



***CITY OF McALLEN, TEXAS***

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended September 30, 2004**

**Prepared by:  
Department of Finance**

***CITY OF McALLEN, TEXAS***  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

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**INTRODUCTORY SECTION**



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

November 21, 2003

MIKE R. PEREZ, City Manager

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

State and local law requires that the City of McAllen publish annually a complete set of financial statements presented in conformity with 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, 2003.

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

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



financial and demographic information, generally presented on a multi-year basis. Two supplemental sections have been added; one, which contains information submitted in compliance with SEC Rule 15c2-12; the other, debt service schedules both for general obligation and revenue bonds.

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

According to the Texas Workforce Commission, over the last 12 years the McAllen-Edinburg-Mission MSA employment in the nonagricultural sector has grown from 103,500 in 1991 to 173,000 in 2003—a 67% increase. Currently with total employment at 196,535, only 10% of employment is attributable to the agricultural category. Some of the more significant

employment numbers by industry, which represent over 50% of total employment, include government; trade, transportation and utilities; education and health services; and leisure and hospitality.

The Maquiladora “Twin Plant” Program, under which U.S. firms locate manufacturing facilities in Mexico accompanied by warehousing facilities in McAllen’s foreign trade zone in order to cut labor costs and remain competitive, has been responsible for a large part of the job growth. Since 1988 the McAllen Economic Development Corporation has been responsible for bringing 192 new companies, representing 17,117 new jobs to McAllen. Its efforts have also resulted in 235 new companies, representing 50,504 new jobs for Reynosa. The impact of the North American Free Trade Agreement (NAFTA), as it continues to develop, has also played a major role in increased trade with Mexico for the City as well as it the State of Texas. During 2002 Texas exported \$42B to Mexico, which represented over 40% of Texas’ total exports--making Mexico its Number One Trading Partner. As NAFTA continues to mature, the City of McAllen’s international toll bridge, connecting Hidalgo, Texas with Reynosa, will continue to facilitate trade between Mexico and the U. S.; and, more particularly the City with its proximity to Mexico and strong social, economic and cultural ties with the people of Mexico.

As a result of the job growth created by this transforming economy, the City’s unemployment rate declined by 41% over the last ten years. McAllen’s unemployment rate, which in September 1992 was 15.9%, declined to 9.4% as of September 2003.

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

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

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

MAJOR INITIATIVES  
For the Year 2002-03

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:

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

**Manager's Response: Completed. The Library Board has completed a feasibility study for a new building. The "Heart of the City" study suggested a location immediately south of City Hall at the site of the existing parking lot, however, site determination will be made in FY 2003-04.**

*Purchase of Regional Detention Facility/Park Improvements*

**Manager's Response: Completed. A site at Main and Xenops of 36.5 acres was purchased July 28, 2003. Design was approved by S&B. The site at McAulliffe School was designed by PBS&J.**

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

**Manager's Response: Completed.**

*Complete "Heart of the City" Planning Effort*

**Manager's Response: Completed and presented to the City Commission.**

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

**Manager's Response: Completed. A status report was presented to the City Commission at its August 11, 2003 meeting. Subsequent heavy rains in September 2003 has moved this issue to a higher priority.**

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

**Manager's Response: The State Legislature has delayed the March 10, 2003 deadline of the Texas Commission on Environmental Quality Stormwater Requirements, therefore, final comments have not been issued which affect our Stormwater Program. The City Commission has reviewed a storm water utility as part of the FY 2003-04 budget process.**

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

**Manager's Response: Completed. The irrigation and landscape contract has been awarded to Valley Crest Landscape.**

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

**Manager's Response: Partially completed. The City Commission selected Halff & Associates for the design work.**

*Improve Efficiency of Building Permit Process*

**Manager's Response:** *Blue Prince Software System is now operational at the Inspections Department. Several meetings with developers and AEP Utility resulted in changes for more efficient operations.*

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

**Manager's Response:** *This issue is currently under review by the Fire Department. Conclusions or recommendations have not been finalized.*

*Develop a Plan for a New Center Fire Station*

**Manager's Response:** *The City Commission authorized Croslin and Associates for building design on September 22, 2003.*

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

**Manager's Response:**

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

**Manager's Response:**

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

**Manager's Response:** *Completed. This project is scheduled for completion December 2003.*

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

**Manager's Response:** *The remediation plan is being furnished by the Engineering Department.*

*Revise Current Developers' Ordinance on Sign Regulation*

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

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

**Manager's Response:** *Substantially completed. Parking lot was completed with the exception of the landscaping, which is to be completed in FY 2003-04.*

*Complete Design and Begin Construction of City Hall Addition*

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

*Complete Study on Having Paid Parking at the Airport*

**Manager's Response:** *The City Commission considered a plan during FY 2003-04 budget process, however, chose to keep parking free.*

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

**Manager's Response:** *Completed.*

*Assure that Library Bids and Installation of New Catalogue System is Compatible with a Move to a New Library Building*

**Manager's Response:** *Completed. Bids were taken July 31, 2003. The project was awarded November 10, 2003.*

*Monitor Benchmarks of Development of 2002-03 City Capital Improvement Program and Help Remove any Obstacles to Complete Approved Projects*

***Manager's Response: This project is ongoing.***

*Monitor the Progress and Provide Leadership on City Effort to Reduce Overhead in Operation of McAllen Express Transit System*

***Manager's Response: Advertising and purchase of a private route to Reynosa were considered in FY 2003-04 budget process.***

*Continue Liaison Role with International Museum of Arts and Sciences to Determine Ways to Finish the Capital Improvements and Make Efficient Operations a Reality*

***Manager's Response: The new Executive Director has brought a greater focus on fiscal integrity.***

*Monitor the Progress for Completion of New Capital Improvements for the Palm View Golf Course, including Landscaping, Pumping Station, Lighting, etc.*

***Manager's Response: The pumping station project was completed. The landscape contract has been let. The flooding of a pilot channel will require the replacement of low water crossings.***

*Monitor the Progress and Success of the New Convention Booking Software to be Installed at Civic Center, Convention Center and Tourist Bureau*

***Manager's Response: Booking system software was installed both at the Civic Center and the Chamber of Commerce Visitors and Convention Bureau.***

#### For the Future

During the budget process, the City Commission identified the following goals and objectives for the coming fiscal year 2003-04:

Reduce time to complete Major Capital Projects.

Improve Efficiency of Private Development Process.

Continue Promotion of Homeowner Associations, creating:  
cleaner neighborhoods, and  
improved appearance of arterial streets.

Plan for new Main Library at Site in Center City

Assess the Performance Measurements Project

Complete Design of New Convention Center Complex

Widen McColl: Business 83 to Expressway

Reconstruct Bentsen Road: Pecan to 3-Mile

Open Wing of World Birding Center @ Quinta Mazatlan

Extend Hike-Bike Trail: South Loop

Complete Storm Drainage Improvements:

6<sup>th</sup> Street: Pecan to Fern

Main-Pecan-Harvey

Balboa pump upgrade

McAuliffe, Garza & Jackson Regional Detention Facility/School Parks

Remove obstructions in NE/North Central Blue Lines

Design new Emergency Operating Center/Administration

Adopt Fire Station Re-Location Plan

Continue Inter Connect via Radio 30 signals along 2<sup>nd</sup>, 10<sup>th</sup> & 23<sup>rd</sup> St. corridors.

Complete Southbound Toll Improvements at Bridge

Complete Revenue Bond Sale for Anzalduas Bridge Construction

Determine Software requirements for 2005 City Election.

## 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, 2003, 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 seven debt issues outstanding. These issues included \$5.9M of general obligation bonds and \$40.8M of revenue bonds--of which \$38.3M is related to the Water and Sewer Funds; \$2.1M, to the Bridge Fund; and \$375K, 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 A1 from Moody's Investor Service on general obligation bond issues for a number of years. Subsequent to yearend, Standard & Poor's Corporation upgraded the general obligation bonds to AA- and the sales tax revenue bonds to A+. 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, 2003, the City's net general obligation bonded debt of \$1,017,898 was well below the practical economic debt limit. Net bonded general obligation debt per capita amounted to \$9.

### Risk Management

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

### Cash Management Policies and Practices

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

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

As stated in the City's investment policy, its objectives are safety, liquidity and yield, in that order. Investment maturities range from 1 day to 3 ½ years. All investments held by the City during the year and at September 30, 2003 are classified in the category of lowest custodial risk as defined by the Governmental Accounting Standards Board. During the year, the City recognized \$5,360,289 in investment earnings, net of the amount reported in the Firemen's Relief & Retirement Fund, a decrease of \$3,386,966 from prior year—of which \$1,052,512 represents the change in the mark-to-market adjustment, leaving \$2,334,454 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 Long, Chilton, L.L.P., was selected by the City to perform this function. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Single Audit Act and OMB Circular A-133. Generally accepted auditing standards and the standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The auditors' report on the basic financial statements, required supplementary information and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports on internal controls and compliance with applicable laws and regulations can be found in the single audit section of this report.

#### ***Awards***

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the year ended September 30, 2002. This was the sixteenth consecutive year and the seventeenth 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, 2002. The budget for October 1, 2003 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,

A handwritten signature in blue ink, appearing to read "Jerry W. Dale", followed by a stylized flourish.

Jerry W. Dale, CPA CGFO  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of McAllen,  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2002

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



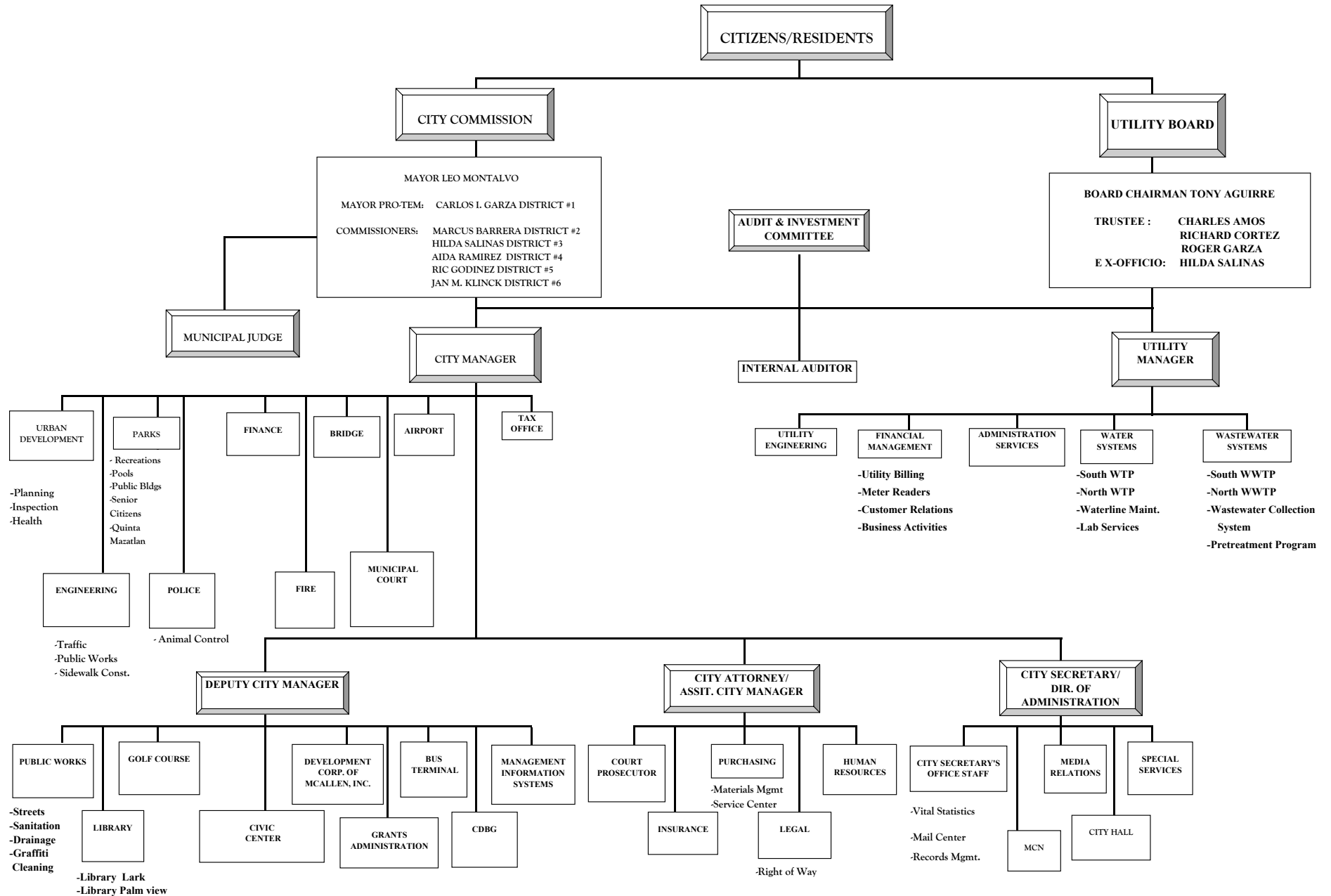
A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enen".

Executive Director

# CITY OF McALLEN, TEXAS



# CITY OF McALLEN, TEXAS

## LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2003

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 .....	Pilar Rodriguez, P.E.
Attorney .....	James E. Darling
Administrator of Financial Services .....	Jerry W. Dale
Administrator of Internal Services.....	Alfredo Garcia
Administrator of Urban Development .....	Julianne Rankin
Aviation Director .....	Derald Lary
Bridge Superintendent .....	George Ramon
City Secretary .....	Leticia Vacek
Fire Chief.....	Vacant
Parks and Recreation Director .....	Larry Pressler
Interim Personnel Director.....	Gloria Salinas
Police Chief.....	Victor Rodriguez

**FINANCIAL SECTION**

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of McAllen, Texas (the "City") as of and for the year ended September 30, 2003, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of City of McAllen, Texas' management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The financial statements of the City of McAllen, Texas for the year ended September 30, 2002 were audited by other auditors whose report, dated January 17, 2003, expressed an unqualified opinion on those statements.

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, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Development Corporation Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 21, 2003, on our consideration of City of McAllen's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 Management's Discussion and Analysis 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.



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 supplemental information on the Texas Municipal Retirement System and the Firemen's Relief and Retirement Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.



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

Harlingen, Texas  
November 21, 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, 2003 and the related effect on the City's financial condition. Please read it in conjunction with the transmittal letter on pages 3-12 and the City's financial statements, which begin on page 37.

### FINANCIAL HIGHLIGHTS

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

Total government-wide net assets increased \$34M as a result of this year's operations. Governmental activities contributed \$27M with the balance of \$7M resulting from business-type activities.

- **Governmental Activities – Revenues and Expenses Compared to Last Year** – Total revenues increased \$9M over last year. Most line items increased—the exception being other taxes, which remained at last year's level. Leading the increase was miscellaneous revenues, which increased \$4M with the most significant increase coming from oil and gas royalties and sale of land—amounting to \$3.5M and \$4.5M, respectively. Property taxes increased 1.5M. Sales tax continued to increase—this year by \$2.3M. Expenditures increased \$3M or 4%, which is largely attributable to public safety and highways and streets.
- **Business-Type Activities – Revenues and Expenses Compared to Last Year** – Total revenues decreased \$2M or 4% from last year. The decrease was largely due to decreased water consumption affected by an increase in rainfall as well as a decline in investment earnings due to lower yields. Overall expenses remained at the same level as last year.
- **City as a Whole – Revenues and Expenses Compared to Last Year** – Both governmental and business-type activity revenues increased \$7M or 4% over last year while expenses increased by \$3M or 2.8% for the same reasons as previously discussed.

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

As a result of this year's operations, the General Fund reported a \$14M increase to fund balance before transfers out to the Capital Improvement Fund and Debt Service Fund. After transferring \$8M to those funds, a \$6M increase in fund balance resulted. Taxes and charges for services as well as other less significant revenue increases exceeded the amended budget by \$9M, while expenditures and transfers-out were \$2M under the amended budget—all of which resulted in fund balance settling in at \$42M.

### 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 37 and 38-39) 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 44. 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 24. 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 25. The fund financial statements are presented on pages 44 through 69. 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 70 and 71. 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.

	<b>Net Assets (in Millions)</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
Current and other assets	\$117	\$127	\$94	\$102	\$211	\$229
Capital assets	<u>123</u>	<u>111</u>	<u>158</u>	<u>143</u>	<u>281</u>	<u>254</u>
Total assets	<u>240</u>	<u>238</u>	<u>252</u>	<u>245</u>	<u>492</u>	<u>483</u>
Long-term debt outstanding	10	36	45	44	55	80
Other liabilities	<u>10</u>	<u>10</u>	<u>8</u>	<u>8</u>	<u>18</u>	<u>18</u>
Total liabilities	20	46	53	52	73	98
Net assets:						
Invested in capital assets,						
Net of debt	120	86	134	132	254	218
Restricted	22	35	53	50	75	85
Unrestricted	<u>78</u>	<u>71</u>	<u>12</u>	<u>11</u>	<u>90</u>	<u>82</u>
Total net assets	<u>\$220</u>	<u>\$192</u>	<u>\$199</u>	<u>\$193</u>	<u>\$419</u>	<u>\$385</u>

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>2003</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
Revenues						
Program revenues:						
Charges for services	\$6	\$5	\$44	\$43	\$50	\$48
Federal grants	9	8	3	3	12	11
State grants	-	-	-	-	-	-
General revenues:						
Property taxes	20	19	-	-	20	19
Sales tax	42	40	-	-	42	40
Other taxes	8	8	-	-	8	8
Federal entitlements	-	-	-	-	-	-
Other general revenues	<u>13</u>	<u>9</u>	<u>4</u>	<u>7</u>	<u>17</u>	<u>16</u>
Total revenues	98	89	51	53	149	142
Program expenses						
General government	13	13	-	-	13	13
Public safety	36	34	-	-	36	34
Highways and streets	11	10	-	-	11	10
Health and welfare	6	5	-	-	6	5
Culture and recreation	11	11	-	-	11	11
Interest on long-term debt	1	2	Incl	Incl	1	2
Water	-	-	9	9	9	9
Sewer	-	-	7	7	7	7
Sanitation	-	-	8	8	8	8
Golf	-	-	1	1	1	1
Transit terminal	-	-	1	1	1	1
Civic center	-	-	1	1	1	1
Airport	-	-	4	4	4	4
Bridge	-	-	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>
Total expenses	<u>78</u>	<u>75</u>	<u>37</u>	<u>37</u>	<u>115</u>	<u>112</u>
Excess (deficiency)						
Before special items						
And transfers	20	14	14	16	34	30
Transfers	<u>7</u>	<u>7</u>	<u>(7)</u>	<u>(7)</u>	=	=
Increase (decrease)						
In net assets	<u>\$27</u>	<u>\$21</u>	<u>\$7</u>	<u>\$9</u>	<u>\$34</u>	<u>\$30</u>

Total revenues generated from both governmental and business-type activities this year amounted to \$149M. Expenses came in at \$115M, leaving \$34 as an increase to net assets.

**Governmental Activities**

Total revenues generated from governmental activities this year amounted to \$98M. Expenses came in at \$78M, leaving \$20M 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 \$27M.

The cost of all governmental activities this year was \$78M. However, as shown on the Statement of Activities on pages 38-39, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$63M. The other \$15M to finance these programs was paid by those who directly benefited from them (\$6M) and by other governments that subsidized certain programs with grants (\$9M).

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>2003</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
Police	\$25	\$23	19	16
General government	13	13	11	11
Highways and streets	11	10	8	10
Fire	10	9	10	9
Health and Welfare	<u>5</u>	<u>5</u>	<u>3</u>	<u>3</u>
Total	<u>\$60</u>	<u>\$60</u>	<u>\$49</u>	<u>\$49</u>

**Business-type Activities**

Total revenues generated from business-type activities this year amounted to \$51M. Expenses came in at \$37M, leaving \$14M 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 \$7M.

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 pages 44-45) decreased combined fund balance to \$88M, a decrease of \$9M from last year. The decrease came about largely from the Development Corp Fund, which resulted primarily from redeeming \$20M of sales tax revenue bonds.

### 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, 2003 and 2002.

<b><u>Revenues &amp; Transfers-In</u></b>	<b><u>2003 Amount</u></b>	<b><u>% of Total</u></b>	<b><u>2002 Amount</u></b>	<b><u>Amount of Increase (Decrease)</u></b>	<b><u>% Increase (Decrease)</u></b>
Taxes	\$69,506,277	60.16%	\$65,760,216	\$3,746,061	5.70%
Licenses & permits	1,434,515	1.24%	872,751	561,764	64.37%
Intergovernmental	5,504,875	4.76%	5,954,380	-449,505	-7.55%
Charges for services	2,991,704	2.59%	2,830,128	161,576	5.71%
Fines and Forfeitures	2,179,769	1.89%	2,070,902	108,867	5.26%
Investment Income	2,046,152	1.77%	3,648,354	-1,602,202	-43.92%
Miscellaneous	14,078,982	12.19%	5,229,689	8,849,293	169.21%
Transfers-in	<u>17,792,316</u>	<u>15.40%</u>	<u>22,313,291</u>	<u>-4,520,975</u>	<u>20.26%</u>
Total	<u>\$115,534,590</u>	<u>100.00%</u>	<u>\$108,679,711</u>	<u>\$6,854,879</u>	<u>6.31%</u>

### ***Taxes***

The most significant increase in taxes this year is attributable to sales tax, which increased \$2.3M or 6% over last year. It was followed by property tax, which posted a \$1.5M increase. Franchise taxes as well as hotel occupancy tax remained relatively flat.

### ***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 \$2.6M this year compared to \$3.8M last year—a decrease of \$1.2K. In addition, due to the GASB Statement No. 31 requirement to mark to market, the City recorded an unrealized loss amounting to \$590K, compared to an unrealized loss of \$99K last year—resulting in a net decrease in value between the years of \$1.6M.

### ***Miscellaneous***

Oil and gas royalties increased by \$3.5M over last year due to a recent discovery. Also, a tract of land in the medical center was sold to Driscoll Clinic for \$4.5M.

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

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

## Expenditures and Transfers-Out

The following table presents a summary of general fund, special revenue funds, debt service fund and capital projects funds expenditures, transfers-out and other financing uses for the years ended September 30, 2003 and 2002.

<b><u>Expenditures &amp; Transfers-Out</u></b>	<b><u>2003 Amount</u></b>	<b><u>Percent of Total</u></b>	<b><u>2002 Amount</u></b>	<b><u>Amount of Increase (Decrease)</u></b>	<b><u>Percent of Increase (Decrease)</u></b>
General government	\$14,152,828	11.41%	\$13,167,773	\$985,055	7.48%
Public safety	38,314,366	30.88%	36,070,171	2,244,195	6.22%
Highways & streets	17,238,974	13.90%	7,130,013	10,108,961	141.78%
Health & welfare	5,424,268	4.37%	5,023,136	401,132	7.99%
Culture & recreation	11,534,272	9.30%	10,273,642	1,260,630	12.27%
Capital Outlay	-	-	5,192,130	-5,192,130	N/A
Debt service:					
Principal	25,970,000	20.93%	2,725,000	23,245,000	853.03%
Interest & fiscal charges	1,109,026	.89%	1,759,168	-650,142	-36.96%
Transfers-out and other financing uses	<u>10,319,608</u>	<u>8.32%</u>	<u>15,476,699</u>	<u>-5,157,091</u>	<u>-33.32%</u>
Total	<u>\$124,063,342</u>	<u>100.00%</u>	<u>\$96,817,732</u>	<u>\$27,245,610</u>	<u>28.14%</u>

The major increase in governmental fund expenditures over last year was in highway and street projects and in principal payments on bonds. Some of the major street projects include:

- McColl – Business 83 to Expressway 83
- 29<sup>th</sup> Street – 3 Mile to Mynah
- 29<sup>th</sup> Street – Verdin to 6 Mile
- 2<sup>nd</sup> Street – Dove to Trenton
- Trenton – 23<sup>rd</sup> to Ware

Other capital improvements for which expenditures were made include:

- Final payment on the New Public Safety Building
- Improvements to the Northeast BlueLine Drainage Ditch
- Site for New Fire Station
- Site for Veteran's Nursing Home
- Additional land for the New Convention Center
- Police and Court Software
- Capital Contribution for New Boys & Girls Club Facility in the Northwest Part of the City of McAllen

Debt service expenditures included \$5.2M for payment of scheduled principal and interest on all general obligation bond indebtedness as well as the redemption of both Series 1991 bonds and \$20.4M for a partial redemption of the sales tax revenue bonds. The total amount outstanding on the remaining two general obligation bonds is \$5.9M and on the sales tax revenue bonds, \$375K.

### **Fund Balances**

Combined fund balance for the governmental fund types decreased \$9M, from a balance of \$96M in the prior year to \$88M 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, fund balance increased by \$6M—despite transferring \$8M to the Capital Improvement Fund for funding future capital projects and the Debt Service Fund. As of September 30, 2003, fund balance amounts to \$42M. Of that amount, \$1.4M is reserved for an interfund advance to the Sanitation Fund, as well as \$95K reserved for encumbrances—leaving \$41M 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 236 days, which is 96 days in excess of the minimum requirement.

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

The fund balance of the Development Corp Fund decreased from \$25M in the prior year to \$6M—a decrease of \$19M, representing spending down the balance for capital projects.

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

The fund balance of the Capital Improvement Fund decreased \$672K—from \$25M in the prior year to \$24M—resulting from the substantial transfer from the General Fund.

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

#### **Enterprise Funds**

The City's enterprise operations consist of the McAllen Public Utility (Water and Sewer Funds), Sanitation Fund, Palm View Golf Course, Transit Terminal Fund, McAllen International Civic Center Fund, McAllen International Airport Fund and the McAllen International Toll Bridge Fund. In the aggregate, the proprietary funds reported an \$7M increase to net assets—from \$192M in the prior year to \$199M.



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

### ***Water Fund***

Due to the decrease in consumption, caused by an increase in rainfall—offset to some degree by a growth in the customer base, operating revenues declined by 5%. Operating expenses remained relatively flat with last year. Ignoring last year's \$4M transfer from the Sewer Fund, other changes in net assets largely reflects last year. The resulting overall increase to net assets amounted to \$3.6M. Working capital as of year-end amounted to \$11M, which represents 517 days of operating expenditures budgeted for next year's operations. The board policy is a minimum of 120 days.

### ***Sewer Fund***

Operating revenues increased by a marginal amount. Operating expenses remained relatively flat with last year. Ignoring last year's \$4M transfer to the Water Fund, other changes in net assets largely reflects last year with the exception of a substantial decline in investment earnings as well as an increase in interest expense. The resulting overall increase to net assets amounted to \$2.1M. Working capital as of year-end amounted to \$8M, which represents 511 days of operating expenditures budgeted for next year's operations. The board policy is a minimum of 120 days.

### ***Sanitation Fund***

This year's operating revenues, representing charges for services, increased \$453K or 5% over prior year, which is attributed an increase in the customer base. As a whole, operating expenses increased \$323K, which resulted primarily from an increase in staffing as well as increased landfill cost due to increased volume—leaving an operating income of \$610K. Considering the effect of non-operating revenues, net assets increased by \$897K. Working capital as of year-end amounted to \$1.7M.

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

Operating revenues as well as expenses are largely reflective of prior year levels, resulting in operating loss amounting to \$579K. 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 \$2M. Within the restricted asset portion of the Statement of Net Assets, almost \$28M has been accumulated to assist in funding the new convention center along with the Development Corp Fund. Working capital at year-end amounted to \$1.9M.

### ***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 actually increased 7% over last year's levels. Operating expenses decreased marginally. As a result operating loss declined almost \$244K 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 \$3M. Transfers-out to the City amounted to \$4.6M—of which \$3.6M 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 \$2.5M is reported. The balance of the advance to the Debt Service Fund has increased to \$7M. Working capital has decreased to \$228K 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, last year ended with overall increases in both vehicular and people southbound crossings. However, this year car activity decreased 7% and people crossings decreased by 6% from last year as indicated below:

<b><u>Category</u></b>	<b><u>FY 02-03</u></b>	<b><u>FY 01-02</u></b>	<b><u>Inc (Dec)</u></b>	<b><u>% Inc (Dec)</u></b>
Cars	5,672,769	6,098,562	(425,793)	(7%)
Trucks	25,437	29,111	(3,674)	(13%)
Buses	25,541	25,840	(299)	(1%)
People	14,659,050	15,585,166	242,787	(6%)

The increase in net assets from operating income for FY 02-03 was \$9.3M compared to \$8.1M in FY 01-02. The increase was principally due to an increase in operating revenues—both toll and rental revenue.

Operating revenues increased by \$606K or 6%, despite the decline in southbound car and truck crossings, as toll revenues increased due to the toll for cars being increased 25c to \$1.75, effective January 1, 2003. Rentals also contributed to the increase as the rental agreement with UETA was renegotiated with a provision to include a % of gross sales.

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, Tamulipas, Mexico, which borders the bridge port of entry as well as avoid shipments of hazardous materials.

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

Net assets increased \$232K increase as a result of this year' operations.

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, 2003.

### ***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 for the redemption of some general obligation bonds as well as the partial redemption of the sales tax revenue bonds. Despite increasing budgeted expenditures and transfers-out by \$4.9M, actual expenditures came under budget by \$2M.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year, the City had \$281M in capital assets.

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

	<b>Governmental</b>		<b>Business-type</b>		<b>Total Primary Government</b>	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land	\$19	\$18	\$13	\$13	\$32	\$31
Buildings and improvements	39	15	118	114	157	129
Equipment	14	11	8	6	22	17
Infrastructure	51	59	7	-	58	59
Construction in progress	-	8	12	11	12	19
Totals	<u>\$123</u>	<u>\$111</u>	<u>\$158</u>	<u>\$144</u>	<u>\$281</u>	<u>\$255</u>

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

Completion – Public Safety Building	\$2
Purchase of land for New Convention Center	2
Street improvements	9
Water and sewer improvement projects	18
Airport improvement projects	<u>3</u>
Total	<u>\$34</u>

For more detailed information on capital asset activity, refer to the notes to financial statements.

### Debt

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

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

	<b>Governmental</b>		<b>Business-type</b>		<b>Total Primary Government</b>	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
General obligation bonds (backed by the City)	\$6	\$10	\$-	\$-	\$6	\$10
Revenue bonds (backed By specific tax and fee Revenues	=	<u>22</u>	<u>42</u>	<u>42</u>	<u>42</u>	<u>64</u>
Totals	<u>\$6</u>	<u>\$32</u>	<u>\$42</u>	<u>\$42</u>	<u>\$48</u>	<u>\$74</u>

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

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

During the budget process for fiscal year 2003-04 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 4%. The increase is expected to come largely from growth in property taxes, due to the increase in property values, as well as sales tax. Total revenues were budgeted at \$3.6M over last year's actual of \$92M. Expenditures on the other hand, were budgeted with a \$14M increase, which primarily represents spending down fund balance in the Capital Improvement Fund as well as the final redemption of the remaining general obligation bonds.

Within the business-type activities, we expect that fiscal year 2003-04 results will remain relatively stable with last year—the only exceptions being in the Water and Sewer Funds, which provision was made for 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, 2003**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash	\$ 4,150,419	\$ 858,337	\$ 5,008,756
Certificates of deposit	57,984,765	14,064,940	72,049,705
Investments	24,033,109	8,929,031	32,962,140
Receivables, net	15,485,495	3,348,482	18,833,977
Internal balances	12,468,489	(12,468,489)	-
Inventories	-	418,114	418,114
Notes receivable	3,244,397	-	3,244,397
Restricted assets, investments	-	76,030,345	76,030,345
Capital assets, net	122,750,060	158,185,586	280,935,646
Other assets	13,200	2,922,700	2,935,900
	<hr/>	<hr/>	<hr/>
Total assets	<b><u>\$ 240,129,934</u></b>	<b><u>\$ 252,289,046</u></b>	<b><u>\$ 492,418,980</u></b>
<b><u>Liabilities</u></b>			
Accounts payable and accrued expenses	\$ 7,921,467	\$ 6,913,448	\$ 14,834,915
Deferred revenues	893,953	1,684,831	2,578,784
Other	1,115,452	-	1,115,452
Non-current liabilities:			
Due within one year	3,060,000	2,275,000	5,335,000
Due in more than one year	7,606,520	41,853,518	49,460,038
	<hr/>	<hr/>	<hr/>
Total liabilities	<b><u>20,597,392</u></b>	<b><u>52,726,797</u></b>	<b><u>73,324,189</u></b>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	120,350,059	134,166,341	254,516,400
Restricted for:			
Capital projects	7,790,768	46,139,381	53,930,149
Debt service	11,929,368	1,411,781	13,341,149
Other purposes	1,361,435	5,836,273	7,197,708
Unrestricted	78,100,912	12,008,473	90,109,385
	<hr/>	<hr/>	<hr/>
Total net assets	<b><u>219,532,542</u></b>	<b><u>199,562,249</u></b>	<b><u>419,094,791</u></b>
	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<b><u>\$ 240,129,934</u></b>	<b><u>\$ 252,289,046</u></b>	<b><u>\$ 492,418,980</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, 2003**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental activities:</b>				
General government	\$ 13,182,932	\$ 1,371,627	\$ 593,406	\$ -
Public safety	35,762,375	3,495,679	2,217,474	286,653
Highways and streets	11,047,814	499,383	-	2,881,901
Health and welfare	5,404,155	52,670	-	2,616,917
Culture and recreation	11,326,712	655,806	2,389	156,929
Interest on long-term debt	932,771	-	-	-
Total governmental activities	<u>77,656,759</u>	<u>6,075,165</u>	<u>2,813,269</u>	<u>5,942,400</u>
<b>Business-type activities:</b>				
Water services	9,323,615	10,738,905	-	54,794
Sewer services	7,334,088	8,177,699	-	421,988
Sanitation services	8,365,789	9,060,365	-	-
Golf course services	1,139,483	1,023,855	-	305,711
Civic center services	1,030,029	417,813	-	-
Airport services	3,787,879	2,626,778	-	2,358,819
Transit services	603,871	241,788	-	-
Bridge services	5,370,822	11,287,789	-	-
Total business-type activities	<u>36,955,576</u>	<u>43,574,992</u>	<u>-</u>	<u>3,141,312</u>
Total government	<u>114,612,335</u>	<u>49,650,157</u>	<u>2,813,269</u>	<u>9,083,712</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Hotel occupancy tax

Sales tax

Franchise taxes

Unrestricted investment earnings

Contributions

Miscellaneous

Transfers

Total general revenues, special items, and transfers

Change in net assets

Net assets--beginning

Net assets--ending

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

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**Net (Expense) Revenue and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (11,217,899)	\$ -	\$ (11,217,899)
(29,762,569)	-	(29,762,569)
(7,666,530)	-	(7,666,530)
(2,734,568)	-	(2,734,568)
(10,511,588)	-	(10,511,588)
(932,771)	-	(932,771)
<u>(62,825,925)</u>	<u>-</u>	<u>(62,825,925)</u>
-	1,470,084	1,470,084
-	1,265,599	1,265,599
-	694,576	694,576
-	190,083	190,083
-	(612,216)	(612,216)
-	1,197,718	1,197,718
-	(362,083)	(362,083)
-	5,916,967	5,916,967
-	9,760,728	9,760,728
<u>(62,825,925)</u>	<u>9,760,728</u>	<u>(53,065,197)</u>
17,369,817	-	17,369,817
2,522,956	-	2,522,956
2,807,577	-	2,807,577
41,575,736	-	41,575,736
5,456,943	-	5,456,943
2,311,733	3,048,557	5,360,290
-	-	-
11,071,206	1,401,435	12,472,641
7,472,708	(7,472,708)	-
<u>90,588,676</u>	<u>(3,022,716)</u>	<u>87,565,960</u>
27,762,751	6,738,012	34,500,763
191,769,791	192,824,237	384,594,028
<u>\$ 219,532,542</u>	<u>\$ 199,562,249</u>	<u>\$ 419,094,791</u>



**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**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental activities:</b>				
General government	\$ 12,906,438	\$ 1,014,266	\$ 593,211	\$ -
Public safety	34,384,019	2,894,411	3,636,993	952,229
Highways and streets	10,137,676	381,288	-	73,746
Health and welfare	5,142,952	57,481	-	2,407,901
Culture and recreation	10,644,143	685,938	-	111,456
Interest on long-term debt	1,737,096	-	-	-
Total governmental activities	<u>74,952,324</u>	<u>5,033,384</u>	<u>4,230,204</u>	<u>3,545,332</u>
<b>Business-type activities:</b>				
Water services	9,604,181	11,319,094	-	-
Sewer services	7,199,937	8,166,020	-	-
Sanitation services	8,012,050	8,607,277	-	-
Golf course services	1,136,123	721,571	-	-
Civic center services	960,076	476,109	-	-
Airport services	3,834,761	2,450,128	-	3,148,247
Transit services	555,102	203,798	-	-
Bridge services	5,643,188	10,681,943	-	-
Total business-type activities	<u>36,945,418</u>	<u>42,625,940</u>	<u>-</u>	<u>3,148,247</u>
Total government	<u>111,897,742</u>	<u>47,659,324</u>	<u>4,230,204</u>	<u>6,693,579</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Hotel occupancy tax

Sales tax

Franchise taxes

Unrestricted investment earnings

Contributions

Miscellaneous

Transfers

Total general revenues, special items, and transfers

Change in net assets

Net assets--beginning

Net assets--ending

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

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**Net (Expense) Revenue and Changes in Net Assets**

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<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (11,298,961)	\$ -	\$ (11,298,961)
(26,900,386)	-	(26,900,386)
(9,682,642)	-	(9,682,642)
(2,677,570)	-	(2,677,570)
(9,846,749)	-	(9,846,749)
(1,737,096)	-	(1,737,096)
<u>(62,143,404)</u>	<u>-</u>	<u>(62,143,404)</u>
-	1,714,913	1,714,913
-	966,083	966,083
-	595,227	595,227
-	(414,552)	(414,552)
-	(483,967)	(483,967)
-	1,763,614	1,763,614
-	(351,304)	(351,304)
-	5,038,755	5,038,755
-	8,828,769	8,828,769
<u>(62,143,404)</u>	<u>8,828,769</u>	<u>(53,314,635)</u>
15,936,574	-	15,936,574
2,511,435	-	2,511,435
2,841,902	-	2,841,902
39,293,407	-	39,293,407
5,496,448	-	5,496,448
4,482,653	4,264,602	8,747,255
794,158	356,404	1,150,562
4,651,195	1,959,375	6,610,570
6,836,592	(6,836,592)	-
<u>82,844,364</u>	<u>(256,211)</u>	<u>82,588,153</u>
20,700,960	8,572,558	29,273,518
171,068,826	184,251,674	355,320,500
<u>\$ 191,769,786</u>	<u>\$ 192,824,232</u>	<u>\$ 384,594,018</u>

**CITY OF McALLEN, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**For Fiscal Year Ended September 30, 2003**

	<u>General</u>	<u>Development Corp.</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 295,931	\$ 26,083
Certificates of deposit	22,248,000	-
Investments	19,603,440	1,905,165
Receivables, net:		
Taxes	2,932,895	-
Accounts	6,974,546	1,743,883
Accrued interest	187,812	-
Other	424,420	-
Due from other funds	385,438	-
Due from other governments	2,198	-
Prepays	13,200	-
Interfund loan	1,400,000	3,700,000
Notes receivable	-	-
	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 54,467,880</u></u>	<u><u>\$ 7,375,131</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 1,222,977	\$ 308,193
Bank overdraft	-	-
Accrued expense	1,966,638	398,903
Due to other funds	-	-
Deferred revenues	7,769,047	973,110
Other	1,115,140	-
	<u>12,073,802</u>	<u>1,680,206</u>
Total liabilities	<u>12,073,802</u>	<u>1,680,206</u>
Fund balances:		
Reserved for encumbrances	95,366	-
Reserved for interfund loan	1,400,000	3,700,000
Unreserved-designated for economic development	-	1,414,557
Unreserved, reported in non-major funds		
Special revenue funds	-	-
Capital projects funds	-	-
Unreserved, undesignated	40,898,712	580,368
	<u>42,394,078</u>	<u>5,694,925</u>
Total fund balances	<u>42,394,078</u>	<u>5,694,925</u>
Total liabilities and fund balances	<u><u>\$ 54,467,880</u></u>	<u><u>\$ 7,375,131</u></u>

<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,502,355	\$ 274,070	\$ 4,098,439
17,607,056	7,503,628	47,358,684
190,262	677,509	22,376,376
-	639,231	3,572,126
-	204,288	8,922,717
-	-	187,812
927,397	653,292	2,005,109
-	-	385,438
-	629,018	631,216
-	-	13,200
352,716	7,057,266	12,509,982
3,244,397	-	3,244,397
<u>\$ 25,824,183</u>	<u>\$ 17,638,302</u>	<u>\$ 105,305,496</u>
\$ 1,160,273	\$ 358,523	\$ 3,049,966
-	-	-
181,207	35,759	2,582,507
-	508,040	508,040
-	1,349,018	10,091,175
-	312	1,115,452
<u>1,341,480</u>	<u>2,251,652</u>	<u>17,347,140</u>
-	-	95,366
3,597,112	7,057,266	15,754,378
-	-	1,414,557
-	3,093,235	3,093,235
-	-	-
20,885,591	5,236,149	67,600,820
<u>24,482,703</u>	<u>15,386,650</u>	<u>87,958,356</u>
<u>\$ 25,824,183</u>	<u>\$ 17,638,302</u>	<u>\$ 105,305,496</u>

**CITY OF McALLEN, TEXAS**  
**Reconciliation of the Balance Sheet of the Governmental Funds**  
**to the Statement of Net Assets**  
**September 30, 2003**

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Fund Balances--total governmental funds	\$ 87,958,356
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	118,342,160
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	9,197,222
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Internal service funds are used by management to charge the costs of certain activities, such as fleet management and insurance, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in	14,731,375
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Some liabilities, including bonds payable, are not due and payable in the current period and therefore are reported in the funds.

