



***CITY OF McALLEN, TEXAS***

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended September 30, 2003**

**Prepared by:  
Department of Finance**

***CITY OF McALLEN, TEXAS***  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

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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

MIKE R. PEREZ, City Manager

January 7, 2005

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, 2004.

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. One supplemental section has been added; 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 13 years the McAllen-Edinburg-Mission MSA employment in the nonagricultural sector has grown from 103,500 in 1991 to 180,900 in 2004—a 75% increase. Currently with total employment at 205,300, only 12% of employment is attributable to the agricultural category. Some of the more significant employment numbers by industry, which represent over 70% 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 214 new companies, representing 17,445 new jobs to McAllen. Its efforts have also resulted in 272 new companies, representing 58,714 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 2003 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 46% over the last ten years. McAllen's unemployment rate, which in September 1994 was 13.9%, declined to 7.5% as of September 2004.

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 2003-04

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:

Reduce Time to Complete Major Capital Projects.

**Management Response: Partially Completed.**

Improve Efficiency of Private Development Process.

**Management Response: Partially Completed.** Inspections are now posted on the web for developers to view remotely. An additional engineer has been added to the subdivision review process. Streamlining the process will continue next year with automating some of the processes.

Continue Promotion of Homeowner Associations, creating:

cleaner neighborhoods, and

improved appearance of arterial streets.

**Management Response: Done.** This year nine new neighborhood associations have been formed.

Plan for new Main Library at Site in Center City

**Management Response: Partially Completed.** The City Commission met with the Library Board and advertised for architectural services in determining site selection. The next step calls for a joint meeting between the City Commission and the Library Board to review this study.

Assess the Performance Measurements Project

**Management Response: Completed.** The International City Manager's Association (ICMA) Center for Performance Measurements was hired to work with staff in developing appropriate measures.

Complete Design of New Convention Center Complex

**Management Response: Done.** Project will be advertised October 18, 2004.

Widen McColl: Business 83 to Expressway

**Management Response: This project is currently under construction and is 50% complete.**

Reconstruct Bentsen Road: Pecan to 3-Mile

**Management Response: Not Complete.** This project is currently on hold due to the failure of Hidalgo County Irrigation District #1 to approve an agreement to re-locate twin irrigation canals. The project has been pushed back 18 months.

Open Wing of World Birding Center at Quinta Mazatlan

**Management Response: Partially.** This project is under construction with the estimated date of completion early summer of 2005.

Extend Hike-Bike Trail: South Loop

**Management Response:** Project is being advertised. Bid is expected to be awarded in October 2004.

**Complete Storm Drainage Improvements:**

6<sup>th</sup> Street: Pecan to Fern – Not Completed. Waiting for Jackson Regional Detention Facility to be completed first.

Main-Pecan-Harvey – Not Completed. Waiting for Jackson Regional Detention Facility to be completed first.

Balboa pump upgrade – Completed. Pumps are being installed.

**Management Response:** As Shown Above.

McAuliffe, Garza & Jackson Regional Detention Facility/School Parks

**Management Response:** Engineering is complete. The City is waiting for the School District to approve an interlocal agreement so the project can be bid out in January 2005.

Remove obstructions in NE/North Central Blue Lines

**Management Response:** Completed.

Design new Emergency Operating Center/Administration

**Management Response:** Partially Complete. A grant was obtained for the design and purchase of equipment, however, it is currently on hold by the City Commission.

Adopt Fire Station Re-Location Plan

**Management Response:** Not Complete. The project is being advertised for consulting services.

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

**Management Response:** Completed.

Complete Southbound Toll Improvements at Bridge

**Management Response:** Partially Completed. The contract has been awarded and construction is underway.

Complete Revenue Bond Sale for Anzalduas Bridge Construction

**Management Response:** Not Complete. The City is waiting for final diplomatic notes from the United States and Mexican governments.

Determine Software requirements for 2005 City Election.

**Management Response:** Completed. In a joint meeting with the City Commission and the McAllen Independent School District, it was determined that the County would be responsible for the equipment.

Study and Determine Need for Crosstown Limited-Access Highway—Running North & South

**Management Response:** Completed. Various public forums were held. It was determined that Bicentennial Boulevard will be a major arterial connecting Nolana with Highway 107.

#### **MAJOR GOALS FOR FISCAL YEAR 2004-05**

The goals adopted by the Mayor and City Commission for FY 2004-05 are as follows:

Hire Firm to Update Foresight McAllen (Master Plan)

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



Improve Efficiency in the Twelve Worst Intersections

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

Establish Organizational Structure to Implement Heart of the City Project

Start Construction of Anzalduas Bridge

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

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

Implement an Aggressive Tree Planting Program

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

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

Start Construction of New Convention Center

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

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

Start Planning Process for New Performing Arts Facility

Build Drainage Detention Facilities at McAuliffe and Garza Schools

Buy Additional Right-of-Way for North East BlueLine Ditches and Construct Improvements  
Increase Funding for One-Step Street Recycling Project from \$1,450,000 to \$2,750,000  
Construct the Extension of Dove Avenue West to Taylor Road

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

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

Begin Operation of McAllen Express transit under City Department.

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

## 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, 2004, 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 five debt issues outstanding, amounting to \$39M. all of which are revenue bonds. Of this amount, \$37M is related to the Water and Sewer Funds; \$2M, to the Bridge Fund; and \$350K, to the Development Corp, which is secured by sales tax receipts. During this fiscal year all remaining general obligation bonds were redeemed, leaving the City debt-free with regard to that type of issue. During this fiscal year and prior to redemption, both Standard & Poor's Corporation (S&P) and Fitchratings upgraded the general obligation bonds to AA-. S&P upgraded 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.

#### **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 6 years. All investments held by the City during the year and at September 30, 2004 are classified in the category of lowest custodial risk as defined by the Governmental Accounting Standards Board. During the year, the City recognized \$4.1M in investment earnings, net of the amount reported in the Firemen's Relief & Retirement Fund, a decrease of \$1.3M from prior year—of which \$175K represents the change in the mark-to-market adjustment. Last year's amount included approximately \$600K in gains on the disposition of certain securities, which were called, leaving the balance of the difference to lower yields. The blended rate for this year dropped approximately 32 basis points.

### **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, 2003. This was the seventeenth consecutive year and the eighteenth 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, 2003. The budget for October 1, 2004 has been submitted for review and notification of an award is awaited. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document is judged on proficiency in several categories including policy documentation, financial planning and organization.

### *Acknowledgments*

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

Respectfully submitted,



Jerry W. Dale, CPA CGFO  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of McAllen,  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2003

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



*Nancy L. Ziehl*

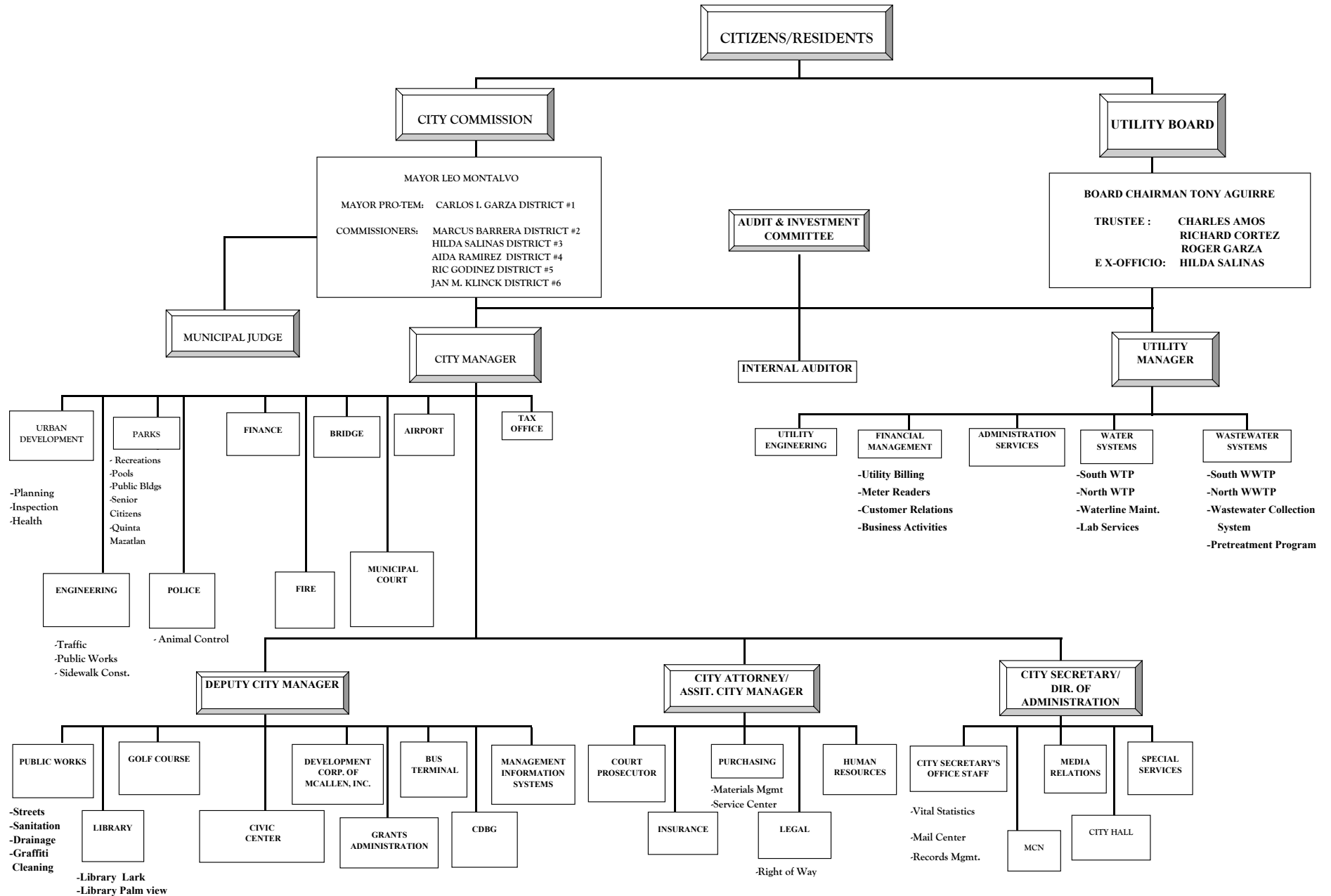
President

*Jeffrey R. Emer*

Executive Director



# CITY OF McALLEN, TEXAS



# CITY OF McALLEN, TEXAS

## LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2004

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.....	Roy Rodriguez
Deputy City Manager.....	Brent Branham
Director of Engineering .....	Pilar Rodriguez, P.E.
Attorney .....	James E. Darling
Administrator of Financial Services .....	Jerry W. Dale
Administrator of Internal Services.....	Alfredo Garcia
Administrator of Urban Development .....	Julianne Rankin
Aviation Director .....	Derald Lary
Bridge Superintendent .....	George Ramon
City Secretary .....	Annette Villarreal
Acting Fire Chief .....	Amado Cano
Parks and Recreation Director .....	Larry Pressler
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, 2004, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of City of McAllen, Texas' management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Development Corporation Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

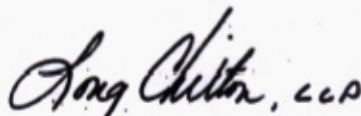
In accordance with *Government Auditing Standards*, we have also issued a report dated December 30, 2004, on our consideration of City of McAllen's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Government 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  
December 30, 2004

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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, 2004 and the related effect on the City's financial condition. Please read it in conjunction with the transmittal letter on pages 3-11 and the City's financial statements, which begin on page 37.

### FINANCIAL HIGHLIGHTS

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

Total government-wide net assets increased \$33M as a result of this year's operations. Governmental activities contributed \$16M with the balance of \$17M resulting from business-type activities.

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

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

As a result of this year's operations, the General Fund reported a \$17M increase to fund balance before transfers out to the Capital Improvement Fund. After transferring \$10M to that fund, a \$5M increase in fund balance resulted. Taxes and charges for services as well as other less significant revenue increases exceeded the amended budget by \$4M, while expenditures and transfers-out were \$3M under the amended budget—all of which resulted in fund balance settling in at \$48M.

### 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>2004</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Current and other assets	\$109	\$117	\$102	\$94	\$211	\$211
Capital assets	<u>140</u>	<u>123</u>	<u>164</u>	<u>158</u>	<u>304</u>	<u>281</u>
Total assets	<u>249</u>	<u>240</u>	<u>266</u>	<u>252</u>	<u>515</u>	<u>492</u>
Long-term debt outstanding	5	10	42	45	47	55
Other liabilities	<u>9</u>	<u>10</u>	<u>8</u>	<u>8</u>	<u>17</u>	<u>18</u>
Total liabilities	14	20	50	53	64	73
Net assets:						
Invested in capital assets,						
Net of debt	139	120	136	134	275	254
Restricted	21	22	53	53	74	75
Unrestricted	<u>75</u>	<u>78</u>	<u>28</u>	<u>12</u>	<u>103</u>	<u>90</u>
Total net assets	<u>\$235</u>	<u>\$220</u>	<u>\$217</u>	<u>\$199</u>	<u>\$452</u>	<u>\$419</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>2004</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Revenues						
Program revenues:						
Charges for services	\$7	\$6	\$46	\$44	\$53	\$50
Federal grants	12	9	1	3	13	12
State grants	-	-	-	-	-	-
General revenues:						
Property taxes	22	20	-	-	22	20
Sales tax	46	42	-	-	46	42
Other taxes	9	8	-	-	9	8
Federal entitlements	-	-	-	-	-	-
Other general revenues	<u>10</u>	<u>13</u>	<u>4</u>	<u>4</u>	<u>14</u>	<u>17</u>
Total revenues	106	98	51	51	157	149
Program expenses						
General government	14	13	-	-	14	13
Public safety	39	36	-	-	39	36
Highways and streets	13	11	-	-	13	11
Health and welfare	6	6	-	-	6	6
Culture and recreation	12	11	-	-	12	11
Interest on long-term debt	-	1	Incl	Incl		1
Water	-	-	10	9	10	9
Sewer	-	-	8	7	8	7
Sanitation	-	-	9	8	9	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>84</u>	<u>78</u>	<u>40</u>	<u>37</u>	<u>124</u>	<u>115</u>
Excess of revenues						
Before special items						
And transfers	22	20	11	14	33	34
Transfers	<u>(6)</u>	<u>7</u>	<u>6</u>	<u>(7)</u>	=	=
Increase						
In net assets	<u>\$16</u>	<u>\$27</u>	<u>\$17</u>	<u>\$7</u>	<u>\$33</u>	<u>\$34</u>

Total revenues generated from both governmental and business-type activities this year amounted to \$157M. Expenses came in at \$124M, leaving \$33 as an increase to net assets.

**Governmental Activities**

Total revenues generated from governmental activities this year amounted to \$106M. Expenses came in at \$84M, leaving \$22M as an increase to net assets before transfers. An decrease of \$6M in transfers to business-type activities was provided, resulting in an all-inclusive increase to net assets amounting to \$16M.

The cost of all governmental activities this year was \$84M. 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 \$65M. The other \$18M to finance these programs was paid by those who directly benefited from them (\$6M) and by other governments that subsidized certain programs with grants (\$13M).

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>2004</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Police	\$26	\$25	19	19
General government	13	13	11	11
Highways and streets	11	11	8	8
Fire	10	10	10	10
Health and Welfare	<u>5</u>	<u>5</u>	<u>3</u>	<u>3</u>
Total	<u>\$65</u>	<u>\$64</u>	<u>\$51</u>	<u>\$51</u>

**Business-type Activities**

Total revenues generated from business-type activities this year amounted to \$51M. Expenses came in at \$40M, leaving \$11M as an increase to net assets before transfers, from which a net of \$6M in transfers were received from governmental activities, which consisted of an \$11M transfer to the Debt Service Fund, discussed in the following paragraph, offset by a transfer from the Bridge Fund to the General Fund of the City's share of net surplus revenue—resulting in an all-inclusive increase to net assets amounting to \$17M.

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 \$81M, a decrease of \$7M from last year. The decrease came about largely due to removing, in the Debt Service Fund, an advance to the Airport Fund, which it appears would be unable to repay and amounted to \$11M.

### 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, 2004 and 2003.

<b><u>Revenues &amp; Transfers-In</u></b>	<b><u>2004 Amount</u></b>	<b><u>% of Total</u></b>	<b><u>2003 Amount</u></b>	<b><u>Amount of Increase (Decrease)</u></b>	<b><u>% Increase (Decrease)</u></b>
Taxes	\$75,683,872	58.78%	\$69,506,277	\$6,177,595	8.89%
Licenses & permits	1,401,360	1.09%	1,434,515	-33,155	-2.31%
Intergovernmental	8,279,063	6.43%	5,504,875	2,774,188	33.51%
Charges for services	3,403,159	2.64%	2,991,704	411,455	13.75%
Fines and Forfeitures	2,344,084	1.82%	2,179,769	164,315	7.54%
Investment Income	1,686,288	1.31%	2,046,152	-359,864	-17.59%
Miscellaneous	9,269,224	7.20%	14,078,982	-4,809,758	-34.16%
Transfers-in	<u>26,698,057</u>	<u>20.73%</u>	<u>17,792,316</u>	<u>8,905,741</u>	<u>50.05%</u>
Total	<u>\$128,765,107</u>	<u>100.00%</u>	<u>\$115,534,590</u>	<u>\$13,230,517</u>	<u>11.45%</u>

#### ***Taxes***

The most significant increase in taxes this year is attributable to sales tax, which increased \$4M or 9.68% over last year. It was followed by property tax, which posted a \$1.5M or 7.77% increase. Franchise taxes remained relatively flat while hotel occupancy tax increased \$303K 11%.

#### ***Intergovernmental***

An increase in grant activity translated into an increase in this revenue by \$2.7M.

#### ***Investment Income***

Investment income decreased generally due to a decline in yields.

#### ***Miscellaneous***

Although oil and gas royalties increased by \$2M over last year due to an increase in production, last year a tract of land in the medical center was sold to Driscoll Clinic for \$4.5M.

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

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

## Expenditures and Transfers-Out

The following table presents a summary of general fund, special revenue funds, debt service fund and capital projects funds expenditures, transfers-out and other financing uses for the years ended September 30, 2004 and 2003.

<b><u>Expenditures &amp; Transfers-Out</u></b>	<b><u>2004 Amount</u></b>	<b><u>Percent of Total</u></b>	<b><u>2003 Amount</u></b>	<b><u>Amount of Increase (Decrease)</u></b>	<b><u>Percent of Increase (Decrease)</u></b>
General government	\$15,573,246	11.44%	\$14,152,828	\$1,420,418	10.04%
Public safety	37,466,003	27.51%	38,314,366	-848,363	-2.21%
Highways & streets	21,599,260	15.86%	17,238,974	4,360,286	25.29%
Health & welfare	5,710,156	4.19%	5,424,268	285,888	5.27%
Culture & recreation	17,059,656	12.53%	11,534,272	5,525,384	47.90%
Debt service:					
Principal	5,915,000	4.34%	25,970,000	-20,055,000	-77.22%
Interest & fiscal charges	314,546	.23%	1,109,026	-794,480	-71.64%
Transfers-out and other financing uses	<u>32,549,077</u>	<u>23.90%</u>	<u>10,319,608</u>	<u>22,229,469</u>	<u>215.41%</u>
Total	<u>\$136,186,944</u>	<u>100.00%</u>	<u>\$124,063,342</u>	<u>\$12,123,602</u>	<u>9.77%</u>

The major increase in governmental fund expenditures over last year was in highway/street and cultural and recreational projects offset by a substantial retirement of bonds last year. Some of the major projects include:

### Streets:

- North Ware Road
- Trenton – 23<sup>rd</sup> to Ware Road
- Trade Zone – 33<sup>rd</sup> to Formosa

### Drainage:

- 26<sup>th</sup> Street and Gumwood
- Northeast Blueline Ditch – Nolana to Wisconsin
- Northwest Blueline Ditch – Quince to Robin

### Recreational Projects:

- Quinta Mazatlan – Land & Renovation
- Skate Park Development
- Hike & Bike Trail – Phase II & III
- Park Trail – Bicentennial/2nd
- Golf Course Reconstruction

## Fund Balances

Combined fund balance for the governmental fund types decreased \$7M, from a balance of \$88M in the prior year to \$81M 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 \$5.3M—despite transferring \$10.5MM to the Capital Improvement Fund for funding future capital projects. As of September 30, 2004, fund balance amounts to \$47.7M. Of that amount, \$1.4M is reserved for an interfund advance to the Sanitation Fund, as well as \$510K reserved for encumbrances—leaving \$45.8M 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 238 days, which is 98 days in excess of the minimum requirement.

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

The fund balance of the Development Corp Fund increased from \$5.7M in the prior year to \$7.4M—an increase of \$1.7M.

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

The fund balance of the Capital Improvement Fund decreased \$2M—from \$24.5M in the prior year to \$22.5M.

## 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 a \$17M increase to net assets—from \$199M in the prior year to \$216M.

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

### ***Water Fund***

Although consumption decreased this year due to above average rainfall, operating revenues increased by 7%. The increase was principally due to an increase in the commodity rate. Operating expenses increased 9% over last year, leaving income before contributions and transfers at \$3M. This year \$6M in restricted assets, relating to bond construction proceeds, was transferred to the Sewer Fund. The resulting overall decrease to net assets amounted to \$3M. Working capital as of year-end amounted to \$6.7M, which represents 273 days of operating expenditures budgeted for next year's operations. The board policy is a minimum of 120 days.

### ***Sewer Fund***

Operating revenues increased by \$1M or 13%, primarily due to an increase in commodity rate. Operating expenses remained relatively flat with last year. With the \$6M transfer from the Water Fund, the increase to net assets amounted to \$8.3M. Working capital as of year-end amounted to \$8.5M, which represents 508 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 \$1.2M or 13% over prior year, which is primarily due to phasing out the business of dumpsters to private carriers as well as an increase in the customer base. As a whole, operating expenses increased \$923K, which resulted primarily from an increase in staffing as well as increased landfill cost due to increased volume—leaving an operating income of \$842K. Considering the effect of non-operating revenues, net assets increased by \$1M. Working capital as of year-end amounted to \$2.4M.

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

With operating revenues decreasing \$33K and expenses increasing \$290K, the Civic Center operated at a loss amounting to \$902K. With the added decrease in interest earnings, the net loss before transfers amounted to \$495K. Funding, provided by a transfer from a portion of hotel occupancy taxes, which increased over last year as well as a transfer from the Development Corporation to its restricted account for construction of a new convention center, resulted in an increase to net assets of \$3.5M. Within the restricted asset portion of the Statement of Net Assets, almost \$32M has been accumulated to assist in funding the new convention center. Working capital at year-end amounted to \$2.1M.

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

Operating revenues were declined this year by 6% from last year's levels, while operating expenses increased by 14%. As a result operating loss amounted to \$1.9M. 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 \$319K. Transfers-out to the City amounted to \$5.1M—of which \$4.1M was booked as an advance due to the Debt Service Fund for reimbursement of debt service requirements on the current year's early redemption of airport-related general obligation debt with the balance to the General Fund to reimburse for public safety personnel assigned to the Airport. This year it was determined that the Airport was unable to repay the advance to the Debt Service Fund and accordingly an \$11M transfer-in was reflected to eliminate the liability. As a result, an increase in net assets of \$6.9M is reported. Working capital has decreased to \$656K.

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

Despite the impact on crossings immediately following the terrorist attacks on September 11, 2001, fiscal year 2001-02 ended with overall increases in car southbound crossings. The following year southbound crossings declined by 6%. However, this year car activity decreased 4% and people crossings decreased by 3% from last year as indicated below:

<b><u>Category</u></b>	<b><u>FY 03-04</u></b>	<b><u>FY 02-03</u></b>	<b><u>Inc (Dec)</u></b>	<b><u>% Inc (Dec)</u></b>
Cars	5,465,002	5,672,769	(207,767)	(4%)
Trucks	20,238	25,437	(5,199)	(20%)
Buses	25,525	25,541	(16)	(1%)
People	14,256,027	14,659,050	(403,023)	(3%)

The increase in net assets from operating income is relatively flat with last year.

Operating revenues increased by \$238K or 2%, despite the decline in southbound car and truck crossings, as this year is the first full year reflecting the car toll increase implemented last year as well as the increase in rentals, under the rental agreement with UETA, which 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, Tamualipas, Mexico, which borders the bridge port of entry as well as avoid shipments of hazardous materials.

With operating expenses increase \$191K, operating income remained relatively flat with last year in the \$9.3M range.

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

Net assets increased \$19K increase as a result of this year's 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, 2004. Working capital at year end amounted to \$952K.

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

During the year the City Commission amended the budget several times. One category of adjustments related to requests not considered during the normal budgetary process. Despite increasing budgeted expenditures and transfers-out by \$8.4M, actual expenditures came under budget by \$2.6M.



## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year, the City had \$304M in capital assets.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$21	\$19	\$13	\$13	\$34	\$32
Buildings and improvements	40	39	116	118	156	157
Equipment	15	14	8	8	23	22
Infrastructure	58	51	8	7	66	58
Construction in progress	<u>6</u>	<u>-</u>	<u>19</u>	<u>12</u>	<u>25</u>	<u>12</u>
Totals	<u>\$140</u>	<u>\$123</u>	<u>\$164</u>	<u>\$158</u>	<u>\$304</u>	<u>\$281</u>

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

City wide –ROW Acquisitions	\$1
Purchase of land for Quinta Mazatlan	1
Street improvements	11
Water and sewer improvement projects	9
Airport improvement projects	1
Various street improvements under construction	<u>6</u>
Total	<u>\$29</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 \$39M in bonds outstanding—as shown in the following table:

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
General obligation bonds (backed by the City)	\$0	\$6	\$-	\$-	\$0	\$6
Revenue bonds (backed By specific tax and fee revenues	<u>39</u>	<u>-</u>	<u>42</u>	<u>42</u>	<u>39</u>	<u>42</u>
Totals	<u>\$39</u>	<u>\$6</u>	<u>\$42</u>	<u>\$42</u>	<u>\$39</u>	<u>\$48</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 2004-05 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 remain relatively flat with this year's actual of \$94M. Expenditures on the other hand, were budgeted with a \$18M increase, which primarily represents spending down fund balance in the Capital Improvement Fund.

Within the business-type activities, we expect that fiscal year 2004-05 revenues will increase by 10% with expenses remaining relatively stable with this fiscal year. Leading the increase in revenues are the Water and Sewer Funds. The Sewer Fund revenue estimate includes provision for a rate increase.

#### 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, 2004**

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

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

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

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

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

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

**CITY OF McALLEN, TEXAS**  
**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 liabilities	\$ 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	3,274,299	-	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>44,222,513</u>	<u>-</u>	<u>3,141,312</u>
Total government	<u>114,612,335</u>	<u>50,297,678</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

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)
(62,825,925)	-	(62,825,925)
-	1,470,084	1,470,084
-	1,265,599	1,265,599
-	694,576	694,576
-	190,083	190,083
-	(612,216)	(612,216)
-	1,845,239	1,845,239
-	(362,083)	(362,083)
-	5,916,967	5,916,967
-	10,408,249	10,408,249
(62,825,925)	10,408,249	(52,417,676)
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	753,914	11,825,120
7,472,708	(7,472,708)	-
90,588,676	(3,670,237)	86,918,439
27,762,751	6,738,012	34,500,763
191,769,791	192,824,237	384,594,028
\$ 219,532,542	\$ 199,562,249	\$ 419,094,791

**CITY OF McALLEN, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**For Fiscal Year Ended September 30, 2004**

	<u>General</u>	<u>Development Corp.</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 97,182	\$ 9,548
Certificates of deposit	24,000,455	-
Investments	23,243,435	3,145,938
Receivables, net:		
Taxes	3,487,855	-
Accounts	7,378,017	1,906,084
Accrued interest	198,583	-
Other	562,465	-
Due from other funds	153,918	-
Due from other governments	2,118	-
Interfund loan	<u>1,400,000</u>	<u>3,600,000</u>
Total assets	<u><u>\$ 60,524,028</u></u>	<u><u>\$ 8,661,570</u></u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 1,130,852	\$ 72,526
Accrued liabilities	1,781,925	-
Due to other funds	-	161,799
Deferred revenues	8,699,699	1,065,915
Other	<u>1,254,454</u>	<u>-</u>
Total liabilities	<u>12,866,930</u>	<u>1,300,240</u>
Fund balances:		
Reserved for encumbrances	509,821	-
Reserved for interfund loan	1,400,000	3,600,000
Unreserved-designated for economic development	-	1,414,939
Unreserved, reported in non-major funds		
Special revenue funds	-	-
Unreserved	<u>45,747,277</u>	<u>2,346,391</u>
Total fund balances	<u>47,657,098</u>	<u>7,361,330</u>
Total liabilities and fund balances	<u><u>\$ 60,524,028</u></u>	<u><u>\$ 8,661,570</u></u>

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

<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 67,568	\$ 253,381	\$ 427,679
22,315,614	2,512,641	48,828,710
639,026	228,643	27,257,042
-	-	3,487,855
-	235,913	9,520,014
-	-	198,583
-	333,219	895,684
-	-	153,918
147,955	429,633	579,706
352,716	-	5,352,716
<u><u>\$ 23,522,879</u></u>	<u><u>\$ 3,993,430</u></u>	<u><u>\$ 96,701,907</u></u>
\$ 534,050	\$ 254,852	\$ 1,992,280
504,643	7,790	2,294,358
-	277,528	439,327
-	419,356	10,184,970
-	-	1,254,454
<u>1,038,693</u>	<u>959,526</u>	<u>16,165,389</u>
-	-	509,821
352,716	-	5,352,716
-	-	1,414,939
-	974,544	974,544
22,131,470	2,059,360	72,284,498
<u>22,484,186</u>	<u>3,033,904</u>	<u>80,536,518</u>
<u><u>\$ 23,522,879</u></u>	<u><u>\$ 3,993,430</u></u>	<u><u>\$ 96,701,907</u></u>

**CITY OF McALLEN, TEXAS**  
**Reconciliation of the Balance Sheet of the Governmental Funds**  
**to the Statement of Net Assets**  
**September 30, 2004**

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Fund Balances--total governmental funds	\$ 80,536,518
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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.	134,170,977
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	9,448,477
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Internal service funds are used by management to charge the costs of certain activities, such as fleet management and insurance, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	16,200,414
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Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(5,146,595)</u>
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Net assets of governmental activities	<u><u>\$ 235,209,791</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, 2004**

	<u>General</u>	<u>Development Corp</u>
<b>REVENUES</b>		
Taxes	\$ 59,753,869	\$ 11,400,484
Licenses and permits	1,401,360	-
Intergovernmental	358,732	-
Charges for services	3,403,159	-
Fines and forfeitures	2,055,473	-
Interest	1,224,171	25,245
Decrease in the fair value of investments	(137,169)	-
Other	8,513,160	1
	<u>76,572,755</u>	<u>11,425,730</u>
Total revenues		
	<u>76,572,755</u>	<u>11,425,730</u>
<b>EXPENDITURES</b>		
Current:		
General government	12,862,054	897,841
Public safety	33,669,362	-
Highways and streets	8,686,590	581,799
Health and welfare	905,716	1,688,621
Culture and recreation	10,632,020	-
Debt service:		
Principal	-	25,000
Interest and fiscal charges	-	18,601
	<u>66,755,742</u>	<u>3,211,862</u>
Total expenditures		
	<u>66,755,742</u>	<u>3,211,862</u>
Excess of revenues over (under) expenditures	9,817,013	8,213,868
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	7,056,362	-
Transfers out	(11,610,355)	(6,547,463)
	<u>(4,553,993)</u>	<u>(6,547,463)</u>
Net other financing sources (uses)		
	<u>(4,553,993)</u>	<u>(6,547,463)</u>
Net change in fund balances	5,263,020	1,666,405
Fund balances at beginning of year	42,394,078	5,694,925
Fund balances at end of year	<u>\$ 47,657,098</u>	<u>\$ 7,361,330</u>

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

<b>Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 4,529,519	\$ 75,683,872
-	-	1,401,360
1,123,207	6,797,124	8,279,063
-	-	3,403,159
-	288,611	2,344,084
497,268	76,773	1,823,457
-	-	(137,169)
10,714	745,349	9,269,224
<u>1,631,189</u>	<u>12,437,376</u>	<u>102,067,050</u>
528,777	1,284,574	15,573,246
500,807	3,295,834	37,466,003
11,695,528	635,343	21,599,260
-	3,115,819	5,710,156
6,169,991	257,645	17,059,656
-	5,890,000	5,915,000
-	295,945	314,546
<u>18,895,103</u>	<u>14,775,160</u>	<u>103,637,867</u>
(17,263,914)	(2,337,784)	(1,570,817)
15,575,706	4,065,989	26,698,057
<u>(310,309)</u>	<u>(14,080,950)</u>	<u>(32,549,077)</u>
<u>15,265,397</u>	<u>(10,014,961)</u>	<u>(5,851,020)</u>
(1,998,517)	(12,352,745)	(7,421,837)
<u>24,482,703</u>	<u>15,386,649</u>	<u>87,958,355</u>
<u><u>\$ 22,484,186</u></u>	<u><u>\$ 3,033,904</u></u>	<u><u>\$ 80,536,518</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, 2004**

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Net change in fund balances--total governmental funds	\$ (7,421,837)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays -\$23,718,101 exceeded depreciation -\$7,454,810 in the current period.	16,272,291
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In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.	(443,473)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	251,206
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	5,915,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(364,978)
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Internal service funds are used by management to charge the costs of certain activities, such as fleet management and insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	<u>1,469,040</u>
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Change in net assets of governmental activities	<u><u>\$ 15,677,249</u></u>
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The notes to the financial statements are an integral part of this statement.

