,110,486,498	2,110,486,498	425,531,927	425,531,927
1995	1994	2,271,111,346	2,271,111,346	463,967,423	463,967,423
1996	1995	2,461,842,249	2,461,842,249	491,972,835	491,972,835
1997	1996	2,559,229,055	2,559,229,055	473,632,414	473,632,414
1998	1997	2,651,336,502	2,651,336,502	499,716,933	499,716,933
1999	1998	2,848,373,856	2,848,373,856	522,773,667	522,773,667
2000	1999	2,972,096,712	2,972,096,712	511,207,036	511,207,036
2001	2000	3,179,391,812	3,179,391,812	606,318,130	606,318,130
2002	2001	3,396,215,579	3,396,215,579	680,969,015	680,969,015

Table 6

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

Minerals		Total		Percentage Assessed to Full Value
Assessed Value	Estimated Value	Assessed Value	Estimated Value	
\$ 11,132,160	\$ 11,132,160	\$ 2,406,310,837	\$ 2,406,310,837	100%
15,029,310	15,029,310	2,551,047,735	2,551,047,735	100
65,642,850	65,642,850	2,800,721,619	2,800,721,619	100
68,982,530	68,982,530	3,022,797,614	3,022,797,614	100
72,830,712	72,830,712	3,105,692,181	3,105,692,181	100
72,920,305	72,920,305	3,227,248,695	3,227,248,635	100
89,185,630	89,185,630	3,460,333,153	3,460,333,153	100
78,880,150	78,880,150	3,562,183,898	3,562,183,898	100
87,629,700	87,629,700	3,873,339,642	3,873,339,642	100
128,330,930	128,330,930	4,205,515,524	4,205,515,524	100

Table 7

**CITY OF McALLEN, TEXAS  
PROPERTY TAX LEVIES AND ALLOCATION THEREOF  
LAST TEN FISCAL YEARS**

<b>Valuations</b>				
<b>Fiscal Year Ended</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Minerals</b>	<b>Total</b>
1993	\$ 1,969,605,476	\$ 425,573,201	\$ 11,132,160	\$ 2,406,310,837
1994	2,110,486,498	425,531,927	15,029,310	2,551,047,735
1995	2,271,111,346	463,967,423	65,642,850	2,800,721,619
1996	2,461,842,249	491,972,835	68,982,530	3,022,797,614
1997	2,559,229,055	473,632,414	72,830,712	3,105,692,181
1998	2,651,336,502	499,716,933	72,920,305	3,227,248,695
1999	2,848,373,856	522,773,667	89,185,630	3,460,333,153
2000	2,972,096,712	511,207,036	78,880,150	3,562,183,898
2001	3,179,391,812	606,318,130	87,629,700	3,873,339,642
2002	3,396,215,579	680,969,015	128,330,930	4,205,515,524

Table 7

**CITY OF McALLEN, TEXAS  
PROPERTY TAX LEVIES AND ALLOCATION THEREOF  
LAST TEN FISCAL YEARS**

Tax Rate	Total Tax Levy	Taxes Levied For (PER \$100/ASSESSED VALUATION)			
		General Fund		Debt Service Fund	
		Rate	Amount	Rate	Amount
\$ 0.43	\$ 10,347,141	\$ 0.27	\$ 6,497,042	\$ 0.16	\$ 3,850,099
0.48	11,874,029	0.27	6,635,847	0.21	5,238,182
0.47	13,073,769	0.29	8,068,879	0.18	5,004,890
0.45	13,699,320	0.29	8,617,997	0.16	5,081,323
0.45	14,074,997	0.31	9,643,174	0.14	4,431,823
0.42	13,596,399	0.31	10,161,670	0.11	3,434,729
0.42	14,578,384	0.33	11,529,415	0.09	3,048,969
0.42	15,007,481	0.35	12,422,048	0.07	2,585,433
0.42	16,318,380	0.35	13,507,110	0.07	2,811,270
0.42	17,717,837	0.36	15,213,915	0.06	2,503,922



Table 8

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

<b>Year</b>		<b>Total Tax Levy</b>	<b>Amount of Current Taxes Collected</b>	<b>Percent of Current Taxes Collected (2)</b>
1993		\$ 10,347,141	\$ 9,735,072	94.08%
1994		11,874,029	11,658,343	98.18
1995		13,073,769	12,390,992	94.78
1996		13,699,320	12,809,555	93.51
1997	(1)	14,074,997	13,219,050	93.92
1998	(1)	13,596,399	13,221,561	97.47
1999	(1)	14,578,384	13,788,245	94.58
2000	(1)	15,007,481	14,532,402	96.83
2001	(1)	16,318,380	15,292,313	93.71
2002	(1)	17,717,837	16,377,568	92.44

(1) Does not include the assesement or the collections of the Downtown Improvement District.

(2) Based upon original levy.

Table 8

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

<b>Amount of Delinquent Taxes Collected</b>	<b>Total Collections For Year</b>	<b>Percent of Total Tax Collections To Tax Levy</b>	<b>Accumulated Delinquent Taxes</b>	<b>Percent of Delinquent Taxes to Current Levy</b>
\$ 371,224	\$ 10,106,296	97.67%	\$ 1,949,706	18.84%
428,676	12,087,019	101.81	2,176,587	18.33
431,201	12,822,193	98.08	2,481,704	18.98
576,480	13,386,035	97.71	1,905,260	13.91
576,224	13,795,274	98.01	2,127,248	15.11
801,014	14,052,925	103.36	3,137,613	23.08
862,896	14,651,141	100.50	2,989,246	20.50
744,599	15,277,001	101.80	2,941,441	19.25
773,767	16,066,080	98.45	3,327,918	20.39
988,191	17,365,759	98.01	3,641,520	20.55

Table 9

**CITY OF McALLEN, TEXAS  
RATIO OF NET GENERAL BONDED DEBT OF ASSESSED VALUE  
AND NET BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS**

Year	Population	Assessed Value	Gross Bonded Debt
1993	90,320	\$ 2,406,310,837	\$ 34,350,000
1994	92,688	2,551,047,735	31,275,000
1995	94,834	2,800,721,619	26,565,000
1996	97,166	3,022,797,614	23,245,000
1997	99,458	3,105,692,181	20,350,000
1998	101,802	3,227,248,695	17,980,000
1999	105,694	3,460,333,153	15,930,000
2000	107,936	3,562,183,898	14,195,000
2001	111,806	3,873,339,642	12,405,000
2002	114,424	4,205,515,524	10,565,000



Table 9

**CITY OF McALLEN, TEXAS  
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE  
AND NET BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS**

Available Debt Service Fund	Net Bonded Debt	Net Bonded Debt	
		Ratio to Assessed Value	Per Capita
\$ 990,808	\$ 33,359,192	1.39	\$369
1,332,895	29,942,105	1.17	323
1,419,002	25,145,998	0.90	265
1,743,569	21,501,431	0.71	221
2,080,583	18,269,417	0.59	184
2,355,129	15,624,871	0.48	153
2,620,993	13,309,007	0.38	126
2,916,190	11,278,810	0.32	104
3,175,516	9,229,484	0.24	83
3,304,666	7,260,334	0.17	63

Table 10

**CITY OF McALLEN**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR**  
**GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL FUNDS EXPENDITURES**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Debt Service On General Bonded Debt</b>	<b>Total General Governmental Funds Expenditures (1)</b>	<b>Ratio of Debt Service to Total General Governmental Funds Expenditures (Percent)</b>
1993	\$ 4,474,659	\$ 60,605,302	7.38%
1994	12,366,111 (2)	61,955,450	19.96%
1995	5,276,683	55,295,612	9.54%
1996	4,744,195	48,423,558	9.80%
1997	4,171,622	55,634,751	7.50%
1998	3,514,144	63,324,648	5.55%
1999	3,051,522	73,693,299	4.14%
2000	2,617,581	80,132,224	3.27%
2001	2,563,832	79,534,943	3.22%
2002	2,499,873	77,460,435	3.23%

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

(2) High amount attributable to principal retirement of four general obligation issues: 1976; 1980; 1986; and 1988

Table 11

**CITY OF McALLEN, TEXAS  
PRINCIPAL TAXPAYERS  
YEAR ENDED SEPTEMBER 30, 2002**

Taxpayer	Assessed Valuation	Percentage of Total Assessed Valuation
1. Universal Health Services	\$ 56,701,491	1.35%
2. Simon Property Group #2	45,458,085	1.08%
3. Wal-Mart Stores Inc.	35,309,666	0.84%
4. HCA Health Services of TX	33,200,735	0.79%
5. Southwestern Bell	27,200,766	0.65%
6. Fina Oil & Chemical Co.	43,085,620	1.02%
7. Central Power & Light	23,811,802	0.57%
8. Texas State Bank	25,403,513	0.60%
9. May Dept. Stores	21,421,709	0.51%
10. H.E. Butt Grocery Co.	<u>18,476,230</u>	0.44%
	<u><b>\$ 330,069,617</b></u>	7.85%

Data source:

City of McAllen-Tax Office

Table 12

**CITY OF McALLEN, TEXAS  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
AND PROPERTY TAX RATES OF OVERLAPPING ENTITIES  
LAST TEN FISCAL YEARS**

<b>Taxing Body</b>	<b>Net Bonded Debt</b>	<b>Debt As of</b>	<b>Percent Overlapping</b>	<b>Amount Overlapping</b>
Hidalgo County	\$ 84,491,812	12/31/02	100.00%	\$ 84,491,812
Hidalgo I.S.D.	2,740,500	08/31/01	0.45%	12,332
Edinburg I.S.D.	51,359,330	08/31/02	0.21%	107,854
McAllen I.S.D.	39,218,263	08/31/02	94.04%	36,880,854
P.S.J.A. I.S.D.	104,095,000	08/31/02	4.59%	4,777,960
Sharyland I.S.D.	<u>821,630</u>	08/31/02	4.68%	<u>38,452</u>
Total gross overlapping debt	282,726,535			126,309,264
City of McAllen	<u>7,260,334</u>	09/30/02	100.00%	<u>7,260,334</u>
Total direct and overlapping debt	<u><u>\$ 289,986,869</u></u>			<u><u>\$ 133,569,598</u></u>

Source: Local Taxing Entities

Table 12

**CITY OF McALLEN, TEXAS  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
AND PROPERTY TAX RATES OF OVERLAPPING ENTITIES  
LAST TEN FISCAL YEARS**

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
\$ 0.41	\$0.41	\$ 0.41	\$ 0.46	\$ 0.46	\$ 0.44	\$ 0.44	\$ 0.50	\$ 0.52	\$ 0.52
1.37	1.37	1.39	1.42	1.54	1.57	1.57	1.57	1.57	1.57
1.26	1.26	1.35	1.39	1.47	1.55	1.55	1.55	1.41	1.55
1.33	1.33	1.35	1.45	1.45	1.53	1.53	1.58	1.54	1.54
1.43	1.43	1.43	1.50	1.57	1.59	1.59	1.63	1.62	1.62
1.37	1.37	1.37	1.41	1.41	1.46	1.46	1.54	1.54	1.54
0.35	0.42	0.43	0.48	0.47	0.45	0.42	0.42	0.42	0.42

All figures above are based on \$100/valuation.