See notes to financial statement, page 91	\$ 10,641,116	
Accrued interest expense on bonds	<u>55,455</u>	<u>(10,585,661)</u>

Net assets of governmental activities	<u><u>\$ 219,643,452</u></u>
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The notes to the financial statements are an integral part of this statement.

**CITY OF McALLEN, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2003**

	<u>General</u>	<u>Development Corp</u>
<b>REVENUES</b>		
Taxes	\$ 53,781,810	\$ 10,393,934
Licenses and permits	1,434,515	-
Intergovernmental	322,226	-
Charges for services	2,991,704	-
Fines and forfeitures	1,778,660	-
Interest	1,607,133	229,434
Net decrease (increase) in the fair value of investments	(548,503)	-
Other	7,056,023	86,038
	<u>68,423,568</u>	<u>10,709,406</u>
Total revenues		
	<u>68,423,568</u>	<u>10,709,406</u>
<b>EXPENDITURES</b>		
Current:		
General government	11,735,797	511,709
Public safety	31,694,910	2,031,266
Highways and streets	7,284,959	2,742,027
Health and welfare	952,481	1,854,869
Culture and recreation	9,765,582	412,603
Debt service:		
Principal	-	21,295,000
Interest and fiscal charges	-	551,018
	<u>61,433,729</u>	<u>29,398,492</u>
Total expenditures		
	<u>61,433,729</u>	<u>29,398,492</u>
Excess of revenues over (under) expenditures	6,989,839	(18,689,086)
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	6,573,540	-
Transfers out	(7,595,704)	(176,957)
	<u>(1,022,164)</u>	<u>(176,957)</u>
Net other financing sources (uses)		
	<u>(1,022,164)</u>	<u>(176,957)</u>
Net change in fund balances	5,967,675	(18,866,043)
Fund balances at beginning of year	36,426,403	24,560,968
	<u>36,426,403</u>	<u>24,560,968</u>
Fund balances at end of year	<u><u>\$ 42,394,078</u></u>	<u><u>\$ 5,694,925</u></u>

<b>Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 5,330,533	\$ 69,506,277
-	-	1,434,515
-	5,182,649	5,504,875
-	-	2,991,704
-	401,109	2,179,769
673,211	126,250	2,636,028
(33,674)	(7,699)	(589,876)
5,908,617	1,028,304	14,078,982
<u>6,548,154</u>	<u>12,061,146</u>	<u>97,742,274</u>
831,277	1,074,045	14,152,828
1,758,843	2,829,347	38,314,366
6,716,057	495,931	17,238,974
-	2,616,918	5,424,268
988,148	367,939	11,534,272
-	4,675,000	25,970,000
-	558,008	1,109,026
<u>10,294,325</u>	<u>12,617,188</u>	<u>113,743,734</u>
(3,746,171)	(556,042)	(16,001,460)
3,368,898	7,849,878	17,792,316
(294,637)	(2,252,310)	(10,319,608)
<u>3,074,261</u>	<u>5,597,568</u>	<u>7,472,708</u>
(671,910)	5,041,526	(8,528,752)
25,154,613	10,345,124	96,487,108
<u><u>\$ 24,482,703</u></u>	<u><u>\$ 15,386,650</u></u>	<u><u>\$ 87,958,356</u></u>



**CITY OF McALLEN, TEXAS**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**September 30, 2003**

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Net change in fund balances--total governmental funds \$ (8,528,752)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays 11,933,617

In the statement of activities, only the gain on the sale of assets is reported, whereas in the government 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 t (1,425,315)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (1,355,709)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 25,970,000

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. (229,063)

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. 1,397,973

Change in net assets of governmental activities \$ 27,762,751

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

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes:				
Property	\$ 16,100,447	\$ 16,100,447	\$ 17,143,064	\$ 1,042,617
Sales	28,525,000	28,525,000	31,181,802	2,656,802
Franchise	<u>5,227,000</u>	<u>5,227,000</u>	<u>5,456,944</u>	<u>229,944</u>
Total taxes	<u>49,852,447</u>	<u>49,852,447</u>	<u>53,781,810</u>	<u>3,929,363</u>
Licenses and permits:				
Business licenses and permits	22,000	22,000	38,895	16,895
Occupational	66,300	66,300	94,510	28,210
Non-business licenses and permits	<u>704,000</u>	<u>704,000</u>	<u>1,301,110</u>	<u>597,110</u>
Total licenses and permits	<u>792,300</u>	<u>792,300</u>	<u>1,434,515</u>	<u>642,215</u>
Intergovernmental revenues:				
State shared revenues	<u>300,000</u>	<u>300,000</u>	<u>322,226</u>	<u>22,226</u>
Total intergovernmental revenues	<u>300,000</u>	<u>300,000</u>	<u>322,226</u>	<u>22,226</u>
Charges for services:				
General government	1,282,600	1,282,600	1,386,941	104,341
Public safety	131,500	136,143	152,908	16,765
Highways and streets	351,000	351,000	489,341	138,341
Health	319,500	319,500	356,816	37,316
Culture and recreation	<u>365,900</u>	<u>365,900</u>	<u>605,698</u>	<u>239,798</u>
Total charges for services	<u>2,450,500</u>	<u>2,455,143</u>	<u>2,991,704</u>	<u>536,561</u>
Fines and forfeitures:				
Corporations court	1,250,000	1,369,248	1,546,048	176,800
Other fines	<u>175,500</u>	<u>175,500</u>	<u>232,612</u>	<u>57,112</u>
Total fines and forfeitures	<u>1,425,500</u>	<u>1,544,748</u>	<u>1,778,660</u>	<u>233,912</u>
Interest	<u>1,900,000</u>	<u>1,900,000</u>	<u>1,607,133</u>	<u>(292,867)</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Net increase (decrease) in fair value of investments	\$ -	\$ -	\$ (548,503)	\$ (548,503)
Other:				
Royalties	2,500,000	2,500,000	6,088,958	3,588,958
Rents and concessions	40,000	40,000	70,913	30,913
Reimbursements	17,000	17,000	249,527	232,527
Other	41,000	67,550	646,625	579,075
Total other revenues	2,598,000	2,624,550	7,056,023	4,431,473
Total revenues	59,318,747	59,469,188	68,423,568	8,954,380
Expenditures:				
General government:				
City commission	183,451	186,305	211,529	(20,708)
Special service	559,516	636,570	600,992	31,062
City manager	475,824	486,349	504,521	(18,172)
City secretary	659,802	674,420	591,902	82,518
Audit office	119,653	123,078	135,630	(3,520)
Municipal court	778,739	916,482	844,005	72,477
Finance	839,647	856,882	765,663	91,219
Tax office	673,907	680,104	687,758	(7,654)
Purchasing and contracting	272,036	279,080	249,103	29,977
Legal	584,201	630,646	715,951	(85,305)
Grant administration	115,343	119,048	104,217	14,831
Right of way	163,313	167,194	119,842	47,352
Human resources	1,771,732	952,008	355,023	596,985
Risk management	951,874	951,874	951,874	-
Planning	662,527	680,591	638,021	42,570
Information technology	905,505	913,313	911,889	1,424
Information services	313,069	319,526	316,060	3,466
City hall	483,716	485,543	506,033	(20,490)
Building maintenance	308,395	314,854	308,606	6,248
Non-departmental activities	2,077,893	2,155,893	2,217,178	(61,285)
Total general government	12,909,175	12,538,792	11,735,797	802,995

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public safety:				
Police	\$ 19,594,680	\$ 20,011,980	\$ 19,287,973	\$ 724,007
Animal control	153,992	153,992	166,823	(12,831)
Fire	9,168,713	9,179,475	9,581,281	(401,806)
Traffic operations	1,624,533	1,641,843	1,561,936	79,907
Downtown services	500,662	509,395	491,892	17,503
Inspection	<u>583,083</u>	<u>621,458</u>	<u>605,005</u>	<u>16,453</u>
Total public safety	<u>31,625,663</u>	<u>32,118,143</u>	<u>31,694,910</u>	<u>423,233</u>
Highways and streets:				
Engineering services	1,427,625	1,493,492	1,487,473	6,019
Street cleaning	324,907	329,016	380,246	(51,230)
Street maintenance	2,651,785	2,681,204	2,706,833	(25,629)
Street lighting	1,353,000	1,353,000	1,410,032	(57,032)
Sidewalk construction	520,937	520,937	461,508	59,429
Drainage	<u>843,199</u>	<u>853,378</u>	<u>838,867</u>	<u>14,511</u>
Total highways and streets	<u>7,121,453</u>	<u>7,231,027</u>	<u>7,284,959</u>	<u>(53,932)</u>
Health and welfare:				
Health	540,129	549,559	537,023	12,536
Graffiti cleaning	140,847	142,722	141,191	1,531
Other agencies	<u>156,500</u>	<u>156,500</u>	<u>274,267</u>	<u>(117,767)</u>
Total health and welfare	<u>837,476</u>	<u>848,781</u>	<u>952,481</u>	<u>(103,700)</u>
Culture and recreation:				
Parks and recreation administration	489,653	502,988	433,653	69,335
Parks	3,126,285	3,233,881	3,022,185	211,696
Recreation	603,511	606,251	804,362	(198,111)
Pools	584,739	586,624	580,695	5,929
Las palmas community center	309,621	313,888	281,858	32,030
Recreation center-Lark	322,862	326,372	353,263	(26,891)
Recreation center-Palmview	336,201	341,178	352,594	(11,416)
Quinta mazatlan renovations	16,420	16,420	19,435	(3,015)
Library	<u>2,464,002</u>	<u>2,535,070</u>	<u>2,072,565</u>	<u>462,505</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Library branch-Lark	\$ 446,687	\$ 454,821	\$ 361,114	\$ 93,707
Library branch-Palmview	442,116	451,010	362,063	88,947
Other agencies	506,500	506,500	441,795	64,705
Museums	<u>680,000</u>	<u>755,000</u>	<u>680,000</u>	<u>75,000</u>
Total culture and recreation	<u>10,328,597</u>	<u>10,630,003</u>	<u>9,765,582</u>	<u>864,421</u>
Total expenditures	<u>62,822,364</u>	<u>63,366,746</u>	<u>61,433,729</u>	<u>1,933,017</u>
Excess of revenues over expenditures	<u>(3,503,617)</u>	<u>(3,897,558)</u>	<u>6,989,839</u>	<u>10,887,399</u>
Other financing sources (uses)				
Transfers in	6,771,811	6,849,811	6,573,540	(276,271)
Transfers out	<u>(3,200,000)</u>	<u>(7,595,704)</u>	<u>(7,595,704)</u>	<u>-</u>
Net other financing sources (uses)	<u>3,571,811</u>	<u>(745,893)</u>	<u>(1,022,164)</u>	<u>(276,271)</u>
Net change in fund balances	68,194	(4,643,451)	5,967,675	10,611,128
Fund balances at beginning of year	<u>36,426,403</u>	<u>36,426,403</u>	<u>36,426,403</u>	<u>-</u>
Fund balances at end of year	<u><b>\$ 36,494,597</b></u>	<u><b>\$ 31,782,952</b></u>	<u><b>\$ 42,394,078</b></u>	<u><b>\$ 10,611,128</b></u>

**CITY OF McALLEN, TEXAS**  
**DEVELOPMENT CORPORATION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Sales tax	\$ 9,508,333	\$ 9,508,333	\$ 10,393,934	\$ 885,601
Interest	370,191	370,191	229,434	(140,757)
Net decrease in the fair value of investments	-	-	-	-
Other	<u>100,000</u>	<u>100,000</u>	<u>86,038</u>	<u>(13,962)</u>
Total revenues	<u>9,978,524</u>	<u>9,978,524</u>	<u>10,709,406</u>	<u>730,882</u>
Expenditures:				
Current:				
General government	1,081,624	1,081,624	511,709	569,915
Public safety	633,223	633,223	2,031,266	(1,398,043)
Highways and streets	9,819,366	9,819,366	2,742,027	7,077,339
Health and welfare	2,284,147	2,284,147	1,854,869	429,278
Culture and recreation	2,653,905	2,653,905	412,603	2,241,302
Debt service:				
Principal	925,000	21,295,000	21,295,000	-
Interest and fiscal charges	<u>1,060,149</u>	<u>1,060,149</u>	<u>551,018</u>	<u>509,131</u>
Total expenditures	<u>18,457,414</u>	<u>38,827,414</u>	<u>29,398,492</u>	<u>9,428,922</u>
Excess (deficiency) of revenues over expenditures	<u>(8,478,890)</u>	<u>(28,848,890)</u>	<u>(18,689,086)</u>	<u>10,159,804</u>
Other financing uses				
Transfers in	-	-	-	-
Transfers out	<u>(176,957)</u>	<u>(176,957)</u>	<u>(176,957)</u>	<u>-</u>
Total other financing sources (uses)	<u>(176,957)</u>	<u>(176,957)</u>	<u>(176,957)</u>	<u>-</u>
Net changes in fund balances	(8,655,847)	(29,025,847)	(18,866,043)	10,159,804
Fund balances--beginning	<u>24,560,968</u>	<u>24,560,968</u>	<u>24,560,968</u>	<u>-</u>
Fund balances--ending	<u><u>15,905,121</u></u>	<u><u>(4,464,879)</u></u>	<u><u>5,694,925</u></u>	<u><u>10,159,804</u></u>

**CITY OF McALLEN, TEXAS  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
September 30, 2003**

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>McAllen International Civic Center</u>
<b>ASSETS</b>				
Current assets:				
Cash	\$ 86,877	\$ 150,995	\$ 2,392	\$ 8,695
Certificate of deposit	6,240,037	5,223,918	742,725	1,225,416
Investments	4,216,525	1,789,177	466,288	663,108
Receivables, net:				
Accounts	1,125,275	926,212	1,001,400	-
Accrued interest	46,611	16,055	-	2,112
Other	-	27,772	-	-
Due from other funds	-	-	-	64,279
Due from other governments	-	-	-	-
Inventories, at cost	23,546	-	-	-
	<u>11,738,871</u>	<u>8,134,129</u>	<u>2,212,805</u>	<u>1,963,610</u>
Total current assets				
Noncurrent assets:				
Restricted assets:				
Cash	19,167	12,707	1,934	14,236
Certificate of deposits	8,293,189	4,400,575	923,704	21,783,317
Certificate of deposits-for distribution	-	-	-	-
Money market savings	12,188,863	3,766,080	-	-
Investments	705,630	1,771,477	171,711	3,369,094
Accrued interest	-	11,408	-	12,674
Due from other funds	-	-	-	96,419
Other	-	-	-	2,848,143
	<u>21,206,849</u>	<u>9,962,247</u>	<u>1,097,349</u>	<u>28,123,883</u>
Total restricted assets				
Fixed assets	80,847,933	54,030,268	12,298,904	8,377,502
Less accumulated depreciation	<u>(25,023,820)</u>	<u>(25,512,331)</u>	<u>(6,862,378)</u>	<u>(2,108,662)</u>
Net fixed assets	<u>55,824,113</u>	<u>28,517,937</u>	<u>5,436,526</u>	<u>6,268,840</u>
Other assets				
Loans receivable	105,834	105,834	-	-
Other assets, net	<u>1,882,427</u>	<u>138,350</u>	<u>-</u>	<u>-</u>
Total other assets	<u>1,988,261</u>	<u>244,184</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 90,758,094</u></u>	<u><u>\$ 46,858,497</u></u>	<u><u>\$ 8,746,680</u></u>	<u><u>\$ 36,356,333</u></u>

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

<b>McAllen International Airport</b>	<b>McAllen International Toll Bridge</b>	<b>Other Proprietary Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$ 9,651	\$ 206,143	\$ 65,531	\$ 530,284	\$ 380,034
100,109	359,119	173,616	14,064,940	10,626,081
231,513	1,293,557	268,863	8,929,031	1,656,733
193,958	-	9,087	3,255,932	162,290
-	-	-	64,778	4,225
-	-	-	27,772	-
-	-	-	64,279	-
-	-	-	-	-
-	-	-	23,546	394,568
<u>535,231</u>	<u>1,858,819</u>	<u>517,097</u>	<u>26,960,562</u>	<u>13,223,931</u>
6,950	1,525	-	56,519	-
1,868,063	5,609,816	83,000	42,961,664	-
-	5,874,331	-	5,874,331	-
-	-	-	15,954,943	-
125,500	1,977,382	-	8,120,794	-
-	6,337	-	30,419	-
-	-	-	96,419	-
-	183,532	-	3,031,675	-
<u>2,000,513</u>	<u>13,652,923</u>	<u>83,000</u>	<u>76,126,764</u>	<u>-</u>
64,639,843	11,026,250	13,024,568	244,245,268	7,659,746
(19,210,168)	(4,727,587)	(2,805,947)	(86,250,893)	(3,060,636)
<u>45,429,675</u>	<u>6,298,663</u>	<u>10,218,621</u>	<u>157,994,375</u>	<u>4,599,110</u>
-	-	-	211,668	-
-	690,255	-	2,711,032	-
-	690,255	-	2,922,700	-
<u>\$ 47,965,419</u>	<u>\$ 22,500,660</u>	<u>\$ 10,818,718</u>	<u>\$ 264,004,401</u>	<u>\$ 17,823,041</u>



**CITY OF McALLEN, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**September 30, 2003**

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>McAllen International Civic Center</u>
<b>LIABILITIES AND FUND EQUITY</b>				
Current liabilities:				
Accounts payable	\$ 298,413	\$ 151,352	\$ 328,426	\$ 37,018
Accrued expenses	161,004	110,382	161,598	16,661
Due to other funds	-	-	-	-
Due to other government agencies	-	-	-	-
Other	5,840	-	-	18
	<u>465,257</u>	<u>261,734</u>	<u>490,024</u>	<u>53,697</u>
Total current liabilities				
	465,257	261,734	490,024	53,697
Liabilities (payable from restricted assets):				
Accounts payable	1,066,506	141,754	-	3,899
Accrued expenses	885,228	209,372	-	39,883
Due to other funds	-	-	-	-
Current portion of revenue bonds	629,850	955,150	-	-
Customer deposits	1,632,216	-	-	18,955
Notes payable	-	-	-	2,000,000
	<u>4,213,800</u>	<u>1,306,276</u>	<u>-</u>	<u>2,062,737</u>
Total liabilities (payable from restricted assets)				
	4,213,800	1,306,276	-	2,062,737
Other noncurrent liabilities				
Advances from other funds	-	-	1,400,000	-
Revenue bonds, net of current portion and discount	26,392,550	10,322,450	-	-
Accumulated unpaid compensated absences	171,021	123,174	122,231	15,450
Arbitrage payable	787,541	291,282	-	-
Deferred revenue	206,015	1,195,084	101,967	39,169
	<u>27,557,127</u>	<u>11,931,990</u>	<u>1,624,198</u>	<u>54,619</u>
Total other non-current liabilities				
	27,557,127	11,931,990	1,624,198	54,619
Total liabilities	<u>32,236,184</u>	<u>13,500,000</u>	<u>2,114,222</u>	<u>2,171,053</u>
NET ASSETS				
Invested in capital assets, net of related debt	39,336,662	21,230,921	5,436,526	6,268,840
Restricted for:				
Capital projects	6,864,361	5,285,135	1,097,347	26,061,146
Debt service	223,551	335,402	-	-
Other	38	-	-	-
Unrestricted	12,097,298	6,507,039	98,585	1,855,294
	<u>58,521,910</u>	<u>33,358,497</u>	<u>6,632,458</u>	<u>34,185,280</u>
Total net assets				
	58,521,910	33,358,497	6,632,458	34,185,280
Total liabilities and net assets	<u><u>\$ 90,758,094</u></u>	<u><u>\$ 46,858,497</u></u>	<u><u>\$ 8,746,680</u></u>	<u><u>\$ 36,356,333</u></u>

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

<b>McAllen International Airport</b>	<b>McAllen International Toll Bridge</b>	<b>Other Proprietary Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$ 106,400	\$ 27,191	\$ 54,361	\$ 1,003,161	\$ 314,245
200,560	43,306	38,518	732,029	2,133,966
-	-	-	-	-
-	847,537	-	847,537	-
426	-	500	6,784	-
<u>307,386</u>	<u>918,034</u>	<u>93,379</u>	<u>2,589,511</u>	<u>2,448,211</u>
11,661	85,945	-	1,309,765	-
-	13,846	-	1,148,329	-
-	38,096	-	38,096	-
-	190,000	-	1,775,000	-
-	-	-	1,651,171	-
-	-	-	2,000,000	-
<u>11,661</u>	<u>327,887</u>	<u>-</u>	<u>7,922,361</u>	<u>-</u>
7,057,266	-	4,052,716	12,509,982	-
-	1,930,000	-	38,645,000	-
47,002	67,299	52,724	598,901	56,194
-	-	-	1,078,823	-
<u>55,325</u>	<u>17,591</u>	<u>68,573</u>	<u>1,683,724</u>	<u>1,107</u>
<u>7,159,593</u>	<u>2,014,890</u>	<u>4,174,013</u>	<u>54,516,430</u>	<u>57,301</u>
<u>7,478,640</u>	<u>3,260,811</u>	<u>4,267,392</u>	<u>65,028,302</u>	<u>2,505,512</u>
45,429,675	6,245,096	10,218,621	134,166,341	4,599,110
1,988,852	4,759,540	83,000	46,139,381	-
-	852,828	-	1,411,781	-
-	5,836,235	-	5,836,273	-
<u>(6,931,748)</u>	<u>1,546,150</u>	<u>(3,750,295)</u>	<u>11,422,323</u>	<u>10,718,419</u>
<u>40,486,779</u>	<u>19,239,849</u>	<u>6,551,326</u>	<u>198,976,099</u>	<u>15,317,529</u>
<u><b>\$ 47,965,419</b></u>	<u><b>\$ 22,500,660</b></u>	<u><b>\$ 10,818,718</b></u>	<u><b>\$ 264,004,401</b></u>	<u><b>\$ 17,823,041</b></u>

**CITY OF MCALLEN, TEXAS**  
**Reconciliation of the Statement of Net Assets of the Proprietary Funds**  
**to the Government-Wide Statement of Net Assets**  
**September 30, 2003**

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Fund equity - total proprietary funds	\$	198,976,099
Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type		<u>586,150</u>
Net assets of business-type activities	\$	<u><u>199,562,249</u></u>

**CITY OF McALLEN, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2003**

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>
<b>Operating revenues</b>			
Charges for services	\$ 10,738,904	\$ 8,177,699	\$ 9,060,365
Rentals	-	-	-
Other	-	-	-
Total operating revenues	<u>10,738,904</u>	<u>8,177,699</u>	<u>9,060,365</u>
<b>Operating expenses</b>			
Salaries, wages and employee benefits	3,068,684	2,041,083	3,078,729
Supplies and materials	1,736,996	399,614	131,397
Contractual and other services	1,630,227	1,968,822	2,973,818
Repairs and maintenance	341,253	276,610	1,471,191
Depreciation and amortization	1,943,188	1,938,310	795,397
Self insurance claims	-	-	-
Other	(119,079)	(175,501)	-
Total operating expenses	<u>8,601,269</u>	<u>6,448,938</u>	<u>8,450,532</u>
Operating income (loss)	<u>2,137,635</u>	<u>1,728,761</u>	<u>609,833</u>
Non operating revenues (expenses)			
Interest income	1,687,257	568,342	50,209
Net increase (decrease) in fair value of investmen	(57,321)	(58,615)	-
Interest expense	(1,125,569)	(918,693)	-
Other	882,468	385,574	236,741
Net non-operating revenues (expenses)	<u>1,386,835</u>	<u>(23,392)</u>	<u>286,950</u>
Income (loss) before contributions and transfers	3,524,470	1,705,369	896,783
Capital contributions	54,794	421,988	-
Transfers in	-	-	-
Transfers out	(16,366)	(32,731)	-
Change in net assets	3,562,898	2,094,626	896,783
Total net assets--beginning	<u>54,959,012</u>	<u>31,263,871</u>	<u>5,735,675</u>
Total assets--ending	<u><u>\$ 58,521,910</u></u>	<u><u>\$ 33,358,497</u></u>	<u><u>\$ 6,632,458</u></u>

<b>McAllen International Civic Center</b>	<b>McAllen International Airport</b>	<b>McAllen International Toll Bridge</b>	<b>Other Proprietary Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$ 10,230	\$ 515,191	\$ 10,219,671	\$ 1,265,643	\$ 39,987,703	\$ 3,614,004
407,583	2,111,587	942,271	-	3,461,441	-
-	-	125,848	-	125,848	8,906,896
<u>417,813</u>	<u>2,626,778</u>	<u>11,287,790</u>	<u>1,265,643</u>	<u>43,574,992</u>	<u>12,520,900</u>
446,946	782,558	1,044,654	888,306	11,350,960	748,780
24,374	31,795	61,405	120,093	2,505,674	10,359
348,717	668,256	513,026	272,330	8,375,196	3,327,902
52,863	190,414	88,028	69,784	2,490,143	20,042
123,495	2,126,021	293,461	406,348	7,626,220	999,462
-	-	-	-	-	6,541,781
-	-	-	-	(294,580)	-
<u>996,395</u>	<u>3,799,044</u>	<u>2,000,574</u>	<u>1,756,861</u>	<u>32,053,613</u>	<u>11,648,326</u>
<u>(578,582)</u>	<u>(1,172,266)</u>	<u>9,287,216</u>	<u>(491,218)</u>	<u>11,521,379</u>	<u>872,574</u>
779,530	49,614	303,231	9,969	3,448,151	328,623
(174,200)	(4,624)	(108,637)	-	(403,397)	(59,239)
(38,631)	-	(99,703)	-	(2,182,595)	-
13,493	3,009,856	(3,726,813)	31,053	832,372	468,335
<u>580,192</u>	<u>3,054,846</u>	<u>(3,631,922)</u>	<u>41,022</u>	<u>1,694,531</u>	<u>737,719</u>
1,610	1,882,580	5,655,294	(450,196)	13,215,910	1,610,293
-	-	-	305,711	782,493	-
2,005,412	294,637	-	372,327	2,672,376	-
-	(4,672,258)	(5,423,729)	-	(10,145,084)	-
2,007,022	(2,495,041)	231,565	227,842	6,525,695	1,610,293
<u>32,178,258</u>	<u>42,981,820</u>	<u>19,008,284</u>	<u>6,323,484</u>	<u>192,450,404</u>	<u>13,707,236</u>
<u><b>\$ 34,185,280</b></u>	<u><b>\$ 40,486,779</b></u>	<u><b>\$ 19,239,849</b></u>	<u><b>\$ 6,551,326</b></u>	<u><b>\$ 198,976,099</b></u>	<u><b>\$ 15,317,529</b></u>

**CITY OF MCALLEN, TEXAS**  
**Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Assets of the Proprietary Funds**  
**to the Government-Wide Statement of Net Assets**  
**September 30, 2003**

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Change in net assets - total proprietary funds	\$ 6,525,695
Some amounts reported for business-type activities in the statement of activity are different because the net revenue (expense) of certain internal service fund is reported with business-	<u>212,317</u>
Net assets of business-type activities	<u><u>\$ 6,738,012</u></u>

**CITY OF McALLEN, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**

	<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	\$ 10,979,225	\$ 8,167,802	\$ 9,053,792	\$ 417,814
Payments to suppliers	(3,092,421)	(2,664,213)	(5,172,533)	(428,780)
Payments to employees	(3,025,512)	(1,884,173)	(3,070,422)	(453,902)
Claims paid	-	-	-	-
Other receipts (payments)	937,262	807,562	284,415	157,399
Net cash provided (used) by operating activities	5,798,554	4,426,978	1,095,252	(307,469)
<b>Cash flows from noncapital financing activities:</b>				
Transfers in (out)	(16,366)	(32,731)	-	2,005,412
Advance from other funds	-	-	-	-
Distribution of income to City of Hidalgo	-	-	-	-
Receipt of capital contribution	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(16,366)	(32,731)	-	2,005,412
<b>Cash flows from capital and related financing activities:</b>				
Contributed capital	-	-	-	-
Payments for capital acquisitions	(13,973,692)	(3,530,669)	(1,428,083)	(2,175,786)
Proceeds received on long term debt	-	-	-	2,000,000
Principal repayments-bonds	(629,850)	(955,150)	-	-
Interest paid-bonds payable	(1,125,569)	(926,509)	-	(38,631)
Net cash provided used by capital and related financing activities	(15,729,111)	(5,412,328)	(1,428,083)	(214,417)
<b>Cash flows from investing activities:</b>				
Investment activity, net	1,627,653	465,705	230,823	(2,089,974)
Receipt of interest	8,083,983	515,629	50,209	605,330
Net cash provided (used) by investing activities	9,711,636	981,334	281,032	(1,484,644)
Net increase (decrease) in cash	(235,287)	(36,747)	(51,799)	(1,118)
Cash at beginning of year	341,331	200,449	56,125	24,049
Cash at end of year	<b>\$ 106,044</b>	<b>\$ 163,702</b>	<b>\$ 4,326</b>	<b>\$ 22,931</b>

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
\$ 2,665,166	\$ 11,163,037	\$ 1,252,878	\$ 43,699,714	\$ 12,750,245
(1,209,867)	(1,282,283)	(469,614)	(14,319,711)	(2,962,464)
(783,837)	(1,039,006)	(887,523)	(11,144,375)	(751,505)
-	-	-	-	(6,541,781)
896,660	125,848	65,754	3,274,900	486,188
1,568,122	8,967,596	(38,505)	21,510,528	2,980,683
(4,377,621)	(5,450,144)	372,327	(7,499,123)	-
3,600,447	-	(100,000)	3,500,447	-
-	(3,172,604)	-	(3,172,604)	-
-	-	-	-	-
(777,174)	(8,622,748)	272,327	(7,171,280)	-
2,358,819	-	-	2,358,819	-
(2,704,184)	(570,524)	(250,709)	(24,633,647)	(2,001,786)
-	-	-	2,000,000	-
-	(180,000)	-	(1,765,000)	-
-	(104,182)	-	(2,194,891)	-
(345,365)	(854,706)	(250,709)	(24,234,719)	(2,001,786)
(481,843)	56,781	(88,661)	(279,516)	(1,272,287)
49,615	484,070	9,969	9,798,805	328,624
(432,228)	540,851	(78,692)	9,519,289	(943,663)
13,355	30,993	(95,579)	(376,182)	35,234
3,246	176,675	162,110	963,985	344,799
<b>\$ 16,601</b>	<b>\$ 207,668</b>	<b>\$ 66,531</b>	<b>\$ 587,803</b>	<b>\$ 380,033</b>



**CITY OF McALLEN, TEXAS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
For Fiscal Year Ended September 30, 2003**

	<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)	\$ 2,137,635	\$ 1,728,760	\$ 609,833	\$ (578,582)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	1,943,188	1,938,310	795,397	123,495
Miscellaneous income (expense)	937,262	807,562	284,646	16,972
Loss on asset disposal	-	-	-	-
Accounts receivable	235,348	50,103	(19,049)	12
Accrued interest	-	-	-	88,244
Loan receivable	4,973	-	-	-
Other receivables	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	(9,611)
Inventories	7,399	-	-	-
Other assets, net	(375,000)	-	-	-
Accounts payable	506,843	(179,162)	(596,461)	(30,029)
Other payables	-	-	-	-
Accrued expenses	338,986	141,405	8,410	42,344
Other current liabilities	-	-	-	-
Deferred revenue	61,920	(60,000)	12,476	39,686
Net cash provided by (used for) operating activities	<u><u>\$ 5,798,554</u></u>	<u><u>\$ 4,426,978</u></u>	<u><u>\$ 1,095,252</u></u>	<u><u>\$ (307,469)</u></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
\$ (1,172,266)	\$ 8,616,664	\$ (491,218)	\$ 10,850,826	\$ 872,573
2,126,021	293,461	406,348	7,626,220	999,462
649,758	-	34,907	2,731,107	467,086
-	3,190	-	3,190	-
34,221	-	-	300,635	6,391
9,152	-	-	97,396	32,720
-	-	-	4,973	-
-	-	(2,951)	(2,951)	233,937
174,643	-	-	174,643	-
-	-	-	(9,611)	-
-	-	-	7,399	(38,874)
60,190	-	-	(314,810)	-
(319,403)	(42,768)	(8,624)	(669,604)	(142,388)
-	92,498	-	92,498	-
(13,069)	-	3,605	521,681	549,776
-	5,646	-	5,646	-
18,875	(1,095)	19,428	91,290	-
<u>\$ 1,568,122</u>	<u>\$ 8,967,596</u>	<u>\$ (38,505)</u>	<u>\$ 21,510,528</u>	<u>\$ 2,980,683</u>

**CITY OF McALLEN , TEXAS**  
**FIREMEN RELIEF AND RETIREMENT FUND**  
**STATEMENT OF PLAN NET ASSETS**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,572,767	\$ 3,222,670
Investments at fair value	<u>19,447,043</u>	<u>16,459,588</u>
Total assets	<u><b>\$ 22,019,810</b></u>	<u><b>\$ 19,682,258</b></u>
<b>LIABILITIES</b>		
Accounts payable	<u>\$ 856</u>	<u>\$ 1,544</u>
Total liabilities	<u>856</u>	<u>1,544</u>
Net assets held in trust for pension benefits	<u><b>\$ 22,018,954</b></u>	<u><b>\$ 19,680,714</b></u>

The accompanying notes are an integral part of these statements.

**CITY OF McALLEN , TEXAS**  
**FIREMEN'S RELIEF AND RETIREMENT FUND**  
**STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>ADDITIONS</b>		
Member	\$ 592,130	\$ 543,790
Employer	<u>657,742</u>	<u>607,612</u>
Total contributions	<u>1,249,872</u>	<u>1,151,402</u>
Investment earnings:		
Interest and dividends	570,512	904,676
Gain (loss) on sale of investments	319,284	(1,011,112)
Net depreciation in fair value of investments	<u>1,273,696</u>	<u>93,736</u>
Total investment earnings	2,163,492	(12,700)
Less: investment expense	<u>(238,038)</u>	<u>(148,794)</u>
Net investment earnings	<u>1,925,454</u>	<u>(161,494)</u>
Total additions	<u>3,175,326</u>	<u>989,908</u>
<b>DEDUCTIONS</b>		
Benefits	754,586	652,216
Refund of contributions	66,493	151,182
Administrative expense	<u>16,007</u>	<u>12,940</u>
Total deductions	<u>837,086</u>	<u>816,338</u>
Changes in net assets	2,338,240	173,570
Total net assets--beginning	<u>19,680,714</u>	<u>19,507,144</u>
Total net assets--ending	<u><u>\$ 22,018,954</u></u>	<u><u>\$ 19,680,714</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, 2003**

#### **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 financial statements of the business-type activities of the government-wide or enterprise fund

## CITY OF McALLEN, TEXAS

### NOTES TO FINANCIAL STATEMENTS

September 30, 2003

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 elected implementation of all the requirements of this statement, including retroactive reporting of infrastructure, beginning with fiscal year ending 2002.

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

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

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

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

The statement of activities reflects the extent to which direct expenses of each function are offset by program revenues. *Direct expenses* are those that are attributable to a specific function and are clearly identifiable. *Program revenues* include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a specific function as well as grants and contributions that are restricted to meeting the operational or capital requirements of a specific function. Taxes and other items not appropriately included with program revenues are shown as *general revenues*.

## CITY OF McALLEN, TEXAS

### NOTES TO FINANCIAL STATEMENTS

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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



## CITY OF McALLEN, TEXAS

### NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

#### **(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:

## **CITY OF McALLEN, TEXAS**

### **NOTES TO FINANCIAL STATEMENTS**

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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

## **CITY OF McALLEN, TEXAS**

### **NOTES TO FINANCIAL STATEMENTS**

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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, on which date a tax lien attaches. Assessed values are an approximation of market value. A valuation of all property must be made at least every three (3) years. 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

September 30, 2003

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

## **CITY OF McALLEN, TEXAS**

### **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

#### **(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 been presented in the government-wide and fund financial statements

## **CITY OF McALLEN, TEXAS**

### **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

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

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

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

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

**CITY OF McALLEN, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

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

For the year ended September 30, 2003, 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 commission	\$ (20,708)
City manager	(18,172)
Audit office	(3,520)
Tax office	(7,654)
Legal	(85,305)
City hall	(20,490)
Animal control	(12,831)
Fire	(401,806)
Street cleaning	(51,230)
Street lighting	(57,032)
Recreation	(198,111)
Recreation center - Lark	(26,891)
Recreation center - Palmview	(11,416)
Quinta Mazatlan	(3,015)
Other agencies	<u>(117,767)</u>
Total general fund	\$ <u>(1,035,948)</u>

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2003

### 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, 2003, 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, 2003. 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.