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes:				
Property	\$ 18,540,421	\$ 18,540,421	\$ 19,776,004	\$ 1,235,583
Sales	30,908,000	30,908,000	34,201,451	3,293,451
Franchise	<u>5,250,000</u>	<u>5,250,000</u>	<u>5,776,414</u>	<u>526,414</u>
Total taxes	<u>54,698,421</u>	<u>54,698,421</u>	<u>59,753,869</u>	<u>5,055,448</u>
Licenses and permits:				
Business licenses and permits	22,000	22,000	40,403	18,403
Occupational	66,300	66,300	104,831	38,531
Non-business licenses and permits	<u>989,302</u>	<u>989,302</u>	<u>1,256,126</u>	<u>266,824</u>
Total licenses and permits	<u>1,077,602</u>	<u>1,077,602</u>	<u>1,401,360</u>	<u>323,758</u>
Intergovernmental revenues:				
State shared revenues	<u>300,000</u>	<u>300,000</u>	<u>358,732</u>	<u>58,732</u>
Total intergovernmental revenues	<u>300,000</u>	<u>300,000</u>	<u>358,732</u>	<u>58,732</u>
Charges for services:				
General government	1,231,600	1,231,600	1,372,373	140,773
Public safety	486,143	486,143	466,776	(19,367)
Highways and streets	376,000	376,000	548,330	172,330
Health	344,500	344,500	400,883	56,383
Culture and recreation	<u>561,900</u>	<u>561,900</u>	<u>614,797</u>	<u>52,897</u>
Total charges for services	<u>3,000,143</u>	<u>3,000,143</u>	<u>3,403,159</u>	<u>403,016</u>
Fines and forfeitures:				
Corporations court	1,400,000	1,426,403	1,784,491	358,088
Other fines	<u>200,500</u>	<u>200,500</u>	<u>270,982</u>	<u>70,482</u>
Total fines and forfeitures	<u>1,600,500</u>	<u>1,626,903</u>	<u>2,055,473</u>	<u>428,570</u>
Interest	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,224,171</u>	<u>224,171</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, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Decrease in fair value of investments	\$ -	\$ -	\$ (137,169)	\$ (137,169)
Other:				
Royalties	3,500,000	3,500,000	8,075,238	4,575,238
Rents and concessions	40,000	40,000	60,617	20,617
Reimbursements	17,000	17,000	87,023	70,023
Other	112,357	118,757	290,282	171,525
Total other revenues	3,669,357	3,675,757	8,513,160	4,837,403
Total revenues	65,346,023	65,378,826	76,572,755	11,193,929
Expenditures:				
General government:				
City commission	121,099	122,789	128,163	(5,374)
Special service	565,460	865,460	1,036,454	(170,994)
City manager	504,238	515,169	522,176	(7,007)
City secretary	615,424	630,690	586,051	44,639
Audit office	140,724	146,454	156,185	(9,731)
Municipal court	850,991	899,266	760,157	139,109
Finance	853,933	877,849	785,130	92,719
Tax office	663,469	669,404	795,266	(125,862)
Purchasing and contracting	294,973	302,110	293,171	8,939
Legal	632,874	681,144	692,548	(11,404)
Grant administration	163,997	168,071	160,127	7,944
Right of way	126,884	130,657	134,447	(3,790)
Human resources	1,853,828	809,551	697,051	112,500
Risk management	1,047,059	1,047,059	1,047,059	-
Planning	797,116	817,613	724,603	93,010
Information technology	1,143,874	1,165,641	1,039,398	126,243
Information services	321,992	350,949	355,782	(4,833)
City hall	727,875	729,770	563,154	166,616
Building maintenance	326,811	334,171	288,755	45,416
Non-departmental activities	2,108,843	2,108,843	2,096,377	12,466
Total general government	13,861,464	13,372,660	12,862,054	510,606

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public safety:				
Police	\$ 20,886,165	\$ 21,708,063	\$ 20,787,354	\$ 920,709
Animal control	154,880	158,222	157,596	626
Communication technology	-	47,063	85,628	(38,565)
Fire	9,562,040	10,134,223	9,867,291	266,932
Traffic operations	1,649,416	1,668,711	1,623,113	45,598
Downtown services	544,102	554,250	498,494	55,756
Inspection	<u>711,645</u>	<u>724,605</u>	<u>649,886</u>	<u>74,719</u>
Total public safety	<u>33,508,248</u>	<u>34,995,137</u>	<u>33,669,362</u>	<u>1,325,775</u>
Highways and streets:				
Engineering services	1,687,881	1,722,655	1,693,441	29,214
Street cleaning	363,948	367,356	342,259	25,097
Street maintenance	3,243,576	3,266,858	3,196,977	69,881
Street lighting	1,727,995	1,727,995	1,418,983	309,012
Sidewalk construction	584,458	591,536	602,186	(10,650)
Drainage	<u>842,679</u>	<u>1,354,422</u>	<u>1,432,744</u>	<u>(78,322)</u>
Total highways and streets	<u>8,450,537</u>	<u>9,030,822</u>	<u>8,686,590</u>	<u>344,232</u>
Health and welfare:				
Health	556,908	571,072	584,558	(13,486)
Graffiti cleaning	136,389	138,318	129,926	8,392
Other agencies	<u>179,928</u>	<u>179,928</u>	<u>191,232</u>	<u>(11,304)</u>
Total health and welfare	<u>873,225</u>	<u>889,318</u>	<u>905,716</u>	<u>(16,398)</u>
Culture and recreation:				
Parks and recreation administration	391,273	401,862	444,202	(42,340)
Parks	3,297,842	3,343,501	3,239,434	104,067
Recreation	736,472	743,258	896,212	(152,954)
Pools	570,310	574,433	654,302	(79,869)
Las palmas community center	321,335	325,820	297,891	27,929
Recreation center-Lark	458,517	463,754	372,474	91,280
Recreation center-Palmview	461,483	465,541	411,209	54,332

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Quinta mazatlan renovations	\$ 36,769	\$ 36,769	\$ 16,008	\$ 20,761
Library	2,465,325	2,520,763	2,297,543	223,220
Library branch-Lark	451,916	458,911	364,442	94,469
Library branch-Palmview	457,771	469,407	404,728	64,679
Other agencies	591,500	591,500	526,500	65,000
Museums	<u>707,075</u>	<u>707,075</u>	<u>707,075</u>	<u>-</u>
Total culture and recreation	<u>10,947,588</u>	<u>11,102,594</u>	<u>10,632,020</u>	<u>470,574</u>
Total expenditures	<u>67,641,062</u>	<u>69,390,531</u>	<u>66,755,742</u>	<u>2,634,789</u>
Excess of revenues over expenditures	<u>(2,295,039)</u>	<u>(4,011,705)</u>	<u>9,817,013</u>	<u>13,828,718</u>
Other financing sources (uses)				
Transfers in	6,661,468	6,661,468	7,056,362	394,894
Transfers out	<u>(4,925,000)</u>	<u>(11,610,355)</u>	<u>(11,610,355)</u>	<u>-</u>
Net other financing sources (uses)	<u>1,736,468</u>	<u>(4,948,887)</u>	<u>(4,553,993)</u>	<u>394,894</u>
Net change in fund balances	(558,571)	(8,960,592)	5,263,020	14,223,612
Fund balances at begining of year	<u>42,394,078</u>	<u>42,394,078</u>	<u>42,394,078</u>	<u>-</u>
Fund balances at end of year	<u><b>\$ 41,835,507</b></u>	<u><b>\$ 33,433,486</b></u>	<u><b>\$ 47,657,098</b></u>	<u><b>\$ 14,223,612</b></u>

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

**CITY OF McALLEN, TEXAS**  
**DEVELOPMENT CORPORATION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Sales tax	\$ 10,302,667	\$ 10,302,667	\$ 11,400,484	\$ 1,097,817
Interest	110,570	110,570	25,245	(85,325)
Other	<u>228,269</u>	<u>228,269</u>	<u>1</u>	<u>(228,268)</u>
Total revenues	<u>10,641,506</u>	<u>10,641,506</u>	<u>11,425,730</u>	<u>784,224</u>
Expenditures:				
Current:				
General government	2,085,512	1,291,783	897,841	393,942
Highways and streets	6,440,191	601,240	581,799	19,441
Health and welfare	1,415,000	1,915,000	1,688,621	226,379
Culture and recreation	1,415,000	105,185	-	105,185
Debt service:				
Principal	25,000	25,000	25,000	-
Interest and fiscal charges	<u>18,719</u>	<u>18,719</u>	<u>18,601</u>	<u>118</u>
Total expenditures	<u>11,399,422</u>	<u>3,956,927</u>	<u>3,211,862</u>	<u>745,065</u>
Excess (deficiency) of revenues over expenditures	<u>(757,916)</u>	<u>6,684,579</u>	<u>8,213,868</u>	<u>1,529,289</u>
Other financing uses:				
Transfers out	<u>(2,042,201)</u>	<u>(10,089,881)</u>	<u>(6,547,463)</u>	<u>3,542,418</u>
Total other financing sources (uses)	<u>(2,042,201)</u>	<u>(10,089,881)</u>	<u>(6,547,463)</u>	<u>3,542,418</u>
Net changes in fund balances	(2,800,117)	(3,405,302)	1,666,405	5,071,707
Fund balances--beginning	<u>5,694,925</u>	<u>5,694,925</u>	<u>5,694,925</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 2,894,808</u></u>	<u><u>\$ 2,289,623</u></u>	<u><u>\$ 7,361,330</u></u>	<u><u>\$ 5,071,707</u></u>

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

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

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>McAllen International Civic Center</u>	<u>McAllen International Airport</u>
<b>ASSETS</b>					
Current assets:					
Cash	\$ 70,291	\$ 79,346	\$ 6,324	\$ 11,655	\$ 26,776
Certificate of deposit	317,677	3,963,628	1,561,118	1,330,985	402,378
Investments	5,216,809	3,520,139	175,953	695,545	211,076
Receivables, net:					
Accounts	1,386,644	1,094,245	1,169,404	-	71,214
Accrued interest	46,611	21,096	-	2,112	-
Other	-	18,288	-	-	-
Due from other funds	-	-	-	66,382	-
Due from other governments	-	-	-	-	241,590
Inventories, at cost	24,030	-	-	-	-
Total current assets	<u>7,062,062</u>	<u>8,696,742</u>	<u>2,912,799</u>	<u>2,106,679</u>	<u>953,034</u>
Restricted assets:					
Cash	23,438	22,534	26,546	22,637	11,909
Certificate of deposits	13,758,486	4,358,621	1,018,649	20,133,427	1,690,481
Certificate of deposits-for distribution	-	-	-	-	-
Money market savings	962,829	8,451,983	-	-	-
Investments	2,035,091	2,248,572	125,692	5,465,978	257,766
Accrued interest	3,025	13,424	-	12,674	-
Due from other funds	-	-	-	99,574	-
Other	-	-	-	5,896,143	68
Total restricted assets	<u>16,782,869</u>	<u>15,095,134</u>	<u>1,170,887</u>	<u>31,630,433</u>	<u>1,960,224</u>
Capital assets	87,479,312	57,232,460	13,425,784	8,458,207	66,347,214
Less accumulated depreciation	<u>(27,235,774)</u>	<u>(27,466,313)</u>	<u>(7,728,927)</u>	<u>(2,243,345)</u>	<u>(21,432,350)</u>
Net fixed assets	<u>60,243,538</u>	<u>29,766,147</u>	<u>5,696,857</u>	<u>6,214,862</u>	<u>44,914,864</u>
Other assets					
Loans receivable	98,844	98,844	-	-	-
Other assets, net	<u>1,784,959</u>	<u>116,266</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other assets	<u>1,883,803</u>	<u>215,110</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 85,972,272</u></u>	<u><u>\$ 53,773,133</u></u>	<u><u>\$ 9,780,543</u></u>	<u><u>\$ 39,951,974</u></u>	<u><u>\$ 47,828,122</u></u>

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

<b>McAllen International Toll Bridge</b>	<b>Other Proprietary Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$ 108,289	\$ 24,878	\$ 327,559	\$ 409,248
366,419	351,835	8,294,040	9,754,501
1,405,044	40,254	11,264,820	3,445,186
-	573	3,722,080	122,854
-	-	69,819	4,225
-	-	18,288	-
-	161,799	228,181	-
-	-	241,590	-
-	-	24,030	416,449
<u>1,879,752</u>	<u>579,339</u>	<u>24,190,407</u>	<u>14,152,463</u>
35,320	54,179	196,563	-
4,979,213	-	45,938,877	-
6,081,286	-	6,081,286	-
-	-	9,414,812	-
1,715,925	123,272	11,972,296	-
6,337	-	35,460	-
-	-	99,574	-
<u>189,957</u>	<u>-</u>	<u>6,086,168</u>	<u>-</u>
<u>13,008,038</u>	<u>177,451</u>	<u>79,825,036</u>	<u>-</u>
11,805,708	13,835,169	258,583,854	9,738,512
<u>(5,037,292)</u>	<u>(3,253,190)</u>	<u>(94,397,191)</u>	<u>(4,218,325)</u>
<u>6,768,416</u>	<u>10,581,979</u>	<u>164,186,663</u>	<u>5,520,187</u>
-	-	197,688	-
<u>680,686</u>	<u>-</u>	<u>2,581,911</u>	<u>-</u>
<u>680,686</u>	<u>-</u>	<u>2,779,599</u>	<u>-</u>
<u><u>\$ 22,336,892</u></u>	<u><u>\$ 11,338,769</u></u>	<u><u>\$ 270,981,705</u></u>	<u><u>\$ 19,672,650</u></u>

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

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>McAllen International Civic Center</u>	<u>McAllen International Airport</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 279,513	\$ 136,024	\$ 377,347	\$ 25,652	\$ 72,342
Accrued expenses	131,444	84,167	126,473	20,609	224,578
Due to other funds	-	-	-	-	-
Due to other government agencies	-	-	-	-	-
Other	5,840	-	-	17	427
	<u>416,797</u>	<u>220,191</u>	<u>503,820</u>	<u>46,278</u>	<u>297,347</u>
Total current liabilities					
Current liabilities (payable from restricted assets):					
Accounts payable	92,677	36,783	-	1,978	-
Accrued expenses	951,274	193,696	-	116,507	34,340
Due to other funds	-	-	-	-	-
Current portion of revenue bonds	597,600	1,172,400	-	-	-
Customer deposits	1,561,341	-	-	16,268	-
Other	-	-	-	177	-
Notes payable	-	-	-	2,000,000	-
	<u>3,202,892</u>	<u>1,402,879</u>	<u>-</u>	<u>2,134,930</u>	<u>34,340</u>
Total liabilities (payable from restricted assets)					
Other noncurrent liabilities:					
Advances from other funds	-	-	1,400,000	-	-
Revenue bonds, net of current portion and discount	25,860,800	8,994,200	-	-	-
Accumulated unpaid compensated absences	188,659	144,255	114,547	19,920	48,869
Arbitrage payable	554,636	205,139	-	-	-
Other	-	-	-	-	-
Deferred revenues	190,967	1,135,084	120,403	38,380	114,106
	<u>26,795,062</u>	<u>10,478,678</u>	<u>1,634,950</u>	<u>58,300</u>	<u>162,975</u>
Total other noncurrent liabilities					
Total liabilities	<u>30,414,751</u>	<u>12,101,748</u>	<u>2,138,770</u>	<u>2,239,508</u>	<u>494,662</u>
<b>NET ASSETS</b>					
Invested in capital assets	33,993,090	27,996,769	5,696,857	6,214,862	44,914,864
Restricted for:					
Capital projects	13,770,170	6,076,226	1,170,887	29,495,503	1,925,884
Debt service	199,201	390,800	-	-	-
Other	-	-	-	-	-
Unrestricted	7,595,060	7,207,590	774,029	2,002,101	492,712
	<u>55,557,521</u>	<u>41,671,385</u>	<u>7,641,773</u>	<u>37,712,466</u>	<u>47,333,460</u>
Total net assets					
Total liabilities and net assets	<u><u>\$ 85,972,272</u></u>	<u><u>\$ 53,773,133</u></u>	<u><u>\$ 9,780,543</u></u>	<u><u>\$ 39,951,974</u></u>	<u><u>\$ 47,828,122</u></u>

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

<b>McAllen International Toll Bridge</b>	<b>Other Proprietary Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$ 51,383	\$ 100,940	\$ 1,043,201	\$ 276,624
44,944	37,401	669,616	2,313,391
-	2,000	2,000	-
830,983	-	830,983	-
-	-	6,284	-
927,310	140,341	2,552,084	2,590,015
50,312	-	181,750	-
29,172	-	1,324,989	-
40,346	-	40,346	-
200,000	-	1,970,000	-
-	-	1,577,609	-
-	-	177	-
-	-	2,000,000	-
319,830	-	7,094,871	-
-	3,952,716	5,352,716	-
1,730,000	-	36,585,000	-
78,686	55,997	650,933	54,099
-	-	759,775	-
-	984	984	-
22,384	81,353	1,702,677	1,105
1,831,070	4,091,050	45,052,085	55,204
3,078,210	4,231,391	54,699,040	2,645,219
6,220,849	10,581,979	135,619,270	5,520,187
4,637,603	177,452	57,253,721	-
827,117	-	1,417,119	-
6,040,940	-	6,040,940	-
1,532,173	(3,652,053)	15,951,615	11,507,244
19,258,682	7,107,378	216,282,665	17,027,431
<b>\$ 22,336,892</b>	<b>\$ 11,338,769</b>	<b>\$ 270,981,705</b>	<b>\$ 19,672,650</b>



**CITY OF MCALLEN, TEXAS**  
**Reconciliation of the Statement of Net Assets of the Proprietary Funds**  
**to the Government-Wide Statement of Net Assets**  
**September 30, 2004**

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Fund equity - total proprietary funds	\$ 216,282,665
Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.	<u>827,015</u>
Net assets of business-type activities	<u><u>\$ 217,109,680</u></u>

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

**CITY OF McALLEN, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2004**

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>McAllen International Civic Center</u>
<b>Operating revenues</b>				
Charges for services	\$ 11,511,690	\$ 9,246,476	\$ 10,215,117	\$ 23,952
Rentals	-	-	-	360,578
Other	-	-	-	-
Total operating revenues	<u>11,511,690</u>	<u>9,246,476</u>	<u>10,215,117</u>	<u>384,530</u>
<b>Operating expenses</b>				
Salaries, wages and employee benefits	3,354,976	2,184,296	3,318,758	591,450
Supplies and materials	1,905,960	412,825	149,311	30,836
Contractual and other services	1,670,238	2,275,572	3,421,407	477,845
Repairs and maintenance	446,680	316,421	1,617,419	51,401
Depreciation and amortization	2,327,232	1,976,065	866,548	134,683
Self insurance claims	-	-	-	-
Other	<u>(292,852)</u>	<u>(539,366)</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>9,412,234</u>	<u>6,625,813</u>	<u>9,373,443</u>	<u>1,286,215</u>
Operating income (loss)	<u>2,099,456</u>	<u>2,620,663</u>	<u>841,674</u>	<u>(901,685)</u>
Non operating revenues (expenses)				
Interest income	974,157	481,439	43,010	514,525
Net increase (decrease) in fair value of investments	(21,446)	(9,671)	-	(10,220)
Interest expense	(885,974)	(1,071,455)	-	(99,726)
Other	<u>860,399</u>	<u>199,336</u>	<u>124,631</u>	<u>2,209</u>
Net non-operating revenues (expenses)	<u>927,136</u>	<u>(400,351)</u>	<u>167,641</u>	<u>406,788</u>
Income (loss) before contributions and transfers	3,026,592	2,220,312	1,009,315	(494,897)
Capital contributions	38,395	63,200	-	-
Transfers in	-	6,029,376	-	4,022,083
Transfers out	<u>(6,029,376)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(2,964,389)	8,312,888	1,009,315	3,527,186
Total net assets--beginning	<u>58,521,910</u>	<u>33,358,497</u>	<u>6,632,458</u>	<u>34,185,280</u>
Total assets--ending	<u><u>\$ 55,557,521</u></u>	<u><u>\$ 41,671,385</u></u>	<u><u>\$ 7,641,773</u></u>	<u><u>\$ 37,712,466</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>
\$ 1,290,679	\$ 10,223,227	\$ 1,316,890	\$ 43,828,031	\$ 3,962,648
1,958,998	1,226,033	-	3,545,609	-
-	77,124	-	77,124	9,580,102
<u>3,249,677</u>	<u>11,526,384</u>	<u>1,316,890</u>	<u>47,450,764</u>	<u>13,542,750</u>
795,782	1,150,323	911,368	12,306,953	754,620
31,788	83,422	120,482	2,734,624	14,498
820,601	523,326	512,568	9,701,557	3,259,196
465,145	115,634	104,797	3,117,497	21,829
2,222,182	319,274	447,243	8,293,227	1,199,138
-	-	-	-	7,273,114
-	-	-	(832,218)	-
<u>4,335,498</u>	<u>2,191,979</u>	<u>2,096,458</u>	<u>35,321,640</u>	<u>12,522,395</u>
<u>(1,085,821)</u>	<u>9,334,405</u>	<u>(779,568)</u>	<u>12,129,124</u>	<u>1,020,355</u>
44,981	164,083	8,800	2,230,995	232,867
-	(4,380)	-	(45,717)	(2,920)
-	(91,390)	-	(2,148,545)	-
<u>721,352</u>	<u>(3,547,650)</u>	<u>26,016</u>	<u>(1,613,707)</u>	<u>459,602</u>
<u>766,333</u>	<u>(3,479,337)</u>	<u>34,816</u>	<u>(1,576,974)</u>	<u>689,549</u>
(319,488)	5,855,068	(744,752)	10,552,150	1,709,904
-	-	801,801	903,396	-
12,303,969	-	499,003	22,854,431	-
<u>(5,137,800)</u>	<u>(5,836,235)</u>	<u>-</u>	<u>(17,003,411)</u>	<u>-</u>
6,846,681	18,833	556,052	17,306,566	1,709,904
<u>40,486,779</u>	<u>19,239,849</u>	<u>6,551,326</u>	<u>198,976,099</u>	<u>15,317,527</u>
<u><u>\$ 47,333,460</u></u>	<u><u>\$ 19,258,682</u></u>	<u><u>\$ 7,107,378</u></u>	<u><u>\$ 216,282,665</u></u>	<u><u>\$ 17,027,431</u></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, 2004**

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Change in net assets - total proprietary funds	\$ 17,306,566
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-type activities.	<u>240,865</u>
Net assets of business-type activities	<u><u>\$ 17,547,431</u></u>

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

**CITY OF McALLEN, TEXAS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
For Fiscal Year Ended September 30, 2004**

	<b>Business Type Activities</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>McAllen International Civic Center</b>
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 11,257,311	\$ 9,034,919	\$ 10,047,113	\$ 384,530
Payments to suppliers	(3,385,086)	(2,210,511)	(5,155,904)	(492,416)
Payments to employees	(4,975,471)	(2,686,369)	(3,326,442)	(595,920)
Internal activity--payments to other fund	916,431	-	-	-
Claims paid	-	-	-	-
Other receipts (payments)	-	262,534	124,631	2,209
Net cash provided (used) by operating activities	3,813,185	4,400,573	1,689,398	(701,597)
<b>Cash flows from noncapital financing activities:</b>				
Transfers from other funds	-	6,029,376	-	4,022,083
Transfers to other funds	(6,029,376)	-	-	-
Other	-	-	-	-
Reduction of advances from other funds	-	-	-	-
Distribution of income to City of Hidalgo	-	-	-	-
Receipt of capital contribution	-	-	-	-
Net cash provided by (used for) noncapital financing activities:	(6,029,376)	6,029,376	-	4,022,083
<b>Cash flows from capital and related financing activities:</b>				
Payments for capital acquisition	(6,649,189)	(3,202,191)	(1,126,880)	(3,128,705)
Principal repayments--bonds	(564,000)	(1,111,000)	-	-
Interest paid	(885,974)	(1,051,577)	-	(99,726)
Net cash provided used by capital and related financing activities	(8,099,163)	(5,364,768)	(1,126,880)	(3,228,431)
<b>Cash flows from investing activities:</b>				
Investment activity, net	949,687	464,711	(576,984)	(585,000)
Receipt of interest	9,353,352	(5,591,714)	43,010	504,306
Net cash provided (used) by investing activities:	10,303,039	(5,127,003)	(533,974)	(80,694)
Net increase (decrease) in cash	(12,315)	(61,822)	28,544	11,361
Cash at beginning of year	106,044	163,702	4,326	22,931
Cash at end of year	<u>\$ 93,729</u>	<u>\$ 101,880</u>	<u>\$ 32,870</u>	<u>\$ 34,292</u>

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

Business Type Activities				Governmental Activities
McAllen International Airport	McAllen International Toll Bridge	Other Proprietary Funds	Total	Internal Service Funds
\$ 3,130,763 (1,246,114) (793,913) - - 42,222	\$ 11,526,385 (761,993) (1,093,992) - - -	\$ 1,163,605 (677,120) (908,095) - - 26,016	\$ 46,544,626 (13,929,144) (14,380,202) 916,431 - 457,612	\$ 13,466,654 (3,019,672) (756,719) - (7,273,114) 419,206
1,132,958	9,670,400	(395,594)	19,609,323	2,836,355
12,303,969 (5,137,800) - (7,057,267) - 679,130	- (5,833,985) (193,082) - (3,414,583) -	499,003 - - (100,000) - -	22,854,431 (17,001,161) (193,082) (7,157,267) (3,414,583) 679,130	- - - - - -
788,032	(9,441,650)	399,003	(4,232,532)	-
(1,707,371) - -	(779,457) (190,000) (99,376)	(8,800) - -	(16,602,593) (1,865,000) (2,136,653)	(2,120,214) - -
(1,707,371)	(1,068,833)	(8,800)	(20,604,246)	(2,120,214)
(236,515) 44,980	564,098 211,926	10,118 8,799	590,115 4,574,659	(919,793) 232,867
(191,535)	776,024	18,917	5,164,774	(686,926)
22,084	(64,059)	13,526	(62,681)	29,215
16,601	207,668	65,531	586,803	380,033
<b>\$ 38,685</b>	<b>\$ 143,609</b>	<b>\$ 79,057</b>	<b>\$ 524,122</b>	<b>\$ 409,248</b>

**CITY OF McALLEN, TEXAS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
For Fiscal Year Ended September 30, 2004**

	<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)	\$ 2,099,456	\$ 2,620,663	\$ 841,674	\$ (901,685)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	2,327,232	1,976,066	866,548	134,683
Miscellaneous income (expense)	916,431	262,534	116,950	6,678
Accounts receivable	(261,369)	(151,559)	(168,004)	-
Loan receivable	6,990	-	-	-
Other receivables	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	(5,258)
Inventories	(484)	-	-	-
Other assets, net	-	-	-	-
Accounts payable	(251,254)	(120,300)	48,918	(13,440)
Other payables	-	-	-	-
Accrued expenses	(1,008,768)	(126,831)	(35,124)	80,900
Due to other funds	-	-	-	-
Other current liabilities	-	-	-	-
Deferred revenue	(15,049)	(60,000)	18,436	(3,475)
Net cash provided (used) by operating activities	<u>\$ 3,813,185</u>	<u>\$ 4,400,573</u>	<u>\$ 1,689,398</u>	<u>\$ (701,597)</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
\$ (1,085,821)	\$ 9,334,405	\$ (779,568)	\$ 12,129,124	\$ 1,020,355
2,222,182	319,274	447,242	8,293,227	1,199,138
44,091	-	29,292	1,375,976	457,504
122,676	-	-	(458,256)	40,242
-	-	-	6,990	-
-	-	(153,285)	(153,285)	(806)
(241,590)	-	-	(241,590)	-
-	-	-	(5,258)	-
-	-	-	(484)	(21,881)
-	-	-	-	-
(34,058)	4,597	46,579	(318,958)	(37,621)
-	(4,054)	(26,805)	(30,859)	-
24,018	-	(1,116)	(1,066,921)	179,424
-	-	2,000	2,000	-
22,679	11,387	-	34,066	-
58,781	4,791	40,067	43,551	-
<b>\$ 1,132,958</b>	<b>\$ 9,670,400</b>	<b>\$ (395,594)</b>	<b>\$ 19,609,323</b>	<b>\$ 2,836,355</b>

**CITY OF McALLEN , TEXAS**  
**FIREMEN RELIEF AND RETIREMENT FUND**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 573,290	\$ 2,572,767
Investments at fair value:		
U.S. Government securities	5,820,364	5,956,203
Corporate stocks	<u>18,199,416</u>	<u>13,490,840</u>
 Total investments	 <u>24,019,780</u>	 <u>19,447,043</u>
 Total assets	 <u>\$ 24,593,070</u>	 <u>\$ 22,019,810</u>
<b>LIABILITIES</b>		
Accounts payable	<u>\$ 100</u>	<u>\$ 856</u>
 Total liabilities	 <u>100</u>	 <u>856</u>
 Net assets held in trust for pension benefits	 <u><u>\$ 24,592,970</u></u>	 <u><u>\$ 22,018,954</u></u>

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

**CITY OF McALLEN , TEXAS**  
**FIREMEN'S RELIEF AND RETIREMENT FUND**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<b>2004</b>	<b>2003</b>
<b>ADDITIONS</b>		
Member	\$ 634,699	\$ 592,130
Employer	703,751	657,742
Total contributions	<u>1,338,450</u>	<u>1,249,872</u>
Investment earnings:		
Interest and dividends	517,108	570,512
Gain on sale of investments	661,353	319,284
Net depreciation in fair value of investments	<u>1,671,445</u>	<u>1,273,696</u>
Total investment earnings	2,849,906	2,163,492
Less: investment expense	<u>(304,327)</u>	<u>(238,038)</u>
Net investment earnings	<u>2,545,579</u>	<u>1,925,454</u>
Total additions	<u>3,884,029</u>	<u>3,175,326</u>
<b>DEDUCTIONS</b>		
Benefits	885,228	754,586
Refund of contributions	407,475	66,493
Administrative expense	<u>17,310</u>	<u>16,007</u>
Total deductions	<u>1,310,013</u>	<u>837,086</u>
Changes in net assets	2,574,016	2,338,240
Total net assets--beginning	<u>22,018,954</u>	<u>19,680,714</u>
Total net assets--ending	<u><u>\$ 24,592,970</u></u>	<u><u>\$ 22,018,954</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, 2004**

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

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

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

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

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

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

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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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

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

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

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

#### *Government-wide Financial Statements*

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

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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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

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

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

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

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

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

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

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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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.

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



# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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

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

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

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

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

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

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

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

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

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

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

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

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

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

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

- Certificates of Deposit
- Local government investment pools

The City's investments are reported at fair value.

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

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

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 2004.

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

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

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

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

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

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

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

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

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

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

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

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

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

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

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 – 50 years
Equipment	5 – 15 years
Infrastructure	15 – 40 years

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

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

### **(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

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

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. Certain reclassifications have been made to prior year comparative totals to conform to the current year presentation.

## **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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2004

have been prepared on a non-GAAP basis, which excludes depreciation but includes capital outlay and debt principal payments.

7. Annual budgeted expenditures are adopted at the department level within funds. As described above, the City Manager is authorized to make transfers within a department. Accordingly, the level at which expenditures cannot legally exceed appropriations is the department level. During the year, several supplementary appropriations were necessary.

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

For the year ended September 30, 2004, expenditures in certain general fund departments exceeded appropriations. The fund, related departments and the excess of expenditures over appropriations are as follows:

<u>Department</u>	
General Fund:	
City commission	\$ (5,374)
Special services	(170,994)
City manager	(7,007)
Audit office	(9,731)
Tax office	(125,862)
Legal	(11,404)
Right of way	(3,790)
Information services	(4,833)
Economic development	(18,078)
Communication technology	(30,770)
Sidewalk construction	(10,650)
Drainage	(78,322)
Health	(13,486)
Other agencies	(11,304)
Parks administration	(42,340)
Recreation	(152,954)
Pools	<u>(79,869)</u>
Total general fund	<u>\$ (776,768)</u>



# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

### **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, 2004, 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, 2004. 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, 2004, the City's deposits and investments are reflected in the following page.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2004

	Category			Carrying Amount	Fair Value
	1	2	3		
U.S. Government securities	\$ 33,599,774	\$ -	\$ -	\$ 33,599,774	\$ 33,599,774
Certificates of deposit	118,897,414	-	-	118,897,414	118,897,414
	<u>\$ 152,497,188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,497,188</u>	<u>\$ 152,497,188</u>
Investments not subject to categorization:					
TexPool				20,339,570	20,339,570
Total investments				<u>\$ 172,836,758</u>	<u>\$ 172,836,758</u>

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

### Firemen's Relief and Retirement Fund Investments

The Firemen's Relief and Retirement Fund Investments are recorded at fair value as of September 30, 2004. The composition of these investments is as follows:

	Category			Carrying Amount	Fair Value
	1	2	3		
U.S. Government securities	\$ -	\$ 5,820,364	\$ -	\$ 5,820,364	\$ 5,820,364
Corporate securities	-	18,199,416	-	18,199,416	18,199,416
Certificates of deposit	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 24,019,780</u>	<u>\$ -</u>	<u>\$ 24,019,780</u>	<u>\$ 24,019,780</u>

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2004**

### **(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:

	<u>General</u>	Dev <u>Corp</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	Civic <u>Center</u>	<u>Airport</u>	Non-Major <u>&amp; Other</u>	<u>Total</u>
Receivables:									
Interest	\$198,583	\$0	\$46,611	\$21,096	\$0	\$2,112	\$0	\$0	\$268,402
Taxes	3,487,855	-	-	-	-	-	-	-	3,487,855
Accounts	7,378,017	1,906,084	1,473,159	1,191,496	1,246,704	-	71,214	236,486	13,503,160
Intergovernmental	2,118		-	-	-	-	241,590	577,588	821,296
Intergovernmental Restricted	-		-	-	-	-	-	-	-
Other	562,465		-	18,288	-	-	-	333,219	913,972
	11,629,038	1,906,084	1,519,770	1,230,880	1,246,704	2,112	312,804	1,147,293	18,994,685
Less: Allowances for									
Uncollectibles	-	-	(86,515)	(97,251)	(77,300)	-	-	-	(261,066)
Net total receivables	<u>\$11,629,038</u>	<u>\$1,906,084</u>	<u>\$1,433,255</u>	<u>\$1,133,629</u>	<u>\$1,169,404</u>	<u>\$2,112</u>	<u>\$312,804</u>	<u>\$1,147,293</u>	<u>\$18,733,619</u>

Within the City's water, sewer, and sanitation funds, an estimated amount has been recorded for services rendered but not yet billed as of the close of the year. The receivable was determined by prorating the cycle billings sent to customers in October 2004 based on the number of days applicable to the prior fiscal year.

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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

	<u>Unavailable</u>	<u>Unearned</u>
Governmental funds:		
Delinquent property taxes receivable (general fund)	\$ 3,487,855	\$ -
Sales tax (general fund)	3,197,748	-
Sales tax (development corp fund)	1,065,916	-
Other	<u>2,433,453</u>	<u>736,494</u>
Total deferred/unearned revenues for governmental funds	<u>\$10,184,972</u>	<u>\$ 736,494</u>

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2004

### Capital assets:

Capital asset activity for the year ended September 30, 2004 was as follows:

	Beginning Balance	Additions	Transfers/ Reclass	Retirements	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 19,365,464	\$ 2,260,155	\$ (424,158)	\$ -	\$ 21,201,461
Construction in progress	-	6,042,196	-	-	6,042,196
Total capital assets, not being depreciated	19,365,464	8,302,351	(424,158)	-	27,243,657
Capital assets, being depreciated:					
Buildings and improvements	53,189,522	1,693,514			54,883,036
Equipment	33,811,499	4,806,506		(113,238)	38,504,767
Infrastructure	108,906,145	11,044,918	-	-	119,951,063
Total capital assets being depreciated	195,907,166	17,544,938	-	(113,238)	213,338,866
Less accumulated depreciation for:					
Buildings and improvements	(14,068,959)	(1,589,741)			(15,658,700)
Equipment	(20,161,061)	(3,039,847)			(23,200,908)
Infrastructure	(58,292,550)	(3,981,726)	-	84,947	(62,189,329)
Total accumulated depreciation	(92,522,570)	(8,611,314)	-	84,947	(101,048,937)
Total capital assets being depreciated, net	103,384,596	8,933,624	-	(28,291)	112,289,929
Governmental activities capital assets net	\$ 122,750,060	\$ 17,235,975	\$ (424,158)	\$ (28,291)	\$ 139,533,586

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 728,340
Public safety	1,569,562
Highways and streets, which includes the depreciation of general infrastructure assets	3,992,975
Health and welfare	15,834
Culture and recreation	1,139,098

In addition, depreciation on capital assets held by the City's internal service funds is charged to the various functions based on their usage of the assets	<u>1,165,505</u>
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Total depreciation-governmental activities	<u><u>\$ 8,611,314</u></u>
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# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2004**

	Beginning		Transfers/		Ending
	Balance	Additions	Reclass	Retirements	Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 12,850,177	\$ -	\$ -	\$ -	\$ 12,850,177
Construction in progress	11,679,612	7,530,740	(512,897)	-	18,697,455
Total capital assets, not being depreciated	24,529,789	7,530,740	(512,897)	-	31,547,632
Capital assets, being depreciated:					
Buildings and improvements	173,489,830	1,189,540	1,836	-	174,681,206
Equipment	19,072,914	1,838,011	(1,836)	(17,811)	20,891,278
Infrastructure	27,209,917	2,637,979	512,897		30,360,793
Capitalized interest	564,627	1,160,125	-	-	1,724,752
Total capital assets being depreciated	220,337,288	6,825,655	512,897	(17,811)	227,658,029
Less accumulated depreciation for:					
Buildings and improvements	(55,033,543)	(4,523,832)	-	-	(59,557,375)
Equipment	(11,257,670)	(1,600,907)	-	17,811	(12,840,766)
Infrastructure	(20,390,278)	(2,073,002)	-	-	(22,463,280)
Total accumulated depreciation	(86,681,491)	(8,197,741)	-	17,811	(94,861,421)
Total capital assets being depreciated, net	133,655,797	(1,372,086)	512,897	-	132,796,608
Business-type activities capital assets net	\$ 158,185,586	\$ 6,158,654	\$ -	\$ -	\$ 164,344,240

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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

Water	\$ 2,229,765
Sewer	1,953,982
Sanitation	866,548
Golf course	320,072
Civic center	134,683
Airport	2,222,182
Transit terminal	127,171
Toll bridge	309,705
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>33,633</u>
Total depreciation-business type activities	<u><u>\$ 8,197,741</u></u>

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

At September 30, 2004, the City had the following significant remaining contractual commitments for various construction and improvement projects:

<u>Project Description</u>	<u>Remaining Commitment</u>	<u>Financing Sources</u>
Paving and drainage	\$ 2,243,177	Local, bond and grant funds
Park improvements	1,834,821	Local
Building improvements	127,040	Local
Water improvements	691,592	Local and bond funds
Sewer improvements	186,572	Bond funds
Airport improvements	1,979,426	Local and grant
Bridge Improvements	<u>1,085,202</u>	Local
	<u><u>\$ 8,147,830</u></u>	



# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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

The composition of interfund balances as of September 30, 2004 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Hotel Occupancy Tax Fund	\$ 10,000
	Miscellaneous Grants Fund	57,472
	Community Development Fund	44,100
	Bridge Fund	40,346
	Transit Terminal Fund	<u>2,000</u>
	Total Governmental Funds	<u>\$ 153,918</u>
Civic Center Fund Transit Terminal Fund	Hotel Occupancy Tax Fund	\$ 165,956
	Development Corp. Fund	<u>161,799</u>
	Total Proprietary Funds	<u>\$ 327,755</u>

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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2004**

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	3,600,000
Capital Improvement Fund	Transit Terminal Fund	<u>352,716</u>
	Total	<u>\$ 5,352,716</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.