Tax rates are rounded off to nearest hundredths.

Table 13

<p style="text-align: center;"><b>CITY OF McALLEN, TEXAS</b> <b>COMPUTATION OF LEGAL DEBT MARGIN</b> <b>SEPTEMBER 30, 2002</b></p>
--

Assessed valuation 2001 tax roll for fiscal year 2002	\$ 4,205,515,524
Debt limit - Texas statutes do not prescribe a debt limit; however, by custom, a practical economic debt limit of 5% of the assessed valuation is used.	<div>5%</div> <div>210,275,776</div>
Total bonded debt	10,565,000
Deduct amount available in debt service fund	<div>3,304,666</div>
Applicable debt	<div>7,260,334</div>
Economic debt margin	<div>\$ 203,015,442</div>



Table 14

**CITY OF McALLEN, TEXAS**  
**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Property Value (1)</b>	<b>Construction</b>	<b>Bank Deposits</b>
1993	\$ 2,406,310,837	\$ 104,946,058	\$ 1,504,321,707
1994	2,551,047,735	109,552,278	1,515,642,000
1995	2,800,721,619	111,415,940	1,642,722,869
1996	3,022,797,614	113,913,538	1,751,980,171
1997	3,105,692,181	156,002,158	1,968,314,027
1998	3,227,248,695	120,730,784	2,170,976,920
1999	3,460,333,153	179,214,512	2,305,422,150
2000	3,562,183,898	175,175,927	2,365,939,001
2001	3,873,339,642	202,898,831	2,572,993,861
2002	4,205,515,524 (a)	198,946,076 (b)	3,200,745,877 (c)

(1) Includes only taxable property.

Information provided by:

- (a) City of McAllen Tax Department for current year. Previous year information, was provided by the McAllen Independent School District- Tax Office
- (b) City of McAllen Inspection Department
- (c) McAllen Chamber of Commerce

Table 15

**CITY OF McALLEN, TEXAS  
REVENUE BOND COVERAGE  
WATER AND SEWER BONDS  
LAST TEN FISCAL YEARS**

**WATER FUND:**

<b>Fiscal Year</b>	<b>Gross Revenue</b>	<b>Direct Operating Expenses</b>	<b>Net Revenue Available For Debt Service (1)</b>	<b>Debt Service Requirements</b>	<b>Coverage</b>
1993	\$ 6,470,175	\$ 4,323,077	\$ 2,147,098	\$ 265,610	8.08
1994	6,560,982	4,469,213	2,091,769	274,207	7.63
1995	7,469,824	4,511,409	2,958,415	268,294	11.03
1996	7,839,961	5,112,150	2,727,811	289,373	9.43
1997	7,914,855	5,093,106	2,821,749	474,163	5.95
1998	8,680,396	5,198,677	3,481,719	773,323	4.50
1999	9,103,734	5,814,544	3,289,190	1,003,568	3.28
2000	11,546,355	5,935,842	5,610,513	909,148	6.17
2001	13,620,766	6,101,989	7,518,777	2,238,273	3.36
2002	13,595,999	6,782,989	6,813,010	2,195,221	3.10

**SEWER FUND:**

<b>Fiscal Year</b>	<b>Gross Revenue</b>	<b>Direct Operating Expenses</b>	<b>Net Revenue Available For Debt Service (1)</b>	<b>Debt Service Requirements</b>	<b>Coverage</b>
1993	(2)				
1994	(2)				
1995	(2)				
1996	(2)				
1997	\$ 4,613,288	\$ 3,531,387	\$ 1,968,970	\$ 199,747	9.86
1998	6,656,018	3,850,196	2,805,822	542,675	5.17
1999	7,241,418	4,135,347	3,106,071	678,594	4.58
2000	7,899,827	4,310,674	3,589,153	880,030	4.08
2001	8,919,843	4,428,743	4,491,100	1,377,089	3.26
2002	9,731,320	4,634,025	5,097,295	1,438,373	3.54

(1) Net revenue available for debt service is calculated as follows: Gross Revenue - Direct Operating Expenses + Depreciation Expenses.

(2) The 1980 Bond Issue was retired during the fiscal year; therefore, related information is not disclosed for the Sewer Fund.



Table 16

**CITY OF McALLEN, TEXAS  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Population</b>	<b>Per Capita Income</b>	<b>Median Age</b>	<b>Percentage HS Graduate</b>	<b>School Enrollment</b>	<b>Percentage Of Unemployment</b>
1993	90,320	\$ 11,864	29.2	60.06%	21,656	11.26%
1994	92,688	12,377	29.4	60.80	21,691	11.19
1995	94,834	12,889	29.6	61.53	21,845	12.82
1996	97,166	13,402	29.8	62.27	21,830	13.44
1997	99,458	13,914	30.0	63.00	21,704	12.4
1998	101,802	14,427	30.1	63.73	21,589	12.07
1999	105,694	14,939	30.3	64.47	21,388	9.94
2000	107,936	15,452	30.5	65.20	21,625	9.25
2001	111,806	15,964	30.7	65.93	21,970	8.89
2002	114,424 (a)	16,477 (b)	30.9 (c)	66.70 (c)	23,360 (d)	8.41 (e)

Information provided by:

- (a) U.S. Bureau of Census, 1970, 1980 & 1990 Decennial Census & Series P-26 Intercensal Estimates & Local Estimates.
- (b) U.S. Bureau of Census, 1970, 1980 & 1990 Decennial Census & Series P-26 & Local Estimates.
- (c) U.S. Bureau of Census, 1970, 1980 & 1990 Decennial Census & Local Estimates.
- (d) McAllen Independent School District
- (e) Texas Workforce Commission

Table 17

<p align="center"><b>CITY OF MCALLEN, TEXAS</b>  <b>MISCELLANEOUS STATISTICAL DATA</b></p>
--

Date of Incorporation:	February 20, 1911
Date of Adoption of City Charter:	January 31, 1927
Form of Government	Home Rule
Area:	
Square miles	46.8
Acres (estimated)	29,931
Miles of Streets:	
Paved within City limits - City maintained	488
Paved within City limits - State maintained	98
Miles of Sewer:	
Storm	185
Sanitary	421
Building Permits:	
Permits issued	1,821
Estimated cost	\$198,946,076
Fire Protection:	
Number of stations	6
Number of employees - Paid firemen - full time	129
- Civilian	7
Police Protection:	
Number of stations	1
Number of substations	11
Number of employees - Commissioned	256
- Civilian	116
Recreation:	
Developed parks (acres)	456
Undeveloped (acres)	128
Number of municipal golf links (18-hole course)	1
Number of municipal swimming pools	4
Lighted tennis courts	25
Lighted baseball diamonds/athletic fields	17

Table 17

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

**Education**

(City of McAllen within the McAllen Independent  
School District)

Number of teachers	1,570
Number of registered students	23,360

Total Number of City Employees (Including part-time employees):	1,459
---	-------

**Hospitals:**

Number of hospitals	3
Number of hospital beds	774
Number of convalescent homes	8

**Growth Statistics**

**Population  
(U.S. Census)**

**Number**

**Percent  
Increase**

1930	9,074	N/A
1940	11,877	30.8%
1950	20,067	68.9
1960	32,728	63.1
1970	37,636	15.0
1980	65,480	73.9
1990	87,040	32.4
1995 (Estimate)	94,834	8.2
1996 (Estimate)	97,166	2.5
1997 (Estimate)	99,458	2.4
1998 (Estimate)	101,802	2.4
1999 (Estimate)	105,694	3.8
2000	107,936	2.1
2001 (Estimate)	111,806	3.6
2002 (Estimate)	114,424	2.3

Table 17

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

	1998	1999	2000	2001	2002
Acres in City	27,893	29,701	29,830	29,931	30,281
% Change	1.07	6.48	0.43	0.34	1.17
Miles of Street in City	400	482	511	518	586
% Change	2.04	20.50	6.02	1.37	13.13
Miles in Sanitary Sewer	364	367 *	412 **	421	421
% Change	0.55	0.82	12.26	2.18	-0.02
Miles of Water Lines	520	539 *	557 *	569 *	580
% Change	3.59	3.65	3.34	2.15	1.99
Building Permits	1,617	1,749	1,719	1,693	1,821
% Change (Decrease)	7.09	8.16	(1.72)	(1.51)	7.56
Number of City Employees	1,149	1,253	1,266	1,366	1,459
% Change (Decrease)	(23.17)	9.05	1.04	7.90	6.81
Population	101,802	105,694	107,936	111,806	114,424
% Change	2.74	3.82	2.12	3.59	2.34

\* According to Geographical Information System figure is accurate.

\*\* Alton Interceptor added to System this year

**WATER ENTERPRISE FUND**

Class of Customer	Number	Gallons
Residential	28,931	3,967,418,470
Commercial	5,009	2,552,512,150
Industrial	163	377,110,400
Number of gallons shown to have passed through the master meters at the City's plants #1 and #2 during the period		7,359,364,000
Number of gallons billed		(6,897,041,020)
Estimated Water used in fire hydrant testing, etc.		(49,000,000)
Estimated number of gallons unaccounted due to breaks, leaks,		413,322,980

Table 17

<p align="center"><b>CITY OF MCALLEN, TEXAS</b>  <b>MISCELLANEOUS STATISTICAL DATA</b></p>
--

**WATER ENTERPRISE FUND, cont'd.**

The rate charged for water furnished and consumed under the standard water rate schedule by Section 106-82 of the City Ordinance, amended October 10, 2000 to all classes of customers is as follows:

<b>Meter Size</b>	<b>(1) Minimum Gallons</b>	<b>(2) Minimum Rate</b>
N/A	N/A	3.50

- 1.) \$1.30 per 1,000 gallon for consumption.
- 2.) Water rates outside City limits are as set forth above plus an additional fifty (50) percent of total water bill.