At September 30, 2003, the City's deposits and investments are summarized below:

	Category			Carrying Amount	Fair Value
	1	2	3		
U.S. Government					
securities	\$ 30,285,984	\$ -	\$ -	\$ 30,285,984	\$ 30,285,984
Certificates of deposit	120,885,702	-	-	120,885,702	120,885,702
	<u>\$ 152,483,986</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 152,483,986	\$ 152,483,986
Investments not subject to categorization:					
TexPool				10,796,949	10,796,949
Total investments				<u>\$ 164,878,302</u>	<u>\$ 164,878,302</u>



# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2003

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, 2003. The composition of these investments is as follows:

	Category			Carrying Amount	Fair Value
	1	2	3		
U.S. Government					
Securities	\$ -	\$ 5,956,203	\$ -	\$ 5,956,203	\$ 5,956,203
Corporate securities	-	13,490,840	-	13,490,840	13,490,840
Certificates of deposit	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 19,447,043</u>	<u>\$ -</u>	<u>\$ 19,447,043</u>	<u>\$ 19,447,043</u>

### (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	Non-Major & Other	Total
Receivables:										
Interest	\$187,812	\$ -	\$ -	\$46,611	\$16,055	-	\$2,112	\$ -	\$ -	\$252,590
Taxes	2,932,895	-	-	-	-	-	-	-	639,231	3,572,126
Accounts	6,974,546	1,743,883	-	1,201,910	979,488	1,084,582	-	193,958	213,375	12,391,742
Intergovernmental	2,198	-	-	-	-	-	-	-	629,018	631,216
Intergovernmental Restricted	-	-	-	-	-	-	-	-	-	-
Other	424,420	-	927,397	-	27,772	-	-	-	653,292	2,032,881
Gross Receivables	10,521,871	1,743,883	927,397	1,248,521	1,023,315	1,084,582	2,112	193,958	2,134,916	18,880,555
Less: allowance For uncollectibles	-	-	-	(76,635)	(53,276)	(83,182)	-	-	-	(213,093)
Net total receivables	<u>\$10,521,871</u>	<u>\$1,743,883</u>	<u>\$927,397</u>	<u>\$1,171,886</u>	<u>\$970,039</u>	<u>\$1,001,400</u>	<u>\$2112</u>	<u>\$193,958</u>	<u>\$2,134,916</u>	<u>\$18,667,462</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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2003**

prorating the cycle billings sent to customers in October 2003 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:

	<u>Unavailable</u>	<u>Unearned</u>
Governmental funds:		
Delinquent property taxes receivable (general fund)	\$2,932,895	\$ -
Delinquent property taxes receivable (debt service fund)	639,231	-
Sales tax (general fund)	2,919,330	-
Sales tax (development corp fund)	973,110	-
Other	<u>2,626,609</u>	<u>893,952</u>
Total deferred/unearned revenue for governmental funds	<u>\$10,091,175</u>	<u>\$893,952</u>

### (C) Capital assets:

Capital asset activity for the year ended September 30, 2003 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers/ Reclass</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$17,779,073	\$3,004,980	\$ -	\$(1,418,589)	\$19,365,464
Construction in progress	<u>8,100,499</u>	=	<u>(8,100,499)</u>	=	=
Totals capital assets, not being depreciated	<u>25,879,572</u>	<u>3,004,980</u>	<u>(8,100,499)</u>	<u>(1,418,589)</u>	<u>19,365,464</u>
Capital assets, being depreciated:					
Buildings and improvements	41,870,672	3,221,825	8,097,025	-	53,189,522
Equipment	30,295,686	5,056,293	5,979	(1,546,459)	33,811,499
Infrastructure	<u>99,475,599</u>	<u>9,430,546</u>	=	=	<u>108,906,145</u>
Total capital assets being depreciated	171,641,957	17,708,664	8,103,004	(1,546,459)	195,907,166
Less accumulated depreciation for:					
Buildings and improvements	(12,726,368)	(1,346,036)	-	3,445	(14,068,959)
Equipment	(18,975,726)	(2,649,776)	(12,495)	1,476,936	(20,161,061)
Infrastructure	<u>(54,588,076)</u>	<u>(3,704,474)</u>	=	=	<u>(58,292,550)</u>
Total accumulated depreciation	<u>(86,290,170)</u>	<u>(7,700,286)</u>	<u>(12,495)</u>	<u>1,480,381</u>	<u>(92,522,570)</u>
Total capital assets, being depreciated, net	<u>85,351,787</u>	<u>10,008,378</u>	<u>8,090,509</u>	<u>(66,078)</u>	<u>103,384,596</u>
Governmental activities capital asset net	<u>\$111,231,359</u>	<u>\$13,013,358</u>	<u>\$(9,990)</u>	<u>\$(1,484,667)</u>	<u>\$122,750,060</u>

# CITY OF McALLEN, TEXAS

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**September 30, 2003**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 749,278
Public safety	1,272,144
Highways and streets, which includes the depreciation of general infrastructure assets	3,646,730
Health and welfare	15,230
Culture and recreation	1,097,999
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>918,905</u>
Total depreciation – governmental activities	<u>\$7,700,286</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirement</u> \$	<u>Ending Balance</u>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$12,850,177	\$ -	\$ -	\$ -	\$12,850,177
Construction in progress	<u>10,666,424</u>	<u>11,528,036</u>	<u>(10,514,848)</u>	=	<u>11,679,612</u>
Total capital assets, not being depreciated	<u>23,516,601</u>	<u>11,528,036</u>	<u>(10,514,848)</u>	=	<u>24,529,789</u>
Capital assets, being depreciated:					
Building and improvements	168,899,770	4,356,186	233,874	-	173,489,830
Equipment	17,153,044	2,803,214	(2,505)	(880,839)	19,072,914
Infrastructure	14,248,815	3,393,386	9,567,716	-	27,209,917
Capitalized interest	=	<u>564,627</u>	=	=	<u>564,627</u>
Total capital assets being depreciated	200,301,629	11,117,413	9,799,085	(880,839)	220,337,288
Less: accumulated depreciation for:					
Buildings and improvements	(50,644,239)	(4,389,304)	-	-	(55,033,543)
Equipment	(10,648,923)	(1,502,376)	15,000	878,629	(11,257,670)
Infrastructure	<u>(18,736,818)</u>	<u>(1,653,460)</u>	=	-	<u>(20,390,278)</u>
Total accumulated depreciation	<u>(80,029,980)</u>	<u>(7,545,140)</u>	<u>15,000</u>	<u>878,629</u>	<u>(86,681,491)</u>
Total capital assets, being depreciated, net	<u>120,271,649</u>	<u>3,572,273</u>	<u>9,814,085</u>	<u>(2,210)</u>	<u>133,655,797</u>
Business-type activities capital assets, net	<u>\$143,788,250</u>	<u>\$15,100,309</u>	<u>\$(700,763)</u>	<u>\$(2,210)</u>	<u>\$158,185,586</u>

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2003

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

Water	\$1,858,221
Sewer	1,916,227
Sanitation	793,424
Golf course	279,397
Civic center	123,495
Airport	2,126,021
Transit terminal	126,951
Toll bridge	283,891
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>37,513</u>
Total depreciation – governmental activities	<u>\$7,545,140</u>

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

At September 30, 2003, the City had the following significant remaining contractual commitments for various construction and improvement projects:

<u>Project Description</u>	<u>Remaining Commitment</u>	<u>Financing Sources</u>
Paving and drainage	\$ 1,658,293	Local, bond and grant funds
Walking trails	1,044,730	Local
Water improvements	4,791,055	Local and bond funds
Sewer improvements	842,351	Bond funds
Airport improvements	228,341	Grant
Texas A&M Health Bldg	<u>701,631</u>	Local
	<u>\$ 9,266,401</u>	

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

The composition of interfund balances as of September 30, 2003 is as follows:

**CITY OF McALLEN, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Hotel Occupancy Tax Fund	\$78,000
	Miscellaneous Grants Fund	191,149
	Criminal Justice Division Fund	77,343
	Debt Service Fund	850
	Bridge Fund	<u>38,096</u>
	Total Governmental Funds	<u>\$385,438</u>
Civic Center Fund	Hotel Occupancy Tax Fund	<u>160,698</u>
	Total Proprietary Funds	<u>\$160,698</u>

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

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sanitation Fund	\$1,400,000
Development Corp Fund	Palmview Golf Course Fund	3,700,000
Debt Service Fund	McAllen International Airport Fund	7,057,266
Capital Improvement Fund	Transit Terminal Fund	<u>352,716</u>
Total		<u>\$12,509,982</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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2003

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.

	<b>Transfers in</b>								
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Impvt Fund</u>	<u>Misc Grants Fund</u>	<u>Airport Fund</u>	<u>Golf Fund</u>	<u>Transit Terminal Fund</u>	<u>Civic Center Fund</u>	<u>Total</u>
Transfer out:									
General Fund	\$ -	\$4,200,334	\$3,200,000	\$ -	\$ -	\$195,370	\$ -	\$ -	\$7,595,704
Development Corp	-	-	-	-	-	-	176,957	-	176,957
Capital	-	-	-	-	-	-	-	-	-
Improvement Fund	-	-	-	-	294,637	-	-	-	294,637
Hotel Tax Fund	78,000	-	-	-	-	-	-	2,005,411	2,083,411
Misc Grants Fund	-	-	168,898	-	-	-	-	-	168,898
Water Fund	-	-	-	32,731	-	-	-	-	32,731
Sewer Fund	-	-	-	16,366	-	-	-	-	16,366
Airport Fund	1,071,811	3,600,447	-	-	-	-	-	-	4,672,258
Bridge Fund	<u>5,423,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,423,729</u>
Total	<u>\$6,573,540</u>	<u>\$7,800,781</u>	<u>\$3,368,898</u>	<u>\$49,097</u>	<u>\$294,637</u>	<u>\$195,370</u>	<u>\$176,957</u>	<u>\$2,005,411</u>	<u>\$20,464,691</u>

During this fiscal year, the general fund, transferred \$3,200,000 of surplus revenues to the capital improvement fund to assist in funding some major projects contemplated in next year's budget. It also transferred \$4,200,334 to the debt service fund for the purpose of redeeming general obligation bonds. The transfer of \$2,005,411 from the hotel occupancy tax fund to the civic center represents the use of the former fund as a conduit. The transfer of \$1,071,811 from the airport fund to the general fund to reimburse it for public safety personnel assigned to the airport. The 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, \$5,423,729, represents the City's share of surplus net revenue from operation of the international toll bridge.

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

**September 30, 2003**

**(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.

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:

\$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%	\$3,865,000
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\$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%	2,025,000
	<hr/>

Total general obligation bonds payable	5,890,000
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Sales tax revenue bond payable:

\$25,000,000 1998 Development Corporation of McAllen, Inc. Sales Tax revenue bond due in annual installments ranging from \$25,656 to \$43,019 through February 15, 2018; interest at 3.90% to 5.25%	375,000
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Note payable:

\$2,000,000 Note to John Van Ramshorst, Jr. and J.G. Garza, interest only until maturity; interest at 5%	2,000,000
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Unpaid accumulated compensated absences	4,376,116
	<hr/>

Total general long-term debt	\$ 12,641,116
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**CITY OF McALLEN, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

The annual debt service requirements to maturity on general obligation bonds payable outstanding as of September 30, 2003, including interest, are as follows:

<b><u>Year Ending September 30,</u></b>	<b><u>Governmental Activities</u></b>		<b><u>Business-type Activities</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2004	355,000	92,375	680,000	198,167
2005	380,000	74,000	725,000	157,944
2006	405,000	54,375	770,000	114,963
2007	430,000	33,500	820,000	69,250
2008	455,000	11,375	870,000	22,838
Total	\$ 2,025,000	\$ 265,625	\$ 3,865,000	\$ 563,162

**(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, 2003**

**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%. \$ 13,923,261

\$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% 13,099,139

Unpaid accumulated compensated absences	171,021	
Total Water Fund	27,193,421	

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%. 5,001,739

\$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% 4,705,861

\$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% 1,570,000

Unpaid accumulated compensated absences	123,174	
Total Sewer Fund	11,400,774	

Payable from Sanitation Fund:

**CITY OF McALLEN, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

Unpaid accumulated compensated absences	<u>122,231</u>
Total Sanitation Fund	<u>122,231</u>

Payable from Palm View Golf Course Fund:

Unpaid accumulated compensated absences	<u>44,856</u>
Total Palm View Golf Course Fund	<u>44,856</u>

Payable from McAllen International Civic Center Fund:

Unpaid accumulated compensated absences	<u>15,450</u>
Total McAllen International Civic Center Fund	<u>15,450</u>

Payable from McAllen International Airport Fund:

Unpaid accumulated compensated absences	<u>47,002</u>
Total McAllen International Airport Fund	<u>47,002</u>

Payable from Transit System Fund:

Unpaid accumulated compensated absences	<u>7,868</u>
Total Transit System Fund	<u>7,868</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%	2,120,000
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Unpaid accumulated compensated absences	<u>67,299</u>
Total McAllen International Toll Bridge Fund	<u>2,187,299</u>

Total Proprietary Fund Debt	<u>\$ 41,018,901</u>
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**CITY OF McALLEN, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

Revenue bond debt service requirements to maturity are as follows:

	Year Ending <u>September 30</u>	<u>Principal</u>	<u>Interest</u>
2004		\$1,890,000	\$2,078,913
2005		1,995,000	1,975,694
2006		2,095,000	1,866,322
2007		1,650,000	1,762,153
2008		1,740,000	1,663,653
2009-2013		9,910,000	6,826,735
2014-2018		11,295,000	4,245,312
2019-2023		7,380,000	1,679,939
2024-2025		<u>2,840,000</u>	<u>162,001</u>
Total		<u>\$40,795,000</u>	<u>\$22,260,722</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, 2003, the outstanding balance of the defeased bonds is \$0.

**CITY OF McALLEN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2003**

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

Long-term liability activity for the year ended September 30, 2003 is shown in the following table:

	<b>Balance at September 30, 2001</b>	<b>Additional Obligations</b>	<b>Retirements and Decreases</b>	<b>Balance at September 30, 2002</b>	<b>Amounts Due Within One Year</b>
<b>Governmental activities:</b>					
General obligation bonds payable	\$ 10,565,000	\$ -	\$ (4,675,000)	\$ 5,890,000	\$ 1,035,000
Sales tax revenue bonds	21,670,000	-	(21,295,000)	375,000	25,000
Compensated absences	3,970,797	2,405,319	(2,000,000)	4,376,116	2,000,000
Total general long-term debt	36,205,797	2,405,319	(27,970,000)	10,641,116	3,060,000
<b>Business-Type Activities</b>					
Revenue bonds payable	42,185,000	-	(1,765,000)	40,420,000	1,765,000
Note payable	-	2,000,000	-	2,000,000	-
Compensated absences	567,853	31,048	-	598,901	-
Total proprietary fund debt	42,752,853	2,031,048	(1,765,000)	43,018,901	1,765,000
Total debt	<u>\$ 78,958,650</u>	<u>\$ 4,436,367</u>	<u>\$ (29,735,000)</u>	<u>\$ 53,660,017</u>	<u>\$ 4,825,000</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, 2003**

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

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

#### **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 2003, the City self-funded group health insurance, life insurance, general liability insurance, and workmen's compensation insurance. The City purchased insurance coverage for fire and extended coverage on buildings and contents; and fire, lightning, and windstorm insurance for its vehicles for damages in excess of certain limits.

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

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

The City estimates the liabilities for its self-funded insurance programs on a case-by-case basis based on historical claims experience. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss is reasonably estimable. Accruals for claims are adjusted on a regular basis based on the latest information available on each case. Claims incurred but not reported have been considered in determining the accrual for claims, and City management believes adequate accruals have been provided at September 30, 2003. 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, 2003

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.

## CITY OF McALLEN, TEXAS

### NOTES TO FINANCIAL STATEMENTS

September 30, 2003

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

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

The City provides post-employment health care benefits for certain retirees and their dependents. The retired employee pays 100% of the applicable premium for single coverage. However, for family coverage the City pays 50% of the premium for dependent coverage only, if any. As of yearend, there were 51 employees who had retired; 19 with single coverage and 32 with family coverage. The City finances the plan on a pay-as-you-go basis. For the year ended September 30, 2003, the City paid \$92,467 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

## **CITY OF McALLEN, TEXAS**

### **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his/her salary in the last three years that are one year before the effective date.

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

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, 2003**

**Schedule of Actuarial Funding Progress**

<b>Actuarial Valuation Date</b>	<b>12/31/02</b>	<b>12/31/01</b>	<b>12/31/00</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	\$60,525,078	\$56,627,693	\$52,108,606
Actuarial accrued liability	\$64,598,444	\$59,932,585	\$55,168,579
Percentage funded	93.7%	94.5%	94.5%
Unfunded actuarial accrued liability (UAAL)	\$4,073,366	\$3,304,892	\$3,059,973
Annual covered payroll	\$33,132,799	\$30,387,275	\$27,991,594
UAAL as a percentage of covered payroll	12.3%	10.9%	10.9%
Annual pension cost:			
Annual required contribution (ARC)	\$2,124,326	\$1,626,362	\$1,889,222
Interest on NPO	-	-	-
Adjustments to the ARC	-	-	-
	<u>\$2,124,326</u>	<u>\$1,626,362</u>	<u>\$1,889,222</u>
Percentage of annual pension cost contributed	100%	100%	100%
Contributions made	\$ 2,124,326	\$ 1,626,362	\$ 1,889,222
Increase in NPO	\$ -	\$ -	\$ -
NPO at the end of the period	\$ -	\$ -	\$ -

## **CITY OF McALLEN, TEXAS**

### **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

#### **(B) Firemen's Fund**

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

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

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

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

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

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

**Pension Benefits** – Pension benefits become fully vested after 20 years of credited service. Employees may retire at age 50 with 20 years of service ("normal retirement age"). A partially vested benefit is also provided for employees who terminate employment with at least 10 but less than 20 years of service. The monthly benefit at normal retirement age, payable in an annuity, is equal to 58% of the compensation base, as defined, plus \$58.00 per month for each year of service in excess of 20 years.

**Death Benefits** – Duty related death benefits payable to a member's spouse equals the sum of 38.67% of the member's compensation base, as defined, plus two-thirds of the member's accrued retirement benefit at death. Non-duty related benefits will equal the duty related death benefit to which the member's beneficiary was eligible multiplied by

## **CITY OF McALLEN, TEXAS**

### **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

the member's vested percentage based on the member's years of service at death. In addition to the spouse's benefit, each unmarried child of the member under age 18 will receive a monthly benefit of 7.73% of the firefighter's average monthly salary. The sum of all benefits payable as a result of the death of an active plan member may not exceed the disability or retirement benefit such member had earned as of the date of death.

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

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

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

For 2003, 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, 2002 actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, compounded annually (b) projected salary increases of 4.25% per year, compounded annually, and (c) inflation rate of 3.00%. The investment rate of return and the projected 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, 2002 was 36.5 years. The most recent actuarial valuation was done as of September 30, 2002. 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, 2003

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>
09/30/00	10.00%	10.00%	100.00%	\$ (18,389)
09/30/01	11.00%	11.00%	100.00%	\$ (19,860)
09/30/02	11.00%	11.00%	100.00%	\$ (21,449)

#### 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, 2003 was 11% of annual compensation. Contributions required and paid into the fund as of September 30, 2003 were members, \$592,130 and employer, \$657,742.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF McALLEN, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

<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.

**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, 2003**

	<b>Hotel Occupancy Tax</b>	<b>Park Development</b>	<b>Community Development</b>	<b>Misceallaneous Government Grants</b>
<b>ASSETS</b>				
Cash	290	10,075	-	166,720
Certificate of deposit	-	1,563,035	-	-
Investments	147,009	158,690	-	-
Receivables:				
Accounts	204,288	-	-	-
Taxes	-	-	-	-
Accrued interest	-	-	-	-
Other	-	-	-	-
Due from other governments	-	-	291,544	139,066
Advances to other funds	-	-	-	-
	<u>351,587</u>	<u>1,731,800</u>	<u>291,544</u>	<u>305,786</u>
<b>Total assets</b>	<b>351,587</b>	<b>1,731,800</b>	<b>291,544</b>	<b>305,786</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 64,279	\$ -	\$ 255,785	\$ 6,477
Accrued liabilities	-	-	35,759	-
Due to other funds	238,698	-	-	191,149
Deferred revenues	-	-	-	56,494
Other liabilities	-	-	-	-
	<u>302,977</u>	<u>-</u>	<u>291,544</u>	<u>254,120</u>
<b>Total liabilities</b>	<b>302,977</b>	<b>-</b>	<b>291,544</b>	<b>254,120</b>
<b>FUND BALANCES</b>				
Restricted for advances	-	-	-	-
Unrestricted	<u>48,610</u>	<u>1,731,800</u>	<u>-</u>	<u>51,666</u>
<b>Total fund balances</b>	<b>48,610</b>	<b>1,731,800</b>	<b>-</b>	<b>51,666</b>
<b>Total liabilities and fund balances</b>	<b>\$ 351,587</b>	<b>\$ 1,731,800</b>	<b>\$ 291,544</b>	<b>\$ 305,786</b>

<b>Criminal Justice Department</b>	<b>Total</b>	<b>Debt Service Fund</b>	<b>Drainage Bond</b>	<b>Total Nonmajor Governmental Funds</b>
86,664	263,749	9,405	916	274,070
775,036	2,338,071	4,859,527	306,030	7,503,628
306,768	612,467	7,942	57,100	677,509
-	204,288	-	-	204,288
-	-	639,231	-	639,231
-	-	-	-	-
653,292	653,292	-	-	653,292
198,408	629,018	-	-	629,018
-	-	7,057,266	-	7,057,266
<b><u>2,020,168</u></b>	<b><u>4,700,885</u></b>	<b><u>12,573,371</u></b>	<b><u>364,046</u></b>	<b><u>17,638,302</u></b>
\$ 28,061	\$ 354,602	\$ 3,921	\$ -	\$ 358,523
-	35,759	-	-	35,759
77,343	507,190	850	-	508,040
653,292	709,786	639,232	-	1,349,018
312	312	-	-	312
759,008	1,607,649	644,003	-	2,251,652
-	-	7,057,266	-	7,057,266
1,261,160	3,093,236	4,872,102	364,046	8,329,384
1,261,160	3,093,236	11,929,368	364,046	15,386,650
<b><u>\$ 2,020,168</u></b>	<b><u>\$ 4,700,885</u></b>	<b><u>\$ 12,573,371</u></b>	<b><u>\$ 364,046</u></b>	<b><u>\$ 17,638,302</u></b>

**CITY OF McALLEN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2003**

	<b>Hotel Occupancy Tax</b>	<b>Park Development</b>	<b>Community Development</b>
<b>REVENUES</b>			
Hotel taxes	\$ 2,807,577	\$ -	\$ -
Property taxes	-	-	-
Intergovernmental	-	-	3,543,347
Fines and forfeitures	-	-	-
Interest	1,908	31,236	-
Net decrease (increase) in the fair value of investments	-	-	-
Other	-	853,895	701
Total revenues	<u>2,809,485</u>	<u>885,131</u>	<u>3,544,048</u>
<b>EXPENDITURES</b>			
Current:			
General government	802,165	-	271,880
Public safety	-	-	-
Highways and streets	-	-	495,931
Health and welfare	-	-	2,616,918
Culture and recreation	-	208,620	159,319
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	802,165	208,620	3,544,048
Excess of revenues over (under) expenditures	2,007,320	676,511	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	(2,083,412)	-	-
Net other financing sources (uses)	<u>(2,083,412)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(76,092)	676,511	-
Fund balances (deficits) at beginning of year	<u>124,702</u>	<u>1,055,289</u>	<u>-</u>
Fund balances (deficits) at end of year	<u><u>\$ 48,610</u></u>	<u><u>\$ 1,731,800</u></u>	<u><u>\$ -</u></u>

<b>Miscellaneous Government Grants</b>	<b>Criminal Justice Department</b>	<b>Total</b>	<b>Debt Service Fund</b>	<b>Drainage Bond</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ -	\$ 2,807,577	\$ -	\$ -	\$ 2,807,577
-	-	-	2,522,956	-	2,522,956
963,021	676,281	5,182,649	-	-	5,182,649
-	401,109	401,109	-	-	401,109
-	754	33,898	84,852	7,500	126,250
-	-	-	(7,699)	-	(7,699)
173,708	-	1,028,304	-	-	1,028,304
<u>1,136,729</u>	<u>1,078,144</u>	<u>9,453,537</u>	<u>2,600,109</u>	<u>7,500</u>	<u>12,061,146</u>
-	-	1,074,045	-	-	1,074,045
959,532	1,869,815	2,829,347	-	-	2,829,347
-	-	495,931	-	-	495,931
-	-	2,616,918	-	-	2,616,918
-	-	367,939	-	-	367,939
-	-	-	4,675,000	-	4,675,000
-	-	-	558,008	-	558,008
959,532	1,869,815	7,384,180	5,233,008	-	12,617,188
177,197	(791,671)	2,069,357	(2,632,899)	7,500	(556,042)
49,097	-	49,097	7,800,781	-	7,849,878
(168,898)	-	(2,252,310)	-	-	(2,252,310)
<u>(119,801)</u>	<u>-</u>	<u>(2,203,213)</u>	<u>7,800,781</u>	<u>-</u>	<u>5,597,568</u>
57,396	(791,671)	(133,856)	5,167,882	7,500	5,041,526
<u>(5,730)</u>	<u>2,052,831</u>	<u>3,227,092</u>	<u>6,761,486</u>	<u>356,546</u>	<u>10,345,124</u>
<u><u>\$ 51,666</u></u>	<u><u>\$ 1,261,160</u></u>	<u><u>\$ 3,093,236</u></u>	<u><u>\$ 11,929,368</u></u>	<u><u>\$ 364,046</u></u>	<u><u>\$ 15,386,650</u></u>

**NONMAJOR ENTERPRISE FUNDS**

These funds are used to account for City operations that are financed and/or operated in a manner similar to private business enterprises. Included in this category are: ***Palm View Golf Course*** 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 ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**September 30, 2003**

	<b>Palm View Golf Course</b>	<b>Transit Terminal</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 66,425	\$ (894)	\$ 65,531
Certificate of deposit	173,616	-	173,616
Investments	167,362	101,501	268,863
Receivables, net:			
Accounts	9,087	-	9,087
 Total currents assets	 416,490	 100,607	 517,097
 Restricted assets:			
Certificate of deposit	83,000	-	83,000
 Capital assets			
Land	187,995	1,684,593	1,872,588
Buildings and systems	211,633	3,522,228	3,733,861
Improvements other than buildings	6,501,211	-	6,501,211
Machinery and equipment	816,805	100,103	916,908
 Total capital assets	 7,717,644	 5,306,924	 13,024,568
Less accumulated depreciation	(2,490,943)	(315,004)	(2,805,947)
 Net capital assets	 5,226,701	 4,991,920	 10,218,621
 Total assets	 <b>\$ 5,726,191</b>	 <b>\$ 5,092,527</b>	 <b>\$ 10,818,718</b>

**CITY OF McALLEN , TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**September 30, 2003**

	<u>Palm View Golf Course</u>	<u>Transit Terminal</u>	<u>Total</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 39,612	\$ 14,749	\$ 54,361
Accrued expenses	25,661	12,857	38,518
Other	<u>500</u>	<u>-</u>	<u>500</u>
Total current liabilities	<u>65,773</u>	<u>27,606</u>	<u>93,379</u>
Other noncurrent liabilities:			
Deferred revenues	68,573	-	68,573
Accumulated unpaid compensated absences	44,856	7,868	52,724
Advances from other funds	<u>3,700,000</u>	<u>352,716</u>	<u>4,052,716</u>
Total other noncurrent liabilities	<u>3,813,429</u>	<u>360,584</u>	<u>4,174,013</u>
Total liabilities	<u>3,879,202</u>	<u>388,190</u>	<u>4,267,392</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,226,701	4,991,920	10,218,621
Restricted for capital improvements	83,000	-	83,000
Unrestricted	<u>(3,462,712)</u>	<u>(287,583)</u>	<u>(3,750,295)</u>
Total net assets	<u>1,846,989</u>	<u>4,704,336</u>	<u>6,551,326</u>
Total liabilities and net assets	<u><u>\$ 5,726,191</u></u>	<u><u>\$ 5,092,527</u></u>	<u><u>\$ 10,818,718</u></u>

**CITY OF McALLEN , TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2003**

	<u>Palm View Golf Course</u>	<u>Transit Terminal</u>	<u>Total</u>
Operating revenues:			
Charges for services	<u>\$ 1,023,855</u>	<u>\$ 241,788</u>	<u>\$ 1,265,643</u>
Total operating revenues	<u>1,023,855</u>	<u>241,788</u>	<u>1,265,643</u>
Operating expenses:			
Salaries, wages and employee benefits	600,380	287,926	888,306
Supplies and materials	92,689	27,404	120,093
Contractual and other services	124,409	147,921	272,330
Repairs and maintenance	48,776	21,008	69,784
Depreciation and amortization	<u>279,397</u>	<u>126,951</u>	<u>406,348</u>
Total operating expenses	<u>1,145,651</u>	<u>611,210</u>	<u>1,756,861</u>
Operating loss	<u>(121,796)</u>	<u>(369,422)</u>	<u>(491,218)</u>
Nonoperating revenues:			
Interest income	9,012	957	9,969
Other	<u>20,171</u>	<u>10,882</u>	<u>31,053</u>
Net nonoperating revenues expenses	<u>29,183</u>	<u>11,839</u>	<u>41,022</u>
Loss before contributions and transfers	<u>(92,613)</u>	<u>(357,583)</u>	<u>(450,196)</u>
Capital contributions	305,711	-	305,711
Transfers in	<u>195,370</u>	<u>176,957</u>	<u>372,327</u>
Changes in net assets	408,468	(180,626)	227,842
Total net assets--beginning	<u>1,438,521</u>	<u>4,884,963</u>	<u>6,323,484</u>
Total net assets--ending	<u><u>\$ 1,846,989</u></u>	<u><u>\$ 4,704,337</u></u>	<u><u>\$ 6,551,326</u></u>



**CITY OF McALLEN, TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**

	<b>Palm View Golf Course</b>	<b>Transit Terminal</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 1,015,997	\$ 236,881	\$ 1,252,878
Payments to suppliers	(283,574)	(186,040)	(469,614)
Payments to employees	(600,380)	(287,143)	(887,523)
Other receipts	45,058	20,696	65,754
Net cash provided (used) by operating activities	177,101	(215,606)	(38,505)
<b>Cash flows from noncapital financing activities:</b>			
Transfers in	195,370	176,957	372,327
Advance to other funds	(100,000)	-	(100,000)
Net cash provided by noncapital financing activities	95,370	176,957	272,327
<b>Cash flows from capital and related financing activities</b>			
Payments for capital acquisitions	(250,709)	-	(250,709)
Cash used for capital and related financing activities	(250,709)	-	(250,709)
<b>Cash flows from investing activities</b>			
Investment activity, net	(49,811)	(39,850)	(89,661)
Receipt of interest	9,012	957	9,969
Net cash used by investing activities	(40,799)	(38,893)	(79,692)
Net decrease in cash	(19,037)	(77,542)	(96,579)
Cash at beginning of year	85,462	76,648	162,110
Cash (deficit) at end of year	<u><u>\$ 66,425</u></u>	<u><u>\$ (894)</u></u>	<u><u>\$ 65,531</u></u>

**CITY OF McALLEN, TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**

	<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	\$ (121,796)	\$ (369,422)	\$ (491,218)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	279,397	126,951	406,348
Miscellaneous income (expense)	23,242	11,665	34,907
Other receivables	(7,858)	4,907	(2,951)
Accounts payable	(16,506)	7,882	(8,624)
Accrued expenses	1,194	2,411	3,605
Deferred revenue	19,428	-	19,428
Total adjustments	298,897	153,816	452,713
Net cash provided (used) by operating activities	<u>\$ 177,101</u>	<u>\$ (215,606)</u>	<u>\$ (38,505)</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 STATEMENT OF NET ASSETS**  
**For Fiscal Year Ended September 30, 2003**

	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 328,053	\$ 37,048
Certificates of deposit	-	2,683,090
Investments	-	246,534
Receivables, net:		
Accounts	-	64,125
Accrued interest	-	-
Other	-	-
Inventories	<u>394,569</u>	<u>-</u>
Total current assets	<u>722,622</u>	<u>3,030,797</u>
Fixed assets	621,805	-
Less accumulated depreciation	<u>(430,595)</u>	<u>-</u>
Net fixed assets	<u>191,210</u>	<u>-</u>
Total assets	<u><b>\$ 913,832</b></u>	<u><b>\$ 3,030,797</b></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 189,932	\$ 77,965
Accrued expense	<u>24,739</u>	<u>1,005,593</u>
Total current liabilities	<u>214,671</u>	<u>1,083,558</u>
Other non-current liabilities:		
Accumulated unpaid compensated absences	30,794	2,323
Deferred revenues	<u>1,107</u>	<u>-</u>
Total other non-current liabilities	<u>31,901</u>	<u>2,323</u>
Total liabilities	<u>246,572</u>	<u>1,085,881</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	191,210	-
Unrestricted	<u>476,050</u>	<u>1,944,916</u>
Total net assets	<u>667,260</u>	<u>1,944,916</u>
Total liabilities and net assets	<u><b>\$ 913,832</b></u>	<u><b>\$ 3,030,797</b></u>

<u>General Insurance</u>	<u>General Depreciation</u>	<u>Total</u>
\$ 7,268	\$ 7,664	\$ 380,034
4,239,051	3,703,940	10,626,081
1,245,000	165,199	1,656,733
98,165	-	162,290
4,225	-	4,225
-	-	-
-	-	394,568
<u>5,593,709</u>	<u>3,876,803</u>	<u>13,223,931</u>
-	7,037,941	7,659,746
-	(2,630,041)	(3,060,636)
-	4,407,900	4,599,110
<u><b>\$ 5,593,709</b></u>	<u><b>\$ 8,284,703</b></u>	<u><b>\$ 17,823,041</b></u>
\$ 31,348	\$ 15,000	\$ 314,245
1,103,634	-	2,133,966
<u>1,134,982</u>	<u>15,000</u>	<u>2,448,211</u>
23,077	-	56,194
-	-	1,107
<u>23,077</u>	<u>-</u>	<u>57,301</u>
<u>1,158,059</u>	<u>15,000</u>	<u>2,505,512</u>
-	4,407,900	4,599,110
<u>4,435,650</u>	<u>3,861,803</u>	<u>10,718,419</u>
<u>4,435,650</u>	<u>8,269,703</u>	<u>15,317,529</u>
<u><b>\$ 5,593,709</b></u>	<u><b>\$ 8,284,703</b></u>	<u><b>\$ 17,823,041</b></u>

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2003**

	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>
<b>Operating revenues</b>		
Charges for services	\$ 2,176,698	\$ -
Contributions	<u>-</u>	<u>5,603,536</u>
Total operating revenues	<u>2,176,698</u>	<u>5,603,536</u>
<b>Operating expenses</b>		
Salaries, wages and employee benefits	562,372	69,307
Supplies and materials	7,683	1,408
Contractual and other services	1,481,019	947,612
Repairs and maintenance	19,616	-
Depreciation and amortization	37,513	-
Self insurance claims	-	3,788,601
Other	<u>-</u>	<u>-</u>
Total operating expenses	<u>2,108,203</u>	<u>4,806,928</u>
Operating income (loss)	<u>68,495</u>	<u>796,608</u>
Non operating revenues (expenses)		
Interest income	3,804	58,592
Net increase (decrease) in fair value of investments	-	-
Interest expense	-	-
Other	<u>21,668</u>	<u>109,375</u>
Net non-operating revenues	<u>25,472</u>	<u>167,967</u>
Income (loss) before contributions and transfers	93,967	964,575
Capital contributions	-	-
Transfers in	-	-
Transfers out	<u>-</u>	<u>-</u>
Change in net assets	93,967	964,575
Total net assets--beginning	<u>573,293</u>	<u>980,341</u>
Total assets--ending	<u><u>\$ 667,260</u></u>	<u><u>\$ 1,944,916</u></u>

<b>General Insurance</b>	<b>General Depreciation</b>	<b>Total</b>
\$ -	\$ 1,437,306	\$ 3,614,004
3,303,360	-	8,906,896
3,303,360	1,437,306	12,520,900
117,101	-	748,780
1,268	-	10,359
871,945	27,326	3,327,902
426	-	20,042
-	961,949	999,462
2,753,180	-	6,541,781
-	-	-
3,743,920	989,275	11,648,326
(440,560)	448,031	872,574
150,778	115,449	328,623
(45,368)	(13,871)	(59,239)
-	-	-
323,440	13,852	468,335
428,850	115,430	737,719
(11,710)	563,461	1,610,293
-	-	-
-	-	-
-	-	-
(11,710)	563,461	1,610,293
4,447,360	7,706,242	13,707,236
<b>\$ 4,435,650</b>	<b>\$ 8,269,703</b>	<b>\$ 15,317,529</b>

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Totals for Fiscal Year Ended September 30, 2002**

	<u><b>Fleet Materials Management</b></u>	<u><b>Employee Benefits</b></u>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 2,176,697	\$ 5,854,122
Payments to suppliers	(1,552,721)	(991,539)
Payments to employees	(565,097)	(69,307)
Claims paid	-	(3,788,601)
Other receipts (payments)	21,668	109,858
	<u>80,547</u>	<u>1,114,533</u>
 Net cash provided by operating activities		
 Cash flows from capital and related financing activities:		
Payments for capital disposal/acquisitions	<u>(29,439)</u>	<u>-</u>
 Cash flows from investing activities:		
Investment activity, net	-	(1,189,705)
Receipt of interest	3,804	58,592
	<u>3,804</u>	<u>58,592</u>
 Net cash provided (used) by investing activities		
	<u>3,804</u>	<u>(1,131,113)</u>
 Net increase (decrease) in cash	54,912	(16,580)
 Cash at beginning of year	<u>273,141</u>	<u>53,628</u>
 Cash at end of year	<u><u>\$ 328,053</u></u>	<u><u>\$ 37,048</u></u>



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<u>General Insurance</u>	<u>General Depreciation</u>	<u>Totals</u>
\$ 3,293,102	\$ 1,426,324	\$ 12,750,245
(361,393)	(56,811)	(2,962,464)
(117,101)	-	(751,505)
(2,753,180)	-	(6,541,781)
346,172	8,490	486,188
<u>407,600</u>	<u>1,378,003</u>	<u>2,980,683</u>
<u>-</u>	<u>(1,972,347)</u>	<u>(2,001,786)</u>
(567,127)	484,545	(1,272,287)
150,779	115,449	328,624
<u>(416,348)</u>	<u>599,994</u>	<u>(943,663)</u>
(8,748)	5,650	35,234
16,016	2,014	344,799
<u>\$ 7,268</u>	<u>\$ 7,664</u>	<u>\$ 380,033</u>

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Totals for Fiscal Year Ended September 30, 2002**

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	<b>Fleet Materials Management</b>	<b>Employee Benefits</b>
Operating income (loss)	\$ 68,494	\$ 796,608
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	37,513	-
Misc. non-operating income	18,944	109,857
Accounts receivable	-	16,649
Accrued interest receivable	-	-
Other receivables	-	233,937
Inventories	(38,874)	-
Accounts payable	(8,288)	(42,912)
Accrued expenses	2,758	394
Net cash provided by operating activities	<b><u>\$ 80,547</u></b>	<b><u>\$ 1,114,533</u></b>

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<u>General Insurance</u>	<u>General Depreciation</u>	<u>Totals</u>
\$ (440,560)	\$ 448,031	\$ 872,573
-	961,949	999,462
324,433	13,852	467,086
(10,258)	-	6,391
21,738	10,982	32,720
-	-	233,937
-	-	(38,874)
(34,377)	(56,811)	(142,388)
546,624	-	549,776
<u>\$ 407,600</u>	<u>\$ 1,378,003</u>	<u>\$ 2,980,683</u>

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

**CITY OF McALLEN , TEXAS**  
**GENERAL FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
Cash	\$ 295,931	\$ 268,150
Certificate of deposit	22,248,000	6,169,670
Investments	19,603,440	29,189,942
Receivables,net:		
Taxes	2,932,895	2,949,428
Accounts	6,974,546	6,374,869
Accrued interest receivable	187,812	405,708
Other	424,420	878,029
Due from other funds	385,438	186,894
Due from other governments	2,198	8,318
Prepays	13,200	-
Advances to other funds	1,400,000	1,400,000
	<u>54,467,880</u>	<u>47,831,008</u>
Total assets	<u><b>\$ 54,467,880</b></u>	<u><b>\$ 47,831,008</b></u>
<b>LIABILITIES AND FUND BALANCES</b>		
Accounts payable	\$ 1,222,977	\$ 1,456,848
Accrued liabilities	1,966,638	1,653,144
Deferred revenues	7,769,047	7,127,295
Other liabilities	1,115,140	1,167,318
	<u>12,073,802</u>	<u>11,404,605</u>
Total liabilities	<u>12,073,802</u>	<u>11,404,605</u>
<b>FUND BALANCES:</b>		
Reserved for encumbrances	95,366	243,763
Reserved for advances	1,400,000	1,400,000
Unrestricted	40,898,712	34,782,640
	<u>42,394,078</u>	<u>36,426,403</u>
Total fund balance	<u>42,394,078</u>	<u>36,426,403</u>
Total liabilities and fund balance	<u><b>\$ 54,467,880</b></u>	<u><b>\$ 47,831,008</b></u>

**CITY OF McALLEN , TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>REVENUES</b>		
Taxes:		
Property	\$ 17,143,064	\$ 15,662,099
Sales	31,181,802	29,436,249
Franchise	<u>5,456,944</u>	<u>5,496,448</u>
Total taxes	<u>53,781,810</u>	<u>50,594,796</u>
Licences and permits	1,434,515	872,751
Intergovernmental	322,226	416,855
Charges for service	2,991,704	2,830,128
Fines and forfeitures	1,778,660	1,431,302
Interest	1,607,133	2,221,716
Net increase (decrease) in the fair value of investments	(548,503)	(43,252)
Other	<u>7,056,023</u>	<u>3,623,859</u>
Total revenues	<u>68,423,568</u>	<u>61,948,155</u>
<b>EXPENDITURES</b>		
Current:		
General government	11,735,797	11,065,084
Public safety	31,694,910	28,968,884
Higways and streets	7,284,959	6,494,560
Health and welfare	952,481	782,187
Culture and recreation	<u>9,765,582</u>	<u>9,990,590</u>
Total expenditures	<u>61,433,729</u>	<u>57,301,305</u>
Excess of revenues over expenditures	<u>6,989,839</u>	<u>4,646,850</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	6,573,540	7,156,443
Transfers out	<u>(7,595,704)</u>	<u>(12,900,000)</u>
Total other financing sources (uses)	<u>(1,022,164)</u>	<u>(5,743,557)</u>
Net changes in fund balances	5,967,675	(1,096,707)
Fund balance--beginning	<u>36,426,403</u>	<u>37,523,108</u>
Fund balance--ending	<u><u>\$ 42,394,078</u></u>	<u><u>\$ 36,426,403</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, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes:				
Property	\$ 16,100,447	\$ 16,100,447	\$ 17,143,064	\$ 1,042,617
Sales	28,525,000	28,525,000	31,181,802	2,656,802
Franchise	<u>5,227,000</u>	<u>5,227,000</u>	<u>5,456,944</u>	<u>229,944</u>
Total taxes	<u>49,852,447</u>	<u>49,852,447</u>	<u>53,781,810</u>	<u>3,929,363</u>
Licenses and permits:				
Business licenses and permits	22,000	22,000	38,895	16,895
Occupational	66,300	66,300	94,510	28,210
Non-business licenses and permits	<u>704,000</u>	<u>704,000</u>	<u>1,301,110</u>	<u>597,110</u>
Total licenses and permits	<u>792,300</u>	<u>792,300</u>	<u>1,434,515</u>	<u>642,215</u>
Intergovernmental revenues:				
State shared revenues	<u>300,000</u>	<u>300,000</u>	<u>322,226</u>	<u>22,226</u>
Total intergovernmental revenues	<u>300,000</u>	<u>300,000</u>	<u>322,226</u>	<u>22,226</u>
Charges for services:				
General government	1,282,600	1,282,600	1,386,941	104,341
Public safety	131,500	136,143	152,908	16,765
Highways and streets	351,000	351,000	489,341	138,341
Health	319,500	319,500	356,816	37,316
Culture and recreation	<u>365,900</u>	<u>365,900</u>	<u>605,698</u>	<u>239,798</u>
Total charges for services	<u>2,450,500</u>	<u>2,455,143</u>	<u>2,991,704</u>	<u>536,561</u>
Fines and forfeitures:				
Corporations court	1,250,000	1,369,248	1,546,048	176,800
Other fines	<u>175,500</u>	<u>175,500</u>	<u>232,612</u>	<u>57,112</u>
Total fines and forfeitures	<u>1,425,500</u>	<u>1,544,748</u>	<u>1,778,660</u>	<u>233,912</u>
Interest	<u>1,900,000</u>	<u>1,900,000</u>	<u>1,607,133</u>	<u>(292,867)</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, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Net increase (decrease) in fair value of investments	\$ -	\$ -	\$ (548,503)	\$ (548,503)
Other:				
Royalties	2,500,000	2,500,000	6,088,958	3,588,958
Rents and concessions	40,000	40,000	70,913	30,913
Reimbursements	17,000	17,000	249,527	232,527
Other	41,000	67,550	646,625	579,075
Total other revenues	2,598,000	2,624,550	7,056,023	4,431,473
Total revenues	59,318,747	59,469,188	68,423,568	8,954,380
Expenditures:				
General government:				
City commission				
Personal services	97,967	100,821	92,552	8,269
Supplies	4,000	4,000	3,794	206
Miscellaneous services	85,000	85,000	93,928	(8,928)
Capital outlay	1,000	1,000	21,255	(20,255)
Total city commission	187,967	190,821	211,529	(20,708)
Special service				
Miscellaneous services	555,000	632,054	600,992	31,062
Capital outlay	-	-	-	-
Total special service	555,000	632,054	600,992	31,062
City manager				
Personal services	456,924	467,449	483,876	(16,427)
Supplies	1,600	1,600	1,159	441
Miscellaneous services	16,900	16,900	19,486	(2,586)
Maintenace	400	400	-	400
Capital outlay	-	-	-	-
Total city manager	475,824	486,349	504,521	(18,172)