During fiscal year 2001-02, the airport fund began reimbursing the debt service fund for current and future debt service payments on general obligation bonds, which were issued for airport improvements. Since the airport fund did not have sufficient working capital, an advance was set up to account for the transaction. This year it was determined that the airport fund's ability to repay the advance is remote at best. Accordingly, the advance was eliminated by recording a transfer.

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

### *Interfund transfers:*

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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2004**

	TRANSFERS IN-FUNDS							
	General	Debt Service	Capital Improvement	Airport	Sewer	Transit Terminal	Civic Center	Total
Transfers out:								
Funds--								
General	\$ -	\$ -	\$ 10,483,149	\$ 870,404	\$ -	\$ 256,802	\$ -	\$ 11,610,355
Development Corp.	-	-	4,505,262	-	-	242,201	1,800,000	6,547,463
Capital Improvement	-	-	-	310,309	-	-	-	310,309
Hotel Tax	-	-	-	-	-	-	2,222,083	2,222,083
Park Dev.	-	-	587,295	-	-	-	-	587,295
Debt Service	148,316	-	-	11,123,255	-	-	-	11,271,571
Water	-	-	-	-	6,029,376	-	-	6,029,376
Airport	1,071,811	4,065,989	-	-	-	-	-	5,137,800
Bridge	5,836,235	-	-	-	-	-	-	5,836,235
	<u>\$ 7,056,362</u>	<u>\$ 4,065,989</u>	<u>\$ 15,575,706</u>	<u>\$ 12,303,968</u>	<u>\$ 6,029,376</u>	<u>\$ 499,003</u>	<u>\$ 4,022,083</u>	<u>\$ 49,552,487</u>

During this fiscal year, the general fund, transferred \$10,483,149 of surplus revenues to the capital improvement fund to assist in funding some major projects contemplated in next year's budget. The transfer of \$2,222,083 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. For a number of years, the airport fund transferred to the debt service fund annually amount intended to reimburse that fund for airport-related debt service payments on general obligation bonds. This year it was determined that fund was unable to complete the transfers, which had been recorded as advances. The amount shown transferred from the bridge fund to the general fund, \$5,836,235, represents the City's share of surplus net revenue from operation of the international toll bridge.

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

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

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

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

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2004

years with varying amounts of principal maturing each year. During this fiscal year, all outstanding general obligation bonds were defeased, leaving no general obligation bond indebtedness, however, a portion of the following sales tax revenue bond remains outstanding:

### Governmental activities

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%

\$ 350,000

Unpaid accumulated compensated absences

4,795,140

Total general long-term debt

\$ 5,145,140

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2004

The annual debt service requirements to maturity on sales tax bonds payable outstanding as of September 30, 2004, including interest, are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 25,000	\$ 16,894
2006	25,000	15,763
2007	25,000	14,625
2008	25,000	13,463
2009	25,000	12,275
2010-2014	125,000	42,460
2015-2018	<u>100,000</u>	<u>10,501</u>
Totals	<u>\$ 350,000</u>	<u>\$ 125,981</u>

### (2) Revenue Bonds

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

Business-type activities:

Payable from Water Fund:

\$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% \$ 8,877,600

\$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% 8,188,800

Unpaid accumulated compensated absences 188,659

Total water fund \$ 17,255,059

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2004

### (2) Revenue Bonds (continued)

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%	\$	9,617,400
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\$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%		8,871,200
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\$4,240,000 1996-B Texas Waterworks and Sewer System refunding and improvements bonds due in annual installments from \$225,000 to \$505,000 through February 1, 2006: interest at 3.75% to 4.90%		1,070,000
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Unpaid accumulated compensated absences		<u>144,255</u>
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Total sewer fund	\$	<u>19,702,855</u>
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Payable from Sanitation Fund:

Unpaid accumulated compensated absences	\$	<u>114,547</u>
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Payable from Palm View Golf Course Fund:

Unpaid accumulated compensated absences	\$	<u>45,847</u>
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Payable from McAllen International Civic Center Fund:

\$2,000,000 note payable, interest only until maturity; interest at 5.00%		2,000,000
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Unpaid accumulated compensated absences		<u>19,920</u>
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Total McAllen International Civic Center Fund:	\$	<u>2,019,920</u>
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**CITY OF McALLEN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

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

Payable from McAllen International Airport Fund:	
Unpaid accumulated compensated absences	\$ <u>48,869</u>
Payable from Transit System Fund:	
Unpaid accumulated compensated absences	\$ <u>10,150</u>
Payable from McAllen International Toll Bridge Fund:	
\$2,300,000 2002 International Toll Bridge System improvement bonds due in annual installments from \$180,000 to \$285,000 through March 1, 2012: interest at 4.50% to 4.65%	\$ 1,930,000
Unpaid accumulated compensated absences	<u>78,686</u>
Total McAllen International Toll Bridge Fund	\$ <u>2,008,686</u>
Total Proprietary Fund Debt	\$ <u><u>41,205,933</u></u>

# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2004

### (2) Revenue Bonds (continued)

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 1,970,000	\$ 1,958,800
2006	2,070,000	1,850,559
2007	1,625,000	1,747,528
2008	1,715,000	1,650,189
2009	1,815,000	1,552,048
2010-2014	9,985,000	6,288,480
2015-2019	11,750,000	3,656,346
2020-2024	6,165,000	1,310,811
2025	<u>1,460,000</u>	<u>41,062</u>
Totals	<u>\$ 38,555,000</u>	<u>\$ 20,055,823</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, 2004, the outstanding balance of the defeased bonds is \$0.



# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2004**

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

Long-term liability activity for the year ended September 30, 2004 is shown in the following table:

	Balance at September 30, 2003	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2004	Amounts Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds payable	\$ 5,890,000	\$ -	\$ (5,890,000)	\$ -	\$ -
Sales tax revenue bonds	375,000	-	(25,000)	350,000	25,000
Compensated absences	4,376,116	2,445,839	(2,000,000)	4,821,955	2,850,000
Total general long-term debt	10,641,116	2,445,839	(7,915,000)	5,171,955	2,875,000
<b>Business-Type activities:</b>					
Revenue bonds payable	40,420,000	-	(1,865,000)	38,555,000	1,970,000
Note payable	2,000,000	-	-	2,000,000	-
Arbitrage payable	1,315,485	-	(555,710)	759,775	759,775
Compensated absences	598,901	559,316	(480,000)	678,217	490,000
Total proprietary fund debt	43,018,901	559,316	(2,900,710)	41,992,992	3,219,775
Total debt	<u>\$ 53,660,017</u>	<u>\$ 3,005,155</u>	<u>\$ (10,815,710)</u>	<u>\$ 47,164,947</u>	<u>\$ 6,094,775</u>

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

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

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

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

### **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 2004, 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, 2004.

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, 2004

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, 2002	\$ (1,000,000)	\$ (552,011)	\$ (1,552,011)
Current period claims and changes in estimate	(3,788,601)	(3,299,658)	(7,088,259)
Current period claims paid	<u>3,788,601</u>	<u>2,753,180</u>	<u>6,541,781</u>
Claims payable at September 30, 2003	<u>(1,000,000)</u>	<u>(1,098,489)</u>	<u>(2,098,489)</u>
Current period claims and changes in estimate	(4,954,751)	(2,439,840)	(7,394,591)
Current period claims paid	<u>4,954,751</u>	<u>2,318,363</u>	<u>7,273,114</u>
Claims payable at September 30, 2004	\$ <u><u>(1,000,000)</u></u>	\$ <u><u>(1,219,966)</u></u>	\$ <u><u>(2,219,966)</u></u>

### (B) Contingent liabilities

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

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

### (C) Other post-employment benefits

The City provides post-employment health care benefits for certain retirees and their dependents. The retired employee pays 100% of the applicable premium for single coverage, however, for family coverage the City pays 50% of the premium for dependent coverage only, if any. As of yearend, there were 57 employees who had retired; 21 with

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

single coverage and 36 with family coverage. The City finances the plan on a pay-as-you-go basis. For the year ended September 30, 2004, the City paid \$116,122 for these benefits.

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

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

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

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

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

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

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

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

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, 2004**

(12) Retirement Plans (continued)

**Schedule of Actuarial Funding Progress**

Actuarial Valuation Date	12/31/03	12/31/02	12/31/01
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	\$65,370,908	\$60,525,078	\$56,627,693
Actuarial accrued liability	\$70,208,145	\$64,598,444	\$59,932,585
Percentage funded	93.1%	93.7%	94.5%
Unfunded actuarial accrued liability (UAAL)	\$4,837,237	\$4,073,366	\$3,304,892
Annual covered payroll	\$35,266,813	\$33,132,799	\$30,387,275
UAAL as a percentage of covered payroll	13.7%	12.3%	10.9%
Annual pension cost:			
Annual required contribution (ARC)	\$2,467,234	\$2,124,326	\$1,626,362
Interest on NPO	-	-	-
Adjustments to the ARC	-	-	-
	<u>\$2,467,234</u>	<u>\$2,124,326</u>	<u>\$1,626,362</u>
Percentage of annual pension cost contributed	100%	100%	100%
Contributions made	\$2,467,234	\$2,124,326	\$1,626,362
Increase in NPO	\$ -	\$ -	\$ -
NPO at the end of the period	\$ -	\$ -	\$ -

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

(12) Retirement Plans (continued)

(B) Firemen's Fund

1. Plan Description

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

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

2. Summary of Significant Accounting Policies

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

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

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

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

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

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

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

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

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

For 2004, 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



# CITY OF McALLEN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

**September 30, 2004**

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.

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%	\$ -
09/30/01	11.00%	11.00%	100.00%	\$ -
09/30/02	11.00%	11.00%	100.00%	\$ -

#### 4. Contributions

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

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

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

# **CITY OF McALLEN, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

the former volunteer firefighters or beneficiaries. The City's contribution rate for the fiscal year ended September 30, 2004 was 11% of annual compensation. Contributions required and paid into the fund as of September 30, 2004 were members, \$634,699 and employer, \$703,751.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
12/31/01	\$56,627,693	\$59,932,585	\$3,304,892	94.5%	\$30,387,275	10.9%
12/31/02	\$60,525,078	\$64,598,444	\$4,073,366	93.7%	\$33,132,799	12.3%
12/31/03	\$65,370,908	\$70,208,145	\$4,837,237	93.1%	\$35,266,813	13.7%

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
09/30/98	\$13,670,926	\$18,257,077	\$4,586,151	74.9%	\$4,042,752	113.4%
09/30/00	\$18,173,765	\$21,576,631	\$3,402,806	84.2%	\$4,263,430	79.8%
09/30/02	\$21,116,716	\$28,141,949	\$7,025,233	75.0%	\$5,190,836	135.3%

**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, 2004**

	<b>Special Revenue Funds</b>			
	<u><b>Hotel Occupancy Tax</b></u>	<u><b>Park Development</b></u>	<u><b>Community Development</b></u>	<u><b>Misceallaneous Government Grants</b></u>
<b>ASSETS</b>				
Cash	1,740	47,775	-	74,009
Certificate of deposit	-	1,601,780	-	-
Investments	4,492	67,059	-	-
Receivables:				
Accounts	235,913	-	-	-
Other	-	-	-	-
Due from other governments	-	-	132,507	74,480
	<u>-</u>	<u>-</u>	<u>132,507</u>	<u>74,480</u>
 Total assets	 <u><b>242,145</b></u>	 <u><b>1,716,614</b></u>	 <u><b>132,507</b></u>	 <u><b>148,489</b></u>
 <b>LIABILITIES</b>				
Accounts payable	\$ 66,382	\$ 26,608	\$ 80,617	\$ 78,232
Accrued liabilities	-	-	7,790	-
Due to other funds	175,956	-	44,100	57,472
Deferred revenues	-	-	-	86,138
	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,138</u>
 Total liabilities	 <u>242,338</u>	 <u>26,608</u>	 <u>132,507</u>	 <u>221,842</u>
 <b>FUND BALANCES</b>				
Special revenue funds	(193)	-	-	(73,353)
Unrestricted	-	1,690,006	-	-
	<u>-</u>	<u>1,690,006</u>	<u>-</u>	<u>-</u>
 Total fund balances	 <u>(193)</u>	 <u>1,690,006</u>	 <u>-</u>	 <u>(73,353)</u>
 Total liabilities and fund balances	 <u><b>\$ 242,145</b></u>	 <u><b>\$ 1,716,614</b></u>	 <u><b>\$ 132,507</b></u>	 <u><b>\$ 148,489</b></u>

<b>Criminal Justice Department</b>	<b>Total</b>	<b>Debt Service Fund</b>	<b>Drainage Bond</b>	<b>Total Nonmajor Governmental Funds</b>
124,826	248,350	-	5,031	253,381
604,285	2,206,065	-	306,576	2,512,641
99,346	170,897	-	57,746	228,643
-	235,913	-	-	235,913
333,219	333,219	-	-	333,219
222,646	429,633	-	-	429,633
<b>1,384,322</b>	<b>3,624,077</b>	<b>-</b>	<b>369,353</b>	<b>3,993,430</b>
\$ 3,013	\$ 254,852	\$ -	\$ -	\$ 254,852
-	7,790	-	-	7,790
-	277,528	-	-	277,528
333,219	419,357	-	-	419,357
336,232	959,527	-	-	959,527
1,048,090	974,544	-	-	974,544
-	1,690,006	-	369,353	2,059,359
1,048,090	2,664,550	-	369,353	3,033,903
<b>\$ 1,384,322</b>	<b>\$ 3,624,077</b>	<b>\$ -</b>	<b>\$ 369,353</b>	<b>\$ 3,993,430</b>



**CITY OF McALLEN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2004**

	<u>Hotel Occupancy Tax</u>	<u>Park Development</u>	<u>Community Development</u>	<u>Miscellaneous Government Grants</u>
<b>REVENUES</b>				
Hotel taxes	\$ 3,110,916	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Intergovernmental	-	-	4,131,982	1,449,592
Fines and forfeitures	-	-	-	-
Interest	1,197	25,828	-	-
Other	-	579,128	-	166,219
	<u>-</u>	<u>579,128</u>	<u>-</u>	<u>166,219</u>
Total revenues	<u>3,112,113</u>	<u>604,956</u>	<u>4,131,982</u>	<u>1,615,811</u>
<b>EXPENDITURES</b>				
Current:				
General government	938,833	-	255,546	90,195
Public safety	-	-	16,819	1,560,900
Highways and streets	-	-	635,343	-
Health and welfare	-	-	3,054,404	61,415
Culture and recreation	-	59,455	169,870	28,320
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>938,833</u>	<u>59,455</u>	<u>4,131,982</u>	<u>1,740,830</u>
Excess of revenues over (under) expenditures	2,173,280	545,501	-	(125,019)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(2,222,083)	(587,295)	-	-
	<u>(2,222,083)</u>	<u>(587,295)</u>	<u>-</u>	<u>-</u>
Net other financing uses	<u>(2,222,083)</u>	<u>(587,295)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(48,803)	(41,794)	-	(125,019)
Fund balances at beginning of year	<u>48,610</u>	<u>1,731,800</u>	<u>-</u>	<u>51,666</u>
Fund balances (deficits) at end of year	<u><u>\$ (193)</u></u>	<u><u>\$ 1,690,006</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (73,353)</u></u>

<b>Criminal Justice Department</b>	<b>Total</b>	<b>Debt Service Fund</b>	<b>Drainage Bond</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ 3,110,916	\$ -	\$ -	\$ 3,110,916
-	-	1,418,603	-	1,418,603
1,215,550	6,797,124	-	-	6,797,124
288,611	288,611	-	-	288,611
885	27,910	43,555	5,308	76,773
-	745,347	2	-	745,349
<u>1,505,046</u>	<u>10,969,908</u>	<u>1,462,160</u>	<u>5,308</u>	<u>12,437,376</u>
-	1,284,574	-	-	1,284,574
1,718,115	3,295,834	-	-	3,295,834
-	635,343	-	-	635,343
-	3,115,819	-	-	3,115,819
-	257,645	-	-	257,645
-	-	5,890,000	-	5,890,000
-	-	295,945	-	295,945
<u>1,718,115</u>	<u>8,589,215</u>	<u>6,185,945</u>	<u>-</u>	<u>14,775,160</u>
(213,069)	2,380,693	(4,723,785)	5,308	(2,337,784)
-	-	4,065,989	-	4,065,989
-	(2,809,378)	(11,271,572)	-	(14,080,950)
<u>-</u>	<u>(2,809,378)</u>	<u>(7,205,583)</u>	<u>-</u>	<u>(10,014,961)</u>
(213,069)	(428,685)	(11,929,368)	5,308	(12,352,745)
<u>1,261,159</u>	<u>3,093,235</u>	<u>11,929,368</u>	<u>364,046</u>	<u>15,386,649</u>
<u><u>\$ 1,048,090</u></u>	<u><u>\$ 2,664,550</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 369,354</u></u>	<u><u>\$ 3,033,904</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, 2004**

	<b>Palm View Golf Course</b>	<b>Transit Terminal</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 24,517	\$ 361	\$ 24,878
Certificate of deposit	351,835	-	351,835
Investments	39,112	1,142	40,254
Receivables, net:			
Accounts	573	-	573
Due from other funds	-	161,799	161,799
 Total currents assets	 416,037	 163,302	 579,339
Restricted assets:			
Cash	54,179	-	54,179
Investments	123,272	-	123,272
Capital assets			
Land	187,995	1,684,593	1,872,588
Buildings and systems	211,633	3,522,228	3,733,861
Improvements other than buildings	7,295,137	8,800	7,303,937
Machinery and equipment	824,680	100,103	924,783
 Total capital assets	 8,519,445	 5,315,724	 13,835,169
Less accumulated depreciation	(2,811,015)	(442,175)	(3,253,190)
 Net capital assets	 5,708,430	 4,873,549	 10,581,979
 Total assets	 <u><u>\$ 6,301,918</u></u>	 <u><u>\$ 5,036,851</u></u>	 <u><u>\$ 11,338,769</u></u>

**CITY OF McALLEN , TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**September 30, 2004**

	<u>Palm View Golf Course</u>	<u>Transit Terminal</u>	<u>Total</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 26,121	\$ 74,819	\$ 100,940
Accrued expenses	26,443	10,959	37,402
Due to other funds	<u>-</u>	<u>2,000</u>	<u>2,000</u>
Total current liabilities	<u>52,564</u>	<u>87,778</u>	<u>140,342</u>
Other noncurrent liabilities:			
Deferred revenues	81,353	-	81,353
Other payables	984	-	984
Accumulated unpaid compensated absences	45,847	10,150	55,997
Advances from other funds	<u>3,600,000</u>	<u>352,716</u>	<u>3,952,716</u>
Total other noncurrent liabilities	<u>3,728,184</u>	<u>362,866</u>	<u>4,091,050</u>
Total liabilities	<u>3,780,748</u>	<u>450,644</u>	<u>4,231,392</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,708,430	4,873,549	10,581,979
Restricted for improvements	177,451	-	177,451
Unrestricted	<u>(3,364,711)</u>	<u>(287,342)</u>	<u>(3,652,053)</u>
Total net assets	<u>2,521,170</u>	<u>4,586,207</u>	<u>7,107,377</u>
Total liabilities and net assets	<u><b>6,301,918</b></u>	<u><b>5,036,851</b></u>	<u><b>11,338,769</b></u>

**CITY OF McALLEN , TEXAS**  
**NON-MAJOR PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2004**

	<b>Palm View Golf Course</b>	<b>Transit Terminal</b>	<b>Total</b>
Operating revenues:			
Charges for services	\$ 1,049,520	\$ 267,370	\$ 1,316,890
Total operating revenues	1,049,520	267,370	1,316,890
Operating expenses:			
Salaries, wages and employee benefits	607,104	304,264	911,368
Supplies and materials	93,504	26,978	120,482
Contractual and other services	118,128	394,440	512,568
Repairs and maintenance	58,811	45,986	104,797
Depreciation and amortization	320,072	127,171	447,243
Total operating expenses	1,197,619	898,839	2,096,458
Operating loss	(148,099)	(631,469)	(779,568)
Nonoperating revenues:			
Interest income	8,123	677	8,800
Other	12,356	13,660	26,016
Total nonoperating revenues expenses	20,479	14,337	34,816
Loss before contributions and transfers	(127,620)	(617,132)	(744,752)
Capital contributions	801,801	-	801,801
Transfers in	-	499,003	499,003
Changes in net assets	674,181	(118,129)	556,052
Total net assets--beginning	1,846,989	4,704,336	6,551,325
Total net assets--ending	<u>\$ 2,521,170</u>	<u>\$ 4,586,207</u>	<u>\$ 7,107,377</u>

**CITY OF McALLEN, TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**

	<u>Palm View Golf Course</u>	<u>Transit Terminal</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Receipts from customer:	\$ 1,058,034	\$ 105,571	\$ 1,163,605
Payments to supplier:	(269,887)	(407,233)	(677,120)
Payments to employee:	(606,113)	(301,982)	(908,095)
Other receipts	12,356	13,660	26,016
	<u>194,390</u>	<u>(589,984)</u>	<u>(395,594)</u>
Net cash provided (used) by operating activities			
<b>Cash flows from noncapital financing activities:</b>			
Transfers in	-	499,003	499,003
Advance to other fund:	(100,000)	-	(100,000)
	<u>(100,000)</u>	<u>499,003</u>	<u>399,003</u>
Net cash provided (used) by noncapital financing activities			
<b>Cash flows from capital and related financing activities:</b>			
Payments for capital acquisition:	-	(8,800)	(8,800)
	<u>-</u>	<u>(8,800)</u>	<u>(8,800)</u>
Cash used by capital and related financing activities			
<b>Cash flows from investing activities:</b>			
Investment activity, net	(90,241)	100,359	10,118
Receipt of interest	8,122	677	8,799
	<u>(82,119)</u>	<u>101,036</u>	<u>18,917</u>
Net cash provided (used) by investing activities			
Net increase in cash	12,271	1,255	13,526
Cash (deficit) at beginning of year	66,425	(894)	65,531
	<u>66,425</u>	<u>(894)</u>	<u>65,531</u>
Cash at end of year	<u><u>\$ 78,696</u></u>	<u><u>\$ 361</u></u>	<u><u>\$ 79,057</u></u>

**CITY OF McALLEN, TEXAS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**

	<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	\$ (148,099)	\$ (631,469)	\$ (779,568)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	320,071	127,171	447,242
Miscellaneous income (expense)	13,351	15,941	29,292
Other receivables	8,514	(161,799)	(153,285)
Accounts payable	(13,491)	60,070	46,579
Other liabilities	(26,805)	-	(26,805)
Accrued expenses	782	(1,898)	(1,116)
Due to other funds	-	2,000	2,000
Deferred revenue	40,067	-	40,067
Total adjustments	342,489	41,485	383,974
Net cash provided (used) by operating activities	<u><u>\$ 194,390</u></u>	<u><u>\$ (589,984)</u></u>	<u><u>\$ (395,594)</u></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, 2004**

	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 347,882	\$ 39,579
Certificates of deposit	-	2,359,577
Investments	-	1,024,556
Receivables, net:		
Accounts	18,330	72,654
Accrued interest	-	-
Inventories	416,449	-
	<u>782,661</u>	<u>3,496,366</u>
Total current assets		
	<u>782,661</u>	<u>3,496,366</u>
Fixed assets	621,806	-
Less accumulated depreciation	(464,229)	-
	<u>157,577</u>	<u>-</u>
Net fixed assets		
	<u>157,577</u>	<u>-</u>
Total assets	<u><b>\$ 940,238</b></u>	<u><b>\$ 3,496,366</b></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 148,943	\$ -
Accrued expense	20,811	1,068,006
	<u>169,754</u>	<u>1,068,006</u>
Total current liabilities		
	<u>169,754</u>	<u>1,068,006</u>
Other non-current liabilities:		
Accumulated unpaid compensated absences	27,284	2,505
Deferred revenues	1,107	-
	<u>28,391</u>	<u>2,505</u>
Total other non-current liabilities		
	<u>28,391</u>	<u>2,505</u>
Total liabilities	<u>198,145</u>	<u>1,070,511</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	157,577	-
Unrestricted	584,516	2,425,855
	<u>742,093</u>	<u>2,425,855</u>
Total net assets		
	<u>742,093</u>	<u>2,425,855</u>
Total liabilities and net assets	<u><b>\$ 940,238</b></u>	<u><b>\$ 3,496,366</b></u>

<u>General Insurance</u>	<u>General Depreciation</u>	<u>Total</u>
\$ 12,619	\$ 9,168	\$ 409,248
4,350,807	3,044,117	9,754,501
1,790,730	629,900	3,445,186
31,870	-	122,854
4,225	-	4,225
-	-	416,449
<u>6,190,251</u>	<u>3,683,185</u>	<u>14,152,463</u>
14,765	9,101,941	9,738,512
<u>(1,723)</u>	<u>(3,752,373)</u>	<u>(4,218,325)</u>
<u>13,042</u>	<u>5,349,568</u>	<u>5,520,187</u>
<u><b>\$ 6,203,293</b></u>	<u><b>\$ 9,032,753</b></u>	<u><b>\$ 19,672,650</b></u>
\$ 374	\$ 127,307	\$ 276,624
<u>1,224,574</u>	<u>-</u>	<u>2,313,391</u>
<u>1,224,948</u>	<u>127,307</u>	<u>2,590,015</u>
24,310	-	54,099
<u>-</u>	<u>-</u>	<u>1,107</u>
<u>24,310</u>	<u>-</u>	<u>55,206</u>
<u>1,249,258</u>	<u>127,307</u>	<u>2,645,221</u>
13,042	5,349,568	5,520,187
<u>4,940,993</u>	<u>3,555,878</u>	<u>11,507,242</u>
<u>4,954,035</u>	<u>8,905,446</u>	<u>17,027,429</u>
<u><b>\$ 6,203,293</b></u>	<u><b>\$ 9,032,753</b></u>	<u><b>\$ 19,672,650</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, 2004**

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	<u>Fleet Materials Management</u>	<u>Employee Benefits</u>
<b>Operating revenues</b>		
Charges for services	\$ 2,161,610	\$ -
Contributions	<u>-</u>	<u>5,961,640</u>
Total operating revenues	<u>2,161,610</u>	<u>5,961,640</u>
<b>Operating expenses</b>		
Salaries, wages and employee benefits	554,529	71,427
Supplies and materials	8,519	3,007
Contractual and other services	1,501,953	686,830
Repairs and maintenance	21,561	-
Depreciation and amortization	33,634	-
Self insurance claims	<u>-</u>	<u>4,954,751</u>
Total operating expenses	<u>2,120,196</u>	<u>5,716,015</u>
Operating income	<u>41,414</u>	<u>245,625</u>
Non operating revenues (expenses)		
Interest income	2,119	60,284
Decrease in fair value of investments	-	-
Other	<u>31,301</u>	<u>175,032</u>
Net non-operating revenues	<u>33,420</u>	<u>235,316</u>
Change in net assets	74,834	480,941
Total net assets--beginning	<u>667,259</u>	<u>1,944,915</u>
Total assets--ending	<u><u>\$ 742,093</u></u>	<u><u>\$ 2,425,856</u></u>

<b>General Insurance</b>	<b>General Depreciation</b>	<b>Total</b>
\$ -	\$ 1,801,038	\$ 3,962,648
3,618,462	-	9,580,102
3,618,462	1,801,038	13,542,750
128,664	-	754,620
2,972	-	14,498
1,021,730	48,683	3,259,196
268	-	21,829
1,723	1,163,781	1,199,138
2,318,363	-	7,273,114
3,473,720	1,212,464	12,522,395
144,742	588,574	1,020,355
114,320	56,144	232,867
(2,920)	-	(2,920)
262,244	(8,975)	459,602
373,644	47,169	689,549
518,386	635,743	1,709,904
4,435,650	8,269,703	15,317,527
<b>\$ 4,954,036</b>	<b>\$ 8,905,446</b>	<b>\$ 17,027,431</b>

**CITY OF McALLEN, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Totals for Fiscal Year Ended September 30, 2003**

	<b>Fleet Materials Management</b>	<b>Employee Benefits</b>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 2,143,280	\$ 5,970,169
Payments to suppliers	(1,598,832)	(549,460)
Payments to employees	(558,039)	(71,248)
Claims paid	-	(4,954,751)
Other receipts (payments)	31,301	2,046
	<u>17,710</u>	<u>396,756</u>
 Net cash provided by operating activities		
 Cash flows from capital and related financing activities		
Payments for capital disposal/acquisition	<u>-</u>	<u>-</u>
 Cash flows from investing activities:		
Investment activity, net	-	(454,509)
Receipt of interest	2,119	60,284
	<u>2,119</u>	<u>(394,225)</u>
 Net cash provided (used) by investing activities:		
	<u>2,119</u>	<u>(394,225)</u>
 Net increase (decrease) in cash	19,829	2,531
 Cash at beginning of year	<u>328,053</u>	<u>37,048</u>
 Cash at end of year	<u><u>\$ 347,882</u></u>	<u><u>\$ 39,579</u></u>

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<u>General Insurance</u>	<u>General Depreciation</u>	<u>Totals</u>
\$ 3,552,167	\$ 1,801,038	\$ 13,466,654
(935,004)	63,624	(3,019,672)
(127,432)	-	(756,719)
(2,318,363)	-	(7,273,114)
394,834	(8,975)	419,206
<u>566,202</u>	<u>1,855,687</u>	<u>2,836,355</u>
 (14,765)	 (2,105,449)	 (2,120,214)
 (660,406)	 195,122	 (919,793)
<u>114,320</u>	<u>56,144</u>	<u>232,867</u>
 (546,086)	 251,266	 (686,926)
 5,351	 1,504	 29,215
<u>7,268</u>	<u>7,664</u>	<u>380,033</u>
<u><u>\$ 12,619</u></u>	<u><u>\$ 9,168</u></u>	<u><u>\$ 409,248</u></u>

CITY OF McALLEN, TEXAS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For Fiscal Year Ended September 30, 2004  
With Comparative Totals for Fiscal Year Ended September 30, 2003

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	<b>Fleet Materials Management</b>	<b>Employee Benefits</b>
Operating income	\$ 41,414	\$ 245,625
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	33,634	-
Misc. non-operating income	27,790	175,213
Accounts receivable	(18,330)	(7,723)
Other receivables	-	(806)
Inventories	(21,881)	-
Accounts payable	(40,989)	(77,965)
Accrued expenses	(3,928)	62,412
Total adjustments	(23,704)	151,131
Net cash provided by operating activities	<u><u>\$ 17,710</u></u>	<u><u>\$ 396,756</u></u>



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<u>General Insurance</u>	<u>General Depreciation</u>	<u>Totals</u>
\$ 144,742	\$ 588,574	\$ 1,020,355
1,723	1,163,781	1,199,138
263,476	(8,975)	457,504
66,295	-	40,242
-	-	(806)
-	-	(21,881)
(30,974)	112,307	(37,621)
120,940	-	179,424
<u>421,460</u>	<u>1,267,113</u>	<u>1,816,000</u>
<u><u>\$ 566,202</u></u>	<u><u>\$ 1,855,687</u></u>	<u><u>\$ 2,836,355</u></u>

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

**CITY OF McALLEN , TEXAS**  
**GENERAL FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash	\$ 97,182	\$ 295,931
Certificate of deposit	24,000,455	22,248,000
Investments	23,243,435	19,603,440
Receivables,net:		
Taxes	3,487,855	2,932,895
Accounts	7,378,017	6,974,546
Accrued interest receivable	198,583	187,812
Other	562,465	424,421
Due from other funds	153,918	385,438
Due from other governments	2,118	2,197
Prepays	-	13,200
Advances to other funds	<u>1,400,000</u>	<u>1,400,000</u>
 Total assets	 <u><u>\$ 60,524,028</u></u>	 <u><u>\$ 54,467,880</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Accounts payable	\$ 1,130,852	\$ 1,222,974
Accrued liabilities	1,781,925	1,966,638
Deferred revenues	8,699,699	7,769,045
Other liabilities	<u>1,254,453</u>	<u>1,115,141</u>
 Total liabilities	 <u>12,866,929</u>	 <u>12,073,798</u>
 <b>FUND BALANCES:</b>		
Reserved for encumbrances	509,821	95,366
Reserved for advances	1,400,000	1,400,000
Unrestricted	<u>45,747,278</u>	<u>40,898,716</u>
 Total fund balances	 <u>47,657,099</u>	 <u>42,394,082</u>
 Total liabilities and fund balances	 <u><u>\$ 60,524,028</u></u>	 <u><u>\$ 54,467,880</u></u>