The following miscellaneous statistical data is presented for the last ten fiscal years:

	<b>Rainfall (Inches)</b>	<b>Number Of Customers Water Sewer</b>	
1993	22.13	24,094	22,471
1994	10.48	25,335	23,432
1995	17.38	26,338	24,054
1996	10.19	27,526	24,774
1997	22.61	28,413	25,465
1998	24.81	29,472	26,332
1999	19.14	30,665	27,366
2000	12.91	31,404	27,954
2001	22.38	32,580	28,971
2002	13.78	34,103	30,398

## **SINGLE AUDIT SECTION**

This section contains information regarding grant activity which was audited under the guidelines of the Single Audit Act of 1984 and the United States of Management and Budget's Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations.*





**PADGETT, STRATEMANN & CO., L.L.P.**

Certified Public Accountants and Business Advisors

**Independent Auditors' Report on Compliance  
and on Internal Control Over Financial Reporting Based  
on an Audit of Financial Statements Performed  
in Accordance With *Government Auditing Standards***

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

We have audited the basic financial statements of City of McAllen, Texas (the "City") as of and for the year ended September 30, 2002, and have issued our report thereon dated January 17, 2003. 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.

***Compliance***

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be

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material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated January 17, 2003.

This report is intended solely for the information and use of the Audit Committee, management, and appropriate federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

Certified Public Accountants  
January 17, 2003





**PADGETT, STRATEMANN & CO., L.L.P.**

Certified Public Accountants and Business Advisors

**Independent Auditors' Report on Compliance  
With Requirements Applicable to Each Major  
Program and Internal Control Over Compliance  
in Accordance With OMB Circular A-133  
and the State of Texas Single Audit Circular Issued  
by the Office of the Governor of the State of Texas**

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

***Compliance***

We have audited the compliance of City of McAllen, Texas (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* and the *State of Texas Single Audit Circular*, issued by the Office of the Governor of the State of Texas that are applicable to each of its major federal programs for the year ended September 30, 2002. The City's major federal program is 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 and the State of Texas Single Audit Circular*, issued by the Office of the Governor of the State of Texas. 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

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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 on 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, 2002.

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

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, issued by the Office of the Governor of the State of Texas.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Audit Committee, management, and appropriate federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

Certified Public Accountants  
January 17, 2003



**CITY OF McALLEN, TEXAS**

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

Year Ended September 30, 2002

<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 Programs:				
Community Development Block Grant:				
26th Year Entitlement Grant	14.218	CB00MC48506	\$ 2,568,000	\$ 1,603,486
27th Year Entitlement Grant	14.218	CB01MC48506	2,668,000	651,770
Emergency Shelter Program	14.231	S00MC480506	91,000	71,152
Emergency Shelter Program	14.231	S01MC480506	91,000	15,575
Home Investment Partnerships Program	14.239	M01MC480506	766,000	427,476
Total U.S. Department of Housing and Urban Development				<u>2,769,459</u>
<b>U.S. Department of Transportation</b>				
Direct Programs:				
Airport Improvement Program	20.106	3-48-0144-28	5,227,546	2,488,584
Airport Improvement Program	20.106	3-48-0144-29	212,367	205,725
Airport Improvement Program	20.106	3-48-0144-30	26,851,736	368,833
Airport Improvement Program	20.600	581xxF6079	55,000	47,886
Airport Improvement Program	20.600	582xxF6095	13,790	10,461
Total U.S. Department of Transportation				<u>3,121,489</u>
<b>U.S. Department of Justice</b>				
Direct Programs:				
Universal Hiring Program	16.710	98CQWX0006	3,220,812	1,035,888
COPS More	16.592	2001CMWX6413	399,000	394,361
				<u>1,430,249</u>
Passed through the Office of the Governor:				
Federal Drug Enforcement Agency	16.579	DB01A101388803	1,346,379	849,345
Federal Drug Enforcement Agency	16.579	DB01A101388804	797,320	193,376
Passed through Hidalgo County:				
Community and Schools				
Weed and Seed Program	16.595	2002-WS-OX-0026	50,000	41,004
Passed through the City of McAllen:				
Juvenile Accountability	16.523	JM-00J30-1379603	34,246	30,821
Incentives Block Grant	16.523	JM-00J30-1379604	31,535	8,482
				<u>1,123,028</u>
Total U.S. Department of Justice				<u>2,553,277</u>
Total federal financial assistance expended				<u>8,444,225</u>

**CITY OF McALLEN, TEXAS**

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

Year Ended September 30, 2002

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Disbursements/ Expenditures</u>
<b>Texas Department of Transportation</b>				
Auto Theft Prevention	N/A	SA00T0109186	\$ 268,612	\$ 255,793
Airport Improvement Program	N/A	MCMCALN	20,000	13,150
Texas Department of Protective and Regulatory Service	N/A	Career Explorers	48,419	38,962
Texas Department of Protective and Regulatory Service	N/A	None	90,000	9,184
Texas Department of Protective and Regulatory Service	N/A	None	90,000	85,494
Texas Department of Protective and Regulatory Service	N/A	None	72,746	13,042
Texas Office of the Attorney General	N/A	VADG	40,990	8,988
Texas Infrastructure Fund Board	N/A	QE-2000-LTA4S-4186	99,900	95,727
Total Texas Department of Transportation				<u>520,340</u>
Total state financial assistance expended				<u>520,340</u>
Total federal and state financial assistance expended				<u>\$ 8,964,565</u>

*See independent auditors' report and accompanying notes.*

## **CITY OF McALLEN, TEXAS**

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

Year Ended September 30, 2002

#### **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, 2002. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

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

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



## CITY OF McALLEN, TEXAS

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

Year Ended September 30, 2002

#### 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	\$ 2,255,256
Home Investment Partnerships Program	14.239	427,476

**CITY OF McALLEN, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended September 30, 2002

<b>Program</b>	<b>Description</b>
Type of Report on Financial Statements	Unqualified
Reportable Conditions	None
Material Weaknesses Involving Reportable Conditions	None
Noncompliance Material to the Financial Statements	None
Type of Report on Compliance With Major Programs	Unqualified
Findings and Questioned Costs for Federal Awards as Defined in Section .510(a), OMB Circular A-133 and/or Generally Accepted Governmental Accounting Standards	None
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Low-Risk Auditee Statements	City of McAllen, Texas was classified as a low-risk auditee in the context of OMB Circular A-133
Major Federal Programs	Airport Improvement Program, CFDA #20.106; Home Investment Partnerships Program, CFDA #14.239
Total All Questioned Costs	None

**CITY OF McALLEN, TEXAS**

**SCHEDULE OF STATUS OF PRIOR FINDINGS**

Year Ended September 30, 2002

<b>Program</b>	<b>Status of Prior Year's Finding/Noncompliance</b>
None	No Prior Findings



**CITY OF McALLEN, TEXAS**  
**CORRECTIVE ACTION PLAN**  
Year Ended September 30, 2002

<b>Program</b>	<b>Corrective Action Plan</b>
None	Not Applicable

**CONTINUING DISCLOSURE  
REQUIREMENTS OF SEC  
RULE 15 (c) 2-12**

## Annual Report Continuing Disclosure Requirements of SEC Rule 15(c)2-12

This information is being provided by the **City of McAllen, Texas** (the "Issuer") in compliance with its contractual undertaking (the "Undertaking") to provide an annual report of financial and operating information, as required by Rule 15(c) 2-12 (the "Rule") of the Securities and Exchange Commission, regarding the following municipal debt issues:

Issuer  
CUSIP Number  
579160

<u>Issue Description</u>
\$4,240,000 City of McAllen, Texas Waterworks and Sewer System Improvement Revenue Bonds, Series 1996B
\$20,000,000 City of McAllen, Texas Waterworks and Sewer System Improvement Revenue Bonds, Series 1999
\$20,000,000 City of McAllen, Texas Waterworks and Sewer System Improvement Revenue Bonds, Series 2000

The report is based on information compiled by the Issuer. This information has been obtained from Issuer records, audited financial statements and other sources which are believed to be reliable. This information is provided in satisfaction of the Undertaking, containing information as prescribed by the Rule. The Issuer makes no warranty concerning the usefulness of such information to a decision to invest in, hold or sell bonds or other debt instruments of the Issuer. Information agreed to be provided by the Issuer may be reported in full text herein, or may be incorporated by reference to certain other publicly available documents. The Undertaking requires that the Issuer provide information annually, while the debt identified above is outstanding, and that such information will be provided by a date not more than six months following the close of the Issuer's fiscal year. The required information includes financial statements of the Issuer, which may be provided separately. If it becomes available within the aforesaid period for providing information, the audited annual financial report of the Issuer will be provided, otherwise unaudited financial information will be provided within the prescribed time and audited financial information will be provided when and if it becomes available.

Approved for submission:

January 17, 2003  
Date

  
Mike R. Pérez  
City Manager

**TABLE 1 - HISTORICAL WATER CONSUMPTION (Gallons)**

<b>Fiscal Year Ended</b>	<b>Daily Average</b>	<b>Peak Day</b>	<b>Peak Month</b>	<b>Total Usage</b>	<b>Water Revenue</b>
<b>9/30</b>	<b>(000's)</b>	<b>(000's)</b>	<b>(000's)</b>	<b>(000's)</b>	
1998	16,269	26,240	728,574	5,938,332	7,480,497
1999	15,887	27,120	608,427	5,798,608	7,714,101
2000	17,964	28,709	643,607	6,556,795	9,401,544
2001	17,551	28,418	760,597	6,406,294	10,417,323
2002	18,896	29,507	783,213	6,897,041	11,319,094
2003 (1)	16,014	29,754	514,334	1,473,279	2,456,786