**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
City secretary:				
Personal services	\$ 452,326	\$ 466,944	\$ 437,867	\$ 29,077
Supplies	6,000	6,000	4,989	1,011
Miscellaneous services	140,891	140,891	128,291	12,600
Maintenance	5,025	5,025	1,504	3,521
Capital outlay	<u>55,560</u>	<u>55,560</u>	<u>19,251</u>	<u>36,309</u>
Total city secretary	<u>659,802</u>	<u>674,420</u>	<u>591,902</u>	<u>82,518</u>
Audit office:				
Personal services	116,935	120,360	122,687	(2,327)
Supplies	1,400	1,400	1,176	224
Miscellaneous services	9,750	9,750	11,767	(2,017)
Capital outlay	<u>600</u>	<u>600</u>	<u>-</u>	<u>600</u>
Total audit office	<u>128,685</u>	<u>132,110</u>	<u>135,630</u>	<u>(3,520)</u>
Municipal court:				
Personal services	731,064	747,559	668,857	78,702
Supplies	9,120	9,120	9,169	(49)
Miscellaneous services	26,555	23,807	33,444	(9,637)
Maintenance	12,000	26,532	34,893	(8,361)
Capital outlay	<u>-</u>	<u>109,464</u>	<u>97,642</u>	<u>11,822</u>
Total municipal court	<u>778,739</u>	<u>916,482</u>	<u>844,005</u>	<u>72,477</u>
Finance:				
Personal services	715,947	733,182	658,401	74,781
Supplies	16,700	16,700	16,403	297
Miscellaneous services	101,950	101,950	88,799	13,151
Maintenance	2,050	2,050	425	1,625
Capital outlay	<u>3,000</u>	<u>3,000</u>	<u>1,635</u>	<u>1,365</u>
Total finance	<u>839,647</u>	<u>856,882</u>	<u>765,663</u>	<u>91,219</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, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Tax office:				
Personal services	\$ 196,867	\$ 203,064	\$ 195,076	\$ 7,988
Supplies	6,690	5,690	3,440	2,250
Miscellaneous services	443,050	460,850	486,925	(26,075)
Maintenance	2,000	2,000	356	1,644
Capital outlay	<u>25,300</u>	<u>8,500</u>	<u>1,961</u>	<u>6,539</u>
Total tax office	<u>673,907</u>	<u>680,104</u>	<u>687,758</u>	<u>(7,654)</u>
Purchasing and contracting:				
Personal services	251,936	258,980	229,398	29,582
Supplies	7,400	6,300	6,528	(228)
Miscellaneous services	5,900	900	1,014	(114)
Maintenance	-	-	-	-
Capital outlay	<u>6,800</u>	<u>12,900</u>	<u>12,163</u>	<u>737</u>
Total purchasing and contracting	<u>272,036</u>	<u>279,080</u>	<u>249,103</u>	<u>29,977</u>
Legal				
Personal services	414,171	430,616	468,591	(37,975)
Supplies	3,500	7,500	3,430	4,070
Miscellaneous services	163,530	189,530	242,401	(52,871)
Maintenance	-	-	-	-
Capital outlay	<u>3,000</u>	<u>3,000</u>	<u>1,529</u>	<u>1,471</u>
Total legal	<u>584,201</u>	<u>630,646</u>	<u>715,951</u>	<u>(85,305)</u>
Grant administration				
Personal services	108,743	112,448	95,085	17,363
Supplies	1,500	1,500	1,942	(442)
Miscellaneous services	3,500	3,500	5,599	(2,099)
Maintenance	-	-	-	-
Capital outlay	<u>1,600</u>	<u>1,600</u>	<u>1,591</u>	<u>9</u>
Total grant administration	<u>115,343</u>	<u>119,048</u>	<u>104,217</u>	<u>14,831</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, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Right of way:				
Personal services	\$ 128,313	\$ 132,194	\$ 108,309	\$ 23,885
Supplies	1,500	1,500	1,821	(321)
Miscellaneous services	33,000	33,000	9,712	23,288
Maintenance	-	-	-	-
Capital outlay	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Total right of way	<u>163,313</u>	<u>167,194</u>	<u>119,842</u>	<u>47,352</u>
Human resources:				
Personal services	293,632	302,133	241,922	60,211
Supplies	10,000	10,000	7,720	2,280
Miscellaneous services	112,600	107,338	97,872	9,466
Maintenance	-	3,000	1,145	1,855
Employee benefits	1,350,000	521,775	-	521,775
Capital outlay	<u>5,500</u>	<u>7,762</u>	<u>6,364</u>	<u>1,398</u>
Total human resources	<u>1,771,732</u>	<u>952,008</u>	<u>355,023</u>	<u>596,985</u>
Risk management				
Liability insurance	<u>951,874</u>	<u>951,874</u>	<u>951,874</u>	<u>-</u>
Total risk management	<u>951,874</u>	<u>951,874</u>	<u>951,874</u>	<u>-</u>
Planning				
Personal services	581,979	600,043	583,045	16,998
Supplies	8,250	8,250	6,607	1,643
Miscellaneous services	48,457	48,457	42,752	5,705
Maintenance	5,870	5,870	4,110	1,760
Capital outlay	<u>17,971</u>	<u>17,971</u>	<u>1,507</u>	<u>16,464</u>
Total planning	<u>662,527</u>	<u>680,591</u>	<u>638,021</u>	<u>42,570</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, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Information technology				
Personal services	\$ 523,115	\$ 532,723	\$ 500,852	\$ 31,871
Supplies	30,600	24,200	24,117	83
Miscellaneous services	26,200	28,900	61,250	(32,350)
Maintenance	124,890	125,090	123,551	1,539
Capital outlay	<u>200,700</u>	<u>202,400</u>	<u>202,119</u>	<u>281</u>
Total information technology	<u>905,505</u>	<u>913,313</u>	<u>911,889</u>	<u>1,424</u>
Information services				
Personal services	265,969	272,426	253,798	18,628
Supplies	16,500	16,500	16,695	(195)
Miscellaneous services	7,600	7,600	7,276	324
Maintenance	9,000	9,000	10,275	(1,275)
Capital outlay	<u>14,000</u>	<u>14,000</u>	<u>28,016</u>	<u>(14,016)</u>
Total information services	<u>313,069</u>	<u>319,526</u>	<u>316,060</u>	<u>3,466</u>
City hall:				
Personal services	75,116	76,943	76,292	651
Supplies	20,550	20,550	16,153	4,397
Miscellaneous services	346,050	346,050	362,939	(16,889)
Maintenance	42,000	42,000	50,649	(8,649)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total city hall	<u>483,716</u>	<u>485,543</u>	<u>506,033</u>	<u>(20,490)</u>
Building maintenance:				
Personal services	253,236	259,695	250,482	9,213
Supplies	5,200	5,200	6,250	(1,050)
Miscellaneous services	18,459	18,459	18,867	(408)
Maintenance	31,500	31,500	32,628	(1,128)
Capital outlay	<u>-</u>	<u>-</u>	<u>379</u>	<u>(379)</u>
Total building maintenance	<u>308,395</u>	<u>314,854</u>	<u>308,606</u>	<u>6,248</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, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Economic development:				
McAllen Economic Development Corp.	\$ 1,267,643	\$ 1,267,643	\$ 1,267,643	\$ -
Chambers of commerce	<u>676,250</u>	<u>754,250</u>	<u>846,725</u>	<u>(92,475)</u>
Total economic development	<u>1,943,893</u>	<u>2,021,893</u>	<u>2,114,368</u>	<u>(92,475)</u>
Non-departmental activities	<u>134,000</u>	<u>134,000</u>	<u>102,810</u>	<u>31,190</u>
Total general government	<u>12,909,175</u>	<u>12,538,792</u>	<u>11,735,797</u>	<u>802,995</u>
Public safety:				
Police:				
Personal services	18,478,927	18,847,340	17,975,737	871,603
Supplies	322,000	322,000	317,562	4,438
Miscellaneous services	972,441	972,441	1,126,163	(153,722)
Maintenance	610,000	610,000	686,174	(76,174)
Other	(1,012,463)	(1,012,463)	(1,072,307)	59,844
Capital outlay	<u>223,775</u>	<u>272,662</u>	<u>254,644</u>	<u>18,018</u>
Total police	<u>19,594,680</u>	<u>20,011,980</u>	<u>19,287,973</u>	<u>724,007</u>
Animal control:				
Personal services	129,263	129,263	131,143	(1,880)
Supplies	4,000	4,000	5,920	(1,920)
Miscellaneous services	8,729	8,729	7,229	1,500
Maintenance	12,000	12,000	22,531	(10,531)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total animal control	<u>153,992</u>	<u>153,992</u>	<u>166,823</u>	<u>(12,831)</u>
Fire:				
Personal services	7,836,256	7,840,825	8,156,556	(315,731)
Supplies	176,630	188,230	194,649	(6,419)
Miscellaneous services	629,922	607,793	620,485	(12,692)
Maintenance	253,000	266,000	337,583	(71,583)
Capital outlay	<u>272,905</u>	<u>276,627</u>	<u>272,008</u>	<u>4,619</u>
Total fire	<u>9,168,713</u>	<u>9,179,475</u>	<u>9,581,281</u>	<u>(401,806)</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, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Traffic operations				
Personal services	\$ 756,905	\$ 774,215	\$ 782,425	\$ (8,210)
Supplies	66,500	63,150	62,998	152
Miscellaneous services	327,928	316,278	241,081	75,197
Maintenance	316,100	340,100	335,255	4,845
Capital outlay	<u>157,100</u>	<u>148,100</u>	<u>140,177</u>	<u>7,923</u>
Total traffic operations	<u>1,624,533</u>	<u>1,641,843</u>	<u>1,561,936</u>	<u>79,907</u>
Downtown services				
Personal services	406,962	415,695	400,779	14,916
Supplies	14,500	22,300	24,776	(2,476)
Miscellaneous services	43,200	34,400	29,937	4,463
Maintenance	15,000	16,000	19,185	(3,185)
Capital outlay	<u>21,000</u>	<u>21,000</u>	<u>17,215</u>	<u>3,785</u>
Total downtown services	<u>500,662</u>	<u>509,395</u>	<u>491,892</u>	<u>17,503</u>
Inspection:				
Personal services	485,786	499,161	499,983	(822)
Supplies	14,878	15,278	10,610	4,668
Miscellaneous services	59,681	90,000	82,736	7,264
Maintenance	3,738	3,738	3,399	339
Capital outlay	<u>19,000</u>	<u>13,281</u>	<u>8,277</u>	<u>5,004</u>
Total inspection	<u>583,083</u>	<u>621,458</u>	<u>605,005</u>	<u>16,453</u>
Total public safety	<u>31,625,663</u>	<u>32,118,143</u>	<u>31,694,910</u>	<u>423,233</u>
Highways and streets:				
Engineering services:				
Personal services	1,325,487	1,391,354	1,356,283	35,071
Supplies	22,200	22,200	24,342	(2,142)
Miscellaneous services	175,348	167,298	270,757	(103,459)
Maintenance	22,700	25,500	32,370	(6,870)
Other	(140,000)	(140,000)	(216,639)	76,639
Capital outlay	<u>21,890</u>	<u>27,140</u>	<u>20,360</u>	<u>6,780</u>
Total engineering	<u>1,427,625</u>	<u>1,493,492</u>	<u>1,487,473</u>	<u>6,019</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, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Street cleaning:				
Personal services	\$ 164,636	\$ 168,745	\$ 167,353	\$ 1,392
Supplies	2,800	2,800	3,848	(1,048)
Miscellaneous services	77,471	77,471	77,471	-
Maintenance	80,000	80,000	131,574	(51,574)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total street cleaning	<u>324,907</u>	<u>329,016</u>	<u>380,246</u>	<u>(51,230)</u>
Street maintenance				
Personal services	932,186	961,605	918,823	42,782
Supplies	32,870	28,870	23,970	4,900
Miscellaneous services	217,529	215,729	214,874	855
Maintenance	1,465,000	1,470,800	1,542,491	(71,691)
Capital outlay	<u>4,200</u>	<u>4,200</u>	<u>6,675</u>	<u>(2,475)</u>
Total street maintenance	<u>2,651,785</u>	<u>2,681,204</u>	<u>2,706,833</u>	<u>(25,629)</u>
Street lighting:				
Miscellaneous services	1,253,000	1,253,000	1,394,551	(141,551)
Maintenance	<u>100,000</u>	<u>100,000</u>	<u>15,481</u>	<u>84,519</u>
Total street lighting	<u>1,353,000</u>	<u>1,353,000</u>	<u>1,410,032</u>	<u>(57,032)</u>
Sidewalk construction:				
Personal services	305,847	305,847	321,433	(15,586)
Supplies	288,290	288,290	220,410	67,880
Miscellaneous services	8,800	8,800	8,800	-
Maintenance	27,500	27,500	22,833	4,667
Other	(120,000)	(120,000)	(111,968)	(8,032)
Capital outlay	<u>10,500</u>	<u>10,500</u>	<u>-</u>	<u>10,500</u>
Total sidewalk construction	<u>520,937</u>	<u>520,937</u>	<u>461,508</u>	<u>59,429</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, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Drainage:				
Personal services	\$ 520,016	\$ 530,195	\$ 466,242	\$ 63,953
Supplies	19,170	16,170	16,215	(45)
Miscellaneous services	149,638	148,638	144,836	3,802
Maintenance	122,000	126,000	154,623	(28,623)
Capital outlay	<u>32,375</u>	<u>32,375</u>	<u>56,951</u>	<u>(24,576)</u>
Total drainage	<u>843,199</u>	<u>853,378</u>	<u>838,867</u>	<u>14,511</u>
Total highways and streets	<u>7,121,453</u>	<u>7,231,027</u>	<u>7,284,959</u>	<u>(53,932)</u>
Health and welfare:				
Health:				
Personal services	401,621	411,051	386,175	24,876
Supplies	20,550	20,550	16,573	3,977
Miscellaneous services	108,728	108,728	122,471	(13,743)
Maintenance	6,630	6,630	10,405	(3,775)
Capital outlay	<u>2,600</u>	<u>2,600</u>	<u>1,399</u>	<u>1,201</u>
Total health	<u>540,129</u>	<u>549,559</u>	<u>537,023</u>	<u>12,536</u>
Graffiti cleaning:				
Personal services	77,836	79,711	81,874	(2,163)
Supplies	26,870	26,870	21,817	5,053
Miscellaneous services	7,641	7,641	7,641	-
Maintenance	12,500	12,500	13,262	(762)
Capital outlay	<u>16,000</u>	<u>16,000</u>	<u>16,597</u>	<u>(597)</u>
Total graffiti cleaning	<u>140,847</u>	<u>142,722</u>	<u>141,191</u>	<u>1,531</u>
Other agencies:				
Ambulance	26,500	26,500	26,500	-
Humane society	127,500	127,500	161,002	(33,502)
Other health and welfare agencies	<u>2,500</u>	<u>2,500</u>	<u>86,765</u>	<u>(84,265)</u>
Total other agencies	<u>156,500</u>	<u>156,500</u>	<u>274,267</u>	<u>(117,767)</u>
Total health and welfare	<u>837,476</u>	<u>848,781</u>	<u>952,481</u>	<u>(103,700)</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, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Culture and recreation:				
Parks and recreation administration:				
Personal services	\$ 373,153	\$ 386,488	\$ 318,450	\$ 68,038
Supplies	9,500	9,500	8,396	1,104
Miscellaneous services	76,000	76,000	78,013	(2,013)
Maintenance	13,500	13,500	12,930	570
Capital outlay	<u>17,500</u>	<u>17,500</u>	<u>15,864</u>	<u>1,636</u>
Total parks and recreation administration	<u>489,653</u>	<u>502,988</u>	<u>433,653</u>	<u>69,335</u>
Parks:				
Personal services	1,973,579	2,021,175	1,973,082	48,093
Supplies	73,000	73,000	94,630	(21,630)
Miscellaneous services	554,706	554,706	525,890	28,816
Maintenance	310,000	310,000	310,881	(881)
Capital outlay	<u>215,000</u>	<u>275,000</u>	<u>117,702</u>	<u>157,298</u>
Total parks	<u>3,126,285</u>	<u>3,233,881</u>	<u>3,022,185</u>	<u>211,696</u>
Recreation:				
Personal services	501,362	504,102	607,800	(103,698)
Supplies	45,500	45,500	38,238	7,262
Miscellaneous services	184,149	184,149	207,944	(23,795)
Maintenance	2,500	2,500	2,695	(195)
Other	(130,000)	(130,000)	(52,315)	(77,685)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total recreation	<u>603,511</u>	<u>606,251</u>	<u>804,362</u>	<u>(198,111)</u>
Pools:				
Personal services	396,286	398,171	437,912	(39,741)
Supplies	35,000	35,000	34,250	750
Miscellaneous services	93,453	93,453	81,024	12,429
Maintenance	33,000	33,000	27,509	5,491
Capital outlay	<u>27,000</u>	<u>27,000</u>	<u>-</u>	<u>27,000</u>
Total pools	<u>584,739</u>	<u>586,624</u>	<u>580,695</u>	<u>5,929</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, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Las palmas community center:				
Personal services	\$ 190,846	\$ 195,113	\$ 189,490	\$ 5,623
Supplies	13,200	13,200	9,871	3,329
Miscellaneous services	66,275	66,275	59,644	6,631
Maintenance	20,000	20,000	20,649	(649)
Capital outlay	<u>19,300</u>	<u>19,300</u>	<u>2,204</u>	<u>17,096</u>
Total las palmas community center	<u>309,621</u>	<u>313,888</u>	<u>281,858</u>	<u>32,030</u>
Recreation center-Lark:				
Personal services	197,427	200,937	251,542	(50,605)
Supplies	20,200	20,200	14,359	5,841
Miscellaneous services	102,535	102,535	83,399	19,136
Maintenance	2,700	2,700	3,963	(1,263)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total recreation center-Lark	<u>322,862</u>	<u>326,372</u>	<u>353,263</u>	<u>(26,891)</u>
Recreation center-Palmview				
Personal services	201,266	206,243	256,130	(49,887)
Supplies	20,200	20,200	14,070	6,130
Miscellaneous services	109,035	109,035	75,973	33,062
Maintenance	5,700	5,700	6,421	(721)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total recreation center-Palmview	<u>336,201</u>	<u>341,178</u>	<u>352,594</u>	<u>(11,416)</u>
Quinta mazatlan renovations:				
Personal services	-	-	-	-
Supplies	-	-	4	(4)
Miscellaneous services	16,420	16,420	9,402	7,018
Maintenance	-	-	10,029	(10,029)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total quinta mazatlan renovations	<u>16,420</u>	<u>16,420</u>	<u>19,435</u>	<u>(3,015)</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, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Library:				
Personal services	\$ 1,743,682	\$ 1,789,750	\$ 1,498,712	\$ 291,038
Supplies	61,000	61,000	40,744	20,256
Miscellaneous services	319,400	334,720	280,697	54,023
Maintenance	47,800	47,800	42,174	5,626
Capital outlay	<u>292,120</u>	<u>301,800</u>	<u>210,238</u>	<u>91,562</u>
Total library	<u>2,464,002</u>	<u>2,535,070</u>	<u>2,072,565</u>	<u>462,505</u>
Library branch-Lark:				
Personal services	373,487	381,621	303,342	78,279
Supplies	7,000	7,000	7,122	(122)
Miscellaneous services	10,000	10,000	8,336	1,664
Maintenance	6,000	6,000	1,003	4,997
Capital outlay	<u>50,200</u>	<u>50,200</u>	<u>41,311</u>	<u>8,889</u>
Total library branch-Lark	<u>446,687</u>	<u>454,821</u>	<u>361,114</u>	<u>93,707</u>
Library branch-Palmview				
Personal services	373,976	382,870	303,511	79,359
Supplies	7,000	7,000	4,420	2,580
Miscellaneous services	10,000	10,000	9,203	797
Maintenance	6,000	6,000	775	5,225
Capital outlay	<u>45,140</u>	<u>45,140</u>	<u>44,154</u>	<u>986</u>
Total library branch-Palmview	<u>442,116</u>	<u>451,010</u>	<u>362,063</u>	<u>88,947</u>
Other agencies	<u>506,500</u>	<u>506,500</u>	<u>441,795</u>	<u>64,705</u>
Museums	<u>680,000</u>	<u>755,000</u>	<u>680,000</u>	<u>75,000</u>
Total culture and recreation	<u>10,328,597</u>	<u>10,630,003</u>	<u>9,765,582</u>	<u>864,421</u>
Total expenditures	<u>62,822,364</u>	<u>63,366,746</u>	<u>61,433,729</u>	<u>1,933,017</u>
Excess of revenues over expenditures	<u>(3,503,617)</u>	<u>(3,897,558)</u>	<u>6,989,839</u>	<u>10,887,399</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, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Other financing sources (uses)				
Operating transfers in	\$ 6,771,811	\$ 6,849,811	\$ 6,573,540	\$ (276,271)
Operating transfers out	<u>(3,200,000)</u>	<u>(7,595,704)</u>	<u>(7,595,704)</u>	<u>-</u>
Net other financing sources (uses)	<u>3,571,811</u>	<u>(745,893)</u>	<u>(1,022,164)</u>	<u>(276,271)</u>
Net change in fund balances	68,194	(4,643,451)	5,967,675	10,611,128
Fund balances at begining of year	<u>36,426,403</u>	<u>36,426,403</u>	<u>36,426,403</u>	<u>-</u>
Fund balance at end of year	<u><b>\$ 36,494,597</b></u>	<u><b>\$ 31,782,952</b></u>	<u><b>\$ 42,394,078</b></u>	<u><b>\$ 10,611,128</b></u>

**CITY OF McALLEN , TEXAS**  
**HOTEL OCCUPANCY TAX FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>REVENUES</b>		
Hotel tax	\$ 2,807,577	\$ 2,841,902
Interest	<u>1,908</u>	<u>3,535</u>
Total revenues	<u>2,809,485</u>	<u>2,845,437</u>
<b>EXPENDITURES</b>		
Current:		
General government	<u>802,165</u>	<u>811,972</u>
Total expenditures	<u>802,165</u>	<u>811,972</u>
Excess of revenues over expenditures	<u>2,007,320</u>	<u>2,033,465</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers out	<u>(2,083,412)</u>	<u>(2,029,930)</u>
Total other financing sources (uses)	<u>(2,083,412)</u>	<u>(2,029,930)</u>
Net changes in fund balances	(76,092)	3,535
Fund balance--beginning	<u>124,702</u>	<u>121,167</u>
Fund balance--ending	<u><u>\$ 48,610</u></u>	<u><u>\$ 124,702</u></u>

**CITY OF McALLEN , TEXAS**  
**HOTEL OCCUPANCY TAX FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>REVENUES</b>		
Hotel tax	\$ 2,807,577	\$ 2,841,902
Interest	<u>1,908</u>	<u>3,535</u>
Total revenues	<u>2,809,485</u>	<u>2,845,437</u>
<b>EXPENDITURES</b>		
Current:		
General government	<u>802,165</u>	<u>811,972</u>
Total expenditures	<u>802,165</u>	<u>811,972</u>
Excess of revenues over expenditures	<u>2,007,320</u>	<u>2,033,465</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers out	<u>(2,083,412)</u>	<u>(2,029,930)</u>
Total other financing sources (uses)	<u>(2,083,412)</u>	<u>(2,029,930)</u>
Net changes in fund balances	(76,092)	3,535
Fund balance--beginning	<u>124,702</u>	<u>121,167</u>
Fund balance--ending	<u><u>\$ 48,610</u></u>	<u><u>\$ 124,702</u></u>

**CITY OF McALLEN, TEXAS**  
**HOTEL OCCUPANCY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Hotel tax	\$ 2,883,565	\$ 2,883,565	\$ 2,807,577	\$ (75,988)
Interest	3,900	3,900	1,908	(1,992)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>2,887,465</u>	<u>2,887,465</u>	<u>2,809,485</u>	<u>(77,980)</u>
Expenditures:				
Current:				
General government	<u>823,835</u>	<u>823,835</u>	<u>802,165</u>	21,670
Total expenditures	<u>823,835</u>	<u>823,835</u>	<u>802,165</u>	<u>21,670</u>
Excess (deficiency) of revenues over expenditures	<u>2,063,630</u>	<u>2,063,630</u>	<u>2,007,320</u>	<u>(56,310)</u>
Other financing uses				
Transfers in	-	-	-	-
Transfers out	<u>(2,059,731)</u>	<u>(2,137,731)</u>	<u>(2,083,412)</u>	<u>54,319</u>
Total other financing sources (uses)	<u>(2,059,731)</u>	<u>(2,137,731)</u>	<u>(2,083,412)</u>	<u>54,319</u>
Net changes in fund balances	3,899	(74,101)	(76,092)	(1,991)
Fund balance--beginning	<u>124,702</u>	<u>124,702</u>	<u>124,702</u>	<u>-</u>
Fund balance--ending	<u><b>\$ 128,601</b></u>	<u><b>\$ 50,601</b></u>	<u><b>\$ 48,610</b></u>	<u><b>\$ (1,991)</b></u>

**CITY OF McALLEN , TEXAS**  
**MISCELLANEOUS GOVERNMENT GRANTS FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Cash	\$ 166,720	\$ 828,653
Other receivables	-	48,371
Due from other governments	<u>139,066</u>	<u>47,849</u>
 Total assets	 <u><u>\$ 305,786</u></u>	 <u><u>\$ 924,873</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$ 6,477	\$ 7,254
Due to other funds	191,149	48,389
Deferred revenues	56,494	171,187
Other liabilities	<u>-</u>	<u>703,773</u>
 Total liabilities	 <u>254,120</u>	 <u>930,603</u>
<b>FUND BALANCES</b>		
Unrestricted	<u>51,666</u>	<u>(5,730)</u>
 Total liabilities and fund balance	 <u><u>\$ 305,786</u></u>	 <u><u>\$ 924,873</u></u>



**CITY OF McALLEN , TEXAS**  
**MISCELLANEOUS GOVERNMENT GRANTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>REVENUES</b>		
Intergovernmental	\$ 963,021	\$ 1,725,346
Interest	-	11,143
Other	<u>173,708</u>	<u>447,779</u>
Total revenues	<u>1,136,729</u>	<u>2,184,268</u>
<b>EXPENDITURES</b>		
Current:		
General government	-	585,360
Public safety	<u>959,532</u>	<u>2,163,609</u>
Total expenditures	<u>959,532</u>	<u>2,748,969</u>
Excess of revenues (deficiency) over expenditures	<u>177,197</u>	<u>(564,701)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	49,097	-
Transfers out	<u>(168,898)</u>	<u>(53,768)</u>
Total other financing sources (uses)	<u>(119,801)</u>	<u>(53,768)</u>
Net changes in fund balances	57,396	(618,469)
Fund balance--beginning	<u>(5,730)</u>	<u>612,739</u>
Fund balance--ending	<u><u>\$ 51,666</u></u>	<u><u>\$ (5,730)</u></u>

**CITY OF McALLEN , TEXAS**  
**CRIMINAL JUSTICE DEPARTMENT FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Cash	\$ 86,664	\$ 153,801
Certificate of deposit	775,036	1,802,119
Investments	306,768	90,991
Other receivables	653,292	890,691
Due from other governments	<u>198,408</u>	<u>117,096</u>
 Total assets	 <u><u>\$ 2,020,168</u></u>	 <u><u>\$ 3,054,698</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$ 28,061	\$ 27,403
Due to other funds	77,343	73,993
Deferred revenues	653,292	890,691
Other liabilities	<u>312</u>	<u>9,780</u>
 Total liabilities	 <u>759,008</u>	 <u>1,001,867</u>
<b>FUND BALANCES</b>		
Unrestricted	<u>1,261,160</u>	<u>2,052,831</u>
 Total liabilities and fund balance	 <u><u>\$ 2,020,168</u></u>	 <u><u>\$ 3,054,698</u></u>

**CITY OF McALLEN , TEXAS**  
**CRIMINAL JUSTICE DEPARTMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>REVENUES</b>		
Intergovernmental	\$ 676,281	\$ 1,042,720
Fines and forfeitures	401,109	639,600
Interest	<u>754</u>	<u>869</u>
 Total revenues	 <u>1,078,144</u>	 <u>1,683,189</u>
 <b>EXPENDITURES</b>		
Current:		
Public safety	<u>1,869,815</u>	<u>2,131,630</u>
 Total expenditures	 <u>1,869,815</u>	 <u>2,131,630</u>
 Excess of revenues over expenditures	 <u>(791,671)</u>	 <u>(448,441)</u>
 Net changes in fund balances	 (791,671)	 (448,441)
 Fund balance--beginning	 <u>2,052,831</u>	 <u>2,501,272</u>
 Fund balance--ending	 <u><u>\$ 1,261,160</u></u>	 <u><u>\$ 2,052,831</u></u>

**CITY OF McALLEN , TEXAS**  
**COMMUNITY DEVELOPEMENT FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Cash	\$ -	\$ (9)
Due from other governments	<u>291,544</u>	<u>49,917</u>
 Total assets	 <u><u>\$ 291,544</u></u>	 <u><u>\$ 49,908</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 255,785	\$ 48,640
Accrued liabilities	<u>35,759</u>	<u>1,268</u>
 Total liabilities	 <u>291,544</u>	 <u>49,908</u>
 <b>FUND BALANCES</b>		
Unrestricted	<u>-</u>	<u>-</u>
 Total liabilities and fund balance	 <u><u>\$ 291,544</u></u>	 <u><u>\$ 49,908</u></u>

**CITY OF McALLEN , TEXAS**  
**COMMUNITY DEVELOPMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>REVENUES</b>		
Intergovernmental	\$ 3,543,347	\$ 2,769,459
Other	<u>701</u>	<u>-</u>
Total revenues	<u>3,544,048</u>	<u>2,769,459</u>
<b>EXPENDITURES</b>		
Current:		
General government	271,880	176,354
Higways and streets	495,931	66,392
Health and welfare	2,616,918	2,415,257
Culture and recreation	<u>159,319</u>	<u>111,456</u>
Total expenditures	<u>3,544,048</u>	<u>2,769,459</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>
Net changes in fund balances	-	-
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**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2002**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 3,762,312	\$ 3,762,312	\$ 3,543,347	\$ (218,965)
Other	<u>-</u>	<u>-</u>	<u>701</u>	<u>701</u>
Total revenues	<u>3,762,312</u>	<u>3,762,312</u>	<u>3,544,048</u>	<u>(218,264)</u>
Expenditures:				
Current:				
General government	260,001	260,001	271,880	(11,879)
Public safety	52,500	52,500	-	52,500
Highways and streets	423,611	423,611	495,931	(72,320)
Health and welfare	2,797,023	2,797,023	2,616,918	180,105
Culture and recreation	<u>229,177</u>	<u>229,177</u>	<u>159,319</u>	<u>69,858</u>
Total expenditures	<u>3,762,312</u>	<u>3,762,312</u>	<u>3,544,048</u>	<u>218,264</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	-	-	-	-
Fund balance--beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance--ending	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

**CITY OF McALLEN , TEXAS**  
**PARK DEVELOPMENT FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Cash	\$ 10,075	\$ 12,993
Certificate of deposit	1,563,035	1,035,951
Investments	<u>158,690</u>	<u>6,795</u>
 Total assets	 <u><u>\$ 1,731,800</u></u>	 <u><u>\$ 1,055,739</u></u>
 <b>LIABILITIES</b>		
Accounts payable	<u>\$ -</u>	<u>\$ 450</u>
 Total liabilities	 <u>-</u>	 <u>450</u>
 <b>FUND BALANCES</b>		
Unrestricted	<u>1,731,800</u>	<u>1,055,289</u>
 Total liabilities and fund balance	 <u><u>\$ 1,731,800</u></u>	 <u><u>\$ 1,055,739</u></u>

**CITY OF McALLEN , TEXAS**  
**PARK DEVELOPMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>REVENUES</b>		
Interest	31,236	33,992
Other	<u>853,895</u>	<u>159,250</u>
Total revenues	<u>885,131</u>	<u>193,242</u>
<b>EXPENDITURES</b>		
Current:		
Culture and recreation	<u>208,620</u>	<u>-</u>
Total expenditures	<u>208,620</u>	<u>-</u>
Excess of revenues over expenditures	<u>676,511</u>	<u>193,242</u>
Net changes in fund balances	676,511	193,242
Fund balance--beginning	<u>1,055,289</u>	<u>862,047</u>
Fund balance--ending	<u><u>\$ 1,731,800</u></u>	<u><u>\$ 1,055,289</u></u>



**CITY OF McALLEN, TEXAS**  
**PARK DEVELOPMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Other	\$ 249,999	\$ 249,999	\$ 853,895	\$ 603,896
Interest	<u>20,000</u>	<u>20,000</u>	<u>31,236</u>	<u>11,236</u>
Total revenues	<u>269,999</u>	<u>269,999</u>	<u>885,131</u>	<u>615,132</u>
Expenditures:				
Current:				
Culture and recreation	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 208,620</u>	<u>\$ 791,380</u>
Total expenditures	<u>1,000,000</u>	<u>1,000,000</u>	<u>208,620</u>	<u>791,380</u>
Excess (deficiency) of revenues over expenditures	<u>(730,001)</u>	<u>(730,001)</u>	<u>676,511</u>	<u>1,406,512</u>
Net changes in fund balances	(730,001)	(730,001)	676,511	1,406,512
Fund balance--beginning	<u>1,055,289</u>	<u>1,055,289</u>	<u>1,055,289</u>	<u>-</u>
Fund balance--ending	<u><u>\$ 325,288</u></u>	<u><u>\$ 325,288</u></u>	<u><u>\$ 1,731,800</u></u>	<u><u>\$ 1,406,512</u></u>

**CITY OF McALLEN , TEXAS**  
**DEVELOPMENT CORPORATION FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<u><b>2003</b></u>	<u><b>2002</b></u>
<b>ASSETS</b>		
Cash	\$ 26,083	\$ 185,673
Certificate of deposit	-	17,665,943
Investments	1,905,165	3,032,338
Receivables,net:		
Taxes	1,743,883	1,643,862
Accrued interest receivable	-	22,772
Advances to other funds	<u>3,700,000</u>	<u>3,800,000</u>
 Total assets	 <u><u><b>\$ 7,375,131</b></u></u>	 <u><u><b>\$ 26,350,588</b></u></u>
<b>LIABILITIES</b>		
Accounts payable	\$ 308,193	\$ 448,911
Accrued liabilities	398,903	438,284
Deferred revenues	<u>973,110</u>	<u>902,425</u>
 Total liabilities	 <u>1,680,206</u>	 <u>1,789,620</u>
<b>FUND BALANCES</b>		
Reserved for economic development	1,414,557	1,212,155
Reserved for advances	3,700,000	3,800,000
Unrestricted	<u>580,368</u>	<u>19,548,813</u>
 Total fund balances	 <u>5,694,925</u>	 <u>24,560,968</u>
 Total liabilities and fund balance	 <u><u><b>\$ 7,375,131</b></u></u>	 <u><u><b>\$ 26,350,588</b></u></u>

**CITY OF McALLEN , TEXAS**  
**DEVELOPMENT CORPORATION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>REVENUES</b>		
Sales	\$ 10,393,934	\$ 9,812,083
Interest	229,434	709,427
Net decrease in the fair value of investments	-	(22,460)
Other	<u>86,038</u>	<u>139,297</u>
Total revenues	<u>10,709,406</u>	<u>10,638,347</u>
<b>EXPENDITURES</b>		
Current:		
General government	511,709	468,018
Public safety	2,031,266	2,806,050
Higways and streets	2,742,027	569,060
Health and welfare	1,854,869	1,825,691
Culture and recreation	412,603	171,594
Debt service:		
Principal	21,295,000	885,000
Interest and fiscal charges	<u>551,018</u>	<u>1,099,295</u>
Total expenditures	<u>29,398,492</u>	<u>7,824,708</u>
Excess of revenues over expenditures	<u>(18,689,086)</u>	<u>2,813,639</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	-	-
Transfers out	<u>(176,957)</u>	<u>(93,000)</u>
Total other financing sources (uses)	<u>(176,957)</u>	<u>(93,000)</u>
Net changes in fund balances	(18,866,043)	2,720,639
Fund balance--beginning	<u>24,560,968</u>	<u>21,840,329</u>
Fund balance--ending	<u><u>\$ 5,694,925</u></u>	<u><u>\$ 24,560,968</u></u>

**CITY OF McALLEN, TEXAS**  
**DEVELOPMENT CORPORATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Sales tax	\$ 9,508,333	\$ 9,508,333	\$ 10,393,934	\$ 885,601
Interest	370,191	370,191	229,434	(140,757)
Other	<u>100,000</u>	<u>100,000</u>	<u>86,038</u>	<u>(13,962)</u>
Total revenues	<u>9,978,524</u>	<u>9,978,524</u>	<u>10,709,406</u>	<u>730,882</u>
Expenditures:				
Current:				
General government	1,081,624	1,081,624	511,709	569,915
Public safety	633,223	633,223	2,031,266	(1,398,043)
Highways and streets	9,819,366	9,819,366	2,742,027	7,077,339
Health and welfare	2,284,147	2,284,147	1,854,869	429,278
Culture and recreation	2,653,905	2,653,905	412,603	2,241,302
Debt service:				
Principal	925,000	21,295,000	21,295,000	-
Interest and fiscal charges	<u>1,060,149</u>	<u>1,060,149</u>	<u>551,018</u>	<u>509,131</u>
Total expenditures	<u>18,457,414</u>	<u>38,827,414</u>	<u>29,398,492</u>	<u>9,428,922</u>
Excess (deficiency) of revenues over expenditures	<u>(8,478,890)</u>	<u>(28,848,890)</u>	<u>(18,689,086)</u>	<u>10,159,804</u>
Other financing uses				
Transfers out	<u>(176,957)</u>	<u>(176,957)</u>	<u>(176,957)</u>	<u>-</u>
Total other financing sources (uses)	<u>(176,957)</u>	<u>(176,957)</u>	<u>(176,957)</u>	<u>-</u>
Net changes in fund balances	(8,655,847)	(29,025,847)	(18,866,043)	10,159,804
Fund balance--beginning	<u>24,560,968</u>	<u>24,560,968</u>	<u>24,560,968</u>	<u>-</u>
Fund balance--ending	<u><u>15,905,121</u></u>	<u><u>(4,464,879)</u></u>	<u><u>5,694,925</u></u>	<u><u>10,159,804</u></u>