**CITY OF McALLEN , TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>		
Taxes:		
Property	\$ 19,776,004	\$ 17,143,063
Sales	34,201,451	31,181,802
Franchise	<u>5,776,414</u>	<u>5,456,943</u>
Total taxes	<u>59,753,869</u>	<u>53,781,808</u>
Licences and permits	1,401,360	1,434,515
Intergovernmental	358,732	322,226
Charges for service	3,403,159	2,991,700
Fines and forfeitures	2,055,473	1,778,659
Interest	1,224,171	1,607,132
Net decrease in the fair value of investments	(137,169)	(548,503)
Other	<u>8,513,160</u>	<u>7,056,027</u>
Total revenues	<u>76,572,755</u>	<u>68,423,564</u>
<b>EXPENDITURES</b>		
Current:		
General government	12,862,054	11,735,798
Public safety	33,669,362	31,694,904
Higways and streets	8,686,590	7,284,960
Health and welfare	905,716	952,481
Culture and recreation	<u>10,632,020</u>	<u>9,765,578</u>
Total expenditures	<u>66,755,742</u>	<u>61,433,721</u>
Excess of revenues over expenditures	<u>9,817,013</u>	<u>6,989,843</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	7,056,362	6,573,540
Transfers out	<u>(11,610,355)</u>	<u>(7,595,704)</u>
Total other financing sources (uses)	<u>(4,553,993)</u>	<u>(1,022,164)</u>
Net changes in fund balances	5,263,020	5,967,679
Fund balances--beginning	<u>42,394,079</u>	<u>36,426,403</u>
Fund balances--ending	<u><u>\$ 47,657,099</u></u>	<u><u>\$ 42,394,082</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes:				
Property	\$ 18,540,421	\$ 18,540,421	\$ 19,776,004	\$ 1,235,583
Sales	30,908,000	30,908,000	34,201,451	3,293,451
Franchise	<u>5,250,000</u>	<u>5,250,000</u>	<u>5,776,414</u>	<u>526,414</u>
Total taxes	<u>54,698,421</u>	<u>54,698,421</u>	<u>59,753,869</u>	<u>5,055,448</u>
Licenses and permits:				
Business licenses and permits	22,000	22,000	40,403	18,403
Occupational	66,300	66,300	104,831	38,531
Non-business licenses and permits	<u>989,302</u>	<u>989,302</u>	<u>1,256,126</u>	<u>266,824</u>
Total licenses and permits	<u>1,077,602</u>	<u>1,077,602</u>	<u>1,401,360</u>	<u>323,758</u>
Intergovernmental revenues:				
State shared revenues	<u>300,000</u>	<u>300,000</u>	<u>358,732</u>	<u>58,732</u>
Total intergovernmental revenues	<u>300,000</u>	<u>300,000</u>	<u>358,732</u>	<u>58,732</u>
Charges for services:				
General government	1,231,600	1,231,600	1,372,373	140,773
Public safety	486,143	486,143	466,776	(19,367)
Highways and streets	376,000	376,000	548,330	172,330
Health	344,500	344,500	400,883	56,383
Culture and recreation	<u>561,900</u>	<u>561,900</u>	<u>614,797</u>	<u>52,897</u>
Total charges for services	<u>3,000,143</u>	<u>3,000,143</u>	<u>3,403,159</u>	<u>403,016</u>
Fines and forfeitures:				
Corporations court	1,400,000	1,426,403	1,784,491	358,088
Other fines	<u>200,500</u>	<u>200,500</u>	<u>270,982</u>	<u>70,482</u>
Total fines and forfeitures	<u>1,600,500</u>	<u>1,626,903</u>	<u>2,055,473</u>	<u>428,570</u>
Interest	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,224,171</u>	<u>224,171</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Decrease in fair value of investments	\$ -	\$ -	\$ (137,169)	\$ (137,169)
Other:				
Royalties	3,500,000	3,500,000	8,075,238	4,575,238
Rents and concessions	40,000	40,000	60,617	20,617
Reimbursements	17,000	17,000	87,023	70,023
Other	112,357	118,757	290,282	171,525
Total other revenues	3,669,357	3,675,757	8,513,160	4,837,403
Total revenues	65,346,023	65,378,826	76,572,755	11,193,929
Expenditures:				
General government:				
City commission				
Personal services	61,399	63,089	90,209	(27,120)
Supplies	6,000	6,000	4,672	1,328
Miscellaneous services	40,650	40,650	30,951	9,699
Capital outlay	13,050	13,050	2,331	10,719
Total city commission	121,099	122,789	128,163	(5,374)
Special service				
Miscellaneous services	565,460	565,460	697,645	(132,185)
Capital outlay	-	300,000	338,809	(38,809)
Total special service	565,460	865,460	1,036,454	(170,994)
City manager				
Personal services	483,526	494,457	504,762	(10,305)
Supplies	1,700	1,700	1,575	125
Miscellaneous services	16,202	16,202	14,057	2,145
Maintenace	380	380	180	200
Capital outlay	2,430	2,430	1,602	828
Total city manager	504,238	515,169	522,176	(7,007)

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
City secretary:				
Personal services	\$ 484,236	\$ 499,502	\$ 452,444	\$ 47,058
Supplies	6,000	6,000	6,255	(255)
Miscellaneous services	119,766	119,766	121,365	(1,599)
Maintenance	832	832	651	181
Capital outlay	4,590	4,590	5,336	(746)
Total city secretary	615,424	630,690	586,051	44,639
Audit office:				
Personal services	128,879	134,609	142,751	(8,142)
Supplies	1,600	1,600	1,135	465
Miscellaneous services	9,345	9,345	10,379	(1,034)
Capital outlay	900	900	1,920	(1,020)
Total audit office	140,724	146,454	156,185	(9,731)
Municipal court:				
Personal services	802,032	823,904	682,166	141,738
Supplies	9,000	10,250	10,043	207
Miscellaneous services	29,485	28,235	33,199	(4,964)
Maintenance	6,650	15,707	14,713	994
Capital outlay	3,824	21,170	20,036	1,134
Total municipal court	850,991	899,266	760,157	139,109
Finance:				
Personal services	768,484	792,400	702,193	90,207
Supplies	16,700	16,700	16,316	384
Miscellaneous services	64,101	64,101	57,221	6,880
Maintenance	1,948	1,948	1,452	496
Capital outlay	2,700	2,700	7,948	(5,248)
Total finance	853,933	877,849	785,130	92,719
Tax office:				
Personal services	205,524	211,459	190,340	21,119

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Supplies	\$ 5,800	\$ 5,800	\$ 6,257	\$ (457)
Miscellaneous services	447,030	444,030	592,650	(148,620)
Maintenance	1,425	1,425	1,425	-
Capital outlay	3,690	6,690	4,594	2,096
Total tax office	663,469	669,404	795,266	(125,862)
Purchasing and contracting:				
Personal services	271,341	278,478	267,660	10,818
Supplies	7,400	7,400	8,539	(1,139)
Miscellaneous services	5,782	882	986	(104)
Maintenance	10,450	10,450	11,000	(550)
Capital outlay	-	4,900	4,986	(86)
Total purchasing and contracting	294,973	302,110	293,171	8,939
Legal				
Personal services	465,484	513,754	522,331	(8,577)
Supplies	4,000	4,000	3,834	166
Miscellaneous services	162,940	158,838	161,243	(2,405)
Maintenance	-	-	-	-
Capital outlay	450	4,552	5,140	(588)
Total legal	632,874	681,144	692,548	(11,404)
Grant administration				
Personal services	150,207	154,281	146,688	7,593
Supplies	3,500	4,032	3,934	98
Miscellaneous services	8,580	6,391	6,138	253
Maintenance	-	-	-	-
Capital outlay	1,710	3,367	3,367	-
Total grant administration	163,997	168,071	160,127	7,944
Right of way:				
Personal services	102,464	106,237	111,643	(5,406)
Supplies	1,500	1,500	1,654	(154)



**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Miscellaneous services	\$ 22,920	\$ 22,920	\$ 21,150	\$ 1,770
Maintenance	-	-	-	-
Capital outlay	-	-	-	-
Total right of way	126,884	130,657	134,447	(3,790)
Human resources:				
Personal services	287,254	293,516	227,575	65,941
Supplies	10,300	10,300	7,008	3,292
Miscellaneous services	112,857	112,857	107,645	5,212
Maintenance	-	-	695	(695)
Employee benefits	1,325,539	-	-	-
Capital outlay	117,878	392,878	354,128	38,750
Total human resources	1,853,828	809,551	697,051	112,500
Risk management				
Liability insurance	1,047,059	1,047,059	1,047,059	-
Total risk management	1,047,059	1,047,059	1,047,059	-
Planning				
Personal services	727,506	748,003	658,548	89,455
Supplies	6,850	6,850	6,943	(93)
Miscellaneous services	43,360	43,360	37,797	5,563
Maintenance	950	950	6,987	(6,037)
Capital outlay	18,450	18,450	14,328	4,122
Total planning	797,116	817,613	724,603	93,010
Information technology				
Personal services	655,047	676,814	589,863	86,951
Supplies	32,600	32,600	34,254	(1,654)
Miscellaneous services	97,830	102,830	92,490	10,340
Maintenance	147,967	147,967	119,718	28,249
Capital outlay	210,430	205,430	203,073	2,357

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Total information technology	<u>\$ 1,143,874</u>	<u>\$ 1,165,641</u>	<u>\$ 1,039,398</u>	<u>\$ 126,243</u>
Information services				
Personal services	271,529	281,059	293,615	(12,556)
Supplies	17,000	17,000	16,736	264
Miscellaneous services	9,990	9,990	7,537	2,453
Maintenance	9,500	9,500	5,438	4,062
Capital outlay	<u>13,973</u>	<u>33,400</u>	<u>32,456</u>	<u>944</u>
Total information services	<u>321,992</u>	<u>350,949</u>	<u>355,782</u>	<u>(4,833)</u>
City hall:				
Personal services	76,142	78,037	79,376	(1,339)
Supplies	21,550	21,550	15,665	5,885
Miscellaneous services	372,483	372,483	390,030	(17,547)
Maintenance	244,650	244,650	75,758	168,892
Capital outlay	<u>13,050</u>	<u>13,050</u>	<u>2,325</u>	<u>10,725</u>
Total city hall	<u>727,875</u>	<u>729,770</u>	<u>563,154</u>	<u>166,616</u>
Building maintenance:				
Personal services	266,916	274,276	219,285	54,991
Supplies	6,250	6,250	6,866	(616)
Miscellaneous services	21,120	21,120	18,700	2,420
Maintenance	28,025	28,025	39,629	(11,604)
Capital outlay	<u>4,500</u>	<u>4,500</u>	<u>4,275</u>	<u>225</u>
Total building maintenance	<u>326,811</u>	<u>334,171</u>	<u>288,755</u>	<u>45,416</u>
Economic development:				
McAllen Economic Development Corp.	1,331,025	1,331,025	1,331,025	-
Chambers of commerce	<u>678,818</u>	<u>678,818</u>	<u>696,896</u>	<u>(18,078)</u>
Total economic development	<u>2,009,843</u>	<u>2,009,843</u>	<u>2,027,921</u>	<u>(18,078)</u>
Non-departmental activities	<u>99,000</u>	<u>99,000</u>	<u>68,456</u>	<u>30,544</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Total general government	<u>\$ 13,861,464</u>	<u>\$ 13,372,660</u>	<u>\$ 12,862,054</u>	<u>\$ 510,606</u>
Public safety:				
Police:				
Personal services	19,263,007	19,990,205	19,085,835	904,370
Supplies	321,000	346,000	315,600	30,400
Miscellaneous services	1,198,733	1,213,433	1,387,276	(173,843)
Maintenance	608,000	608,000	777,718	(169,718)
Other	(750,000)	(750,000)	(1,054,846)	304,846
Capital outlay	<u>245,425</u>	<u>300,425</u>	<u>275,771</u>	<u>24,654</u>
Total police	<u>20,886,165</u>	<u>21,708,063</u>	<u>20,787,354</u>	<u>920,709</u>
Animal control:				
Personal services	128,051	131,393	136,624	(5,231)
Supplies	4,000	4,000	(2,063)	6,063
Miscellaneous services	8,579	8,579	7,229	1,350
Maintenance	14,250	14,250	15,806	(1,556)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total animal control	<u>154,880</u>	<u>158,222</u>	<u>157,596</u>	<u>626</u>
Communication technology				
Personal services	-	29,053	72,800	(43,747)
Supplies	-	7,600	7,221	379
Miscellaneous services	-	7,800	3,954	3,846
Maintenance	-	-	-	-
Capital outlay	<u>-</u>	<u>2,610</u>	<u>1,653</u>	<u>957</u>
Total communication technology	<u>-</u>	<u>47,063</u>	<u>85,628</u>	<u>(38,565)</u>
Fire:				
Personal services	8,072,808	8,637,791	8,733,555	(95,764)
Supplies	190,000	197,200	176,675	20,525
Miscellaneous services	739,751	739,751	650,593	89,158
Maintenance	243,000	243,000	230,826	12,174

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Capital outlay	\$ 316,481	\$ 316,481	\$ 75,642	\$ 240,839
Total fire	9,562,040	10,134,223	9,867,291	266,932
Traffic operations				
Personal services	810,256	829,551	825,823	3,728
Supplies	67,300	69,300	75,299	(5,999)
Miscellaneous services	359,775	350,775	304,961	45,814
Maintenance	307,325	305,325	307,233	(1,908)
Capital outlay	104,760	113,760	109,797	3,963
Total traffic operations	1,649,416	1,668,711	1,623,113	45,598
Downtown services				
Personal services	453,997	464,145	422,270	41,875
Supplies	15,000	18,000	19,694	(1,694)
Miscellaneous services	42,725	35,425	33,298	2,127
Maintenance	13,300	17,600	18,400	(800)
Capital outlay	19,080	19,080	4,832	14,248
Total downtown services	544,102	554,250	498,494	55,756
Inspection:				
Personal services	579,300	592,260	547,613	44,647
Supplies	15,378	15,378	9,035	6,343
Miscellaneous services	90,020	90,020	70,774	19,246
Maintenance	5,682	5,682	6,723	(1,041)
Capital outlay	21,265	21,265	15,741	5,524
Total inspection	711,645	724,605	649,886	74,719
Total public safety	33,508,248	34,995,137	33,669,362	1,325,775
Highways and streets:				
Engineering services:				
Personal services	1,507,598	1,542,372	1,512,389	29,983
Supplies	23,700	25,700	31,704	(6,004)
Miscellaneous services	177,324	162,824	246,473	(83,649)
Maintenance	22,325	22,325	37,381	(15,056)

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Other	\$ (100,000)	\$ (100,000)	\$ (198,864)	\$ 98,864
Capital outlay	56,934	69,434	64,358	5,076
 Total engineering	 1,687,881	 1,722,655	 1,693,441	 29,214
Street cleaning:				
Personal services	169,541	172,949	145,517	27,432
Supplies	3,811	3,811	2,564	1,247
Miscellaneous services	103,871	103,871	103,871	-
Maintenance	83,125	83,125	88,747	(5,622)
Capital outlay	3,600	3,600	1,560	2,040
 Total street cleaning	 363,948	 367,356	 342,259	 25,097
 Street maintenance				
Personal services	954,800	978,082	927,014	51,068
Supplies	32,870	32,870	17,352	15,518
Miscellaneous services	238,056	238,056	235,803	2,253
Maintenance	1,996,250	1,996,250	1,998,973	(2,723)
Capital outlay	21,600	21,600	17,835	3,765
 Total street maintenance	 3,243,576	 3,266,858	 3,196,977	 69,881
 Street lighting:				
Miscellaneous services	1,656,745	1,656,745	1,394,001	262,744
Maintenance	71,250	71,250	24,982	46,268
 Total street lighting	 1,727,995	 1,727,995	 1,418,983	 309,012
 Sidewalk construction:				
Personal services	318,166	325,244	327,716	(2,472)
Supplies	208,290	208,290	215,564	(7,274)
Miscellaneous services	22,157	22,157	22,157	-
Maintenance	26,125	26,125	28,541	(2,416)
Other	-	-	-	-
Capital outlay	9,720	9,720	8,208	1,512

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Total sidewalk construction	\$ 584,458	\$ 591,536	\$ 602,186	\$ (10,650)
Drainage:				
Personal services	534,770	546,513	528,341	18,172
Supplies	22,800	22,800	18,028	4,772
Miscellaneous services	153,359	153,359	150,669	2,690
Maintenance	126,350	126,350	250,960	(124,610)
Capital outlay	5,400	505,400	484,746	20,654
Total drainage	842,679	1,354,422	1,432,744	(78,322)
Total highways and streets	8,450,537	9,030,822	8,686,590	344,232
Health and welfare:				
Health:				
Personal services	414,468	428,632	402,262	26,370
Supplies	20,500	26,500	19,388	7,112
Miscellaneous services	108,831	102,831	147,591	(44,760)
Maintenance	8,199	8,199	10,514	(2,315)
Capital outlay	4,910	4,910	4,803	107
Total health	556,908	571,072	584,558	(13,486)
Graffiti cleaning:				
Personal services	80,557	82,486	79,346	3,140
Supplies	26,870	26,870	16,671	10,199
Miscellaneous services	14,712	14,712	14,712	-
Maintenance	14,250	14,250	19,197	(4,947)
Capital outlay	-	-	-	-
Total graffiti cleaning	136,389	138,318	129,926	8,392
Other agencies:				
Ambulance	27,428	27,428	27,428	-
Humane society	150,000	150,000	156,940	(6,940)
Other health and welfare agencies	2,500	2,500	6,864	(4,364)

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Total other agencies	\$ 179,928	\$ 179,928	\$ 191,232	\$ (11,304)
Total health and welfare	873,225	889,318	905,716	(16,398)
Culture and recreation:				
Parks and recreation administration:				
Personal services	290,889	301,478	323,448	(21,970)
Supplies	9,500	9,500	9,381	119
Miscellaneous services	66,179	66,179	86,024	(19,845)
Maintenance	12,825	12,825	13,622	(797)
Capital outlay	11,880	11,880	11,727	153
Total parks and recreation administration	391,273	401,862	444,202	(42,340)
Parks:				
Personal services	2,148,911	2,194,570	2,010,543	184,027
Supplies	79,000	79,000	108,568	(29,568)
Miscellaneous services	552,231	549,731	587,312	(37,581)
Maintenance	294,500	297,000	352,023	(55,023)
Capital outlay	223,200	223,200	180,988	42,212
Total parks	3,297,842	3,343,501	3,239,434	104,067
Recreation:				
Personal services	608,279	615,065	696,895	(81,830)
Supplies	45,500	45,500	40,689	4,811
Miscellaneous services	180,318	180,318	226,484	(46,166)
Maintenance	2,375	2,375	4,267	(1,892)
Other	(100,000)	(100,000)	(72,123)	(27,877)
Capital outlay	-	-	-	-
Total recreation	736,472	743,258	896,212	(152,954)
Pools:				
Personal services	392,012	396,135	483,022	(86,887)
Supplies	35,000	35,000	27,566	7,434

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Miscellaneous services	\$ 98,448	\$ 98,448	\$ 100,021	\$ (1,573)
Maintenance	31,350	35,350	37,284	(1,934)
Capital outlay	<u>13,500</u>	<u>9,500</u>	<u>6,409</u>	<u>3,091</u>
 Total pools	 <u>570,310</u>	 <u>574,433</u>	 <u>654,302</u>	 <u>(79,869)</u>
 Las palmas community center:				
Personal services	194,364	198,849	201,512	(2,663)
Supplies	13,200	13,200	11,261	1,939
Miscellaneous services	72,271	72,271	55,964	16,307
Maintenance	19,000	19,000	29,154	(10,154)
Capital outlay	<u>22,500</u>	<u>22,500</u>	<u>-</u>	<u>22,500</u>
 Total las palmas community center	 <u>321,335</u>	 <u>325,820</u>	 <u>297,891</u>	 <u>27,929</u>
 Recreation center-Lark:				
Personal services	291,740	296,977	248,539	48,438
Supplies	21,300	21,300	20,369	931
Miscellaneous services	106,187	106,187	86,467	19,720
Maintenance	13,775	13,775	8,204	5,571
Capital outlay	<u>25,515</u>	<u>25,515</u>	<u>8,895</u>	<u>16,620</u>
 Total recreation center-Lark	 <u>458,517</u>	 <u>463,754</u>	 <u>372,474</u>	 <u>91,280</u>
 Recreation center-Palmview				
Personal services	299,113	303,171	275,504	27,667
Supplies	21,300	21,300	22,785	(1,485)
Miscellaneous services	109,330	109,330	98,652	10,678
Maintenance	7,125	7,125	6,768	357
Capital outlay	<u>24,615</u>	<u>24,615</u>	<u>7,500</u>	<u>17,115</u>
 Total recreation center-Palmview	 <u>461,483</u>	 <u>465,541</u>	 <u>411,209</u>	 <u>54,332</u>
 Quinta mazatlan renovations:				
Personal services	-	-	112	(112)
Supplies	6,320	6,320	1,531	4,789
Miscellaneous services	21,449	21,449	11,453	9,996



**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Maintenance	\$ -	\$ -	\$ 2,912	\$ (2,912)
Capital outlay	<u>9,000</u>	<u>9,000</u>	<u>-</u>	<u>9,000</u>
 Total quinta mazatlan renovations	 <u>36,769</u>	 <u>36,769</u>	 <u>16,008</u>	 <u>20,761</u>
 Library:				
Personal services	1,737,155	1,786,193	1,641,644	144,549
Supplies	61,000	61,000	39,817	21,183
Miscellaneous services	382,820	378,020	298,905	79,115
Maintenance	48,640	48,640	86,236	(37,596)
Capital outlay	<u>235,710</u>	<u>246,910</u>	<u>230,941</u>	<u>15,969</u>
 Total library	 <u>2,465,325</u>	 <u>2,520,763</u>	 <u>2,297,543</u>	 <u>223,220</u>
 Library branch-Lark:				
Personal services	376,936	383,931	306,776	77,155
Supplies	9,800	9,800	7,746	2,054
Miscellaneous services	9,800	9,800	8,162	1,638
Maintenance	5,700	5,700	1,089	4,611
Capital outlay	<u>49,680</u>	<u>49,680</u>	<u>40,669</u>	<u>9,011</u>
 Total library branch-Lark	 <u>451,916</u>	 <u>458,911</u>	 <u>364,442</u>	 <u>94,469</u>
 Library branch-Palmview				
Personal services	386,961	398,597	347,754	50,843
Supplies	9,500	9,500	5,709	3,791
Miscellaneous services	9,800	9,800	7,794	2,006
Maintenance	5,700	5,700	851	4,849
Capital outlay	<u>45,810</u>	<u>45,810</u>	<u>42,620</u>	<u>3,190</u>
 Total library branch-Palmview	 <u>457,771</u>	 <u>469,407</u>	 <u>404,728</u>	 <u>64,679</u>
 Other agencies	 <u>591,500</u>	 <u>591,500</u>	 <u>526,500</u>	 <u>65,000</u>
 Museums	 <u>707,075</u>	 <u>707,075</u>	 <u>707,075</u>	 <u>-</u>
 Total culture and recreation	 <u>10,947,588</u>	 <u>11,102,594</u>	 <u>10,632,020</u>	 <u>470,574</u>

**CITY OF McALLEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Total expenditures	<u>\$ 67,641,062</u>	<u>\$ 69,390,531</u>	<u>\$ 66,755,742</u>	<u>\$ 2,634,789</u>
Excess of revenues over expenditures	<u>(2,295,039)</u>	<u>(4,011,705)</u>	<u>9,817,013</u>	<u>13,828,718</u>
Other financing sources (uses)				
Transfers in	6,661,468	6,661,468	7,056,362	394,894
Transfers out	<u>(4,925,000)</u>	<u>(11,610,355)</u>	<u>(11,610,355)</u>	<u>-</u>
Net other financing sources (uses)	<u>1,736,468</u>	<u>(4,948,887)</u>	<u>(4,553,993)</u>	<u>394,894</u>
Net change in fund balances	(558,571)	(8,960,592)	5,263,020	14,223,612
Fund balances at begining of year	<u>42,394,078</u>	<u>42,394,078</u>	<u>42,394,078</u>	<u>-</u>
Fund balances at end of year	<u><b>\$ 41,835,507</b></u>	<u><b>\$ 33,433,486</b></u>	<u><b>\$ 47,657,098</b></u>	<u><b>\$ 14,223,612</b></u>

**CITY OF McALLEN , TEXAS**  
**HOTEL OCCUPANCY TAX FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash	\$ 1,740	\$ 290
Investments	4,492	147,009
Accounts receivable	<u>235,913</u>	<u>204,288</u>
 Total assets	 <u><u>\$ 242,145</u></u>	 <u><u>\$ 351,587</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 66,382	\$ 64,279
Due to other funds	<u>175,956</u>	<u>238,698</u>
 Total liabilities	 <u>242,338</u>	 <u>302,977</u>
 <b>FUND BALANCES</b>		
Unrestricted	<u>(193)</u>	<u>48,610</u>
 Total liabilities and fund balances	 <u><u>\$ 242,145</u></u>	 <u><u>\$ 351,587</u></u>

**CITY OF McALLEN , TEXAS**  
**HOTEL OCCUPANCY TAX FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>		
Hotel tax	\$ 3,110,916	\$ 2,807,577
Interest	<u>1,197</u>	<u>1,908</u>
Total revenues	<u>3,112,113</u>	<u>2,809,485</u>
<b>EXPENDITURES</b>		
Current:		
General government	<u>938,833</u>	<u>802,165</u>
Total expenditures	<u>938,833</u>	<u>802,165</u>
Excess of revenues over expenditures	<u>2,173,280</u>	<u>2,007,320</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers out	<u>(2,222,083)</u>	<u>(2,083,412)</u>
Total other financing sources (uses)	<u>(2,222,083)</u>	<u>(2,083,412)</u>
Net changes in fund balances	(48,803)	(76,092)
Fund balances--beginning	<u>48,610</u>	<u>124,702</u>
Fund balances--ending	<u><u>\$ (193)</u></u>	<u><u>\$ 48,610</u></u>

**CITY OF McALLEN, TEXAS**  
**HOTEL OCCUPANCY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Revenues:				
Hotel tax	\$ 2,887,732	\$ 2,887,732	\$ 3,110,916	\$ 223,184
Interest	1,500	1,500	1,197	(303)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>2,889,232</u>	<u>2,889,232</u>	<u>3,112,113</u>	<u>222,881</u>
Expenditures:				
Current:				
General government	<u>825,025</u>	<u>875,025</u>	<u>938,833</u>	<u>(63,808)</u>
Total expenditures	<u>825,025</u>	<u>875,025</u>	<u>938,833</u>	<u>(63,808)</u>
Excess of revenues over expenditures	<u>2,064,207</u>	<u>2,014,207</u>	<u>2,173,280</u>	<u>159,073</u>
Other financing uses				
Transfers out	<u>(2,062,707)</u>	<u>(2,062,707)</u>	<u>(2,222,083)</u>	<u>(159,376)</u>
Total other financing sources (uses)	<u>(2,062,707)</u>	<u>(2,062,707)</u>	<u>(2,222,083)</u>	<u>(159,376)</u>
Net changes in fund balances	1,500	(48,500)	(48,803)	(303)
Fund balances--beginning	<u>48,610</u>	<u>48,610</u>	<u>48,610</u>	<u>-</u>
Fund balances--ending	<u><b>\$ 50,110</b></u>	<u><b>\$ 110</b></u>	<u><b>\$ (193)</b></u>	<u><b>\$ (303)</b></u>

**CITY OF McALLEN , TEXAS**  
**MISCELLANEOUS GOVERNMENT GRANTS FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash	\$ 74,009	\$ 166,720
Due from other governments	<u>74,480</u>	<u>139,065</u>
 Total assets	 <u><u>\$ 148,489</u></u>	 <u><u>\$ 305,785</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 78,232	\$ 6,477
Due to other funds	57,472	191,149
Deferred revenues	<u>86,138</u>	<u>56,494</u>
 Total liabilities	 <u>221,842</u>	 <u>254,120</u>
 <b>FUND BALANCES</b>		
Unrestricted	<u>(73,353)</u>	<u>51,665</u>
 Total liabilities and fund balances	 <u><u>\$ 148,489</u></u>	 <u><u>\$ 305,785</u></u>

**CITY OF McALLEN , TEXAS**  
**MISCELLANEOUS GOVERNMENT GRANTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<b>2004</b>	<b>2003</b>
<b>REVENUES</b>		
Intergovernmental	\$ 1,449,592	\$ 963,022
Interest	-	-
Other	166,219	173,708
	<hr/>	<hr/>
Total revenues	1,615,811	1,136,730
	<hr/>	<hr/>
<b>EXPENDITURES</b>		
Current:		
General government	90,195	-
Public safety	1,560,900	959,534
Health and welfare	61,415	-
Culture and recreation	28,320	-
	<hr/>	<hr/>
Total expenditures	1,740,830	959,534
	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	(125,019)	177,196
	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	-	49,097
Transfers out	-	(168,898)
	<hr/>	<hr/>
Total other financing sources (uses)	-	(119,801)
	<hr/>	<hr/>
Net changes in fund balances	(125,019)	57,395
	<hr/>	<hr/>
Fund balances--beginning	51,666	(5,730)
	<hr/>	<hr/>
Fund balances--ending	<u><u>\$ (73,353)</u></u>	<u><u>\$ 51,665</u></u>

**CITY OF McALLEN , TEXAS**  
**CRIMINAL JUSTICE DEPARTMENT FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash	\$ 124,826	\$ 86,664
Certificate of deposit	604,285	775,036
Investments	99,346	306,768
Other receivables	333,219	653,292
Due from other governments	<u>222,646</u>	<u>198,408</u>
 Total assets	 <u><u>\$ 1,384,322</u></u>	 <u><u>\$ 2,020,168</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 3,013	\$ 28,061
Due to other funds	-	77,343
Deferred revenues	333,219	653,292
Other liabilities	<u>-</u>	<u>312</u>
 Total liabilities	 <u>336,232</u>	 <u>759,008</u>
 <b>FUND BALANCES</b>		
Unrestricted	<u>1,048,090</u>	<u>1,261,160</u>
 Total liabilities and fund balances	 <u><u>\$ 1,384,322</u></u>	 <u><u>\$ 2,020,168</u></u>



**CITY OF McALLEN , TEXAS**  
**CRIMINAL JUSTICE DEPARTMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>		
Intergovernmental	\$ 1,215,550	\$ 676,282
Fines and forfeitures	288,611	401,109
Interest	<u>885</u>	<u>754</u>
 Total revenues	 <u>1,505,046</u>	 <u>1,078,145</u>
 <b>EXPENDITURES</b>		
Current:		
Public safety	<u>1,718,115</u>	<u>1,869,816</u>
 Total expenditures	 <u>1,718,115</u>	 <u>1,869,816</u>
 Deficiency of revenues over expenditures	 <u>(213,069)</u>	 <u>(791,671)</u>
 Net changes in fund balances	 (213,069)	 (791,671)
 Fund balances--beginning	 <u>1,261,159</u>	 <u>2,052,831</u>
 Fund balances--ending	 <u><u>\$ 1,048,090</u></u>	 <u><u>\$ 1,261,160</u></u>

**CITY OF McALLEN , TEXAS**  
**COMMUNITY DEVELOPEMENT FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash	\$ -	\$ -
Due from other governments	<u>132,507</u>	<u>291,544</u>
 Total assets	 <u><u>\$ 132,507</u></u>	 <u><u>\$ 291,544</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 80,617	\$ 255,785
Due to other funds	44,100	-
Accrued liabilities	<u>7,790</u>	<u>35,759</u>
 Total liabilities	 <u>132,507</u>	 <u>291,544</u>
 <b>FUND BALANCES</b>		
Unrestricted	<u>-</u>	<u>-</u>
 Total liabilities and fund balances	 <u><u>\$ 132,507</u></u>	 <u><u>\$ 291,544</u></u>

**CITY OF McALLEN , TEXAS**  
**COMMUNITY DEVELOPMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>		
Intergovernmental	\$ 4,131,982	\$ 3,543,347
Other	<u>-</u>	<u>701</u>
Total revenues	<u>4,131,982</u>	<u>3,544,048</u>
<b>EXPENDITURES</b>		
Current:		
General government	255,546	271,881
Public safety	16,819	-
Higways and streets	635,343	495,932
Health and welfare	3,054,404	2,616,917
Culture and recreation	<u>169,870</u>	<u>159,318</u>
Total expenditures	<u>4,131,982</u>	<u>3,544,048</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, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 3,469,720	\$ 3,469,720	\$ 4,131,982	\$ 662,262
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,469,720</u>	<u>3,469,720</u>	<u>4,131,982</u>	<u>662,262</u>
Expenditures:				
Current:				
General government	270,001	270,001	255,546	14,455
Public safety	-	-	16,819	(16,819)
Highways and streets	551,414	551,414	635,343	(83,929)
Health and welfare	2,445,555	2,445,555	3,054,404	(608,849)
Culture and recreation	<u>202,750</u>	<u>202,750</u>	<u>169,870</u>	<u>32,880</u>
Total expenditures	<u>3,469,720</u>	<u>3,469,720</u>	<u>4,131,982</u>	<u>(662,262)</u>
Excess 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, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash	\$ 47,775	\$ 10,075
Certificate of deposit	1,601,780	1,563,036
Investments	<u>67,059</u>	<u>158,690</u>
 Total assets	 <u><u>\$ 1,716,614</u></u>	 <u><u>\$ 1,731,801</u></u>
 <b>LIABILITIES</b>		
Accounts payable	<u>\$ 26,608</u>	<u>\$ -</u>
 Total liabilities	 <u>26,608</u>	 <u>-</u>
 <b>FUND BALANCES</b>		
Unrestricted	<u>1,690,006</u>	<u>1,731,801</u>
 Total liabilities and fund balances	 <u><u>\$ 1,716,614</u></u>	 <u><u>\$ 1,731,801</u></u>

**CITY OF McALLEN , TEXAS**  
**PARK DEVELOPMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>		
Interest	\$ 25,828	\$ 31,235
Other	<u>579,128</u>	<u>853,897</u>
Total revenues	<u>604,956</u>	<u>885,132</u>
<b>EXPENDITURES</b>		
Current:		
Culture and recreation	<u>59,455</u>	<u>208,620</u>
Total expenditures	<u>59,455</u>	<u>208,620</u>
Excess of revenues over expenditures	<u>545,501</u>	<u>676,512</u>
Transfers out	<u>(587,295)</u>	<u>-</u>
Net changes in fund balances	(41,794)	676,512
Fund balances--beginning	<u>1,731,800</u>	<u>1,055,289</u>
Fund balances--ending	<u><u>\$ 1,690,006</u></u>	<u><u>\$ 1,731,801</u></u>

**CITY OF McALLEN, TEXAS**  
**PARK DEVELOPMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For Fiscal Year Ended September 30, 2004**

	<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	\$ 579,128	\$ 329,129
Interest	<u>20,000</u>	<u>20,000</u>	<u>25,828</u>	<u>5,828</u>
Total revenues	<u>269,999</u>	<u>269,999</u>	<u>604,956</u>	<u>334,957</u>
Expenditures:				
Current:				
Culture and recreation	<u>1,000,000</u>	<u>1,000,000</u>	<u>59,455</u>	<u>940,545</u>
Total expenditures	<u>1,000,000</u>	<u>1,000,000</u>	<u>59,455</u>	<u>940,545</u>
Excess (deficiency) of revenues over expenditures	<u>(730,001)</u>	<u>(730,001)</u>	<u>545,501</u>	<u>1,275,502</u>
Transfers out	<u>-</u>	<u>(587,295)</u>	<u>(587,295)</u>	<u>-</u>
Net changes in fund balances	(730,001)	(1,317,296)	(41,794)	1,275,502
Fund balances--beginning	<u>1,731,800</u>	<u>1,731,800</u>	<u>1,731,800</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 1,001,799</u></u>	<u><u>\$ 414,504</u></u>	<u><u>\$ 1,690,006</u></u>	<u><u>\$ 1,275,502</u></u>