(1) Part year only, through December 31, 2002

**TABLE 2 - TEN LARGEST WATER CUSTOMERS (Based on Gallons Consumed)**

<b>Customer</b>	<b>Type of Industry</b>	<b>Water Usage (000's)</b>	<b>% of Total Water Usage</b>	<b>Water Revenue</b>	<b>% of Total Water Revenue</b>
Magic Valley Fresh Frozen	Produce Packaging	97,194	1.41%	\$126,394	1.12%
Coca Cola Bottling Company	Beverage MFG	61,236	0.89%	79,649	0.70%
Magic Valley Fresh Frozen LLC	Produce Packaging	54,350	0.79%	70,697	0.62%
Rio Grande Regional	Hospital	33,796	0.49%	43,976	0.39%
McAllen Medical Center #1	Hospital	25,606	0.37%	33,330	0.29%
El Patrimonio	Apartment Complex	23,440	0.34%	30,514	0.27%
City of McAllen Trailer Prk	Mobile Home Park	22,251	0.32%	28,969	0.26%
City of McAllen, Baseball Comp	Sports Complex	17,370	0.25%	22,623	0.20%
McAllen ISD Rowe High School	Sprinkler Meter	16,630	0.24%	21,704	0.19%
City of McAllen	Sprinkler Meter	16,202	0.23%	21,104	0.19%
		<u>368,075</u>	<u>5.34%</u>	<u>\$478,960</u>	<u>4.23%</u>

**TABLE 3 - MONTHLY WATER RATES**

<b>New Rates</b>		<b>Old Rates</b>	
<b>(Effective October 9, 2000)</b>		<b>(Effective December 1, 1999)</b>	
<b>Inside City Minimum Rate</b>	<b>Commodity Rate (1)</b>	<b>Meter Size</b>	<b>Inside City Minimum Rate (2)</b>
\$3.50	\$ 1.30	3/4"	\$ 5.00
		1"	8.60
		1 1/2"	14.60
		2"	21.80
		3"	38.60
		4"	62.60
		6"	122.60

(1) Per 1,000 gallons or any part thereof

(2) First 2,000 gallons or less, per month \$5.00  
All over 2,000 gallons per month, each additional 1,000  
gallons or any part thereof, \$1.20

**TABLE 4 - WASTEWATER USAGE (Gallons)**

<b>Fiscal Year Ended 9/30</b>	<b>Daily Average (000's)</b>	<b>Monthly Average (000's)</b>	<b>Total Usage (000's)</b>	<b>Total Revenue</b>
1998	13,616	268,806	4,969,696	5,682,101
1999	13,281	403,970	4,847,636	6,432,815
2000	14,539	442,232	5,306,784	7,060,156
2001	14,312	435,319	5,223,824	7,475,330
2002	15,437	469,546	5,634,556	8,166,020
2003 (1)	13,469	413,057	1,239,171	1,949,318

(1) Part year only through December 31, 2002

**TABLE 5 - TEN LARGEST WASTEWATER CUSTOMERS**

<b>Customer</b>	<b>Type of Industry</b>	<b>Wastewater Revenue</b>	<b>% of Total Wastewater Revenue</b>
City of Alton Lift Station #1	Lift Station	\$135,741	1.66%
Magic Valley Fresh Frozen Inc	Produce Packaging	51,135	0.63%
Magic Valley Fresh Frozen LLC	Produce Packaging	28,642	0.35%
Rio Grande Regional	Hospital	25,455	0.31%
Coca Cola Bottling Company	Beverage Manufacturer	23,072	0.28%
McAllen Medical Center (1)	Hospital	19,313	0.24%
City of McAllen	Trailer Park	16,797	0.21%
El Patrimonio	Apartment Complex	15,752	0.19%
McAllen Medical Center (2)	Hospital	9,576	0.12%
Calmac Suites, Ltd.	Hotel	9,063	0.11%
		<u>\$334,546</u>	<u>4.10%</u>

**TABLE 6 - MONTHLY SEWER RATES**

**New Rates**

**(Effective December 1, 1999)**

**Residential, Commercial and Industrial**

All classes have an \$9.00 minimum for administrative charges and for operation, maintenance and availability for service. Variable charges as follows:

Residential Usage: Minimum monthly charges plus \$0.75 per 1,000 gallons or part thereof metered water according to water usage.

Commercial Usage: Minimum charges and \$0.75 per 1,000 gallons or part thereof metered water according to water usage.

Industrial Usage: Minimum charges and \$0.75 times the level of return.

- Level 1 = 0.10
- Level 2 = 0.50
- Level 3 = 0.70



**TABLE 6 - MONTHLY SEWER RATES (continued)**

**Old Rates**  
**(Effective May 1, 1999)**

**Residential, Commercial and Industrial**

All classes have a \$9.00 minimum for administrative charges and for operation, maintenance and availability for service. Variable charges as follows:

Residential Usage: Minimum charges and \$0.71 per 1,000 gallons or part thereof metered water according to water usage.

Commercial Usage: Minimum charges and \$0.71 per 1,000 gallons or part thereof metered water according to water usage.

Industrial Usage: Minimum charges and \$0.71 times the level of return.

Level 1 =	0.10
Level 2 =	0.50
Level 3 =	0.70
Level 4 =	0.90

**TABLE 7 - WATERWORKS AND SEWER SYSTEM REVENUE DEBT SERVICE REQUIREMENTS**

Fiscal Year Ended 9/30	Outstanding Debt			% of Principal Retired
	Principal	Interest	Total	
2003	1,585,000	2,057,003	3,642,003	
2004	1,675,000	1,969,341	3,644,341	
2005	1,770,000	1,876,022	3,646,022	12.61%
2006	1,860,000	1,777,006	3,637,006	
2007	1,400,000	1,683,763	3,083,763	
2008	1,480,000	1,596,775	3,076,775	
2009	1,570,000	1,509,434	3,079,434	
2010	1,660,000	1,422,366	3,082,366	32.59%
2011	1,745,000	1,336,350	3,081,350	
2012	1,830,000	1,250,615	3,080,615	
2013	1,920,000	1,159,326	3,079,326	
2014	2,015,000	1,062,619	3,077,619	
2015	2,120,000	960,135	3,080,135	56.74%
2016	2,225,000	851,582	3,076,582	
2017	2,345,000	737,388	3,082,388	
2018	2,465,000	617,182	3,082,182	
2019	2,595,000	490,063	3,085,063	
2020	1,095,000	394,438	1,489,438	83.63%
2021	1,160,000	332,425	1,492,425	
2022	1,230,000	266,700	1,496,700	
2023	1,300,000	196,313	1,496,313	
2024	1,380,000	120,938	1,500,938	
2025	1,460,000	41,063	1,501,063	100.00%
	<u>\$39,885,000</u>	<u>\$23,708,841</u>	<u>\$63,593,841</u>	

## TABLE 8 - AUTHORIZED BUT UNISSUED REVENUE BONDS

The City has no voted but unissued revenue bonds, and pursuant to State law, the City is not required to approve its revenue bonds at an election.

## TABLE 9 - CONDENSED STATEMENT OF OPERATIONS

### Fiscal Year Ended September 30,

Revenues	2002	2001	2000	1999	1998
Water Service	\$11,319,094	\$10,417,323	\$9,401,544	\$7,714,101	\$7,480,497
Sewer Service	8,166,020	7,475,330	7,060,156	6,432,815	5,682,101
Interest Earnings	2,891,057	4,341,632	2,616,442	1,341,303	1,343,481
Miscellaneous	951,148	306,324	368,040	856,933	830,335
Total Revenues	<u>\$23,327,319</u>	<u>\$22,540,609</u>	<u>\$19,446,182</u>	<u>\$16,345,153</u>	<u>\$15,336,414</u>
Expenses					
Salaries, wages, and employee benefits	4,723,693	4,227,488	4,088,196	3,953,455	3,422,565
Supplies and materials	2,015,454	1,834,323	2,053,596	1,984,178	2,005,725
Contractual and other services	3,272,168	3,474,798	3,375,954	3,262,954	2,724,129
Repairs and maintenance	691,833	627,416	585,643	542,184	856,708
Other Expenses	713,866	366,707	143,127	58,334	39,746
Total Expenses	<u>\$11,417,014</u>	<u>\$10,530,732</u>	<u>\$10,246,516</u>	<u>\$9,801,105</u>	<u>\$9,048,873</u>
Net Available for Debt Service	<u>\$11,910,305</u>	<u>\$12,009,877</u>	<u>\$9,199,666</u>	<u>\$6,544,048</u>	<u>\$6,287,541</u>
Water Customers	34,103	32,580	31,404	30,665	29,472
Sewer Customers	30,398	28,971	27,954	27,366	26,332

## TABLE 10 - COVERAGE AND FUND BALANCES

Average Annual Principal and Interest Requirements, 2003 - 2025	\$2,764,950
Coverage of Average Annual Requirements by 2002 Net Income	4.31 x
Maximum Principal and Interest Requirements, 2005	\$3,646,022
Coverage of Maximum Requirements by 2002 Net Income	3.27 x
Waterworks and Sewer System Revenue Bonds Outstanding, 9/30/2002	\$39,885,000
Interest and Sinking Fund, 9/30/2002	\$879,207

**TABLE 11 - VALUE OF THE SYSTEM**

**Fiscal Year Ended September 30,**

<b><u>Waterworks System</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>	<b><u>1999</u></b>	<b><u>1998</u></b>
Land	\$2,115,109	\$2,115,109	\$3,235,677	\$3,235,677	\$2,647,570
Buildings	17,948,991	9,980,989	10,004,338	9,412,256	9,412,256
Improvements other than Buildings	35,562,607	39,044,550	34,183,331	34,185,471	31,213,528
Furniture and Equipment	2,125,043	1,802,459	1,885,460	1,531,388	1,279,871
Construction in Progress	9,230,141	3,670,058	1,890,567	397,524	1,628,252
<b><u>Sewer System</u></b>					
Land	\$734,993	\$734,993	\$738,919	\$738,919	\$738,919
Buildings	7,902,728	1,911,875	1,927,830	1,927,830	1,927,122
Improvements other than Buildings	37,485,453	37,258,660	34,980,314	34,167,952	32,271,267
Furniture and Equipment	3,972,445	3,477,686	3,180,723	2,025,848	2,470,472
Construction in Progress	489,146	3,609,903	2,600,475	2,489,675	335,035
Total Value	\$117,566,656	\$103,606,282	\$94,627,634	\$90,112,540	\$83,924,293
Less: Depreciation	46,954,517	43,397,287	40,899,062	37,967,840	35,333,273
Net System Value	<u>\$70,612,139</u>	<u>\$60,208,995</u>	<u>\$53,728,572</u>	<u>\$52,144,700</u>	<u>\$48,591,020</u>