**CITY OF McALLEN , TEXAS**  
**DEBT SERVICE FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Cash	\$ 9,405	\$ 18,212
Certificate of deposit	4,859,527	2,254,199
Investments	7,942	1,018,074
Taxes	639,231	692,092
Accrued interest receivable	-	15,630
Advances to other funds	<u>7,057,266</u>	<u>3,456,820</u>
 Total assets	 <u><u>\$ 12,573,371</u></u>	 <u><u>\$ 7,455,027</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 3,921	\$ 1,449
Due to other funds	850	-
Deferred revenues	<u>639,232</u>	<u>692,092</u>
 Total liabilities	 <u>644,003</u>	 <u>693,541</u>
 <b>FUND BALANCES</b>		
Restricted for advances	7,057,266	3,456,820
Unrestricted	<u>4,872,102</u>	<u>3,304,666</u>
 Total fund balance	 <u>11,929,368</u>	 <u>6,761,486</u>
 Total liabilities and fund balance	 <u><u>\$ 12,573,371</u></u>	 <u><u>\$ 7,455,027</u></u>

**CITY OF McALLEN , TEXAS**  
**DEBT SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>REVENUES</b>		
Property	\$ 2,522,956	\$ 2,511,435
Interest	84,852	133,702
Net decrease in the fair value of investments	<u>(7,699)</u>	<u>(16,115)</u>
 Total revenues	 <u>2,600,109</u>	 <u>2,629,022</u>
 <b>EXPENDITURES</b>		
Current:		
Principal	4,675,000	1,840,000
Interest and fiscal charges	<u>558,008</u>	<u>659,872</u>
 Total expenditures	 <u>5,233,008</u>	 <u>2,499,872</u>
 Excess (deficiency) of revenues over expenditures	 <u>(2,632,899)</u>	 <u>129,150</u>
 <b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	<u>7,800,781</u>	<u>1,706,848</u>
 Total other financing sources	 <u>7,800,781</u>	 <u>1,706,848</u>
 Net changes in fund balances	 5,167,882	 1,835,998
Fund balance--beginning	<u>6,761,486</u>	<u>4,925,488</u>
 Fund balance--ending	 <u><u>\$ 11,929,368</u></u>	 <u><u>\$ 6,761,486</u></u>

**CITY OF McALLEN, TEXAS**  
**DEBT SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Property tax	\$ 2,460,084	\$ 2,460,084	\$ 2,522,956	\$ 62,872
Interest	125,000	125,000	84,852	(40,148)
Net decrease in the fair value of investments	<u>-</u>	<u>-</u>	<u>(7,699)</u>	<u>(7,699)</u>
Total revenues	<u>2,585,084</u>	<u>2,585,084</u>	<u>2,600,109</u>	<u>15,025</u>
Expenditures:				
Current:				
Debt service:				
Principal	\$ 1,900,000	\$ 4,675,000	\$ 4,675,000	\$ -
Interest and fiscal charges	<u>560,084</u>	<u>560,084</u>	<u>558,008</u>	<u>2,076</u>
Total expenditures	<u>2,460,084</u>	<u>5,235,084</u>	<u>5,233,008</u>	<u>2,076</u>
Excess (deficiency) of revenues over expenditures	<u>125,000</u>	<u>(2,650,000)</u>	<u>(2,632,899)</u>	<u>17,101</u>
Other financing uses				
Transfers in	1,676,397	5,876,731	7,800,781	1,924,050
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,676,397</u>	<u>5,876,731</u>	<u>7,800,781</u>	<u>1,924,050</u>
Net changes in fund balances	1,801,397	3,226,731	5,167,882	1,941,151
Fund balance--beginning	<u>6,761,486</u>	<u>6,761,486</u>	<u>6,761,486</u>	<u>-</u>
Fund balance--ending	<u><u>\$ 8,562,883</u></u>	<u><u>\$ 9,988,217</u></u>	<u><u>\$ 11,929,368</u></u>	<u><u>\$ 1,941,151</u></u>

**CITY OF McALLEN , TEXAS**  
**CAPITAL IMPROVEMENT FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
Cash	\$ 3,502,355	\$ 224,850
Certificate of deposit	17,607,056	23,148,514
Investments	190,262	2,111,088
Accrued interest receivable	-	18,640
Loan receivables	3,244,397	1,551,711
Other receivables	927,397	-
Advances to other funds	352,716	352,716
	<u>352,716</u>	<u>352,716</u>
 Total assets	 <u><u>\$ 25,824,183</u></u>	 <u><u>\$ 27,407,519</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$ 1,160,273	\$ 281,207
Accrued liabilities	181,207	67,273
Deferred revenues	-	1,904,426
	<u>-</u>	<u>1,904,426</u>
 Total liabilities	 <u>1,341,480</u>	 <u>2,252,906</u>
<b>FUND BALANCES</b>		
Reserved for advances	3,597,112	352,716
Unrestricted	20,885,591	24,801,897
	<u>20,885,591</u>	<u>24,801,897</u>
 Total fund balances	 <u>24,482,703</u>	 <u>25,154,613</u>
 Total liabilities and fund balance	 <u><u>\$ 25,824,183</u></u>	 <u><u>\$ 27,407,519</u></u>



**CITY OF McALLEN , TEXAS**  
**CAPITAL IMPROVEMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>REVENUES</b>		
Interest	\$ 673,211	\$ 625,081
Net decrease in the fair value of investments	(33,674)	(17,293)
Other	<u>5,908,617</u>	<u>757,054</u>
Total revenues	<u>6,548,154</u>	<u>1,364,842</u>
<b>EXPENDITURES</b>		
Current:		
General government	831,277	899,104
Public safety	1,758,843	284,280
Higways and streets	6,716,057	3,319,366
Health and welfare	-	137,665
Culture and recreation	<u>988,148</u>	<u>612,702</u>
Total expenditures	<u>10,294,325</u>	<u>5,253,117</u>
Deficiency of revenues over expenditures	<u>(3,746,171)</u>	<u>(3,888,275)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	3,368,898	13,450,000
Transfers out	<u>(294,637)</u>	<u>(400,000)</u>
Total other financing sources	<u>3,074,261</u>	<u>13,050,000</u>
Net changes in fund balances	(671,910)	9,161,726
Fund balance--beginning	<u>25,154,613</u>	<u>15,992,887</u>
Fund balance--ending	<u><u>\$ 24,482,703</u></u>	<u><u>\$ 25,154,613</u></u>

**CITY OF McALLEN, TEXAS**  
**CAPITAL IMPROVEMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Interest	669,382	669,382	673,211	3,829
Net decrease in the fair value of investments	-	-	(33,674)	(33,674)
Other	<u>12,391,360</u>	<u>12,391,360</u>	<u>5,908,617</u>	<u>(6,482,743)</u>
Total revenues	<u>13,060,742</u>	<u>13,060,742</u>	<u>6,548,154</u>	<u>(6,512,588)</u>
Expenditures:				
Current:				
General government	3,731,175	3,852,675	831,277	3,021,398
Public safety	2,637,600	2,740,600	1,758,843	981,757
Highways and streets	8,063,019	10,163,019	6,716,057	3,446,962
Health and welfare	4,239,994	4,239,994	-	4,239,994
Culture and recreation	<u>7,818,577</u>	<u>7,818,577</u>	<u>988,148</u>	<u>6,830,429</u>
Total expenditures	<u>26,490,365</u>	<u>28,814,865</u>	<u>10,294,325</u>	<u>18,520,540</u>
Excess (deficiency) of revenues over expenditures	<u>(13,429,623)</u>	<u>(15,754,123)</u>	<u>(3,746,171)</u>	<u>12,007,952</u>
Other financing uses				
Transfers in	3,200,000	3,200,000	3,368,898	168,898
Transfers out	<u>(294,637)</u>	<u>(294,637)</u>	<u>(294,637)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,905,363</u>	<u>2,905,363</u>	<u>3,074,261</u>	<u>168,898</u>
Net changes in fund balances	(10,524,260)	(12,848,760)	(671,910)	12,176,850
Fund balance--beginning	<u>25,154,613</u>	<u>25,154,613</u>	<u>25,154,613</u>	<u>-</u>
Fund balance--ending	<u><u>\$ 14,630,353</u></u>	<u><u>\$ 12,305,853</u></u>	<u><u>\$ 24,482,703</u></u>	<u><u>\$ 12,176,850</u></u>

**CITY OF McALLEN , TEXAS**  
**DRAINAGE BOND FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Cash	\$ 916	\$ 6,238
Certificate of deposit	306,030	302,891
Investments	<u>57,100</u>	<u>47,417</u>
 Total assets	 <u><u>\$ 364,046</u></u>	 <u><u>\$ 356,546</u></u>
 <b>LIABILITIES</b>	 <u>                    </u>	 <u>                    </u>
 <b>FUND BALANCES</b>		
Unrestricted	<u>364,046</u>	<u>356,546</u>
 Total liabilities and fund balance	 <u><u>\$ 364,046</u></u>	 <u><u>\$ 356,546</u></u>

**CITY OF McALLEN , TEXAS**  
**DRAINAGE BOND FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2002</u>	<u>2001</u>
<b>REVENUES</b>		
Interest	\$ 7,500	\$ 8,007
Total revenues	<u>7,500</u>	<u>8,007</u>
<b>EXPENDITURES</b>		
Current:		
Total expenditures	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>7,500</u>	<u>8,007</u>
Net changes in fund balances	7,500	8,007
Fund balance--beginning	<u>356,546</u>	<u>348,539</u>
Fund balance--ending	<u><u>\$ 364,046</u></u>	<u><u>\$ 356,546</u></u>

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

**CITY OF McALLEN , TEXAS**  
**WATER FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 86,877	\$ 307,372
Certificate of deposit	6,240,037	6,843,313
Investments	4,216,525	1,528,528
Receivables, net:		
Accounts	1,125,275	1,360,623
Accrued interest	46,611	29,392
Due from other funds	-	-
Inventories, at cost	23,546	30,945
	<u>11,738,871</u>	<u>10,100,173</u>
Total currents assets		
Restricted assets:		
Cash	19,167	33,959
Certificate of deposit	8,293,189	9,245,009
Money market savings	12,188,863	20,303,569
Investments	705,630	1,807,809
Accrued interest	-	14,935
	<u>21,206,849</u>	<u>31,405,281</u>
Total restricted assets		
Capital assets		
Land	2,115,109	2,115,109
Buildings and systems	29,550,855	17,948,991
Improvements other than buildings	35,562,607	35,562,607
Machinery and equipment	2,497,256	2,125,043
Construction in progress	11,122,106	9,230,141
	<u>80,847,933</u>	<u>66,981,891</u>
Total capital assets		
Less accumulated depreciation	<u>(25,023,820)</u>	<u>(23,273,248)</u>
	<u>55,824,113</u>	<u>43,708,643</u>
Net capital assets		
Other assets		
Loans receivable	105,834	110,807
Other assets, net	1,882,427	1,592,394
	<u>1,988,261</u>	<u>1,703,201</u>
Total other assets		
Total assets	<u><u>\$ 90,758,094</u></u>	<u><u>\$ 86,917,297</u></u>

**CITY OF McALLEN , TEXAS**  
**WATER FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 298,413	\$ 579,110
Accrued expenses	161,004	117,832
Other	<u>5,840</u>	<u>5,802</u>
Total current liabilities	<u>465,257</u>	<u>702,744</u>
Liabilities(payable from restricted assets):		
Accounts payable	1,066,506	651,956
Accrued expenses	885,228	563,556
Current portion of revenue bonds	629,850	629,850
Customer deposits	<u>1,632,216</u>	<u>1,477,129</u>
Total liabilities(payable from restricted assets)	<u>4,213,800</u>	<u>3,322,491</u>
Other noncurrent liabilities:		
Revenue bonds, net of current portion and discount	26,392,550	27,022,400
Deferred revenues	206,015	144,097
Arbitrage payable	787,541	605,613
Accumulated unpaid compensated absences	<u>171,021</u>	<u>160,939</u>
Total other noncurrent liabilities	<u>27,557,127</u>	<u>27,933,049</u>
Total liabilities	<u>32,236,184</u>	<u>31,958,284</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	39,336,662	39,252,962
Restricted for:		
Improvements	6,864,361	4,534,093
Debt service	223,551	-
Other	38	-
Unrestricted	<u>12,097,298</u>	<u>11,171,957</u>
Total net assets	<u>58,521,910</u>	<u>54,959,012</u>
Total liabilities and net assets	<u><u>\$ 90,758,094</u></u>	<u><u>\$ 86,917,297</u></u>

**CITY OF McALLEN , TEXAS**  
**WATER FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
Operating revenues:		
Charges for services	\$ 10,738,904	\$ 11,319,094
Total operating revenues	<u>10,738,904</u>	<u>11,319,094</u>
Operating expenses:		
Salaries, wages and employee benefits	3,068,684	2,842,631
Supplies and materials	1,736,996	1,592,547
Contractual and other services	1,630,227	1,605,023
Repairs and maintenance	341,253	393,636
Depreciation and amortization	1,943,188	1,775,426
Other	<u>(119,079)</u>	<u>405,684</u>
Total operating expenses	<u>8,601,269</u>	<u>8,614,947</u>
Operating income (loss)	<u>2,137,635</u>	<u>2,704,147</u>
Nonoperating revenues (expenses):		
Interest income	1,687,257	1,663,290
Net increase (decrease) in the fair value of investments	(57,321)	(48,662)
Interest expense	(1,125,569)	(1,436,021)
Other	<u>882,468</u>	<u>504,750</u>
Net nonoperating revenues expenses	<u>1,386,835</u>	<u>683,357</u>
Income (loss) before contributions and transfers	<u>3,524,470</u>	<u>3,387,504</u>
Capital contributions	54,794	214,060
Transfers in	-	4,000,000
Transfers out	<u>(16,366)</u>	<u>-</u>
Changes in net assets	3,562,898	7,601,564
Total net assets--beginning	<u>54,959,012</u>	<u>47,357,448</u>
Total net assets--ending	<u><u>\$ 58,521,910</u></u>	<u><u>\$ 54,959,012</u></u>



**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 10,979,225	\$ 11,115,348
Payments to suppliers	(3,092,421)	(3,798,675)
Payments to employees	(3,025,512)	(2,880,166)
Internal activity-payments to other funds	-	-
Other receipts (payments)	<u>937,262</u>	<u>1,836,057</u>
Net cash provided by operating activities	<u>5,798,554</u>	<u>6,272,564</u>
<b>Cash flows from non-capital financing activities:</b>		
Operating transfers in (out)	<u>(16,366)</u>	<u>10,028,369</u>
Cash provided (used) by non-capital financing activities	<u>(16,366)</u>	<u>10,028,369</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	(13,973,692)	(10,368,732)
Principal paid on capital debt	(629,850)	(759,200)
Interest paid on capital debt	<u>(1,125,569)</u>	<u>(1,434,846)</u>
Net cash used by capital and related financing activities	<u>(15,729,111)</u>	<u>(12,562,778)</u>
<b>Cash flows from investing activities:</b>		
Investment activity, net	1,627,653	(5,307,549)
Receipt of interest	<u>8,083,983</u>	<u>1,644,021</u>
Net cash provided (used) by investing activities	<u>9,711,636</u>	<u>(3,663,528)</u>
Net increase (decrease) in cash	(235,287)	74,627
Cash at beginning of year	<u>341,331</u>	<u>266,704</u>
Cash at end of year	<u><u>\$ 106,044</u></u>	<u><u>\$ 341,331</u></u>

Continued

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 86,877	\$ 307,372
Restricted cash	<u>19,167</u>	<u>33,959</u>
	<u><b>\$ 106,044</b></u>	<u><b>\$ 341,331</b></u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ 2,137,635</u>	<u>\$ 2,760,679</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,943,188	1,775,426
Miscellaneous income (expense)	937,262	773,127
(Increase) decrease in accounts receivable	235,348	(159,810)
Loan receivable	4,973	-
(Increase) decrease in inventories	7,399	(5,743)
Accrued expenses	338,986	30,139
Increase (decrease) in accounts payable	506,843	79,755
Increase in other assets	(375,000)	-
Other current liabilities	-	1,062,927
Deferred revenue	<u>61,920</u>	<u>(43,936)</u>
Total adjustments	<u>3,660,919</u>	<u>3,511,885</u>
Net cash provided by operating activities	<u><b>\$ 5,798,554</b></u>	<u><b>\$ 6,272,564</b></u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Water sales				
Residential customers	\$ 6,485,678	\$ 6,485,678	\$ 6,119,201	\$ 366,477
Commercial accounts	3,520,393	3,520,393	3,415,475	104,918
Industrial customers	<u>481,019</u>	<u>481,019</u>	<u>510,323</u>	<u>(29,304)</u>
Total water sales	<u>10,487,090</u>	<u>10,487,090</u>	<u>10,044,999</u>	<u>442,091</u>
Service charges:				
Tap fees	450,000	450,000	383,936	66,064
Connect fees	90,000	90,000	92,166	(2,166)
Reconnect fees	160,000	160,000	192,615	(32,615)
Other	<u>200,000</u>	<u>200,000</u>	<u>25,188</u>	<u>174,812</u>
Total service charges	<u>900,000</u>	<u>900,000</u>	<u>693,905</u>	<u>206,095</u>
Total operating revenues	<u>11,387,090</u>	<u>11,387,090</u>	<u>10,738,904</u>	<u>648,186</u>
Non-operating revenues:				
Interest	515,124	515,124	1,687,257	(1,172,133)
Net increase (decrease) in fair value of investment	-	-	(57,321)	57,321
Other	<u>5,759,500</u>	<u>5,759,500</u>	<u>937,262</u>	<u>4,822,238</u>
Total non-operating revenues	<u>6,274,624</u>	<u>6,274,624</u>	<u>2,567,198</u>	<u>3,707,426</u>
Total revenues	<u>17,661,714</u>	<u>17,661,714</u>	<u>13,306,102</u>	<u>4,355,612</u>
Expenses:				
Water plant:				
Salaries and benefits	781,420	799,847	794,695	5,152
Supplies and raw water purchases	1,974,500	1,974,500	1,640,145	334,355
Contractual and other services	1,033,900	1,033,900	681,554	352,346
Repairs and maintenace	<u>167,500</u>	<u>167,500</u>	<u>151,065</u>	<u>16,435</u>
Total water plant	<u>3,957,320</u>	<u>3,975,747</u>	<u>3,267,459</u>	<u>708,288</u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Water lab:				
Salaries and benefits	\$ 155,527	\$ 159,655	\$ 165,394	\$ (5,739)
Supplies and materials	44,000	44,000	33,071	10,929
Contractual and other services	23,500	23,500	14,021	9,479
Repairs and maintenace	<u>13,800</u>	<u>13,800</u>	<u>8,303</u>	<u>5,497</u>
Total water lab	<u>236,827</u>	<u>240,955</u>	<u>220,789</u>	<u>20,166</u>
Transmission and distribution:				
Salaries and benefits	980,406	1,004,544	927,422	77,122
Supplies and materials	24,400	24,400	18,577	5,823
Contractual and other services	21,000	21,000	16,299	4,701
Repairs and maintenance	<u>165,500</u>	<u>165,500</u>	<u>146,541</u>	<u>18,959</u>
Total Transmission and distribution	<u>1,191,306</u>	<u>1,215,444</u>	<u>1,108,839</u>	<u>106,605</u>
Water meters				
Salaries and benefits	355,049	363,441	365,123	(1,682)
Supplies and materials	17,200	17,200	11,901	5,299
Contractual and other services	19,500	19,500	7,913	11,587
Repairs and maintenance	<u>50,300</u>	<u>50,300</u>	<u>32,425</u>	<u>17,875</u>
Total water meters	<u>442,049</u>	<u>450,441</u>	<u>417,362</u>	<u>33,079</u>
Utility billing:				
Salaries and benefits	212,653	223,931	208,440	15,491
Supplies and materials	28,000	28,000	24,308	3,692
Contractual and other services	183,300	183,300	205,919	(22,619)
Repairs and maintenace	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total utility billing	<u>423,953</u>	<u>435,231</u>	<u>438,667</u>	<u>(3,436)</u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Customer relations:				
Salaries and benefits	\$ 397,221	\$ 402,038	\$ 324,252	\$ 77,786
Supplies and materials	3,600	3,600	6,202	(2,602)
Contractual and other services	120,200	120,200	136,197	(15,997)
Repairs and maintenance	<u>4,000</u>	<u>4,000</u>	<u>2,931</u>	<u>1,069</u>
Total customer relations	<u>525,021</u>	<u>529,838</u>	<u>469,582</u>	<u>60,256</u>
Administration:				
Salaries and benefits	290,871	326,691	283,359	43,332
Supplies and materials	2,500	2,500	2,791	(291)
Contractual and other services	464,950	464,950	448,404	16,546
Repairs and maintenance	<u>-</u>	<u>-</u>	<u>(12)</u>	<u>12</u>
Total administration	<u>758,321</u>	<u>794,141</u>	<u>734,542</u>	<u>59,599</u>
Non-departmental expenses:				
Employee benefits	-	-	-	-
Liability insurance	74,444	74,444	74,444	-
Interest and fiscal charges	1,131,472	1,131,472	1,125,569	5,903
Bond principal requirements	629,850	629,850	629,850	-
Other	-	-	(119,079)	119,079
Capital outlay	<u>21,297,987</u>	<u>21,297,987</u>	<u>13,972,061</u>	<u>7,325,926</u>
Total non-departmental expenses	<u>23,133,753</u>	<u>23,133,753</u>	<u>15,682,845</u>	<u>7,450,908</u>
Total expenses	<u>31,431,000</u>	<u>31,431,000</u>	<u>22,385,560</u>	<u>9,045,440</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(13,769,286)	(13,769,286)	(9,079,458)	(4,689,828)
Transfers:				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>(16,366)</u>	<u>(16,366)</u>	<u>-</u>
Net transfers	<u>-</u>	<u>(16,366)</u>	<u>(16,366)</u>	<u>-</u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2003**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Excess (deficiency) of revenues over budget	(13,769,286)	<u>\$ (13,785,652)</u>	<u>\$ (9,096,440)</u>	<u>\$ (4,689,828)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,943,188)	
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	13,972,061	
Principal payments on revenue bonds- budgeted as expenses per budget basis, treated as a reduction of bonds payable per GAAP basis			629,850	
Net income-GAAP basis	<u>\$ (13,769,286)</u>	<u>\$ (13,785,652)</u>	<u>\$ 3,562,898</u>	<u>\$ (4,689,828)</u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**IN RESTRICTED ACCOUNTS**  
**For Fiscal Year Ended September 30, 2003**

	<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, 2002	<u>\$ 402,136</u>	<u>\$ 1,477,129</u>	<u>\$ 2,637,385</u>
Cash receipts:			
Transfers in	1,761,856	-	650,377
Operating activities	-	530,243	-
Valuation allowance	-	-	(16,838)
Interest received	390	-	83,286
	<u>1,762,246</u>	<u>530,243</u>	<u>716,825</u>
Total cash available	<u>2,164,382</u>	<u>2,007,372</u>	<u>3,354,210</u>
Cash disbursements:			
Refunds	-	375,118	-
Capital acquisition	-	-	588,254
Principal payments	629,850	-	-
Interest and fiscal charges (net)	<u>1,125,569</u>	<u>-</u>	<u>-</u>
Total cash disbursements	<u>1,755,419</u>	<u>375,118</u>	<u>588,254</u>
Cash, certificates of deposit, and investments at September 30, 2003	<u><b>\$ 408,963</b></u>	<u><b>\$ 1,632,254</b></u>	<u><b>\$ 2,765,956</b></u>
Cash, certificates of deposit, and investments at September 30, 2003 is comprised of the following:			
Cash	\$ -	\$ -	\$ 7,881
Certificates of deposit	-	1,632,254	2,613,990
Investments (net)	408,963	-	144,085
	<u><b>\$ 408,963</b></u>	<u><b>\$ 1,632,254</b></u>	<u><b>\$ 2,765,956</b></u>

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<b>Capital Improvement</b>	<b>Water Bond '99 &amp; '00</b>	<b>Total</b>
<u>\$ 3,717,835</u>	<u>\$ 23,196,569</u>	<u>\$ 31,431,054</u>
879,500	-	3,291,733
-	-	530,243
(2,479)	-	(19,317)
97,256	1,195,592	1,376,524
<u>974,277</u>	<u>1,195,592</u>	<u>6,374,775</u>
<u>4,692,112</u>	<u>24,392,161</u>	<u>37,805,829</u>
-	-	375,118
489,401	12,195,197	13,272,852
-	-	629,850
<u>-</u>	<u>-</u>	<u>1,125,569</u>
<u>489,401</u>	<u>12,195,197</u>	<u>15,403,389</u>
<u><b>\$ 4,202,711</b></u>	<u><b>\$ 12,196,964</b></u>	<u><b>\$ 21,206,848</b></u>
\$ 3,616	\$ 7,669	\$ 19,166
4,046,944	-	8,293,188
152,151	12,189,295	12,894,494
<u><b>\$ 4,202,711</b></u>	<u><b>\$ 12,196,964</b></u>	<u><b>\$ 21,206,848</b></u>



**CITY OF McALLEN , TEXAS**  
**SEWER FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 150,995	\$ 170,694
Certificate of deposit	5,223,918	4,186,278
Investments	1,789,177	2,192,455
Receivables, net:		
Accounts	926,212	980,521
Accrued interest	16,055	21,936
Other	27,772	18,593
	<u>8,134,129</u>	<u>7,570,477</u>
Total currents assets		
Restricted assets:		
Cash	12,707	29,755
Certificate of deposit	4,400,575	6,145,792
Money market savings	3,766,080	2,445,945
Investments	1,771,477	2,446,464
Accrued interest	11,408	11,428
	<u>9,962,247</u>	<u>11,079,384</u>
Total restricted assets		
Capital assets		
Land	734,993	734,993
Buildings and systems	1,948,375	1,948,375
Improvements other than buildings	45,777,565	43,439,806
Machinery and equipment	4,447,208	3,972,445
Construction in progress	1,122,127	489,146
	<u>54,030,268</u>	<u>50,584,765</u>
Total capital assets		
Less accumulated depreciation	<u>(25,512,331)</u>	<u>(23,681,270)</u>
	<u>28,517,937</u>	<u>26,903,495</u>
Net capital assets		
Other assets		
Loans receivable	105,834	110,807
Other assets, net	138,350	160,433
	<u>244,184</u>	<u>271,240</u>
Total other assets		
Total assets	<u><u>\$ 46,858,497</u></u>	<u><u>\$ 45,824,596</u></u>

**CITY OF McALLEN , TEXAS**  
**SEWER FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 151,352	\$ 444,592
Accrued expenses	<u>110,382</u>	<u>76,116</u>
Total current liabilities	<u>261,734</u>	<u>520,708</u>
Liabilities(payable from restricted assets):		
Accounts payable	141,754	27,677
Accrued expenses	209,372	176,809
Current portion of revenue bonds	<u>955,150</u>	<u>955,150</u>
Total liabilities(payable from restricted assets)	<u>1,306,276</u>	<u>1,159,636</u>
Other noncurrent liabilities:		
Revenue bonds, net of current portion and discount	10,322,450	11,277,600
Deferred revenues	1,195,084	1,255,084
Arbitrage payable	291,282	223,994
Accumulated unpaid compensated absences	<u>123,174</u>	<u>123,704</u>
Total other noncurrent liabilities	<u>11,931,990</u>	<u>12,880,382</u>
Total liabilities	<u>13,500,000</u>	<u>14,560,726</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	21,230,921	20,354,463
Restricted for:		
Improvements	5,285,135	4,490,116
Debt service	335,402	-
Unrestricted	<u>6,507,039</u>	<u>6,419,292</u>
Total net assets	<u>33,358,497</u>	<u>31,263,871</u>
Total liabilities and net assets	<u><u>\$ 46,858,497</u></u>	<u><u>\$ 45,824,596</u></u>

**CITY OF McALLEN , TEXAS**  
**SEWER FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
Operating revenues:		
Charges for services	\$ 8,177,699	\$ 8,166,020
Total operating revenues	<u>8,177,699</u>	<u>8,166,020</u>
Operating expenses:		
Salaries, wages and employee benefits	2,041,083	1,813,388
Supplies and materials	399,614	422,908
Contractual and other services	1,968,822	1,947,701
Repairs and maintenance	276,610	298,197
Depreciation and amortization	1,938,310	1,909,897
Other	<u>(175,501)</u>	<u>151,833</u>
Total operating expenses	<u>6,448,938</u>	<u>6,543,924</u>
Operating income (loss)	<u>1,728,761</u>	<u>1,622,096</u>
Nonoperating revenues (expenses):		
Interest income	568,342	1,274,218
Net increase (decrease) in the fair value of investments	(58,615)	2,210
Interest expense	(918,693)	(692,573)
Other	<u>385,574</u>	<u>259,575</u>
Net nonoperating revenues expenses	<u>(23,392)</u>	<u>843,430</u>
Income (loss) before contributions and transfers	<u>1,705,369</u>	<u>2,465,526</u>
Capital contributions	421,988	329,020
Transfers in	-	-
Transfers out	<u>(32,731)</u>	<u>(4,000,000)</u>
Changes in net assets	2,094,626	(1,205,454)
Total net assets--beginning	<u>31,263,871</u>	<u>32,469,323</u>
Total net assets--ending	<u><u>\$ 33,358,497</u></u>	<u><u>\$ 31,263,871</u></u>

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 8,167,802	\$ 7,966,188
Payments to suppliers	(2,664,213)	(3,214,265)
Payments to employees	(1,884,173)	(1,615,526)
Other receipts (payments)	807,562	636,170
	<u>                    </u>	<u>                    </u>
Net cash provided (used) by operating activities	<u>4,426,978</u>	<u>3,772,567</u>
 <b>Cash flows from non-capital financing activities:</b>		
Transfer to other funds	<u>(32,731)</u>	<u>(10,028,369)</u>
	<u>                    </u>	<u>                    </u>
Cash used by non-capital financing activities	<u>(32,731)</u>	<u>(10,028,369)</u>
 <b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	(3,530,669)	(3,639,171)
Principal paid on capital debt	(955,150)	(745,800)
Interest paid on capital debt	<u>(926,509)</u>	<u>(643,113)</u>
	<u>                    </u>	<u>                    </u>
Net cash used by capital and related financing activities	<u>(5,412,328)</u>	<u>(5,028,084)</u>
 <b>Cash flows from investing activities:</b>		
Investment activity, net	465,705	10,022,513
Receipt of interest	<u>515,629</u>	<u>1,276,021</u>
	<u>                    </u>	<u>                    </u>
Net cash provided by investing activities	<u>981,334</u>	<u>11,298,534</u>
	<u>                    </u>	<u>                    </u>
Net increase (decrease) in cash	(36,747)	14,648
	<u>                    </u>	<u>                    </u>
Cash at beginning of year	<u>200,449</u>	<u>185,801</u>
	<u>                    </u>	<u>                    </u>
Cash at end of year	<u><u>\$ 163,702</u></u>	<u><u>\$ 200,449</u></u>

Continued

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 150,995	\$ 170,694
Restricted cash	<u>12,707</u>	<u>29,755</u>
	<u><b>\$ 163,702</b></u>	<u><b>\$ 200,449</b></u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ 1,728,760</u>	<u>\$ 1,622,098</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,938,310	1,909,897
Miscellaneous income (expense)	807,562	628,864
(Increase) decrease in accounts receivable	50,103	(55,424)
(Increase) decrease in other receivable		(24,492)
Other assets net		7,306
Accrued expenses	141,405	197,862
Increase (decrease) in accounts payable	(179,162)	(393,628)
Deferred revenue	<u>(60,000)</u>	<u>(119,916)</u>
Total adjustments	<u>2,698,218</u>	<u>2,150,469</u>
Net cash provided by operating activities	<u><b>\$ 4,426,978</b></u>	<u><b>\$ 3,772,567</b></u>

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Sewer service charges	\$ 7,995,293	\$ 7,995,293	\$ 7,982,079	\$ 13,214
Industrial surcharges	<u>188,113</u>	<u>188,113</u>	<u>195,620</u>	<u>(7,507)</u>
Total operating revenues	<u>8,183,406</u>	<u>8,183,406</u>	<u>8,177,699</u>	<u>5,707</u>
Non-operating revenues:				
Interest	514,000	514,000	568,342	(54,342)
Net increase (decrease) in fair value of investment	-	-	(58,615)	58,615
Other	<u>14,875,000</u>	<u>14,875,000</u>	<u>807,563</u>	<u>14,067,437</u>
Total non-operating revenues	<u>15,389,000</u>	<u>15,389,000</u>	<u>1,317,290</u>	<u>14,071,710</u>
Total revenues	<u>23,572,406</u>	<u>23,572,406</u>	<u>9,494,989</u>	<u>14,077,417</u>
Expenses:				
Sewer plant:				
Salaries and benefits	1,089,376	1,114,889	1,038,581	76,308
Supplies and raw water purchases	189,150	189,150	163,575	25,575
Contractual and other services	1,275,005	1,275,005	1,101,586	173,419
Repairs and maintenace	174,800	174,800	160,204	14,596
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total sewer plant	<u>2,728,331</u>	<u>2,753,844</u>	<u>2,463,946</u>	<u>289,898</u>
Sewer lab:				
Salaries and benefits	160,721	164,771	145,688	19,083
Supplies and materials	21,910	21,910	16,869	5,041
Contractual and other services	9,780	9,780	11,791	(2,011)
Repairs and maintenace	8,013	8,013	3,047	4,966
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total sewer lab	<u>200,424</u>	<u>204,474</u>	<u>177,395</u>	<u>27,079</u>

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Sewer collection:				
Salaries and benefits	\$ 618,175	\$ 634,763	\$ 639,720	\$ (4,957)
Supplies and materials	327,500	327,500	217,558	109,942
Contractual and other services	217,420	217,420	181,967	35,453
Repairs and maintenance	168,000	168,000	113,360	54,640
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total sewer collection	<u>1,331,095</u>	<u>1,347,683</u>	<u>1,152,605</u>	<u>195,078</u>
Administration:				
Salaries and benefits	179,637	203,986	217,094	(13,108)
Supplies and materials	1,400	1,400	1,612	(212)
Contractual and other services	650,450	650,450	613,802	36,648
Repairs and maintenance	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total administration	<u>831,487</u>	<u>855,836</u>	<u>832,508</u>	<u>23,328</u>
Non-departmental expenses:				
Employee benefits	70,500	-	-	-
Liability insurance	59,677	59,677	59,677	-
Interest and fiscal charges	925,531	925,531	918,693	6,838
Bond principal requirements	955,150	955,150	955,150	-
Other	-	-	(175,501)	175,501
Capital outlay	<u>14,755,168</u>	<u>15,447,122</u>	<u>2,865,891</u>	<u>12,581,231</u>
Total non-departmental expenses	<u>16,766,026</u>	<u>17,387,480</u>	<u>4,623,910</u>	<u>12,763,570</u>
Total expenses	<u>21,857,363</u>	<u>22,549,317</u>	<u>9,250,363</u>	<u>13,298,954</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	1,715,043	1,023,089	244,626	778,463

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Transfers:				
Transfers out	<u>\$ -</u>	<u>\$ (32,731)</u>	<u>\$ (32,731)</u>	<u>\$ -</u>
Excess (deficiency) of revenues over budget	<u>1,715,043</u>	<u>990,358</u>	<u>211,895</u>	<u>778,463</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,938,310)	1,938,310
Principal payments on revenue bonds- budgeted as expenses per budget basis, treated as reduction of bonds payable per GAAP basis	955,150	955,150	955,150	-
Capital outly-amounts budgeted as expenses, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>2,865,891</u>	<u>(2,865,891)</u>
Net income-GAAP basis	<u><u>\$ 759,893</u></u>	<u><u>\$ 35,208</u></u>	<u><u>\$ 2,094,626</u></u>	<u><u>\$ (149,118)</u></u>



**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**IN RESTRICTED ACCOUNTS**  
**For Fiscal Year Ended September 30, 2003**

	<u>Current Debt Service</u>	<u>Depreciation</u>
Cash, certificates of deposit, and investments at September 30, 2002	\$ 477,071	\$ 4,112,965
Cash receipts:		
Transfers from operating cash	1,881,288	958,113
Valuation allowance	-	(22,011)
Interest received	1,233	125,640
	<u>1,882,521</u>	<u>1,061,742</u>
Total cash available	<u>2,359,592</u>	<u>5,174,707</u>
Cash disbursements:		
Interfund transfers, net	-	-
Principal payments	955,150	-
Interest and fiscal charges (net)	918,693	-
Capital acquisitions	<u>-</u>	<u>818,854</u>
Total cash disbursements	<u>1,873,843</u>	<u>818,854</u>
Cash, certificates of deposit, and investments at September 30, 2003	<u><u>\$ 485,749</u></u>	<u><u>\$ 4,355,853</u></u>
Cash, certificates of deposit, and investments at September 30, 2003 is comprised of the following:		
Cash	\$ -	\$ 4,897
Certificates of deposit	-	3,541,703
Investments (net)	485,749	797,846
Accrued Interest	<u>-</u>	<u>11,407</u>
	<u><u>\$ 485,749</u></u>	<u><u>\$ 4,355,853</u></u>

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<u>Capital Improvement</u>	<u>Sewer Bond '96</u>	<u>Sewer Bond '99 &amp; '00</u>	<u>Total</u>
<u>\$ 805,630</u>	<u>\$ 691,746</u>	<u>\$ 4,991,971</u>	<u>\$ 11,079,383</u>
310,500	-	701,653	3,851,554
-	-	-	(22,011)
21,416	9,907	213,710	371,906
<u>331,916</u>	<u>9,907</u>	<u>915,363</u>	<u>5,116,812</u>
<u>1,137,546</u>	<u>701,653</u>	<u>5,907,334</u>	<u>16,196,195</u>
-	701,653	-	701,653
-	-	-	955,150
-	-	-	918,693
<u>186,012</u>	<u>-</u>	<u>1,738,223</u>	<u>2,743,089</u>
<u>186,012</u>	<u>701,653</u>	<u>1,738,223</u>	<u>5,318,585</u>
<u><u>\$ 951,534</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,169,111</u></u>	<u><u>\$ 9,962,247</u></u>
\$ 761	\$ -	\$ 7,050	\$ 12,708
858,873	-	-	4,400,576
91,900	-	4,162,061	5,537,556
-	-	-	11,407
<u><u>\$ 951,534</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,169,111</u></u>	<u><u>\$ 9,962,247</u></u>

**CITY OF McALLEN , TEXAS**  
**SANITATION FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 2,392	\$ 34,141
Certificate of deposit	742,725	100,085
Investments	466,288	232,093
Receivables, net:		
Accounts	1,001,400	982,351
	<u>2,212,805</u>	<u>1,348,670</u>
Total currents assets		
Restricted assets:		
Cash	1,934	21,984
Certificate of deposit	923,704	2,083,517
Investments	171,711	119,554
	<u>1,097,349</u>	<u>2,225,055</u>
Total restricted assets		
Capital assets		
Land	718,348	718,348
Buildings and systems	1,799,253	1,788,753
Improvements other than buildings	478,233	478,233
Machinery and equipment	9,303,070	8,541,088
	<u>12,298,904</u>	<u>11,526,422</u>
Total capital assets		
Less accumulated depreciation	<u>(6,862,378)</u>	<u>(6,722,349)</u>
Net capital assets	<u>5,436,526</u>	<u>4,804,074</u>
Total assets	<u><u>\$ 8,746,680</u></u>	<u><u>\$ 8,377,798</u></u>

**CITY OF McALLEN , TEXAS**  
**SANITATION FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 328,426	\$ 475,452
Accrued expenses	<u>161,598</u>	<u>113,821</u>
Total current liabilities	<u>490,024</u>	<u>589,273</u>
Liabilities(payable from restricted assets):		
Accounts payable	<u>-</u>	<u>449,437</u>
Total liabilities(payable from restricted assets)	<u>-</u>	<u>449,437</u>
Other noncurrent liabilities:		
Deferred revenues	101,967	89,490
Accumulated unpaid compensated absences	122,231	113,924
Advances from other funds	<u>1,400,000</u>	<u>1,400,000</u>
Total other noncurrent liabilities	<u>1,624,198</u>	<u>1,603,414</u>
Total liabilities	<u>2,114,222</u>	<u>2,642,124</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	5,436,526	4,804,074
Restricted for improvements	1,097,347	1,775,619
Unrestricted	<u>98,585</u>	<u>(844,018)</u>
Total net assets	<u>6,632,458</u>	<u>5,735,675</u>
Total liabilities and net assets	<u><u>\$ 8,746,680</u></u>	<u><u>\$ 8,377,799</u></u>