**CITY OF McALLEN , TEXAS**  
**DEVELOPMENT CORPORATION FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash	\$ 9,548	\$ 26,084
Investments	3,145,938	1,905,164
Receivables,net:		
Taxes	1,906,084	1,743,883
Advances to other funds	<u>3,600,000</u>	<u>3,700,000</u>
 Total assets	 <u><u>\$ 8,661,570</u></u>	 <u><u>\$ 7,375,131</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 72,526	\$ 308,194
Accrued liabilities	-	398,903
Due to other funds	161,799	-
Deferred revenues	<u>1,065,916</u>	<u>973,110</u>
 Total liabilities	 <u>1,300,241</u>	 <u>1,680,207</u>
 <b>FUND BALANCES</b>		
Reserved for economic development	1,414,939	1,414,557
Reserved for advances	3,600,000	3,700,000
Unrestricted	<u>2,346,390</u>	<u>580,367</u>
 Total fund balances	 <u>7,361,329</u>	 <u>5,694,924</u>
 Total liabilities and fund balances	 <u><u>\$ 8,661,570</u></u>	 <u><u>\$ 7,375,131</u></u>



**CITY OF McALLEN , TEXAS**  
**DEVELOPMENT CORPORATION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>		
Sales	\$ 11,400,484	\$ 10,393,934
Interest	25,245	229,434
Other	<u>1</u>	<u>86,036</u>
Total revenues	<u>11,425,730</u>	<u>10,709,404</u>
<b>EXPENDITURES</b>		
Current:		
General government	897,841	511,709
Public safety	-	2,031,266
Higways and streets	581,799	2,742,027
Health and welfare	1,688,621	1,854,869
Culture and recreation	-	412,603
Debt service:		
Principal	25,000	21,295,000
Interest and fiscal charges	<u>18,601</u>	<u>551,018</u>
Total expenditures	<u>3,211,862</u>	<u>29,398,492</u>
Excess (deficiency) of revenues over expenditures	<u>8,213,868</u>	<u>(18,689,088)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	-	-
Transfers out	<u>(6,547,463)</u>	<u>(176,957)</u>
Total other financing sources (uses)	<u>(6,547,463)</u>	<u>(176,957)</u>
Net changes in fund balances	1,666,405	(18,866,045)
Fund balances--beginning	<u>5,694,925</u>	<u>24,560,968</u>
Fund balances--ending	<u><u>\$ 7,361,330</u></u>	<u><u>\$ 5,694,923</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, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Sales tax	\$ 10,302,667	\$ 10,302,667	\$ 11,400,484	\$ 1,097,817
Interest	110,570	110,570	25,245	(85,325)
Other	<u>228,269</u>	<u>228,269</u>	<u>1</u>	<u>(228,268)</u>
Total revenues	<u>10,641,506</u>	<u>10,641,506</u>	<u>11,425,730</u>	<u>784,224</u>
Expenditures:				
Current:				
General government	2,085,512	1,291,783	897,841	393,942
Public safety	-	-	-	-
Highways and streets	6,440,191	601,240	581,799	19,441
Health and welfare	1,415,000	1,915,000	1,688,621	226,379
Culture and recreation	1,415,000	105,185	-	105,185
Debt service:				
Principal	25,000	25,000	25,000	-
Interest and fiscal charges	<u>18,719</u>	<u>18,719</u>	<u>18,601</u>	<u>118</u>
Total expenditures	<u>11,399,422</u>	<u>3,956,927</u>	<u>3,211,862</u>	<u>745,065</u>
Excess (deficiency) of revenues over expenditures	<u>(757,916)</u>	<u>6,684,579</u>	<u>8,213,868</u>	<u>1,529,289</u>
Other financing uses:				
Transfers out	<u>(2,042,201)</u>	<u>(10,089,881)</u>	<u>(6,547,463)</u>	<u>3,542,418</u>
Total other financing sources (uses)	<u>(2,042,201)</u>	<u>(10,089,881)</u>	<u>(6,547,463)</u>	<u>3,542,418</u>
Net changes in fund balances	(2,800,117)	(3,405,302)	1,666,405	5,071,707
Fund balances--beginning	<u>5,694,925</u>	<u>5,694,925</u>	<u>5,694,925</u>	<u>-</u>
Fund balances--ending	<u><u>\$ 2,894,808</u></u>	<u><u>\$ 2,289,623</u></u>	<u><u>\$ 7,361,330</u></u>	<u><u>\$ 5,071,707</u></u>

**CITY OF McALLEN , TEXAS**  
**DEBT SERVICE FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash	\$ -	\$ 9,405
Certificate of deposit	-	4,859,527
Investments	-	7,942
Taxes	-	639,231
Advances to other funds	-	7,057,266
	<u>-</u>	<u>7,057,266</u>
 Total assets	 <u>\$ -</u>	 <u>\$ 12,573,371</u>
 <b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 3,922
Due to other funds	-	850
Deferred revenues	-	639,231
	<u>-</u>	<u>639,231</u>
 Total liabilities	 <u>-</u>	 <u>644,003</u>
 <b>FUND BALANCES</b>		
Restricted for advances	-	7,057,266
Unrestricted	-	4,872,102
	<u>-</u>	<u>4,872,102</u>
 Total fund balance	 <u>-</u>	 <u>11,929,368</u>
 Total liabilities and fund balance	 <u>\$ -</u>	 <u>\$ 12,573,371</u>

**CITY OF McALLEN , TEXAS**  
**DEBT SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<b>2004</b>	<b>2003</b>
<b>REVENUES</b>		
Property	\$ 1,418,603	\$ 2,522,957
Interest	43,555	84,852
Net increase (decrease) in the fair value of investments	-	(7,699)
Other	<u>2</u>	<u>-</u>
Total revenues	<u>1,462,160</u>	<u>2,600,110</u>
<b>EXPENDITURES</b>		
Current:		
Principal	5,890,000	4,675,000
Interest and fiscal charges	<u>295,945</u>	<u>558,008</u>
Total expenditures	<u>6,185,945</u>	<u>5,233,008</u>
Deficiency of revenues over expenditures	<u>(4,723,785)</u>	<u>(2,632,898)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	4,065,989	7,800,781
Transfers out	<u>(11,271,572)</u>	<u>-</u>
Total other financing sources (uses)	<u>(7,205,583)</u>	<u>7,800,781</u>
Net changes in fund balances	(11,929,368)	5,167,883
Fund balances--beginning	<u>11,929,368</u>	<u>6,761,485</u>
Fund balances--ending	<u><u>\$ -</u></u>	<u><u>\$ 11,929,368</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, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>2004</b>	<b>2003</b>		
Revenues:				
Property tax	\$ 1,248,829	\$ 1,248,829	\$ 1,418,603	\$ 169,774
Interest	125,000	125,000	43,555	(81,445)
Other	-	-	2	2
Total revenues	<u>1,373,829</u>	<u>1,373,829</u>	<u>1,462,160</u>	<u>88,331</u>
Expenditures:				
Current:				
Debt service:				
Principal	\$ 5,890,000	\$ 5,890,000	\$ 5,890,000	\$ -
Interest and fiscal charges	<u>293,542</u>	<u>293,542</u>	<u>295,945</u>	<u>(2,403)</u>
Total expenditures	<u>6,183,542</u>	<u>6,183,542</u>	<u>6,185,945</u>	<u>(2,403)</u>
Excess (deficiency) of revenues over expenditures	<u>(4,809,713)</u>	<u>(4,809,713)</u>	<u>(4,723,785)</u>	<u>85,928</u>
Other financing sources:				
Transfers in	1,640,417	1,640,417	4,065,989	2,425,572
Transfers out	<u>-</u>	<u>-</u>	<u>(11,271,572)</u>	<u>(11,271,572)</u>
Total other financing sources (uses)	<u>1,640,417</u>	<u>1,640,417</u>	<u>(7,205,583)</u>	<u>(8,846,000)</u>
Net changes in fund balances	(3,169,296)	(3,169,296)	(11,929,368)	(8,760,072)
Fund balance--beginning	<u>11,929,368</u>	<u>11,929,368</u>	<u>11,929,368</u>	<u>-</u>
Fund balance--ending	<u><b>\$ 8,760,072</b></u>	<u><b>\$ 8,760,072</b></u>	<u><b>\$ -</b></u>	<u><b>\$ (8,760,072)</b></u>

**CITY OF McALLEN , TEXAS**  
**CAPITAL IMPROVEMENT FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash	\$ 67,568	\$ 3,502,355
Certificate of deposit	22,315,614	17,607,056
Investments	639,026	190,262
Loan receivables	-	3,244,397
Other receivables	-	927,397
Due from other governments	147,955	-
Advances to other funds	<u>352,716</u>	<u>352,716</u>
 Total assets	 <u><u>\$ 23,522,879</u></u>	 <u><u>\$ 25,824,183</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$ 534,050	\$ 1,160,273
Accrued liabilities	<u>504,643</u>	<u>181,207</u>
 Total liabilities	 <u>1,038,693</u>	 <u>1,341,480</u>
<b>FUND BALANCES</b>		
Reserved for advances	352,716	3,597,113
Unrestricted	<u>22,131,470</u>	<u>20,885,590</u>
 Total fund balances	 <u>22,484,186</u>	 <u>24,482,703</u>
 Total liabilities and fund balances	 <u><u>\$ 23,522,879</u></u>	 <u><u>\$ 25,824,183</u></u>

**CITY OF McALLEN , TEXAS**  
**CAPITAL IMPROVEMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>		
Intergovernmental	\$ 1,123,207	\$ -
Interest	497,268	673,211
Decrease in the fair value of investments	-	(33,674)
Other	<u>10,714</u>	<u>5,908,617</u>
Total revenues	<u>1,631,189</u>	<u>6,548,154</u>
<b>EXPENDITURES</b>		
Current:		
General government	528,777	831,276
Public safety	500,807	1,758,843
Higways and streets	11,695,528	6,716,058
Culture and recreation	<u>6,169,991</u>	<u>988,148</u>
Total expenditures	<u>18,895,103</u>	<u>10,294,325</u>
Deficiency of revenues over expenditures	<u>(17,263,914)</u>	<u>(3,746,171)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	15,575,706	3,368,898
Transfers out	<u>(310,309)</u>	<u>(294,637)</u>
Total other financing sources (uses)	<u>15,265,397</u>	<u>3,074,261</u>
Net changes in fund balances	(1,998,517)	(671,910)
Fund balances--beginning	<u>24,482,703</u>	<u>25,154,613</u>
Fund balances--ending	<u><u>\$ 22,484,186</u></u>	<u><u>\$ 24,482,703</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, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Revenues:	2004	2003		
Intergovernmental	\$ -	\$ -	\$ 147,955	\$ 147,955
Interest	615,048	615,048	497,268	(117,780)
Other	10,904,025	10,904,025	985,966	(9,918,059)
Total revenues	11,519,073	11,519,073	1,631,189	(9,887,884)
Expenditures:				
Current:				
General government	1,976,288	1,976,288	528,777	1,447,511
Public safety	2,237,590	2,237,590	500,807	1,736,783
Highways and streets	17,194,690	27,235,269	11,695,528	15,539,741
Health and welfare	300,000	1,232,216	-	1,232,216
Culture and recreation	8,801,426	11,837,342	6,169,991	5,667,351
Total expenditures	30,509,994	44,518,705	18,895,103	25,623,602
Excess (deficiency) of revenues over expenditures	(18,990,921)	(32,999,632)	(17,263,914)	15,735,718
Other financing sources (uses):				
Transfers in	4,200,000	19,118,124	15,575,706	(3,542,418)
Transfers out	(310,309)	(310,309)	(310,309)	-
Total other financing sources (uses)	3,889,691	18,807,815	15,265,397	(3,542,418)
Net changes in fund balances	(15,101,230)	(14,191,817)	(1,998,517)	12,193,300
Fund balances--beginning	24,482,703	24,482,703	24,482,703	-
Fund balances--ending	<u>\$ 9,381,473</u>	<u>\$ 10,290,886</u>	<u>\$ 22,484,186</u>	<u>\$ 12,193,300</u>



**CITY OF McALLEN , TEXAS**  
**DRAINAGE BOND FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash	\$ 5,031	\$ 915
Certificate of deposit	306,576	306,030
Investments	<u>57,746</u>	<u>57,100</u>
 Total assets	 <u><u>\$ 369,353</u></u>	 <u><u>\$ 364,045</u></u>
 <b>LIABILITIES</b>		
  <b>FUND BALANCES</b>		
Unrestricted	<u>369,353</u>	<u>364,045</u>
 Total liabilities and fund balances	 <u><u>\$ 369,353</u></u>	 <u><u>\$ 364,045</u></u>

**CITY OF McALLEN , TEXAS**  
**DRAINAGE BOND FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>		
Interest	\$ 5,308	\$ 7,500
Other	<u>-</u>	<u>(1)</u>
Total revenues	<u>5,308</u>	<u>7,499</u>
<b>EXPENDITURES</b>		
Current:	<u></u>	<u></u>
Total expenditures	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>5,308</u>	<u>7,499</u>
Net changes in fund balances	5,308	7,499
Fund balances--beginning	<u>364,046</u>	<u>356,546</u>
Fund balances--ending	<u><u>\$ 369,354</u></u>	<u><u>\$ 364,045</u></u>

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

**CITY OF McALLEN , TEXAS**  
**WATER FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 70,291	\$ 86,877
Certificate of deposit	317,677	6,240,037
Investments	5,216,809	4,216,525
Receivables, net:		
Accounts	1,386,644	1,125,274
Accrued interest	46,611	46,611
Inventories, at cost	<u>24,030</u>	<u>23,546</u>
 Total currents assets	 <u>7,062,062</u>	 <u>11,738,870</u>
 Restricted assets:		
Cash	23,438	19,167
Certificate of deposit	13,758,486	8,293,189
Money market savings	962,829	12,188,863
Investments	2,035,091	705,631
Accrued interest	<u>3,025</u>	<u>-</u>
 Total restricted assets	 <u>16,782,869</u>	 <u>21,206,850</u>
 Capital assets		
Land	2,115,109	2,115,109
Buildings and systems	30,392,087	29,550,855
Improvements other than buildings	35,562,607	35,562,607
Machinery and equipment	2,823,377	2,497,256
Construction in progress	<u>16,586,132</u>	<u>11,122,106</u>
 Total capital assets	 87,479,312	 80,847,933
Less accumulated depreciation	<u>(27,235,774)</u>	<u>(25,023,820)</u>
 Net capital assets	 <u>60,243,538</u>	 <u>55,824,113</u>
 Other assets		
Loans receivable	98,844	105,834
Other assets, net	<u>1,784,959</u>	<u>1,882,427</u>
 Total other assets	 <u>1,883,803</u>	 <u>1,988,261</u>
 Total assets	 <u><u>\$ 85,972,272</u></u>	 <u><u>\$ 90,758,094</u></u>

**CITY OF McALLEN , TEXAS**  
**WATER FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 279,513	\$ 298,412
	131,444	161,004
Other	<u>5,840</u>	<u>5,840</u>
Total current liabilities	<u>416,797</u>	<u>465,256</u>
Current liabilities(payable from restricted assets):		
Accounts payable	92,677	1,066,506
Accrued expenses	951,274	885,228
Current portion of revenue bonds	597,600	629,850
Customer deposits	<u>1,561,340</u>	<u>1,632,217</u>
Total liabilities(payable from restricted assets)	<u>3,202,891</u>	<u>4,213,801</u>
Other noncurrent liabilities:		
Revenue bonds, net of current portion and discount	25,860,800	26,392,550
Deferred revenues	190,967	206,016
Arbitrage payable	554,636	787,541
Accumulated unpaid compensated absences	<u>188,659</u>	<u>171,021</u>
Total other noncurrent liabilities	<u>26,795,061</u>	<u>27,557,128</u>
Total liabilities	<u>30,414,751</u>	<u>32,236,185</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	33,993,090	39,336,660
Restricted for:		
Improvements	13,770,170	6,864,361
Debt service	199,202	223,250
Unrestricted	<u>7,595,060</u>	<u>12,097,638</u>
Total net assets	<u>55,557,522</u>	<u>58,521,909</u>
Total liabilities and net assets	<u><u>\$ 85,972,272</u></u>	<u><u>\$ 90,758,094</u></u>

**CITY OF McALLEN , TEXAS**  
**WATER FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
Operating revenues:		
Charges for services	\$ 11,511,690	\$ 10,738,907
 Total operating revenues	 <u>11,511,690</u>	 <u>10,738,907</u>
 Operating expenses:		
Salaries, wages and employee benefits	3,354,976	3,068,685
Supplies and materials	1,905,960	1,736,995
Contractual and other services	1,670,238	1,630,230
Repairs and maintenance	446,680	341,251
Depreciation and amortization	2,327,232	1,943,188
Other	(292,852)	(119,078)
 Total operating expenses	 <u>9,412,234</u>	 <u>8,601,271</u>
 Operating income	 <u>2,099,456</u>	 <u>2,137,636</u>
 Nonoperating revenues (expenses):		
Interest income	974,157	1,687,257
Decrease in the fair value of investments	(21,446)	(57,321)
Interest expense	(885,974)	(1,125,569)
Other	860,399	882,468
 Net nonoperating revenues	 <u>927,136</u>	 <u>1,386,835</u>
 Income before contributions and transfers	 <u>3,026,592</u>	 <u>3,524,471</u>
 Capital contributions	38,395	54,794
Transfers out	(6,029,376)	(16,366)
 Changes in net assets	 (2,964,389)	 3,562,899
 Total net assets--beginning	 <u>58,521,911</u>	 <u>54,959,012</u>
 Total net assets--ending	 <u><u>\$ 55,557,522</u></u>	 <u><u>\$ 58,521,911</u></u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 11,257,311	\$ 10,979,225
Payments to suppliers	(3,385,086)	(3,092,421)
Payments to employees	(4,975,471)	(3,025,512)
Internal activity-payments to other funds	916,431	-
Other receipts	<u>-</u>	<u>937,262</u>
Net cash provided by operating activities	<u>3,813,185</u>	<u>5,798,554</u>
<b>Cash flows from non-capital financing activities:</b>		
Operating transfers in (out)	<u>(6,029,376)</u>	<u>(16,366)</u>
Cash used by non-capital financing activities	<u>(6,029,376)</u>	<u>(16,366)</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	(6,649,189)	(13,973,692)
Principal paid on capital debt	(564,000)	(629,850)
Interest paid on capital debt	<u>(885,974)</u>	<u>(1,125,569)</u>
Net cash used by capital and related financing activities	<u>(8,099,163)</u>	<u>(15,729,111)</u>
<b>Cash flows from investing activities:</b>		
Investment activity, net	949,687	1,627,653
Receipt of interest	<u>9,353,352</u>	<u>8,083,983</u>
Net cash provided by investing activities	<u>10,303,039</u>	<u>9,711,636</u>
Net decrease in cash	(12,315)	(235,287)
Cash at beginning of year	<u>106,044</u>	<u>341,331</u>
Cash at end of year	<u><u>\$ 93,729</u></u>	<u><u>\$ 106,044</u></u>

Continued

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 70,291	\$ 86,877
Restricted cash	<u>23,438</u>	<u>19,167</u>
	<u><u>\$ 93,729</u></u>	<u><u>\$ 106,044</u></u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ 2,099,456</u>	<u>\$ 2,137,635</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	2,327,232	1,943,188
Miscellaneous income	916,431	937,262
(Increase) decrease in accounts receivable	(261,369)	235,348
Loan receivable	6,990	4,973
(Increase) decrease in inventories	(484)	7,399
Accrued expenses	(1,008,768)	338,986
Increase (decrease) in accounts payable	(251,254)	506,843
Increase in other assets	-	(375,000)
Deferred revenue	<u>(15,049)</u>	<u>61,920</u>
Total adjustments	<u>1,713,729</u>	<u>3,660,919</u>
Net cash provided by operating activities	<u><u>\$ 3,813,185</u></u>	<u><u>\$ 5,798,554</u></u>



**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Operating revenues:				
Water sales				
Residential customers	\$ 7,131,238	\$ 7,131,238	\$ 6,440,280	\$ (690,958)
Commercial accounts	3,699,725	3,699,725	3,563,001	(136,724)
Industrial customers	556,460	556,460	577,084	20,624
Total water sales	11,387,423	11,387,423	10,580,365	(807,058)
Service charges:				
Tap fees	380,000	380,000	538,139	158,139
Connect fees	90,000	90,000	110,785	20,785
Reconnect fees	160,000	160,000	129,839	(30,161)
Other	-	-	152,562	152,562
Total service charges	630,000	630,000	931,325	301,325
Total operating revenues	12,017,423	12,017,423	11,511,690	(505,733)
Non-operating revenues:				
Interest	593,900	593,900	974,157	380,257
Decrease in fair value of investment	-	-	(21,446)	(21,446)
Other	584,500	584,500	898,794	314,294
Total non-operating revenues	1,178,400	1,178,400	1,851,505	673,105
Total revenues	13,195,823	13,195,823	13,363,195	167,372
Expenses:				
Water plant:				
Salaries and benefits	997,549	1,017,589	934,708	82,881
Supplies and raw water purchases	1,682,500	1,682,500	1,791,741	(109,241)
Contractual and other services	1,068,545	1,068,545	786,462	282,083
Repairs and maintenance	159,500	159,500	181,802	(22,302)
Total water plant	3,908,094	3,928,134	3,694,713	233,421

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Water lab:				
Salaries and benefits	\$ 170,042	\$ 179,057	\$ 170,021	\$ 9,036
Supplies and materials	46,000	46,000	30,864	15,136
Contractual and other services	19,300	19,300	10,344	8,956
Repairs and maintenance	11,300	11,300	5,943	5,357
Total water lab	246,642	255,657	217,172	38,485
Transmission and distribution:				
Salaries and benefits	979,408	1,003,520	963,306	40,214
Supplies and materials	23,400	23,400	23,421	(21)
Contractual and other services	20,600	20,600	13,935	6,665
Repairs and maintenance	190,500	190,500	213,336	(22,836)
Total Transmission and distribution	1,213,908	1,238,020	1,213,998	24,022
Water meters				
Salaries and benefits	403,958	412,640	364,045	48,595
Supplies and materials	18,000	18,000	17,511	489
Contractual and other services	17,100	17,100	11,384	5,716
Repairs and maintenance	41,400	41,400	36,132	5,268
Total water meters	480,458	489,140	429,072	60,068
Utility billing:				
Salaries and benefits	212,341	218,545	196,636	21,909
Supplies and materials	31,400	31,400	20,640	10,760
Contractual and other services	202,150	202,150	224,917	(22,767)
Repairs and maintenance	-	-	-	-
Total utility billing	445,891	452,095	442,193	9,902

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Customer relations:				
Salaries and benefits	\$ 372,892	\$ 381,479	\$ 375,639	\$ 5,840
Supplies and materials	112,500	112,500	18,102	94,398
Contractual and other services	32,950	32,950	32,535	415
Repairs and maintenance	<u>2,600</u>	<u>2,600</u>	<u>8,434</u>	<u>(5,834)</u>
Total customer relations	<u>520,942</u>	<u>529,529</u>	<u>434,710</u>	<u>94,819</u>
Administration:				
Salaries and benefits	288,914	303,562	350,621	(47,059)
Supplies and materials	3,300	3,300	3,681	(381)
Contractual and other services	630,950	630,950	494,137	136,813
Repairs and maintenance	<u>2,500</u>	<u>2,500</u>	<u>1,033</u>	<u>1,467</u>
Total administration	<u>925,664</u>	<u>940,312</u>	<u>849,472</u>	<u>90,840</u>
Non-departmental expenses:				
Employee benefits	-	-	-	-
Liability insurance	81,888	81,888	81,888	-
Interest and fiscal charges	-	-	885,974	(885,974)
Bond principal requirements				
Other	-	-	(292,852)	292,852
Capital outlay	<u>11,835,993</u>	<u>12,226,184</u>	<u>6,053,935</u>	<u>6,172,249</u>
Total non-departmental expenses	<u>11,917,881</u>	<u>12,308,072</u>	<u>6,728,945</u>	<u>5,579,127</u>
Total expenses	<u>19,836,109</u>	<u>20,226,300</u>	<u>14,024,911</u>	<u>6,201,389</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(6,640,286)	(7,030,477)	(661,716)	6,368,761
Transfers:				
Transfers in	-	-	-	-
Transfers out	<u>6,439,376</u>	<u>6,439,376</u>	<u>6,029,376</u>	<u>410,000</u>
Net transfers	<u>(6,439,376)</u>	<u>(6,439,376)</u>	<u>(6,029,376)</u>	<u>410,000</u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2004**

	<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	\$ (13,079,662)	\$ (13,469,853)	\$ (6,691,092)	\$ 6,778,761
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(2,327,232)	(2,327,232)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	6,053,935	6,053,935
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as a reduction of bonds payable per GAAP basis	-	-	-	-
Net income-GAAP basis	<u>\$ (13,079,662)</u>	<u>\$ (13,469,853)</u>	<u>\$ (2,964,389)</u>	<u>\$ 10,505,464</u>

**CITY OF McALLEN, TEXAS**  
**WATER FUND**  
**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**IN RESTRICTED ACCOUNTS**  
**For Fiscal Year Ended September 30, 2004**

	<b>Current Debt Service</b>	<b>Customer Deposits</b>	<b>Depreciation</b>
Cash, certificates of deposit, and investments at September 30, 2003	\$ 408,963	\$ 1,632,254	\$ 2,765,956
Cash receipts:			
Transfers in	1,390,925	-	780,418
Operating activities	-	555,188	-
Valuation allowance	-	-	(42)
Interest received	-	-	55,598
	<u>1,390,925</u>	<u>555,188</u>	<u>835,974</u>
Total cash available	<u>1,799,888</u>	<u>2,187,442</u>	<u>3,601,930</u>
Cash disbursements:			
Refunds	-	626,062	-
Capital acquisition	-	-	487,894
Interfund transfers	-	-	-
Principal payments	564,000	-	-
Interest and fiscal charges	885,972	-	-
Total cash disbursements	<u>1,449,972</u>	<u>626,062</u>	<u>487,894</u>
Cash, certificates of deposit, and investments at September 30, 2004	<u><u>\$ 349,916</u></u>	<u><u>\$ 1,561,380</u></u>	<u><u>\$ 3,114,036</u></u>
Cash, certificates of deposit, and investments at September 30, 2004 is comprised of the following:			
Cash	\$ -	\$ -	\$ 21,421
Certificates of deposit	-	1,561,380	2,759,610
Investments (net)	349,916	-	331,997
Accrued interest	-	-	1,008
	<u><u>\$ 349,916</u></u>	<u><u>\$ 1,561,380</u></u>	<u><u>\$ 3,114,036</u></u>

<b>Capital Improvement</b>	<b>Water Bond '99 &amp; '00</b>	<b>Total</b>
\$ 4,202,711	\$ 12,196,964	\$ 21,206,848
7,166,245	-	9,337,588
-	-	555,188
(85)	-	(127)
143,849	537,361	736,808
7,310,009	537,361	11,166,818
11,512,720	12,734,325	32,373,666
-	-	626,062
720,183	5,739,912	6,947,989
-	6,029,376	-
-	-	564,000
-	-	885,972
720,183	11,769,288	9,024,023
<b>\$ 10,792,537</b>	<b>\$ 965,037</b>	<b>\$ 16,782,906</b>
\$ 246	\$ 1,771	\$ 23,438
9,437,533	-	13,758,523
1,352,741	963,266	2,997,920
2,017	-	3,025
<b>\$ 10,792,537</b>	<b>\$ 965,037</b>	<b>\$ 16,782,906</b>

**CITY OF McALLEN , TEXAS**  
**SEWER FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 79,346	\$ 150,995
Certificate of deposit	3,963,628	5,223,918
Investments	3,520,139	1,789,177
Receivables, net:		
Accounts	1,094,245	926,211
Accrued interest	21,096	16,055
Other	<u>18,288</u>	<u>27,772</u>
 Total currents assets	 <u>8,696,742</u>	 <u>8,134,128</u>
 Restricted assets:		
Cash	22,534	12,708
Certificate of deposit	4,358,621	4,400,576
Money market savings	8,451,983	3,766,080
Investments	2,248,572	1,771,478
Accrued interest	<u>13,424</u>	<u>11,408</u>
 Total restricted assets	 <u>15,095,134</u>	 <u>9,962,250</u>
 Capital assets		
Land	734,993	734,993
Buildings and systems	1,948,375	1,948,375
Improvements other than buildings	48,097,409	45,777,566
Machinery and equipment	4,675,766	4,447,208
Construction in progress	<u>1,775,917</u>	<u>1,122,127</u>
 Total capital assets	 57,232,460	 54,030,269
Less accumulated depreciation	<u>(27,466,313)</u>	<u>(25,512,331)</u>
 Net capital assets	 <u>29,766,147</u>	 <u>28,517,938</u>
 Other assets		
Loans receivable	98,844	105,834
Other assets, net	<u>116,266</u>	<u>138,350</u>
 Total other assets	 <u>215,110</u>	 <u>244,184</u>
 Total assets	 <u><u>\$ 53,773,133</u></u>	 <u><u>\$ 46,858,500</u></u>

**CITY OF McALLEN , TEXAS**  
**SEWER FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>LIABILITIES</b>		
Current liabilities:		
	\$ 136,024	\$ 151,353
Accrued expenses	<u>84,167</u>	<u>110,382</u>
Total current liabilities	<u>220,191</u>	<u>261,735</u>
Current liabilities(payable from restricted assets):		
Accounts payable	36,783	141,754
Accrued expenses	193,696	209,372
Current portion of revenue bonds	<u>1,172,400</u>	<u>955,150</u>
Total liabilities(payable from restricted assets)	<u>1,402,879</u>	<u>1,306,276</u>
Other noncurrent liabilities:		
Revenue bonds, net of current portion and discount	8,994,200	10,322,450
Deferred revenues	1,135,084	1,195,084
Arbitrage payable	205,139	291,282
Accumulated unpaid compensated absences	<u>144,255</u>	<u>123,174</u>
Total other noncurrent liabilities	<u>10,478,678</u>	<u>11,931,990</u>
Total liabilities	<u>12,101,748</u>	<u>13,500,001</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	27,996,769	21,230,922
Restricted for:		
Debt service	390,800	335,083
Improvements	6,076,226	5,285,136
Unrestricted	<u>7,207,590</u>	<u>6,507,358</u>
Total net assets	<u>41,671,385</u>	<u>33,358,499</u>
Total liabilities and net assets	<u><u>\$ 53,773,133</u></u>	<u><u>\$ 46,858,500</u></u>



**CITY OF McALLEN , TEXAS**  
**SEWER FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
Operating revenues:		
Charges for services	\$ 9,246,476	\$ 8,177,695
Total operating revenues	<u>9,246,476</u>	<u>8,177,695</u>
Operating expenses:		
Salaries, wages and employee benefits	2,184,296	2,041,084
Supplies and materials	412,825	399,615
Contractual and other services	2,275,572	1,968,822
Repairs and maintenance	316,421	276,612
Depreciation and amortization	1,976,065	1,938,310
Other	<u>(539,366)</u>	<u>(175,502)</u>
Total operating expenses	<u>6,625,813</u>	<u>6,448,941</u>
Operating income	<u>2,620,663</u>	<u>1,728,754</u>
Nonoperating revenues (expenses):		
Interest income	481,439	568,340
Net increase (decrease) in the fair value of investments	(9,671)	(58,615)
Interest expense	(1,071,455)	(918,692)
Other	<u>199,336</u>	<u>385,582</u>
Net nonoperating (expenses)	<u>(400,351)</u>	<u>(23,385)</u>
Income before contributions and transfers	<u>2,220,312</u>	<u>1,705,369</u>
Capital contributions	63,200	421,988
Transfers in	6,029,376	-
Transfers out	<u>-</u>	<u>(32,731)</u>
Changes in net assets	8,312,888	2,094,626
Total net assets--beginning	<u>33,358,497</u>	<u>31,263,871</u>
Total net assets--ending	<u><u>\$ 41,671,385</u></u>	<u><u>\$ 33,358,497</u></u>

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 9,034,919	\$ 8,167,802
Payments to suppliers	(2,210,511)	(2,664,213)
Payments to employees	(2,686,369)	(1,884,173)
Other receipts (payments)	262,534	807,562
	<u>4,400,573</u>	<u>4,426,978</u>
<b>Net cash provided (used) by operating activities</b>		
	<u>4,400,573</u>	<u>4,426,978</u>
<b>Cash flows from non-capital financing activities:</b>		
Transfer in (to) other funds	<u>6,029,376</u>	<u>(32,731)</u>
<b>Cash provided (used) by non-capital financing activities</b>		
	<u>6,029,376</u>	<u>(32,731)</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	(3,202,191)	(3,530,669)
Principal paid on capital debt	(1,111,000)	(955,150)
Interest paid on capital debt	<u>(1,051,577)</u>	<u>(926,509)</u>
<b>Net cash used by capital and related financing activities</b>		
	<u>(5,364,768)</u>	<u>(5,412,328)</u>
<b>Cash flows from investing activities:</b>		
Investment activity, net	464,711	465,705
Receipt of interest	<u>(5,591,714)</u>	<u>515,629</u>
<b>Net cash provided (used) by investing activities</b>		
	<u>(5,127,003)</u>	<u>981,334</u>
<b>Net decrease in cash</b>		
	(61,822)	(36,747)
<b>Cash at beginning of year</b>		
	<u>163,702</u>	<u>200,449</u>
<b>Cash at end of year</b>	<u><u>\$ 101,880</u></u>	<u><u>\$ 163,702</u></u>

Continued

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 79,346	\$ 150,995
Restricted cash	<u>22,534</u>	<u>12,707</u>
	<u><b>\$ 101,880</b></u>	<u><b>\$ 163,702</b></u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ 2,620,663</u>	<u>\$ 1,728,760</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,976,066	1,938,310
Miscellaneous income	262,534	807,562
(Increase) decrease in accounts receivable	(151,559)	50,103
Accrued expenses	(126,831)	141,405
Decrease in accounts payable	(120,300)	(179,162)
Deferred revenue	<u>(60,000)</u>	<u>(60,000)</u>
Total adjustments	<u>1,779,910</u>	<u>2,698,218</u>
Net cash provided by operating activities	<u><b>\$ 4,400,573</b></u>	<u><b>\$ 4,426,978</b></u>

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2004**

	<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	\$ 8,781,933	\$ 8,781,933	\$ 9,009,920	\$ 227,987
Industrial surcharges	<u>233,686</u>	<u>233,686</u>	<u>236,556</u>	<u>2,870</u>
Total operating revenues	<u>9,015,619</u>	<u>9,015,619</u>	<u>9,246,476</u>	<u>230,857</u>
Non-operating revenues:				
Interest	275,200	275,200	481,439	206,239
Decrease in fair value of investment	-	-	(9,671)	(9,671)
Other	<u>20,075,000</u>	<u>20,075,000</u>	<u>262,536</u>	<u>(19,812,464)</u>
Total non-operating revenues	<u>20,350,200</u>	<u>20,350,200</u>	<u>734,304</u>	<u>(19,615,896)</u>
Total revenues	<u>29,365,819</u>	<u>29,365,819</u>	<u>9,980,780</u>	<u>(19,385,039)</u>
Expenses:				
Sewer plant:				
Salaries and benefits	1,184,472	1,213,359	1,164,906	48,453
Supplies and raw water purchases	190,100	190,100	171,755	18,345
Contractual and other services	1,460,475	1,460,475	1,363,897	96,578
Repairs and maintenance	192,600	192,600	148,568	44,032
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total sewer plant	<u>3,027,647</u>	<u>3,056,534</u>	<u>2,849,126</u>	<u>207,408</u>
Sewer lab:				
Salaries and benefits	155,670	159,581	151,719	7,862
Supplies and materials	20,360	20,360	18,006	2,354
Contractual and other services	3,300	3,300	2,351	949
Repairs and maintenance	5,500	5,500	5,078	422
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total sewer lab	<u>184,830</u>	<u>188,741</u>	<u>177,154</u>	<u>11,587</u>