**TABLE 12 - CITY'S EQUITY IN SYSTEM**

**Fiscal Year Ended September 30,**

<b><u>Resources</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>	<b><u>1999</u></b>	<b><u>1998</u></b>
Net System Value	\$70,612,139	\$60,208,995	\$53,728,572	\$52,144,700	\$48,591,020
Cash and Investments	60,155,313	70,891,345	62,603,101	38,176,655	23,130,807
Other Resources	1,974,440	1,813,219	4,599,758	4,125,572	3,408,654
Total Resources	\$132,741,892	\$132,913,559	\$120,931,431	\$94,446,927	\$75,130,481
<b><u>Obligations</u></b>					
Revenue Bonds Payable	\$39,885,000	\$41,390,000	\$42,765,000	\$23,385,000	\$8,061,897
Other Obligation	6,634,010	11,696,787	5,012,740	3,013,347	1,865,977
Total Obligations	\$46,519,010	\$53,086,787	\$47,777,740	\$26,398,347	\$9,927,874
City's Equity in System	<u>\$86,222,882</u>	<u>\$79,826,772</u>	<u>\$73,153,691</u>	<u>\$68,048,580</u>	<u>\$65,202,607</u>
Percentage City's Equity in System	64.96%	60.06%	60.49%	72.05%	86.79%



**TABLE 13 - CURRENT INVESTMENTS**

As of December 31, 2002, the City's investable funds were invested in the following categories:

**CITY OF MCALLEN**

Description	Percent of Total	Purchase Price	Market Value
Certificates of Deposit	61.95%	\$91,968,441	\$91,968,441
United States Agencies	30.46%	45,211,344	45,995,349
Local Government Investment Pool	7.59%	11,273,087	11,279,737
TOTALS	100.00%	<u>\$148,452,872</u>	<u>\$149,243,527</u>

**PUBLIC UTILITY BOARD**

Description	Percent of Total	Purchase Price	Market Value
Certificates of Deposit	83.32%	\$47,356,712	\$47,356,712
United States Agencies	11.04%	6,272,856	6,359,158
Local Government Investment Pool	5.64%	3,205,769	3,207,659
TOTALS	100.00%	<u>\$56,835,337</u>	<u>\$56,923,529</u>

**TOTAL**

Description	Percent of Total	Purchase Price	Market Value
Certificates of Deposit	67.87%	\$139,325,153	\$139,325,153
United States Agencies	25.08%	51,484,200	52,354,507
Local Government Investment Pool	7.05%	14,478,856	14,487,399
TOTALS	100.00%	<u>\$205,288,209</u>	<u>\$206,167,059</u>

As of December 31, 2002, 48% of the City's investment portfolio matures within 12 months according to stated maturities. The market value of the investment portfolio was approximately 101% of its purchase price. Investments are booked at cost when purchased and accreted or discounted monthly up to maturity. No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

## Annual Report Continuing Disclosure Requirements of SEC Rule 15(c)2-12

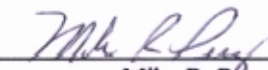
This information is being provided by the **City of McAllen, Texas** (the "Issuer") in compliance with its contractual undertaking (the "Undertaking") to provide an annual report of financial and operating information, as required by Rule 15(c) 2-12 (the "Rule") of the Securities and Exchange Commission, regarding the following municipal debt issues:

Issuer	Issue Description
<u>CUSIP Number</u> 579117	<u>\$2,300,000 City of McAllen, Texas International Toll Bridge System Revenue Bonds, Series 2002</u>

The report is based on information compiled by the Issuer. This information has been obtained from Issuer records, audited financial statements and other sources which are believed to be reliable. This information is provided in satisfaction of the Undertaking, containing information as prescribed by the Rule. The Issuer makes no warranty concerning the usefulness of such information to a decision to invest in, hold or sell bonds or other debt instruments of the Issuer. Information agreed to be provided by the Issuer may be reported in full text herein, or may be incorporated by reference to certain other publicly available documents. The Undertaking requires that the Issuer provide information annually, while the debt identified above is outstanding, and that such information will be provided by a date not more than six months following the close of the Issuer's fiscal year. The required information includes financial statements of the Issuer, which may be provided separately. If it becomes available within the aforesaid period for providing information, the audited annual financial report of the Issuer will be provided, otherwise unaudited financial information will be provided within the prescribed time and audited financial information will be provided when and if it becomes available.

Approved for submission:

January 17, 2003  
Date

  
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Mike R. Pérez  
City Manager

**TABLE 1 - HISTORICAL SOUTHBOUND VEHICLE AND PASSENGER TRAFFIC**

Fiscal Year Ending	Vehicular Traffic			Passenger Traffic			Toll Revenues
	Cars	Trucks	Buses	Passengers In Cars	Pedestrians	Passengers In Trucks & Buses	
1999	5,891,486	51,241	29,771	13,079,099	1,237,087	863,359	8,345,022
2000	5,906,612	49,043	28,273	13,112,816	1,353,816	819,917	8,479,483
2001	5,989,198	39,378	27,442	13,296,020	1,399,142	795,818	9,837,787
2002	6,098,562	29,111	25,840	13,538,808	1,296,998	749,360	9,871,097
2003 (2)	1,553,325	6,661	7,228	3,883,313	348,900	187,361	2,502,719

(1) Restated

(2) Part year only, through December 31, 2002

**TABLE 2 - TOLL RATES (Effective September 1, 2000)**

	New Rates	Old Rates
Pedestrians	\$0.25	\$0.25
Auto and Pickups	\$1.50	\$1.25
Trucks:		
2 Axle	\$4.00	\$4.00
3 Axle	6.00	6.00
4 Axle	8.00	8.00
5 Axle	10.00	10.00
6 Axle	12.00	12.00
Buses		
2 Axle	\$4.00	\$4.00
3 Axle	6.00	6.00
Motor Homes Per Axle	\$2.00/Axle	\$2.00/Axle
Machinery Per Axle	\$2.00	\$2.00
House Trailers	\$2.00/Axle	\$2.00/Axle
Boat Trailers	\$2.00/Axle	\$2.00/Axle
Motorcycle	\$1.00	\$1.00

**TABLE 3 - INTERNATIONAL TOLL BRIDGE REVENUE DEBT SERVICE REQUIREMENTS**

Fiscal Year Ended 9/30	Outstanding Debt			% of Principal Retired
	Principal	Interest	Total	
2003	180,000	99,878	279,878	
2004	190,000	91,553	281,553	16.09%
2005	200,000	82,778	282,778	
2006	210,000	73,553	283,553	
2007	225,000	63,765	288,765	43.70%
2008	235,000	53,415	288,415	
2009	245,000	42,615	287,615	
2010	260,000	31,253	291,253	75.87%
2011	270,000	19,328	289,328	
2012	285,000	6,626	291,626	
	<u>\$2,300,000</u>	<u>\$564,781</u>	<u>\$2,864,781</u>	100.00%

**TABLE 4 - CONDENSED STATEMENT OF OPERATIONS**

	2002	2001	2000	1999	1998
<b>Revenues</b>					
Charges for Services	\$9,871,097	\$9,837,787	\$8,479,463	\$8,345,022	\$7,576,175
Rental	700,424	665,284	650,647	636,320	640,208
Miscellaneous	425,442	902,775	642,331	495,073	198,116
Total Revenues	<u>\$10,996,963</u>	<u>\$11,405,846</u>	<u>\$9,772,441</u>	<u>\$9,476,415</u>	<u>\$8,414,499</u>
<b>Expenses</b>					
Salaries, wages and employee benefits	\$1,076,483	\$970,764	\$886,015	\$844,287	\$852,554
Supplies and materials	67,248	53,555	67,580	48,474	40,280
Contractual and other services	995,067	331,461	661,688	515,627	705,797
Repairs and maintenance	125,350	99,191	58,367	51,919	61,093
Other Expenses	-	-	-	-	-
Total Expenses	<u>\$2,264,148</u>	<u>\$1,454,971</u>	<u>\$1,673,650</u>	<u>\$1,460,307</u>	<u>\$1,659,724</u>
Net Available for Debt Service	<u>\$8,732,815</u>	<u>\$9,950,875</u>	<u>\$8,098,791</u>	<u>\$8,016,108</u>	<u>\$6,754,775</u>

**TABLE 5 - COVERAGE AND FUND BALANCES**

Average Annual Principal and Interest Requirements, 2002 - 2003	\$286,476
Coverage of Average Annual Requirements by 2002 Net Income	30.48 x
Maximum Principal and Interest Requirements, 2003	\$291,626
Coverage of Maximum Requirements by 2002 Net Income	29.95 x
International Toll Bridge System Revenue Bonds Outstanding	\$2,300,000
Interest and Sinking Fund, 9/30/2002	\$99,495
Reserve Fund, 9/30/2002	\$225,000
Contingency, 9/30/2002	\$501,342



**TABLE 6 - VALUE OF THE SYSTEM**

	Fiscal Year Ended September 30,				
<u>Toll Bridge</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Land	\$573,797	\$573,797	\$573,797	\$573,797	\$573,797
Buildings	7,811,195	7,772,986	7,493,452	3,589,264	3,551,419
Bridge, Equipment & Improvement	<u>2,254,265</u>	<u>2,218,209</u>	<u>2,452,683</u>	<u>6,091,989</u>	<u>6,076,750</u>
Total Value	10,639,257	10,564,992	10,519,932	10,255,051	10,201,966
Less: Depreciation	<u>4,451,261</u>	<u>4,173,818</u>	<u>3,909,227</u>	<u>3,624,113</u>	<u>3,352,998</u>
Net System Value	<u>\$6,187,996</u>	<u>\$6,391,174</u>	<u>\$6,610,705</u>	<u>\$6,630,938</u>	<u>\$6,848,968</u>

**TABLE 7 - CITY'S EQUITY IN SYSTEM**

	Fiscal Year Ended September 30,				
<u>Resources</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Net System Value	\$6,187,996	\$6,391,174	\$6,610,705	\$6,630,938	\$6,848,968
Cash and Investments	1,176,111	1,880,246	5,849,764	5,377,567	4,922,124
Other Resources	<u>14,947,520</u>	<u>12,189,201</u>	<u>8,880,619</u>	<u>7,359,689</u>	<u>7,192,878</u>
Total Resources	\$22,311,627	\$20,460,621	\$19,321,088	\$19,368,174	\$18,963,970
<u>Obligations</u>					
Revenue Bonds Payable	\$180,000	\$170,243	\$335,243	\$822,071	\$1,388,823
General Obligation Debt Payable	-	-	-	-	-
Other Obligations	<u>897,869</u>	<u>865,549</u>	<u>937,084</u>	<u>744,601</u>	<u>686,423</u>
Total Obligations	<u>\$1,077,869</u>	<u>\$1,035,792</u>	<u>\$1,272,327</u>	<u>\$1,566,672</u>	<u>\$2,075,246</u>
City's Equity in System	<u>\$21,233,758</u>	<u>\$19,424,829</u>	<u>\$18,048,761</u>	<u>\$17,801,502</u>	<u>\$16,888,724</u>
Percentage City's Equity in System	95.17%	94.94%	93.41%	91.91%	89.06%