**CITY OF McALLEN , TEXAS**  
**SANITATION FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
Operating revenues:		
Charges for services	\$ 9,060,365	\$ 8,607,277
Total operating revenues	<u>9,060,365</u>	<u>8,607,277</u>
Operating expenses:		
Salaries, wages and employee benefits	3,078,729	2,826,625
Supplies and materials	131,397	134,882
Contractual and other services	2,973,818	3,059,554
Repairs and maintenance	1,471,191	1,352,334
Depreciation and amortization	<u>795,397</u>	<u>754,502</u>
Total operating expenses	<u>8,450,532</u>	<u>8,127,897</u>
Operating income (loss)	<u>609,833</u>	<u>479,380</u>
Nonoperating revenues (expenses):		
Interest income	50,209	69,532
Other	<u>236,741</u>	<u>148,248</u>
Net nonoperating revenues expenses	<u>286,950</u>	<u>217,780</u>
Income (loss) before contributions and transfers	<u>896,783</u>	<u>697,160</u>
Capital contributions	-	45,119
Transfers out	<u>-</u>	<u>(550,000)</u>
Changes in net assets	896,783	192,279
Total net assets--beginning	<u>5,735,675</u>	<u>5,543,395</u>
Total net assets--ending	<u><u>\$ 6,632,458</u></u>	<u><u>\$ 5,735,675</u></u>

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 9,053,792	\$ 8,546,002
Payments to suppliers	(5,172,533)	(4,009,160)
Payments to employees	(3,070,422)	(2,913,319)
Other receipts (payments)	284,415	207,379
Net cash provided by (used for) operating activities	<u>1,095,252</u>	<u>1,830,902</u>
 <b>Cash flows from non-capital financing activities:</b>		
Advances from other funds	<u>-</u>	<u>(550,000)</u>
 Cash provided by non-capital financing activities	<u>-</u>	<u>(550,000)</u>
 <b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	<u>(1,428,083)</u>	<u>(873,803)</u>
 Net cash provided (used) by capital and related financing activities	<u>(1,428,083)</u>	<u>(873,803)</u>
 <b>Cash flows from investing activities:</b>		
Investment activity, net	230,823	(553,340)
Receipt of interest	<u>50,209</u>	<u>69,532</u>
 Net cash provided by investing activities	<u>281,032</u>	<u>(483,808)</u>
 Net decrease in cash	(51,799)	(76,709)
 Cash at beginning of year	<u>56,125</u>	<u>132,834</u>
 Cash at end of year	<u><u>\$ 4,326</u></u>	<u><u>\$ 56,125</u></u>

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 2,392	\$ 34,141
Restricted cash	<u>1,934</u>	<u>21,984</u>
	<u><u>\$ 4,326</u></u>	<u><u>\$ 56,125</u></u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ 609,833</u>	<u>\$ 479,382</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	795,397	754,502
Miscellaneous income (expense)	284,646	204,179
(Increase) decrease in accounts receivable	(19,049)	(76,752)
Loss on asset disposal	-	3,200
Accrued expenses	8,410	(8,606)
Increase (decrease) in accounts payable	(596,461)	459,520
Deferred revenue	<u>12,476</u>	<u>15,477</u>
Total adjustments	<u>485,419</u>	<u>1,351,520</u>
Net cash provided by operating activities	<u><u>\$ 1,095,252</u></u>	<u><u>\$ 1,830,902</u></u>

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Solid waste collections	<u>\$ 8,635,786</u>	<u>\$ 8,635,786</u>	<u>\$ 9,060,365</u>	<u>\$ (424,579)</u>
Non-operating revenues:				
Interest	37,974	37,974	50,209	(12,235)
Other	<u>111,000</u>	<u>111,000</u>	<u>236,741</u>	<u>(125,741)</u>
Total non-operating revenues	<u>148,974</u>	<u>148,974</u>	<u>286,950</u>	<u>(137,976)</u>
Total revenues	<u>8,784,760</u>	<u>8,784,760</u>	<u>9,347,315</u>	<u>(562,555)</u>
Expenses:				
Facilities administration:				
Salaries and benefits	249,345	254,438	241,294	13,144
Supplies and raw water purchases	12,610	12,610	16,570	(3,960)
Contractual and other services	538,400	538,400	573,033	(34,633)
Repairs and maintenace	12,400	12,400	11,258	1,142
Capital outlay	<u>51,100</u>	<u>51,100</u>	<u>13,798</u>	<u>37,302</u>
Total facilities administration	<u>863,855</u>	<u>868,948</u>	<u>855,953</u>	<u>12,995</u>
Brush collection:				
Salaries and benefits	837,090	855,220	829,687	25,533
Supplies and materials	27,570	27,570	28,895	(1,325)
Contractual and other services	231,500	195,100	162,541	32,559
Repairs and maintenace	270,000	270,000	354,373	(84,373)
Capital outlay	<u>92,100</u>	<u>65,200</u>	<u>64,220</u>	<u>980</u>
Total brush collection	<u>1,458,260</u>	<u>1,413,090</u>	<u>1,439,716</u>	<u>(26,626)</u>
Regular collection:				
Salaries and benefits	787,046	804,074	741,524	62,550
Supplies and materials	33,959	33,959	30,147	3,812



**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Regular collection (continued):				
Contractual and other services	\$ 684,600	\$ 684,600	\$ 805,673	\$ (121,073)
Repairs and maintenance	493,000	493,000	461,566	31,434
Capital outlay	<u>60,800</u>	<u>70,600</u>	<u>48,250</u>	<u>22,350</u>
Total regular collection	<u>2,059,405</u>	<u>2,086,233</u>	<u>2,087,160</u>	<u>(927)</u>
Commercial box collection:				
Salaries and benefits	717,669	731,532	686,575	44,957
Supplies and materials	42,829	42,829	31,236	11,593
Contractual and other services	1,193,060	1,270,560	1,237,767	32,793
Repairs and maintenance	395,000	395,000	488,713	(93,713)
Capital outlay	<u>192,500</u>	<u>168,500</u>	<u>149,598</u>	<u>18,902</u>
Total commercial box collection	<u>2,541,058</u>	<u>2,608,421</u>	<u>2,593,889</u>	<u>14,532</u>
Recycling:				
Salaries and benefits	596,950	613,250	579,649	33,601
Supplies and materials	22,300	21,900	24,549	(2,649)
Contractual and other services	130,000	130,000	99,441	30,559
Repairs and maintenance	78,000	78,000	155,281	(77,281)
Capital outlay	<u>9,200</u>	<u>9,600</u>	<u>46,690</u>	<u>(37,090)</u>
Total recycling	<u>836,450</u>	<u>852,750</u>	<u>905,610</u>	<u>(52,860)</u>
Non-departmental expenses:				
Depreciation fund-capital outlay	1,130,000	1,275,000	1,105,527	169,473
Liability insurance	<u>95,364</u>	<u>95,364</u>	<u>95,364</u>	<u>-</u>
Total non-departmental expenses	<u>1,225,364</u>	<u>1,370,364</u>	<u>1,200,891</u>	<u>169,473</u>
Total expenses	<u>8,984,392</u>	<u>9,199,806</u>	<u>9,083,219</u>	<u>116,588</u>

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2003**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Excess (deficiency) of revenues over budget	<u>\$ (199,632)</u>	<u>\$ (415,046)</u>	<u>\$ 264,096</u>	<u>\$ (679,143)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(795,397)	795,397
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>1,428,084</u>	<u>(1,428,083)</u>
Net income-GAAP basis	<u><u>\$ (199,632)</u></u>	<u><u>\$ (415,046)</u></u>	<u><u>\$ 896,783</u></u>	<u><u>\$ (1,311,829)</u></u>

**CITY OF McALLEN , TEXAS**  
**PALMVIEW GOLF COURSE FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 66,425	\$ 85,462
Certificate of deposit	173,616	250,230
Investments	167,362	123,936
Receivables, net:		
Accounts	9,087	1,229
	<u>416,490</u>	<u>460,857</u>
Total currents assets		
Restricted assets:		
Certificate of deposit	83,000	-
	<u>83,000</u>	<u>-</u>
Capital assets		
Land	187,995	187,995
Buildings and systems	211,633	211,633
Improvements other than buildings	6,501,211	6,204,495
Machinery and equipment	816,805	557,102
	<u>7,717,644</u>	<u>7,161,225</u>
Total capital assets		
Less accumulated depreciation	(2,490,943)	(2,211,547)
	<u>5,226,701</u>	<u>4,949,678</u>
Net capital assets		
	<u>5,226,701</u>	<u>4,949,678</u>
Total assets	<u><u>\$ 5,726,191</u></u>	<u><u>\$ 5,410,537</u></u>

**CITY OF McALLEN , TEXAS**  
**PALMVIEW GOLF COURSE FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 39,612	\$ 57,609
Accrued expenses	25,661	24,467
Other	<u>500</u>	<u>-</u>
Total current liabilities	<u>65,773</u>	<u>82,076</u>
Other noncurrent liabilities:		
Deferred revenues	68,573	49,645
Accumulated unpaid compensated absences	44,856	40,295
Advances from other funds	<u>3,700,000</u>	<u>3,800,000</u>
Total other noncurrent liabilities	<u>3,813,429</u>	<u>3,889,940</u>
Total liabilities	<u>3,879,202</u>	<u>3,972,016</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	5,226,701	4,949,679
Unrestricted	<u>(3,379,712)</u>	<u>(3,511,158)</u>
Total net assets	<u>1,846,989</u>	<u>1,438,521</u>
Total liabilities and net assets	<u><u>\$ 5,726,191</u></u>	<u><u>\$ 5,410,537</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, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
Operating revenues:		
Charges for services	\$ 1,023,855	\$ 981,815
Total operating revenues	<u>1,023,855</u>	<u>981,815</u>
Operating expenses:		
Salaries, wages and employee benefits	600,380	603,673
Supplies and materials	92,689	90,138
Contractual and other services	124,409	144,034
Repairs and maintenance	48,776	60,438
Depreciation and amortization	<u>279,397</u>	<u>247,844</u>
Total operating expenses	<u>1,145,651</u>	<u>1,146,127</u>
Operating income (loss)	<u>(121,796)</u>	<u>(164,312)</u>
Nonoperating revenues (expenses):		
Interest income	9,012	20,190
Other	<u>20,171</u>	<u>21,920</u>
Net nonoperating revenues expenses	<u>29,183</u>	<u>42,110</u>
Income (loss) before contributions and transfers	(92,613)	(122,202)
Capital contributions	305,711	96,470
Transfers in	<u>195,370</u>	<u>-</u>
Changes in net assets	408,468	(25,732)
Total net assets--beginning	<u>1,438,521</u>	<u>1,464,255</u>
Total net assets--ending	<u><u>\$ 1,846,989</u></u>	<u><u>\$ 1,438,521</u></u>

**CITY OF McALLEN, TEXAS**  
**PALM VIEW GOLF COURSE FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 1,015,997	\$ 723,208
Payments to suppliers	(283,574)	(276,444)
Payments to employees	(600,380)	(623,322)
Other receipts (payments)	45,058	112,409
	<u>177,101</u>	<u>(64,149)</u>
<b>Net cash provided (used) by operating activities</b>		
	<u>177,101</u>	<u>(64,149)</u>
<b>Cash flows from non-capital financing activities:</b>		
Operating transfer	195,370	-
Advances from other funds	(100,000)	(100,000)
	<u>95,370</u>	<u>(100,000)</u>
<b>Cash provided by non-capital financing activities</b>		
	<u>95,370</u>	<u>(100,000)</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	(250,709)	(44,288)
	<u>(250,709)</u>	<u>(44,288)</u>
<b>Net cash provided (used) by capital and related financing activities</b>		
	<u>(250,709)</u>	<u>(44,288)</u>
<b>Cash flows from investing activities:</b>		
Investment activity, net	(49,811)	213,312
Receipt of interest	9,012	21,181
	<u>(40,799)</u>	<u>234,493</u>
<b>Net cash provided (used) by investing activities</b>		
	<u>(40,799)</u>	<u>234,493</u>
<b>Net increase (decrease) in cash</b>		
	(19,037)	26,056
<b>Cash at beginning of year</b>		
	<u>85,462</u>	<u>59,406</u>
<b>Cash at end of year</b>	<u><u>\$ 66,425</u></u>	<u><u>\$ 85,462</u></u>

Continued

**CITY OF McALLEN, TEXAS**  
**PALM VIEW GOLF COURSE FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	\$ (121,796)	\$ (424,557)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	279,397	247,844
Miscellaneous income	23,242	312,409
Loss on asset disposal	-	-
(Increase) decrease in other receivable	(7,858)	(997)
(Increase) decrease in governmental receivables		
(Increase) in due to other funds	-	(200,000)
Increase in allowance for uncollectible accounts		
(Increase) decrease in inventories		
Increase (decrease) in accounts payable	(16,506)	(4,395)
Accrued expenses	1,194	2,913
Deferred revenue	19,428	2,634
Total adjustments	<u>298,897</u>	<u>360,408</u>
Net cash provided (used) by operating activities	<u><u>\$ 177,101</u></u>	<u><u>\$ (64,149)</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, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Green fees	\$ 552,578	\$ 552,578	\$ 591,894	\$ (39,316)
Membership sales	122,000	122,000	105,796	16,204
Cart rental	254,200	254,200	256,038	(1,838)
Rentals and other sales	<u>63,150</u>	<u>63,150</u>	<u>70,127</u>	<u>(6,977)</u>
Total operating revenues	<u>991,928</u>	<u>991,928</u>	<u>1,023,855</u>	<u>(31,927)</u>
Non-operating revenues:				
Interest	11,668	11,668	9,012	2,656
Other	<u>12,000</u>	<u>12,000</u>	<u>325,882</u>	<u>(313,882)</u>
Total non-operating revenues	<u>23,668</u>	<u>23,668</u>	<u>334,894</u>	<u>(311,226)</u>
Total revenues	<u>1,015,596</u>	<u>1,015,596</u>	<u>1,358,749</u>	<u>(343,153)</u>
Expenses:				
Salaries and benefits	591,407	602,915	600,380	2,535
Supplies	112,370	112,370	92,689	19,681
Contractual and other services	180,506	180,506	124,409	56,097
Repairs and maintenace	67,000	67,000	48,776	18,224
Capital outlay	<u>73,200</u>	<u>268,570</u>	<u>250,708</u>	<u>17,862</u>
Total expenses	<u>1,024,483</u>	<u>1,231,361</u>	<u>1,116,962</u>	<u>114,399</u>
Excess(deficiency) of revenues over expensses (budget basis) before transfers	(8,887)	(215,765)	241,787	(457,552)
Transfers in	<u>-</u>	<u>195,370</u>	<u>195,370</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(8,887)</u>	<u>(20,395)</u>	<u>437,157</u>	<u>(457,552)</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, 2003**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ (50,000)	\$ -	\$ (279,397)	\$ 279,397
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>250,708</u>	<u>(250,708)</u>
Net income-GAAP basis	<u><u>\$ (58,887)</u></u>	<u><u>\$ (20,395)</u></u>	<u><u>\$ 408,468</u></u>	<u><u>\$ (428,863)</u></u>

**CITY OF McALLEN , TEXAS**  
**TRANSIT TERMINAL FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ (894)	\$ 76,648
Investments	101,501	61,651
Accounts	<u>-</u>	<u>4,907</u>
Total currents assets	<u>100,607</u>	<u>143,206</u>
Capital assets		
Land	1,684,593	1,684,593
Buildings and systems	3,522,228	3,522,228
Machinery and equipment	<u>100,103</u>	<u>100,103</u>
Total capital assets	5,306,924	5,306,924
Less accumulated depreciation	<u>(315,004)</u>	<u>(188,053)</u>
Net capital assets	<u>4,991,920</u>	<u>5,118,871</u>
Total assets	<u><b>\$ 5,092,527</b></u>	<u><b>\$ 5,262,077</b></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 14,749	\$ 6,867
Accrued expenses	<u>12,857</u>	<u>10,446</u>
Total current liabilities	<u>27,606</u>	<u>17,313</u>
Other noncurrent liabilities:		
Accumulated unpaid compensated absences	7,868	7,085
Advances from other funds	<u>352,716</u>	<u>352,716</u>
Total other noncurrent liabilities	<u>360,584</u>	<u>359,801</u>
Total liabilities	<u>388,190</u>	<u>377,114</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	4,991,920	5,118,871
Unrestricted	<u>(287,583)</u>	<u>(233,908)</u>
Total net assets	<u>4,704,337</u>	<u>4,884,963</u>
Total liabilities and net assets	<u><b>\$ 5,092,527</b></u>	<u><b>\$ 5,262,077</b></u>

**CITY OF McALLEN , TEXAS**  
**TRANSIT TERMINAL FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
Operating revenues:		
Charges for services	\$ 241,788	\$ 203,798
Total operating revenues	<u>241,788</u>	<u>203,798</u>
Operating expenses:		
Salaries, wages and employee benefits	287,926	254,802
Supplies and materials	27,404	22,161
Contractual and other services	147,921	142,104
Repairs and maintenance	21,008	14,002
Depreciation and amortization	<u>126,951</u>	<u>126,291</u>
Total operating expenses	<u>611,210</u>	<u>559,360</u>
Operating loss	<u>(369,422)</u>	<u>(355,562)</u>
Nonoperating revenues:		
Interest income	957	5,361
Other	<u>10,882</u>	<u>66,716</u>
Net nonoperating revenues expenses	<u>11,839</u>	<u>72,077</u>
Loss before contributions and transfers	<u>(357,583)</u>	<u>(283,485)</u>
Transfers in	<u>176,957</u>	<u>93,000</u>
Changes in net assets	(180,626)	(190,485)
Total net assets--beginning	<u>4,884,963</u>	<u>5,075,448</u>
Total net assets--ending	<u><u>\$ 4,704,337</u></u>	<u><u>\$ 4,884,963</u></u>

**CITY OF McALLEN, TEXAS**  
**TRANSIT TERMINAL FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 236,881	\$ 203,798
Payments to suppliers	(186,040)	(190,872)
Payments to employees	(287,143)	(254,803)
Other receipts (payments)	20,696	75,890
	<u>                    </u>	<u>                    </u>
Net cash provided by (used for) operating activities	<u>(215,606)</u>	<u>(165,987)</u>
 <b>Cash flows from non-capital financing activities:</b>		
Transfer from other funds	<u>176,957</u>	<u>93,000</u>
	<u>                    </u>	<u>                    </u>
Cash provided by non-capital financing activities	<u>176,957</u>	<u>93,000</u>
 <b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	<u>-</u>	<u>(10,074)</u>
	<u>                    </u>	<u>                    </u>
Net cash used by capital and related financing activities	<u>-</u>	<u>(10,074)</u>
 <b>Cash flows from investing activities:</b>		
Investment activity, net	(39,850)	152,345
Receipt of interest	<u>957</u>	<u>5,361</u>
	<u>                    </u>	<u>                    </u>
Net cash provided by investing activities	<u>(38,893)</u>	<u>157,706</u>
	<u>                    </u>	<u>                    </u>
Net increase (decrease) in cash	(77,542)	74,645
Cash at beginning of year	<u>76,648</u>	<u>2,003</u>
Cash (deficit) at end of year	<u><u>\$ (894)</u></u>	<u><u>\$ 76,648</u></u>

**CITY OF McALLEN, TEXAS  
TRANSIT TERMINAL FUND  
STATEMENT OF CASH FLOWS  
For Fiscal Year Ended September 30, 2003  
With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>		
Operating loss	\$ (369,422)	\$ (355,562)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	126,951	126,291
Miscellaneous income (expense)	11,665	62,660
(Increase) decrease in other receivables	4,907	13,230
Increase (decrease) in accounts payable	7,882	(11,604)
Accrued expenses	2,411	(1,002)
Total adjustments	<u>153,816</u>	<u>189,575</u>
Net cash used by operating activities	<u><u>\$ (215,606)</u></u>	<u><u>\$ (165,987)</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, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 189,017	\$ 189,017	\$ 197,454	\$ (8,437)
Concessions-other	<u>40,405</u>	<u>40,405</u>	<u>44,334</u>	<u>(3,929)</u>
Total operating revenues	<u>229,422</u>	<u>229,422</u>	<u>241,788</u>	<u>(12,366)</u>
Non-operating revenues:				
Interest	-	-	957	(957)
Other	<u>104,184</u>	<u>104,184</u>	<u>10,882</u>	<u>93,302</u>
Total non-operating revenues	<u>104,184</u>	<u>104,184</u>	<u>11,839</u>	<u>92,345</u>
Total revenues	<u>333,606</u>	<u>333,606</u>	<u>253,627</u>	<u>79,979</u>
Expenses:				
Salaries and benefits	289,266	296,343	287,926	8,417
Supplies	24,874	28,024	27,404	620
Contractual and other services	194,223	190,573	147,921	42,652
Repairs and maintenace	21,080	21,580	21,008	572
Capital outlay	<u>2,850</u>	<u>2,850</u>	<u>-</u>	<u>2,850</u>
Total expenses	<u>532,293</u>	<u>539,370</u>	<u>484,259</u>	<u>55,111</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(198,687)	(205,764)	(230,632)	24,868
Transfers:				
Transfers in	<u>176,957</u>	<u>176,957</u>	<u>176,957</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(21,730)</u>	<u>(28,807)</u>	<u>(53,675)</u>	<u>24,868</u>

**CITY OF McALLEN, TEXAS**  
**TRANSIT TERMINAL FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2003**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (126,951)	\$ 126,951
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income-GAAP basis	<u><u>\$ (21,730)</u></u>	<u><u>\$ (28,807)</u></u>	<u><u>\$ (180,626)</u></u>	<u><u>\$ 151,819</u></u>

**CITY OF McALLEN , TEXAS**  
**McALLEN INTERNATIONAL CIVIC CENTER FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 8,695	\$ 20,329
Certificate of deposit	1,225,416	1,002,461
Investments	663,108	521,389
Receivables, net:		
Accounts	-	1
Accrued interest	2,112	9,152
Due from other funds	<u>64,279</u>	<u>60,435</u>
 Total currents assets	 <u>1,963,610</u>	 <u>1,613,767</u>
 Restricted assets:		
Cash	14,236	3,720
Certificate of deposit	21,783,317	17,400,385
Investments	3,369,094	6,026,727
Accrued interest	12,674	93,879
Due from other funds	96,419	90,652
Other	<u>2,848,143</u>	<u>713,270</u>
 Total restricted assets	 <u>28,123,883</u>	 <u>24,328,633</u>
 Capital assets		
Land	3,583,560	3,583,560
Buildings and systems	1,876,713	1,876,713
Improvements other than buildings	2,421,516	2,421,516
Machinery and equipment	495,713	465,361
Construction in progress	<u>-</u>	<u>-</u>
 Total capital assets	 8,377,502	 8,347,150
Less accumulated depreciation	<u>(2,108,662)</u>	<u>(1,995,715)</u>
 Net capital assets	 <u>6,268,840</u>	 <u>6,351,435</u>
  Total assets	  <u><u>\$ 36,356,333</u></u>	  <u><u>\$ 32,293,835</u></u>



**CITY OF McALLEN , TEXAS**  
**McALLEN INTERNATIONAL CIVIC CENTER FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 37,018	\$ 39,845
Accrued expenses	16,661	13,890
Other	<u>18</u>	<u>-</u>
Total current liabilities	<u>53,697</u>	<u>53,735</u>
Accounts payable	3,899	240
Accrued expenses	39,883	11,503
Customer deposits	18,955	19,688
Note payable	<u>2,000,000</u>	<u>-</u>
Total liabilities(payable from restricted assets)	<u>2,062,737</u>	<u>31,431</u>
Other noncurrent liabilities:		
Deferred revenues	39,169	18,437
Accumulated unpaid compensated absences	<u>15,450</u>	<u>11,972</u>
Total other noncurrent liabilities	<u>54,619</u>	<u>30,409</u>
Total liabilities	<u>2,171,053</u>	<u>115,575</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	6,268,840	7,064,693
Restricted for improvements	26,061,146	23,583,943
Unrestricted	<u>1,855,294</u>	<u>1,529,622</u>
Total net assets	<u>34,185,280</u>	<u>32,178,258</u>
Total liabilities and net assets	<u><u>\$ 36,356,333</u></u>	<u><u>\$ 32,293,833</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, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<b>2003</b>	<b>2002</b>
Operating revenues:		
Charges for services	\$ 10,230	\$ 7,812
Rentals	407,583	468,296
Total operating revenues	417,813	476,108
Operating expenses:		
Salaries, wages and employee benefits	446,946	421,183
Supplies and materials	24,374	23,546
Contractual and other services	348,717	382,982
Repairs and maintenance	52,863	22,824
Depreciation and amortization	123,495	125,295
Total operating expenses	996,395	975,830
Operating income (loss)	(578,582)	(499,722)
Nonoperating revenues (expenses):		
Interest income	779,530	1,011,792
Net increase (decrease) in the fair value of investments	(174,200)	(110,441)
Interest expense	(38,631)	-
Other	13,493	2,890
Net nonoperating revenues expenses	580,192	904,241
Income (loss) before contributions and transfers	1,610	404,519
Transfers in	2,005,412	2,029,930
Changes in net assets	2,007,022	2,434,449
Total net assets--beginning	32,178,258	29,743,807
Total net assets--ending	<b>\$ 34,185,280</b>	<b>\$ 32,178,258</b>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL CIVIC CENTER FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 417,814	\$ 472,789
Payments to suppliers	(428,780)	(406,746)
Payments to employees	(453,902)	(457,031)
Internal activity-payments to other funds	-	48,213
Other receipts (payments)	157,399	5,306
	<u>                    </u>	<u>                    </u>
Net cash provided by (used for) operating activities	<u>(307,469)</u>	<u>(337,469)</u>
 <b>Cash flows from non-capital financing activities:</b>		
Transfer from other funds	<u>2,005,412</u>	<u>2,029,930</u>
	<u>                    </u>	<u>                    </u>
Cash provided by non-capital financing activities	<u>2,005,412</u>	<u>2,029,930</u>
 <b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	(2,175,786)	(483,769)
Note payable	2,000,000	-
Interest paid	<u>(38,631)</u>	<u>-</u>
	<u>                    </u>	<u>                    </u>
Net cash used by capital and related financing activities	<u>(214,417)</u>	<u>(483,769)</u>
 <b>Cash flows from investing activities:</b>		
Investment activity, net	(2,089,974)	(2,101,382)
Receipt of interest	<u>605,330</u>	<u>901,350</u>
	<u>                    </u>	<u>                    </u>
Net cash used by investing activities	(1,484,644)	(1,200,032)
	<u>                    </u>	<u>                    </u>
Net increase (decrease) in cash	(1,118)	8,660
	<u>                    </u>	<u>                    </u>
Cash at beginning of year	24,049	15,389
	<u>                    </u>	<u>                    </u>
Cash at end of year	<u><u>\$ 22,931</u></u>	<u><u>\$ 24,049</u></u>

Continued

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL CIVIC CENTER FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 8,695	\$ 20,329
Restricted cash	<u>14,236</u>	<u>3,720</u>
	<u><b>\$ 22,931</b></u>	<u><b>\$ 24,049</b></u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating loss	<u>\$ (578,582)</u>	<u>\$ (499,719)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	123,495	125,295
Miscellaneous income (expense)	16,972	3,288
(Increase) decrease in accounts receivable	12	2,018
Accrued interest	88,244	15,813
(Increase) decrease in other receivables	-	749
(Increase) in due from other funds	(9,611)	48,213
Increase (decrease) in accounts payable	(30,029)	(15,479)
Increase (decrease) in accrued expenses	42,344	2,235
Deferred revenue	<u>39,686</u>	<u>(19,882)</u>
Total adjustments	<u>271,113</u>	<u>162,250</u>
Net cash used by operating activities	<u><b>\$ (307,469)</b></u>	<u><b>\$ (337,469)</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, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 253,000	\$ 253,000	\$ 407,583	\$ (154,583)
Concessions-other	<u>3,800</u>	<u>3,800</u>	<u>10,230</u>	<u>(6,430)</u>
Total operating revenues	<u>256,800</u>	<u>256,800</u>	<u>417,813</u>	<u>(161,013)</u>
Non-operating revenues:				
Interest	735,000	735,000	779,530	(44,530)
Net increase (decrease) in the fair value of investments	-	-	(174,200)	174,200
Other	<u>3,000</u>	<u>3,000</u>	<u>13,493</u>	<u>(10,493)</u>
Total non-operating revenues	<u>738,000</u>	<u>738,000</u>	<u>618,823</u>	<u>119,177</u>
Total revenues	<u>994,800</u>	<u>994,800</u>	<u>1,036,636</u>	<u>(41,836)</u>
Expenses:				
Salaries and benefits	461,188	467,310	446,946	20,364
Supplies	19,670	19,670	24,374	(4,704)
Contractual and other services	303,477	303,477	348,717	(45,240)
Repairs and maintenace	28,478	28,478	52,863	(24,385)
Interest	-	-	38,631	(38,631)
Capital outlay	<u>1,298,980</u>	<u>3,298,980</u>	<u>2,175,786</u>	<u>1,123,194</u>
Total expenses	<u>2,111,793</u>	<u>4,117,915</u>	<u>3,087,317</u>	<u>1,030,598</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(1,116,993)	(3,123,115)	(2,050,681)	(1,072,434)
Transfers:				
Transfers in	<u>2,059,731</u>	<u>2,059,731</u>	<u>2,005,412</u>	<u>54,319</u>
Excess (deficiency) of revenues over budget	<u>942,738</u>	<u>(1,063,384)</u>	<u>(45,269)</u>	<u>(1,018,115)</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, 2003**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (123,495)	\$ 123,495
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>2,175,786</u>	<u>(2,175,786)</u>
Net income-GAAP basis	<u><u>\$ 942,738</u></u>	<u><u>\$ (1,063,384)</u></u>	<u><u>\$ 2,007,022</u></u>	<u><u>\$ (3,070,406)</u></u>

**CITY OF McALLEN , TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 9,651	\$ 2,326
Certificate of deposit	100,109	200,000
Investments	231,513	347,740
Receivables, net:		
Accounts	193,958	232,346
Accrued interest	-	5,491
Due from other governments	-	174,643
	<u>535,231</u>	<u>962,546</u>
Total currents assets		
Restricted assets:		
Cash	6,950	920
Certificate of deposit	1,868,063	1,035,877
Investments	125,500	264,349
Accrued interest	-	3,661
Other	-	56,022
	<u>2,000,513</u>	<u>1,360,829</u>
Total restricted assets		
Capital assets		
Land	3,251,781	3,251,781
Buildings and systems	30,890,423	30,890,423
Improvements other than buildings	30,203,615	27,265,557
Machinery and equipment	294,024	294,024
Construction in progress	-	233,874
	<u>64,639,843</u>	<u>61,935,659</u>
Total capital assets		
Less accumulated depreciation	<u>(19,210,168)</u>	<u>(17,084,147)</u>
Net capital assets	<u>45,429,675</u>	<u>44,851,512</u>
Total assets	<u><u>\$ 47,965,419</u></u>	<u><u>\$ 47,174,888</u></u>

**CITY OF McALLEN , TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 106,400	\$ 437,463
Accrued expenses	200,560	213,629
Other	<u>426</u>	<u>426</u>
Total current liabilities	<u>307,386</u>	<u>651,518</u>
Accounts payable	<u>11,661</u>	<u>-</u>
Total liabilities(payable from restricted assets)	<u>11,661</u>	<u>-</u>
Other noncurrent liabilities:		
Deferred revenues	55,325	36,450
Accumulated unpaid compensated absences	47,002	48,281
Advances from other funds	<u>7,057,266</u>	<u>3,456,820</u>
Total other noncurrent liabilities	<u>7,159,593</u>	<u>3,541,551</u>
Total liabilities	<u>7,478,640</u>	<u>4,193,069</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	45,429,675	44,851,512
Restricted for improvements	1,988,852	1,360,829
Unrestricted	<u>(6,931,748)</u>	<u>(3,230,522)</u>
Total net assets	<u>40,486,779</u>	<u>42,981,819</u>
Total liabilities and net assets	<u><u>\$ 47,965,419</u></u>	<u><u>\$ 47,174,888</u></u>



**CITY OF McALLEN , TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
Operating revenues:		
Charges for services	\$ 515,191	\$ 494,294
Rentals	<u>2,111,587</u>	<u>1,955,834</u>
Total operating revenues	<u>2,626,778</u>	<u>2,450,128</u>
Operating expenses:		
Salaries, wages and employee benefits	782,558	786,138
Supplies and materials	31,795	33,049
Contractual and other services	668,256	850,379
Repairs and maintenance	190,414	246,197
Depreciation and amortization	<u>2,126,021</u>	<u>1,950,499</u>
Total operating expenses	<u>3,799,044</u>	<u>3,866,262</u>
Operating income (loss)	<u>(1,172,266)</u>	<u>(1,416,134)</u>
Nonoperating revenues (expenses):		
Intergovernmental	2,358,819	3,076,292
Interest income	49,614	66,001
Net increase (decrease) in the fair value of investments	(4,624)	(9,381)
Other	<u>651,037</u>	<u>825,258</u>
Net nonoperating revenues	<u>3,054,846</u>	<u>3,958,170</u>
Income (loss) before contributions and transfers	<u>1,882,580</u>	<u>2,542,036</u>
Transfers in	294,637	-
Transfers out	<u>(4,672,258)</u>	<u>(2,778,658)</u>
Changes in net assets	(2,495,041)	(236,622)
Total net assets--beginning	<u>42,981,820</u>	<u>43,218,442</u>
Total net assets--ending	<u><u>\$ 40,486,779</u></u>	<u><u>\$ 42,981,820</u></u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 2,665,166	\$ 2,403,917
Payments to suppliers	(1,209,867)	(1,481,947)
Payments to employees	(783,837)	(748,686)
Other receipts (payments)	896,660	1,221,424
	<u>1,568,122</u>	<u>1,394,708</u>
Net cash provided by operating activities		
	<u>1,568,122</u>	<u>1,394,708</u>
<b>Cash flows from non-capital financing activities:</b>		
Transfer to other funds	(4,377,621)	(2,778,658)
Advances from other funds	3,600,447	1,706,848
Receipt of capital contribution	2,358,819	3,076,292
	<u>1,581,645</u>	<u>2,004,482</u>
Cash provided by non-capital financing activities		
	<u>1,581,645</u>	<u>2,004,482</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	(2,704,184)	(3,758,132)
	<u>(2,704,184)</u>	<u>(3,758,132)</u>
Net cash used by capital and related financing activities		
	<u>(2,704,184)</u>	<u>(3,758,132)</u>
<b>Cash flows from investing activities:</b>		
Investment activity, net	(481,843)	56,620
Receipt of interest	49,615	294,562
	<u>(432,228)</u>	<u>351,182</u>
Net cash provided (used) by investing activities		
	<u>(432,228)</u>	<u>351,182</u>
Net increase (decrease) in cash	13,355	(7,760)
Cash at beginning of year	3,246	11,006
Cash at end of year	<u><u>\$ 16,601</u></u>	<u><u>\$ 3,246</u></u>

Continued

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 9,651	\$ 920
Restricted cash	<u>6,950</u>	<u>2,326</u>
	<u><b>\$ 16,601</b></u>	<u><b>\$ 3,246</b></u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating loss	<u>\$ (1,172,266)</u>	<u>\$ (1,416,138)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	2,126,021	1,950,499
Miscellaneous income (expense)	649,758	817,242
(Increase) decrease in accounts receivable	34,221	(48,817)
(Increase) decrease in governmental receivables	174,643	459,150
(Increase) in accrued interest	9,152	1,054
(Increase) decrease in other assets	60,190	(56,022)
Increase (decrease) in accounts payable	(319,403)	(352,318)
Increase (decrease) in accrued expenses	(13,069)	37,452
Increase (decrease) in deferred revenues	<u>18,875</u>	<u>2,606</u>
Total adjustments	<u>2,740,388</u>	<u>2,810,846</u>
Net cash provided by operating activities	<u><b>\$ 1,568,122</b></u>	<u><b>\$ 1,394,708</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, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 309,500	\$ 309,500	\$ 515,191	\$ (205,691)
Rentals	<u>1,982,000</u>	<u>1,982,000</u>	<u>2,111,587</u>	<u>(129,587)</u>
Total operating revenues	<u>2,291,500</u>	<u>2,291,500</u>	<u>2,626,778</u>	<u>(335,278)</u>
Non-operating revenues:				
Intergovernmental	2,651,736	2,651,736	2,358,819	292,917
Interest	36,000	36,000	49,614	(13,614)
Net increase (decrease) in the fair value of investments	-	-	(4,624)	4,624
Other	<u>842,300</u>	<u>842,300</u>	<u>651,037</u>	<u>191,263</u>
Total non-operating revenues	<u>3,530,036</u>	<u>3,530,036</u>	<u>3,054,846</u>	<u>475,190</u>
Total revenues	<u>5,821,536</u>	<u>5,821,536</u>	<u>5,681,624</u>	<u>139,912</u>
Expenses:				
Salaries and benefits	776,843	790,753	782,558	8,195
Supplies	35,150	35,150	31,795	3,355
Contractual and other services	755,293	755,293	668,256	87,037
Repairs and maintenace	299,500	299,500	190,414	109,086
Capital outlay	<u>4,276,473</u>	<u>4,276,473</u>	<u>2,704,184</u>	<u>1,572,289</u>
Total expenses	<u>6,143,259</u>	<u>6,157,169</u>	<u>4,377,207</u>	<u>1,779,962</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(321,723)	(335,633)	1,304,417	(1,640,050)
Transfers:				
Transfers in	294,637	294,637	294,637	-
Transfers out	<u>(2,748,207)</u>	<u>(2,748,208)</u>	<u>(4,672,258)</u>	<u>1,924,050</u>
Excess (deficiency) of revenues over budget	<u>(2,775,293)</u>	<u>(2,789,204)</u>	<u>(3,073,204)</u>	<u>284,000</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, 2003**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (2,126,021)	\$ 2,126,021
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>2,704,184</u>	<u>(2,704,184)</u>
Net income-GAAP basis	<u><u>\$ (2,775,293)</u></u>	<u><u>\$ (2,789,204)</u></u>	<u><u>\$ (2,495,041)</u></u>	<u><u>\$ (294,163)</u></u>

**CITY OF McALLEN , TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<u><b>2003</b></u>	<u><b>2002</b></u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 206,143	\$ 175,959
Certificate of deposit	359,119	352,434
Investments	1,293,557	1,077,249
Receivables, net:		
Accounts	<u>-</u>	<u>2</u>
 Total currents assets	 <u>1,858,819</u>	 <u>1,605,644</u>
 Restricted assets:		
Cash	1,525	715
Certificate of deposit	5,609,816	3,762,980
Certificate of deposit-reserved for distribution	5,874,331	5,488,240
Investments	1,977,382	4,490,082
Accrued interest	6,337	69,192
Land	<u>183,532</u>	<u>-</u>
 Total restricted assets	 <u>13,652,923</u>	 <u>13,811,209</u>
 Capital assets		
Land	573,798	573,798
Buildings and systems	7,858,695	7,811,195
Improvements other than buildings	1,785,654	1,466,887
Machinery and equipment	<u>808,103</u>	<u>787,378</u>
 Total capital assets	 11,026,250	 10,639,258
Less accumulated depreciation	<u>(4,727,587)</u>	<u>(4,451,261)</u>
 Net capital assets	 <u>6,298,663</u>	 <u>6,187,997</u>
 Other assets		
Other assets, net	<u>690,255</u>	<u>706,778</u>
 Total other assets	 <u>690,255</u>	 <u>706,778</u>
 Total assets	 <u><u>\$ 22,500,660</u></u>	 <u><u>\$ 22,311,627</u></u>

**CITY OF McALLEN , TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 27,191	\$ 31,063
Accrued expenses	43,306	40,546
Due to other governmental agencies	<u>847,537</u>	<u>737,259</u>
 Total current liabilities	 <u>918,034</u>	 <u>808,868</u>
 Liabilities(payable from restricted assets):		
Accounts payable	85,945	40,964
Accrued expenses	13,846	8,661
Due to other funds	38,096	64,511
Current portion of revenue bonds	<u>190,000</u>	<u>180,000</u>
 Total liabilities(payable from restricted assets)	 <u>327,887</u>	 <u>294,136</u>
 Other noncurrent liabilities:		
Revenue bonds, net of current portion and discount	1,930,000	2,120,000
Deferred revenues	17,591	18,686
Accumulated unpaid compensated absences	<u>67,299</u>	<u>61,653</u>
 Total other noncurrent liabilities	 <u>2,014,890</u>	 <u>2,200,339</u>
 Total liabilities	 <u>3,260,811</u>	 <u>3,303,343</u>
 <b>NET ASSETS</b>		
Invested in capital assets, net of related debt	6,245,096	6,187,997
Restricted per revenue bond ordinance	852,828	817,176
Restricted for improvements	4,759,540	5,252,014
Reserved for distribution	5,836,235	5,423,729
Unrestricted	<u>1,546,150</u>	<u>1,327,370</u>
 Total net assets	 <u>19,239,849</u>	 <u>19,008,286</u>
 Total liabilities and net assets	 <u><u>\$ 22,500,660</u></u>	 <u><u>\$ 22,311,627</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, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
Operating revenues:		
Charges for services	\$ 10,219,671	\$ 9,871,097
Rentals	942,271	700,424
Other	<u>125,848</u>	<u>110,422</u>
Total operating revenues	<u>11,287,790</u>	<u>10,681,943</u>
Operating expenses:		
Salaries, wages and employee benefits	1,044,654	1,038,630
Supplies and materials	61,405	66,348
Contractual and other services	513,026	405,560
Repairs and maintenance	88,028	12,625
Depreciation and amortization	<u>293,461</u>	<u>301,256</u>
Total operating expenses	<u>2,000,574</u>	<u>1,938,044</u>
Operating income (loss)	<u>9,287,216</u>	<u>8,743,899</u>
Nonoperating revenues (expenses):		
Interest income	303,231	381,501
Net increase (decrease) in the fair value of investments	(108,637)	(66,481)
Interest expense	(99,703)	(51,203)
Other	<u>(3,726,813)</u>	<u>(3,678,208)</u>
Net nonoperating revenues expenses	<u>(3,631,922)</u>	<u>(3,414,391)</u>
Income (loss) before contributions and transfers	<u>5,655,294</u>	<u>5,329,508</u>
Transfers out	<u>(5,423,729)</u>	<u>(5,630,864)</u>
Changes in net assets	231,565	(301,356)
Total net assets--beginning	<u>19,008,284</u>	<u>19,309,640</u>
Total net assets--ending	<u><u>\$ 19,239,849</u></u>	<u><u>\$ 19,008,284</u></u>