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2004**

	<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	\$ 563,409	\$ 577,047	\$ 574,472	\$ 2,575
Supplies and materials	327,500	327,500	220,824	106,676
Contractual and other services	197,690	197,690	181,399	16,291
Repairs and maintenance	155,000	155,000	162,775	(7,775)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total sewer collection	<u>1,243,599</u>	<u>1,257,237</u>	<u>1,139,470</u>	<u>117,767</u>
Administration:				
Salaries and benefits	363,765	374,854	293,199	81,655
Supplies and materials	2,000	2,000	2,240	(240)
Contractual and other services	673,900	673,900	662,282	11,618
Repairs and maintenance	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total administration	<u>1,039,665</u>	<u>1,050,754</u>	<u>957,721</u>	<u>93,033</u>
Non-departmental expenses:				
Employee benefits	88,754	31,229	-	31,229
Liability insurance	65,643	65,643	65,643	-
Interest and fiscal charges	-	-	1,071,455	(1,071,455)
Bond principal requirements	-	-	-	-
Other	-	-	(539,366)	539,366
Capital outlay	<u>25,749,920</u>	<u>26,177,101</u>	<u>2,535,726</u>	<u>23,641,375</u>
Total non-departmental expenses	<u>25,904,317</u>	<u>26,273,973</u>	<u>3,133,458</u>	<u>23,140,515</u>
Total expenses	<u>31,400,058</u>	<u>31,827,239</u>	<u>8,256,929</u>	<u>23,570,310</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(2,034,239)	(2,461,420)	1,723,851	4,185,271
Transfers:				
Transfers in	<u>6,439,376</u>	<u>6,439,376</u>	<u>6,029,376</u>	<u>(410,000)</u>

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2004**

	<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	\$ 4,405,137	\$ 3,977,956	\$ 7,753,227	\$ 3,775,271
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (1,976,065)	\$ (1,976,065)
Principal payments on revenue bonds-budgeted as expenses per budget basis, treated as reduction of bonds payable per GAAP basis	-	-	-	-
Capital outly-amounts budgeted as expenses, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>2,535,726</u>	<u>2,535,727</u>
Net income-GAAP basis	<u><u>\$ 4,405,137</u></u>	<u><u>\$ 3,977,956</u></u>	<u><u>\$ 8,312,888</u></u>	<u><u>\$ 4,334,933</u></u>

**CITY OF McALLEN, TEXAS**  
**SEWER FUND**  
**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**IN RESTRICTED ACCOUNTS**  
**For Fiscal Year Ended September 30, 2004**

	<u>Current Debt Service</u>	<u>Depreciation</u>
Cash, certificates of deposit, and investments at September 30, 2003	\$ 485,749	\$ 4,355,853
Cash receipts:		
Transfers from operating cash	2,258,138	976,991
Interfund transfer	-	-
Valuation allowance	-	(3,124)
Interest received	-	96,449
	<u>2,258,138</u>	<u>1,070,316</u>
Total cash available	<u>2,743,887</u>	<u>5,426,169</u>
Cash disbursements:		
Principal payments	1,111,000	-
Interest and fiscal charges	1,071,455	-
Capital acquisitions	-	423,820
	<u>2,182,455</u>	<u>423,820</u>
Cash, certificates of deposit, and investments at September 30, 2004	<u><u>\$ 561,432</u></u>	<u><u>\$ 5,002,349</u></u>
Cash, certificates of deposit, and investments at September 30, 2004 is comprised of the following:		
Cash	\$ -	\$ 6,047
Certificates of deposit	-	3,596,561
Investments (net)	561,432	1,387,325
Accrued Interest	-	12,416
	<u><u>\$ 561,432</u></u>	<u><u>\$ 5,002,349</u></u>

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<b>Capital Improvement</b>	<b>Sewer Bond '99 &amp; '00</b>	<b>Total</b>
<u>\$ 951,534</u>	<u>\$ 4,169,111</u>	<u>\$ 9,962,247</u>
429,700	-	3,664,829
-	6,029,376	6,029,376
(42)	-	(3,166)
<u>16,621</u>	<u>206,937</u>	<u>320,007</u>
<u>446,279</u>	<u>6,236,313</u>	<u>16,247,359</u>
<u>1,397,813</u>	<u>10,405,424</u>	<u>26,209,606</u>
-	-	1,111,000
-	-	1,071,455
<u>322,237</u>	<u>1,949,649</u>	<u>2,695,706</u>
<u>322,237</u>	<u>1,949,649</u>	<u>4,878,161</u>
<u><b>\$ 1,075,576</b></u>	<u><b>\$ 8,455,775</b></u>	<u><b>\$ 15,095,132</b></u>
\$ 13,078	\$ 3,409	\$ 22,534
762,060	-	4,358,621
299,430	8,452,366	10,700,553
1,008	-	13,424
<u><b>\$ 1,075,576</b></u>	<u><b>\$ 8,455,775</b></u>	<u><b>\$ 15,095,132</b></u>



**CITY OF McALLEN , TEXAS**  
**SANITATION FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 6,324	\$ 2,392
Certificate of deposit	1,561,118	742,725
Investments	175,953	466,288
Receivables, net:		
Accounts	<u>1,169,404</u>	<u>1,001,400</u>
 Total currents assets	 <u>2,912,799</u>	 <u>2,212,805</u>
 Restricted assets:		
Cash	26,546	1,934
Certificates of deposit	1,018,649	923,703
Investments	<u>125,692</u>	<u>171,710</u>
 Total restricted assets	 <u>1,170,887</u>	 <u>1,097,347</u>
 Capital assets		
Land	718,348	718,348
Buildings and improvements	1,802,403	1,799,253
Improvements other than buildings	478,234	478,234
Machinery and equipment	<u>10,426,799</u>	<u>9,303,070</u>
 Total capital assets	 13,425,784	 12,298,905
Less accumulated depreciation	<u>(7,728,927)</u>	<u>(6,862,379)</u>
 Net capital assets	 <u>5,696,857</u>	 <u>5,436,526</u>
  Total assets	  <u><u>\$ 9,780,543</u></u>	  <u><u>\$ 8,746,678</u></u>

**CITY OF McALLEN , TEXAS**  
**SANITATION FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 377,347	\$ 328,428
Accrued expenses	<u>126,473</u>	<u>161,598</u>
Total current liabilities	<u>503,820</u>	<u>490,026</u>
Liabilities(payable from restricted assets):	<u></u>	<u></u>
Other noncurrent liabilities:		
Deferred revenues	120,403	101,967
Accumulated unpaid compensated absences	114,547	122,231
Advances from other funds	<u>1,400,000</u>	<u>1,400,000</u>
Total other noncurrent liabilities	<u>1,634,950</u>	<u>1,624,198</u>
Total liabilities	<u>2,138,770</u>	<u>2,114,224</u>
<b>NET ASSETS</b>		
Invested in capital assets	5,696,857	5,436,526
Restricted for improvements	1,170,887	1,097,348
Unrestricted	<u>774,029</u>	<u>98,580</u>
Total net assets	<u>7,641,773</u>	<u>6,632,454</u>
Total liabilities and net assets	<u><u>\$ 9,780,543</u></u>	<u><u>\$ 8,746,678</u></u>

**CITY OF McALLEN , TEXAS**  
**SANITATION FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
Operating revenues:		
Charges for services	\$ 10,215,117	\$ 9,060,367
Total operating revenues	<u>10,215,117</u>	<u>9,060,367</u>
Operating expenses:		
Salaries, wages and employee benefits	3,318,758	3,078,731
Supplies and materials	149,311	131,402
Contractual and other services	3,421,407	2,973,815
Repairs and maintenance	1,617,419	1,471,189
Depreciation and amortization	<u>866,548</u>	<u>795,397</u>
Total operating expenses	<u>9,373,443</u>	<u>8,450,534</u>
Operating income	<u>841,674</u>	<u>609,833</u>
Nonoperating revenues:		
Interest income	43,010	50,208
Other	<u>125,088</u>	<u>236,285</u>
Nonoperating revenues	<u>168,098</u>	<u>286,493</u>
Net income	<u>1,009,772</u>	<u>896,326</u>
Changes in net assets	1,009,772	896,326
Total net assets--beginning	<u>6,632,001</u>	<u>5,735,675</u>
Total net assets--ending	<u><u>\$ 7,641,773</u></u>	<u><u>\$ 6,632,001</u></u>

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 10,047,113	\$ 9,053,792
Payments to suppliers	(5,156,361)	(5,172,533)
Payments to employees	(3,326,442)	(3,070,422)
Other receipts (payments)	<u>125,088</u>	<u>284,415</u>
 Net cash provided by operating activities	 <u>1,689,398</u>	 <u>1,095,252</u>
 <b>Cash flows from capital and related financing</b>		
<b>Net income</b>		
Purchases of capital assets	<u>(1,126,880)</u>	<u>(1,428,083)</u>
 Net cash used by capital and related financing activities	 <u>(1,126,880)</u>	 <u>(1,428,083)</u>
 <b>Cash flows from investing activities:</b>		
Investment activity, net	(576,984)	230,823
Receipt of interest	<u>43,010</u>	<u>50,209</u>
 Net cash provided (used) by investing activities	 <u>(533,974)</u>	 <u>281,032</u>
 Net increase (decrease) in cash	28,544	(51,799)
 Cash at beginning of year	<u>4,326</u>	<u>56,125</u>
 Cash at end of year	 <u><u>\$ 32,870</u></u>	 <u><u>\$ 4,326</u></u>

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 6,324	\$ 2,392
Restricted cash	<u>26,546</u>	<u>1,934</u>
	<u><u>\$ 32,870</u></u>	<u><u>\$ 4,326</u></u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ 841,674</u>	<u>\$ 609,833</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	866,548	795,397
Miscellaneous income (expense)	116,950	284,646
(Increase) decrease in accounts receivable	(168,004)	(19,049)
Accrued expenses	(35,124)	8,410
Increase (decrease) in accounts payable	48,918	(596,461)
Deferred revenue	<u>18,436</u>	<u>12,476</u>
Total adjustments	<u>847,724</u>	<u>485,419</u>
Net cash provided by operating activities	<u><u>\$ 1,689,398</u></u>	<u><u>\$ 1,095,252</u></u>

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2004**

	<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	\$ 9,318,835	\$ 9,318,835	\$ 10,215,117	\$ 896,282
Non-operating revenues:				
Interest	-	-	43,010	43,010
Other	55,000	55,000	125,088	70,088
Total non-operating revenues	55,000	55,000	168,098	113,098
Total revenues	9,373,835	9,373,835	10,383,215	1,009,380
Expenses:				
Facilities administration:				
Salaries and benefits	260,787	268,371	256,521	11,850
Supplies	15,750	15,750	15,286	464
Contractual and other services	613,700	607,700	568,664	39,036
Repairs and maintenace	13,000	19,000	15,544	3,456
Total facilities administration	903,237	910,821	856,015	54,806
Brush collection:				
Salaries and benefits	915,836	930,133	856,225	73,908
Supplies and materials	29,170	29,170	28,980	190
Contractual and other services	254,000	254,000	250,803	3,197
Repairs and maintenace	315,000	315,000	409,899	(94,899)
Capital outlay	-	-	-	-
Total brush collection	1,514,006	1,528,303	1,545,907	(17,604)
Regular collection:				
Salaries and benefits	883,730	902,416	829,811	72,605
Supplies and materials	34,559	36,059	34,724	1,335
Contractual and other services	834,600	834,600	848,400	(13,800)
Repairs and maintenance	510,000	508,500	504,112	4,388
Capital outlay	175,000	175,000	-	175,000
Total regular collection	2,437,889	2,456,575	2,217,047	239,528

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Commercial box collection:				
Salaries and benefits	\$ 762,690	\$ 804,675	\$ 799,402	\$ 5,273
Supplies and materials	43,829	43,829	42,318	1,511
Contractual and other services	1,235,388	1,303,388	1,525,994	(222,606)
Repairs and maintenance	445,000	440,000	566,431	(126,431)
Capital outlay	<u>245,000</u>	<u>505,000</u>	<u>300,343</u>	<u>204,657</u>
Total commercial box collection	<u>2,731,907</u>	<u>3,096,892</u>	<u>3,234,488</u>	<u>(137,596)</u>
Recycling:				
Salaries and benefits	662,622	674,993	576,799	98,194
Supplies and materials	30,100	32,100	28,003	4,097
Contractual and other services	133,000	124,500	121,748	2,752
Repairs and maintenance	121,000	119,000	121,433	(2,433)
Capital outlay	<u>4,000</u>	<u>4,000</u>	<u>24,650</u>	<u>(20,650)</u>
Total recycling	<u>950,722</u>	<u>954,593</u>	<u>872,633</u>	<u>81,960</u>
Composting				
Salaries and benefits	-	-	-	-
Supplies and materials	-	-	-	-
Contractual and other services	-	-	900	(900)
Repairs and maintenance	-	-	-	-
Capital outlay	<u>-</u>	<u>685,219</u>	<u>232,387</u>	<u>452,832</u>
Total composting	<u>-</u>	<u>685,219</u>	<u>233,287</u>	<u>451,932</u>
Non-departmental expenses:				
Depreciation fund-capital outlay	775,000	775,000	569,500	205,500
Liability insurance	<u>104,898</u>	<u>104,898</u>	<u>104,898</u>	<u>-</u>
Total non-departmental expenses	<u>879,898</u>	<u>879,898</u>	<u>674,398</u>	<u>205,500</u>
Total expenses	<u>9,417,659</u>	<u>10,512,301</u>	<u>9,633,775</u>	<u>878,526</u>

**CITY OF McALLEN, TEXAS**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(43,824)	(1,138,466)	749,440	1,887,906
Transfers:				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(43,824)</u>	<u>(1,138,466)</u>	<u>749,440</u>	<u>1,887,906</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (866,548)	\$ (866,548)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>1,126,880</u>	<u>1,126,880</u>
Net income-GAAP basis	<u><u>\$ (43,824)</u></u>	<u><u>\$ (1,138,466)</u></u>	<u><u>\$ 1,009,772</u></u>	<u><u>\$ 2,148,238</u></u>



**CITY OF McALLEN , TEXAS**  
**PALMVIEW GOLF COURSE FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 24,517	\$ 66,425
Certificate of deposit	351,835	173,616
Investments	39,112	167,362
Receivables, net:		
Accounts	<u>573</u>	<u>9,087</u>
 Total currents assets	 <u>416,037</u>	 <u>416,490</u>
Restricted assets:		
Cash	54,179	-
Certificate of deposit	-	83,000
Investments	<u>123,272</u>	<u>-</u>
 Capital assets		
Land	187,995	187,995
Buildings and systems	211,633	211,633
Improvements other than buildings	7,295,137	6,501,211
Machinery and equipment	<u>824,680</u>	<u>816,805</u>
 Total capital assets	 8,519,445	 7,717,644
Less accumulated depreciation	<u>(2,811,015)</u>	<u>(2,490,944)</u>
 Net capital assets	 <u>5,708,430</u>	 <u>5,226,700</u>
  Total assets	  <u><u>\$ 6,301,918</u></u>	  <u><u>\$ 5,726,190</u></u>

**CITY OF McALLEN , TEXAS**  
**PALMVIEW GOLF COURSE FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 26,121	\$ 39,612
Accrued expenses	26,443	25,661
Other	<u>-</u>	<u>500</u>
Total current liabilities	<u>52,564</u>	<u>65,773</u>
Other noncurrent liabilities:		
Deferred revenues	81,353	68,573
Other payables	984	-
Accumulated unpaid compensated absences	45,847	44,856
Advances from other funds	<u>3,600,000</u>	<u>3,700,000</u>
Total other noncurrent liabilities	<u>3,728,184</u>	<u>3,813,429</u>
Total liabilities	<u>3,780,748</u>	<u>3,879,202</u>
<b>NET ASSETS</b>		
Invested in capital assets	5,708,430	5,226,700
Restricted for improvements	177,451	83,000
Unrestricted	<u>(3,364,711)</u>	<u>(3,462,712)</u>
Total net assets	<u>2,521,170</u>	<u>1,846,988</u>
Total liabilities and net assets	<u><u>\$ 6,301,918</u></u>	<u><u>\$ 5,726,190</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, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
Operating revenues:		
Charges for services	\$ 1,049,520	\$ 1,023,855
Total operating revenues	<u>1,049,520</u>	<u>1,023,855</u>
Operating expenses:		
Salaries, wages and employee benefits	607,104	600,376
Supplies and materials	93,504	92,690
Contractual and other services	118,128	124,408
Repairs and maintenance	58,811	48,776
Depreciation and amortization	<u>320,072</u>	<u>279,397</u>
Total operating expenses	<u>1,197,619</u>	<u>1,145,647</u>
Operating loss	<u>(148,099)</u>	<u>(121,792)</u>
Nonoperating revenues:		
Interest income	8,123	9,011
Other	<u>12,356</u>	<u>20,167</u>
Total nonoperating revenues	<u>20,479</u>	<u>29,178</u>
Loss before contributions and transfers	(127,620)	(92,614)
Capital contributions	801,801	305,711
Transfers in	<u>-</u>	<u>195,370</u>
Changes in net assets	674,181	408,467
Total net assets--beginning	<u>1,846,989</u>	<u>1,438,521</u>
Total net assets--ending	<u><u>\$ 2,521,170</u></u>	<u><u>\$ 1,846,988</u></u>

**CITY OF McALLEN, TEXAS**  
**PALM VIEW GOLF COURSE FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 1,058,034	\$ 1,015,997
Payments to suppliers	(269,887)	(283,574)
Payments to employees	(606,113)	(600,380)
Other receipts (payments)	12,356	45,058
	<u>194,390</u>	<u>177,101</u>
<b>Cash flows from non-capital financing activities:</b>		
Operating transfer	-	195,370
Advances from other funds	(100,000)	(100,000)
	<u>(100,000)</u>	<u>95,370</u>
Cash provided (used) by non-capital financing activities	<u>(100,000)</u>	<u>95,370</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	-	(250,709)
	<u>-</u>	<u>(250,709)</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>(250,709)</u>
<b>Cash flows from investing activities:</b>		
Investment activity, net	(90,241)	(49,811)
Receipt of interest	8,122	9,012
	<u>(82,119)</u>	<u>(40,799)</u>
Net cash used by investing activities	<u>(82,119)</u>	<u>(40,799)</u>
Net increase (decrease) in cash	12,271	(19,037)
Cash at beginning of year	66,425	85,462
Cash at end of year	<u><u>\$ 78,696</u></u>	<u><u>\$ 66,425</u></u>

Continued

**CITY OF McALLEN, TEXAS**  
**PALM VIEW GOLF COURSE FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating loss	\$ (148,099)	\$ (121,796)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	320,071	279,397
Miscellaneous income	13,351	23,242
(Increase) decrease in other receivable	8,514	(7,858)
Increase (decrease) in accounts payable	(13,491)	(16,506)
Increase (decrease) in other liabilities	(26,805)	-
Accrued expenses	782	1,194
Deferred revenue	40,067	19,428
Total adjustments	342,489	298,897
Net cash provided by operating activities	<u><u>\$ 194,390</u></u>	<u><u>\$ 177,101</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, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Operating revenues:				
Green fees	\$ 587,414	\$ 587,414	\$ 580,855	\$ (6,559)
Membership sales	122,001	122,001	133,395	11,394
Cart rental	258,703	258,703	256,987	(1,716)
Rentals and other sales	<u>127,922</u>	<u>127,922</u>	<u>78,283</u>	<u>(49,639)</u>
Total operating revenues	<u>1,096,040</u>	<u>1,096,040</u>	<u>1,049,520</u>	<u>(46,520)</u>
Non-operating revenues:				
Interest	6,000	6,000	8,123	2,123
Other	<u>12,000</u>	<u>12,000</u>	<u>814,157</u>	<u>802,157</u>
Total non-operating revenues	<u>18,000</u>	<u>18,000</u>	<u>822,280</u>	<u>804,280</u>
Total revenues	<u>1,114,040</u>	<u>1,114,040</u>	<u>1,871,800</u>	<u>757,760</u>
Expenses:				
Salaries and benefits	650,970	667,810	607,104	60,706
Supplies	119,390	119,390	93,504	25,886
Contractual and other services	158,766	158,766	118,128	40,638
Repairs and maintenace	67,500	67,500	58,811	8,689
Other	100,000	100,000	-	100,000
Capital outlay	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total expenses	<u>1,116,626</u>	<u>1,133,466</u>	<u>877,547</u>	<u>255,919</u>
Net income (loss)	(2,586)	(19,426)	994,253	1,013,679
Excess (deficiency) of revenues over budget	<u>(2,586)</u>	<u>(19,426)</u>	<u>994,253</u>	<u>1,013,679</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, 2004**

	<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	\$ -	\$ -	\$ (320,072)	\$ (320,072)
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>\$ (2,586)</u>	<u>\$ (19,426)</u>	<u>\$ 674,181</u>	<u>\$ 693,607</u>

**CITY OF McALLEN , TEXAS**  
**TRANSIT TERMINAL FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<b>2004</b>	<b>2003</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 361	\$ (894)
Investments	1,142	101,501
Due from other funds	161,799	-
Total currents assets	163,302	100,607
Capital assets		
Land	1,684,593	1,684,593
Buildings and systems	3,531,028	3,522,228
Machinery and equipment	100,103	100,103
Total capital assets	5,315,724	5,306,924
Less accumulated depreciation	(442,175)	(315,004)
Net capital assets	4,873,549	4,991,920
Total assets	<b>\$ 5,036,851</b>	<b>\$ 5,092,527</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 74,819	\$ 14,749
Accrued expenses	10,959	12,857
Due to other funds	2,000	-
Total current liabilities	87,778	27,606
Other noncurrent liabilities:		
Accumulated unpaid compensated absences	10,150	7,868
Advances from other funds	352,716	352,716
Total other noncurrent liabilities	362,866	360,584
Total liabilities	450,644	388,190
<b>NET ASSETS</b>		
Invested in capital assets	4,873,549	4,991,920
Unrestricted	(287,342)	(287,583)
Total net assets	4,586,207	4,704,337
Total liabilities and net assets	<b>\$ 5,036,851</b>	<b>\$ 5,092,527</b>



**CITY OF McALLEN , TEXAS**  
**TRANSIT TERMINAL FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
Operating revenues:		
Charges for services	\$ 267,370	\$ 241,788
Total operating revenues	<u>267,370</u>	<u>241,788</u>
Operating expenses:		
Salaries, wages and employee benefits	304,264	287,927
Supplies and materials	26,978	27,404
Contractual and other services	394,440	147,919
Repairs and maintenance	45,986	21,008
Depreciation and amortization	<u>127,171</u>	<u>126,951</u>
Total operating expenses	<u>898,839</u>	<u>611,209</u>
Operating loss	<u>(631,469)</u>	<u>(369,421)</u>
Nonoperating revenues:		
Interest income	677	957
Other	<u>13,660</u>	<u>10,882</u>
Total nonoperating revenues	<u>14,337</u>	<u>11,839</u>
Loss before contributions and transfers	<u>(617,132)</u>	<u>(357,582)</u>
Transfers in	<u>499,003</u>	<u>176,957</u>
Changes in net assets	(118,129)	(180,625)
Total net assets--beginning	<u>4,704,336</u>	<u>4,884,963</u>
Total net assets--ending	<u><u>\$ 4,586,207</u></u>	<u><u>\$ 4,704,338</u></u>

**CITY OF McALLEN, TEXAS**  
**TRANSIT TERMINAL FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 105,571	\$ 236,881
Payments to suppliers	(407,233)	(186,040)
Payments to employees	(301,982)	(287,143)
Other receipts (payments)	13,660	20,696
	<u>                    </u>	<u>                    </u>
Net cash used by operating activities	<u>(589,984)</u>	<u>(215,606)</u>
 <b>Cash flows from non-capital financing activities:</b>		
Transfer in	<u>499,003</u>	<u>176,957</u>
	<u>                    </u>	<u>                    </u>
Cash provided by non-capital financing activities	<u>499,003</u>	<u>176,957</u>
 <b>Cash flows from capital and related financing</b>		
<b>Loss before contributions and transfers</b>		
Purchases of capital assets	<u>(8,800)</u>	<u>-</u>
	<u>                    </u>	<u>                    </u>
Net cash used by capital and related financing activities	<u>(8,800)</u>	<u>-</u>
 <b>Cash flows from investing activities:</b>		
Investment activity, net	100,359	(39,850)
Receipt of interest	<u>677</u>	<u>957</u>
	<u>                    </u>	<u>                    </u>
Net cash provided (used) by investing activities	<u>101,036</u>	<u>(38,893)</u>
	<u>                    </u>	<u>                    </u>
Net increase (decrease) in cash	1,255	(77,542)
	<u>                    </u>	<u>                    </u>
Cash (deficit) at beginning of year	<u>(894)</u>	<u>76,648</u>
	<u>                    </u>	<u>                    </u>
Cash (deficit) at end of year	<u><u>\$ 361</u></u>	<u><u>\$ (894)</u></u>

**CITY OF McALLEN, TEXAS**  
**TRANSIT TERMINAL FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>		
Operating loss	\$ (631,469)	\$ (369,422)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	127,171	126,951
Miscellaneous income (expense)	15,941	11,665
(Increase) decrease in other receivables	(161,799)	4,907
Increase (decrease) in accounts payable	60,070	7,882
Increase (decrease) in due to other funds	2,000	-
Accrued expenses	(1,898)	2,411
Total adjustments	41,485	153,816
Net cash used by operating activities	<u><u>\$ (589,984)</u></u>	<u><u>\$ (215,606)</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, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 223,522	\$ 223,522	\$ 223,363	\$ (159)
Concessions-other	<u>45,373</u>	<u>45,373</u>	<u>44,007</u>	<u>(1,366)</u>
Total operating revenues	<u>268,895</u>	<u>268,895</u>	<u>267,370</u>	<u>(1,525)</u>
Non-operating revenues:				
Interest	-	-	677	677
Other	<u>58,341</u>	<u>58,341</u>	<u>13,660</u>	<u>(44,681)</u>
Total non-operating revenues	<u>58,341</u>	<u>58,341</u>	<u>14,337</u>	<u>(44,004)</u>
Total revenues	<u>327,236</u>	<u>327,236</u>	<u>281,707</u>	<u>(45,529)</u>
Expenses:				
Administration:				
Salaries and benefits	290,979	298,619	304,264	(5,645)
Supplies	28,680	28,680	26,978	1,702
Contractual and other services	202,946	459,748	394,440	65,308
Repairs and maintenance	22,010	22,010	20,013	1,997
Capital outlay	<u>-</u>	<u>-</u>	<u>8,800</u>	<u>(8,800)</u>
Total expenses	<u>544,615</u>	<u>809,057</u>	<u>754,495</u>	<u>54,562</u>
McAllen express:				
Repairs and maintenance	-	-	25,973	(25,973)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total McAllen express	<u>-</u>	<u>-</u>	<u>25,973</u>	<u>(25,973)</u>
Total expenses	<u>544,615</u>	<u>809,057</u>	<u>780,468</u>	<u>28,589</u>

**CITY OF McALLEN, TEXAS**  
**TRANSIT TERMINAL FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Deficiency of revenues over expenses (budget basis) before transfers	(217,379)	(481,821)	(498,761)	(16,940)
Transfers:				
Transfers in	242,201	499,003	499,003	-
Excess (deficiency) of revenues over budget	24,822	17,182	242	(16,940)
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (127,171)	\$ (127,171)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	8,800	8,800
Net income-GAAP basis	<u><u>\$ 24,822</u></u>	<u><u>\$ 17,182</u></u>	<u><u>\$ (118,129)</u></u>	<u><u>\$ (135,311)</u></u>

**CITY OF McALLEN , TEXAS**  
**McALLEN INTERNATIONAL CIVIC CENTER FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 11,655	\$ 8,695
Certificate of deposit	1,330,985	1,225,416
Investments	695,545	663,108
Receivables, net:		
Accrued interest	2,112	2,112
Due from other funds	<u>66,382</u>	<u>64,279</u>
 Total current assets	 <u>2,106,679</u>	 <u>1,963,610</u>
Restricted assets:		
Cash	22,637	14,236
Certificate of deposit	20,133,427	21,783,317
Investments	5,465,978	3,369,094
Accrued interest	12,674	12,674
Due from other funds	99,574	96,419
Other	<u>5,896,143</u>	<u>2,848,143</u>
 Total restricted assets	 <u>31,630,433</u>	 <u>28,123,883</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	576,418	495,713
Construction in progress	<u>-</u>	<u>-</u>
 Total capital assets	 8,458,207	 8,377,502
Less accumulated depreciation	<u>(2,243,345)</u>	<u>(2,108,662)</u>
 Net capital assets	 <u>6,214,862</u>	 <u>6,268,840</u>
  Total assets	  <u><u>\$ 39,951,974</u></u>	  <u><u>\$ 36,356,333</u></u>

**CITY OF McALLEN , TEXAS**  
**McALLEN INTERNATIONAL CIVIC CENTER FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 25,652	\$ 37,019
Accrued expenses	20,609	16,661
Other	<u>18</u>	<u>18</u>
Total current liabilities	<u>46,279</u>	<u>53,698</u>
Liabilities(payable from restricted assets):		
Accounts payable	1,978	3,899
Accrued expenses	116,507	39,883
Customer deposits	16,268	18,955
Other	177	-
Note payable	<u>2,000,000</u>	<u>2,000,000</u>
Total liabilities(payable from restricted assets)	<u>2,134,930</u>	<u>2,062,737</u>
Other noncurrent liabilities:		
Deferred revenues	38,380	39,169
Accumulated unpaid compensated absences	<u>19,920</u>	<u>15,450</u>
Total other noncurrent liabilities	<u>58,300</u>	<u>54,619</u>
Total liabilities	<u>2,239,509</u>	<u>2,171,054</u>
<b>NET ASSETS</b>		
Invested in capital assets	6,214,862	6,268,840
Restricted for improvements	29,495,503	26,061,146
Unrestricted	<u>2,002,100</u>	<u>1,855,293</u>
Total net assets	<u>37,712,465</u>	<u>34,185,279</u>
Total liabilities and net assets	<u><u>\$ 39,951,974</u></u>	<u><u>\$ 36,356,333</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, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<b>2004</b>	<b>2003</b>
Operating revenues:		
Charges for services	\$ 23,952	\$ 10,230
Rentals	360,578	407,583
Total operating revenues	<u>384,530</u>	<u>417,813</u>
Operating expenses:		
Salaries, wages and employee benefits	591,450	446,946
Supplies and materials	30,836	24,372
Contractual and other services	477,845	348,718
Repairs and maintenance	51,401	52,864
Depreciation and amortization	134,683	123,495
Total operating expenses	<u>1,286,215</u>	<u>996,395</u>
Operating loss	<u>(901,685)</u>	<u>(578,582)</u>
Nonoperating revenues (expenses):		
Interest income	514,525	779,530
Decrease in the fair value of investments	(10,220)	(174,200)
Interest expense	(99,726)	(38,631)
Other	2,209	13,492
Net nonoperating revenues	<u>406,788</u>	<u>580,191</u>
Income (loss) before contributions and transfers	<u>(494,897)</u>	<u>1,609</u>
Transfers in	<u>4,022,083</u>	<u>2,005,412</u>
Changes in net assets	3,527,186	2,007,021
Total net assets--beginning	<u>34,185,279</u>	<u>32,178,258</u>
Total net assets--ending	<u><u>\$ 37,712,465</u></u>	<u><u>\$ 34,185,279</u></u>



**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL CIVIC CENTER FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 384,530	\$ 417,814
Payments to suppliers	(492,416)	(428,780)
Payments to employees	(595,920)	(453,902)
Other receipts (payments)	<u>2,209</u>	<u>157,399</u>
Net cash used by operating activities	<u>(701,597)</u>	<u>(307,469)</u>
<b>Cash flows from non-capital financing activities:</b>		
Transfer from other funds	<u>4,022,083</u>	<u>2,005,412</u>
Cash provided by non-capital financing activities	<u>4,022,083</u>	<u>2,005,412</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	(3,128,705)	(2,175,786)
Note payable	-	2,000,000
Interest paid	<u>(99,726)</u>	<u>(38,631)</u>
Net cash used by capital and related financing activities	<u>(3,228,431)</u>	<u>(214,417)</u>
<b>Cash flows from investing activities:</b>		
Investment activity, net	(585,000)	(2,089,974)
Receipt of interest	<u>504,306</u>	<u>605,330</u>
Net cash used by investing activities	(80,694)	(1,484,644)
Net increase (decrease) in cash	11,361	(1,118)
Cash at beginning of year	<u>22,931</u>	<u>24,049</u>
Cash at end of year	<u><u>\$ 34,292</u></u>	<u><u>\$ 22,931</u></u>

Continued

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL CIVIC CENTER FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 11,655	\$ 8,695
Restricted cash	<u>22,637</u>	<u>14,236</u>
	<u><u>\$ 34,292</u></u>	<u><u>\$ 22,931</u></u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating loss	<u>\$ (901,685)</u>	<u>\$ (578,582)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	134,683	123,495
Miscellaneous income (expense)	6,678	16,972
(Increase) decrease in accounts receivable	-	12
Accrued interest	-	88,244
(Increase) in due from other funds	(5,258)	(9,611)
Increase (decrease) in accounts payable	(13,440)	(30,029)
Increase (decrease) in accrued expenses	80,900	42,344
Deferred revenue	<u>(3,475)</u>	<u>39,686</u>
Total adjustments	<u>200,088</u>	<u>271,113</u>
Net cash used by operating activities	<u><u>\$ (701,597)</u></u>	<u><u>\$ (307,469)</u></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, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Rentals	\$ 360,000	\$ 360,000	\$ 360,578	\$ 578
Concessions-other	<u>9,600</u>	<u>9,600</u>	<u>23,952</u>	<u>14,352</u>
Total operating revenues	<u>369,600</u>	<u>369,600</u>	<u>384,530</u>	<u>14,930</u>
Non-operating revenues:				
Interest	1,142,930	1,142,930	514,525	(628,405)
Decrease in the fair value of investments	-	-	(10,220)	(10,220)
Other	<u>3,000</u>	<u>3,000</u>	<u>2,209</u>	<u>(791)</u>
Total non-operating revenues	<u>1,145,930</u>	<u>1,145,930</u>	<u>506,514</u>	<u>(639,416)</u>
Total revenues	<u>1,515,530</u>	<u>1,515,530</u>	<u>891,044</u>	<u>(624,486)</u>
Expenses:				
Salaries and benefits	612,302	622,879	591,450	31,429
Supplies	30,300	30,300	30,836	(536)
Contractual and other services	443,966	443,966	477,845	(33,879)
Repairs and maintenance	41,000	41,000	51,401	(10,401)
Interest	-	-	99,726	(99,726)
Capital outlay	<u>3,380,815</u>	<u>3,380,815</u>	<u>3,128,705</u>	<u>252,110</u>
Total expenses	<u>4,508,383</u>	<u>4,518,960</u>	<u>4,379,963</u>	<u>138,997</u>
Deficiencies of revenues over expenses (budget basis) before transfers	(2,992,853)	(3,003,430)	(3,488,919)	(485,489)
Transfers:				
Transfers in	<u>3,862,707</u>	<u>3,862,707</u>	<u>4,022,083</u>	<u>159,376</u>
Excess (deficiency) of revenues over budget	<u>869,854</u>	<u>859,277</u>	<u>533,164</u>	<u>(326,113)</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, 2004**

	<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	\$ -	\$ -	\$ (134,683)	\$ (134,683)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>3,128,705</u>	<u>3,128,705</u>
Net income-GAAP basis	<u><u>\$ 869,854</u></u>	<u><u>\$ 859,277</u></u>	<u><u>\$ 3,527,186</u></u>	<u><u>\$ 2,667,909</u></u>