**TABLE 8 - CURRENT INVESTMENTS**

As of December 31, 2002, the City's investable funds were invested in the following categories:

**CITY OF MCALLEN**

<u>Description</u>	<u>Percent of Total</u>	<u>Purchase Price</u>	<u>Market Value</u>
Certificates of Deposit	36.76%	\$4,014,833	\$4,014,833
United States Agencies	37.77%	4,125,000	4,201,871
Local Government Investment Pool	<u>25.46%</u>	<u>2,780,948</u>	<u>2,780,948</u>
TOTALS	<u>100.00%</u>	<u>\$10,920,781</u>	<u>\$10,997,652</u>

## Annual Report Continuing Disclosure Requirements of SEC Rule 15(c)2-12


This information is being provided by the **City of McAllen, Texas** (the "Issuer") in compliance with its contractual undertaking (the "Undertaking") to provide an annual report of financial and operating information, as required by Rule 15(c) 2-12 (the "Rule") of the Securities and Exchange Commission, regarding the following municipal debt issues:

<u>Issuer</u> <u>CUSIP Number</u>	<u>Issue Description</u>
579086	\$25,000,000 City of McAllen, Texas Development Corporation Sales Tax Revenue Bonds, Series 1998

The report is based on information compiled by the Issuer. This information has been obtained from Issuer records, audited financial statements and other sources which are believed to be reliable. This information is provided in satisfaction of the Undertaking, containing information as prescribed by the Rule. The Issuer makes no warranty concerning the usefulness of such information to a decision to invest in, hold or sell bonds or other debt instruments of the Issuer. Information agreed to be provided by the Issuer may be reported in full text herein, or may be incorporated by reference to certain other publicly available documents. The Undertaking requires that the Issuer provide information annually, while the debt identified above is outstanding, and that such information will be provided by a date not more than six months following the close of the Issuer's fiscal year. The required information includes financial statements of the Issuer, which may be provided separately. If it becomes available within the aforesaid period for providing information, the audited annual financial report of the Issuer will be provided, otherwise unaudited financial information will be provided within the prescribed time and audited financial information will be provided when and if it becomes available.

Approved for submission:

January 17, 2003  
Date

  
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Mike R. Perez  
City Manager

**TABLE 1 - DEVELOPMENT CORPORATION SALES TAX REVENUE BOND -  
DEBT SERVICE REQUIREMENTS**

Fiscal Year Ended 9/30	Outstanding Debt			% of Principal Retired
	Principal	Interest	Total	
2003	925,000	1,060,149	1,985,149	
2004	965,000	1,018,559	1,983,559	13.38%
2005	1,010,000	974,110	1,984,110	
2006	1,055,000	927,395	1,982,395	
2007	1,105,000	878,243	1,983,243	
2008	1,160,000	825,568	1,985,568	28.70%
2009	1,215,000	769,148	1,984,148	
2010	1,275,000	708,113	1,983,113	
2011	1,340,000	642,068	1,982,068	
2012	1,410,000	571,590	1,981,590	52.88%
2013	1,485,000	496,673	1,981,673	
2014	1,565,000	416,981	1,981,981	
2015	1,650,000	332,588	1,982,588	
2016	1,740,000	243,600	1,983,600	69.22%
2017	1,835,000	149,756	1,984,756	
2018	1,935,000	50,794	1,985,794	100.00%
	<u>\$21,670,000</u>	<u>\$10,065,335</u>	<u>\$31,735,335</u>	

**TABLE 2 - HISTORICAL CITY RECEIPTS OF 1% SALES TAX**

Month of Receipt	Year Ending 9/30/2002	Year Ending 9/30/2001	Year Ending 9/30/2000	Year Ending 09/30/99	Year Ending 09/30/98
October	\$1,782,313	\$1,710,069	\$1,569,091	\$1,469,340	\$1,463,280
November	\$1,319,979	1,219,637	1,337,982	1,042,013	953,356
December	\$1,467,000	1,408,670	1,257,599	980,711	1,005,328
January	\$2,545,102	2,459,323	2,296,853	2,286,235	2,064,196
February	\$1,266,286	1,248,925	1,274,105	1,083,178	1,041,810
March	\$1,462,959	1,322,367	1,287,847	1,052,375	1,023,183
April	\$2,022,183	1,922,508	1,885,528	1,813,971	1,608,499
May	\$1,465,885	1,324,480	1,293,682	1,174,417	1,121,738
June	\$1,459,070	1,337,463	1,242,508	1,059,901	1,042,395
July	\$1,837,731	1,871,443	1,731,299	1,634,827	1,605,447
August	\$1,512,787	1,305,266	1,243,917	1,097,318	1,091,005
September	<u>\$1,482,873</u>	<u>1,389,275</u>	<u>1,264,151</u>	<u>1,076,892</u>	<u>1,064,139</u>
	<u>\$19,624,165</u>	<u>\$18,519,424</u>	<u>\$17,684,562</u>	<u>\$15,771,175</u>	<u>\$15,084,374</u>

Beginning October 1, 1997 the City initiated the collection of the 1/2 of 1% additional sales tax approved by the voters of the City in the election of May 3, 1997. Additionally, in 1990 the City voted to initiate the 1/2 sales tax for ad valorem tax reduction. The City began collecting this tax in December 1990. The sales tax is pledged for the payment of the bonds.

**TABLE 3 - CALCULATIONS OF COVERAGE FOR THE ISSUANCE OF ADDITIONAL BONDS**

Sales Tax Collection for Fiscal Year 2002.....	\$9,812,085
Maximum Annual Debt Service	\$1,985,794
Coverage of Maximum Requirements by 2002 Sales Tax Collections.....	4.94 times
Average Annual Debt Service.....	\$1,983,458
Coverage of Average Requirements by 2002 Sales Tax Collections.....	4.95 times



**Additional Supplemental Information  
On Debt Service Requirements**

**General Obligation Bonds**

CITY OF McALLEN, TEXAS  
GENERAL OBLIGATION BONDS  
ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY  
ALL SERIES

YEAR	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL	PRINCIPAL BALANCE
					\$ 10,565,000
2003	1,900,000	554,084	6,000	2,460,084	8,665,000
2004	1,960,000	445,042	6,000	2,411,042	6,705,000
2005	2,030,000	331,632	6,000	2,367,632	4,675,000
2006	2,100,000	215,588	6,000	2,321,588	2,575,000
2007	1,250,000	102,750	3,000	1,355,750	1,325,000
2008	1,325,000	34,213	3,000	1,362,213	-
	<u>\$ 10,565,000</u>	<u>\$ 1,683,309</u>	<u>\$ 30,000</u>	<u>\$ 12,278,309</u>	

CITY OF McALLEN, TEXAS  
GENERAL OBLIGATION BONDS  
ALL SERIES  
DEBT SERVICE CURRENT REQUIREMENTS

ISSUE	OUTSTANDING 10/1/2002	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL
1991	\$ 2,575,000	\$ 650,000	\$ 148,250	\$ 1,500	\$ 799,750
1991	1,125,000	275,000	61,062	1,500	337,562
1993	2,360,000	335,000	109,625	1,500	446,125
1993	<u>4,505,000</u>	<u>640,000</u>	<u>235,147</u>	<u>1,500</u>	<u>876,647</u>
	<u>\$ 10,565,000</u>	<u>\$ 1,900,000</u>	<u>\$ 554,084</u>	<u>\$ 6,000</u>	<u>\$ 2,460,084</u>

CITY OF McALLEN  
1991 GENERAL OBLIGATION BOND  
SCHEDULE OF REQUIREMENTS

EFFECTIVE INTEREST RATE: 6.147%

MATURITY	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL
02-01-03		30,531	1,500	\$ 32,031
08-01-03	275,000	30,531		305,531
02-01-04		22,625	1,500	24,125
08-01-04	275,000	22,625		297,625
02-01-05		14,719	1,500	16,219
08-01-05	275,000	14,719		289,719
02-01-06		7,500	1,500	9,000
08-01-06	300,000	7,500		307,500
	<u>\$ 1,125,000</u>	<u>\$ 150,750</u>	<u>\$ 6,000</u>	<u>\$ 1,281,750</u>

CITY OF McALLEN  
1991 GENERAL OBLIGATION - AIRPORT  
SCHEDULE OF REQUIREMENTS

EFFECTIVE INTEREST RATE: 6.356%

MATURITY	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL
02-01-03		74,125	1,500	\$ 75,625
08-01-03	650,000	74,125		724,125
02-01-04		54,625	1,500	56,125
08-01-04	650,000	54,625		704,625
02-01-05		35,125	1,500	36,625
08-01-05	650,000	35,125		685,125
02-01-06		15,625	1,500	17,125
08-01-06	625,000	15,625		640,625
	<u>\$ 2,575,000</u>	<u>\$ 359,000</u>	<u>\$ 6,000</u>	<u>\$ 2,940,000</u>

CITY OF McALLEN  
1993 GENERAL OBLIGATION - AIRPORT  
SCHEDULE OF REQUIREMENTS

EFFECTIVE INTEREST RATE: 5.832%

MATURITY	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL
02-01-03	640,000	126,374	1,500	\$ 767,874
08-01-03		108,773		108,773
02-01-04	680,000	108,774	1,500	790,274
08-01-04		89,393		89,393
02-01-05	725,000	89,394	1,500	815,894
08-01-05		68,550		68,550
02-01-06	770,000	68,550	1,500	840,050
08-01-06		46,413		46,413
02-01-07	820,000	46,413	1,500	867,913
08-01-07		22,837		22,837
02-01-08	870,000	22,838	1,500	894,338
	<u>\$ 4,505,000</u>	<u>\$ 798,309</u>	<u>\$ 9,000</u>	<u>\$ 5,312,309</u>

CITY OF McALLEN  
1993 GENERAL OBLIGATION BOND  
SCHEDULE OF REQUIREMENTS

EFFECTIVE INTEREST RATE: 5.293%

MATURITY	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL
02-01-03	335,000	59,000	1,500	\$ 395,500
08-01-03		50,625		50,625
02-01-04	355,000	50,625	1,500	407,125
08-01-04		41,750		41,750
02-01-05	380,000	41,750	1,500	423,250
08-01-05		32,250		32,250
02-01-06	405,000	32,250	1,500	438,750
08-01-06		22,125		22,125
02-01-07	430,000	22,125	1,500	453,625
08-01-07		11,375		11,375
02-01-08	455,000	11,375	1,500	467,875
	<u>\$ 2,360,000</u>	<u>\$ 375,250</u>	<u>\$ 9,000</u>	<u>\$ 2,744,250</u>



## **Utility, Bridge, and Sales Tax Bonds**

### **Water and Sewer Revenue Bonds**

Within the Utility System Water and Sewer Funds, restricted cash reserves are established for payment of bond principal, interest, and agent fees. Currently, user fee rates are sufficient to produce the money required to pay principal and interest as it comes due and provide the interest and sinking fund reserve.