**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**STATEMENTS OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 11,163,037	\$ 10,569,871
Payments to suppliers	(1,282,283)	(1,161,629)
Payments to employees	(1,039,006)	(1,037,715)
Other receipts	125,848	110,422
	<u>8,967,596</u>	<u>8,480,949</u>
Net cash provided by operating activities		
	<u>8,967,596</u>	<u>8,480,949</u>
<b>Cash flows from non-capital financing activities:</b>		
Distribution of income to City of Hidalgo	(3,172,604)	(3,048,725)
Operating transfers to City of McAllen	(5,450,144)	(5,681,543)
	<u>(8,622,748)</u>	<u>(8,730,268)</u>
Cash used in non-capital financing activities		
	<u>(8,622,748)</u>	<u>(8,730,268)</u>
<b>Cash flows from capital and related financing activities:</b>		
Proceeds from capital debt	-	2,300,000
Purchases of capital assets	(570,524)	(74,266)
Principal paid on capital debt	(180,000)	(175,000)
Interest paid on capital debt	(100,379)	(43,195)
Bond issuance cost	(3,803)	(100,500)
	<u>(854,706)</u>	<u>1,907,039</u>
Net cash provided (used) by capital and related financing activities		
	<u>(854,706)</u>	<u>1,907,039</u>
<b>Cash flows from investing activities:</b>		
Investment activity, net	56,781	(1,985,372)
Receipt of interest	484,070	315,819
	<u>540,851</u>	<u>(1,669,553)</u>
Net cash used by investing activities		
	<u>540,851</u>	<u>(1,669,553)</u>
Net decrease in cash	30,993	(11,833)
Cash at beginning of year	176,675	188,508
Cash at end of year	<u><u>\$ 207,668</u></u>	<u><u>\$ 176,675</u></u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**STATEMENTS OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 206,143	\$ 175,960
Restricted cash	<u>1,525</u>	<u>715</u>
	<u><u>\$ 207,668</u></u>	<u><u>\$ 176,675</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ 8,616,664</u>	<u>\$ 8,116,539</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	293,461	301,256
Gain on disposition of capital assets	3,190	-
Increase (decrease) in accounts payable	(42,768)	54,505
Increase (decrease) in other payables	92,498	9,384
Increase (decrease) in compensated absences payable	5,646	915
(Increase) in deferred revenues	(1,095)	(1,650)
	<u>350,932</u>	<u>364,410</u>
Total adjustments		
	<u><u>\$ 8,967,596</u></u>	<u><u>\$ 8,480,949</u></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, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 9,700,000	\$ 9,700,000	\$ 10,219,671	\$ (519,671)
Rentals	671,794	671,794	942,271	(270,477)
Other	<u>98,900</u>	<u>98,900</u>	<u>125,848</u>	<u>(26,948)</u>
Total operating revenues	<u>10,470,694</u>	<u>10,470,694</u>	<u>11,287,790</u>	<u>(817,096)</u>
Non-operating revenues:				
Interest	202,000	202,000	303,231	(101,231)
Net increase (decrease) in fair value of investment	-	-	(108,637)	108,637
Other	<u>-</u>	<u>-</u>	<u>226,622</u>	<u>(226,622)</u>
Total non-operating revenues	<u>202,000</u>	<u>202,000</u>	<u>421,216</u>	<u>(219,216)</u>
Total revenues	<u>10,672,694</u>	<u>10,672,694</u>	<u>11,709,006</u>	<u>(1,036,308)</u>
Expenses:				
Administration:				
Salaries and benefits	173,409	177,513	188,785	(11,272)
Supplies and raw water purchases	24,800	24,800	19,999	4,801
Contractual and other services	245,500	270,500	309,318	(38,818)
Repairs and maintenace	3,200	3,200	1,463	1,737
Capital outlay	<u>122,750</u>	<u>122,750</u>	<u>578,090</u>	<u>(455,340)</u>
Total administration	<u>569,659</u>	<u>598,763</u>	<u>1,097,655</u>	<u>(498,892)</u>
Operations :				
Salaries and benefits	818,404	835,280	855,869	(20,589)
Supplies and materials	50,000	50,000	41,406	8,594
Contractual and other services	187,000	187,000	162,075	24,925
Repairs and maintenace	100,000	75,000	86,565	(11,565)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operations	<u>1,155,404</u>	<u>1,147,280</u>	<u>1,145,915</u>	<u>1,365</u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Non-departmental expenses:				
Employee benefits	\$ -	\$ -	\$ -	\$ -
Liability insurance	41,633	41,633	41,633	-
Interest and fiscal charges	-	99,878	99,702	176
Bond principal requirement	-	180,000	180,000	-
Other	<u>4,107,782</u>	<u>4,107,782</u>	<u>3,953,435</u>	<u>154,347</u>
Total non-departmental expenses	<u>4,149,415</u>	<u>4,429,293</u>	<u>4,429,293</u>	<u>154,523</u>
Total expenses	<u>5,874,478</u>	<u>6,175,336</u>	<u>6,518,341</u>	<u>(343,005)</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	4,798,216	4,497,358	5,190,665	(693,307)
Transfers:				
Transfers in	-	-	-	-
Transfers out	<u>(5,700,000)</u>	<u>(5,700,000)</u>	<u>(5,423,729)</u>	<u>(276,271)</u>
Excess (deficiency) of revenues over budget	<u>(901,784)</u>	<u>(1,202,642)</u>	<u>(233,064)</u>	<u>(1,149,576)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (293,461)	\$ 293,461
Principal payments on revenue bonds	-	-	180,000	-
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>578,090</u>	<u>(578,090)</u>
Net income-GAAP basis	<u><u>\$ (901,784)</u></u>	<u><u>\$ (1,202,642)</u></u>	<u><u>\$ 231,565</u></u>	<u><u>\$ (1,434,205)</u></u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**IN RESTRICTED ACCOUNTS**  
**For Fiscal Year Ended September 30, 2003**

	<u><b>Distribution to City of McAllen</b></u>	<u><b>Current Debt Service</b></u>	<u><b>Future Debt Service</b></u>
Cash, certificates of deposit, and investments at September 30, 2002	\$ 5,488,240	\$ 99,495	\$ 225,000
Cash receipts:			
Transfers in	5,814,968	324,769	-
Net bond proceeds	-	-	-
Other	-	-	-
Net increase in fair value of investment:	-	-	-
Interest received	59,426	1,594	6,345
Total cash receipts	<u>5,874,394</u>	<u>326,363</u>	<u>6,345</u>
Total cash available	<u>11,362,634</u>	<u>425,858</u>	<u>231,345</u>
Cash disbursements:			
Interest and fiscal charges	-	91,717	-
Principal bond payment	-	180,000	-
Operating expenses	-	-	-
Capital assets	-	-	-
Interfund transfers	5,488,303	35,227	6,345
Total cash disbursements	<u>5,488,303</u>	<u>306,944</u>	<u>6,345</u>
Cash and certificates of deposit and investments at September 30, 2003	<u><b>\$ 5,874,331</b></u>	<u><b>\$ 118,914</b></u>	<u><b>\$ 225,000</b></u>
Cash, certificates of deposit, and investments at September 30, 2003 is comprised of the following			
Cash	\$ -	\$ -	\$ -
Certificates of deposit	5,874,331	-	225,000
Investments	-	118,914	-
Accrued interest	-	-	-
	<u><b>\$ 5,874,331</b></u>	<u><b>\$ 118,914</b></u>	<u><b>\$ 225,000</b></u>

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<u>Contingency</u>	<u>Revenue Bonds</u>	<u>Anzaldua's Bridge</u>	<u>Total</u>
\$ 501,342	\$ 2,204,154	\$ 5,292,978	13,811,209
-	-	-	6,139,737
-	-	-	-
-	131,897	94,725	226,622
-	-	(108,637)	(108,637)
15,558	49,148	151,027	283,098
15,558	181,045	137,115	6,540,820
516,900	2,385,199	5,430,093	20,352,029
-	-	-	91,717
-	-	-	180,000
-	-	637,349	637,349
-	260,165	183,532	443,697
-	-	-	5,529,875
-	260,165	820,881	6,882,638
<u>\$ 516,900</u>	<u>\$ 2,125,034</u>	<u>\$ 4,609,212</u>	<u>\$ 13,469,391</u>
\$ -	\$ 786	\$ 739	\$ 1,525
516,900	1,957,062	2,910,854	11,484,147
-	167,186	1,691,282	1,977,382
-	-	6,337	6,337
<u>\$ 516,900</u>	<u>\$ 2,125,034</u>	<u>\$ 4,609,212</u>	<u>\$ 13,469,391</u>

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

**CITY OF McALLEN , TEXAS**  
**FLEET MATERIALS MANAGEMENT FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 328,053	\$ 273,141
Inventories, at cost	394,569	355,694
Total currents assets	<u>722,622</u>	<u>628,835</u>
Capital assets		
Buildings and systems	293,433	293,433
Improvements other than buildings	17,739	17,739
Machinery and equipment	<u>310,633</u>	<u>310,500</u>
Total capital assets	621,805	621,672
Less accumulated depreciation	<u>(430,595)</u>	<u>(422,388)</u>
Net capital assets	<u>191,210</u>	<u>199,284</u>
Total assets	<u><b>\$ 913,832</b></u>	<u><b>\$ 828,119</b></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 189,932	\$ 198,220
Accrued expenses	<u>24,739</u>	<u>21,981</u>
Total current liabilities	<u>214,671</u>	<u>220,201</u>
Other noncurrent liabilities:		
Deferred revenues	1,107	1,107
Accumulated unpaid compensated absences	<u>30,794</u>	<u>33,519</u>
Total other noncurrent liabilities	<u>31,901</u>	<u>34,626</u>
Total liabilities	<u>246,572</u>	<u>254,827</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	191,210	199,284
Unrestricted	<u>476,050</u>	<u>374,009</u>
Total net assets	<u>667,260</u>	<u>573,293</u>
Total liabilities and net assets	<u><b>\$ 913,832</b></u>	<u><b>\$ 828,119</b></u>



**CITY OF McALLEN , TEXAS**  
**FLEET MATERIALS MANAGEMENT FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
Operating revenues:		
Charges for services	\$ 2,176,698	\$ 1,981,359
Total operating revenues	<u>2,176,698</u>	<u>1,981,359</u>
Operating expenses:		
Salaries, wages and employee benefits	562,372	541,484
Supplies and materials	7,683	8,563
Contractual and other services	1,481,019	1,341,461
Repairs and maintenance	19,616	21,044
Depreciation and amortization	<u>37,513</u>	<u>33,500</u>
Total operating expenses	<u>2,108,203</u>	<u>1,946,052</u>
Operating income (loss)	<u>68,495</u>	<u>35,307</u>
Nonoperating revenues (expenses):		
Interest income	3,804	5,472
Other	<u>21,668</u>	<u>21,829</u>
Net nonoperating revenues expenses	<u>25,472</u>	<u>27,301</u>
Changes in net assets	93,967	62,608
Total net assets--beginning	<u>573,293</u>	<u>510,685</u>
Total net assets--ending	<u><u>\$ 667,260</u></u>	<u><u>\$ 573,293</u></u>

**CITY OF McALLEN, TEXAS**  
**FLEET MATERIALS MANAGEMENT FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 2,176,697	\$ 1,981,359
Payments to suppliers	(1,552,721)	(1,338,929)
Payments to employees	(565,097)	(550,874)
Other receipts (payments)	<u>21,668</u>	<u>21,828</u>
Net cash provided by operating activities	<u>80,547</u>	<u>113,384</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	<u>(29,439)</u>	<u>(40,672)</u>
Cash used by capital and related financing activities	<u>(29,439)</u>	<u>(40,672)</u>
<b>Cash flows from investing activities:</b>		
Investment activity, net	-	-
Receipt of interest	<u>3,804</u>	<u>5,472</u>
Net cash provided by investing activities	<u>3,804</u>	<u>5,472</u>
Net increase in cash	54,912	78,184
Cash at beginning of year	<u>273,141</u>	<u>194,957</u>
Cash at end of year	<u><u>\$ 328,053</u></u>	<u><u>\$ 273,141</u></u>

**CITY OF McALLEN, TEXAS**  
**FLEET MATERIALS MANAGEMENT FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 328,053	\$ 273,141
Restricted cash	<u>-</u>	<u>-</u>
	<u><b>\$ 328,053</b></u>	<u><b>\$ 273,141</b></u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating income	<u>\$ 68,495</u>	<u>\$ 35,308</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	37,513	33,500
Miscellaneous non-operating income	18,944	21,828
(Increase) decrease in inventories	(38,874)	(19,128)
Increase (decrease) in accounts payable	(8,288)	36,810
Increase (decrease) in other payable	-	1,472
Increase (decrease) in accrued expenses	<u>2,758</u>	<u>3,594</u>
Total adjustments	<u>12,053</u>	<u>78,076</u>
Net cash provided by operating activities	<u><b>\$ 80,548</b></u>	<u><b>\$ 113,384</b></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, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Garage billings	\$ 1,770,000	\$ 1,770,000	\$ 2,041,294	\$ (271,294)
Materials management	120,000	120,000	135,404	(15,404)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>1,890,000</u>	<u>1,890,000</u>	<u>2,176,698</u>	<u>(286,698)</u>
Non-operating revenues:				
Interest	-	-	3,804	(3,804)
Other	<u>-</u>	<u>-</u>	<u>21,668</u>	<u>(21,668)</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>25,472</u>	<u>(25,472)</u>
Total revenues	<u>1,890,000</u>	<u>1,890,000</u>	<u>2,202,170</u>	<u>(312,170)</u>
Expenses:				
Materials management:				
Salaries and benefits	112,847	114,935	112,119	2,816
Supplies	1,700	1,700	1,639	61
Contractual and other services	1,000	1,000	19,135	(18,135)
Repairs and maintenace	<u>2,450</u>	<u>2,450</u>	<u>1,010</u>	<u>1,440</u>
Total materials management	<u>117,997</u>	<u>120,085</u>	<u>133,903</u>	<u>(13,818)</u>
Garage :				
Salaries and benefits	447,904	459,905	450,252	9,653
Supplies and materials	6,800	6,800	6,044	756
Contractual and other services	1,303,500	1,303,500	1,451,554	(148,054)
Repairs and maintenace	15,200	15,200	18,606	(3,406)
Capital outlay	<u>41,800</u>	<u>41,800</u>	<u>29,439</u>	<u>12,361</u>
Total garage	<u>1,815,204</u>	<u>1,827,205</u>	<u>1,955,895</u>	<u>(128,690)</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, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Non-departmental expenses:				
Employee benefits	\$ -	\$ -	\$ -	\$ -
Liability insurance	<u>10,330</u>	<u>10,330</u>	<u>10,330</u>	<u>-</u>
Total non-departmental expenses	<u>10,330</u>	<u>10,330</u>	<u>10,330</u>	<u>-</u>
Total expenses	<u>1,943,531</u>	<u>1,957,620</u>	<u>2,100,128</u>	<u>(142,509)</u>
Excess (deficiency) of revenues over expenses (budget basis)	(53,531)	(67,620)	102,042	(169,661)
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(37,513)	37,513
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>29,439</u>	<u>(29,439)</u>
Net income-GAAP basis	<u>\$ (53,531)</u>	<u>\$ (67,620)</u>	<u>\$ 93,967</u>	<u>\$ (161,587)</u>

**CITY OF McALLEN , TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 37,048	\$ 53,628
Certificate of deposit	2,683,090	1,611,027
Investments	246,534	128,891
Receivables, net:		
Accounts	64,125	80,774
Other	<u>-</u>	<u>233,937</u>
Total assets	<u><u>3,030,797</u></u>	<u><u>2,108,257</u></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 77,965	\$ 120,877
Accrued expenses	<u>1,005,593</u>	<u>1,005,198</u>
Total current liabilities	<u>1,083,558</u>	<u>1,126,075</u>
Other noncurrent liabilities:		
Accumulated unpaid compensated absences	<u>2,323</u>	<u>1,841</u>
Total other noncurrent liabilities	<u>2,323</u>	<u>1,841</u>
Total liabilities	<u>1,085,881</u>	<u>1,127,916</u>
<b>NET ASSETS</b>		
Unrestricted	<u>1,944,916</u>	<u>980,341</u>
Total net assets	<u>1,944,916</u>	<u>980,341</u>
Total liabilities and net assets	<u><u>\$ 3,030,797</u></u>	<u><u>\$ 2,108,257</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, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
Operating revenues:		
Contributions	\$ 5,603,536	\$ 5,662,723
Total operating revenues	<u>5,603,536</u>	<u>5,662,723</u>
Operating expenses:		
Salaries, wages and employee benefits	69,307	67,765
Supplies and materials	1,408	449
Contractual and other services	947,612	921,904
Self insurance claims	<u>3,788,601</u>	<u>4,235,420</u>
Total operating expenses	<u>4,806,928</u>	<u>5,225,538</u>
Operating income (loss)	<u>796,608</u>	<u>437,185</u>
Nonoperating revenues (expenses):		
Interest income	58,592	42,933
Other	<u>109,375</u>	<u>467,092</u>
Net nonoperating revenues expenses	<u>167,967</u>	<u>510,026</u>
Changes in net assets	964,575	947,211
Total net assets--beginning	<u>980,341</u>	<u>33,130</u>
Total net assets--ending	<u><u>\$ 1,944,916</u></u>	<u><u>\$ 980,341</u></u>

**CITY OF McALLEN, TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 5,854,122	\$ 5,721,991
Payments to suppliers	(991,539)	(829,098)
Payments to employees	(69,307)	(67,765)
Claims paid	(3,788,601)	(4,235,420)
Other receipts (payments)	<u>109,858</u>	<u>536,681</u>
Net cash provided (used) by operating activities	<u>1,114,533</u>	<u>1,126,389</u>
<b>Cash flows from investing activities:</b>		
Investment activity, net	(1,189,705)	(1,172,758)
Receipt of interest	<u>58,592</u>	<u>42,933</u>
Net cash used by investing activities	<u>(1,131,113)</u>	<u>(1,129,825)</u>
Net decrease in cash	(16,580)	(3,436)
Cash at beginning of year	<u>53,628</u>	<u>57,064</u>
Cash at end of year	<u><u>\$ 37,048</u></u>	<u><u>\$ 53,628</u></u>



**CITY OF McALLEN, TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 37,048	\$ 53,628
Restricted cash	-	-
	<u>\$ 37,048</u>	<u>\$ 53,628</u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating income	\$ 796,608	\$ 437,185
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Miscellaneous non-operating income (expense)	109,857	467,093
(Increase) decrease in accounts receivable	16,649	58,542
(Increase) in accrued interest receivable	-	726
(Increase) decrease in other receivable	233,937	71,097
Increase (decrease) in accounts payable	(42,912)	91,129
Increase (decrease) in other payable	-	108
Increase (decrease) in accrued expenses	394	509
Total adjustments	<u>317,925</u>	<u>689,204</u>
Net cash provided by operating activities	<u>\$ 1,114,533</u>	<u>\$ 1,126,389</u>

**CITY OF McALLEN, TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 6,008,960</u>	<u>\$ 6,008,960</u>	<u>\$ 5,603,536</u>	<u>\$ 405,424</u>
Non-operating revenues:				
Interest	9,414	9,414	58,592	(49,178)
Net increase (decrease) in fair value of investments	-	-	-	-
Other	<u>242,880</u>	<u>242,880</u>	<u>109,375</u>	<u>133,505</u>
Total non-operating revenues	<u>252,294</u>	<u>252,294</u>	<u>167,967</u>	<u>84,327</u>
Total revenues	<u>6,261,254</u>	<u>6,261,254</u>	<u>5,771,503</u>	<u>489,751</u>
Expenses:				
Administration:				
Salaries and benefits	67,632	69,822	69,307	515
Supplies	700	700	1,408	(708)
Contractual and other services	979,561	979,561	947,612	31,949
Self insurance claims	5,292,621	5,292,621	3,788,601	1,504,020
Repairs and maintenace	-	-	-	-
Capital outlay	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Total expenses	<u>6,343,014</u>	<u>6,345,204</u>	<u>4,806,928</u>	<u>1,538,276</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(81,760)	(83,950)	964,575	(1,048,525)
Operating transfers:				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(81,760)</u>	<u>(83,950)</u>	<u>964,575</u>	<u>(1,048,525)</u>

**CITY OF McALLEN, TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2003**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ -	\$ -
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income-GAAP basis	<u>\$ (81,760)</u>	<u>\$ (83,950)</u>	<u>\$ 964,575</u>	<u>\$ (1,048,525)</u>

**CITY OF McALLEN , TEXAS**  
**GENERAL INSURANCE FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 7,268	\$ 16,016
Certificate of deposit	4,239,051	2,331,339
Investments	1,245,000	2,630,953
Receivables, net:		
Accounts	98,165	87,907
Accrued interest	4,225	25,963
	<u>                    </u>	<u>                    </u>
Total assets	<u><u>5,593,709</u></u>	<u><u>5,092,178</u></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 31,348	\$ 65,725
Accrued expenses	1,103,634	557,010
	<u>                    </u>	<u>                    </u>
Total current liabilities	<u>1,134,982</u>	<u>622,735</u>
Other noncurrent liabilities:		
Accumulated unpaid compensated absences	23,077	22,083
	<u>                    </u>	<u>                    </u>
Total other noncurrent liabilities	<u>23,077</u>	<u>22,083</u>
Total liabilities	<u>1,158,059</u>	<u>644,818</u>
<b>NET ASSETS</b>		
Unrestricted	4,435,650	4,447,360
	<u>                    </u>	<u>                    </u>
Total net assets	<u>4,435,650</u>	<u>4,447,360</u>
Total liabilities and net assets	<u><u>\$ 5,593,709</u></u>	<u><u>\$ 5,092,178</u></u>

**CITY OF McALLEN , TEXAS**  
**GENERAL INSURANCE FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
Operating revenues:		
Contributions	\$ 3,303,360	\$ 3,069,804
Total operating revenues	<u>3,303,360</u>	<u>3,069,804</u>
Operating expenses:		
Salaries, wages and employee benefits	117,101	112,600
Supplies and materials	1,268	1,170
Contractual and other services	871,945	865,194
Repairs and maintenance	426	798
Self insurance claims	<u>2,753,180</u>	<u>1,756,464</u>
Total operating expenses	<u>3,743,920</u>	<u>2,736,226</u>
Operating income (loss)	<u>(440,560)</u>	<u>333,578</u>
Nonoperating revenues (expenses):		
Interest income	150,778	196,327
Net increase (decrease) in the fair value of investments	(45,368)	(19,224)
Other	<u>323,440</u>	<u>241,152</u>
Net nonoperating revenues expenses	<u>428,850</u>	<u>418,255</u>
Income (loss) before contributions and transfers	<u>(11,710)</u>	<u>751,833</u>
Changes in net assets	(11,710)	751,833
Total net assets--beginning	<u>4,447,360</u>	<u>3,695,527</u>
Total net assets--ending	<u><u>\$ 4,435,650</u></u>	<u><u>\$ 4,447,360</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL INSURANCE FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

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	<u>2003</u>	<u>2002</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 3,293,102	\$ 3,038,426
Payments to suppliers	(361,393)	(1,066,074)
Payments to employees	(117,101)	(112,600)
Claims paid	(2,753,180)	(1,754,104)
Other receipts (payments)	<u>346,172</u>	<u>221,929</u>
 Net cash provided (used) by operating activities	 <u>407,600</u>	 <u>327,577</u>
 <b>Cash flows from investing activities:</b>		
Investment activity, net	(567,127)	(598,110)
Receipt of interest	<u>150,779</u>	<u>196,326</u>
 Net cash provided (used) by investing activities	 <u>(416,348)</u>	 <u>(401,784)</u>
 Net increase (decrease) in cash	 (8,748)	 (74,207)
 Cash at beginning of year	 <u>16,016</u>	 <u>90,223</u>
 Cash at end of year	 <u><u>\$ 7,268</u></u>	 <u><u>\$ 16,016</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL INSURANCE FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 7,268	\$ 16,016
Restricted cash	<u>-</u>	<u>-</u>
	<u><b>\$ 7,268</b></u>	<u><b>\$ 16,016</b></u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating income (loss)	<u>\$ (440,560)</u>	<u>\$ 333,578</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Miscellaneous non-operating income	324,433	221,930
(Increase) decrease in accounts receivable	(10,258)	(36,685)
(Increase) decrease in accrued interest receivable	21,738	5,306
Increase (decrease) in accounts payable	(34,377)	60,189
Increase (decrease) in other payables	-	2,058
Increase (decrease) in accrued expenses	<u>546,624</u>	<u>(258,799)</u>
Total adjustments	<u>848,160</u>	<u>(6,001)</u>
Net cash provided (used) by operating activities	<u><b>\$ 407,600</b></u>	<u><b>\$ 327,577</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, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 3,327,112</u>	<u>\$ 3,327,112</u>	<u>\$ 3,303,360</u>	<u>\$ 23,752</u>
Non-operating revenues:				
Interest	215,762	215,762	150,778	64,984
Net increase (decrease) in fair value of investments	-	-	(45,368)	45,368
Other	<u>126,397</u>	<u>126,397</u>	<u>323,440</u>	<u>(197,043)</u>
Total non-operating revenues	<u>342,159</u>	<u>342,159</u>	<u>428,850</u>	<u>(86,691)</u>
Total revenues	<u>3,669,271</u>	<u>3,669,271</u>	<u>3,732,210</u>	<u>(62,939)</u>
Expenses:				
Administration:				
Salaries and benefits	110,483	114,049	117,101	(3,052)
Supplies	1,037	1,037	1,268	(231)
Contractual and other services	867,650	867,405	871,945	(4,540)
Self insurance	1,528,684	1,528,684	2,753,180	(1,224,496)
Repairs and maintenace	1,632	1,632	426	1,206
Capital outlay	<u>1,150</u>	<u>1,395</u>	<u>-</u>	<u>1,395</u>
Total expenses	<u>2,510,636</u>	<u>2,514,202</u>	<u>3,743,920</u>	<u>(1,229,718)</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	1,158,635	1,155,069	(11,710)	1,166,779
Operating transfers:				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>1,158,635</u>	<u>1,155,069</u>	<u>(11,710)</u>	<u>1,166,779</u>



**CITY OF McALLEN, TEXAS**  
**GENERAL INSURANCE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2003**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ -	\$ -
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income-GAAP basis	<u>\$ 1,158,635</u>	<u>\$ 1,155,069</u>	<u>\$ (11,710)</u>	<u>\$ 1,166,779</u>

**CITY OF McALLEN , TEXAS**  
**GENERAL DEPRECIATION FUND**  
**BALANCE SHEET**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 7,664	\$ 2,014
Certificate of deposit	3,703,940	3,502,608
Investments	165,199	864,947
Receivables, net:		
Accrued interest	<u>-</u>	<u>10,982</u>
Total currents assets	<u>3,876,803</u>	<u>4,380,551</u>
Capital assets		
Machinery and equipment	7,037,941	5,368,217
Less accumulated depreciation	<u>(2,630,041)</u>	<u>(1,970,715)</u>
Net capital assets	<u>4,407,900</u>	<u>3,397,502</u>
Total assets	<u><b>\$ 8,284,703</b></u>	<u><b>\$ 7,778,053</b></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	<u>\$ 15,000</u>	<u>\$ 71,811</u>
Total current liabilities	<u>15,000</u>	<u>71,811</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	4,407,900	3,397,502
Unrestricted	<u>3,861,803</u>	<u>4,308,740</u>
Total net assets	<u>8,269,703</u>	<u>7,706,242</u>
Total liabilities and net assets	<u><b>\$ 8,284,703</b></u>	<u><b>\$ 7,778,053</b></u>

**CITY OF McALLEN , TEXAS**  
**GENERAL DEPRECIATION FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
Operating revenues:		
Charges for services	\$ 1,437,306	\$ 1,505,423
Total operating revenues	<u>1,437,306</u>	<u>1,505,423</u>
Operating expenses:		
Depreciation and amortization	961,949	964,788
Other	<u>27,326</u>	<u>12,724</u>
Total operating expenses	<u>989,275</u>	<u>977,512</u>
Operating income (loss)	<u>448,031</u>	<u>527,911</u>
Nonoperating revenues (expenses):		
Interest income	115,449	158,428
Net increase (decrease) in the fair value of investments	(13,871)	(11,257)
Other	<u>13,852</u>	<u>-</u>
Net nonoperating revenues expenses	<u>115,430</u>	<u>147,171</u>
Changes in net assets	563,461	675,082
Total net assets--beginning	<u>7,706,242</u>	<u>7,031,160</u>
Total net assets--ending	<u><u>\$ 8,269,703</u></u>	<u><u>\$ 7,706,242</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL DEPRECIATION FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

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	<u>2003</u>	<u>2002</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 1,426,324	\$ 1,506,972
Payments to suppliers	(56,811)	1,732
Other receipts (payments)	<u>8,490</u>	<u>-</u>
Net cash provided by operating activities	<u>1,378,003</u>	<u>1,508,704</u>
 <b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	<u>(1,972,347)</u>	<u>(1,092,632)</u>
Net cash used by capital and related financing activities	<u>(1,972,347)</u>	<u>(1,092,632)</u>
 <b>Cash flows from investing activities:</b>		
Investment activity, net	484,545	(578,218)
Receipt of interest	<u>115,449</u>	<u>158,428</u>
Net cash used by investing activities	<u>599,994</u>	<u>(419,790)</u>
Net decrease in cash	5,650	(3,718)
Cash at beginning of year	<u>2,014</u>	<u>5,732</u>
Cash at end of year	<u><u>\$ 7,664</u></u>	<u><u>\$ 2,014</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL DEPRECIATION FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2003**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 7,664	\$ 2,014
Restricted cash	<u>-</u>	<u>-</u>
	<u><b>\$ 7,664</b></u>	<u><b>\$ 2,014</b></u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating income	<u>\$ 448,031</u>	<u>\$ 527,911</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	961,949	964,788
Miscellaneous non-operating income	13,852	-
(Increase) decrease in accrued interest receivable	10,982	1,549
Increase (decrease) in accounts payable	<u>(56,811)</u>	<u>14,456</u>
Total adjustments	<u>929,972</u>	<u>980,793</u>
Net cash provided by operating activities	<u><b>\$ 1,378,003</b></u>	<u><b>\$ 1,508,704</b></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL DEPRECIATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-charges for services	<u>\$ 1,437,306</u>	<u>\$ 1,437,306</u>	<u>\$ 1,437,306</u>	<u>\$ -</u>
Non-operating revenues:				
Interest	-	-	115,449	(115,449)
Net increase (decrease) in fair value of investments	-	-	(13,871)	13,871
Other	<u>-</u>	<u>-</u>	<u>13,852</u>	<u>(13,852)</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>115,430</u>	<u>(115,430)</u>
Total revenues	<u>1,437,306</u>	<u>1,437,306</u>	<u>1,552,736</u>	<u>(115,430)</u>
Expenses:				
Contractual and other services	-	-	27,326	(27,326)
Capital outlay	<u>2,312,100</u>	<u>2,312,100</u>	<u>1,998,645</u>	<u>313,455</u>
Total expenses	<u>2,312,100</u>	<u>2,312,100</u>	<u>2,025,971</u>	<u>286,129</u>
Excess (deficiency) of revenues over expenses (budget basis)	(874,794)	(874,794)	(473,235)	(401,559)
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(961,949)	961,949
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>1,998,645</u>	<u>(1,998,645)</u>
Net income-GAAP basis	<u><u>\$ (874,794)</u></u>	<u><u>\$ (874,794)</u></u>	<u><u>\$ 563,461</u></u>	<u><u>\$ (1,438,255)</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL DEPRECIATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-charges for services	<u>\$ 1,437,306</u>	<u>\$ 1,437,306</u>	<u>\$ 1,437,306</u>	<u>\$ -</u>
Non-operating revenues:				
Interest	-	-	115,449	(115,449)
Net increase (decrease) in fair value of investments	-	-	(13,871)	13,871
Other	<u>-</u>	<u>-</u>	<u>13,852</u>	<u>(13,852)</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>115,430</u>	<u>(115,430)</u>
Total revenues	<u>1,437,306</u>	<u>1,437,306</u>	<u>1,552,736</u>	<u>(115,430)</u>
Expenses:				
Contractual and other services	-	-	27,326	(27,326)
Capital outlay	<u>2,312,100</u>	<u>2,312,100</u>	<u>1,998,645</u>	<u>313,455</u>
Total expenses	<u>2,312,100</u>	<u>2,312,100</u>	<u>2,025,971</u>	<u>286,129</u>
Excess (deficiency) of revenues over expenses (budget basis)	(874,794)	(874,794)	(473,235)	(401,559)
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(961,949)	961,949
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>1,998,645</u>	<u>(1,998,645)</u>
Net income-GAAP basis	<u><u>\$ (874,794)</u></u>	<u><u>\$ (874,794)</u></u>	<u><u>\$ 563,461</u></u>	<u><u>\$ (1,438,255)</u></u>

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



**CITY OF McALLEN , TEXAS**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**COMPARATIVE SCHEDULES BY SOURCE (1)**  
**September 30, 2003**  
**With Comparative Amounts for September 30, 2002**

	<b>2003</b>	<b><u>2002</u></b>
<b>Governmental funds capital assets:</b>		
Land	\$ 19,365,464	\$ 17,779,073
Buildings and improvements	53,189,522	41,870,672
Furniture and equipments	26,773,557	24,927,469
Infrastructure	108,906,145	99,475,599
Construction in progress	<u>-</u>	<u>8,100,499</u>
Total general fixed assets	<b><u>\$ 208,234,688</u></b>	<b><u>\$ 192,153,312</u></b>
 <b>Investments in governmental funds capital assets by source:</b>		
General fund revenues	\$ 25,934,671	\$ 25,965,745
Capital projects	75,914,553	67,290,038
Community development	15,923,724	15,341,226
Special revenues	56,759,485	52,240,017
Contributions from developers	21,776,452	19,390,483
Donations and transfers	<u>11,925,803</u>	<u>11,925,803</u>
Total investments in general fixed assets	<b><u>\$ 208,234,688</u></b>	<b><u>\$ 192,153,312</u></b>

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

**City of McAllen, Texas**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Function and Activity (1)**  
**September 30, 2003**

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General Government:							
City Commission	\$ 6,487,263	\$ 4,328,875	\$ 894,719	\$ 108,405	\$ 258,334	\$ -	\$ 12,077,595
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.	-	-	-	35,447	-	-	35,447
Municipal Court	-	-	7,950	243,817	-	-	251,768
Finance	-	-	86,645	20,765	-	-	107,410
Tax Office	-	-	-	98,428	-	-	98,428
Purchasing	-	-	-	64,198	-	-	64,198
Legal	-	-	-	20,955	-	-	20,955
Right of Way	-	-	-	-	-	-	-
Personnel	-	-	-	54,509	-	-	54,509
Planning	-	-	2,842	38,065	-	-	40,907
MIS	-	-	-	887,097	-	-	887,097
MCN	-	-	25,000	299,408	-	-	324,408
City Hall	769,674	5,501,968	225,225	594,696	9,469	-	7,101,032
CDBG	-	-	-	19,800	-	-	19,800
Bldg Maint	-	-	-	49,459	-	-	49,459
Total General Gov't	8,015,014	15,381,307	1,246,381	2,635,147	460,171	-	27,738,020
Public Safety:							
Police	1,059,658	12,155,563	628,283	8,837,935	-	-	22,681,439
Fire	429,899	1,592,373	114,239	4,438,658	-	-	6,575,168
Traffic Safety	421,654	219,946	150,745	1,119,264	13,765,478	-	15,677,087
Downtown Services	-	-	-	13,293	-	-	13,293
Inspection	-	-	-	28,759	-	-	28,759
Total Public Safety	1,911,210	13,967,882	893,266	14,437,909	13,765,478	-	44,975,745

**City of McAllen, Texas**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Function and Activity (1)**  
**September 30, 2003**

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total
							Continued
Highways & Streets:							
Engineering	\$ 3,054,872	\$ -	\$ 186,333	\$ 1,169,195	\$ 16,416,898	-	\$ 20,827,297
Street Cleaning	-	-	-	284,921	-	-	284,921
Street Maint.	43,685	-	91,094	1,103,145	47,902,288	-	49,140,213
Street Light	-	-	401,415	363,765	452,162	-	1,217,343
Sidewalks	-	-	-	-	127,183	-	127,183
Drainage	389,271	-	55,061	788,400	29,235,899	-	30,468,630
Total highways and streets	3,487,827	-	733,903	3,709,427	94,134,430	-	102,065,587
Health & Welfare:							
Health	10,753	159,122	-	79,591	-	-	249,466
Graffiti	-	-	-	65,507	-	-	65,507
Total health and welfare	10,753	159,122	-	145,098	-	-	314,973
Culture & Recreation:							
Parks Adm.	1,139,078	730,752	1,007,109	151,546	52,477	-	3,080,963
Parks	3,105,119	2,905,766	8,692,077	1,536,692	235,416	-	16,475,070
Recreation	408,900	278,445	93,030	59,906	-	-	840,281
Pools	-	-	375,197	124,950	12,101	-	512,249
Senior Citizen	-	16,248	83,076	-	246,072	-	345,397
Recreation Ctr - Lark	-	-	15,288	-	-	-	15,288
Library	339,111	6,602,480	5,995	3,404,149	-	-	10,351,735
Library North	-	1,098	-	413,717	-	-	414,815
Library South	948,452	1,098	-	155,016	-	-	1,104,566
Total culture and recreation	5,940,660	10,535,888	10,271,773	5,845,977	546,066	-	33,140,363
Total governmental funds capital assets	\$ 19,365,464	\$ 40,044,199	\$ 13,145,323	\$ 26,773,557	\$ 108,906,145	\$ -	\$ 208,234,688

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

**City of McAllen, Texas**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes By Function and Activity (1)**  
**For the fiscal year ended September 30, 2003**

<b>Function and Activity</b>	<b>Governmental Funds Capital Assets September 30, 2002</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets September 30, 2003</b>
General Government:				
City Commission	\$ 12,673,380	\$ 837,342	\$ 1,433,127	\$ 12,077,595
Special Services	1,439,459	-	-	1,439,459
City Mgr.	5,165,548	-	-	5,165,548
City Sec.	25,860	9,587	-	35,447
Municipal Court	176,443	75,325	-	251,768
Finance	107,410	-	-	107,410
Tax Office	98,428	-	-	98,428
Purchasing	77,977	-	13,779	64,198
Legal	20,955	-	-	20,955
Personnel	70,386	4,104	19,982	54,509
Planning	55,543	-	14,636	40,907
MIS	828,585	41,784	(16,727)	887,097
MCN	306,173	18,235	-	324,408
City Hall	7,101,032	-	-	7,101,032
CDBG	-	19,800	-	19,800
Bldg Maint	49,459	-	-	49,459
Total General Gov't	28,196,639	1,006,177	1,464,797	27,738,019
Public Safety:				
Police	19,789,442	3,475,601	583,605	22,681,439
Fire	6,371,880	393,872	190,583	6,575,168
Traffic Safety	15,151,753	542,265	16,931	15,677,087
Downtown Services	-	13,293	-	13,293
Inspection	28,759	-	-	28,759
Total Public Safety	41,341,834	4,425,031	791,119	44,975,745

**City of McAllen, Texas**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes By Function and Activity (1)**  
**For the fiscal year ended September 30, 2003**

<b>Function and Activity</b>	<b>Governmental Funds Capital Assets September 30, 2002</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets September 30, 2003</b>
Highways & Streets:				
Engineering	\$ 18,923,540	\$ 2,117,746	\$ 213,988	\$ 20,827,297
Street Cleaning	366,560	-	81,639	284,921
Street Maint.	40,995,369	8,159,641	14,798	49,140,213
Street Light	820,813	396,530	-	1,217,343
Sidewalks	7,654	119,529	-	127,183
Drainage	29,287,925	1,221,912	41,207	30,468,630
Total highways and streets	90,401,862	12,015,358	351,633	102,065,587
Health & Welfare:				
Health	304,675	-	55,209	249,466
Graffiti	62,459	15,407	12,359	65,507
Total health and welfare	367,134	15,407	67,568	314,973
Culture & Recreation:				
Parks Adm.	3,054,744	29,167	2,948	3,080,963
Parks	15,623,577	954,828	103,335	16,475,070
Recreation	840,281	-	-	840,281
Pools	523,920	-	11,671	512,249
Senior Citizen	345,397	-	-	345,397
Recreation Ctr - Lark	-	15,288	-	15,288
Library	10,016,507	175,779	(159,448)	10,351,735
Library North	378,176	36,639	-	414,815
Library South	1,063,242	41,324	-	1,104,566
Total culture and recreation	31,845,844	1,253,025	(41,495)	33,140,363
Total governmental func capital assets	<u>\$ 192,153,313</u>	<u>\$ 18,714,998</u>	<u>\$ 2,633,622</u>	<u>\$ 208,234,688</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
2003	13,182,932	35,762,375	11,047,814	5,404,155	11,326,712	932,771	9,323,615

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>Transit</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
7,334,088	8,365,789	1,139,483	1,030,029	3,787,879	603,871	5,370,822	114,612,335



Table 2

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

<b>PROGRAM REVENUES</b>			
<b>Fiscal Year</b>	<b>Charges For Service</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
2001	\$ 45,099,484	\$ 9,309,931	\$ 3,851,670
2002	47,659,324	4,230,204	6,693,579
2003	49,650,157	2,813,269	9,083,712

Table 2

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

<b>GENERAL REVENUES</b>				
<b>Taxes</b>	<b>Grants and Contributions Not Restricted to Specific Programs</b>	<b>Unrestricted Investment Earnings</b>	<b>Miscellaneous</b>	<b>Total</b>
\$ 63,316,127	\$ 234,604	\$ 13,635,093	\$ 9,428,049	\$ 144,874,958
66,079,766	1,150,562	8,747,255	6,610,570	141,171,260
69,733,029	-	5,360,290	12,472,641	149,113,098

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>
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	14,005,890	36,354,451	10,449,379	5,160,801
2003	14,152,828	38,314,366	17,238,974	5,424,268

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

(2) Various general obligation bond issues were paid off.