**CITY OF McALLEN , TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 26,776	\$ 9,651
Certificate of deposit	402,378	100,109
Investments	211,076	231,513
Receivables, net:		
Accounts	71,214	193,958
Due from other governments	<u>241,590</u>	<u>-</u>
 Total currents assets	 <u>953,034</u>	 <u>535,231</u>
 Restricted assets:		
Cash	11,909	6,950
Certificate of deposit	1,690,481	1,868,063
Investments	257,766	125,500
Other	<u>68</u>	<u>-</u>
 Total restricted assets	 <u>1,960,224</u>	 <u>2,000,513</u>
 Capital assets		
Land	3,251,781	3,251,781
Buildings and systems	30,890,423	30,890,423
Improvements other than buildings	30,574,536	30,203,615
Machinery and equipment	328,380	294,024
Construction in progress	<u>1,302,094</u>	<u>-</u>
 Total capital assets	 66,347,214	 64,639,843
Less accumulated depreciation	<u>(21,432,350)</u>	<u>(19,210,168)</u>
 Net capital assets	 <u>44,914,864</u>	 <u>45,429,675</u>
  Total assets	  <u><u>\$ 47,828,122</u></u>	  <u><u>\$ 47,965,419</u></u>

**CITY OF McALLEN , TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 72,342	\$ 106,400
Accrued expenses	224,578	200,560
Other	<u>426</u>	<u>426</u>
Total current liabilities	<u>297,346</u>	<u>307,386</u>
Current liabilities (payable from restricted assets):		
Accounts payable	-	11,661
Accrued expenses	34,340	-
Total liabilities (payable from restricted assets)	<u>34,340</u>	<u>11,661</u>
Other noncurrent liabilities:		
Deferred revenues	114,106	55,325
Accumulated unpaid compensated absences	48,869	47,002
Advances from other funds	<u>-</u>	<u>7,057,266</u>
Total other noncurrent liabilities	<u>162,975</u>	<u>7,159,593</u>
Total liabilities	<u>494,661</u>	<u>7,478,640</u>
<b>NET ASSETS</b>		
Invested in capital assets	44,914,864	45,429,675
Restricted for improvements	1,925,884	1,988,853
Unrestricted	<u>492,713</u>	<u>(6,931,749)</u>
Total net assets	<u>47,333,461</u>	<u>40,486,779</u>
Total liabilities and net assets	<u><u>\$ 47,828,122</u></u>	<u><u>\$ 47,965,419</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, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<b>2004</b>	<b>2003</b>
Operating revenues:		
Charges for services	\$ 1,290,679	\$ 1,162,712
Rentals	1,958,998	2,111,586
Total operating revenues	<u>3,249,677</u>	<u>3,274,298</u>
Operating expenses:		
Salaries, wages and employee benefits	795,782	782,558
Supplies and materials	31,788	31,794
Contractual and other services	820,601	668,255
Repairs and maintenance	465,145	190,415
Depreciation and amortization	<u>2,222,182</u>	<u>2,126,021</u>
Total operating expenses	<u>4,335,498</u>	<u>3,799,043</u>
Operating loss	<u>(1,085,821)</u>	<u>(524,745)</u>
Nonoperating revenues (expenses):		
Intergovernmental	679,130	2,358,819
Interest income	44,981	49,613
Decrease in the fair value of investments	-	(4,624)
Other	<u>42,222</u>	<u>3,518</u>
Net nonoperating revenues	<u>766,333</u>	<u>2,407,326</u>
Income (loss) before contributions and transfers	<u>(319,488)</u>	<u>1,882,581</u>
Transfers in	12,303,969	294,637
Transfers out	<u>(5,137,800)</u>	<u>(4,672,258)</u>
Changes in net assets	6,846,681	(2,495,040)
Total net assets--beginning	<u>40,486,779</u>	<u>42,981,819</u>
Total net assets--ending	<u><u>\$ 47,333,460</u></u>	<u><u>\$ 40,486,779</u></u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 3,130,763	\$ 3,312,687
Payments to suppliers	(1,246,114)	(1,209,867)
Payments to employees	(793,913)	(783,837)
Other receipts (payments)	42,222	249,139
	<u>1,132,958</u>	<u>1,568,122</u>
<b>Cash flows from non-capital financing activities:</b>		
Transfer to other funds	(5,137,800)	(4,377,621)
Advances from other funds	(7,057,267)	3,600,447
Transfer in from other funds	12,303,969	-
Receipt of capital contribution	679,130	2,358,819
	<u>788,032</u>	<u>1,581,645</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	(1,707,371)	(2,704,184)
	<u>(1,707,371)</u>	<u>(2,704,184)</u>
<b>Cash flows from investing activities:</b>		
Investment activity, net	(236,515)	(481,843)
Receipt of interest	44,980	49,615
	<u>(191,535)</u>	<u>(432,228)</u>
Net increase in cash	22,084	13,355
Cash at beginning of year	16,601	3,246
Cash at end of year	<u><u>\$ 38,685</u></u>	<u><u>\$ 16,601</u></u>

Continued



**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 26,777	\$ 9,651
Restricted cash	11,908	6,950
	<u><u>\$ 38,685</u></u>	<u><u>\$ 16,601</u></u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating loss	\$ (1,085,821)	\$ (524,745)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	2,222,182	2,126,021
Miscellaneous income (expense)	44,091	2,237
(Increase) decrease in accounts receivable	122,676	34,221
(Increase) decrease in governmental receivables	(241,590)	174,643
(Increase) in accrued interest	-	9,152
(Increase) decrease in other assets	-	60,190
Increase (decrease) in accounts payable	(34,058)	(319,403)
Increase (decrease) in other liabilities	22,679	-
Increase (decrease) in accrued expenses	24,018	(13,069)
Increase (decrease) in deferred revenues	58,781	18,875
	<u>2,218,779</u>	<u>2,740,388</u>
Total adjustments		
	<u><u>\$ 1,132,958</u></u>	<u><u>\$ 1,568,122</u></u>
Net cash provided by operating activities		

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Operating revenues:				
Charges for services	\$ 1,246,000	\$ 1,246,000	\$ 1,290,679	\$ 44,679
Rentals	2,000,640	2,000,640	1,958,998	(41,642)
Total operating revenues	3,246,640	3,246,640	3,249,677	3,037
Non-operating revenues:				
Intergovernmental	2,792,784	2,792,784	679,130	(2,113,654)
Interest	-	-	44,981	44,981
Other	6,100	6,100	42,222	36,122
Total non-operating revenues	2,798,884	2,798,884	766,333	(2,032,551)
Total revenues	6,045,524	6,045,524	4,016,010	(2,029,514)
Expenses:				
Salaries and benefits	810,162	832,273	795,782	36,491
Supplies	42,100	42,100	31,788	10,312
Contractual and other services	937,444	892,444	820,601	71,843
Repairs and maintenace	402,500	402,500	465,145	(62,645)
Increase in the fair value of investments	5,324,576	5,369,576	1,707,370	3,662,206
Total expenses	7,516,782	7,538,893	3,820,686	3,718,207
Excess (deficiency) of revenues over expenses (budget basis) before transfers	(1,471,258)	(1,493,369)	195,324	1,688,693
Transfers:				
Transfers in	1,035,309	1,180,713	12,303,969	11,123,256
Transfers out	(2,712,228)	(2,712,228)	(5,137,800)	(2,425,572)
Excess (deficiency) of revenues over budget	(3,148,177)	(3,024,884)	7,361,493	10,386,377

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL AIRPORT FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2004**

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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	\$ -	\$ -	\$ (2,222,182)	\$ (2,222,182)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>1,707,371</u>	<u>1,707,371</u>
Net income-GAAP basis	<u><u>\$ (3,148,177)</u></u>	<u><u>\$ (3,024,884)</u></u>	<u><u>\$ 6,846,682</u></u>	<u><u>\$ 9,871,566</u></u>

**CITY OF McALLEN , TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

		<b>2003</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 108,289	\$ 206,143
Certificate of deposit	366,419	359,119
Investments	1,405,044	1,293,557
Receivables, net:		
Total current assets	<u>1,879,752</u>	<u>1,858,819</u>
Restricted assets:		
Cash	35,320	1,525
Certificate of deposit	4,979,213	5,609,816
Certificate of deposit-reserved for distribution	6,081,286	5,874,331
Investments	1,715,925	1,977,382
Accrued interest	6,337	6,337
Other	6,425	-
Land	<u>183,532</u>	<u>183,532</u>
Total restricted assets	<u>13,008,038</u>	<u>13,652,923</u>
Capital assets		
Land	573,798	573,798
Buildings and systems	7,863,073	7,858,695
Improvements other than buildings	1,785,654	1,785,654
Machinery and equipment	825,125	808,105
Construction in progress	<u>758,058</u>	<u>-</u>
Total capital assets	11,805,708	11,026,252
Less accumulated depreciation	<u>(5,037,292)</u>	<u>(4,727,587)</u>
Net capital assets	<u>6,768,416</u>	<u>6,298,665</u>
Other assets		
Other assets, net	<u>680,686</u>	<u>690,255</u>
Total other assets	<u>680,686</u>	<u>690,255</u>
Total assets	<u><u>\$ 22,336,892</u></u>	<u><u>\$ 22,500,662</u></u>

**CITY OF McALLEN , TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

		<b>2003</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 51,383	\$ 27,191
Accrued expenses	44,944	43,305
Due to other governmental agencies	830,983	847,537
	<u>927,310</u>	<u>918,033</u>
Total current liabilities		
	927,310	918,033
Current liabilities (payable from restricted assets):		
Accounts payable	50,312	85,945
Accrued expenses	29,172	13,846
Due to other funds	40,346	38,096
Current portion of revenue bonds	200,000	190,000
	<u>319,830</u>	<u>327,887</u>
Total liabilities(payable from restricted assets)		
	319,830	327,887
Other noncurrent liabilities:		
Revenue bonds, net of current portion and discount	1,730,000	1,930,000
Deferred revenues	22,382	17,591
Accumulated unpaid compensated absences	78,686	67,299
	<u>1,831,068</u>	<u>2,014,890</u>
Total other noncurrent liabilities		
	1,831,068	2,014,890
Total liabilities	<u>3,078,208</u>	<u>3,260,810</u>
	3,078,208	3,260,810
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	6,220,849	6,245,098
Restricted for:		
Improvements	4,637,603	4,759,539
Debt service	827,117	852,734
Distribution	6,040,940	5,836,235
Unrestricted	1,532,175	1,546,246
	<u>19,258,684</u>	<u>19,239,852</u>
Total net assets		
	19,258,684	19,239,852
Total liabilities and net assets	<u><u>\$ 22,336,892</u></u>	<u><u>\$ 22,500,662</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, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
Operating revenues:		
Charges for services	\$ 10,223,227	\$ 10,219,671
Rentals	1,226,033	942,271
Other	<u>77,124</u>	<u>125,847</u>
Total operating revenues	<u>11,526,384</u>	<u>11,287,789</u>
Operating expenses:		
Salaries, wages and employee benefits	1,150,323	1,044,653
Supplies and materials	83,422	61,405
Contractual and other services	523,326	513,026
Repairs and maintenance	115,634	88,028
Depreciation and amortization	<u>319,274</u>	<u>293,460</u>
Total operating expenses	<u>2,191,979</u>	<u>2,000,572</u>
Operating income	<u>9,334,405</u>	<u>9,287,217</u>
Nonoperating revenues (expenses):		
Interest income	164,083	303,232
Decrease in the fair value of investments	(4,380)	(108,637)
Interest expense	(91,390)	(99,702)
Other	<u>(3,547,650)</u>	<u>(3,726,814)</u>
Net nonoperating revenues (expenses)	<u>(3,479,337)</u>	<u>(3,631,921)</u>
Income before contributions and transfers	<u>5,855,068</u>	<u>5,655,296</u>
Transfers out	<u>(5,836,235)</u>	<u>(5,423,729)</u>
Changes in net assets	18,833	231,567
Total net assets--beginning	<u>19,239,850</u>	<u>19,008,286</u>
Total net assets--ending	<u><u>\$ 19,258,683</u></u>	<u><u>\$ 19,239,853</u></u>

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**STATEMENTS OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 11,526,385	\$ 11,163,037
Payments to suppliers	(761,993)	(611,730)
Payments to employees	(1,093,992)	(1,039,006)
Other receipts	<u>-</u>	<u>125,848</u>
Net cash provided by operating activities	<u>9,670,400</u>	<u>8,967,596</u>
<b>Cash flows from non-capital financing activities:</b>		
Distribution of income to City of Hidalgo	(3,414,583)	(3,172,604)
Operating transfers to City of McAllen	(5,833,985)	(5,450,144)
Other	<u>(193,082)</u>	<u>(670,553)</u>
Cash used in non-capital financing activities	<u>(9,441,650)</u>	<u>(8,622,748)</u>
<b>Cash flows from capital and related financing activities:</b>		
Proceeds from capital debt	-	-
Purchases of capital assets	(779,457)	(570,524)
Principal paid on capital debt	(190,000)	(180,000)
Interest paid on capital debt	(99,376)	(100,379)
Bond issuance cost	<u>-</u>	<u>(3,803)</u>
Net cash used by capital and related financing activities	<u>(1,068,833)</u>	<u>(854,706)</u>
<b>Cash flows from investing activities:</b>		
Investment activity, net	564,098	56,781
Receipt of interest	<u>211,926</u>	<u>484,070</u>
Net cash provided by investing activities	<u>776,024</u>	<u>540,851</u>
Net increase (decrease) in cash	(64,059)	30,993
Cash at beginning of year	<u>207,668</u>	<u>176,675</u>
Cash at end of year	<u><b>\$ 143,609</b></u>	<u><b>\$ 207,668</b></u>

Continued

**CITY OF McALLEN, TEXAS**  
**McALLEN INTERNATIONAL TOLL BRIDGE FUND**  
**STATEMENTS OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 108,289	\$ 206,143
Restricted cash	<u>35,320</u>	<u>1,525</u>
	<u><u>\$ 143,609</u></u>	<u><u>\$ 207,668</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	<u>\$ 9,334,405</u>	<u>\$ 9,287,217</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	319,274	293,461
Gain on disposition of capital assets	-	3,190
Increase (decrease) in accounts payable	4,597	(42,768)
Increase (decrease) in other payables	(4,054)	92,498
Increase (decrease) in compensated absences payable	11,387	5,646
(Increase) in deferred revenues	4,791	(1,095)
	<u>335,995</u>	<u>350,932</u>
Total adjustments		
	<u><u>\$ 9,670,400</u></u>	<u><u>\$ 8,967,596</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, 2004**

	<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	\$ 9,706,000	\$ 9,706,000	\$ 10,223,227	\$ 517,227
Rentals	866,134	866,134	1,226,033	359,899
Other	98,900	98,900	77,124	(21,776)
Total operating revenues	<u>10,671,034</u>	<u>10,671,034</u>	<u>11,526,384</u>	<u>855,350</u>
Non-operating revenues:				
Interest	200,000	200,000	164,083	(35,917)
Decrease in fair value of investment	-	-	(4,380)	(4,380)
Other	-	-	43,463	43,463
Total non-operating revenues	<u>200,000</u>	<u>200,000</u>	<u>203,166</u>	<u>3,166</u>
Total revenues	<u>10,871,034</u>	<u>10,871,034</u>	<u>11,729,550</u>	<u>858,516</u>
Expenses:				
Administration:				
Salaries and benefits	172,868	179,867	160,611	19,256
Supplies and materials	29,800	29,800	24,179	5,621
Contractual and other services	330,000	330,000	319,160	10,840
Repairs and maintenance	3,200	3,200	4,221	(1,021)
Capital outlay	185,500	185,500	779,457	(593,957)
Total administration	<u>721,368</u>	<u>728,367</u>	<u>1,287,628</u>	<u>(559,261)</u>
Operations :				
Salaries and benefits	859,675	878,624	989,712	(111,088)
Supplies and materials	55,000	55,000	59,243	(4,243)
Contractual and other services	192,250	192,250	158,373	33,877
Repairs and maintenance	110,000	110,000	111,413	(1,413)
Capital outlay	-	-	-	-
Total operations	<u>1,216,925</u>	<u>1,235,874</u>	<u>1,318,741</u>	<u>(82,867)</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, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Non-departmental expenses:				
Liability insurance	\$ 45,793	\$ 45,793	\$ 45,793	\$ -
Interest and fiscal charges	91,553	91,553	91,390	163
Bond principal requirement	190,000	190,000	-	190,000
Other	<u>4,176,683</u>	<u>4,176,683</u>	<u>3,591,113</u>	<u>585,570</u>
Total non-departmental expenses	<u>4,504,029</u>	<u>4,504,029</u>	<u>3,728,296</u>	<u>775,733</u>
Total expenses	<u>6,442,322</u>	<u>6,468,270</u>	<u>6,334,665</u>	<u>133,605</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	4,428,712	4,402,764	5,394,885	992,121
Transfers:				
Transfers in	-	-	-	-
Transfers out	<u>(5,589,657)</u>	<u>(5,589,657)</u>	<u>(5,836,235)</u>	<u>(246,578)</u>
Excess (deficiency) of revenues over budget	<u>(1,160,945)</u>	<u>(1,186,893)</u>	<u>(441,350)</u>	<u>745,543</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(319,274)	(319,274)
Principal payments on revenue bonds	-	-	-	-
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>779,457</u>	<u>779,457</u>
Net income-GAAP basis	<u><u>\$ (1,160,945)</u></u>	<u><u>\$ (1,186,893)</u></u>	<u><u>\$ 18,833</u></u>	<u><u>\$ 1,205,726</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, 2004**

	<b><u>Distribution to City of McAllen</u></b>	<b><u>Current Debt Service</u></b>	<b><u>Future Debt Service</u></b>
Cash, certificates of deposit, and investments at September 30, 2004	\$ 5,874,331	\$ 118,914	\$ 225,000
Cash receipts:			
Transfers in	6,040,940	272,673	-
Net bond proceeds	-	-	-
Other	-	-	-
Net decrease in fair value of investment	-	-	-
Interest received	56,327	1,240	902
Total cash receipts	<u>6,097,267</u>	<u>273,913</u>	<u>902</u>
Total cash available	<u>11,971,598</u>	<u>392,827</u>	<u>225,902</u>
Cash disbursements:			
Interest and fiscal charges	-	92,102	-
Principal bond payments	-	190,000	-
Operating expenses	-	-	-
Capital assets	-	-	-
Interfund transfers	5,890,313	1,220	902
Total cash disbursements	<u>5,890,313</u>	<u>283,322</u>	<u>902</u>
Cash, certificates of deposit, and investments at September 30, 2004	<u><u>\$ 6,081,285</u></u>	<u><u>\$ 109,505</u></u>	<u><u>\$ 225,000</u></u>
Cash, certificates of deposit, and investments at September 30, 2004 is comprised of the following			
Cash	\$ -	\$ -	\$ -
Certificates of deposit	4,603,984	-	225,000
Investments	1,477,301	109,505	-
Accrued interest	-	-	-
	<u><u>\$ 6,081,285</u></u>	<u><u>\$ 109,505</u></u>	<u><u>\$ 225,000</u></u>

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<u>Contingency</u>	<u>Revenue Bonds</u>	<u>Anzaldua's Bridge</u>	<u>Total</u>
<u>\$ 516,900</u>	<u>\$ 2,125,034</u>	<u>\$ 4,609,212</u>	<u>\$ 13,469,391</u>
-	-	-	6,313,613
-	-	-	-
-	37,037	-	37,037
-	-	(4,380)	(4,380)
<u>14,659</u>	<u>30,597</u>	<u>75,527</u>	<u>179,252</u>
<u>14,659</u>	<u>67,634</u>	<u>71,147</u>	<u>6,525,522</u>
<u>531,559</u>	<u>2,192,668</u>	<u>4,680,359</u>	<u>19,994,913</u>
-	-	-	92,102
-	-	-	190,000
-	-	224,856	224,856
-	745,881	-	745,881
<u>31,559</u>	<u>-</u>	<u>-</u>	<u>5,923,994</u>
<u>31,559</u>	<u>745,881</u>	<u>224,856</u>	<u>7,176,833</u>
<u><b>\$ 500,000</b></u>	<u><b>\$ 1,446,787</b></u>	<u><b>\$ 4,455,503</b></u>	<u><b>\$ 12,818,080</b></u>
\$ -	\$ 32,580	\$ 2,740	\$ 35,320
500,000	1,409,107	2,845,106	9,583,197
-	5,100	1,601,320	3,193,226
<u>-</u>	<u>-</u>	<u>6,337</u>	<u>6,337</u>
<u><b>\$ 500,000</b></u>	<u><b>\$ 1,446,787</b></u>	<u><b>\$ 4,455,503</b></u>	<u><b>\$ 12,818,080</b></u>

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

**CITY OF McALLEN , TEXAS**  
**FLEET MATERIALS MANAGEMENT FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 347,882	\$ 328,053
Receivables, net:		
Accounts	18,330	-
Inventories, at cost	<u>416,449</u>	<u>394,568</u>
Total currents assets	<u>782,661</u>	<u>722,621</u>
Capital assets		
Buildings and systems	293,433	293,433
Improvements other than buildings	17,739	17,739
Machinery and equipment	<u>310,634</u>	<u>310,634</u>
Total capital assets	621,806	621,806
Less accumulated depreciation	<u>(464,229)</u>	<u>(430,595)</u>
Net capital assets	<u>157,577</u>	<u>191,211</u>
Total assets	<u><b>\$ 940,238</b></u>	<u><b>\$ 913,832</b></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 148,943	\$ 189,932
Accrued expenses	<u>20,811</u>	<u>24,739</u>
Total current liabilities	<u>169,754</u>	<u>214,671</u>
Other noncurrent liabilities:		
Deferred revenues	1,107	1,107
Accumulated unpaid compensated absences	<u>27,284</u>	<u>30,794</u>
Total other noncurrent liabilities	<u>28,391</u>	<u>31,901</u>
Total liabilities	<u>198,145</u>	<u>246,572</u>
<b>NET ASSETS</b>		
Invested in capital assets	157,577	191,211
Unrestricted	<u>584,516</u>	<u>476,049</u>
Total net assets	<u>742,093</u>	<u>667,260</u>
Total liabilities and net assets	<u><b>\$ 940,238</b></u>	<u><b>\$ 913,832</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, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
Operating revenues:		
Charges for services	\$ 2,161,610	\$ 2,176,698
Total operating revenues	<u>2,161,610</u>	<u>2,176,699</u>
Operating expenses:		
Salaries, wages and employee benefits	554,529	562,371
Supplies and materials	8,519	7,682
Contractual and other services	1,501,953	1,481,019
Repairs and maintenance	21,561	19,616
Depreciation and amortization	<u>33,634</u>	<u>37,513</u>
Total operating expenses	<u>2,120,196</u>	<u>2,108,201</u>
Operating income	<u>41,414</u>	<u>68,497</u>
Nonoperating revenues:		
Interest income	2,119	3,804
Other	<u>31,301</u>	<u>21,666</u>
Total nonoperating revenues	<u>33,420</u>	<u>25,470</u>
Changes in net assets	74,834	93,967
Total net assets--beginning	<u>667,259</u>	<u>573,292</u>
Total net assets--ending	<u><u>\$ 742,093</u></u>	<u><u>\$ 667,259</u></u>

**CITY OF McALLEN, TEXAS**  
**FLEET MATERIALS MANAGEMENT FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 2,143,280	\$ 2,176,697
Payments to suppliers	(1,598,832)	(1,552,721)
Payments to employees	(558,039)	(565,097)
Other receipts (payments)	<u>31,301</u>	<u>21,668</u>
Net cash provided by operating activities	<u>17,710</u>	<u>80,547</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	<u>-</u>	<u>(29,439)</u>
Cash used by capital and related financing activities	<u>-</u>	<u>(29,439)</u>
<b>Cash flows from investing activities:</b>		
Investment activity, net	-	-
Receipt of interest	<u>2,119</u>	<u>3,804</u>
Net cash provided by investing activities	<u>2,119</u>	<u>3,804</u>
Net increase in cash	19,829	54,912
Cash at beginning of year	<u>328,053</u>	<u>273,141</u>
Cash at end of year	<u><u>\$ 347,882</u></u>	<u><u>\$ 328,053</u></u>



**CITY OF McALLEN, TEXAS**  
**FLEET MATERIALS MANAGEMENT FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 347,882	\$ 328,053
Restricted cash	<u>-</u>	<u>-</u>
	<u><u>\$ 347,882</u></u>	<u><u>\$ 328,053</u></u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating income	<u>\$ 41,414</u>	<u>\$ 68,495</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	33,634	37,513
Miscellaneous non-operating income	27,790	18,944
(Increase) decrease in receivables	(18,330)	-
(Increase) decrease in inventories	(21,881)	(38,874)
Increase (decrease) in accounts payable	(40,989)	(8,288)
Increase (decrease) in other payable	-	-
Increase (decrease) in accrued expenses	<u>(3,928)</u>	<u>2,758</u>
Total adjustments	<u>(23,704)</u>	<u>12,053</u>
Net cash provided by operating activities	<u><u>\$ 17,710</u></u>	<u><u>\$ 80,548</u></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, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Garage billings	\$ 2,031,790	\$ 2,031,790	\$ 2,032,318	\$ 528
Materials management	<u>150,000</u>	<u>150,000</u>	<u>129,292</u>	<u>(20,708)</u>
Total operating revenues	<u>2,181,790</u>	<u>2,181,790</u>	<u>2,161,610</u>	<u>(20,180)</u>
Non-operating revenues:				
Interest	-	-	2,119	2,119
Other	<u>-</u>	<u>-</u>	<u>31,301</u>	<u>31,301</u>
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>33,420</u>	<u>33,420</u>
Total revenues	<u>2,181,790</u>	<u>2,181,790</u>	<u>2,195,030</u>	<u>13,240</u>
Expenses:				
Materials management:				
Salaries and benefits	116,516	118,710	115,033	3,677
Supplies	1,700	1,700	1,524	176
Contractual and other services	500	500	1,887	(1,387)
Repairs and maintenace	<u>2,550</u>	<u>2,550</u>	<u>1,656</u>	<u>894</u>
Total materials management	<u>121,266</u>	<u>123,460</u>	<u>120,100</u>	<u>3,360</u>
Garage :				
Salaries and benefits	458,483	471,069	439,496	31,573
Supplies	5,330	5,330	6,995	(1,665)
Contractual and other services	1,603,500	1,603,500	1,488,704	114,796
Repairs and maintenace	<u>16,500</u>	<u>16,500</u>	<u>19,905</u>	<u>(3,405)</u>
Total garage	<u>2,083,813</u>	<u>2,096,399</u>	<u>1,955,100</u>	<u>141,299</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, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Non-departmental expenses:				
Liability insurance	\$ 11,362	\$ 11,362	\$ 11,362	\$ -
Total non-departmental expenses	11,362	11,362	11,362	-
Total expenses	2,216,441	2,231,221	2,086,562	144,659
Excess (deficiency) of revenues over expenses (budget basis)	(34,651)	(49,431)	108,468	157,899
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(33,634)	(33,634)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	-	-
Net income-GAAP basis	<u>\$ (34,651)</u>	<u>\$ (49,431)</u>	<u>\$ 74,834</u>	<u>\$ 124,265</u>

**CITY OF McALLEN , TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 39,579	\$ 37,048
Certificate of deposit	2,359,577	2,683,090
Investments	1,024,556	246,534
Receivables, net:		
Accounts	<u>72,654</u>	<u>64,125</u>
Total assets	<u><b>3,496,366</b></u>	<u><b>3,030,797</b></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ -	\$ 77,965
Accrued expenses	<u>1,068,006</u>	<u>1,005,594</u>
Total current liabilities	<u>1,068,006</u>	<u>1,083,559</u>
Other noncurrent liabilities:		
Accumulated unpaid compensated absences	<u>2,504</u>	<u>2,325</u>
Total other noncurrent liabilities	<u>2,504</u>	<u>2,325</u>
Total liabilities	<u>1,070,510</u>	<u>1,085,884</u>
<b>NET ASSETS</b>		
Unrestricted	<u>2,425,856</u>	<u>1,944,913</u>
Total net assets	<u>2,425,856</u>	<u>1,944,913</u>
Total liabilities and net assets	<u><b>\$ 3,496,366</b></u>	<u><b>\$ 3,030,797</b></u>

**CITY OF McALLEN , TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
Operating revenues:		
Contributions	\$ 5,961,640	\$ 5,603,536
Total operating revenues	<u>5,961,640</u>	<u>5,603,536</u>
Operating expenses:		
Salaries, wages and employee benefits	71,427	69,306
Supplies and materials	3,007	1,408
Contractual and other services	686,830	947,613
Self insurance claims	<u>4,954,751</u>	<u>3,788,601</u>
Total operating expenses	<u>5,716,015</u>	<u>4,806,928</u>
Operating income	<u>245,625</u>	<u>796,606</u>
Nonoperating revenues:		
Interest income	60,284	58,592
Other	<u>175,032</u>	<u>109,374</u>
Total nonoperating revenues	<u>235,316</u>	<u>167,966</u>
Changes in net assets	480,941	964,574
Total net assets--beginning	<u>1,944,915</u>	<u>980,341</u>
Total net assets--ending	<u><u>\$ 2,425,856</u></u>	<u><u>\$ 1,944,915</u></u>

**CITY OF McALLEN, TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 5,970,169	\$ 5,854,122
Payments to suppliers	(549,460)	(991,539)
Payments to employees	(71,248)	(69,307)
Claims paid	(4,954,751)	(3,788,601)
Other receipts (payments)	<u>2,046</u>	<u>109,858</u>
Net cash provided by operating activities	<u>396,756</u>	<u>1,114,533</u>
<b>Cash flows from investing activities:</b>		
Investment activity, net	(454,509)	(1,189,705)
Receipt of interest	<u>60,284</u>	<u>58,592</u>
Net cash used by investing activities	<u>(394,225)</u>	<u>(1,131,113)</u>
Net increase (decrease) in cash	2,531	(16,580)
Cash at beginning of year	<u>37,048</u>	<u>53,628</u>
Cash at end of year	<u><u>\$ 39,579</u></u>	<u><u>\$ 37,048</u></u>

**CITY OF McALLEN, TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 39,579	\$ 37,048
Restricted cash	<u>-</u>	<u>-</u>
	<u><u>\$ 39,579</u></u>	<u><u>\$ 37,048</u></u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating income	<u>\$ 245,625</u>	<u>\$ 796,608</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Miscellaneous non-operating income (expense)	175,213	109,857
(Increase) decrease in accounts receivable	(7,723)	16,649
(Increase) decrease in other receivable	(806)	233,937
Increase (decrease) in accounts payable	(77,965)	(42,912)
Increase (decrease) in accrued expenses	<u>62,412</u>	<u>394</u>
Total adjustments	<u>151,131</u>	<u>317,925</u>
Net cash provided by operating activities	<u><u>\$ 396,756</u></u>	<u><u>\$ 1,114,533</u></u>

**CITY OF McALLEN, TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	<u>\$ 6,009,960</u>	<u>\$ 6,009,960</u>	<u>\$ 5,961,640</u>	<u>\$ (48,320)</u>
Non-operating revenues:				
Interest	<u>-</u>	<u>-</u>	<u>60,284</u>	<u>60,284</u>
Other	<u>307,242</u>	<u>307,242</u>	<u>175,032</u>	<u>(132,210)</u>
Total non-operating revenues	<u>307,242</u>	<u>307,242</u>	<u>235,316</u>	<u>(71,926)</u>
Total revenues	<u>6,317,202</u>	<u>6,317,202</u>	<u>6,196,956</u>	<u>(120,246)</u>
Expenses:				
Administration:				
Salaries and benefits	<u>70,395</u>	<u>72,688</u>	<u>71,427</u>	<u>1,261</u>
Supplies	<u>1,500</u>	<u>3,100</u>	<u>3,007</u>	<u>93</u>
Contractual and other services	<u>979,561</u>	<u>977,961</u>	<u>686,830</u>	<u>291,131</u>
Self insurance claims	<u>5,292,621</u>	<u>5,292,621</u>	<u>4,954,751</u>	<u>337,870</u>
Capital outlay	<u>2,400</u>	<u>2,400</u>	<u>-</u>	<u>2,400</u>
Total expenses	<u>6,346,477</u>	<u>6,348,770</u>	<u>5,716,015</u>	<u>632,755</u>
Excess (deficiency) of revenues over expenses (budget basis) before transfers	<u>(29,275)</u>	<u>(31,568)</u>	<u>480,941</u>	<u>512,509</u>
Transfers:				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over budget	<u>(29,275)</u>	<u>(31,568)</u>	<u>480,941</u>	<u>512,509</u>



**CITY OF McALLEN, TEXAS**  
**EMPLOYEE BENEFITS FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2004**

	<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>\$ (29,275)</u>	<u>\$ (31,568)</u>	<u>\$ 480,941</u>	<u>\$ 512,509</u>

**CITY OF McALLEN , TEXAS**  
**GENERAL INSURANCE FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 12,619	\$ 7,268
Certificate of deposit	4,350,807	4,239,051
Investments	1,790,730	1,245,000
Receivables, net:		
Accounts	31,870	98,164
Accrued interest	4,225	4,225
	<u>6,190,251</u>	<u>5,593,708</u>
 Capital assets		
Machinery and equipment	14,765	-
Less accumulated depreciation	<u>(1,723)</u>	<u>-</u>
	<u>13,042</u>	<u>-</u>
Net capital assets	<u>13,042</u>	<u>-</u>
 Total assets	<u><b>\$ 6,203,293</b></u>	<u><b>\$ 5,593,708</b></u>
 <b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 374	\$ 31,348
Accrued expenses	1,224,574	1,103,634
	<u>1,224,948</u>	<u>1,134,982</u>
Total current liabilities	<u>1,224,948</u>	<u>1,134,982</u>
 Other noncurrent liabilities:		
Accumulated unpaid compensated absences	24,310	23,078
	<u>24,310</u>	<u>23,078</u>
Total other noncurrent liabilities	<u>24,310</u>	<u>23,078</u>
 Total liabilities	<u>1,249,258</u>	<u>1,158,060</u>
 <b>NET ASSETS</b>		
Invested in capital assets	13,042	-
Unrestricted	4,954,035	4,435,648
	<u>4,954,035</u>	<u>4,435,648</u>
Total net assets	<u>4,954,035</u>	<u>4,435,648</u>
 Total liabilities and net assets	<u><b>\$ 6,203,293</b></u>	<u><b>\$ 5,593,708</b></u>

**CITY OF McALLEN , TEXAS**  
**GENERAL INSURANCE FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
Operating revenues:		
Contributions	\$ 3,618,462	\$ 3,303,359
Total operating revenues	<u>3,618,462</u>	<u>3,303,359</u>
Operating expenses:		
Salaries, wages and employee benefits	128,664	117,102
Supplies and materials	2,972	1,268
Contractual and other services	1,021,730	871,944
Repairs and maintenance	268	426
Depreciation and amortization	1,723	-
Self insurance claims	<u>2,318,363</u>	<u>2,753,180</u>
Total operating expenses	<u>3,473,720</u>	<u>3,743,920</u>
Operating income (loss)	<u>144,742</u>	<u>(440,561)</u>
Nonoperating revenues (expenses):		
Interest income	114,320	150,779
Decrease in the fair value of investments	(2,920)	(45,368)
Other	<u>262,244</u>	<u>323,438</u>
Net nonoperating revenues (expenses)	<u>373,644</u>	<u>428,849</u>
Income (loss)	<u>518,386</u>	<u>(11,712)</u>
Changes in net assets	518,386	(11,712)
Total net assets--beginning	<u>4,435,650</u>	<u>4,447,360</u>
Total net assets--ending	<u><u>\$ 4,954,036</u></u>	<u><u>\$ 4,435,648</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL INSURANCE FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 3,552,167	\$ 3,293,102
Payments to suppliers	(935,004)	(361,393)
Payments to employees	(127,432)	(117,101)
Claims paid	(2,318,363)	(2,753,180)
Other receipts (payments)	<u>394,834</u>	<u>346,172</u>
Net cash provided by operating activities	<u>566,202</u>	<u>407,600</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	<u>(14,765)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(14,765)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>		
Investment activity, net	(660,406)	(567,127)
Receipt of interest	<u>114,320</u>	<u>150,779</u>
Net cash used by investing activities	<u>(546,086)</u>	<u>(416,348)</u>
Net increase (decrease) in cash	5,351	(8,748)
Cash at beginning of year	<u>7,268</u>	<u>16,016</u>
Cash at end of year	<u><u>\$ 12,619</u></u>	<u><u>\$ 7,268</u></u>