### **Bridge Revenue Bond**

Within the McAllen International Toll Bridge Fund, a restricted cash reserve is established for payment of bond principal, interest, and agent fees. Long-term obligations are secured by the general credit and toll collecting powers of the Toll Bridge.

### **Sales Tax Revenue Bond**

Within the Development Corporation of McAllen Inc. Fund, restricted cash reserves are established for payment of bond principal, interest, and agent fees.

CITY OF McALLEN, TEXAS  
WATER REVENUE BOND  
DEBT SERVICE CURRENT REQUIREMENTS

ISSUE	OUTSTANDING 10/1/2002	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL
1999	\$ 10,550,770	\$ 401,850	\$ 510,286	\$ -	\$ 912,136
2000	<u>8,309,750</u>	<u>228,000</u>	<u>621,186</u>	<u>-</u>	<u>849,186</u>
	<u><u>\$ 18,860,520</u></u>	<u><u>\$ 629,850</u></u>	<u><u>\$ 1,131,472</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,761,322</u></u>

CITY OF McALLEN, TEXAS  
SEWER SYSTEM IMPROVEMENTS REVENUE BONDS  
ALL SERIES  
DEBT SERVICE CURRENT REQUIREMENTS

ISSUE	OUTSTANDING 10/1/2002	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL
1996	\$ 2,050,000	\$ 480,000	\$ 71,965	\$ -	\$ 551,965
1999	4,997,700	303,150	384,952	-	688,102
2000	5,217,750	172,000	468,614	-	640,614
	<u>\$ 12,265,450</u>	<u>\$ 955,150</u>	<u>\$ 925,531</u>	<u>\$ -</u>	<u>\$ 1,880,681</u>

CITY OF McALLEN, TEXAS  
 SERIES 2000 WATERWORKS AND SEWER SYSTEM REVENUE BONDS  
 DEBT SERVICE CURRENT REQUIREMENTS

ISSUE	OUTSTANDING 10/1/2002	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL
2000	\$ 19,325,000	\$ 400,000	\$ 1,089,800	\$ -	\$ 1,489,800
	<u>\$ 19,325,000</u>	<u>\$ 400,000</u>	<u>\$ 1,089,800</u>	<u>\$ -</u>	<u>\$ 1,489,800</u>

ALLOCATION TO WATER AND SEWER DEBT SERVICE FUNDS (SEE NOTE BELOW)

WATER DEBT SERVICE FUND

2000	<u>\$ 11,015,250</u>	<u>\$ 228,000</u>	<u>\$ 621,186</u>	<u>\$ -</u>	<u>\$ 849,186</u>
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SEWER DEBT SERVICE FUND

2000	<u>\$ 8,309,750</u>	<u>\$ 172,000</u>	<u>\$ 468,614</u>	<u>\$ -</u>	<u>\$ 640,614</u>
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NOTE: The proceeds of this combined water and sewer revenue bond issue will finance both water and sewer improvement projects. The allocation of debt service to each respective debt service fund, which is shown above, reflects the estimated amount to be spent for improvements related to each fund. The corresponding percentages used in this allocation for water and sewer are 57% and 43%, respectively.

CITY OF McALLEN, TEXAS  
 SERIES 2000 WATERWORKS AND SEWER  
 SYSTEM IMPROVEMENT REVENUE BONDS  
 SCHEDULE OF REQUIREMENTS

EFFECTIVE INTEREST RATE: VARIOUS\*

MATURITY	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL
02-01-03	400,000	551,650	-	\$ 951,650
08-01-03		538,150	-	538,150
02-01-04	430,000	538,150	-	968,150
08-01-04		523,638	-	523,638
02-01-05	460,000	523,638	-	983,638
08-01-05		508,113	-	508,113
02-01-06	490,000	508,113	-	998,113
08-01-06		491,575	-	491,575
02-01-07	525,000	491,575	-	1,016,575
08-01-07		473,856	-	473,856
02-01-08	560,000	473,856	-	1,033,856
08-01-08		454,956	-	454,956
02-01-09	600,000	454,956	-	1,054,956
08-01-09		434,706	-	434,706
02-01-10	640,000	434,706	-	1,074,706
08-01-10		413,906	-	413,906
02-01-11	680,000	413,906	-	1,093,906
08-01-11		396,906	-	396,906
02-01-12	715,000	396,906	-	1,111,906
08-01-12		378,584	-	378,584
02-01-13	750,000	378,584	-	1,128,584
08-01-13		358,897	-	358,897
02-01-14	790,000	358,897	-	1,148,897
08-01-14		338,159	-	338,159
02-01-15	835,000	338,159	-	1,173,159
08-01-15		315,719	-	315,719
02-01-16	880,000	315,719	-	1,195,719
08-01-16		292,069	-	292,069
02-01-17	930,000	292,069	-	1,222,069
08-01-17		267,075	-	267,075
02-01-18	980,000	267,075	-	1,247,075
08-01-18		240,738	-	240,738
02-01-19	1,035,000	240,738	-	1,275,738
08-01-19		212,275	-	212,275
02-01-20	1,095,000	212,275	-	1,307,275
08-01-20		182,163	-	182,163
02-01-21	1,160,000	182,163	-	1,342,163
08-01-21		150,263	-	150,263
02-01-22	1,230,000	150,263	-	1,380,263
08-01-22		116,438	-	116,438
02-01-23	1,300,000	116,438	-	1,416,438
08-01-23		79,875	-	79,875
02-01-24	1,380,000	79,875	-	1,459,875
08-01-24		41,063	-	41,063
02-01-25	1,460,000	41,063	-	1,501,063
	<u>\$ 19,325,000</u>	<u>\$ 14,969,894</u>	<u>\$ -</u>	<u>\$ 34,294,894</u>

\* FROM 5.00% TO 6.750%

CITY OF McALLEN, TEXAS  
 SERIES 2000 WATERWORKS AND SEWER SYSTEM REVENUE BONDS  
 ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY

YEAR	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL	PRINCIPAL BALANCE
					\$ 19,325,000
2003	400,000	1,089,800	-	1,489,800	18,925,000
2004	430,000	1,061,788	-	1,491,788	18,495,000
2005	460,000	1,031,750	-	1,491,750	18,035,000
2006	490,000	999,688	-	1,489,688	17,545,000
2007	525,000	965,431	-	1,490,431	17,020,000
2008	560,000	928,813	-	1,488,813	16,460,000
2009	600,000	889,663	-	1,489,663	15,860,000
2010	640,000	848,613	-	1,488,613	15,220,000
2011	680,000	810,813	-	1,490,813	14,540,000
2012	715,000	775,491	-	1,490,491	13,825,000
2013	750,000	737,481	-	1,487,481	13,075,000
2014	790,000	697,056	-	1,487,056	12,285,000
2015	835,000	653,878	-	1,488,878	11,450,000
2016	880,000	607,788	-	1,487,788	10,570,000
2017	930,000	559,144	-	1,489,144	9,640,000
2018	980,000	507,813	-	1,487,813	8,660,000
2019	1,035,000	453,013	-	1,488,013	7,625,000
2020	1,095,000	394,438	-	1,489,438	6,530,000
2021	1,160,000	332,425	-	1,492,425	5,370,000
2022	1,230,000	266,700	-	1,496,700	4,140,000
2023	1,300,000	196,313	-	1,496,313	2,840,000
2024	1,380,000	120,938	-	1,500,938	1,460,000
2025	1,460,000	41,063	-	1,501,063	-
	<u>\$ 19,325,000</u>	<u>\$ 14,969,894</u>	<u>\$ -</u>	<u>\$ 34,294,894</u>	

CITY OF McALLEN, TEXAS  
 SERIES 1999 WATERWORKS AND SEWER  
 SYSTEM IMPROVEMENT REVENUE BONDS  
 SCHEDULE OF REQUIREMENTS

EFFECTIVE INTEREST RATE: VARIOUS\*

MATURITY	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL
02-01-03	705,000	457,533	-	\$ 1,162,533
08-01-03		437,705	-	437,705
02-01-04	745,000	437,705	-	1,182,705
08-01-04		416,752	-	416,752
02-01-05	785,000	416,752	-	1,201,752
08-01-05		394,674	-	394,674
02-01-06	825,000	394,674	-	1,219,674
08-01-06		371,471	-	371,471
02-01-07	875,000	371,471	-	1,246,471
08-01-07		346,861	-	346,861
02-01-08	920,000	346,861	-	1,266,861
08-01-08		321,101	-	321,101
02-01-09	970,000	321,101	-	1,291,101
08-01-09		298,670	-	298,670
02-01-10	1,020,000	298,670	-	1,318,670
08-01-10		275,083	-	275,083
02-01-11	1,065,000	275,083	-	1,340,083
08-01-11		250,454	-	250,454
02-01-12	1,115,000	250,454	-	1,365,454
08-01-12		224,670	-	224,670
02-01-13	1,170,000	224,670	-	1,394,670
08-01-13		197,175	-	197,175
02-01-14	1,225,000	197,175	-	1,422,175
08-01-14		168,388	-	168,388
02-01-15	1,285,000	168,388	-	1,453,388
08-01-15		137,869	-	137,869
02-01-16	1,345,000	137,869	-	1,482,869
08-01-16		105,925	-	105,925
02-01-17	1,415,000	105,925	-	1,520,925
08-01-17		72,319	-	72,319
02-01-18	1,485,000	72,319	-	1,557,319
08-01-18		37,050	-	37,050
02-01-19	1,560,000	37,050	-	1,597,050
	<u>\$ 18,510,000</u>	<u>\$ 8,569,867</u>	<u>\$ -</u>	<u>\$ 27,079,867</u>