(3) Classification of "capital outlay" to recommended functions.

TABLE 3

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

<b>Culture Recreation</b>	<b>Debt Service</b>	<b>Capital Expenditures</b>	<b>Total</b>
\$ 5,093,483	(2) \$ 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
10,886,344	4,484,168	- (3)	81,341,033
11,534,272	(2) 27,079,026	- (3)	113,743,734

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>
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
2003	69,506,277	1,434,515	5,504,875

(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>
\$ 3,671,716	\$ 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	8,878,043	86,366,420
2,991,704	2,179,769	16,125,134	97,742,274

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>
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
2003	69,506,277	19,666,020	41,575,736	5,456,944	2,807,577

(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
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
2003	2002	3,550,376,990	3,550,376,990	720,876,637	720,876,637



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	
\$ 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
124,871,890	124,871,890	4,396,125,517	4,396,125,517	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>
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
2003	3,550,376,990	720,876,637	124,871,890	4,396,125,517

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
\$ 0.48	\$ 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
0.42	18,520,877	0.36	16,077,950	0.06	2,442,927

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>
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		17,717,837	16,377,568	92.44
2003		18,520,877	17,598,726	95.02

(1) Does not include the assesment 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>
\$ 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
1,161,120	18,759,846	101.29	3,565,070	19.25

Table 9

**CITY OF McALLEN, TEXAS  
RATIO OF NET GENERAL BONDED DEBT OF ASSESSED VALUE  
AND NET BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS**

<b>Year</b>	<b>Population</b>	<b>Assessed Value</b>	<b>Gross Bonded Debt</b>
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
2003	118,073	4,396,125,517	5,890,000

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**

<b>Available Debt Service Fund</b>	<b>Net Bonded Debt</b>	<b>Net Bonded Debt</b>	
		<b>Ratio to Assessed Value</b>	<b>Per Capita</b>
\$ 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
4,872,102	1,017,898	0.02	9

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>
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	81,341,033	3.07%
2003	22,079,026 (2)	113,743,734	19.41%

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

(2) High amount attributable to principal retirement of various general obligation issues.



Table 11

**CITY OF McALLEN, TEXAS  
PRINCIPAL TAXPAYERS  
YEAR ENDED SEPTEMBER 30, 2003**

Taxpayer	Assessed Valuation	Percentage of Total Assessed Valuation
1 Universal Health Services	\$ 56,616,621	1.29%
2 Simon Property Group #2	44,926,205	1.02%
3 Wal-Mart Stores Inc.	38,750,141	0.88%
4 HCA Health Services of TX	32,592,499	0.74%
5 Central Power & Light	25,858,867	0.59%
6 Southwestern Bell	25,327,405	0.58%
7 Texas State Bank	24,974,883	0.57%
8 Sprint Spectrum	23,959,090	0.55%
9 Fina Oil & Chemical Co.	20,111,330	0.46%
10 H.E. Butt Grocery Co.	<u>20,107,755</u>	0.46%
	<u><b>\$ 313,224,796</b></u>	7.13%

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	\$ 102,697,622	12/30/02	100.00%	\$ 102,697,622
Hidalgo I.S.D.	11,592,776	08/31/02	0.45%	52,167
Edinburg I.S.D.	55,281,940	08/31/03	0.21%	116,092
McAllen I.S.D.	39,947,149	08/31/02	94.04%	37,566,298
P.S.J.A. I.S.D.	109,361,535	08/31/03	4.59%	5,019,694
Sharyland I.S.D.	<u>15,436,436</u>	04/30/03	4.68%	<u>722,425</u>
Total gross overlapping debt	334,317,458			146,174,298
City of McAllen	<u>1,017,898</u>	09/30/03	100.00%	<u>1,017,898</u>
Total direct and overlapping debt	<u>\$ 335,335,356</u>			<u>\$ 147,192,196</u>

Source: Local Taxing Entities

Table 12

**CITY OF McALLEN, TEXAS  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
AND PROPERTY TAX RATES OF OVERLAPPING ENTITIES  
LAST TEN FISCAL YEARS**

<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
\$0.41	\$0.41	\$ 0.46	\$ 0.46	\$ 0.44	\$0.44	\$0.50	\$ 0.52	\$0.52	\$0.59
1.37	1.39	1.42	1.54	1.57	1.57	1.57	1.57	1.57	1.57
1.26	1.35	1.39	1.47	1.55	1.55	1.55	1.41	1.55	1.59
1.33	1.35	1.45	1.45	1.53	1.53	1.58	1.54	1.54	1.54
1.43	1.43	1.50	1.57	1.59	1.59	1.63	1.62	1.62	1.61
1.37	1.37	1.41	1.41	1.46	1.46	1.54	1.54	1.54	1.54
0.42	0.43	0.48	0.47	0.45	0.42	0.42	0.42	0.42	0.42

All figures above are based on \$100/valuation.

Tax rates are rounded off to nearest hundredths.

Table 13

<b>CITY OF McALLEN, TEXAS COMPUTATION OF LEGAL DEBT MARGIN SEPTEMBER 30, 2003</b>
---

Assessed valuation 2002 tax roll for fiscal year 2003	\$ 4,396,125,517
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>219,806,276</div>
Total bonded debt	5,890,000
Deduct amount available in debt service fund	<div>4,872,102</div>
Applicable debt	<div>1,017,898</div>
Economic debt margin	<div>\$ 218,788,378</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>
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	198,946,076	3,200,745,877
2003	4,396,125,517 (a)	206,076,304 (b)	3,530,580,885 (c)

(1) Includes only taxable property.

Information provided by:

- (a) City of McAllen Tax Department fiscal years 97-03. Previous years information, was provided by the McAllen Independent School District- Tax Office
- (b) City of McAllen Inspection Department
- (c) McAllen Chamber of Commerce

Table 15

**CITY OF McALLEN, TEXAS  
REVENUE BOND COVERAGE  
WATER AND SEWER BONDS  
LAST TEN FISCAL YEARS**

**WATER FUND:**

<b>Fiscal Year</b>	<b>Gross Revenue</b>	<b>Direct Operating Expenses</b>	<b>Net Revenue Available For Debt Service (1)</b>	<b>Debt Service Requirements</b>	<b>Coverage</b>
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
2003	13,306,102	6,937,001	6,369,101	2,077,274	3.07

**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>
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
2003	9,494,989	4,722,740	4,772,249	1,567,067	3.05

(1) Net revenue available for debt service is calculated as follows: Gross Revenue - Direct Operating Expenses + Depreciation Expenses.

(2) No bond debt existed during these years.

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>
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	16,477	30.9	66.70	23,360	8.41
2003	118,073 (a)	Not Available (b)	30.0 (c)	75.50 (c)	23,304 (d)	9.4 (e)

Information provided by:

- (a) U.S. Bureau of Census, 1970, 1980 , 1990 & 2000 Decennial Census & Series P-26 Intercensal Estimates & Local Estimates.
- (b) U.S. Bureau of Census, 1970, 1980 , 1990 & 2000 Decennial Census & Series P-26 Intercensal
- (c) U.S. Bureau of Census, 1970, 1980, 1990, & 2000 Decennial Census & Local Estimates.
- (d) McAllen Independent School District
- (e) Texas Workforce Commission

Table 17

<p align="center"><b>CITY OF MCALLEN, TEXAS</b>  <b>MISCELLANEOUS STATISTICAL DATA</b></p>
--

Date of Incorporation:	February 20, 1911
Date of Adoption of City Charter:	January 31, 1927
Form of Government	Home Rule
Area:	
Square miles	47.7
Acres (estimated)	30,528
Miles of Streets:	
Paved within City limits - City maintained	491
Paved within City limits - State maintained	98
Miles of Sewer:	
Storm	185
Sanitary	445
Building Permits:	
Permits issued	1,753
Estimated cost	\$206,076,304
Fire Protection:	
Number of stations	6
Number of employees - Paid firemen - full time	131
- Civilian	8
Police Protection:	
Number of stations	1
Number of substations	10
Number of employees - Commissioned	247
- Civilian	122
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

<p align="center"><b>CITY OF MCALLEN, TEXAS</b>  <b>MISCELLANEOUS STATISTICAL DATA</b></p>
--

**Education**

(City of McAllen within the McAllen Independent  
School District)

Number of teachers	1,614
Number of registered students	23,304

Total Number of City Employees (Including part-time employees):	1,472
---	-------

**Hospitals:**

Number of hospitals	3
Number of hospital beds	782
Number of convalescent homes	8

<b>Growth Statistics</b>
--------------------------

Population (U.S. Census)	Number	Percent Increase
1940	11,877	N/A
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
1990	87,040	32.4
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
2003 (Estimate)	118,073	3.1

Table 17

<p align="center"><b>CITY OF MCALLEN, TEXAS</b>  <b>ISCELLANEOUS STATISTICAL DATA</b></p>
---

	1999	2000	2001	2002	2003
Acres in City	29,701	29,830	29,931	30,281	30,528
% Change	6.48	0.43	0.34	1.17	0.82
Miles of Street in City	482	511	518	586	589
% Change	20.50	6.02	1.37	13.13	0.51
Miles in Sanitary Sewer	367 *	412 **	421	421	445
% Change	0.82	12.26	2.18	-0.02	5.72
Miles of Water Lines	539 *	557 *	569 *	580 *	630
% Change	3.65	3.34	2.15	1.99	8.56
Building Permits	1,749	1,719	1,693	1,821	1,753
% Change (Decrease)	8.16	-1.72	(1.51)	7.56	(3.73)
Number of City Employees	1,253	1,266	1,366	1,459	1,472
% Change (Decrease)	9.05	1.04	7.90	6.81	0.89
Population	105,694	107,936	111,806	114,424	118,073
% Change	3.82	2.12	3.59	2.34	3.19

\*According to Geographical Information System figure is accurate.

\*\* Alton Interceptor added to System this year

**WATER ENTERPRISE FUND**

Class of Customer	Number	Gallons
Residential	29,673	3,707,397,040
Commercial	5,093	2,477,996,860
Industrial	170	387,129,000
Number of gallons shown to have passed through the master meters at the City's plants #1 and #2 during the period		6,736,314,000
Number of gallons billed		(6,572,522,900)
Estimated Water used in fire hydrant testing, etc.		<u>(49,000,000)</u>
Estimated number of gallons unaccounted due to breaks, leaks,		<u><u>114,791,100</u></u>

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>
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
2003	27.02	34,936 30,907

**SINGLE AUDIT  
SECTION**

This section contains information regarding grant activity, which was audited under the guidelines of the United States Office of Management and Budget Circular A-133 Compliance Supplement and the State of Texas Single Audit Circular.

**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***

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

We have audited the basic financial statements of the City of McAllen, Texas as of and for the year ended September 30, 2003, and have issued our report thereon dated November 21, 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 of McAllen, Texas' basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 of McAllen, Texas' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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 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 November 21, 2003.

This report is intended for the information of the audit committee, management and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



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

Harlingen, Texas  
November 21, 2003

**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**

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

**Compliance**

We have audited the compliance of the City of McAllen, Texas with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* 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 and state programs for the year ended September 30, 2003. The City of McAllen, Texas' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the City of McAllen, Texas' management. Our responsibility is to express an opinion on the City of McAllen, Texas' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations* and the *State of Texas Single Audit Circular*, issued by the office of the Governor of the State of Texas. Those standards, *OMB Circular A-133* and the *State of Texas Single Audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal and state programs occurred. An audit includes examining, on a test basis, evidence about the City of McAllen, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of McAllen, Texas' compliance with those requirements.

In our opinion, the City of McAllen, Texas complied, in all material respects, with the requirements referred to above that are applicable to its major federal and state programs for the year ended September 30, 2003.

**Internal Control Over Compliance**

The management of the City of McAllen, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the City of McAllen, Texas' internal control over compliance with requirements that could have a direct and material effect on major federal and state programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133* 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 a material weakness. 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 major federal and state programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Long Chilton, LLP", written in a cursive style.

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

Harlingen, Texas  
November 21, 2003

# CITY OF McALLEN, TEXAS

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2003

<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>U.S. Department of Housing and Urban Development</b>				
Direct Programs:				
Community Development Block Grant:				
27th Year Entitlement Grant	14.218	CB01MC48506	\$ 2,668,000	\$ 2,016,230
28th Year Entitlement Grant	14.218	CB02MC48506	2,598,000	702,160
Emergency Shelter Program	14.231	S01MC480506	91,000	75,425
Emergency Shelter Program	14.231	S02MC480506	91,000	8,288
Home Investment Partnerships Program	14.239	M01MC480506	766,000	338,524
Home Investment Partnerships Program	14.239	M02MC480506	762,000	<u>402,721</u>
Total U.S. Department of Housing and Urban Development				<u>3,543,348</u>
<b>U.S. Department of Transportation</b>				
Direct Programs:				
Airport Improvement Program	20.106	3-48-0144-29	212,367	6,012
Airport Improvement Program	20.106	3-48-0144-30	2,651,736	2,282,903
Airport Improvement Program	20.106	3-48-0144-31	2,792,784	69,904
Airport Improvement Program	20.600	581xxF6079	55,000	13,268
Airport Improvement Program	20.600	583xxF6027	75,000	67,056
Airport Improvement Program	20.600	583xxF6028	30,000	<u>23,801</u>
Total U.S. Department of Transportation				<u>2,462,944</u>
<b>U.S. Department of Justice</b>				
Direct Programs:				
Universal Hiring Program	16.710	98CQWX0006	3,220,812	8,300
L.L.E.B.G.	16.592	2001LBBX1119	96,706	96,706
L.L.E.B.G.	16.592	2002LBBX1119	72,192	72,192
Universal Hiring Program	16.710	2002UMWX0070	1,208,460	<u>259,527</u>
				<u>436,725</u>
Passed through the Office of the Governor:				
Federal Drug Enforcement Agency	16.579	DB01A101388804	856,409	698,764
Federal Drug Enforcement Agency	16.579	DB01A101388805	1,487,626	171,067
Project Action	16.540	DB02J211641601	548,000	144,759
Passed through Hidalgo County:				
Community and Schools				
Weed and Seed Program	16.595	2002-WS-OX-0026	50,000	123,776



**CITY OF McALLEN, TEXAS**

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

Year Ended September 30, 2003

<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>
Passed through the City of McAllen:				
Juvenile Accountability	16.523	JM-00J30-1379603	34,246	20,154
Incentives Block Grant	16.523	JM-00J30-1379604	31,535	-
				<u>1,158,520</u>
Total U.S. Department of Justice				<u>1,595,245</u>
Others:				
FEMA-AFG	85.554	EMW2002FG18662	229,117	93,870
EPA-Vulnerability Assessment	66.476	HS829939011	115,000	<u>16,076</u>
Total federal financial assistance expended				<u>7,711,483</u>
<b>Texas Agencies</b>				
Auto Theft Prevention	N/A	SA00T0203656	\$ 268,612	\$ 266,834
Texas Department of Protective and Regulatory Service	N/A	Community Youth Dev	72,764	62,884
Texas Office of the Attorney General	N/A	VDAG	39,290	36,335
Texas Office of the Attorney General	N/A	OAG0300504	14,000	10,676
Texas Department of Public Safety- Emergency Management	83.552	EMT2003GR0005	25,937	19,453
Texas Department of Public Safety- Emergency Management	83.552	EMT2002GR0004	18,730 (1)	-
Texas Natural Resource Conservation Commission: Passed Through-				
Lower Rio Grande Valley Dev. Council	N/A	0321G07	25,000	20,060
Lower Rio Grande Valley Dev. Council	N/A	0321G08	10,000	10,000
Lower Rio Grande Valley Dev. Council	N/A	0321G09	25,000	<u>25,000</u>
Total state financial assistance expended				<u>451,242</u>
Total federal and state financial assistance expended				<u>\$ 8,162,725</u>

(1) This grant was not listed in FY 01-02 audit report. Expenditures were \$17,300.

*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, 2003

#### **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, 2003. 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, 2003

#### 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	\$ 1,037,500
Home Investment Partnerships Program	14.239	741,245

City of McAllen, Texas  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**(FEDERAL AND STATE AWARDS)**  
Fiscal Year Ended September 30, 2003

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

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? ☐ yes ☒ no
- Reportable condition identified not considered to be a material weakness? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal and State Awards

Internal control over major programs:

- Material weakness identified? ☐ yes ☒ no
- Reportable condition identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) OMB Circular A-133 and State of Texas Single Audit Circular ☐ yes ☒ no

Identification of major programs:

CFDA Number

14.218

Name of Federal Program or Cluster

Community Development Block Grant Program

Grant Number

SA00T0203656

Name of State Program

South Texas Auto Theft Enforcement Task Force

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

City of McAllen, Texas  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**(FEDERAL AND STATE AWARDS) - CONTINUED**  
Fiscal Year Ended September 30, 2003

**Section II - Findings Relating to the Financial Statement Audit as Required to Be  
Reported in Accordance with Generally Accepted Government Auditing Standards**

**A. Reportable Conditions in Internal Control**

None noted

**B. Compliance Findings**

None noted

**Section III - Federal Award Findings and Questioned Costs**

None noted

City of McAllen, Texas  
**SCHEDULE OF STATUS OF PRIOR FINDINGS**  
**(FEDERAL AND STATE AWARDS)**  
Fiscal Year Ended September 30, 2003

<b><u>PROGRAM</u></b>	<b><u>STATUS OF PRIOR YEARS FINDINGS/NONCOMPLIANCE</u></b>
None	No Prior Findings

City of McAllen, Texas  
**CORRECTIVE ACTION PLAN**  
**(FEDERAL AND STATE AWARDS)**  
Fiscal Year Ended September 30, 2003

**PROGRAM**

None

**CORRECTIVE ACTION PLAN**

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 <u>CUSIP Number</u>	<u>Issue Description</u>
579160	\$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, 2004  
Date

  
Mike R. Perez  
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	18,007	47,175	878,754	6,572,523	10,738,904
2004 (1)	15,733	27,365	559,598	1,447,475	2,280,556

(1) Part year only, through December 31, 2003

**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	95,566	1.45%	\$124,278	1.23%
Coca Cola Bottling Company	Beverage MFG	59,847	0.91%	77,843	0.77%
Magic Valley Fresh Frozen LLC	Produce Packaging	55,285	0.84%	71,913	0.71%
Rio Grande Regional	Hospital	35,596	0.54%	46,317	0.46%
McAllen Medical Center #1	Hospital	24,811	0.38%	32,296	0.32%
City of McAllen Trailer Prk	Mobile Home Park	18,039	0.27%	23,492	0.23%
McAllen Medical Center	Hospital	14,942	0.23%	19,467	0.19%
City of Edinburg	Municipality	14,508	0.22%	24,238	0.24%
City of McAllen, Baseball Complex	Sports Complex	13,810	0.21%	17,995	0.18%
City of McAllen	Sprinkler Meter	13,422	0.20%	17,491	0.17%
		<u>345,826</u>	<u>5.25%</u>	<u>\$455,330</u>	<u>4.50%</u>

**TABLE 3 - MONTHLY WATER RATES**

<b>New Rates</b>	
<b>(Effective October 9, 2000)</b>	
<b>Inside City Minimum Rate</b>	<b>Commodity Rate (1)</b>
<b>\$3.50</b>	<b>\$ 1.30</b>

<b>Old Rates</b>		
<b>(Effective December 1, 1999)</b>		
<b>Meter Size</b>	<b>Minimum Gallons</b>	<b>Inside City Minimum Rate (2)</b>
<b>3/4"</b>	<b>2,000</b>	<b>\$ 5.00</b>
<b>1"</b>	<b>5,000</b>	<b>8.60</b>
<b>1 1/2"</b>	<b>10,000</b>	<b>14.60</b>
<b>2"</b>	<b>16,000</b>	<b>21.80</b>
<b>3"</b>	<b>30,000</b>	<b>38.60</b>
<b>4"</b>	<b>50,000</b>	<b>62.60</b>
<b>6"</b>	<b>100,000</b>	<b>122.60</b>

(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</b>	<b>Daily Average (000's)</b>	<b>Monthly Average (000's)</b>	<b>Total Usage (000's)</b>	<b>Total Revenue</b>
9/30				
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	14,830	451,091	5,413,086	8,177,699
2004 (1)	13,846	424,615	1,273,845	2,059,473

(1) Part year only through December 31, 2003

**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	\$162,670	2.22%
Magic Valley Fresh Frozen Inc	Produce Packaging	50,280	0.69%
Magic Valley Fresh Frozen LLC	Produce Packaging	29,133	0.40%
Rio Grande Regional	Hospital	26,805	0.37%
Coca Cola Bottling Company	Beverage Manufacturer	22,551	0.31%
McAllen Medical Center (1)	Hospital	18,716	0.26%
City of McAllen	Mobile Home Park	13,637	0.19%
McAllen Medical Center (2)	Hospital	11,314	0.15%
Calmac Suites, Ltd.	Hotel	9,683	0.13%
La Vista Mobile Park	Mobile Home Park	9,300	0.13%
		<u>\$354,089</u>	<u>4.85%</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
Level 4 =	0.90

**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	
2004	1,675,000	1,969,341	3,644,341	
2005	1,770,000	1,876,022	3,646,022	8.99%
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	29.80%
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	54.95%
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	82.95%
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%
	<b>\$38,300,000</b>	<b>\$21,651,838</b>	<b>\$59,951,838</b>	

**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**

	<b>Fiscal Year Ended September 30,</b>				
	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
<b>Revenues</b>					
Water Service	\$10,738,904	\$11,319,094	\$10,417,323	\$9,401,544	\$7,714,101
Sewer Service	8,177,699	8,166,020	7,475,330	7,060,156	6,432,815
Interest Earnings	2,139,663	2,891,057	4,341,632	2,616,442	1,341,303
Miscellaneous	1,268,042	951,148	306,324	368,040	856,933
<b>Total Revenues</b>	<b>\$22,324,308</b>	<b>\$23,327,319</b>	<b>\$22,540,609</b>	<b>\$19,446,182</b>	<b>\$16,345,153</b>
<b>Expenses</b>					
Salaries, wages, and employee benefits	5,109,767	4,723,693	4,227,488	4,088,196	3,953,455
Supplies and materials	2,136,610	2,015,454	1,834,323	2,053,596	1,984,178
Contractual and other services	3,509,921	3,272,168	3,474,798	3,375,954	3,262,954
Repairs and maintenance	617,864	691,833	627,416	585,643	542,184
Other Expenses	-205,452	713,866	366,707	143,127	58,334
<b>Total Expenses</b>	<b>\$11,168,710</b>	<b>\$11,417,014</b>	<b>\$10,530,732</b>	<b>\$10,246,516</b>	<b>\$9,801,105</b>
<b>Net Available for Debt Service</b>	<b>\$11,155,598</b>	<b>\$11,910,305</b>	<b>\$12,009,877</b>	<b>\$9,199,666</b>	<b>\$6,544,048</b>
Water Customers	34,936	34,103	32,580	31,404	30,665
Sewer Customers	30,907	30,398	28,971	27,954	27,366

**TABLE 10 - COVERAGE AND FUND BALANCES**

Average Annual Principal and Interest Requirements, 2004 - 2025	\$2,725,084
Coverage of Average Annual Requirements by 2002 Net Income	4.09 x
Maximum Principal and Interest Requirements, 2005	\$3,646,022
Coverage of Maximum Requirements by 2003 Net Income	3.06 x
Waterworks and Sewer System Revenue Bonds Outstanding, 9/30/2003	\$38,300,000
Interest and Sinking Fund, 9/30/2003	\$894,712

**TABLE 11 - VALUE OF THE SYSTEM**

	Fiscal Year Ended September 30,				
	2003	2002	2001	2000	1999
<b><u>Waterworks System</u></b>					
Land	\$2,115,109	\$2,115,109	\$2,115,109	\$3,235,677	\$3,235,677
Buildings	29,550,855	17,948,991	9,980,989	10,004,338	9,412,256
Improvements other than Buildings	35,562,607	35,562,607	39,044,550	34,183,331	34,185,471
Furniture and Equipment	2,497,256	2,125,043	1,802,459	1,885,460	1,531,388
Construction in Progress	11,122,106	9,230,141	3,670,058	1,890,567	397,524
<b><u>Sewer System</u></b>					
Land	\$734,993	\$734,993	\$734,993	\$738,919	\$738,919
Buildings	1,948,375	7,902,728	1,911,875	1,927,830	1,927,830
Improvements other than Buildings	45,777,565	37,485,453	37,258,660	34,980,314	34,167,952
Furniture and Equipment	4,447,208	3,972,445	3,477,686	3,180,723	2,025,848
Construction in Progress	1,122,127	489,146	3,609,903	2,600,475	2,489,675
Total Value	\$134,878,201	\$117,566,656	\$103,606,282	\$94,627,634	\$90,112,540
Less: Depreciation	50,536,151	46,954,517	43,397,287	40,899,062	37,967,840
Net System Value	<u>\$84,342,050</u>	<u>\$70,612,139</u>	<u>\$60,208,995</u>	<u>\$53,728,572</u>	<u>\$52,144,700</u>

**TABLE 12 - CITY'S EQUITY IN SYSTEM**

	Fiscal Year Ended September 30,				
	2003	2002	2001	2000	1999
<b><u>Resources</u></b>					
Net System Value	\$84,342,050	\$70,612,139	\$60,208,995	\$53,728,572	\$52,144,700
Cash and Investments	51,042,096	60,155,313	70,891,345	62,603,101	38,176,655
Other Resources	2,232,445	1,974,440	1,813,219	4,599,758	4,125,572
Total Resources	\$137,616,591	\$132,741,892	\$132,913,559	\$120,931,431	\$94,446,927
<b><u>Obligations</u></b>					
Revenue Bonds Payable	\$38,300,000	\$39,885,000	\$41,390,000	\$42,765,000	\$23,385,000
Other Obligation	7,436,184	6,634,010	11,696,787	5,012,740	3,013,347
Total Obligations	<u>\$45,736,184</u>	<u>\$46,519,010</u>	<u>\$53,086,787</u>	<u>\$47,777,740</u>	<u>\$26,398,347</u>
City's Equity in System	<u>\$91,880,407</u>	<u>\$86,222,882</u>	<u>\$79,826,772</u>	<u>\$73,153,691</u>	<u>\$68,048,580</u>
Percentage City's Equity in System	66.77%	64.96%	60.06%	60.49%	72.05%

**TABLE 13 - CURRENT INVESTMENTS**

As of December 31, 2003, 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	74.44%	\$101,404,514	\$101,404,514
United States Agencies	15.77%	21,482,127	21,306,564
Local Government Investment Pool	9.79%	13,331,678	13,332,744
TOTALS	100.00%	\$136,218,319	\$136,043,822

**PUBLIC UTILITY BOARD**

Description	Percent of Total	Purchase Price	Market Value
Certificates of Deposit	70.99%	\$24,020,376	\$24,020,376
United States Agencies	19.19%	6,494,098	6,462,321
Local Government Investment Pool	9.81%	3,320,905	3,321,170
TOTALS	100.00%	\$33,835,379	\$33,803,867

**TOTAL**

Description	Percent of Total	Purchase Price	Market Value
Certificates of Deposit	73.76%	\$125,424,890	\$125,424,890
United States Agencies	16.45%	27,976,225	27,768,885
Local Government Investment Pool	9.79%	16,652,583	16,653,914
TOTALS	100.00%	\$170,053,698	\$169,847,689

As of December 31, 2003, 50% of the City's investment portfolio matures within 12 months according to stated maturities. The market value of the investment portfolio was approximately 100% 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 <u>CUSIP Number</u>	<u>Issue Description</u>
579117	\$2,300,000 City of McAllen, Texas International Toll Bridge System Revenue Bonds, Series 2002

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, 2004  
Date

  
\_\_\_\_\_  
Mike R. Perez  
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	
2000	5,906,612	49,043	28,273	13,112,816	1,353,816	819,917	8,479,463
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	5,672,769	25,437	25,541	12,593,547	1,324,814	740,689	10,219,671
2004 (1)							

(1) Part year only, through December 31, 2003

**TABLE 2 - TOLL RATES (Effective January 1, 2003)**

	New Rates	Old Rates
Pedestrians	\$0.25	\$0.25
Auto and Pickups	\$1.75	\$1.50
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	
2004	190,000	91,553	281,553	
2005	200,000	82,778	282,778	18.40%
2006	210,000	73,553	283,553	
2007	225,000	63,765	288,765	
2008	235,000	53,415	288,415	50.00%
2009	245,000	42,615	287,615	
2010	260,000	31,253	291,253	
2011	270,000	19,328	289,328	86.56%
2012	285,000	6,626	291,626	
	<u>\$2,120,000</u>	<u>\$464,884</u>	<u>\$2,584,884</u>	100.00%

**TABLE 4 - CONDENSED STATEMENT OF OPERATIONS**

	2003	2002	2001	2000	1999
<b>Revenues</b>					
Charges for Services	\$10,219,671	\$9,871,097	\$9,837,787	\$8,479,463	\$8,345,022
Rental	942,271	700,424	665,284	650,647	636,320
Miscellaneous	547,063	425,442	902,775	642,331	495,073
Total Revenues	<u>\$11,709,005</u>	<u>\$10,996,963</u>	<u>\$11,405,846</u>	<u>\$9,772,441</u>	<u>\$9,476,415</u>
<b>Expenses</b>					
Salaries, wages and employee benefits	\$1,086,285	\$1,076,483	\$970,764	\$886,015	\$844,287
Supplies and materials	62,129	67,248	53,555	67,580	48,474
Contractual and other services	1,141,947	995,067	331,461	661,688	515,627
Repairs and maintenance	87,304	125,350	99,191	58,367	51,919
Other Expenses	-	-	-	-	-
Total Expenses	<u>\$2,377,665</u>	<u>\$2,264,148</u>	<u>\$1,454,971</u>	<u>\$1,673,650</u>	<u>\$1,460,307</u>
Net Available for Debt Service	<u>\$9,331,340</u>	<u>\$8,732,815</u>	<u>\$9,950,875</u>	<u>\$8,098,791</u>	<u>\$8,016,108</u>

**TABLE 5 - COVERAGE AND FUND BALANCES**

Average Annual Principal and Interest Requirements, 2003 - 2004	\$287,209
Coverage of Average Annual Requirements by 2003 Net Income	32.49 x
Maximum Principal and Interest Requirements, 2004	\$291,626
Coverage of Maximum Requirements by 2003 Net Income	32.00 x
International Toll Bridge System Revenue Bonds Outstanding	\$2,120,000
Interest and Sinking Fund, 9/30/2003	\$118,914
Reserve Fund, 9/30/2003	\$225,000
Contingency, 9/30/2003	\$516,900

TABLE 6 - VALUE OF THE SYSTEM

Fiscal Year Ended September 30,					
<u>Toll Bridge</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Land	\$573,798	\$573,797	\$573,797	\$573,797	\$573,797
Buildings	7,858,695	7,811,195	7,772,986	7,493,452	3,589,264
Bridge, Equipment & Improvement	<u>2,593,757</u>	<u>2,254,265</u>	<u>2,218,209</u>	<u>2,452,683</u>	<u>6,091,989</u>
Total Value	11,026,250	10,639,257	10,564,992	10,519,932	10,255,051
Less: Depreciation	<u>4,727,587</u>	<u>4,451,261</u>	<u>4,173,818</u>	<u>3,909,227</u>	<u>3,624,113</u>
Net System Value	<u>\$6,298,663</u>	<u>\$6,187,996</u>	<u>\$6,391,174</u>	<u>\$6,610,705</u>	<u>\$6,630,938</u>

TABLE 7 - CITY'S EQUITY IN SYSTEM

Fiscal Year Ended September 30,					
<u>Resources</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Net System Value	\$6,298,663	\$6,187,996	\$6,391,174	\$6,610,705	\$6,630,938
Cash and Investments	3,837,726	1,176,111	1,880,246	5,849,764	5,377,567
Other Resources	<u>12,364,271</u>	<u>14,947,520</u>	<u>12,189,201</u>	<u>6,860,619</u>	<u>7,359,669</u>
Total Resources	\$22,500,660	\$22,311,627	\$20,460,621	\$19,321,088	\$19,368,174
<u>Obligations</u>					
Revenue Bonds Payable	\$190,000	\$180,000	\$170,243	\$335,243	\$822,071
General Obligation Debt Payable	-	-	-	-	-
Other Obligations	<u>1,055,921</u>	<u>897,869</u>	<u>865,549</u>	<u>937,084</u>	<u>744,801</u>
Total Obligations	<u>\$1,245,921</u>	<u>\$1,077,869</u>	<u>\$1,035,792</u>	<u>\$1,272,327</u>	<u>\$1,566,872</u>
City's Equity in System	<u>\$21,254,739</u>	<u>\$21,233,758</u>	<u>\$19,424,829</u>	<u>\$18,048,761</u>	<u>\$17,801,502</u>
Percentage City's Equity in System	94.46%	95.17%	94.94%	93.41%	91.91%

TABLE 8 - CURRENT INVESTMENTS

As of December 31, 2003, 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	100.00%	<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, 2004  
Date

  
\_\_\_\_\_  
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	
2004	25,000	18,019	43,019	
2005	25,000	16,894	41,894	
2006	25,000	15,763	40,763	13.33%
2007	25,000	14,625	39,625	
2008	25,000	13,463	38,463	
2009	25,000	12,275	37,275	
2010	25,000	11,050	36,050	46.67%
2011	25,000	9,788	34,788	
2012	25,000	8,506	33,506	
2013	25,000	7,213	32,213	
2014	25,000	5,906	30,906	73.33%
2015	25,000	4,594	29,594	
2016	25,000	3,281	28,281	
2017	25,000	1,969	26,969	
2018	25,000	656	25,656	100.00%
	<u>\$375,000</u>	<u>\$144,000</u>	<u>\$519,000</u>	

**TABLE 2 - HISTORICAL CITY RECEIPTS OF 1% SALES TAX**

Month of Receipt	Year Ending 9/30/2003	Year Ending 9/30/2002	Year Ending 9/30/2001	Year Ending 9/30/2000	Year Ending 09/30/99
October	\$1,804,849	\$1,782,313	\$1,710,069	\$1,569,091	\$1,469,340
November	1,460,962	1,319,979	1,219,637	1,337,982	1,042,013
December	1,561,625	1,467,000	1,408,670	1,257,599	980,711
January	2,946,350	2,545,102	2,459,323	2,296,853	2,286,235
February	1,326,709	1,266,286	1,248,925	1,274,105	1,083,178
March	1,409,193	1,462,959	1,322,367	1,287,847	1,052,375
April	2,040,158	2,022,183	1,922,508	1,885,528	1,813,971
May	1,616,916	1,465,885	1,324,480	1,293,682	1,174,417
June	1,575,085	1,459,070	1,337,463	1,242,508	1,059,901
July	1,925,441	1,837,731	1,871,443	1,731,299	1,634,827
August	1,579,035	1,512,787	1,305,266	1,243,917	1,097,318
September	1,541,547	1,482,873	1,389,275	1,264,151	1,076,892
	<u>\$20,787,868</u>	<u>\$19,624,165</u>	<u>\$18,519,424</u>	<u>\$17,684,562</u>	<u>\$15,771,175</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 2003.....	\$10,393,934
Maximum Annual Debt Service	\$43,019
Coverage of Maximum Requirements by 2003 Sales Tax Collections.....	241.61 times
Average Annual Debt Service.....	\$34,600
Coverage of Average Requirements by 2003 Sales Tax Collections.....	300.40 times

## 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:

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Coverage of Maximum Requirements by 2003 Sales Tax Collections.....	241.61 times
Average Annual Debt Service.....	\$34,600
Coverage of Average Requirements by 2003 Sales Tax Collections.....	300.40 times

**Additional Supplemental Information  
On Debt Service Requirements**

**General Obligation Bonds**

CITY OF McALLEN, TEXAS  
GENERAL OBLIGATION BONDS  
ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY

YEAR	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL	PRINCIPAL BALANCE
					\$ 5,890,000
2004	1,035,000	290,542	3,000	1,328,542	4,855,000
2005	1,105,000	231,944	3,000	1,339,944	3,750,000
2006	1,175,000	169,338	3,000	1,347,338	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>\$ 5,890,000</u>	<u>\$ 828,787</u>	<u>\$ 15,000</u>	<u>\$ 6,733,787</u>	

## **Utility System, 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  
 SERIES 1999 WATERWORKS & SEWER SYSTEM REVENUE BONDS  
 ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY

YEAR	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL	PRINCIPAL BALANCE
					\$ 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>\$ 17,805,000</u>	<u>\$ 7,674,629</u>	<u>\$ -</u>	<u>\$ 25,479,629</u>	

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
					\$ 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>\$ 18,925,000</u>	<u>\$ 13,880,094</u>	<u>\$ -</u>	<u>\$ 32,805,094</u>	

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
					\$ 1,570,000
2004	500,000	53,096	-	553,096	1,070,000
2005	525,000	32,846	-	557,846	545,000
2006	<u>545,000</u>	<u>11,173</u>	<u>-</u>	<u>556,173</u>	-
	<u>\$ 1,570,000</u>	<u>\$ 97,115</u>	<u>\$ -</u>	<u>\$ 1,667,115</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
					\$ 2,120,000
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>\$ 2,120,000</u>	<u>\$ 464,884</u>	<u>\$ -</u>	<u>\$ 2,584,884</u>	

CITY OF McALLEN, TEXAS  
 SERIES 1998 SALES TAX REVENUE BONDS  
 ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY

YEAR	PRINCIPAL	INTEREST	ESTIMATED FEES	TOTAL	PRINCIPAL BALANCE
					\$ 375,000
2004	25,000	18,019	-	43,019	350,000
2005	25,000	16,894	-	41,894	325,000
2006	25,000	15,763	-	40,763	300,000
2007	25,000	14,625	-	39,625	275,000
2008	25,000	13,463	-	38,463	250,000
2009	25,000	12,275	-	37,275	225,000
2010	25,000	11,049	-	36,049	200,000
2011	25,000	9,787	-	34,787	175,000
2012	25,000	8,506	-	33,506	150,000
2013	25,000	7,212	-	32,212	125,000
2014	25,000	5,906	-	30,906	100,000
2015	25,000	4,594	-	29,594	75,000
2016	25,000	3,282	-	28,282	50,000
2017	25,000	1,969	-	26,969	25,000
2018	25,000	656	-	25,656	-
	<u>\$ 375,000</u>	<u>\$ 144,000</u>	<u>\$ -</u>	<u>\$ 519,000</u>	