**CITY OF McALLEN, TEXAS  
GENERAL INSURANCE FUND  
STATEMENT OF CASH FLOWS  
For Fiscal Year Ended September 30, 2004  
With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 12,619	\$ 7,268
Restricted cash	<u>-</u>	<u>-</u>
	<u><u>\$ 12,619</u></u>	<u><u>\$ 7,268</u></u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating income (loss)	<u>\$ 144,742</u>	<u>\$ (440,560)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,723	-
Miscellaneous non-operating income	263,476	324,433
(Increase) decrease in accounts receivable	66,295	(10,258)
(Increase) decrease in accrued interest receivable	-	21,738
Increase (decrease) in accounts payable	(30,974)	(34,377)
Increase (decrease) in other payables	-	-
Increase (decrease) in accrued expenses	<u>120,940</u>	<u>546,624</u>
Total adjustments	<u>421,460</u>	<u>848,160</u>
Net cash provided by operating activities	<u><u>\$ 566,202</u></u>	<u><u>\$ 407,600</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL INSURANCE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating-contributions	\$ 3,659,817	\$ 3,659,817	\$ 3,618,462	\$ (41,355)
Non-operating revenues:				
Interest	-	-	114,320	114,320
Decrease in fair value of investments	-	-	(2,920)	(2,920)
Other	129,036	129,036	262,244	133,208
Total non-operating revenues	129,036	129,036	373,644	244,608
Total revenues	3,788,853	3,788,853	3,992,106	203,253
Expenses:				
Administration:				
Salaries and benefits	120,166	123,926	128,664	(4,738)
Supplies	2,000	3,000	2,972	28
Contractual and other services	945,964	944,964	1,021,730	(76,766)
Self insurance	1,678,582	1,678,582	2,318,363	(639,781)
Repairs and maintenance	1,632	1,632	268	1,364
Capital outlay	2,000	2,000	14,765	(12,765)
Total expenses	2,750,344	2,754,104	3,486,762	(732,658)
Excess (deficiency) of revenues over expenses (budget basis) before transfers	1,038,509	1,034,749	505,344	(529,405)
Operating transfers:				
Transfers out	-	-	-	-
Excess (deficiency) of revenues over budget	1,038,509	1,034,749	505,344	(529,405)

**CITY OF McALLEN, TEXAS**  
**GENERAL INSURANCE FUND**  
**SCHEDULE OF REVENUES AND EXPENSES-BUDGET AND ACTUAL (BUDGET BASIS)**  
**For Fiscal Year Ended September 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
GAAP basis adjustments:				
Depreciation expense, not budgeted	\$ -	\$ -	\$ (1,723)	\$ (1,723)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	<u>-</u>	<u>-</u>	<u>14,765</u>	<u>14,765</u>
Net income-GAAP basis	<u><u>\$ 1,038,509</u></u>	<u><u>\$ 1,034,749</u></u>	<u><u>\$ 518,386</u></u>	<u><u>\$ (516,363)</u></u>

**CITY OF McALLEN , TEXAS**  
**GENERAL DEPRECIATION FUND**  
**BALANCE SHEET**  
**September 30, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 9,168	\$ 7,664
Certificate of deposit	3,044,117	3,703,940
Investments	<u>629,900</u>	<u>165,199</u>
Total currents assets	<u>3,683,185</u>	<u>3,876,803</u>
Capital assets		
Machinery and equipment	9,101,941	7,037,941
Less accumulated depreciation	<u>(3,752,373)</u>	<u>(2,630,041)</u>
Net capital assets	<u>5,349,568</u>	<u>4,407,900</u>
Total assets	<u><b>\$ 9,032,753</b></u>	<u><b>\$ 8,284,703</b></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	<u>\$ 127,307</u>	<u>\$ 15,000</u>
Total current liabilities	<u>127,307</u>	<u>15,000</u>
<b>NET ASSETS</b>		
Invested in capital assets	5,349,568	4,407,900
Unrestricted	<u>3,555,878</u>	<u>3,861,803</u>
Total net assets	<u>8,905,446</u>	<u>8,269,703</u>
Total liabilities and net assets	<u><b>\$ 9,032,753</b></u>	<u><b>\$ 8,284,703</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, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<b>2004</b>	<b>2003</b>
Operating revenues:		
Charges for services	\$ 1,801,038	\$ 1,437,306
Total operating revenues	<u>1,801,038</u>	<u>1,437,306</u>
Operating expenses:		
Depreciation and amortization	1,163,781	961,949
Other	<u>48,683</u>	<u>27,326</u>
Total operating expenses	<u>1,212,464</u>	<u>989,275</u>
Operating income	<u>588,574</u>	<u>448,031</u>
Nonoperating revenues (expenses):		
Interest income	56,144	115,449
Decrease in the fair value of investments	-	(13,871)
Other	<u>(8,975)</u>	<u>13,852</u>
Net nonoperating revenues	<u>47,169</u>	<u>115,430</u>
Changes in net assets	635,743	563,461
Total net assets--beginning	<u>8,269,703</u>	<u>7,706,242</u>
Total net assets--ending	<u><b>\$ 8,905,446</b></u>	<u><b>\$ 8,269,703</b></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL DEPRECIATION FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Cash flow from operating activities:</b>		
Receipt from customers and users	\$ 1,801,038	\$ 1,426,324
Payments to suppliers	63,624	(56,811)
Other receipts (payments)	<u>(8,975)</u>	<u>8,490</u>
Net cash provided by operating activities	<u>1,855,687</u>	<u>1,378,003</u>
 <b>Cash flows from capital and related financing activities:</b>		
Loss on sale of capital assets	8,975	-
Purchases of capital assets	<u>(2,114,424)</u>	<u>(1,972,347)</u>
Net cash used by capital and related financing activities	<u>(2,105,449)</u>	<u>(1,972,347)</u>
 <b>Cash flows from investing activities:</b>		
Investment activity, net	195,122	484,545
Receipt of interest	<u>56,144</u>	<u>115,449</u>
Net cash provided by investing activities	<u>251,266</u>	<u>599,994</u>
Net increase in cash	1,504	5,650
Cash at beginning of year	<u>7,664</u>	<u>2,014</u>
Cash at end of year	<u><u>\$ 9,168</u></u>	<u><u>\$ 7,664</u></u>

**CITY OF McALLEN, TEXAS**  
**GENERAL DEPRECIATION FUND**  
**STATEMENT OF CASH FLOWS**  
**For Fiscal Year Ended September 30, 2004**  
**With Comparative Amounts for Fiscal Year Ended September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Reconciliation of cash per statements of cash flows to the statements of net assets:</b>		
Unrestricted cash	\$ 9,168	\$ 7,664
Restricted cash	<u>-</u>	<u>-</u>
	<u><u>\$ 9,168</u></u>	<u><u>\$ 7,664</u></u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating income	<u>\$ 588,574</u>	<u>\$ 448,031</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,163,781	961,949
Miscellaneous non-operating income	(8,975)	13,852
(Increase) decrease in accrued interest receivable	-	10,982
Increase (decrease) in accounts payable	<u>112,307</u>	<u>(56,811)</u>
Total adjustments	<u>1,267,113</u>	<u>929,972</u>
Net cash provided by operating activities	<u><u>\$ 1,855,687</u></u>	<u><u>\$ 1,378,003</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, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Revenues:				
Operating-charges for services	\$ 1,801,040	\$ 1,801,040	\$ 1,801,038	\$ (2)
Non-operating revenues:				
Interest	-	-	56,144	56,144
Other	-	-	(8,975)	(8,975)
Total non-operating revenues	-	-	47,169	47,169
Total revenues	1,801,040	1,801,040	1,848,207	47,167
Expenses:				
Contractual and other services	-	-	48,683	(48,683)
Capital outlay	1,872,000	2,451,252	2,114,424	336,828
Total expenses	1,872,000	2,451,252	2,163,107	288,145
Excess (deficiency) of revenues over expenses (budget basis)	(70,960)	(650,212)	(314,900)	335,312
GAAP basis adjustments:				
Depreciation expense, not budgeted	-	-	(1,163,781)	(1,163,781)
Capital outlay-amounts budgeted as expenses per budget basis, capitalized per GAAP basis	-	-	2,114,424	2,114,424
Net income-GAAP basis	<u>\$ (70,960)</u>	<u>\$ (650,212)</u>	<u>\$ 635,743</u>	<u>\$ 1,285,955</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, 2004**  
**With Comparative Amounts for September 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Governmental funds capital assets:</b>		
Land	\$ 21,201,461	\$ 19,365,464
Buildings and improvements	54,883,036	53,189,522
Furniture and equipments	29,388,061	26,773,557
Infrastructure	119,951,063	108,906,145
Construction in progress	<u>6,042,196</u>	<u>-</u>
Total governmental funds capital assets	<u><u>\$ 231,465,817</u></u>	<u><u>\$ 208,234,688</u></u>

**Investments in governmental funds capital assets by source:**

General fund revenues	\$ 28,209,965	\$ 25,934,671
Capital projects	93,149,622	75,914,553
Community development	16,651,835	15,923,724
Special revenues	56,759,485	56,759,485
Contributions from developers	24,769,107	21,776,452
Donations and transfers	<u>11,925,803</u>	<u>11,925,803</u>
Total governmental funds capital assets	<u><u>\$ 231,465,817</u></u>	<u><u>\$ 208,234,688</u></u>

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

**City of McAllen, Texas**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Function and Activity (1)**  
**September 30, 2004**

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General government:							
City commission	\$ 6,066,928	\$ 4,328,875	\$ 920,672	\$ 108,405	\$ 258,334	\$ -	\$ 11,683,213
Special services	559,051	1,231,926	4,000	48,291	-	-	1,843,269
City manager	381,544	4,491,538	-	100,098	192,368	-	5,165,548
City secretary	-	-	-	35,447	-	-	35,447
Municipal court	-	-	7,950	257,480	-	-	265,430
Finance	-	-	86,645	24,014	-	-	110,659
Tax office	-	-	-	98,428	-	-	98,428
Purchasing	-	-	-	64,198	-	-	64,198
Legal	-	-	-	20,955	-	-	20,955
Personnel	-	-	-	396,549	-	-	396,549
Planning	-	-	2,842	49,957	-	-	52,799
Information technology	-	-	-	997,837	-	-	997,837
MCN	-	-	25,000	326,948	-	-	351,948
City Hall	769,674	5,501,968	225,225	594,696	9,469	-	7,101,032
CDBG	-	-	-	19,800	-	-	19,800
Building maintenance	-	-	-	49,459	-	-	49,459
Total general government	7,777,196	15,554,307	1,272,334	3,192,562	460,171	-	28,256,571
Public safety:							
Police	1,059,658	12,216,133	647,008	9,242,034	-	-	23,164,833
Fire	429,899	1,632,188	114,239	4,534,590	-	-	6,710,916
Traffic safety	421,654	221,435	188,317	1,378,947	13,765,478	-	15,975,831
Downtown services	-	-	-	13,293	-	-	13,293
Inspection	-	-	-	41,716	-	-	41,716
Total public safety	1,911,210	14,069,756	949,564	15,210,580	13,765,478	-	45,906,587

**City of McAllen, Texas**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Function and Activity (1)**  
**September 30, 2004**

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total
Highways and streets:							
Engineering	\$ 4,004,043	\$ -	\$ 186,333	\$ 1,192,306	\$ 16,967,665	-	\$ 22,350,347
Street cleaning	-	-	-	284,921	-	-	284,921
Street maintenance	43,685	-	91,094	1,120,980	54,501,728	2,575,140	58,332,627
Street lighting	-	-	734,174	363,765	452,162	-	1,550,102
Sidewalks	-	-	-	8,208	127,183	-	135,390
Drainage	389,271	-	55,061	1,270,131	33,130,610	417,607	35,262,680
Total highways and streets	4,436,999	-	1,066,662	4,240,311	105,179,348	2,992,747	117,916,067
Health and welfare:							
Health	10,753	159,122	-	144,385	-	-	314,260
Graffiti	-	-	-	65,507	-	-	65,507
Total health and welfare	10,753	159,122	-	209,892	-	-	379,767
Culture and recreation:							
Parks administration	2,185,293	730,752	1,010,332	157,536	52,477	728,026	4,864,417
Parks	3,183,547	2,905,766	9,687,429	1,718,568	235,416	2,321,423	20,052,149
Recreation	408,900	278,445	93,030	59,906	-	-	840,281
Pools	-	-	376,031	131,359	12,101	-	519,492
Senior citizen	-	16,248	83,076	-	246,072	-	345,397
Recreation ctr - lark	-	-	19,509	3,804	-	-	23,312
Recreation ctr - palmview	-	-	-	3,804	-	-	3,804
Library	339,111	6,602,480	5,995	3,821,456	-	-	10,769,042
Library north	-	1,098	-	447,967	-	-	449,065
Library south	948,452	1,098	-	190,315	-	-	1,139,865
Total culture and recreation	7,065,303	10,535,888	11,275,403	6,534,715	546,066	3,049,449	39,006,824
Total governmental funds capital assets	<u>\$ 21,201,461</u>	<u>\$ 40,319,073</u>	<u>\$ 14,563,963</u>	<u>\$ 29,388,060</u>	<u>\$ 119,951,063</u>	<u>\$ 6,042,196</u>	<u>\$ 231,465,817</u>

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



**City of McAllen, Texas**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes By Function and Activity (1)**  
**For the fiscal year ended September 30, 2004**

<b>Function and Activity</b>	<b>Governmental Funds Capital Assets September 30, 2003</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets September 30, 2004</b>
General government:				
City commission	\$ 12,077,595	\$ 29,776	\$ 424,158	\$ 11,683,213
Special services	1,439,459	403,809	-	1,843,269
City manager	5,165,548	-	-	5,165,548
City secretary	35,447	-	-	35,447
Municipal court	251,768	13,662	-	265,430
Finance	107,410	3,249	-	110,659
Tax office	98,428	-	-	98,428
Purchasing	64,198	-	-	64,198
Legal	20,955	-	-	20,955
Personnel	54,509	342,040	-	396,549
Planning	40,907	11,892	-	52,799
Information technology	887,097	110,740	-	997,837
MCN	324,408	27,541	-	351,948
City hall	7,101,032	-	-	7,101,032
CDBG	19,800	-	-	19,800
Building maintenance	49,459	-	-	49,459
Total general government	27,738,020	942,710	424,158	28,256,571
Public safety:				
Police	22,681,439	502,709	19,315	23,164,833
Fire	6,575,168	179,246	43,499	6,710,915
Traffic safety	15,677,087	298,744	-	15,975,831
Downtown services	13,293	-	-	13,293
Inspection	28,759	12,957	-	41,716
Total public safety	44,975,745	993,656	62,814	45,906,587

**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, 2004**

<b>Function and Activity</b>	<b>Governmental Funds Capital Assets September 30, 2003</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets September 30, 2004</b>
Highways and streets:				
Engineering	\$ 20,827,297	\$ 1,523,049	\$ -	\$ 22,350,347
Street cleaning	284,921	-	-	284,921
Street maintenance	49,140,213	9,192,415	-	58,332,627
Street lighting	1,217,343	332,759	-	1,550,102
Sidewalks	127,183	8,208	-	135,390
Drainage	30,468,630	4,794,050	-	35,262,680
Total highways and streets	102,065,587	15,850,480	-	117,916,067
Health and welfare:				
Health	249,466	64,794	-	314,260
Graffiti	65,507	-	-	65,507
Total health and welfare	314,973	64,794	-	379,767
Culture and recreation:				
Parks administration	3,080,963	1,783,454	-	4,864,417
Parks	16,475,070	3,577,079	-	20,052,149
Recreation	840,281	-	-	840,281
Pools	512,249	7,243	-	519,492
Senior citizen	345,397	-	-	345,397
Recreation ctr - lark	15,288	8,025	-	23,312
Recreation ctr - palmview	-	3,804	-	3,804
Library	10,351,735	417,307	-	10,769,042
Library north	414,815	34,250	-	449,065
Library south	1,104,566	35,299	-	1,139,865
Total culture and recreation	33,140,363	5,866,461	-	39,006,824
Total governmental funds capital asset:	<u>\$ 208,234,68</u>	<u>\$ 23,718,10</u>	<u>\$ 486,97</u>	<u>\$ 231,465,81</u>

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

**STATISTICAL SECTION**

Table 1

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

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Highways and Streets</b>	<b>Health and Welfare</b>	<b>Culture and Recreation</b>	<b>Interest on long-term Debt</b>	<b>Water</b>
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
2004	14,690,963	38,751,270	12,712,852	5,641,957	12,367,664	260,546	9,873,183

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>Trnasit</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
7,667,018	9,273,893	1,190,232	1,370,414	4,316,654	895,522	5,855,638	124,867,806

Table 2

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

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

Table 2

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

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

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>
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
2004	15,573,246	37,466,003	21,599,260	5,710,156

(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>
\$ 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
17,059,656	6,229,546	- (3)	103,637,867

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>
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
2004	75,683,872	1,401,360	8,279,063

(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>
\$ 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
3,403,159	2,344,084	10,955,512	102,067,050

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>
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
2004	75,683,872	21,194,607	45,601,935	5,776,414	3,110,916

(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
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
2004	2003	3,735,594,383	3,735,594,383	797,078,428	797,078,428

Table 6

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

<b>Minerals</b>		<b>Total</b>		<b>Percentage Assessed to Full Value</b>
<b>Assessed Value</b>	<b>Estimated Value</b>	<b>Assessed Value</b>	<b>Estimated Value</b>	
\$ 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
124,225,970	124,225,970	4,656,898,781	4,656,898,781	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>
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
2004	3,735,594,383	797,078,428	124,225,970	4,656,898,781

Table 7

<p align="center"><b>CITY OF McALLEN, TEXAS</b>  <b>PROPERTY TAX LEVIES AND ALLOCATION THEREOF</b>  <b>LAST TEN FISCAL YEARS</b></p>
--

Tax Rate	Total Tax Levy	Taxes Levied For (PER \$100/ASSESSED VALUATION)			
		General Fund		Debt Service Fund	
		Rate	Amount	Rate	Amount
\$ 0.47	\$ 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
0.42	19,619,514	0.39	18,317,771	0.03	1,301,743



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>
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
2004		19,619,514	19,170,840	97.71

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

(2) Based upon original levy.

Table 8

<p align="center"><b>CITY OF McALLEN, TEXAS</b>  <b>PROPERTY TAX LEVIES AND COLLECTIONS</b>  <b>LAST TEN FISCAL YEARS</b></p>
---

Amount of Delinquent Taxes Collected		Total Collections For Year	Percent of Total Tax Collections To Tax Levy	Accumulated Delinquent Taxes	Percent of Delinquent Taxes to Current Levy
\$	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
	1,061,566	20,232,406	103.12	3,483,424	17.75

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>
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
2004	121,700	4,656,898,781	-

Table 9

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

Available Debt Service Fund	Net Bonded Debt	Net Bonded Debt	
		Ratio to Assessed Value	Per Capita
\$ 1,419,002	\$ 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
-	-	N/A	N/A

Table 10

<p align="center"><b>CITY OF McALLEN</b></p> <p align="center"><b>RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR</b></p> <p align="center"><b>GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL FUNDS EXPENDITURES</b></p> <p align="center"><b>LAST TEN FISCAL YEARS</b></p>
--

Fiscal Year	Debt Service On General Bonded Debt	Total General Governmental Funds Expenditures (1)	Ratio of Debt Service to Total General Governmental Funds Expenditures (Percent)
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	27,079,026 (2)	113,743,734	23.81%
2004	6,229,546 (2)	103,637,867	6.01%

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

(2) High amount attributable to principal retirement of various general obligation issues. All obligations were retired.

Table 11

**CITY OF McALLEN, TEXAS  
PRINCIPAL TAXPAYERS  
YEAR ENDED SEPTEMBER 30, 2004**

Taxpayer	Assessed Valuation	Percentage of Total Assessed Valuation
1 Universal Health Services	\$ 58,833,621	1.26%
2 Simon Property Group #2	45,244,729	0.97%
3 Wal-Mart Stores Inc.	39,205,774	0.84%
4 HCA Health Services of TX	38,122,784	0.82%
5 AEP Texas Central Co.	31,180,520	0.67%
6 Southwestern Bell	23,696,332	0.51%
7 Sprint Spectrum	22,512,850	0.48%
8 Texas State Bank	21,772,562	0.47%
9 Fina Oil & Chemical Co.	20,493,800	0.44%
10 May Department Stores Co.	<u>19,383,279</u>	0.42%
	<u><b>\$ 320,446,251</b></u>	6.88%

Data source:

City of McAllen-Tax Office

Table 12

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

**Pending**

<b>Need Info.</b>				
<b>Taxing Body</b>	<b>Net Bonded Debt</b>	<b>Debt As of</b>	<b>Percent Overlapping</b>	<b>Amount Overlapping</b>
Hidalgo County	\$ 98,806,472	12/30/03	100.00%	\$ 98,806,472
Hidalgo I.S.D.	23,970,000	08/31/03	0.45%	107,865
Edinburg I.S.D.	110,459,457	08/31/03	0.21%	231,964
McAllen I.S.D.	37,735,938	08/31/04	94.04%	35,486,876
P.S.J.A. I.S.D.	103,756,000	08/31/03	4.59%	4,762,400
Sharyland I.S.D.	<u>36,120,413</u>	08/31/04	4.68%	<u>1,690,435</u>
Total gross overlapping debt	410,848,280			141,086,012
City of McAllen	<u>-</u>	09/30/04	100.00%	<u>-</u>
Total direct and overlapping debt	<u><u>\$ 410,848,280</u></u>			<u><u>\$ 141,086,012</u></u>

Source: Local Taxing Entities

Table 12

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

<b>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>	<b>2004</b>
\$ 0.41	\$0.46	\$ 0.46	\$ 0.44	\$ 0.44	\$ 0.50	\$ 0.52	\$ 0.52	\$ 0.59	\$ 0.59
1.39	1.42	1.54	1.57	1.57	1.57	1.57	1.57	1.57	1.59
1.35	1.39	1.47	1.55	1.55	1.55	1.41	1.55	1.59	1.59
1.35	1.45	1.45	1.53	1.53	1.58	1.54	1.54	1.54	1.54
1.43	1.50	1.57	1.59	1.59	1.63	1.62	1.62	1.61	1.61
1.37	1.41	1.41	1.46	1.46	1.54	1.54	1.54	1.54	1.54
0.43	0.48	0.47	0.45	0.42	0.42	0.42	0.42	0.42	0.42

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

Tax rates are rounded off to nearest hundredths.



Table 13

<p align="center"><b>CITY OF McALLEN, TEXAS</b>  <b>COMPUTATION OF LEGAL DEBT MARGIN</b>  <b>SEPTEMBER 30, 2004</b></p>
---

**Need Info**

Assessed valuation 2003 tax roll for fiscal year 2004	\$ 4,656,898,781
--	------------------

Debt limit - Texas statutes do not prescribe a debt limit; however, by custom, a practical economic debt limit of 5% of the assessed valuation is used.	<u>5%</u>
---	-----------

<u>232,844,939</u>
--------------------

Total bonded debt	-
-------------------	---

Deduct amount available in debt service fund	<u>-</u>
--	----------

Applicable debt	<u>-</u>
-----------------	----------

Economic debt margin	<u><u>\$ 232,844,939</u></u>
----------------------	------------------------------

Table 14

<p align="center"><b>CITY OF McALLEN, TEXAS</b>  <b>PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS</b>  <b>LAST TEN FISCAL YEARS</b></p>
--

<b>Fiscal Year</b>	<b>Property Value (1)</b>	<b>Construction</b>	<b>Bank Deposits</b>
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	206,076,304	3,530,580,885
2004	4,656,898,781 (a)	234,799,141 (b)	3,495,881,842 (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>
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
2004	13,363,195	7,620,642	5,742,553	1,483,797	3.87

**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>
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
2004	9,980,780	5,105,759	4,875,021	2,160,542	2.26

(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>
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	16,190	30.0	75.50	23,304	9.4
2004	121,700 (a)	Not Available (b)	Not Available (c)	78.40 (c)	23,326 (d)	7.5 (e)

Information provided by:

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

Table 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>
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	16,190	30.0	75.50	23,304	9.4
2004	121,700 (a)	Not Available (b)	Not Available (c)	78.40 (c)	23,326 (d)	7.5 (e)

Information provided by:

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

Table 17

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

Date of Incorporation:	February 20, 1911
Date of Adoption of City Charter:	January 31, 1927
Form of Government	Home Rule
Area:	
Square miles	48.1
Acres (estimated)	30,782
Miles of Streets:	
Paved within City limits - City maintained	626
Paved within City limits - State maintained	76
Miles of Sewer:	
Storm	233
Sanitary	455
Building Permits:	
Permits issued	1,772
Estimated cost	\$234,799,141
Fire Protection:	
Number of stations	6
Number of employees - Paid firemen - full time	136
- Civilian	9
Police Protection:	
Number of stations	1
Number of substations	7
Number of employees - Commissioned	258
- Civilian	132
Recreation:	
Developed parks (acres)	551
Undeveloped (acres)	106
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	1,620
Number of registered students	23,326

Total Number of City Employees (Including part-time employees):	1,548
---	-------

## Hospitals:

Number of hospitals	4
Number of hospital beds	1,054
Number of convalescent homes	6

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

<b>Population (U.S. Census)</b>
-------------------------------------

<b>Number</b>
---------------

<b>Percent Increase</b>
-----------------------------

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
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
2004 (Estimate)	121,700	3.1

Table 17

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

	2000	2001	2002	2003	2004
Acres in City	29,830	29,931	30,281	30,528	30,782
% Change	0.43	0.34	1.17	0.82	0.83
Miles of Street in City	511	518	586	589	626
% Change	6.02	1.37	13.13	0.51	6.28
Miles in Sanitary Sewer	412 **	421	421	445	455
% Change	12.26	2.18	-0.02	5.72	2.25
Miles of Water Lines	557 *	569 *	580 *	630	630
% Change	3.34	2.15	1.99	8.56	0.00
Building Permits	1,719	1,693	1,821	1,753	1,772
% Change (Decrease)	-1.72	(1.51)	7.56	(3.73)	1.08
Number of City Employees	1,266	1,366	1,459	1,472	1,548
% Change (Decrease)	1.04	7.90	6.81	0.89	5.16
Population	107,936	111,806	114,424	118,073	121,700
% Change	2.12	3.59	2.34	3.19	3.07

\*According to Geographical Information System figure is accurate.

\*\* Alton Interceptor added to System this year

**WATER ENTERPRISE FUND**

Class of Customer	Number	Gallons
Residential	30,772	3,617,080,450
Commercial	5,357	2,477,996,860
Industrial	170	420,008,800
Number of gallons shown to have passed through the master meters at the City's plants #1 and #2 during the period		7,095,801,000
Number of gallons billed		(6,557,080,710)
Estimated Water used in fire hydrant testing, etc.		(49,000,000)
Estimated number of gallons unaccounted due to breaks, leaks,		489,720,290



Table 17

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

**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>
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
2004	25.12	36,299 32,370

**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 INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the basic financial statements of the City of McAllen, Texas as of and for the year ended September 30, 2004, and have issued our report thereon dated December 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

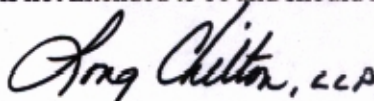
**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of McAllen, Texas' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. 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 December 30, 2004.

**Compliance and Other Matters**

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

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



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

Harlingen, Texas  
December 30, 2004



**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, 2004. 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, 2004.

**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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to major federal 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 pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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

Harlingen, Texas  
December 30, 2004



**CITY OF McALLEN, TEXAS**

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

Year Ended September 30, 2004

<b>Federal Grantor/ Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Program or Award Amount</b>	<b>Disbursements/ Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>				
Direct Program:				
Community Development Block Grant:				
28th Year Entitlement Grant	14.218	CB02MC48506	\$2,598,000	\$1,895,840
29th Year Entitlement Grant	14.218	CB03MC48506	2,169,000	1,395,435
Emergency Shelter Program	14.231	S02MC480506	91,000	82,712
Emergency Shelter Program	14.231	S03MC480506	89,000	49,083
Home Program	14.239	M02MC480506	762,000	359,279
Home Program	14.239	M03MC480506	698,335	349,632
Total U.S. Department of Housing and Urban Development				<u>4,131,981</u>
<b>U.S. Department of Transportation</b>				
Direct Program:				
Airport Improvement Program	20.106	3-48-0144-28	5,227,546	172,838
Airport Improvement Program	20.106	3-48-0144-30	2,656,978	5,242
Airport Improvement Program	20.106	3-48-0144-31	2,792,784	501,050
Airport Improvement Program	20.106	3-48-0144-32	2,174,827	-
Airport Improvement Program	20.106	3-48-0144-33	1,075,285	-
Pass through STEP/Safe and Sober	20.600	584xxF6035	25,000	25,000
Pass through STEP/ITC	20.600	584xxF6122	30,000	28,696
Pass through STEP/IDM	20.600	584xxF6164	50,000	27,389
Total U.S. Department of Transportation				<u>760,215</u>
<b>U.S. Department of Justice</b>				
Direct Program:				
Universal Hiring Program	16.710	2002UMWX0070	1,208,460	447,834
L.L.E.B.G. Equipment	16.592	2003-LB-BX-2229	56,494	-
L.L.E.B.G. Equipment	16.592	2004-LB-BX-0439	29,086	-
COPS Homeland Security O/T Program		2003-OMWX0047	165,479	165,479
				<u>613,313</u>
Passed through the Office of the Governor:				
Federal Drug Enforcement Agency	16.579	DB03A101388805	1,487,626	996,446
Federal Drug Enforcement Agency	16.579	DB04A101388806	1,487,626	222,646
Project ACTION	16.540	DB02A101641601	548,000	296,503

**CITY OF McALLEN, TEXAS**

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

Year Ended September 30, 2004

<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 Hidalgo Co.				
Community & Schools:				
Weed & Seed FY 03 Continuing Application Kit	16.595	2002-W-0340-TX-WS	\$ 137,499	\$ 13,723
Weed & Seed FY04	16.595	2003-WS-QX-0026	112,500	109,256
Passed through City of McAllen to MISD:				
Juvenile Accountability	16.523	JB-02-J20-13796-05	26,328	26,328
Incentives Block Grant	16.523	JB-03-J20-13796-06	21,091	-
				<u>1,664,902</u>
Total U.S. Department of Justice				<u>2,278,215</u>
<b>U.S. Department of Homeland Security</b>				
Law Enforcement Terrorism Prevention Program	97.004	2004-LETPP 45384	78,429	-
Homeland Security Grant	97.004	2004-SHSP 45384	368,014	-
Pass through Texas Engineering Extension Service	-	-	-	-
State Homeland Security Grant	97.004	2002-45384	186,337	186,337
State Homeland Security Grant	97.004	2003-II-45384	1,257,367	101,391
				<u>287,728</u>
Total U.S. Department Homeland Security				<u>287,728</u>
<b>U.S Department of the Interior</b>				
Urban Park and Recreation Recovery	15.919	48-CYT-4200-01-01	210,400	147,947
Others:				
FEMA-AFG	85.554	EMW-2002-FG-18662	229,117	123,254
EPA-Vulnerability Assessment	66.476	HS-82993901-1	115,000	95,681
				<u>7,825,021</u>
Total federal financial assistance expended				<u>7,825,021</u>
<b>Texas Agencies</b>				
Auto Theft Prevention 2004	-	SA00T011004104	203,656	203,656
Auto Theft Prevention 2005	-	SA00T011004105	203,656	-
Texas Department of Protective and Regulatory Service	-	-	-	-
Texas Office of the Attorney General	-	Community Youth Dev	89,669	89,585
Texas Office of the Attorney General	-	VCLG 04	39,290	39,103
Texas Office of the Attorney General	-	VCLG 05	39,290	-
Texas Department of Public Safety	-	-	-	-
Emergency Management Planning Grant	97.042	EMT-2004-GR-0105	27,630	27,630

**CITY OF McALLEN, TEXAS**

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

Year Ended September 30, 2004

<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>
Texas Book Festival	-	-	5,000	5,000
Texas State Library and Archives Commission	-	442-04314	20,448	20,448
Texas State Library and Archives Commission	-	-	21,436	-
Texas Parks & Wildlife	-	53-00003	750,000	750,000
Texas Department of Transportation	-	-	-	-
Safe Routes To School	-	-	111,440	-
Total state financial assistance expended				<u>1,135,422</u>
Total federal and state financial assistance expended				<u>\$ 8,960,443</u>



## **CITY OF McALLEN, TEXAS**

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

Year Ended September 30, 2004

#### **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, 2004. 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, 2004

#### 2. Measurement Focus and Basis of Accounting (continued)

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. Enterprise Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Federal and state grant funds are generally considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

#### 3. Subrecipients

Of the federal expenditures presented in the schedule, City of McAllen, Texas provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant – Entitlement Grants	14.218	\$ 2,237,562
Home Investment Partnerships Program	14.239	708,910



**CITY OF McALLEN, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended September 30, 2004

<b>Program</b>	<b>Description</b>
Type of Report on Financial Statements	Unqualified
Reportable Conditions	None
Material Weaknesses Involving Reportable Conditions	None
Noncompliance Material to the Financial Statements	None
Type of Report on Compliance With Major Programs	Unqualified
Findings and Questioned Costs for Federal Awards as Defined in Section .510(a), OMB Circular A-133 and/or Generally Accepted Governmental Accounting Standards	None
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Low-Risk Auditee Statements	City of McAllen, Texas was classified as a low-risk auditee in the context of OMB Circular A-133
Major Federal Programs	Airport Improvement Program, CFDA #20.106; Home Investment Partnerships Program, CFDA #14.239
Total All Questioned Costs	None

**CITY OF McALLEN, TEXAS**

**SCHEDULE OF STATUS OF PRIOR FINDINGS**

Year Ended September 30, 2004

<b>Program</b>	<b>Status of Prior Year's Finding/Noncompliance</b>
None	No Prior Findings

**CITY OF McALLEN, TEXAS**  
**CORRECTIVE ACTION PLAN**  
Year Ended September 30, 2004

<b>Program</b>	<b>Corrective Action Plan</b>
None	Not Applicable

**Additional Supplemental Information  
On Debt Service Requirements**

## **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
					\$ 17,060,000
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>\$ 17,060,000</u>	<u>\$ 6,820,172</u>	<u>\$ -</u>	<u>\$ 23,880,172</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
					\$ 18,495,000
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>\$ 18,495,000</u>	<u>\$ 12,818,306</u>	<u>\$ -</u>	<u>\$ 31,313,306</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
					\$ 1,070,000
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>\$ 1,070,000</u>	<u>\$ 44,019</u>	<u>\$ -</u>	<u>\$ 1,114,019</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
					\$ 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>\$ 1,930,000</u>	<u>\$ 373,331</u>	<u>\$ -</u>	<u>\$ 2,303,331</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
					\$ 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>25,000</u>	<u>656</u>	<u>-</u>	<u>25,656</u>	
	\$ 350,000	\$ 125,981	\$ -	\$ 475,981	