\* FROM 4.70% TO 5.625%

CITY OF McALLEN, TEXAS  
 SERIES 1999 WATERWORKS & SEWER SYSTEM REVENUE BONDS  
 ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY

YEAR	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL	PRINCIPAL BALANCE
					\$ 18,510,000
2003	705,000	895,238	-	1,600,238	17,805,000
2004	745,000	854,457	-	1,599,457	17,060,000
2005	785,000	811,426	-	1,596,426	16,275,000
2006	825,000	766,145	-	1,591,145	15,450,000
2007	875,000	718,332	-	1,593,332	14,575,000
2008	920,000	667,962	-	1,587,962	13,655,000
2009	970,000	619,771	-	1,589,771	12,685,000
2010	1,020,000	573,753	-	1,593,753	11,665,000
2011	1,065,000	525,537	-	1,590,537	10,600,000
2012	1,115,000	475,124	-	1,590,124	9,485,000
2013	1,170,000	421,845	-	1,591,845	8,315,000
2014	1,225,000	365,563	-	1,590,563	7,090,000
2015	1,285,000	306,257	-	1,591,257	5,805,000
2016	1,345,000	243,794	-	1,588,794	4,460,000
2017	1,415,000	178,244	-	1,593,244	3,045,000
2018	1,485,000	109,369	-	1,594,369	1,560,000
2019	1,560,000	37,050	-	1,597,050	-
	<u>\$ 18,510,000</u>	<u>\$ 8,569,867</u>	<u>\$ -</u>	<u>\$ 27,079,867</u>	



CITY OF McALLEN, TEXAS  
 SERIES 1999 WATERWORKS AND SEWER SYSTEM REVENUE BONDS  
 DEBT SERVICE CURRENT REQUIREMENTS

ISSUE	OUTSTANDING 10/1/2002	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL
1999	\$ 18,510,000	\$ 705,000	\$ 895,238	\$ -	\$ 1,600,238
	<u>\$ 18,510,000</u>	<u>\$ 705,000</u>	<u>\$ 895,238</u>	<u>\$ -</u>	<u>\$ 1,600,238</u>

ALLOCATION TO WATER AND SEWER DEBT SERVICE FUNDS (SEE NOTE BELOW)

WATER DEBT SERVICE FUND

1999	\$ 10,550,700	\$ 401,850	\$ 510,286	\$ -	\$ 912,136
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SEWER DEBT SERVICE FUND

1999	\$ 7,959,300	\$ 303,150	\$ 384,952	\$ -	\$ 688,102
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NOTE: The proceeds of this combined water and sewer revenue bond issue will finance both water and sewer improvement projects. The allocation of debt service to each respective debt service fund, which is shown above, reflects the estimated amount to be spent for improvements related to each fund. The corresponding percentages used in this allocation for water and sewer are 57% and 43%, respectively.

CITY OF McALLEN  
 SERIES 1996-B SEWER SYSTEM IMPROVEMENTS  
 REVENUE BONDS  
 SCHEDULE OF REQUIREMENTS

EFFECTIVE INTEREST RATE: VARIOUS\*

MATURITY	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL
02-01-03	480,000	40,542		\$ 520,542
08-01-03		31,423	-	31,423
02-01-04	500,000	31,423		531,423
08-01-04		21,673	-	21,673
02-01-05	525,000	21,673		546,673
08-01-05		11,173	-	11,173
02-01-06	<u>545,000</u>	<u>11,173</u>		<u>556,173</u>
	<u>\$ 2,050,000</u>	<u>\$ 169,080</u>	<u>\$ -</u>	<u>\$ 2,219,080</u>

\* FROM 2.9% TO 4.100%

CITY OF McALLEN, TEXAS  
 SERIES 1996-B SEWER SYSTEM IMPROVEMENTS  
 REVENUE BONDS  
 ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY

YEAR	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL	PRINCIPAL BALANCE
					\$ 2,050,000
2003	480,000	71,965	-	551,965	1,570,000
2004	500,000	53,096	-	553,096	1,070,000
2005	525,000	32,846	-	557,846	545,000
2006	545,000	11,173	-	556,173	-
	<u>\$ 2,050,000</u>	<u>\$ 169,080</u>	<u>\$ -</u>	<u>\$ 2,219,080</u>	

CITY OF McALLEN, TEXAS  
 SERIES 1996-B SEWER SYSTEM IMPROVEMENTS  
 REVENUE BONDS  
 DEBT SERVICE CURRENT REQUIREMENTS

ISSUE	OUTSTANDING 10/1/2002	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL
1996	\$ 2,050,000	\$ 480,000	\$ 71,965	\$ -	\$ 551,965
	<u>\$ 2,050,000</u>	<u>\$ 480,000</u>	<u>\$ 71,965</u>	<u>\$ -</u>	<u>\$ 551,965</u>

CITY OF McALLEN, TEXAS  
 SERIES 2002 TOLL BRIDGE REVENUE BONDS  
 ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY

YEAR	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL	PRINCIPAL BALANCE
					\$ 2,300,000
2003	180,000	99,878	-	279,878	2,120,000
2004	190,000	91,553	-	281,553	1,930,000
2005	200,000	82,778	-	282,778	1,730,000
2006	210,000	73,553	-	283,553	1,520,000
2007	225,000	63,765	-	288,765	1,295,000
2008	235,000	53,415	-	288,415	1,060,000
2009	245,000	42,615	-	287,615	815,000
2010	260,000	31,253	-	291,253	555,000
2011	270,000	19,328	-	289,328	285,000
2012	285,000	6,626	-	291,626	-
	<u>\$ 2,300,000</u>	<u>\$ 564,761</u>	<u>\$ -</u>	<u>\$ 2,864,761</u>	

CITY OF McALLEN  
 SERIES 2002 TOLL BRIDGE REVENUE BONDS  
 SCHEDULE OF REQUIREMENTS

EFFECTIVE INTEREST RATE: VARIOUS\*

MATURITY	PRINCIPAL	INTEREST	FEES	TOTAL
3/1/03	\$ 180,000	\$ 51,964	\$ -	\$ 231,964
9/1/03		47,914	-	47,914
3/1/04	190,000	47,914	-	237,914
9/1/04		43,639	-	43,639
3/1/05	200,000	43,639	-	243,639
9/1/05		39,139	-	39,139
3/1/06	210,000	39,139	-	249,139
9/1/06		34,414	-	34,414
3/1/07	225,000	34,414	-	259,414
9/1/07		29,351	-	29,351
3/1/08	235,000	29,351	-	264,351
9/1/08		24,064	-	24,064
3/1/09	245,000	24,064	-	269,064
9/1/09		18,551	-	18,551
3/1/10	260,000	18,551	-	278,551
9/1/10		12,701	-	12,701
3/1/11	270,000	12,701	-	282,701
9/1/11		6,626	-	6,626
3/1/12	285,000	6,626	-	291,626
	<u>\$ 2,300,000</u>	<u>\$ 564,761</u>	<u>\$ -</u>	<u>\$ 2,864,761</u>

\* FROM 4.50% TO 4.65%

**Sales Tax Revenue Bond  
McAllen Economic Development Corporation**

CITY OF McALLEN, TEXAS  
 SERIES 1998 SALES TAX REVENUE BOND  
 ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY

YEAR	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL	PRINCIPAL BALANCE
					\$ 21,670,000
2003	925,000	1,060,149	-	1,985,149	20,745,000
2004	965,000	1,018,559	-	1,983,559	19,780,000
2005	1,010,000	974,110	-	1,984,110	18,770,000
2006	1,055,000	927,395	-	1,982,395	17,715,000
2007	1,105,000	878,243	-	1,983,243	16,610,000
2008	1,160,000	825,568	-	1,985,568	15,450,000
2009	1,215,000	769,148	-	1,984,148	14,235,000
2010	1,275,000	708,113	-	1,983,113	12,960,000
2011	1,340,000	642,068	-	1,982,068	11,620,000
2012	1,410,000	571,590	-	1,981,590	10,210,000
2013	1,485,000	496,672	-	1,981,672	8,725,000
2014	1,565,000	416,981	-	1,981,981	7,160,000
2015	1,650,000	332,588	-	1,982,588	5,510,000
2016	1,740,000	243,599	-	1,983,599	3,770,000
2017	1,835,000	149,755	-	1,984,755	1,935,000
2018	1,935,000	50,793	-	1,985,793	-
	<u>\$ 21,670,000</u>	<u>\$ 10,065,331</u>	<u>\$ -</u>	<u>\$ 31,735,331</u>	



CITY OF McALLEN  
 SERIES 1998 SALES TAX REVENUE BONDS  
 McALLEN ECONOMIC DEVELOPMENT CORPORATION  
 SCHEDULE OF REQUIREMENTS

EFFECTIVE INTEREST RATE: VARIOUS\*

MATURITY	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL
02-15-03	925,000	540,134	-	1,465,134
08-15-03		520,015		520,015
02-15-04	965,000	520,015	-	1,485,015
08-15-04		498,544		498,544
02-15-05	1,010,000	498,544	-	1,508,544
08-15-05		475,566		475,566
02-15-06	1,055,000	475,566	-	1,530,566
08-15-06		451,829		451,829
02-15-07	1,105,000	451,829	-	1,556,829
08-15-07		426,414		426,414
02-15-08	1,160,000	426,414	-	1,586,414
08-15-08		399,154		399,154
02-15-09	1,215,000	399,154	-	1,614,154
08-15-09		369,994		369,994
02-15-10	1,275,000	369,994	-	1,644,994
08-15-10		338,119		338,119
02-15-11	1,340,000	338,119	-	1,678,119
08-15-11		303,949		303,949
02-15-12	1,410,000	303,949	-	1,713,949
08-15-12		267,641		267,641
02-15-13	1,485,000	267,641	-	1,752,641
08-15-13		229,031		229,031
02-15-14	1,565,000	229,031	-	1,794,031
08-15-14		187,950		187,950
02-15-15	1,650,000	187,950	-	1,837,950
08-15-15		144,638		144,638
02-15-16	1,740,000	144,637	-	1,884,637
08-15-16		98,962		98,962
02-15-17	1,835,000	98,962	-	1,933,962
08-15-17		50,793		50,793
02-15-18	1,935,000	50,793	-	1,985,793
	<u>\$ 21,670,000</u>	<u>\$ 10,065,331</u>	<u>\$ -</u>	<u>\$ 31,735,331</u>

\* FROM 3.9% TO 5.25 %